

**CABINET**  
**Thursday 5 December 2019 at 7.30 pm**  
**Council Chamber - Civic Centre**

**Members**

Councillor Mark Ingall, Leader of the Council  
Councillor Eugenie Harvey, Deputy Leader and Portfolio Holder for  
Community and Wellbeing  
Councillor Mike Danvers, Portfolio Holder for Resources  
Councillor Tony Durcan, Portfolio Holder for Economic Development  
Councillor Danny Purton, Portfolio Holder for Environment  
Councillor Lanie Shears, Portfolio Holder for Governance, Equality and  
Diversity  
Councillor John Strachan, Portfolio Holder for Regeneration  
Councillor Mark Wilkinson, Portfolio Holder for Housing

**Other Attendees**

Councillor Tony Edwards  
Councillor Shannon Jezzard  
Councillor Stefan Mullard

**AGENDA**

1. Apologies for absence
2. Declarations of Interest  
  
Councillors' declarations of interest (if any) in relation to any items on the agenda.
3. Minutes (Pages 4 - 8)  
  
To approve the minutes of the meeting held on 17 October 2019.
4. Matters Arising  
  
Any matters arising from the minutes of the previous meeting.
5. Written Questions from the Public  
  
To receive any questions from members of the public in accordance with Rule 10 of the Council Procedure Rules.
6. Written Questions from Councillors  
  
To receive any questions from Councillors in accordance with Rule 11 of the Council Procedure Rules.

7. Petitions

To consider any petitions that have been referred to the Cabinet under the Council's Petition Scheme.

8. Forward Plan (Pages 9 - 22)

To note the Forward Plan, which lists all upcoming Cabinet decisions and provides notice of key decisions and those expected to be taken in private session.

9. Recent Relevant Decisions Taken by The Leader, Deputy or Portfolio Holder(s)

There have not been any relevant decisions taken by Portfolio Holders under delegated powers since the last meeting of the Cabinet.

10. HTS (Property and Environment) Ltd Best Value Review (Pages 23 - 60)

11. Treasury Management Strategy Statement 2019/20: Mid-Year Review (Pages 61 - 72)

12. Joint Finance and Performance Report, Quarter 2 2019/20 (Pages 73 - 93)

13. Housing Revenue Account, Quarter 2 Finance Report 2019/20 (Pages 94 - 100)

14. Capital Programmes, Quarter 2 Finance Report 2019/20 (Pages 101 - 115)

15. Contract Award for Insurance Services (Pages 116 - 122)

16. Award of Contract for Replacement of Water Main and Central Heating Systems - Moor Tower, Nicholls Tower, Stort Tower and Edmunds Tower (Pages 123 - 127)

17. Flat Block Refurbishment - Little Brays (Pages 128 - 130)

18. Changes to the Membership of the Local Development Plan Panel

To confirm the appointment of Councillor Tony Edwards in place of Councillor Jodi Dunne.

19. Communications from Committees/Working Groups/Parties and Panels

a) Referral from Shareholder Sub Committee - Replacement of HTS (Property and Environment) Ltd Fleet (Pages 131 - 134)

- b) Referral from Cabinet Overview Working Group - Local Council Tax Support Scheme Proposals 2020/21 (to follow)

20. Minutes of Panels/Working Groups

To note the following draft minutes of Cabinet appointed bodies. Minutes remain draft until approved by the relevant body.

- a) Minutes of meeting Thursday, 7 November 2019 of Shareholder Sub Committee (Pages 135 - 139)

21. Matters of Urgent Business

Such other business which, in the opinion of the Chair, should be received as a matter of urgency by reason of special circumstances to be specified in the minutes.

**MINUTES OF THE CABINET  
HELD ON**

17 October 2019

7.30 - 8.05 pm

**PRESENT**

**Committee Members**

Councillor Mark Ingall, Leader of the Council

Councillor Eugenie Harvey, Deputy Leader and Portfolio Holder for Community and Wellbeing

Councillor Mike Danvers, Portfolio Holder for Resources

Councillor Tony Durcan, Portfolio Holder for Economic Growth

Councillor Danny Purton, Portfolio Holder for Environment

Councillor John Strachan, Portfolio Holder for Regeneration

Councillor Mark Wilkinson, Portfolio Holder for Housing

**Additional Attendees**

Councillor Tony Edwards

**Other Councillors**

Councillor Simon Carter

Councillor Joel Charles

Councillor Andrew Johnson

**Officers**

Brian Keane, Chief Executive

Andrew Bramidge, Head of Environment and Planning

Jane Greer, Head of Community Wellbeing

Simon Hill, Head of Governance

Andrew Murray, Head of Housing

Adam Rees, Governance Support Officer

Cara Stevens, Area Housing Manager

58. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Lanie Shears.

