



Outsourcing: an overview for landlords

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Introduction

Over the past few years, social landlords have faced a challenging operating environment when it comes to repairs and maintenance.

The 1% a year rent cut has led many to look for savings – but the need for a safe, effective service that helps deliver high-quality homes for tenants and residents has also been at the forefront of their minds.

As a result, the different solutions available to landlords have also come under more scrutiny than ever before.

It's against this background that we publish this overview of outsourcing for landlords.

The overview explores all aspects of landlords' decision-making – and provides tips and advice along the way.

An *Inside Housing* survey, carried out in association with Mears, sets the scene by providing an overview of landlords' current thinking. We find out how landlords are currently approaching outsourcing, how they assess what

service solution is appropriate for their homes and tenants, and the main ways they would like their relationships with contractors to change and develop moving forward.

Then we take a look at some more specific performance and satisfaction data compiled by HouseMark for Mears, with expert analysis of the questions it raises and how it might guide landlords' thinking. And we hear from council and housing association landlords which have adopted a range of different approaches, to understand what has driven their behaviour and find out about the outcomes achieved as a result.

Decisions about repairs and maintenance and asset management are the most important that social landlords make. They have a huge impact on tenants' and residents' lives. They also have a reputational impact on individual organisations and the sector as a whole.

This overview provides food for thought to aid with that decision-making moving forward.

The findings

Against the backdrop of a challenging market and the Grenfell Tower fire, both of which are focusing the minds of many landlords right now, an *Inside Housing* survey carried out in association with Mears asked: what needs to be the future for repairs and maintenance?

The survey found that of 133 respondents, 19% are using a direct labour organisation (DLO) model, while 31% are outsourcing or contracting out and nearly half are doing a combination of both.

Most landlords are content in their choice of approach, with 84% either “extremely”, “very” or “somewhat” confident in their chosen solution as a result.

Quality of service, value for money and tenant satisfaction are the top three priorities when considering repairs and maintenance, although contract flexibility, safety, “minimal supervision” and performance and information transparency were also important. All these colour whether landlords decide to run services in-house or outsource them, with nearly 40% saying they would definitely affect their decision.

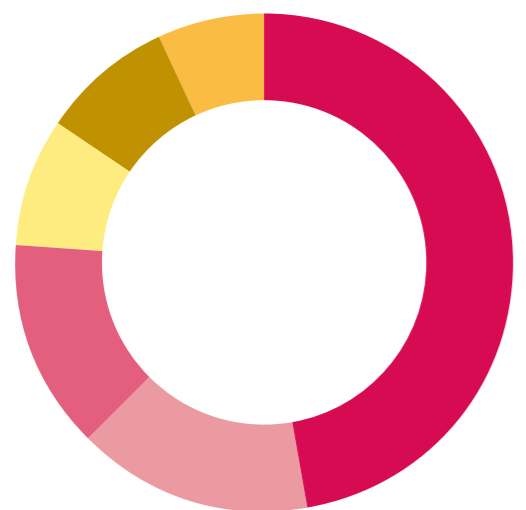
When gauging whether an in-house, contractor or shared service solution is sustainable, almost 48% of respondents cited performance as the most important indicator by far.

Going forward, particularly because of Grenfell, 27.6% of respondents said the relationship between contractor and landlord needs to involve greater collaboration.

As one respondent put it: “The challenge is for the terms ‘outsourcing’ and ‘insourcing’ to become irrelevant. Repairs is not a complicated business and is about making sure that a problem is fixed quickly to the required standard.

“We should not be focused on delivery models. Instead, we should be setting high standards of delivery outcomes, regardless of who does the work.”

How do you assess whether an in-house, contractor or shared service solution is sustainable?



■ Performance **47.46%** ■ Cost **15.25%** ■ Other **13.56%**
 ■ Customer service **8.47%** ■ Cost transparency **8.47%**
 ■ Tenant feedback **6.78%** ■ Trust **0%**

Expert analysis

The outputs of a repairs and maintenance programme are relatively simple and universally accepted – repairs carried out efficiently and cost-effectively on the first visit that leave the tenant or customer fully satisfied.

However, the methodologies and mechanisms of achieving them are quite the opposite – they are a diverse and ever-changing sea of operational possibilities, structures, contract types, relationships, technologies, and environments.

