



# **Merlin Works Strategy**

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## Amendment History

DATE ISSUED	VERSION NO.	REASON FOR CHANGE
10/11/09	1.1	Draft text to Merlin Resident Forum
17/11/09	1.1	Draft text to Property Services Group
12/11/09	1.1	Investment Committee

## Approvals – How has this document been approved?

DATE	WHO APPROVED
	Merlin Resident Forum approved main text
	Property Services Group
	Investment Committee

## Distribution – How and to whom has this document been made available?

NAME	AVAILABILITY
Managers in Property Services and Housing Management.	Hard copy given to Managers in Property Services and Housing Management.
All staff	Available on extranet
Residents involved in further development of this work	Hard copy provided

## Related Documentation – Are there any key documents that relate to this document?

DESCRIPTION OF RELATED DOCUMENTS
Asset Management Strategy

## Review

DESCRIPTION OF REVIEW ARRANGEMENTS
There will be an interim reviews of the impact of this Strategy reported to the Investment Committee in May and November 2010, with a full review in May 2011.

**1. Executive summary**

Property Services is responsible for the delivery of Merlin Housing Societies' Planned, Cyclical, and Responsive Maintenance Services. This document relates to the Strategy for Merlin Works delivery of our Responsive Maintenance service. A second strategy relating to Cyclical and Planned Maintenance will be produced in February 2010.

Property Services has delivered on many of its set objectives, including those set out in the Transfer Offer document. However, to meet the need for continuous improvement and excellent service delivery further transformational change is required to achieve the standards demanded by customers, Merlin Housing, and the Tenant Services Authority.

The purpose of this Strategy is to clearly identify key strategic aims for the service, and to determine the future delivery of the repairs and maintenance service. This has been informed by an independent Options Appraisal, which considers issues such as customer satisfaction and current service delivery. The Options Appraisal sets out the recommended option to achieve the corporate aims and objectives of Merlin Housing and its customers.

The outcome of this Strategy, which recommends that the service remain with Merlin Works in the medium term, has organisational implications for Merlin. The Options Appraisal recommendation is that Merlin Works offer the best solution at the present time, but this assumption should be rigorously retested in the future once the outputs of this strategy have been embedded. In the meantime, Merlin Works must embark upon a series of service enhancements which clearly demonstrate a Value for Money service, that is commercially aware, but clearly customer focused.

The Strategy sets out Merlin Housings' vision for the development of the service, and how it will be strategically managed to achieve its objectives. The Merlin Works Business Plan, sets out the operational detail of how these objectives will be practically delivered.

## 2. Background

Merlin inherited a structure for the delivery of its repair and maintenance service, and asset management functions, from South Gloucestershire Council. At the time of stock transfer, In February 2007, it brought these two distinct areas under the management of one team, which is still the current structure.

Property Services has delivered on many of its set objectives, including those set out in the Transfer Offer document. However, to meet the need for continuous improvement and excellent service delivery further transformational change is required to meet the standards demanded by customers, Merlin Housing, and the Tenant Services Authority.

The Property Services team is responsible for delivering repair and maintenance, grounds maintenance, cleaning services, capital and cyclical programme works and the Decent Homes Standard and is currently made-up from the business units listed below;

- **Merlin Works** – an operational team of managers, supervisors and skilled and semi-skilled tradesmen who deliver physical repair and maintenance works as well as a cleaning service.
- **Central Repair Team** – provides a responsive repairs and maintenance call centre facility and general administrative support.
- **Surveying and Major Projects** – a team responsible for delivering capital programme and cyclical programme works, the Decent Homes Standard and the Merlin Standard comprising of surveyors and technical staff.
- **Business Support Team** – responsible for data management, performance and financial information and general business support.

Many current processes and systems have been specifically designed to meet technical requirements and in some instances these practices have grown up in isolation of the wider business needs and priorities, which has led to a degree of “silo working”. Decision making relating to stock investment has not always involved the wider business and there has not been clear separation between Housing Management and Property responsibilities, which has been considered as not best reflecting the needs of customers. Value for money within the repairs service has also not been demonstrated.

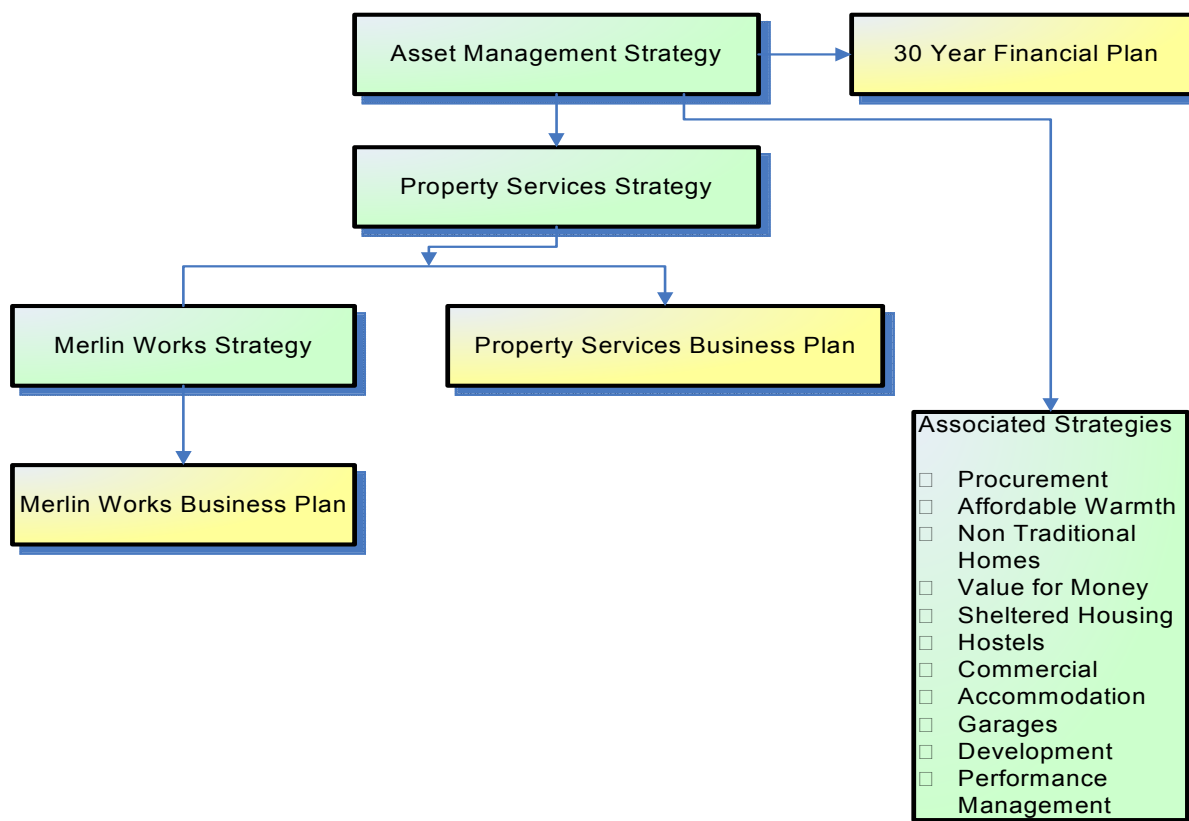
Recent ICT enhancements have improved system functionality which has helped to improve general performance but much work is still left to do, to ensure full compliance with the Stock Investment and Asset Management KLOE 3 (Key Line of Enquiry).