59. **DECLARATIONS OF INTEREST**

Councillor Simon Carter declared a pecuniary interest in items 12 and 13 as a remunerated Council appointed director of HTS (Property and Environment) Ltd. He said he would leave the room whilst the items were considered

60. **MINUTES**

**RESOLVED** that the minutes of the meeting held on 12 September 2019 are agreed as a correct record and signed by the Leader.

61. **MATTERS ARISING**

None.

62. **WRITTEN QUESTIONS FROM THE PUBLIC**

None.

63. **WRITTEN QUESTIONS FROM COUNCILLORS**

None.

64. **PETITIONS**

None.

65. **FORWARD PLAN**

The item 'Local Development Plan – Modifications Prior to Consultation' had been withdrawn from the agenda for this meeting at the request of the Planning Inspector pending submission of their final letter. The item 'Adoption of Local Development Plan' would no longer be considered at the meeting on 23 January 2020 as a result.

The item 'Town Wide Employment Sites Article 4 Direction' would no longer be considered at this meeting as the Templefields' Direction had received no objections and therefore did not need Cabinet approval. Directions for the other sites had been re-advertised. If they received objections these would be considered at the meeting on 5 December 2019.

Finally, the item 'Contract Award for the Demolition of the Old Lister House Site, Perry Road' was no longer to be considered by Cabinet as the contract was of a value less than £250,000, meaning it did not require Cabinet approval.

**RESOLVED** that the Forward Plan is noted.

66. **RECENT RELEVANT DECISIONS TAKEN BY THE LEADER, DEPUTY OR PORTFOLIO HOLDER(S)**

None.

67. **LOCAL DEVELOPMENT PLAN - MODIFICATIONS PRIOR TO CONSULTATION**

This item had been withdrawn from the agenda for the meeting.

68. **HOMELESSNESS AND ROUGH SLEEPER STRATEGY**

Cabinet considered a report to adopt an updated Homelessness and Rough Sleeper Strategy.

Proposed by Councillor Mark Wilkinson (seconded by Councillor Mark Ingall) it was:

**RESOLVED** that:

- A The updated Harlow Homelessness and Rough Sleeping Strategy and updated Delivery Plan be approved as attached as Appendix A to the report.

69. **CONTRACT AWARD - NEXUS BUILDING MANAGEMENT**

*Councillor Simon Carter left the meeting.*

Cabinet considered a report to award two contracts to HTS (Property and Environment) Ltd to carry out facilities and landscape maintenance for the Nexus Building.

Proposed by Councillor Tony Durcan (seconded by Councillor Mark Ingall) it was:

**RESOLVED** that subject to the submission of acceptable business cases and formal contract:

- A Two maintenance contracts (for facilities and landscape management) be entered into with HTS (Property & Environment) Limited (HTS) for a period of five years with an option, at the sole discretion of the Council, to break the contract at the end of year one by giving no less than four months' notice subject to agreement of the terms and conditions and clarification on the final cost of the new services.
- B Delegated authority be given to the Chief Executive, in consultation with the Portfolio Holder for Economic Development, to make the necessary legal and financial arrangements to award the contract.

70. **HTS (PROPERTY AND ENVIRONMENT) LTD - CONTRACT AWARD FOR TWO YEAR PROGRAMME FOR COMPLIANCE, GARAGES AIDS AND ADAPTATIONS**

Cabinet received a report to award a number of business cases to HTS (Property and Environment) Ltd to be completed over a two year period.

Proposed by Councillor Mark Wilkinson (proposed by Councillor John Strachan) it was:

**RESOLVED** that Cabinet:

- A Awarded the following Business Cases to HTS (Property and Environment) Ltd (HTS) for completion over two years (2020-

2021 and 2021-2022), for housing work-streams and aggregated contract values as set out below:

- i) Disabled Aids and Adaptations (DAA's) - £1,800,000
  - ii) Compliance - £3,600,000
  - iii) Garages - £1,000,000
- Total - £6,400,000

**B** Delegated authority to the Head of Housing, in consultation with Portfolio Holder for Housing, to complete all Business Case contractual formalities.

71. **COMMUNICATIONS FROM COMMITTEES/WORKING GROUPS/PARTIES AND PANELS**

- a) Referral from Scrutiny Committee - Review of Overview and Scrutiny  
*Councillor Simon Carter returned to the meeting.*

Cabinet considered referral from the Scrutiny Committee to amend the process in which the Cabinet Overview Working Group's work plan is developed.

Proposed by Councillor Mark Ingall (seconded by Councillor Eugenie Harvey) it was:

**RESOLVED** that:

- A** The process for developing the Cabinet Overview Working Group's Work Plan is adapted in line with paragraph 17 of the original report, attached as Appendix 1 to the report.