Given that there are more than 1,700 registered social housing providers in the UK, with stock sizes ranging from fewer than 10 homes to more than 50,000 properties, it should be of no surprise that a diversity of repairs and maintenance strategies and methodologies exist. In fact, in some respects, this diversity should be embraced.

Most of the 1,700 registered providers hold a significantly smaller stock size than those in the top 100. Some will have stock in a singular, concentrated area, while others are dispersed. Some will have predominantly urban-based stock, others rural. Geo-economic factors such as pricing and the availability of labour will vary considerably between areas such as central London and Cumbria or Wales.

Given how many different contexts there are, it is interesting to understand how effective these different strategies are in practice. But it is perhaps more interesting to understand – despite those differences – what commonality exists underpinning the wide scope of the provision of repairs and maintenance in the UK today.

A recent survey conducted by *Inside Housing* in association with Mears has a good, broad mix of respondents, with just under 50% using a hybrid of internal direct labour organisations (DLO) and external contractors to provide their repairs and maintenance programmes, and the other half using either an internal DLO (19%) or external contractor (31%) exclusively.

Transparency and trust

One recurring factor throughout the survey was the importance of transparency and trust with contractors (either DLO or external). Although this was never the most important element in any of the survey questions, its strong prevalence throughout multiple responses to questions make it a significant theme.

Transparency and trust were highlighted not only with regards to the relationship between the contractor and the client, but also with regards to transparency of costs and pricing.

This, however, isn’t as simple as clients being mistrustful of their contractor. There are likely to be numerous factors here that result in the desire for more transparency.

“One recurring factor throughout the survey was the importance of transparency and trust with contractors (either DLO or external).”

Pricing methodologies are often a bone of contention: should we use standard schedules of rates (SORs) or time and materials, or perhaps move to ‘basket rates’ to simplify invoicing and processing? We can have the granularity of SORs (including the creation of limitless customer-specific SORs) to reflect every potentially conceivable aspect of repairs provision in minute detail or the more simplified basket rates model, where pricing is established on common scenarios (such as the total cost for fitting a 13-unit kitchen in a three-bedroom house). But to move from either of these extremes to the other will sacrifice detail for efficiency or vice versa.

The simple fact of the matter is there is no ‘perfect’ pricing model. Every model has its flaws – from the complexity of approving invoices for SORs with granular levels of details to the details sacrificed by moving to a more assumptive model such as ‘basket rates’.

But perhaps the theme of increased transparency is underpinned by neither mistrust nor pricing methodologies. Perhaps it is simply a reflection of changing expectations. Technology has improved exponentially since most housing providers last negotiated a contract for repairs and maintenance.

In our lives as ordinary consumers, we have become accustomed to the proliferation of readily accessible and almost instantaneous data in our daily lives – from Netflix to Twitter, from Google Maps to online shopping. We have also become accustomed to the immediacy of service delivery, thanks to the likes of Amazon, and there is now a growing expectation for that to be seen in our professional lives, too – in contracts such as those for repairs and maintenance.

This drive for clarity, transparency and trust brings with it an increasing expectation of better IT platforms, reports and intuitive data to help us understand the cost, performance, accuracy and efficiency of our repairs and maintenance contracts.

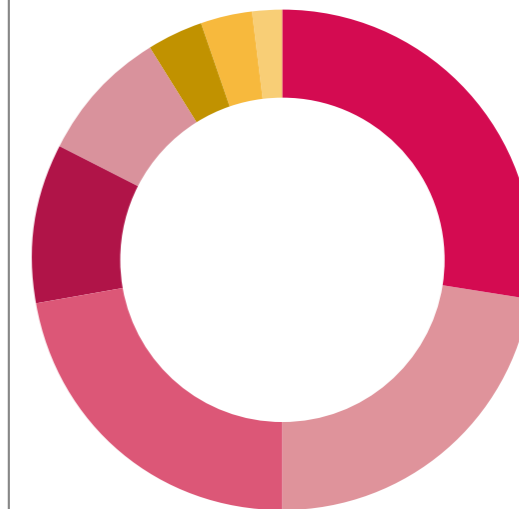
Other themes

Effective use of IT systems was the second most important factor in improving relationships with contractors moving forward (along with openness regarding costs incurred). It was only surpassed by the desire for greater collaboration, which itself could be underpinned and delivered by the more effective use of IT systems.