A fundamental requirement of KLOE 3 requires that such services as those provided by Merlin Works, an integral team performing the functions of a Direct Labour Organisation (DLO) are tested to ensure that the repairs and maintenance function delivered through them provides good value for money for residents.

### 3. Links with corporate strategies

This strategy aims to set out the future approach for the delivery of Merlin's repair and maintenance service. It has been informed and supports the objectives of the organisation's Asset Management Strategy, Business Plan, Thirty Year Financial Plan and other related strategy documents and wider business aims.

Hierarchy of Technical Strategies



**Asset Management Strategy** - Overarching Strategy for the organisation which sets the strategic approach for the management of assets and provides financial forecasts and investment requirements.

**Property Services Strategy** – A sub-strategy of the Asset Management Strategy which outlines the approach to achieving a client contractor split and illustrates how strategic and operational arrangements interact. Incorporates action plans for both strategic and operational roles and proposes the future delivery model for the repairs and maintenance service.

**Associated Strategies** – these documents inform and link to the Property Services Strategy either directly or through other routes.

#### 4. Merlin Vision and Values

Merlin wants to be regarded as:

**“a first class provider of affordable housing and related services for communities across South Gloucestershire, with our residents at the heart of all that we do”.**

In achieving this vision there are a number of key principles, or values, that will guide and influence our work:

<b>Include</b>	<i>Ensuring everyone who needs our services has the opportunity to use and contribute to them.</i>
<b>Respond</b>	<i>Listening to our customers, communities, staff and stakeholders, ensuring they influence what we do and how we do it.</i>
<b>Improve</b>	<i>Always looking for ways to improve.</i>
<b>Respect</b>	<i>Understanding and responding to the rights, interests and values of everyone we engage with.</i>
<b>Empower</b>	<i>Encouraging a culture where our staff, Board Members customers and communities can achieve their full potential</i>

In order to deliver its vision and values, Merlin has the following key business objectives:

- To be a first class provider of affordable housing and related services
- To put residents and customers at the heart of everything we do
- To be a viable, influential and respected organisation
- To be recognised as a good employer, encouraging staff to achieve their potential
- To invest in our communities and their environment

## **5. Merlin Works**

Merlin Works is Merlin Housing Society's internal workforce and maintenance service. The team employees 69 trades operatives, 50 part time cleaners and 18 support staff, who manage and supervise this area. The annual turnover for this team is approximately £6.5 million per annum. The majority of the staff in the team transferred from the South Gloucestershire Council. Prior to Transfer, Merlin Works was the Council's Building Services Team forming part of the Council's Direct Services Department (DSD).

At the time of Transfer a Capacity Building Plan was developed which set out proposals for developing the Merlin Works team in order that a sustainable workforce could be created to match on-going future work levels. The Capacity Plan also took account of the ability of the internal workforce to deliver a proportion of the Major Works programme to achieve the Decent Homes Standard and resource the ongoing newly arising need to maintain this standard year on year. This will provide continued financial benefit as a result of the VAT savings generated by employing a direct workforce.

Services currently provided by Merlin Works include:

- Day to day response maintenance.
- Home decorations
- Void refurbishment.
- Water treatment testing
- Periodic electrical testing and rectification
- Minor disabled adaptation works
- Environmental improvements
- Major Works/improvement programme
- Cleaning services
- Grounds maintenance

Merlin works currently operates as an integral part of the Property Services Division within the Investment Directorate. As a consequence there is no clear division between the client and contractor roles and Property Services also operates as both "client" and "contractor" for key housing management services.

It is believed that well run DLO's provide real benefit to Registered Social Landlords (RSL's) and are generally a favoured method for the delivery of repairs by residents. A recent survey of all Merlin residents has overwhelmingly returned results stating that 90.50% would prefer their repair and maintenance services to continue to be delivered via an in house team.

## 6. Drivers for change

There are a number of inter-related drivers for a change in our approach to Merlin Works.

### Asset Management Strategy

Merlin's Asset Management Strategy is an overarching document which sets out an action plan for the delivery of a programme of key projects. The Asset Management Strategy specifically outlines the need to produce

*“ ... a Merlin Works Strategy that will set the framework for developing Merlin Works and ensure that it achieves continuous improvement and value for money”.*

### Value for money

Since transfer it has been recognised that a fundamental factor in employing an internal workforce is to ensure that the service offers Value for Money and is competitive when compared to other external providers. Therefore several independent reviews have been undertaken by external consultants with the most recent being carried out by Savills during 2007/08.

As a result of this review a Commercial Development Plan was prepared, and actions identified which were being implemented, but which have now been superseded by this Strategy and the proposed Merlin Works Business Plan.