72. **MINUTES OF PANELS/WORKING GROUPS**

**RESOLVED** that the minutes of the following meetings are noted.

- a) Minutes of meeting Tuesday, 20 November 2018 of Housing Standards Board
- b) Minutes of meeting Tuesday, 19 March 2019 of Housing Standards Board
- c) Minutes of meeting Thursday, 5 September 2019 of Harlow Local Highways Panel

- d) Minutes of meeting Tuesday, 2 July 2019 of Housing Standards Board

73. **MATTERS OF URGENT BUSINESS**

None.

LEADER OF THE COUNCIL

# Harlow Council Forward Plan

Published on 6 November 2019

This plan contains all decisions that the Council's Cabinet expects to take over the coming year. Where relevant, each decision has been identified as a Key Decision or as involving consideration in private session.

The definition of a Key Decision is given in Article 12 of the Council's Constitution but is also set out here for clarity.

A 'Key Decision' means a Cabinet/Portfolio Holder decision which is likely:

- a) to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates. For this purpose, expenditure or savings are deemed to be significant if they exceed £50,000
- b) to be significant in terms of its effects on communities living in an area comprising two or more wards in Harlow.

Each decision listed in this Forward Plan has been assigned an exemption status as follows:

**Open** – members of the press and public are expected to be allowed to attend during consideration of this matter.

**Confidential** – members of the press and public are expected to be excluded during consideration of this matter. The reasons for this exclusion will be stated in column 5, and relate to a lawful power to exclude the press and public when specific classes of information are being discussed, as contained in the [Local Government Act 1972](#).

A Decision Notice for each Key Decision is published within five days of it being made. Decision Notices and documents to be considered by decision makers are open for inspection on the Council's website [www.harlow.gov.uk](http://www.harlow.gov.uk) and at the Civic Centre, The Water Gardens, Harlow, CM20 1WG. Representations on an upcoming key decision can be made by writing to the Chief Executive, using the address above.

The current members of the Cabinet are as listed on the Council's website at the following page <http://moderngov.harlow.gov.uk/mgCommitteeDetails.aspx?ID=121>

Ref.	Decision title	Decision Maker	Expected Date of Decision and Ward(s) affected	Key Decision and private consideration status	Documents to be considered by decision maker	Portfolio Holder and Lead Officer
I010 207	Local Development Plan - Modifications Prior to Consultation	Cabinet	5 Dec 2019  All Wards	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Environment (Councillor Danny Purton)  Andrew Bramidge
I010 594	HTS (Property and Environment) Ltd Best Value Review	Cabinet	5 Dec 2019	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Leader of the Council (Councillor Mark Ingall)  Simon Hill
I010 408	Town Wide Employment Sites Article 4 Direction	Cabinet	5 Dec 2019  All Wards	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Environment (Councillor Danny Purton)  Andrew Bramidge, Jane Greer

Ref.	Decision title	Decision Maker	Expected Date of Decision and Ward(s) affected	Key Decision and private consideration status	Documents to be considered by decision maker	Portfolio Holder and Lead Officer
I010 143	Treasury Management Strategy Statement 2019/20: Mid-Year Review	Cabinet	5 Dec 2019	Key decision: <b>Yes</b> Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers)  Simon Freeman
I010 144	Joint Finance and Performance Report, Quarter 2 2019/20	Cabinet	5 Dec 2019	Key decision: <b>No</b> Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers)  Simon Freeman
I010 145	Housing Revenue Account, Quarter 2 Finance Report 2019/20	Cabinet	5 Dec 2019	Key decision: <b>No</b> Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers), Portfolio Holder for Housing (Councillor Mark Wilkinson)  Andrew Murray, Simon Freeman

Ref.	Decision title	Decision Maker	Expected Date of Decision and Ward(s) affected	Key Decision and private consideration status	Documents to be considered by decision maker	Portfolio Holder and Lead Officer
I010 146	Capital Programmes, Quarter 2 Finance Report 2019/20	Cabinet	5 Dec 2019	Key decision: <b>No</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Housing (Councillor Mark Wilkinson), Portfolio Holder for Resources (Councillor Mike Danvers)  Andrew Murray, Simon Freeman
I010 532	Contract Award for Insurance Services	Cabinet	5 Dec 2019	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers)  Simon Freeman
I010 640	Award of Contract for Replacement of Water Main and Central Heating Systems - Moor Tower, Nicholls Tower, Stort Tower and Edmunds Tower	Cabinet	5 Dec 2019  Bush Fair; Netteswell; Toddbrook	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Housing (Councillor Mark Wilkinson)  Andrew Murray

Ref.	Decision title	Decision Maker	Expected Date of Decision and Ward(s) affected	Key Decision and private consideration status	Documents to be considered by decision maker	Portfolio Holder and Lead Officer
I010 704	Flat Block Refurbishment - Carters Mead	Cabinet	5 Dec 2019  Harlow Common	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Housing (Councillor Mark Wilkinson)  Andrew Murray
I010 705	Flat Block Refurbishment - Little Brays	Cabinet	5 Dec 2019  Bush Fair	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Housing (Councillor Mark Wilkinson)  Andrew Murray
I010 147	Debt Write Offs	Cabinet	5 Dec 2019	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers)  Simon Freeman