Another recurring theme was contractual flexibility. This perhaps is one factor that is squarely focused on protecting the interests of the customer, rather than those of the contractor. The most likely reason for the increased importance of contractual flexibility is the instability and uncertainty currently facing the sector. These are predominantly caused by the quandary of uncertainty around Brexit – which in itself brings multifaceted risks in terms of the availability of labour and products, lead times, currency fluctuations, potential legislation changes and significant political uncertainty.

Given the tumultuous nature of these uncertainties, housing providers should be looking to incorporate a degree of flexibility into their contracts to mitigate any potential risks. Within my own organisation, we have been planning for such contingencies for almost two years and have built up an array of contracts,

How do you believe the contractor relationship needs to develop in the future?



■ Greater collaboration between landlord and contractor **27.59%**
 ■ Openness regarding costs incurred **22.41%**
 ■ Effective use of IT systems and processes **22.41%** ■ Other **10.34%**
 ■ Greater transparency of a contractor's financial viability **8.62%**
 ■ Sharing of contract performance information **3.45%**
 ■ New financial models **3.45%** ■ Greater risk sharing **1.72%**

including many for dynamic purchasing systems (DPS), which have been put in place specifically to mitigate the potential risks caused by Brexit.

The repairs and maintenance sector has an above-average exposure to risks from Brexit because of its high dependency on construction-related materials (60% of which are imported from the EU) and labour (with a significant proportion of its workers being UK-based EU nationals).

Surprisingly, social value seemed to be low in terms of the respondents’ priorities; it was ranked as the second lowest priority overall. This was unexpected as social value seems to be an element in procurement that hasn’t waned as quickly as other elements, and seemed to be having some longevity. Additionally, given the high importance of customer satisfaction seen in the survey, social value would seem like a natural complement to enhance satisfaction.

A common thread

Regardless of whether housing providers use an internal DLO, an external contractor or a hybrid of both to provide their repairs and maintenance programmes, it seems there is some fundamental commonality in requirements across diverse customer types.

Greater transparency, better use of technology and more flexibility have all increased in customers’ priorities. But the core expectations of quality of service, tenant satisfaction and value for money remain at its core.

Alan Heron
 Director of procurement, Places for People

The findings

What does a successful housing repairs service look like? This was the question tackled in a bespoke HouseMark data report commissioned by Mears using benchmarking data from the 2016/17 financial year, based on responses from the 328 landlords who took part.

When it comes to the use of direct labour organisations (DLOs), the data showed that about half (56%) of the 310 landlords that responded to this question said they had a DLO. Given the figure was 40% just eight years ago in 2010/11, this suggests the market – and appetite – for contracting out repairs has been shrinking since the start of the decade.

The same HouseMark data showed that whether repairs were contracted out or carried out in-house, the median cost per property of responsive repairs is around £551, split between £128 on management and £423 for service provision. The analysis found that a typical responsive repairs budget for a landlord in the median quartile with 10,000 properties is around £5.5m per year.

Using a DLO could reduce this, however. Landlords that operate a DLO record lower average overall responsive repairs costs per property – around a £12 difference compared to those preferring a contracted-out service. Although service costs for a DLO tend to be slightly higher, landlords that use contractors overall spend £16 more per property on management.

Perhaps unsurprisingly, the costs of repairs and maintenance for London-based landlords was far higher than for the national average. The data concluded that London-based landlords

spend on average £859 on responsive repairs per property, which is more than £300 above the national average.

What about tenants?

The table below uses a selection of performance measures that focus on the elements of the repairs process that tenants rate most highly, as well as throughput of jobs. It shows that the median landlord completes 91% of repairs on the first visit.

HouseMark notes in its analysis: “This is an important measure to get right, as our correlation analysis of these results showed a moderately strong relationship between a high proportion of repairs completed at first visit and how satisfied the tenant was with the service received.”

Indeed, for the median landlord, nearly all tenants (93%) said they were very or fairly satisfied with the service they received. However, tenants of London-based landlords were less satisfied, being some 11 percentage points lower than their counterparts elsewhere in the country.