Best practice guidance issued by the Tenant Services Authority (TSA) states that all directly employed labour organisations (DLO's) such as Merlin Works be subject to stringent scrutiny to ensure they deliver Value for Money is delivered from the services that they provide.

### 2009 Audit Commission Inspection report

Merlin's recent Audit Commission report reinforced the requirement to demonstrate value for money and one of its key recommendations was that Merlin should

*“Ensure that responsive maintenance and voids repairs are procured in a way which demonstrates value for money and that the in-house trade team regularly demonstrates that it represents value for money”*

### Current Service Performance

The Audit Commission report also identified weaknesses in the overall performance of void and day to day maintenance. While this is not exclusively an issue for Merlin Works, and the recent STATUS survey would suggest above average levels of satisfaction with the repairs service, Merlin has consistently failed to meet its performance targets and has performed poorly when compared with similar organisations.

The Audit Commission also identified a significant weakness in the current division between Property Services and Housing.

## 7. Options for Change

There are 3 basic options for future service delivery, with further sub options below that::

1. **Do nothing;**
2. **Enhance the service;**
3. **Market Test;**

Each option has advantages and disadvantages, and in the case of “market testing” (going out to external tenders and competition) there are significant costs and implications. Therefore, organisations such as Merlin carry out an “Options Appraisal” to inform the decision making process.

An options appraisal is basically examining the above three options and deciding which option presents the best outcome for Merlin and its customers. Options Appraisals can have long term implications for the organisation and are therefore normally conducted by independent consultants.

1. **Do nothing** - Leave the service as it is;

Carrying on as we are and introduce change incrementally, this is probably not a realistic option if we are to achieve our strategic objective of transformational change to deliver value for money and continuous improvement.

Leaving things as they are will also hinder our ability to address the weaknesses identified in the Audit Commission report and in particular the issue of the division of responsibility between the housing and property teams.

2. **Enhance the service**

- (i) Enhance and improve the service;
- (ii) Enhance and improve the service, benchmark and carry out “soft” market testing;

Retaining an in-house workforce is inherent in the strategic objective set out in Merlin’s Asset Management Strategy which envisaged a Merlin Works Strategy that:

*“Will set the framework for developing Merlin Works and ensure that it achieves continuous improvement and value for money”.*

Retaining and developing the in-house service will clearly enable us to meet the wishes of residents and to achieve potential value for money savings by avoiding VAT on labour costs.

3. **Market Test**

- (i) Partially market test the service through external tender and competition;
- (ii) Fully market test the service through external tender and competition.

Putting all of our day to day maintenance voids and cleaning services out to tender would enable us to demonstrate a level of value for money and performance targets could be built into any contract to ensure that we achieve continuous improvement.

There are however some significant drawbacks:

- Externalising contracts is likely to be more expensive overall as a result of having to pay VAT on the labour element of the contract, which we do not do with our own workforce. This is offset to an extent by less generous terms and conditions likely to be offered by external contractors (particularly the absence of a final salary pension scheme) and the general assumption is that the overall additional cost would be in the region of 9% -10%.
- There would be a loss of control and flexibility with external contractors compared with employing an internal workforce.
- Externalising the workforce is not what our residents want. A comprehensive consultation process commenced with the aim of informing this strategy and influencing the decision making process. Individual views from all residents have been sought to establish what they think of Merlin's repairs and maintenance service and establish if Merlin Works or an external contractor should be used for the future delivery of this area of work.
- Consultation has also taken place through a number of involved resident groups, these include;
  - The Resident Forum
  - Community Action Groups
  - The Sheltered Experience

Overall feedback from this consultation has demonstrated an overwhelming endorsement of maintaining the delivery of the repairs and maintenance service through a directly employed workforce.

In order to establish whether the involved resident perception accurately reflected that of the wider resident population, a survey was sent to all residents requesting their views and comments on the current repairs and maintenance service. This wider consultation exercise re-affirmed the involved resident viewpoint. A summary of the results of the survey are set out in Appendix A.

The recent STATUS survey also suggests a high level of satisfaction with our current arrangements for repair and maintenance, and a summary of the relevant results is also included in Appendix A

## 8. Options Appraisal

Merlin Housing commissioned PML Group to complete its Options Appraisal. They have extensive experience in this field, and were granted unrestricted access to all Merlin information and systems so that they could come to an informed recommendation. Their Options Appraisal Executive Summary is attached as an Appendix, but the table below summarises their findings.

OPTION	DO NOTHING	ENHANCE		MARKET TEST	
	Remain as is	Enhance and improve the service;	Enhance and improve the service, benchmark and carry out "soft" market testing;	Partially market test the service through external tender and competition;	Fully market test the service through external tender and competition.
Strategic Objectives	0	3	4	1	0
Characteristics	1	3	4	2	2
Benefits	1	3	4	2	3
Risk	0	3	2	1	1
Financial Implications	1	2	2	0	0
<b>TOTAL SCORE</b>	<b>3</b>	<b>14</b>	<b>16</b>	<b>6</b>	<b>6</b>
			<b>RECOMMENDED OPTION</b>		

PML recommend

***“that a controlled programme for improvement to the key elements of the service be implemented within a structured framework and timeframe. This would allow the prompt establishment of the required benchmarking data which would also enable Merlin Works to carry out a phased soft market test”.***

PML have also endorsed Merlin’s proposed approach to service reform. They state:

***“The Options Appraisal scoring indicates that Enhancing As Is with a Soft Market Test is the most appropriate course of action for Merlin Housing to improve its current performance standards and quickly demonstrate value for money.***

***Having examined the current ‘Improvement Plans’, PML support the areas of improvement that will be addressed. However, to ensure the future successful delivery of these plans, PML would advise that the recommended actions made within this report are implemented as soon as possible.***

***In order to carry out future market testing of the service, Merlin must provide more detailed and accurate analysis. PML would suggest this would be feasible in up to 18 months, assuming the key actions are implemented. By ensuring there is both adequate and comprehensive data provided to the contending contractors, Merlin will be able to conduct a more realistic and robust market evaluation. The more realistic the information on the scope of the service, the less risk that will need to be built into any pricing structure; thus providing a more valuable cost comparison and market test.***

***Having examined the current ‘Improvement Plans’, PML would forecast that the service could meet the Audit Commission recommendations of a two star operation in up to 18 months, if there was a prompt delivery of the key recommendations.***

***Current and future financial planning indicates that the service is viable. The plans to create a clearer Client and Contractor split within the service seem sensible. However, the success of the operation is dependant on the future investments made both financially and through resourcing, to achieve the progress required.”***

## 9. Procuring the repairs and maintenance service

Merlin Housing intends to modernise its technical service delivery by splitting the “client” and “contractor” roles between Property Services, and Merlin Works. Merlin Works will remain an integral part of Merlin Housing, unified by the same corporate goals and systems, but this will create a strategic role of ‘managing client’, and an operational service delivery team.