Ref.	Decision title	Decision Maker	Expected Date of Decision and Ward(s) affected	Key Decision and private consideration status	Documents to be considered by decision maker	Portfolio Holder and Lead Officer
I010 916	Referral from Shareholder Sub Committee - Replacement of HTS (Property and Environment) Ltd Fleet	Cabinet	5 Dec 2019	Key decision: <b>Yes</b> Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Environment (Councillor Danny Purton), Portfolio Holder for Housing (Councillor Mark Wilkinson)  Andrew Murray
I010 148	Local Council Tax Support Scheme Proposals 2020/21	Cabinet	5 Dec 2019	Key decision: <b>Yes</b> Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers)  Simon Freeman
I010 149	Corporate Plan 2020/21	Cabinet	23 Jan 2020	Key decision: <b>Yes</b> Likely exemption status: <b>Open</b>	Officer's report	Leader of the Council (Councillor Mark Ingall)  Brian Keane

Ref.	Decision title	Decision Maker	Expected Date of Decision and Ward(s) affected	Key Decision and private consideration status	Documents to be considered by decision maker	Portfolio Holder and Lead Officer
I010 150	Medium Term Financial Strategy 2020/21 - 2022/23	Cabinet	23 Jan 2020	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers)  Simon Freeman
I010 151	Capital and Treasury Report 2020	Cabinet	23 Jan 2020	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers)  Simon Freeman
I010 152	Housing Revenue Account Business Plan 2019-2049	Cabinet	23 Jan 2020	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers), Portfolio Holder for Housing (Councillor Mark Wilkinson)  Andrew Murray, Simon Freeman

Ref.	Decision title	Decision Maker	Expected Date of Decision and Ward(s) affected	Key Decision and private consideration status	Documents to be considered by decision maker	Portfolio Holder and Lead Officer
I010 153	Housing Revenue Account Budget 2020/21	Cabinet	23 Jan 2020	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Housing (Councillor Mark Wilkinson), Portfolio Holder for Resources (Councillor Mike Danvers)  Andrew Murray, Simon Freeman
I010 155	Capital Programmes 2019/20 - 2021/22	Cabinet	23 Jan 2020	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers), Portfolio Holder for Housing (Councillor Mark Wilkinson)  Andrew Murray, Simon Freeman
I010 154	General Fund Budget 2020/21	Cabinet	23 Jan 2020	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers)  Simon Freeman

Ref.	Decision title	Decision Maker	Expected Date of Decision and Ward(s) affected	Key Decision and private consideration status	Documents to be considered by decision maker	Portfolio Holder and Lead Officer
I007 561	Town Centre Area Action Plan - Submission to Planning Inspectorate for Examination Under Regulation 22	Cabinet	23 Jan 2020  Toddbrook; Little Parndon and Hare Street; Netteswell	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Regeneration (Councillor John Strachan), Portfolio Holder for Environment (Councillor Danny Purton)  Jane Greer, Andrew Bramidge
I010 350	Future Bus Shelter Provision	Cabinet	23 Jan 2020  All Wards	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Environment (Councillor Danny Purton)  Simon Freeman
I010 613	Recommendations from Religious Diversity Working Party	Cabinet	23 Jan 2020	Key decision: <b>No</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Governance, Equality and Diversity (Councillor Lanie Shears)  Simon Hill

Ref.	Decision title	Decision Maker	Expected Date of Decision and Ward(s) affected	Key Decision and private consideration status	Documents to be considered by decision maker	Portfolio Holder and Lead Officer
I010 603	Procurement Strategy Update	Cabinet	27 Feb 2020	Key decision: <b>Yes</b> Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Governance, Equality and Diversity (Councillor Lanie Shears)  Simon Hill
I010 622	Flat Block Refurbishment of 97-126 The Hides	Cabinet	27 Feb 2020  Netteswell	Key decision: <b>Yes</b> Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Housing (Councillor Mark Wilkinson)  Andrew Murray
I010 208	Adoption of Local Development Plan	Cabinet	26 Mar 2020  All Wards	Key decision: <b>Yes</b> Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Environment (Councillor Danny Purton)  Andrew Bramidge