Similarly, nine out of 10 tenants say they are broadly satisfied with their landlords’ repairs and maintenance service in general. There is a caveat here, however – tenants tend to say they are more satisfied with the service they receive for a specific repair than they are when asked to rate a repairs service more generally.

When it comes to the relationship between the age of the housing stock and the cost of responsive repairs, the report highlights that landlords with high proportions of stock built before World War II tend to have greater responsive repairs costs – about £100 higher than the average.

Expert analysis

The findings of the HouseMark report on property repairs services were very interesting. They showed a broad range of costs, efficiencies and satisfaction levels that reflect landlords’ diverse natures and contextual circumstances.

The report goes some way to analysing the findings and uses contextual information, such as location, stock size and DLO-usage, to establish some useful correlations between these elements and the data. However, there are several additional, important considerations that may be skewing the data.

Stock density/dispersion

Stock size is a sensible contextual element to consider, which the report does effectively. However, doing so without fully understanding the stock density/dispersion could render some of the assumptions inaccurate or misleading.

For example, a landlord with a stock of 10,000 homes in a 10 square mile area can make repairs more efficiently and effectively than a landlord that also has an equivalent size of stock over a 200 square mile area. Perhaps a measure of density, such as number of units per square mile, could bring some additional context to the data.

Urban or rural locations?

Similarly, alongside location, consideration should also be given to urban and rural settings. Rural stock is likely to be more dispersed, with fewer builders merchants, so travel times to locations and between jobs will be longer. There will also be more ‘non value-adding’ time spent between repairs. This will have a direct effect on the cost per repair.

Technology creates efficiencies

The adoption of effective technologies can create significant efficiencies. Advances in telematics, job scheduling and costing software in the past five years have been such that they can be truly transformational for some landlords. Some of the lower costs and higher satisfaction scores may therefore be attributable to the adoption of such technologies.

Stock age versus median cost of repairs

There were a few interesting ‘anomalies’ that are worth highlighting. One is the median cost of a property’s repairs compared to its age. At first, the results seem sensible. The report highlights a distinct drop in the median cost of repairs of properties constructed after 1945, compared to those built before – effectively, ‘older properties cost more to maintain’.

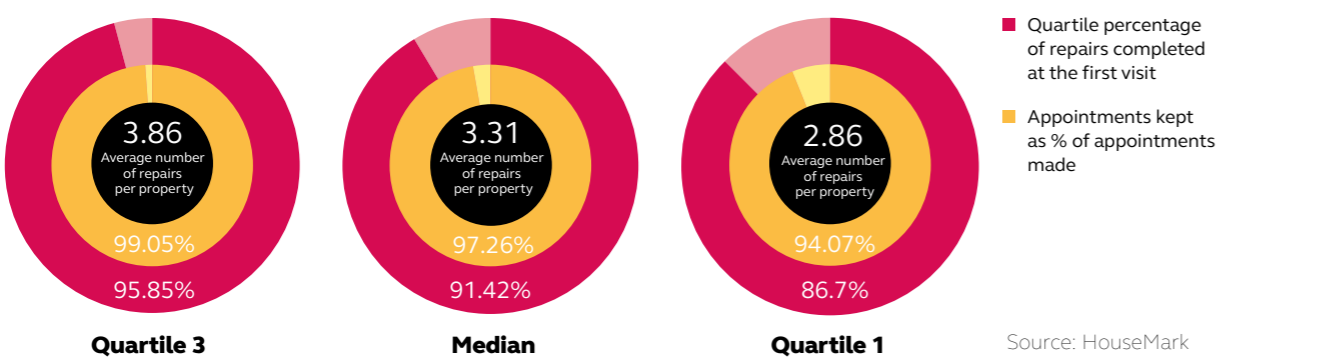
However, the report doesn’t point out that properties built after 1983 see a slight increase in median costs, which seems to contradict this. Could this increase be because of a reduction in build and/or materials quality after 1983? Or are there other factors at play, such as an average increase in labour costs?

