
Integrate - Serving the Community Together

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Abstract

Integrate is a consortium of 8 Housing Associations in Wales that has been formed in response to a paper from the Welsh Assembly Government aimed at making housing development more efficient. Greater efficiency would involve a multi-year distribution process, collaborative working and cost savings. The paper describes the establishment of the consortium and a range of key features in its processes including: Open Book Accounting, joint procurement, staff training, supply chain selection and programme management arrangements. It also discusses the challenges involved in setting up and managing the consortium, the benefits achieved to date and introduces future development opportunities.

Background

Integrate is a consortium of eight Housing Associations (HA), plus one Associate member, who came together in 2005 to create a procurement and collaborative working framework in the housing construction sector.

The impetus to form the consortium came about from a paper published by the Welsh Assembly Government (WAG) in July 2004 entitled "Making the Connections" (2004).

This paper consulted on the principles of making the development process and its associated programme management more efficient and more 'deliverable'. This was borne out of a desire to get away from annualised programmes, where there were frequent underspends.

Following consultation, WAG published a final proposal in March 05, with detailed requirements for Housing Associations to meet if they were to be considered for future development status. It was therefore critical to our businesses that we found ways to meet the new Assembly agenda.

The key aims of the WAG proposals were to:

- i Improve programme planning by replacing a formula distribution mechanism with a multi-year bidding process,
- ii promote collaborative working between housing associations to build capacity and achieve more efficient programme delivery,
- iii promote joint procurement programmes to achieve economies of scale and more effective local supply chain management.

The proposals set out by WAG in their March 2005 paper aimed to reflect the ambitions of "*Making the Connections*" in the delivery of the Social Housing Grant (SHG) programme in Wales. This document emphasised maximising efficiency gains through the scale economies of more effective co-operation and co-ordination between the public sector, voluntary and private sectors.

The paper outlined WAG's expectation for the three parties involved in the delivery of Social Housing Grant programmes - Local Authorities, Housing Associations, and WAG's own Housing Directorate.

Local authorities are expected to:

- develop effective housing strategies to identify needs and priorities and facilitate delivery e.g. through use of planning powers, such as S106 agreements
- develop and present realistic proposals for multi-year programmes.

Housing associations (HA) are expected to:

- maximise efficiency through pooling resources, collaborative procurement, integrating multi-year asset management and development programmes, supply chain co-ordination, continuous improvement and sustainable development.

WAG:

- aims to achieve better synergy between local priorities and Assembly objectives,
- will agree (wherever possible) multi-year development programmes with local authorities and procure programmes from housing association partnerships,
- streamline its grant administration,
- move towards scrutiny of programmes not individual projects,
- review structures needed to allow housing associations willing and able to work in new ways to do so,
- revise and strengthen guidance to local authorities on the production of local housing strategies.

WAG decided it would not prescribe a model for development partnerships, but would look to housing associations to design and implement new operating arrangements that best suited their circumstances. The overriding requirement was that HA's demonstrated commitment to the principle of working collaboratively to achieve measurable improvements in procurement efficiency.

If development partnerships were able to demonstrate such a commitment they would be awarded firm development programmes for up to three years.

Integrate members had already been meeting since the original paper, and felt that the eight organisations had sufficiently similar values to form the basis of a successful consortium. All members had good track records of continuous improvement, innovation and crucially, all had managed to spend their full development allocations under the previous regime. Members felt it was worth the investment to find a suitable framework for collaborative working.

We understood there were major challenges involved in trying to bring together eight geographically spread organisations with different resource levels and some differences in culture, attitude to risk, etc, but felt that it was the only way forward. We were also happy that WAG had not prescribed a model of working, which gave us the flexibility to develop something fit for our own purposes.

WAG produced a set of minimum requirements for all consortia to meet. Integrate was required to have the following in place:

- i Experienced and skilled development staff with joint training and career development opportunities.
- ii Integration of asset management programmes with development programmes to enable collective procurement of labour and materials.
- iii Ability to deliver effective long-term supply chain co-ordination and management using a partnering approach.
- iv An efficiency improvement plan.
- v A commitment to developing small and medium sized local contractors.
- vi A commitment to sustainable development.
- vii Continuous improvement to quality and efficiency in procurement.
- viii Financial capacity, demonstrated using 30-year financial projections.
- ix A statement of all current activities of members and strategies for future development.