In practical terms this structure will deliver a strategic client who will take an overview of the technical service and be responsible for setting standards and monitoring performance of the contractor. They will be detached from the contractor team who will have direct responsibility for operational delivery of the service.

Once the repairs and improvement targets, standards and specifications have been set, and satisfactory performance information is available to measure the effectiveness of the service a decision can be made for procuring the long term repair and maintenance service. This will establish whether or not retaining Merlin Works is the best option given the local market conditions in which Merlin operates.

The proposed change will enable the organisation to better define strategic and operational roles and provide clear separation between these two distinct functions whilst at the same time work to resolve the value for money question.

The Key objectives are to:

- Develop SLA’s to clearly define responsibilities and allow the client to determine the specification and standard of service required;
- Ensure that overheads for the contractor function are correctly identified, apportioned and challenged;
- Establish a separate trading account for Merlin Works which will clearly identify a position of surplus or deficit over an accounting period;
- Identify the actual cost of providing the service;
- Identify delivery models for repair and maintenance services which can easily provide detailed information on output costs and quality, thus giving the ability to comprehensively benchmark Merlin Works services’ and compare outputs with similar organisations;
- Set Merlin Works at arms length to the rest of the organisation, enabling the team to be run on a commercial basis and allow it to bid for external contracts if deemed relevant;
- Propose optimum workflow levels to maximise VAT and financial benefits to the organisation;
- Agree clear performance management criteria and a programme of continuous improvement with Merlin Works;
- Establish an independent performance monitoring framework which can both validate and provide assurance of outputs;
- Ensure the delivery of the recommendations outlined from the recent Audit Commission Inspection process.

## 10.0 Service delivery

Merlin has decided, in consultation with its customers, that Merlin Works should be retained in the medium term for the delivery of its repairs and maintenance service. However, there will be some fundamental changes to the organisational structure to achieve this. The organisation of the service will be defined in a comprehensive Service Level Agreement which will achieve;

- Providing a seamless service to customers;
- Providing patch based working;
- Identifying a natural break in roles and responsibilities;
- Creating clear responsibilities and accountability for services;
- “Ring fencing” activities so that the cost can be captured;
- “Packaging” works to achieve best value for money.

The result of these changes is illustrated in the chart, below, which gives an overview of the role of Property Services and Merlin Works.

<b>Property Services</b>	<b>Merlin Works</b>
<b>Strategic Role</b>	<b>Operational Role</b>
To draft a long-term strategy and action plan for the service. Seek agreement from ET, Board and service users and publicise	To contribute to the development of strategy, making comment on the deliverability and cost of specific proposals
To update and maintain the organisation's Procurement Strategy and procure robust contracts for the delivery of services	To ensure delivery of the Procurement strategy and highlight any issues relating to procurement to Property Services
To propose options for achieving the strategic aims for the service and present them to the appropriate forum.	To propose costed options to Property Service for achieving Merlin's strategic aims for the service.
To encourage continuous service improvement working with Merlin Works to ensure efficient working	To provide innovation and continuous improvement initiatives for consideration by Property Services
To present reports which relate to the service to Executive Team, Board and all relevant service users	To assist with the preparation of such reports.
To make judgements on Value For Money, Options Appraisal and market testing	To participate in any benchmarking or market testing or similar exercises as determined by Property Services
<b>Service Delivery</b>	
To agree with the Board, Executive Team and customers the level of service to be provided and the cost of providing that service	To advise on the likely cost of providing services at different levels
To set out clear service standards and principles for Merlin Works to deliver e.g. through Service Level Agreements	To provide the services at the agreed level and cost.
To establish a framework for the monitoring of acceptable performance of Merlin Works	To prepare and present an annual Business Plan and SMART Action Plan for Merlin Works
To liaise closely with Merlin Works to ensure risk is managed and mitigated	To prepare a risk strategy and liaise with Property Services in the event of unforeseen circumstances which would affect service delivery or cost.

To use service user feedback to regularly review service standards and outcomes to improve the quality, accessibility, cost and responsiveness to customer needs of the services provided	To identify best practice and propose costed service improvement plans to Property Services
<b>Finance</b>	
To set annual budgets own and manage financial resources for the service to ensure maximum value is derived	To manage the allocated budget on a day to day basis to ensure resources are targeted in line with Property Services objectives
To manage financial challenges to ensure resources are effectively used and make any necessary budget adjustments	To monitor the budget and make exception reports as required, making recommendations as to how deviations from budget will be managed
To authorise payment of the agreed cost for the works or services delivered by the contractor.	To provide sufficient evidence that the works have been completed in accordance with the Service Level Agreements
To ensure payments are made in line with Financial Regulation and Standing Orders	To provide Property Services with systems that meet Audit approval for the payment of good and services, and request authorisation for payment
To make payments for authorised additional works or services upon verification of completion	To provide evidence that those works or services have been satisfactorily completed
Request Merlin Works to propose VFM savings or efficiencies, giving clear indications targets and implications of action	To propose options for generating savings at the request of Property Services
<b>Performance and SLA Management</b>	
To monitor the performance of Merlin Works against the agreed BVPI's and service standards	To attend Performance Monitoring meetings and provide exception reports as required, making recommendations as to how underperformance will be managed
To specify relevant quality standards and monitor Service Level Agreements for contracted services	The deliver the service set out in the Service Level Agreements
To monitor and investigate complaints, comments or compliments relating to the service provided by Merlin works	To investigate under performance in an accurate and timely manner and make recommendations to Property Services based upon applied learning
To set a framework for the management and use of subcontractors	To efficiently and effectively manage subcontractors and ensure VFM and service delivery
To facilitate monthly meetings to discuss the management of the contract, future trends, legislative changes and likely requirements for changes to service delivery	To attend and fully participate in such meetings
Individual service managers will meet at an agreed frequency, as specified in the Service Level Agreements with the contractor's representatives	To attend and fully participate in such meetings.
To lead on any inspection by the Audit Commission or any other official body	To co-operate with and fully participate in any such inspection
To manage underperformance of the contractor and enforce sanctions as deemed necessary	To attend performance monitoring meetings and provide exception reports as required, making recommendations as to how underperformance will be managed
To ensure compliance with statutory and or regulatory guidance	To provide the Property Service with any requested data in an accurate and timely manner
<b>Communications</b>	
Property Services to be responsible for communications with the Board, Executive Team, the media and Service Users	To provide requested information in an accurate and timely manner so Property Services can make informed communication

