

Showcasing Excellence

Case study 2: November 2006



Charter Housing long-term partnering framework



When people think about best practice, it is often associated with bigger organisations. When you focus on ideas and themes such as integration and collaboration it is generally connected with major projects that showcase best practice to the rest of the industry.

Sometimes though, the best examples come from smaller organisations and a series of projects led by an educated client that is prepared to invest time and money to improve the way things are done. That is exactly what Charter Housing decided to do when they embraced the concept of partnering after a best value review of its maintenance processes.

Charter Housing Association, which is part of the Seren Group, is a premier provider of affordable housing and manages approximately 4,500 residential units in south east Wales. Its stock had been maintained in a very competitive, traditional manner with up to thirty contractors seeking to win work based on price, not value. However, with the need to meet the Welsh

Housing Quality Standards it was becoming clear that the system needed to be improved.

"It was apparent to us that we were not delivering value," explained Paul Helyar, assistant corporate director responsible for maintenance at Charter.

"Efficiency and cost effectiveness of the maintenance process was all in question and then following a best value review of the maintenance service we knew action had to be taken."

The results of the review revealed that Charter's customers wanted a change in the way the services were provided. They were dissatisfied with some of the contractors being used and the way the service was structured generally.

"Different contractors were calling to carry out similar types of work and the service was top heavy in terms of administration," said Paul Helyar. "Our customers told us that Charter and its contractors do not seem to be on the same team."

At about the same time as this review in 2003, the Welsh Assembly Government and Constructing Excellence in Wales produced a best practice guide for construction and maintenance work. Charter's board of directors seized the ideas outlined by Egan and Latham and decided that the housing association needed to adopt long-term framework agreements to deliver better value.

"Charter does have a reputation for being quite progressive across a number of areas," said Paul Helyar. "Because of this innovative culture it was willing to consider new ideas like frameworks. We knew that we needed to pursue a partnering route but we did not know how to implement the frameworks needed to deliver improved services."

Following an introduction from Constructing Excellence in Wales, Charter's team began working with Evolution-IP, consultants specialising in setting up improved construction procurement methods. Their role was to develop with Charter a strategy and then facilitate the implementation of the new way of working, the main themes of the strategy being procurement and customer involvement.

Working with Evolution-IP, a procurement strategy, called Charter CFM – customer focussed maintenance – was developed and approved by Charter's board in the spring of 2004. The aim was the procurement of a single integrated supply chain to deliver planned and reactive maintenance based on long term collaborative arrangements, utilising open book accounting methods.



The next task now was to explain the concept to various contractors and select who would be the long-term partners. Charter managed this with a contractors' open day in June 2004.

"Over a hundred contractors had replied to our advertisements, and we held the open day at a local hotel in order to outline the objectives of our new strategy and reasoning for the new approach," explained Tim Beckingsale, the maintenance manager for Charter at the time of the change over.

"Charter's chief executive explained our plans and then Vassos Chrysostomou of Evolution-IP outlined the detail of the new programme and the challenge ahead."

This was an entirely new approach for everyone involved, except the Evolution-IP team led by Vassos and his colleague, Tony McKernan.

"To work effectively, a single integrated supply chain must have an informed client who understands what its objectives are," explained Vassos Chrysostomou.

"We were lucky as Charter knew exactly what they wanted to happen – cost reductions, more efficiency and a better service and a value driven approach to delivering maintenance across its housing stock."



More importantly, the client had identified the work load to be delivered for the first six months of the project, agreed a budget for the works and decided that the project would be managed on an open book costs model.

"The strategy was to focus on core work streams - kitchens and general building repairs, electrical repairs and upgrades, plumbing and bathroom installations and gas servicing and maintenance," said Tony McKernan.

"Next we had to reduce the sixty or so firms that were interested to a short list of eleven."

A pre-qualification CD questionnaire was issued to all interested contractors. They each had a month to respond and were asked a series of questions about their experience and approach to collaboration, attitudes towards health and safety and there was a focus on exploring the culture of the potential contractors as well.

"There was a full scoring matrix," said Tim Beckingsale. "It was very important that we chose like minded organisations to work alongside as partners. Two areas we were especially interested in was the approach to training and the capacity to cope with the work and the strategy."

The short list of eleven was identified and a series of site visits, meetings and collaborative assessments were undertaken over the summer of 2004. The emphasis was always on a two way sharing of information with the objective of matching the cultures and determining if the contractors and Charter could work together. Charter made certain that their clients were involved in selecting the contractors, which placed an emphasis on service and value as well as culture.

"The emphasis was always on culture and value," stressed Tim. "We did not discuss the commercial aspect of the project until the very last stage when we identified the final set of contractors. Once they were confirmed then we began to negotiated how the open book model of accounting we had chosen was going to operate."