- x Strategies for long-term ownership and management of new and existing stock.
- xi A track record in specialist/supported housing.
- xii An open door policy in relation to the possibility of extending membership in the future.
- xiii Arrangements for undertaking development for non-members.

Integrate members signed a legal 'Framework Agreement' in November 2005 which enabled us to go forward and develop plans to meet all of the above requirements.

In addition to the consortium proposals, WAG also made some other changes to the management of the SHG programme, as follows:

- Local Authorities are now required to bid for grant based on identified projects with firm timescales, rather than submitting a bid for a cash allocation, for which they would then identify priorities.
- Bids now have to detail the location, dwelling mix, estimated grant requirement and key dates for planning consent, acquisition, start and completion for each proposed scheme, together with evidence of need and other requirements
- All schemes must be ranked in priority order
- WAG were to assemble draft 3 year programmes of 'deliverable' projects, to enable forward planning and assembly of the supply chain.

WAG initially awarded provisional status to consortia who could demonstrate they were working towards achievement of the minimum requirements outlined above. Integrate was the first consortium to be awarded provisional status in 2006.

In addition to the impetus from WAG, Integrate members themselves were already looking at ways to secure cost savings for planned and reactive maintenance, as well as new development. Some members had already made some tentative steps towards partnered contractors, and the three Cardiff based community Associations had a history of working together on a number of projects, using resources in a collaborative way.

Over the ten year period to 2006, UK construction costs have increased by 50%; this being 25% in real terms or double the rate of RPI, whilst rental incomes have been kept unrealistically low due to a 'capping' system known as rent benchmarking. This together with increased legislative and regulatory requirements such as Welsh Housing Quality Standard for all properties, legionella and asbestos testing, and fire safety requirements, have made it imperative that we seek efficiencies wherever they can be found.

Financial considerations weren't our only drivers, however. The ethos of all eight Associations promoted the ideas of social inclusion, and benefit to the community. It is not surprising therefore, that Integrate always wanted to include in its framework a commitment to benefiting the local economy and promoting employment and training opportunities for its own customers - i.e. tenants.

Description of the Project Membership & Organisation

The Integrate Consortium has eight members:

Cadwyn Housing Association
 Cardiff Community Housing Association
 Newydd Housing Association (part of the Cadarn group)
 Pembrokeshire Housing Association

Swansea Housing Association
 Taff Housing Association
 United Welsh Housing Association
 Valleys to Coast Housing (Wales' first major stock transfer association)
 plus one Associate member, First Choice Housing Association, which is a specialist learning disability provider.

Members of Integrate work in local authority areas stretching from Newport in the East to Pembrokeshire in the West. The membership developed from past and existing working relationships, shared principles and a willingness to collaborate rather than compete with each other.

Integrate members have developed close working relationships over a period of years with the Local Authorities (LA) in which they work. LA's remain the bodies responsible for strategic housing decisions in their area and support for local councils in delivering their priorities is a key feature of Integrate's approach. We are fully committed to helping local authorities ensure that local housing needs are addressed and investment meets strategic priorities.

It was important for Integrate members to retain both their independence and their local accountability, and members were keen to dispel any thoughts that mergers were the answer to better programme management. The link between development and housing management and maintenance services, we believe, has to be maintained if we are to continue to deliver high quality, valued services to our local customers.

The title 'consortium' is used rather than 'partnership' in order to avoid any confusion that Integrate exists as a legal entity in its own right, rather than a collaboration of like minded organisations.

The formal side of Integrate deals only with the procurement of responsive, planned, cyclical maintenance and development services. An informal network has inevitably developed which has brought benefits and innovation in other areas, and this is described further in the paper.

The essence of the project is to change and improve procurement methods to reduce the need for repeat tendering; and to work collaboratively to drive down costs, improve efficiency of workflow, and improve quality of output.

The proposed works programmes total £145m between 2007 and 2011.