The table below illustrates how the work will be organised and the anticipated service improvements from the change:

<b>Element of the service</b>	<b>Service Change</b>	<b>Impact on customers</b>
Taking the initial repairs request	This team will move into Merlin Works and be renamed the Customer Liaison Team	Merlin Works will be able to schedule its own workforce and offer immediate appointments. The teams emphasis will be on complete satisfaction for the customer
Pre-inspection of work by surveyors	This team will move into Merlin Works and be renamed the Technical Liaison Team	This team will move their focus from determining the inputs (specifying the work) to ensure it has the desired outputs (customer satisfaction and Value for Money). Improved focus on customers, rather than on “bricks and mortar”
Pre-inspection of work by surveyors	Inspection by operative instead of officer	More inspections will be carried out by the operative who will then attempt a first time fix for the customer, or take responsibility for making an appointment whilst on site
Patched based work	The Technical Liaison Officers will be organised to one per patch and embedded into area housing offices	These officers will improve the focus on customers rather than on “bricks and mortar” effectively offering a maintenance one stop shop,. They will take full responsibility for a “patch” from chimney down to grounds maintenance and all the maintenance issues in-between, including liaison with Property Services.
Post inspection by the Merlin Works	Every officer and operative at Merlin Works will take responsibility for quality assurance	Total Quality and a Right first time culture will improve customer satisfaction. Property Services will retain sufficient reality checking to ensure service delivery is acceptable

The following table illustrates how the service will operate on a day to day basis:

<b>Stage</b>	<b>Merlin Housing</b>	<b>Merlin Works</b>
Listening to customers to design the service	Consult and Liaise with customers	Give professional advice on best practice
Services designed to address local issues	Devise the Strategy and Policy	
Affordable Services	Set the Budget and devolve appropriate responsibility	Set up Financial monitoring framework
Services designed to address local issues	Set the Specification for the service	Devise the Procedure to deliver the service
Measurable impact of the service	Set Service Standards and performance criteria	Set up Performance monitoring framework
Options Appraisal and secure Value for Money	Procure the service	Submit the bid to deliver the service
Service delivery		Set out a Business Plan for the service delivery
		Create SMART action Plans for the service and continuous improvement
		Devise the required Procedure
		First point of tenant contact
		Diagnosis of repairs
		Responsibility for making appointment
		Delivery of the repairs service including sub contracting where necessary
		Post checking and quality assurance
A responsive and learning organisation	Monitoring complaints and dissatisfaction	Investigation and resolution of complaints
Responsible and Accountable payment systems	Authorise for payment	Certify for payment
Measurable impact of the service	Monitoring outputs on KPI's and Budget; Reality checking	Manage performance and devolved budgets
		Produce exception reports and improvements plans on underperformance
Determine "fitness for purpose"	Benchmark services	
	Evaluate impact and VFM	
	Analyse Customer satisfaction and opinion	
	Options Appraisal	

Further development of this strategy will continue through regular contact with the key individuals and stakeholders charged with its implementation. There is clearly further detailed work required to ensure that the objectives and outputs identified are being achieved. Resident input will occur at each key stage as will the involvement from other relevant stakeholders. The process intended for developing this strategy further will be as detailed below:

- Coordinate and agree responsibilities for actions over and above those listed;
- Review progress, comparing all indicators with targets at regular and agreed intervals;
- Review, refine or adopt new indicators to measure the success and implementation of the actions;
- Identify where any additional resources over and above those listed, which may be needed to achieve the aims of this strategy more fully;

- Regularly report progress to senior management, Board, Resident Groups and other appropriate partners and stakeholders;
- Identify any additional opportunities and actions that are needed to improve the effectiveness of this strategy, and agree responsibility for carrying them out.

### 11.0 Monitoring of outputs and impact

Strategy and Policy will be determined and set by Property Services. They will also be responsible for setting tenant led targets, service standards, and performance measures. These will then be incorporated into the Service Level Agreement which Merlin Works is expected to deliver.

Merlin Works will be responsible for actual service delivery. They will be required to liaise with Property Service before introducing any new procedure which will impact on customers, but their role is to constantly innovate and improve to deliver continuous improvement.

Performance indicators are important, but equally as important is to measure the “impact” of the service. For instance, Merlin Works may be able to meet its performance indicator by affecting a quick repair. However, if this repair could be more cost effective and less disruptive to the customer or undertaken as part of a major replacement programme, it will be Property Services role to co-ordinate and decide on the overall best course of action for Merlin and the customer. This benefit analysis will be achieved through close liaison and feedback from the respective services.

It is proposed that Merlin Works is primarily monitored via a Balanced Scorecard and the *Clearview* system. By focusing on a range of input and outputs, the Balanced Scorecard help provide a more comprehensive view of the business, which in turn will help Merlin Works act in the best long-term interests of Merlin Housing and its customers.