Effective procurement

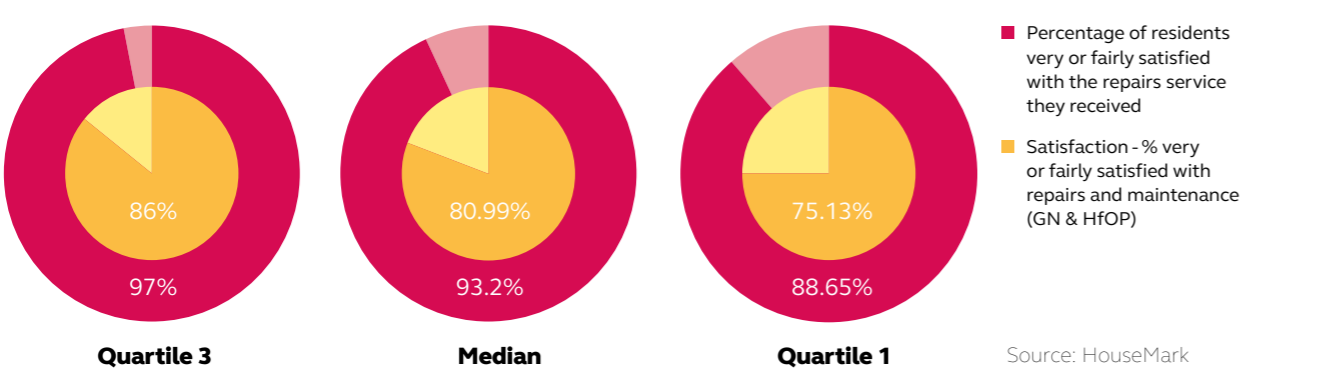
Another factor in the costs of repairs is the effectiveness of the landlord’s procurement function. This applies equally to landlords with a DLO and those who outsource – landlords with a DLO will benefit from the effective procurement of construction and building materials, and those with agreements with contractors will benefit from effective tendering.

Alan Heron
Director of procurement, Places for People

2016/17 national quartile positions for three repairs performance measures



National quartiles for the two satisfaction measures



How the median costs compare for each age range

Source: HouseMark

Age range	Cost per property – total responsive repairs (service provision) (includes overheads)	Cost per property – total responsive repairs (management) (includes overheads)	Cost per property – total responsive repairs (combined) (includes overheads)
Units that were built pre-1919	£461.40	£193.59	£654.99
Units that were built 1919-1944	£465.96	£153.09	£619.04
Units that were built 1945-1964	£410.66	£102.12	£512.77
Units that were built 1965-1982	£407.32	£121.38	£528.69
Units that were built 1983-2002	£407.81	£148.27	£556.08
Units that were built post-2002	£435.72	£124.99	£560.71
National median	£422.88	£127.64	£550.52

Mears guidance

Four ways outsourcing could support your organisation

Every company outsources in some way, whether it's a small company handing over its accountancy services to a local financial management organisation or a much larger one outsourcing entire functions or departments. Alan Long considers the benefits

Focus

Outsourcing enables commissioning organisations to sharpen their focus on their particular business priorities. In the current environment, a considerable number of landlords are shifting their emphasis to creating new housing. They may therefore consider whether it is helpful to outsource other services, such as repairs and maintenance, so that they can focus better on the things they think are more important.

Offering specialist expertise

It may be that there are companies that specialise in services your organisation doesn't need to provide itself. Look at the Ford Motor Company: when it first developed automated production lines in the early 21st century, it thought it would do everything, from making the glass for the windscreens to producing steel parts. But the company's bosses quickly realised that was stretching their skill set too far, so instead chose to use other firms to make certain parts.

Sharing risk and staying one step ahead

Keeping on top of everything using your own resources puts a strain on your workforce capability and capital expenditure, and is a risk you have to manage. You may be better off allowing outside businesses to stay on top of developments across your services, for example, which would share that risk. That could include appointing organisations with the capacity to keep on top of IT changes, asset management or health and safety allowing you to focus on more important priorities elsewhere.

Providing value

Whether outsourcing can result in savings depends on your baseline, what services you are looking to outsource, to whom you are outsourcing and your time scales. For many organisations, outsourcing might be as simple as reducing the cost for fixing a broken tap in a property, for example – by giving the work to someone else, it costs less. This is simple cost reduction.

In asset management, real cost savings come in the long-term. That could be through using taps that do not break as often, or taking a more planned and proactive approach to managing repairs. That means it might actually cost more to fix the tap on day one, but you will save money over time by reducing the overall cost of repairs.