These works consist of the following elements

Planned - including electrical, Plumbing/ heating, painting, bathrooms , kitchens, and windows/doors	£22m
Reactive	£13m
Gas servicing	£6m
General	£6m
New build	£98m
Totals	£145m

The spend per region will be as follows

1 - Pembrokeshire	£31m
2 - Swansea	£12m
3 - Bridgend	£13m
4 - North M4	£28m
5 - Cardiff/vale	£60m
6 - Newtown	£1m
Total	£145m

The New Procurement Environment - Suppliers (i.e. contractors who carry out the work)

Until the advent of Integrate, most contracts were subject to strict tendering rules. Generally work was procured through a competitive quote or tender with contracts then let on a risk averse basis e.g. by using a design and build contract where the contractor accepts the majority of the risks associated with the works. This means of procurement was chosen as certainty of cost and outcome was perceived to be more important than long term relationships and collaborative working.

Regulatory authorities led by the Treasury and EU Procurement bodies allow for partnered contracts and 'framework agreements' to enable long term collaborative contracts, though the process to achieve this is complex and front loaded. This involves establishing the basis for selection, the types of works to be procured, the form of framework and contractual relationship as well as the relationship building with the supply chain.

Traditional procurement encourages contractors to maximise their profit and this can work against efficiency and providing the best service to tenants. Contractors find it difficult to grow their business and plan ahead in an environment of competitive tendering - they are reluctant to take on and train operatives where there is uncertainty in their activity forecasts and sometimes struggle to retain their key skilled staff.

In the new world of collaborative working, contractors have their existing profit and overhead recovery levels underwritten; consortium members agree to meet their share of these costs on work undertaken. Further, much of the (financial) risk associated with each job is transferred to consortium members; contractors agree that consortium members have far more direction on project management in return for passing on cost overruns onto the consortium members.

The whole process is managed through Open Book Accounting. Contractors have been through a selection process that assesses their underlying viability, aptitude for collaboration, capacity and technical competence. They work with consortium members to establish the underlying level of overheads and profit.

For each contractor and job type, cost models are produced to determine the constituent labour and material costs resulting in a budget for the work. Potential costs are recognised but not costed and will be paid to the contractor only if incurred.

Cost Trackers are used to monitor actual costs and these form the basis on which contractors are paid. Contractors make their books and records open to Consortium members so that Cost Trackers can be audited to satisfy members' internal control requirements.

Performance Indicators are developed to compare contractors' performance. Arrangements for exchange of working practices mean that all contractors will gravitate toward the most efficient and least costly methods of working; indeed contractors are positively incentivised to deliver at lowest cost, the benefits ultimately being shared by contractor and consortium.

The New Procurement Environment - Materials

One of the main reasons for coming together as a consortium was to improve our purchasing power, and thus bring about savings in materials costs.

However, a number of 'procurement clubs' were already in operation for the provision of building supplies, and therefore, Integrate members took the decision to explore the opportunities offered by such clubs.

Our brief was to:

- Achieve cost savings through bulk purchase
- Ensure a good distribution network across the Integrate area
- Achieve bulk billing to streamline the invoicing procedure
- Ensure accountability through a transparent audit trail to each job

Integrate has therefore chosen to partner with Procurement for Housing, a nationwide, specialist material provider for the Housing sector. They negotiate bulk procurement deals on behalf of the HA's in the procurement club. They also then provide an administrative structure that allows efficient invoicing and payment between contractors, HA's and material suppliers. In addition, the system allows for analysis of the materials being used to ensure the most efficient usage is achieved.

Preparation & Training

Collaborative working and open book accounting are more than just new ideas and processes as they involved a totally different culture and mindset. It was therefore important to invest time and resources into preparing staff to make these changes.

We did this in a number of ways:

- Engagement of Evolution consultants to help us with EU notices and to carry out training
- A skills audit of current staff across Integrate to feed into the above
- Conferences for staff and potential contractors

- Newsletters
- Joint workshops for staff to draw up specifications
- Joint staff and contractor workshops facilitated by Construct Wales to look at process improvement, Lean methodology etc.
- Construct Wales also undertook 1-1 sessions with contractors

Supply Chain Selection

This was by far the most resource intensive and lengthy part of the process. The process started with the issuing of a contractors' OJEU notice in December 2005, inviting expressions of interest. At the same time, a conference was held for all potential contractors, suppliers and consultants to brief them on the process and our expectations. Over 400 expressions of interest were received and evaluated, resulting in a 'long list' of contractors.