Working for continuous improvement and best value is an integral part of a good property management. The four Cs of challenge, consult, compare and compete and their interrelation are essential tools for raising questions, analysing options and demonstrating the reason for decisions in relation to maintenance, repairs and refurbishment issues. A key function of the client in any new arrangement will be to consider how Best Value reviews can be employed to improve performance in the preparation, implementation and monitoring of refurbishment and maintenance strategies,

In addition to the Balanced Scorecard, performance monitoring will be carried out at 2 levels; strategic, and operational.

## 12.0 Merlin Works Business Plan 2010-13

Merlin Works Business Plan 2010-13, sets out its goals and methodology for service improvement. High, medium and low priorities are set out in some detail in the relevant delivery plans, but there are some common and overarching themes which are to:

- Listen to customers, and ensure they have meaningful involvement;
- Deliver challenging and innovative services that customers want;
- Be specific about what we do, why we do it, and what it costs;
- Demonstrate that we offer Value for Money;
- Achieve upper quartile, and “excellent”, service status.

Merlin Works Business Plan 2010-13 sets the strategic direction, but it does not deliver specific or operational detail. Therefore, prior to the start of each financial year, Merlin Works will produce an annual Service Plan which sets out the aims and objectives for that particular year. It will be service specific and have a resourced SMART Action Plan for each directorate it provides a service to.

Year	2010	2011	2012	2013
<b>Business Plan 2010/13</b>				
Service Plan 2010/11				
Service Plan 2011/12				
Service Plan 2012/13				
Service Plan 2013/14				

As the above chart illustrates, there will be a continuous cycle of overarching Business Plan, and detailed Service Plan/Action Plans. This allows services to remain customer focused and responsive to change. The Management of this process will be done through formal liaison meetings with the appropriate directorate using the following framework of meetings:

The Merlin Works SMART Action Plan 2010/13, is a core component of this Business Plan. Within each section of this Business Plan there will be a specific action to be completed, and referenced back to the relevant objective in the Action Plan.

At the time of transfer a comprehensive Merlin Works Capacity Building Plan was prepared which proposed year on year increases in the numbers of tradesmen employed within the internal workforce. This gave Merlin Works the ability, through a managed process to increase its workload which came on stream as a direct result of the commencement of the Decent Homes Programme. Simplistically the Capacity Plan considered year on year annual investment requirements for the stock and matched this to the resources required to deliver a realistic proportion of the annual work through the in-house workforce. This process ensured that maximum financial benefit was achieved for the organisation through VAT savings made on the labour element of the work.

The overriding objective at this time was to create a workforce of a size and shape that was sustainable and capable of delivering an ongoing continuous work stream post Decent Homes, thus providing the organisation with the numerous benefits brought from retaining its own direct labour organisation.

At this time an independent assessment was undertaken to establish if value for money was being offered by the internal workforce before embarking on this strategy. The review undertaken was carried out by Peter Simons Partnership, a consultancy specialising in this area of work. The review involved assessing the risk and cost effectiveness of the internal workforce by benchmarking the service against other similar organisations and the external market.

The Consultant's findings, in the main were positive and suggested that the service compared reasonably well with "like" organisations. A further review was undertaken by Savills during March 2007. A comprehensive report concluded that although comparisons with similar organisations were made, it was not possible to state, due to the nature in which works were undertaken and costed that the services offered value for money.

Presently Merlin Works employs 69 trade operatives, 50 part-time cleaning operatives and 18 "back office" staff to deliver its elements of the total budget for 2009/10. Analysis by Property Services and Merlin Works has identified that Merlin Works has the ability to undertake a greater share of this work and deliver increased efficiency and value for money to Merlin. As part of the business case to undertake this work, the cost of employing additional staff will be fully considered, but an increased turnover will assist Merlin Works in distributing its fixed overheads.

Where applicable, a detailed business case will be prepared when Merlin Works is proposing to undertake substantial additional work, or work outside its core obligation. Such business cases will initially be discussed with Property Services to ensure they are financially sound and do not detract from Merlin Works ability to deliver its corporate objectives.

The majority of the work in question is currently being delivered by external service providers, with no contractual obligation. Merlin Works would propose to establish Value for Money in delivering this work, and to negotiate with Property Services so its market share can be increased, as set out in the table below, during 2010/12

<b>Budget head</b>	<b>% currently delivered by Merlin Works</b>	<b>% proposed to be delivered by Merlin Works</b>	<b>% proposed Increase in volume</b>
Revenue	52%	77%	25%
Capital	8%	21%	13%
Cyclical	0%	5%	5%

To deliver the service improvements set out in this Merlin Works Business Plan, the following investment is estimated to be required

Annual Staff Budget 2009/10	£743,000
Revised Annual Staff Budget 2010/13	£938,000
<b>Additional Funding Required</b>	<b>£195,000</b>

The investment will be targeted into the following areas. Funding will be used for i) the enhancement of existing roles (such as the creation of Charge-hands from existing multi-skilled operatives), ii) to create new customer focused roles (such as delivering area based working, and iii) the creation of new posts to manage additional responsibilities (such as the management of the Trading Account).

This investment is essential to provide a stable infrastructure and management, but represents just a 1% increase in the overheads as a proportion of turnover. This increase will initially take the back office costs to 16% (although see the table in “Trading Account” below for planned reductions), but this compares very favourably to the Housing Corporations recommendation that an acceptable % is in the range of 21%-31%.

	2008/09	2009/11	2009/12	2009/13
<b>Expenditure</b>				
Revenue	2,343,130	2,567,130	3,015,130	3,463,130
Revenue subcontracted	2,162,889	1,938,889	1,490,889	1,042,889
Planned / Capital	2,002,206	2,125,716	2,348,917	2,466,362
Planned / subcontracted	2,204,415	3,231,088	3,570,353	3,748,870
Cyclical	0	28,731	86,193	143,655
Housing Management	1,097,236	1,097,236	1,097,236	1,097,236
<b>Total expenditure</b>	<b>9,809,876</b>	<b>10,988,790</b>	<b>11,608,718</b>	<b>11,962,142</b>
<b>Overheads</b>	<b>1,520,059</b>	<b>1,715,059</b>	<b>1,715,059</b>	<b>1,715,059</b>
<b>Overhead % of expenditure</b>	<b>15%</b>	<b>16%</b>	<b>15%</b>	<b>14%</b>

The current “Trading Account” position indicates that the ratio of overheads to turnover is 15%. The additional investment will initially see this percentage rise to 16%, but as new work streams come online, this percentage will drop by a target of 1% per annum until the optimum operating turnover is achieved.