Ref.	Decision title	Decision Maker	Expected Date of Decision and Ward(s) affected	Key Decision and private consideration status	Documents to be considered by decision maker	Portfolio Holder and Lead Officer
I010 156	Joint Finance and Performance Report, Quarter 3 2019/20	Cabinet	26 Mar 2020	Key decision: <b>No</b> Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers)  Simon Freeman
I010 157	Housing Revenue Account, Quarter 3 Finance Report 2019/20	Cabinet	26 Mar 2020	Key decision: <b>No</b> Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers), Portfolio Holder for Housing (Councillor Mark Wilkinson)  Andrew Murray, Simon Freeman
I010 158	Capital Programmes, Quarter 3 Finance Report 2019/20	Cabinet	26 Mar 2020	Key decision: <b>No</b> Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers), Portfolio Holder for Housing (Councillor Mark Wilkinson)  Andrew Murray, Simon Freeman

Ref.	Decision title	Decision Maker	Expected Date of Decision and Ward(s) affected	Key Decision and private consideration status	Documents to be considered by decision maker	Portfolio Holder and Lead Officer
I010 159	Debt Write Offs	Cabinet	26 Mar 2020	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Resources (Councillor Mike Danvers)  Simon Freeman
I010 693	Energy Procurement Framework Review	Cabinet	July 2020 (date of meeting to be confirmed)	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Environment (Councillor Danny Purton)  Simon Freeman
I009 925	Regeneration Strategy	Cabinet	To be confirmed Subject to OWG approval	Key decision: <b>Yes</b>  Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Regeneration (Councillor John Strachan)  Jane Greer

Ref.	Decision title	Decision Maker	Expected Date of Decision and Ward(s) affected	Key Decision and private consideration status	Documents to be considered by decision maker	Portfolio Holder and Lead Officer
I009 571	Epping Forest SAC Mitigation Strategy	Cabinet	To be confirmed	Key decision: <b>Yes</b> Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Environment (Councillor Danny Purton)  Andrew Bramidge
I009 572	Stewardship Arrangements	Cabinet	To be confirmed	Key decision: <b>Yes</b> Likely exemption status: <b>Open</b>	Officer's report	Portfolio Holder for Environment (Councillor Danny Purton)  Andrew Bramidge



**REPORT TO:** CABINET

**DATE:** 5 DECEMBER 2019

**TITLE:** HTS (PROPERTY AND ENVIRONMENT) LTD BEST VALUE REVIEW

**PORTFOLIO HOLDERS:** COUNCILLOR MARK INGALL, LEADER OF THE COUNCIL

COUNCILLOR MARK WILKINSON, PORTFOLIO HOLDER FOR HOUSING

COUNCILLOR DANNY PURTON, PORTFOLIO HOLDER FOR ENVIRONMENT

COUNCILLOR MIKE DANVERS, PORTFOLIO HOLDER FOR RESOURCES

**LEAD OFFICERS:** SENIOR MANAGEMENT BOARD

**RECOMMENDED that:**

- A** The Best Value Review into Harlow Trading Services (Property and Environment) Ltd (HTS) and associated recommendations be received.
- B** HTS be advised that the current contract will be extended for the maximum five year period provided for within the current contract subject to (C) below:
- C** Subject to B being approved above:
  - i) The recommendations of the Best Value report be adopted as an action plan for the contract extension with the recommendations below required to be completed as part of the pre-contract extension process:
    - a) Variation of the cost reporting structure for HTS to correlate with the Council's cost centre arrangements (Economy Recommendation 1);
    - b) The annual contractual price indexation being changed (Economy Recommendation 2);
    - c) The setting of the mix of third party works, and directly awarded Council capital works, the Local Authority Trading Company (LATC) is to deliver (Economy Recommendation 3);
    - d) Alternative mechanisms for penalty and/or reward under the contract, are put in place (Economy Recommendation 17); and
  - ii) The Chief Executive, in consultation with the Leader of the Council, is delegated authority to negotiate and agree all matters in respect of the extension of the contract for the continued provision of services by HTS.
- D** The 'Business as Usual' activities in Appendix 2 of Appendix A are monitored for their completion by the Shareholder Sub Committee.

## **REASON FOR DECISION**

- A** On making the decision to set up the LATC, Cabinet requested a report demonstrate that the LATC is achieving value for money.
- B** Under the terms of the current Services Agreement with HTS the Council is required to consider whether or not to extend the contract for the provision of services by for a further five years.