After an initial assessment of the submissions a shorter list of around 70 possible contractors was established. These contractors were 'reality checked': staff met the contractors on site and in team building events to assess their skills, qualifications and attitudes to the necessary changes and important issues like equal opportunities. All HA staff had the opportunity to be part of this process, not just the maintenance and finance staff.

The short list eventually ended up with around 40 contractors, which includes both national organisations and small local general builders.

Allocating Work to the Chosen Contractors

In order to secure efficiencies and a positive impact on the local economy, it is necessary to ensure chosen contractors have adequate long term workflow. Again, logistics are complex with eight associations and 40+ contractors. At the time of writing, the consortium has put together 3 year work programmes and is in the process of allocating this to contractors.

Associations have been allocated a portfolio of contractors to develop the relationship with Integrate; the allocation has been based as far as possible on geographic location and anticipated work allocations. The "Lead" association has established initial profit and overhead levels and will continue to build the relationship with the Contractor, monitoring cost trackers and KPIs on behalf of all Integrate members.

Integrate have developed a bespoke website (or 'extranet') that is used to deposit and exchange information by Consortium members. Contractors also have (restricted) secure access to relevant areas of the site.

For the purposes of allocation of work, the Integrate area has been split into 6 Mini regions. The areas are shown on the map in Figure 1.