Alan Long is executive director of the Mears Group





The sector perspective

Darren Welsh

Director of housing, London Borough of Waltham Forest

“ We have outsourced much of the work we do for council tenants and leaseholders – things such as our repairs and maintenance services, building works, major improvement programmes, and specialist works such as mechanical and electrical engineering.

When awarding the contracts, we talked to our residents to find out what they need from a service. We also worked out what we need to improve and maintain the quality of our homes.

we all want from our homes and neighbourhoods: they're looking for a proactive service that fixes things before they're broken, makes repairs in good time and takes their feedback on board.

We try to use the experience that providers have in providing services elsewhere.

As a result, we decided to renew one contract with an existing provider that was carrying out specialist maintenance work, because we were very happy with its performance. It benchmarks itself very competitively against other providers and residents are very satisfied with it.

However, we found with another provider that we could obtain a better solution by going out to the market and re-tendering its contract.

At the same time, we looked at our in-house potential to provide those services. However, we felt external contractors offered better value for money than we could while maintaining the same quality.

Residents are looking for exactly the same kinds of things

They're also looking for a service that is delivered in a more modern way. For example, we've introduced new technology to enable tenants to report repairs, access services differently, book their own appointment slots, and have greater access to services outside normal office hours.

We try to use all the experience that the providers have in providing those services elsewhere, and that is where you can really add value. We can see that the providers we're working with – and those we could potentially work with in future – are already providing these improvements, have already invested in the infrastructure required to do so, and are achieving very positive results for residents on the ground. ”

Mears guidance

Finding the perfect match: things to consider in an outsourcing partner

Alan Long outlines the options and matters to consider when you're looking for the right outsourcing partner

Set goals

It is important to start with what you want to achieve and what the goals of the outsourcing are, in both the short and long terms.

Added value and expertise

Another consideration is whether the company you wish to contract has expertise on top of any expertise you may already have in your organisation. Is it going to do anything differently or better than you can already do yourself?

Track record

You also need to consider a company's track record. Speak to other organisations who have similar business priorities to you. Who have they used and what success have they had?

A cultural fit takes time

I have found, when I've outsourced within Mears, that I would sometimes struggle to work on a day-to-day basis with organisations that on paper have good capabilities and good expertise to deliver outsourcing projects. I've always enormously valued being able to relate to people who have similar values and aspirations as myself.

So, consider the culture of the organisation with which you want to work, as there can be difficulties. You may find an organisation is potentially very strong at achieving particular objectives on your list, but has a cultural mismatch with your own organisation.

In this case, the chances are that it is going to be very difficult for you to achieve your objectives, because you are up against someone who works in a different way. No matter how strong the expertise on both sides, it's very unlikely you're going to successfully deliver an outsourcing project.

Your new co-workers

As well as the people at the top, you should ensure you talk to the people at the company who are going to be working with you on your project. The people negotiating with you may have the same values and culture that you do, but you should ensure that relationship is going to be ongoing and extends to the people who are going to carry out the work.

So, I would always encourage organisations' management teams to spend time with the people with whom they are going to be working before they make any decisions about contracting out.

Alan Long is executive director of the Mears Group





The sector perspective

Emma Richman

Director of assets, Great Places

“ Many organisations have a passion for insourcing but struggle to make that happen, so end up outsourcing instead. ”

What’s been really interesting is the reaction to Grenfell, with a drive to quality over price. Before that, price always had a bias over quality during tendering, but there’s been a complete shift back to quality.

If you go to a well-established outsourcing partner, that can provide considerable assurance to an organisation. For example, with things such as gas and electric, people want solutions that have

organisations, when it comes to things such as providing low-carbon solutions.

As an organisation we are really focused on being environmentally friendly, and we are constantly looking at improving the energy efficiency of our properties. We have an aspiration to get all our properties up to at least a Band C energy performance certificate within the next 10 years.

Although it is a good aspiration to try to bring some of that skill in-house, by outsourcing, you are managing your risk profile.

integrity and that they can trust. Although it is a good aspiration to try to bring some of that skill in-house, by outsourcing, you are managing your risk profile. We are quite a large organisation so that’s something that’s important to us.

When looking for an outsourcing partner, we want someone who has a good reputation, has integrity and that has invested in technology – there is plenty of technology available to outsourcing

At the moment, we have outsourced some of our investment programme, but we have aspirations to bring that in-house. We have also outsourced our gas contracts, but again we are looking at what parts of that we might be able to bring back in-house at some point in the future. We also have outsourcing solutions for some important compliance items, such as water hygiene.