## **BACKGROUND**

1. On 1 February 2017 the delivery of the Council's Housing Repairs & Maintenance, Environment and Street Scene services moved from a Joint Venture Company (JVCo) delivery model to services being provided via a wholly Council owned LATC. This contract runs until 1 February 2022, but may be extended.
2. Following analysis of a number of options setting up an LATC was identified as representing best value for money, being the cheapest option taking into account set up costs, impact on client teams and impact on support services. This delivery model was recommended to the Council's Cabinet on 17 September 2015 as the LATC delivery option avoided a lengthy and costly procurement process and ensured a smooth transfer of service provision, additionally, minimising costly potential severance payments that otherwise the Council could have ultimately borne.
3. The Cabinet meeting of 17 September 2015 resolved that, subject to the change in service provider from JVCO to LATC, Cabinet would receive a report in 2020 to demonstrate that the LATC is achieving value for money. Furthermore, in line with Clause 28 of the Services Agreement, the LATC (HTS) is required to demonstrate to the satisfaction of the Council that it understands and has incorporated the principles of best value into its operation, securing continuous improvement.
4. A Best Value Review has been carried out, commencing in February 2019 and completing in October 2019. The purpose of the Review is to steer the Council to a position where it can make decisions on the future delivery of services and these have been considered under the broad themes of Economy, Efficiency and Effectiveness.
5. The summary report for the review, and its more detailed appendices, can be found at Appendix A of this report. The review considered evidence under 15 works streams, covering governance arrangements, financial and operational performance and culture and relationships within the existing arrangements in place.

## **REVIEW FINDINGS**

6. The Review Summary report shows that the Council has effectively set up a well-funded LATC and successfully disaggregated its operations from the previous private sector provider. The findings of the review under its broad themes of Economy, Efficiency and Effectiveness show that there are a number of areas of very good performance but also improvements and enhancements to be made which are reflected within the report recommendations which are summarised below, but set out fully in the Review Summary Report.

## **ECONOMY**

7. Based upon the evidence submitted to the review, it was not possible to make direct comparisons to the 2017 mobilisation business model. Further work is required to be conducted, regardless of the decision to extend the contract, as part of an action plan to ensure this is concluded as a matter of urgency. The company have ambitious investment plans, should the contract be extended, but more work is required to reach a conclusion about their viability. Importantly the review highlighted no issues to suggest the current arrangements do not represent financial best value and added value from Corporate Social Responsibility activities was noted.
8. The increase on 3rd Party works, envisaged as a plus point of a LATC, to enable the opportunity of a return to the Council have yet to come to fruition. The Review has demonstrated that HTS has delivered only limited third party works for clients external to the Council. HTS has however delivered additional Capital and planned works projects for the Council, providing services beyond the core services of the Services Agreement, retaining the contractor profit element within the company. In addition to an effective change notice mechanism, the additional delivery of capital and planned works has allowed the Council to use a relatively quick and agile model for awarding of such works, ensuring value for money, through the Business Case process. The flexibility envisaged in setting up the LATC has therefore been realised in practice.
9. In reviewing work streams relating to the costs and resources required for contract delivery by HTS the existing payment mechanism is considered to be an economic method of contract payment with some minor amendments recommended to the penalty mechanism.

## **EFFICIENCY**

10. Staff resources are a major asset of the company and the staffing and organizational practices and policies were reviewed, especially in light of actions required to address the ageing profile of the workforce. Work around social inclusion, equality of opportunity and its successful apprenticeships scheme need to be built on to ensure the company is ready to meet its staffing demographic challenges, including its Board level appointments strategy.
11. The good performance of current Key Performance Indicator's (KPI's) was noted. A review of the Output Specification and KPI suite is necessary and recommended. Future innovation to enhance service delivery measured by the KPI's will need to be financially appraised and a key forward initiative to achieve this is ICT linkages and investment. A continuing discussion on joint corporate priorities is also important and recommended.

## **EFFECTIVENESS**

12. Compliance with governance documents including the Services Agreement and statutory governance documents (Articles, Scheme of Delegation and Business Plan) were demonstrated and this shows a positive outcome in terms of the overall operation of the company and its contract with the Council. SMART targets are required are required for HTS business plan activities and we are suggesting the development of action plans to facilitate this.
13. An overall high level of customer satisfaction with services being received was also evidenced. The customer is the key beneficiary of the Services Agreement held between the Council and HTS. A number of recommendations have therefore been

made to ensure that the customer, whether Council tenant or Officer, Harlow resident or visitor, has highest possible satisfaction from what is being delivered and access to services for those in greater need are prioritised.

## **PROPOSALS**

14. The September 2015 Cabinet report from which the decision to create an LATC was made was clear that any recommended delivery model must ensure that the Council maintains complete flexibility to respond to the decisions that it may need to take in respect of future service specifications without incurring significant change penalties or premium pricing for uncertainty. The decision was also made on the basis that an LATC would not only build upon the commercial approach to service provision but also enable the Council to continue to benefit from possible dividend (profit) payments.
15. The Cabinet is required to decide whether extend the contract up to the maximum of five additional years. To ensure that HTS and the Council is clear of the terms upon which an extension, if approved, would be granted, it is proposed that any extension should be based upon implementation of the recommendations laid out within the report. These recommendations will form the basis of terms on which the Council would offer a contract extension and an associated action plan, to be delivered by August 2020.
16. The contract term between the Council and HTS is set at five years, with the option to extend this by no more than five additional years. If a contract extension is desired this will be communicated to HTS by 1 February 2020 at a dedicated meeting where the Council will also confirm the terms upon which an extension is being granted. It is also suggested that the Shareholder Sub Committee undertake monitoring of the achievement of Business as Usual recommendations.
17. If Cabinet decides to allow the contract to run in line with current contractual provisions and does not exercise the options to extend the contract an options appraisal will be carried out to identify the most appropriate delivery model for the services in question. The review outcomes will feed into the requirements of the associated procurement activity and contractual arrangements.