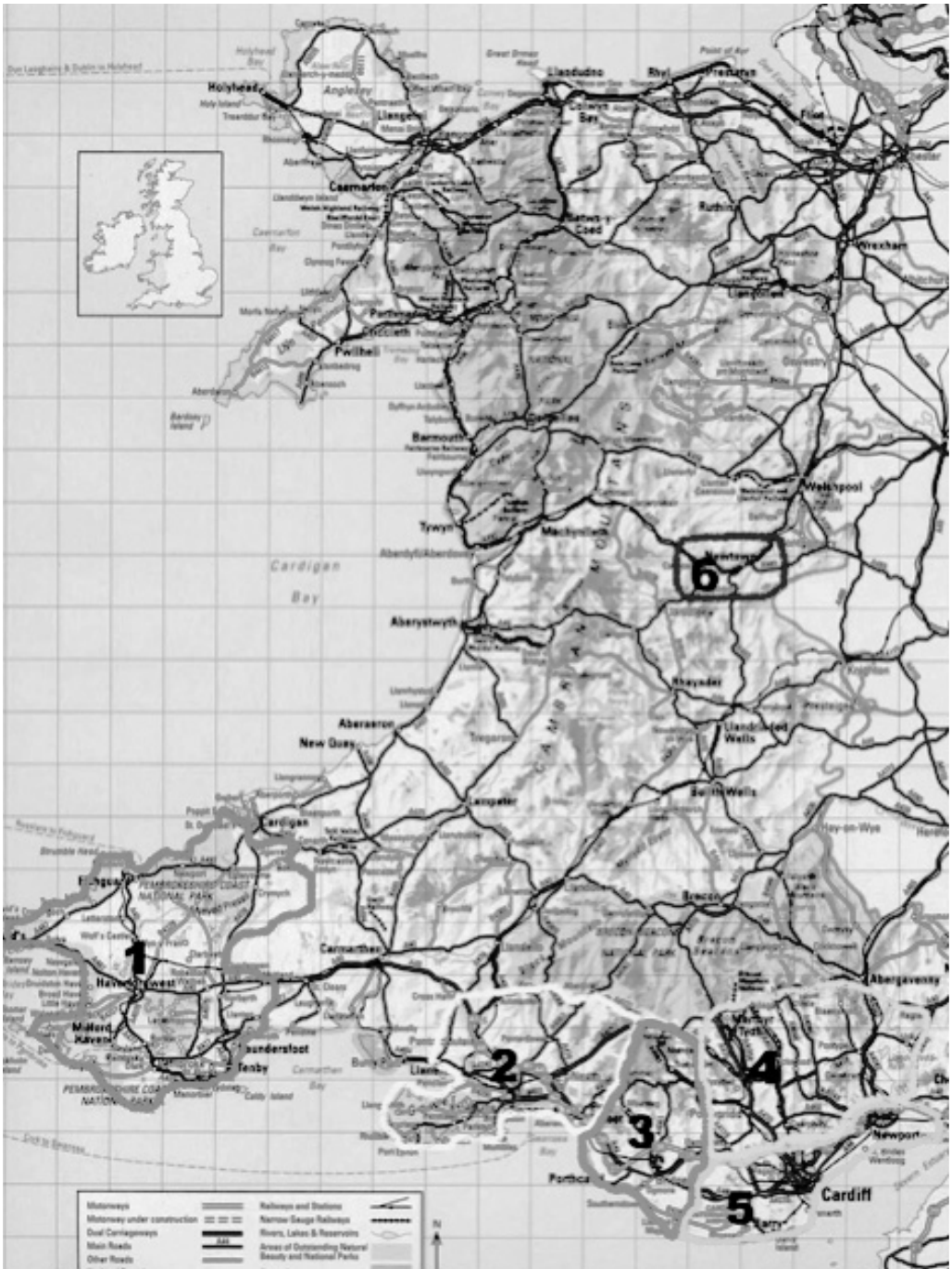


Figure1: the six mini-regions

Programme management arrangements

Systems to manage the programme of new properties between LA's, WAG and the HA's are evolving with consortium working. As consortia work across LA areas, there is pressure on them to ensure that procurement of new homes meets the varying housing strategies of the authorities, whilst ensuring that programme commitments are met.

Integrate will establish extranet reporting to allow all partners to assess the programme from their individual perspectives. Managing programmes in a transparent nature will show everyone where future improvements can be made to the programme management system generally.

Size and number of organisations involved

It was never going to be a quick fix to set up new ways of working, new supply chains, new programme management systems, and to achieve some degree of process consistency when there were eight, geographically spread organisations of differing sizes. Add into the mix a raft of contractors and consultants, and it could have been the recipe for disaster!

Most participants would agree that progress has been slow and steady, and this has really been a factor in the successful introduction of the new methodology. Whilst the process has been driven by key individuals and teams, it has not gone so fast as to leave some people behind. Involvement of all technical staff, as well as some other staff, in training events, behavioural workshops and conferences has helped achieve 'buy in' to the whole process.

Practical programme management has been undertaken through one central point (via Swansea HA) which WAG has found helpful. The shared 'extranet' has enabled documents to be posted and information to be shared.

The framework and vision has been driven by the Chief Executives meeting on a regular basis, but the successful delivery has been driven by two groups, firstly the Technical Directors' group, with support from Evolution; and more recently, the Finance Directors' group have become involved in preparation for the open book working, and also long term financial projections.

Individuals from each Association have taken on key responsibilities to help share the load. Inevitably, some have had more input than others, as there are different capacity levels in each Association. Staff secondments have helped with peak workloads, which has been beneficial in a sector that often struggles to recruit technical staff.

A decision was taken recently to appoint a part time Co-ordinator role from our existing resources. The Co-ordinator will be responsible for taking Integrate forward in this crucial phase of allocating workflow, and fully implementing open book accounting and collaborative working.

Communication proved to be something of a difficulty in the early days - knowledge of what Integrate was about varied from HA to HA. Inevitably, where there was a lack of information, there was also anxiety about what it might mean for individuals. A task and finish group was formed to identify key messages for each association to use, ensuring there was a consistency of understanding across all organisations. The newsletters and conferences also helped embed these messages.

As people have become more familiar with staff from other organisations, communication and trust have improved. Staff are now used to working across HA's and will often use others' skills and expertise to problem solve.

This aspect of cultural change has been very positive, however, there is more to come. For many staff who have worked in maintenance and development, their relationship with contractors has traditionally been 'adversarial'. True collaboration will take time, and will be built on trust backed up by transparent processes and information. Contractors will also have to adjust to this change, but should see significant benefits in guaranteed profit margins and long term security of work.

If the whole process has been challenging for Integrate members, it has also been a huge learning curve for WAG officials. Delays in presenting proposals for change to the detailed scrutiny of each project, and in the announcement of forward programmes have hampered supply chain management. WAG is at the head of the supply chain, in effect, with work further down dependent on their decisions.