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The sector perspective

Ulfat Hussain

Director of operations, Manningham Housing Association

“We don’t outsource. However, rather than using a DLO, we use contractors on a day rate. We have looked at our own internal processes to see whether we could do things more effectively, including making sure that our suppliers honour their guarantees and looking after our customers. In terms of our major repairs programme, we tender work on a fit-only basis with local suppliers. We’ve saved a significant amount of money that way.”

As a small organisation with 1,400 tenancies, we don’t feel that a DLO would be appropriate. There are inherent management issues involved, and we would only need three or four people at the most in a DLO team.

At the moment, we deliver repairs and maintenance in a traditional way, but we provide a good service. The customer feedback with this approach has been excellent.

If we were to go down an outsourcing route, we would want

If we were to go down an outsourcing route, we would want to find an outsourcing partner with whom our values align.

As it is, we have agreements with local suppliers. That’s a decision that our board made: we try to use people from the local community. We try to support small, as well as black and minority ethnic (BAME) organisations. This feeds into our social value.

We regularly review the way we do things. In fact, we are planning a review of our repairs and maintenance strategy in the next six months. We want to provide our services in the most efficient and cost-effective way. New ways of working are constantly emerging and we have to consider those.

to find an outsourcing partner with whom our values align. That’s really important.

At the moment, we’ve got local contractors who rely on us and give us a very personalised service. In my view, you can’t really have that sort of relationship with a bigger organisation.

Ultimately, we are a BAME housing association, and we are proud of that.

We also use BAME contractors who really understand our residents, which really helps when it comes to providing them with a good service.”



Mears guidance

Finding the outsourcing model that’s right for you

Even within traditional models there are variations. Alan Long considers the options

Consider the options

When it comes to repairs and maintenance you could outsource the whole service, or you could outsource part of it, such as your gas services. You could choose to keep some tasks in your own workforce and give some work to your outsourcer, bringing both teams together so they can learn from one another.

Alternatively, you could establish a joint venture where you take a share in a particular project. A landlord may decide it wants to keep a portion of a new maintenance operation for itself, for example, but may want a partner to invest in that joint venture. That partner would then jointly own it and have joint goals.

A managed service

The landlord might decide that it wants to maintain a strong and direct relationship with the workforce. It wants to feel that the contract is its own operation but the outsourcer will manage the service. So, the workforce does not belong to the outsourcer, but it carries out the management, the IT and the procurement of materials. That way the company can bring in expertise that it might not otherwise have.

Spreading the risk as well as the skills

You need to consider what services you want to outsource. Do you want to hand over everything? Do you want to work with one contractor or several? Contracting across a number of different outsourcers can help with risk management, enabling you to spread the risk across a number of companies.

It may be that you want to appoint different outsourcers with different skills to handle the relevant parts of your business or ones with a particular geographic focus, particularly if you have parts of your business that are in a location that is out on a limb.

Alan Long is executive director of the Mears Group





The sector perspective

Malkit Sagoo

Asset management director, Platform Housing Group

“ When I joined the group a couple of years ago, we had two very large outsourced repairs and maintenance contracts that weren’t really working well for us.

The contractors had sort of lost the vision and we had, too. We felt that outsourcing on this scale would solve all our problems and would have taken the headache of responsive repairs largely away from us. But I think, as an organisation, we were wrong.

The services dealt with were across the whole spectrum of those that touched most of our tenants, and satisfaction was at a low level.

certain area, the mixed economy model would allow us to change the way the service was delivered.

When outsourcing to very large providers you need to be clear as a client about your needs and the needs of the contractor to make a profit. When we set up this mixed economy model, we were clear that we wanted a partnership relationship. I think our biggest mistake had been to assume that

As an organisation with social value, we also saw the benefit of creating employment in the communities in which we work.

We decided that we wanted to avoid the knee-jerk reaction of bringing all the services back in-house. As an organisation with social value, we also saw the benefit of creating employment in the communities in which we work.

So, we decided to design what we call a ‘mixed economy’. We looked at the geographical areas where we work, and made sure we had a mix of outsourcing and in-house solutions across the board. It was really about putting the service first and realising that if the contractor or in-house team were failing in a

we had delegated the responsibility and no longer had to deal with it.