The aim of the model is to protect profit and overhead and remove the incentive to engineer more financial gain from the job at the expense of real value. In essence, it is a move away from price as the arbiter of winning work and move towards actual cost, which in turn allows the contractor and customer to release real value. September was set aside to discuss the open book costs model, whilst Evolution-IP and EC Harris went through the accounts and undertook the necessary financial analysis.

"It was a very new concept for everyone, but by using collaborative training sessions and working together on real projects, the team began to build strong relationships and established a culture," said Tim.

In October the project started to work on real projects. Moving from theory to reality was not always a smooth transition and everyone found the next few months a steep learning curve. Not least because the contractors were providing an integrated asset management service – delivering both planned and reactive maintenance. Evolution-IP identified that the speed of change required was not always supported by the internal processes of the contractors and the client.

"The change needed to make this kind of strategy successful is all about the culture and people's behaviour," explained Tony McKernan.

"The job itself is the same – fitting a kitchen or repairing a gutter for example – but behaviour and attitude sometimes can get in the way of the process."

It was not surprising that everyone needed help and encouragement to adapt their internal processes and resist the desire to step outside of the framework and behave in a traditional confrontational manner from time to time.

"We pressed on and overcame the initial concerns and delivered some excellent results," explained Tim Beckingsale.

"Customer satisfaction is running at 93%, responsive repair costs are below the 2003 level and we improved the back office function as well, for example – only two invoices per month are produced by each contractor for up to 1000 repairs per month which means we are more efficient."



The success of the new framework relies heavily on the accurate measurement of data and the contractors use a series of Key Performance Indicator to underpin the collaborative working and open book approach to accounting, in order to improve their businesses and the way they operate as well as deliver a value driven service. However, the levels of data required in collaborative working are far more than in traditional working because of the level of monitoring and benchmarking required. This meant that the use of IT became a central part of the internal processes, measuring and sharing information.

"Some times the sharing of information did not always come easily to everyone, especially with regard to performance," said Tim.

"Traditionally, revealing performance data might be associated with failure – now everyone had the opportunity to work together to resolve an issue and improve performance as a single integrated team."

So, IT became a tool that was used to encourage better integration across the supply chain and a weapon with which to undermine the traditional blame culture that operated before the new strategy.

Paul Helyar, who took responsibility for the implementation of the new strategy in May 2005, sums up the story:

"Working as a single integrated team has helped our contractors become more efficient and effective businesses that understand cost and objectively manage their performance. Indeed, our contractors are telling us that the new way of working has brought real value to them in terms of their service to Charter as well as with other clients."

The partnership framework has been such a success we have renegotiated for the next twelve months already. We are now able to focus on operational delivery of the maintenance programme in a way that was not thought possible. We have a more strategic planning style allowing more efficient delivery and an ability to share best practice amongst the team."



Harry Meese – CW Electrical



"Charter's new CFM procurement strategy has transformed the way we do business. Collaborative working has allowed us, as an SME, to improve all areas of our business by planning and investing for the longer term sustainability and development of our people," explained Harry Meese, managing director of CW Electrical.

"Being part of a collaborative team has enabled our management team to concentrate even more on the most important areas of our business. We have introduced new and innovative ways to control the project from purchase orders to open book accounting. The removal of retentions and renegotiation of completed contracts, constant under payments and disputes with main contractors have all but gone. We are now able to concentrate on important health and safety issues, quality, continuous improvement, and training and joined up constructive thinking. Employees are empowered to drive the projects on the ground involved in the decision processes and are part of the larger team. One of the most pleasing outcomes of collaborative working has been giving us the freedom to invest heavily in training and employing apprentices. We currently have over 50% of our employees taking NVQ's and employ three apprentices. All of this has been achieved from a standing start two years ago.

"Sharing best practices has meant a much fitter, leaner company with long term sustainable profits. Open book accounting is a much simpler way of operating and it has made us look at all costs areas within our own company and of course led to us being more profitable. Cash flow problems have become a thing of the past with upfront payments of agreed overheads and profit with monthly invoice to cover the months work normally paid within 21 days.

"The support from Charter Housing CFM and the other partners has been first class and sustained throughout the first two years. We hope that collaborative working is here to stay, after more than 20 years in the construction industry we have not found a better, fairer, more professional way of working, for all in the industry."

Harry Meese
Managing Director

Charter – facts/figures

- Charter is part of the Seren Group
- It manages 4,500 residential units in south east Wales
- Charter administers 3680 tenancy agreements
- Charter's team that was responsible for the CFM framework is comprised of:
 - Paul Helyar
 - Tim Beckingsale
 - Nathan Gould
 - Tony McKernan of Evolution-IP
 - Vassos Chrysostomou of Evolution-IP

Further information on this case study is available through:
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