## **IMPLICATIONS**

### **Environment and Planning (Includes Sustainability)**

The delivery of effective property and environment services is one of the most high profile and important services that the Council provides to residents. Establishing clarity at this point about the delivery of this service will be important for all parties to ensure that the right level of service is provided and the Best Value process will help to ensure that this happens.

**Author: Andrew Bramidge, Head of Environment and Planning**

### **Finance (Includes ICT and Property & Facilities)**

The costs of the services delivered under the service agreement are already included within the councils operational and capital budgets. The extension of the agreement will be met from these annual budget allocations subject to the agreed annual price uplift.

**Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive**

## **Housing**

The delivery plans from the Best Value Review support current housing strategic planning priorities and need to be aligned to wider LATC implementation plans and priorities so that affordable, flexible, and resilient services can be demonstrated.

**Author: Andrew Murray, Head of Housing**

## **Community Wellbeing (Includes Equalities and Social Inclusion)**

As contained within the report.

**Author: Jane Greer, Head of Community Wellbeing**

## **Governance (Includes HR)**

The report brings forward the final report of a Best Value review requested by Cabinet to meet the contractual deadline set under the LATC Service Agreement. This requires a meeting with HTS (Property and Environment) Ltd where the Council will lay out its terms for agreement of any extension which must take place on or before 1 February 2020. The report sets out the matters which require conclusion before a contract extension is agreed and those that will be implemented to a timescale to be agreed.

**Author: Simon Hill, Head of Governance**

## **Appendices**

Appendix A - HTS (Property and Environment) Ltd Best Value Review Outcome Summary report

## **Background Papers**

Cabinet report, (26 March 2015), *OPTIONS APPRAISAL OF THE FUTURE DELIVERY OF WORKS AND SERVICES UNDERTAKEN BY KIER HARLOW LTD*

Cabinet report, (17 September 2015), *OPTIONS APPRAISAL OF THE FUTURE DELIVERY OF WORKS AND SERVICES CURRENTLY UNDERTAKEN BY KIER HARLOW LTD*

Cabinet report, (10 December 2015), *GOVERNANCE AND STRUCTURE OF LOCAL AUTHORITY TRADING COMPANY*

## **Glossary of terms/abbreviations used**

HTS – Harlow Trading Services (Property and Environment) Ltd

JVCo – Joint Venture Company

KPI – Key Performance Indicators

LATC – Local Authority Trading Company

# Best Value Review into HTS (Property and Environment) Ltd

November 2019

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## **Aim**

Ensure delivery of services received from HTS (Property and Environment) Ltd is meeting Council held and contractual expectations and statutory/ regulatory requirements, and has arrangements in place that will deliver continuous improvement and efficiency.

## **Introduction**

1. On 1 February 2017 the delivery of the Council's Housing Repairs & Maintenance, Environment and Street Scene services moved from a Joint Venture Company (JVCo) delivery model to services being provided via a wholly Council owned Local Authority Company (LATC).
2. Services were delivered by the JVCo, Kier Harlow, for a period of 10 years, having prior been provided by direct labour under Harlow Council. The JVCo was formed following recommendation to the Policy and Resources Committee of Harlow Council in December 2006; in addition to awarding a services contract to the JVCo the Council also entered into a Strategic Partnership with Kier Support Services Ltd to effect the ongoing relationship between the two organisations. Through these arrangements the Council received services provided via resources transferred into the JVCo, alongside considerable support for the JVCo from Kier Support Services Ltd's centralised core services. This support included Human Resources, Training and Development programmes, Information and Communication Technology (ICT) support and infrastructure, along with financial investment.
3. On expiration of the services agreement with the JVCo the Council undertook financial analysis of possible options for delivery of the Housing and Non Housing Repairs & Maintenance, Environment and Street Scene services which were presented to Cabinet on 26 March 2015. Cabinet determined that three options should undergo further analysis and this analysis identified that setting up an LATC would represent best value for money, being the cheapest option taking into account set up costs, impact on client teams and impact on support services. This delivery model was recommended to the Council's Cabinet on 17 September 2015 as the LATC delivery option avoided a lengthy and costly procurement process and ensured a smooth transfer of service provision, additionally, minimising costly potential severance payments that otherwise the Council could have ultimately borne.
4. The September 2015 report to Council's Cabinet stated that the JVCO had made significant progress, in the modernisation of work processes, through investment in training, and facilitating culture change, since 2007 resulting in significant efficiencies, innovations and productivity gains. It was considered that further out-sourcing of the works and services was unlikely to achieve further significant improvements in efficiency, economy and effectiveness.
5. The Cabinet meeting of 17 September 2015 resolved that, subject to the change in service provider from JVCO to LATC, Cabinet would receive a report in 2020 to demonstrate that the LATC is achieving value for money. Furthermore, in line with Clause 28 of the Services Agreement, the LATC - HTS (Property & Environment) Ltd - is required to demonstrate to the satisfaction of the Council that it understands and has incorporated the principles of best value into its operation, securing continuous improvement.
6. This Review has been led by Head of Governance Simon Hill, and has been designed to meet the requirements of the Council's Cabinet, to demonstrate value for money, and also