Under the new system, we initially signed outsourcing contracts for a year. We made it clear that this was not because we didn’t trust the contractors, and that once the relationship had bedded in on both sides, we would be happy to sign long-term agreements that allowed the contractors to invest in their services.

Although our idea was met with some scepticism in the early days, a lot of them are still with us. ”



Mears guidance

Making the most of an outsourcing arrangement

To create a successful outsourcing model, it is vital to lay down some ground rules, says Alan Long

Governance and communication count

Once you have found an organisation that has a good cultural fit and you have clearly set out your goals, you should be really clear about governance.

Firstly, establish how the contract is going to be managed, at both a partnership level and a day-to-day level, by setting long-term, strategic aims and day-to-day or week-to-week goals. You should also consider putting in place details of what it looks like to meet those aims and how progress is achieved, as well as control mechanisms for ensuring that the partnership is structured well and is reported on.

Many things fall down when responsibilities have not been made clear, both in terms of the landlord’s role and the role of the outsourcer, as well as other interested stakeholders. Communication with tenants, for example, is key to ensuring that they know whose job it is to undertake repairs so they do not get frustrated or confused.

It is also important to have realistic timescales. Sometimes it is impractical to deliver priorities quickly, so do not be over-optimistic, either in setting targets for the contractor or making promises to wider stakeholders. If early goals are not achieved then tensions can arise, and things will start to break down.

Creating the right behaviours and outcomes

You should also incentivise the right outcomes. If your incentives are focused on reducing the costs of repairs, you will get a service that leads to cheaper repairs; however, it won’t necessarily result in cheaper costs in the long run. Make sure the provider also reflects those outcomes right the way down through its structure, ultimately to how the operative works in that property. Everything needs to be joined up to drive the right behaviours and the right outcomes.

An annual refresher

If you are looking at a partnership for the long-term, make sure you update it regularly.

Companies sometimes put a huge amount of effort into the tender at the start, which means people work together to deliver the business priorities. But perhaps four, five years into the partnership, there is not enough thought given to how it can be refreshed and driven forward.

I would encourage landlords to treat each year as a new tender. You might have a five- or 10-year contract in place, but it is good to ensure that there is a process each year that puts new ideas into the business plan for the following year, as if you were commissioning afresh.

Alan Long is executive director of the Mears Group





The sector perspective

Patrick Odling-Smee

Service director of housing, Luton Borough Council

“Luton has a partnership with Mears to provide temporary accommodation. They have taken the lease on a building and leased it to us, and we have been able to house our families in it.

A decision to outsource is usually driven by access to money. What Mears brought to the table was cash. They'd bought a building – they did consult with us before they did it – but they were able to use their financial resources to benefit us.

We set up the partnership in order to capture that benefit, because they were providing accommodation at a cheaper rate than we could source elsewhere.

We do not have the need for that scale of operation all the time, so we buy in those skills as and when we need them.

Although we mostly outsource through our standard procurement processes, that was very much opportunistic. The work we do with Mears came about because they came to us with a proposition and we ran with it, because it makes financial sense to them and us.

Whether you are insourcing or outsourcing, you do have to consider costs. Whenever you outsource, you have to assume that anyone you're outsourcing to is going to need a profit margin,

which is a cost you have to add to the overall business case. Sometimes that margin can make outsourcing financially unviable.

As well as having a financial motivation, bringing in new skills is key for us, because we lack skills in some areas and we don't have the recruitment flexibility we would like. In particular, we have always brought in specialist skills.

For example, housing associations act as our development partners

because they've got the skills that we haven't got and if we want to get schemes up and running, we need to work quickly and get the skills and resources in fast.

We also have a whole framework of architects, quantity surveyors and service engineers who come in and provide those specialisms. We do not have the need for that scale of operation all the time, so we buy in those skills as and when we need them, which makes it more financially viable for us. ”

The authors



Alan Heron is an MCIPS-qualified procurement director at Places for People Group and Procurement Hub. He has more than 20 years' experience in procurement, manufacturing, healthcare and housing markets in both the public and the private sector. He has extensive knowledge of EU procurement legislation, supply chains, negotiation and leading strategic change through procurement.



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