## Appendices

The results of the Residents Surveys and STATUS survey are set out in **Appendix A**

The Property Services Strategic SMART Action Plan is set out in **Appendix B**

The Inspection SMART Improvement Plan is set out in **Appendix C**

The Executive Summary of the PML Options Appraisal is set out in **Appendix D**

## Results of Resident Surveys

## Residents Survey on Repairs and Maintenance October 2009

	Survey forms sent	Survey forms returned	% returned			
Number of responses received	7887	895	11.35%			
Question	Merlin Works (employed directly by Merlin)	Private company / contractor	No Response			
Do you think we should continue to deliver our repairs service using out in-house team Merlin Works, or do you think all of our repairs should be carried out by external contractors?	810	45	40			
% of returns	90.50%	5.03%	4.47%			
Question	Very satisfied	Fairly satisfied	Neither satisfied nor dissatisfied	Fairly dissatisfied	Very dissatisfied	No Response
Overall, how satisfied are you with the way Merlin Works team deal with repairs ?	558	200	48	26	17	46
% of returns	62.35%	22.35%	5.36%	2.91%	1.90%	5.14%
<i>The questions below specifically relates to a repair in the last 12 months</i>						
Question	Yes	No	No Response			
Have you experienced our repairs service in the last 12 months?	671	144	80			
% of returns	74.97%	16.09%	8.94%			
Question	Merlin Works	Contractor	Don't know			
If yes, Was the work carried out by	551	124	78			
% of responses	73.17%	16.47%	10.36%			

## Results of Resident Surveys

Question	Very good	Good	Average	Poor	Very poor
How would you rate the quality of the work completed ?	415	219	46	20	16
% of responses	57.96%	30.59%	6.42%	2.79%	2.23%

**STATUS Survey**General needs

Question	2006-7	2009-10	Variance	Benchmark
Overall satisfaction with repairs and maintenance	74%	80%	+6%	Median quartile
Overall satisfaction with the condition of the property	68%	80%	+12%	Median quartile
Overall satisfaction with the quality of the home	Na	83%	NA	Median quartile

Sheltered

Question	2006-7	2009-10	Variance
Overall satisfaction with repairs and maintenance	87%	87%	-
Overall satisfaction with the condition of the property	85%	90%	+5%
Overall satisfaction with the quality of the home	NA	91%	NA

Property Services Strategic Client Action Plan

		SPECIFIC	MEASURABLE	ACHIEVABLE	RESOURCED	TIMED	
Link to IIP	Issue	Action	Indicator / Target	Corporate Objective	By	With	
R1.2	<b>Draft Property Services Strategy</b>	Strategy document developed	Agree recommendations Board approval		Head of Property Services	Existing resources	Nov-09
R1.2	<b>Option Appraisal - Property services</b>	To considering the potential options for the future delivery of the client service	Option appraisal report drafted		Head of Property Services	Consultant s additional	Jan-10
R1.2	<b>Option Appraisal - Merlin Works</b>	To considering the potential options for the future delivery of the contractor service (high level summary) Further detailed actions outlined in the Merlin Works action plan	Draft option appraisal report		Interim Managing Director Merlin Works	Consultant s additional	Nov-09
R1.2	<b>Resident Consultation</b>	To hold a series of resident workshops to agree future delivery models for both the client and contractor service and agree options and recommendations from the option reports	Resident agreement and sign off of the proposed option		Head of Property Services	Existing resources	Feb-10
R1.2	<b>Complete and refine the restructure</b>	Design structure to fit with requirements from resident workshops and options appraisal process	Staff structure agreed by Executive Team		Head of Property Services	Consultant s additional	Mar-10

Property Services Strategic Client Action Plan

		SPECIFIC	MEASURABLE	ACHIEVABLE	RESOURCED	TIMED	
Link to IIP	Issue	Action	Indicator / Target	Corporate Objective	By	With	
R1.2	<b>Consultation with staff on structure</b>	Series of staff consultation workshops	Consultation complete		Head of Property Services and HR Manager	Existing resources	Mar-10
R1.2	<b>Implement the new structure</b>	Undertake formal recruitment processes	Staff recruited and in place Staff changes and any HR issues resolved		Executive Team, Head of Property Services HR Manager	Existing resources	Jun-10
R1.2	<b>Commence formal operating arrangements</b>	New operating process started	operational process implemented		Head of Property Services Interim Managing Director Merlin Works	Existing resources	Jun-10
R1.2	<b>Agree Client Contractor SLA</b>	Formal contract and working arrangements drafted and agreed, which will detail how the respective functions will interact	SLA/Contract agreed and signed		Head of Property Services/ Merlin Works Managing Director	Existing resources	Jun-10

Property Services Strategic Client Action Plan

		SPECIFIC	MEASURABLE	ACHIEVABLE	RESOURCED	TIMED	
Link to IIP	Issue	Action	Indicator / Target	Corporate Objective	By	With	
R1.3	<b>Agree targets and KPIs</b>	Key KPIs agreed and based on best practice Including agreement of quality standards, customer satisfaction targets. KPIs to be consistent with corporate monitoring requirements	Set of PIs agreed by all stakeholders and appropriate resident groups		Head of Property Services/ Merlin Works Managing Director	Existing resources	Jun-10
R1.3	<b>Agree monitoring framework</b>	Monitoring framework established to report on service standard delivery, key headline KPIs and local PIs set. Framework to be consistent with corporate monitoring requirements	Agree performance report framework		Head of Property Services/ Merlin Works Managing Director	Existing resources	Jun-10
R1.2	<b>Client/Contractor performance meeting framework</b>	Formal meeting structure agreed and timetabled, reporting hierarchy set to ensure full stakeholder communication	Dates booked and hierarchy of meetings established		Head of Property Services/ Merlin Works Managing Director	Existing resources	Jan 09
R1.2	<b>Set the financial framework</b>	Design a practical budget setting and approvals process	Establish a framework for budget management and monitoring		Head of Property Services/ Merlin Works Managing	Existing resources	Jun-10