It is hoped that these issues can be ironed out in the future, and meetings between all consortia and WAG officials have been going on for some time to try and resolve them. One option suggested in the original paper was to introduce a tariff rate for development projects, and as long as new projects met the tariff, they would not be subject to detailed financial scrutiny. A working party led by Integrate members has been developing proposals for review by WAG officials, but it is proving challenging to create a tariff system that works in all areas of Wales and doesn't damage members' ability to deliver sites at realistic costs.

Benefits

The biggest benefit so far has been that Integrate has shown it can deliver, and has therefore taken the lion's share of the SHG programme for the last two years, helping members build new homes for people in need.

Aside from this tangible outcome, the process of learning from each other and learning to collaborate and share good practice has been very valuable.

Input into consultation papers, interpretation of new legislation, introduction of new policies and procedures have been areas where workloads have been shared, thus freeing up resources to spend on other issues in each Association.

Meeting room resources and staff resources have been made available to others both formally (e.g. through secondments) and informally. Informal groups in Housing Management, IT, and Supported Housing have been convened and joint working on projects has ensued. One example far removed from the contracts arena has been the development of a joint approach to annual reviews of partner voluntary agencies who provide support to residents in property owned by each of the HA's. Rather than each HA inspecting the support service offered by the voluntary partner, one Integrate member will in future complete an agreed standard assessment and share it with other members.

The real cost benefits are probably still to be realised, but some early pilot projects on, for example, kitchen replacement programmes, have yielded encouraging results. The average cost of a kitchen replacement has fallen by several hundred pounds but more importantly the team are seeking to improve the process to reduce waste even further. It is important to note that it is not the open book methodology which is likely to produce the savings (even though risk has been removed from the calculations), but the detailed collaboration around workflow efficiencies. Open book is a prerequisite to this, but should not be seen as the end of the process.

Integrate members have always been keen that the project benefits the communities and tenants it serves. The project is now at a point when long term workflows are being agreed, which enables us to go forward with some of the social inclusion and economic impact benefits that we are keen to put in place.

One Council - Cardiff - has developed a matrix to analyse the wider community impact of the two consortia in its area, and is basing decisions about site allocation on the outcomes. Integrate has benefited from this process by being awarded the vast majority of available section 106 sites in the City so far.

Collaboration between the four Integrate members who operate in Cardiff has meant that rather than competing with each other for potential sites (and therefore potentially driving up costs) agreement is now reached between the Associations and the Council as to who will lead on each site. Combined resources are used flexibly to achieve smooth workflow.

Other benefits have included the emergence of joint funded posts and projects - e.g. discussions are underway to establish a pool of relief staff for the homelessness hostels provided by three of the Associations in Cardiff.

We are also in the process of formalising contingency arrangements for business continuity plans around IT, premises, staff assistance etc.

The benefits of standardisation and not having to “reinvent the wheel” are important but the Integrate project also ensures that the diversity of its members continues to be the catalyst for challenge and improvement.

Future Developments

The current priority is to see the full process of open book accounting and collaborative working in action on major development projects.

- A project providing 40 apartments in Cardiff with a value of circa £3.2million. The project will be procured using open book principles with 5 framework contractors.
- A housing project in Torfaen is also being procured on an open book basis and is additionally using 'Modern Methods of Construction' in the form of volumetric principles (steelframed houses constructed in a factory and delivered to site for erection fully complete apart from the external finish).
- In Cardiff another complex apartment scheme that has seen the full design team working together to maximise the value for the scheme.
- Three other schemes are currently in the planning phase where the lessons of the first projects are currently being incorporated to ensure continual improvement in our processes

Alongside this, the social inclusion strategy will be rolled out with a first recruitment event in Cardiff, which will be promoted to our tenants and excluded groups.

Integrate members have also been busy developing a website to promote all the low cost home ownership options they offer across South Wales. This has been branded 'Homes Within Reach', and is due to be launched shortly.

All in all, Integrate has been a huge commitment in staff time and resources, but the efforts of the last two years are now bearing fruit with real projects on the ground.

References

Welsh Assembly Government (2004) *“Making the Connections: Delivering Better services for Wales”*.