Property Services Strategic Client Action Plan

		SPECIFIC	MEASURABLE	ACHIEVABLE	RESOURCED	TIMED	
Link to IIP	Issue	Action	Indicator / Target	Corporate Objective	By	With	
					Director Finance Manager		
R3.3	<b>Benchmarking of services</b>	Agree the Benchmarking club and relevant activities to benchmark and have validated data collection methodology agreed	Commence Benchmarking exercise and review data		Head of Property Services	Existing resources	Jun-10
R3.3	<b>Validation of value for money assessment</b>	Undertake formal independent review to consider if VFM is being derived from the Merlin Works team following the implementation of the revised approach	Report identifying the position regarding value for money		Head of Property Services	Consultants additional	Mar-11
R1.2	<b>Agree future approach for Merlin Works</b>	Depending on performance outcomes and value for money judgement agree the future approach for Merlin Works	Consider information collected relating to performance of Merlin Works and decide if retaining the Merlin Works Team or formally tendering the service offers the best option for Merlin		Executive Team Board and relevant stakeholders	Existing resources	Apr-11

Property Services Strategic Client Action Plan

		SPECIFIC	MEASURABLE	ACHIEVABLE	RESOURCED	TIMED	
Link to IIP	Issue	Action	Indicator / Target	Corporate Objective	By	With	
R3.3	<b>Consult on internalisation of additional works</b>	Depending on performance and initial outcomes of preliminary value for money judgements, resident satisfaction etc open up a dialog to review and plan for the internalisation of works currently contracted to external parties	Continual review and timing to fit with Merlin's Tender Timetable		Executive Team, Head of Property Services/ Merlin Works Managing Director	Existing resources	On-going
N/A	<b>Relocate Property Services to new premises</b>	Space plan and agree working arrangements for a move to new offices	Move Client team		Head of Property Services	Existing resources	Dec-09
R1.2	<b>Annual Review</b>	Formal review of working arrangements	Report on the effectiveness of the revised working arrangements, value for money statement and challenge to justify and confirm any changes to structure and processes made.		Head of Property Services	Consultant s additional	Jun-11

## Inspection Improvement Plan

Ref	Audit Commission Recommendation	Key tasks & milestones	Target Dates	Lead	Progress	Key outcome(s) as defined by Audit Commission	Measure(s) of success
R2.1	<b>Develop comprehensive programmes for cyclical decoration and preventative maintenance</b>	Pilot External Repairs and Painting Programme, to inform future procurement, implemented	31/07/2009	<b>Mark Haines</b>	<b>Task completed</b>	Improved quality of housing estates	Better maintenance of residents' homes
		Outline 6 year cyclical programme developed for tendering purposes and OJEU notice issued.	24/09/2009		<b>Task completed</b>	Higher levels of resident satisfaction with neighbourhoods	Above median performance in resident satisfaction with repairs
		Draft outline programme published	30/10/2009				
		Invitation to Tender for contract	11/12/2009				
		Tender Evaluated	28/02/2010				
		Contract commencement	01/04/2010				

Inspection Improvement Plan

Ref	Audit Commission Recommendation	Key tasks & milestones	Target Dates	Lead	Progress	Key outcome(s) as defined by Audit Commission	Measure(s) of success
R2.2	<b>Ensure that all categories of repairs are completed promptly and in accordance with targets</b>	Nat Fed Schedule of Rates implemented	31/12/2009	<b>Mark Haines</b>		Improved quality of housing estates	Sustained achievement of repairs performance targets
		Residents consulted upon targets	03/01/2010		<b>Task completed</b>	Higher levels of resident satisfaction with neighbourhoods	
		Audit of KPI data completed	31/03/2010			More accountability	
R2.4	<b>Set targets for the independent auditing of gas servicing and include the results as part of the regular property services maintenance reports;</b>	Research best practice for independent auditing of gas servicing	30/10/2009	<b>Mark Haines</b>	<b>Task completed</b>	Improved quality of housing estates	Sustained achievement of gas servicing and auditing targets
		Independent contractor(s) to audit gas servicing appointed	03/01/2010			Higher levels of resident satisfaction with neighbourhoods	
		Performance data included in SMIPS & Committee performance reports	31/03/2010			Improved health & safety	

## Inspection Improvement Plan

Ref	Audit Commission Recommendation	Key tasks & milestones	Target Dates	Lead	Progress	Key outcome(s) as defined by Audit Commission	Measure(s) of success
R2.10	<b>Maximising the number of repairs jobs where an appointment is made and minimising the number of jobs carried out as emergencies;</b>	Initial impact assessment following introduction of appointment system in May 2009, considered by the Residents' Forum, Investment and Housing & Support Committees and action plan for continuous improvement approved.	26/11/2009	<b>Mark Haines</b>	<b>Task completed</b>	More accountability	Performance on repairs appointments at least at median benchmark level
		Definition of emergency repair and associated procedures reviewed in consultation with residents property group	31/12/2009				Performance on division between emergency, urgent and routine repairs in line with benchmark median
		Jobfax scripting reviewed and revised	31/12/2009				
		Detailed performance data on emergency repairs, revised definitions and procedures approved by Residents' Forum and Housing & Support Committee.	18/03/2010				

## Inspection Improvement Plan

Ref	Audit Commission Recommendation	Key tasks & milestones	Target Dates	Lead	Progress	Key outcome(s) as defined by Audit Commission	Measure(s) of success
R4.2	<b>Ensure performance reporting of responsive repairs is comprehensive and based on actual performance as well as customer feedback;</b>	Approach to performance recording and monitoring of repairs and residents' satisfaction with repairs reviewed	18/12/2009	<b>Mark Haines</b>		Greater accountability	Performance reports amended to include new measures for 2010
		Independent audit of KPI data completed	28/02/2010			Improved performance	