those of the contractual agreement with HTS (Property & Environment) Ltd, and to demonstrate that principles of best value securing continuous improvement have been incorporated into the company's operations.

7. This Review also will be presented to the Council's Cabinet as a basis for it to make an informed decision regarding the possible extension of the contract period for the Services Agreement held with HTS (Property & Environment) Ltd. The Services Agreement provides for the Council and HTS (Property and Environment) Ltd to meet to discuss if the Contract Period should be extended by an additional term of no more than 5 years.
8. The Services Agreement states that the Council will have due regard to HTS (Property and Environment) Ltd's performance during the first three years of the Contract Period against the balanced scorecard objectives and outcomes in the Business Plan as part of these discussions and this has been addressed by the Review.
9. In designing the Review the Council's Senior Management Board selected 15 work streams covering the governance of the company, financial performance, effectiveness of the LATC relationship, performance of Services Agreement held with the Council, and satisfaction with services received. Upon agreeing a Terms of Reference for the Review this was shared with the HTS (Property and Environment) Ltd Senior Management Team, commencing a joint and transparent review process.
10. The Review is evidence based and appropriate evidence was jointly agreed between the two organisations, it was established through Council expectations of documents, policies and procedures it would expect to be in place, and supporting evidence HTS (Property and Environment) Ltd identified as demonstrating how it is adding value to the LATC arrangement. The methodology for reviewing this evidence was predominantly desk based analysis by appropriately experienced and qualified Officers, with stakeholder engagement and cultural workshops deployed as appropriate. Individual methodologies for each work stream can be found under the relevant individual detailed work stream outcome reports which can be found at Appendix 1.
11. Recommendations made under the review are broadly set across four key areas, Governance and Contractual, Financial, Operational and performance and Culture and Relationships. Where recommendations made relate to business as usual (BAU activities) these were recorded within the individual work stream outcome reports and have been fed into a "Business As Usual" action plan. BAU activities are those which are already in progress or directly feed into something already in progress and for which there is an agreed, and where appropriate, contractual mechanism to allow it to proceed. A mechanism was put in place whereby any recommendations or finding from the Review which were out of scope or required escalation could be immediately escalated to the Council's Senior Management Board via Head of Governance. This mechanism was not required.
12. Coordinated by the Review Project Manager, Becca Farrant, lead officers were identified within each organisation for the 15 work streams, based on expertise and knowledge. The review of evidence took place over 5 months with regular communication with staff of each organisation via internal e-newsletter at the Council and staff toolbox talks at HTS (Property and Environment) Ltd. Member communication mirrored Council staff briefings, with more in depth updates issued to Portfolio Holders for Housing, Environment and Resources. Members were invited to engage with the Review through the whole Member briefings, with an update report also provided to the Shareholder Sub Committee as part of its usual meeting cycle.
13. This Review would not have been possible without the input of Officers from both Harlow

Council and HTS (Property & Environment) Ltd. Collaborative working across both organisations has allowed a transparent Review process. This joint approach has meant clear conclusions have been drawn from a wide evidence base across a significant number of work streams. Particular thanks is extended to the Review leads for Harlow Council; Andrew Murray, Andrew Smith, Bev Thomas, Julie Galvin, Michael Pitt and Sue Martin, and HTS (Property & Environment) Ltd; Alex Morris, John Phillips, Neil Rowland, Stella Dunlop, Steve Ward and Tim Page.

## Scope of Review

14. The Review has adopted the National Audit Office (NAO) criteria to assess the value for money relating to local government spending, i.e. the optimal use of resources to achieve the intended outcomes, which provided the main themes for the Review:

**Economy:** minimising the cost of resources used or required (inputs) – **spending less;**

**Efficiency:** the relationship between the output from goods or services and the resources to produce them – **spending well;** and

**Effectiveness:** the relationship between the intended and actual results of public spending (outcomes) – **spending wisely.**

15. The specific activities to be included in the Review were identified based on existing HTS (Property & Environment) Ltd performance measures and commitments, legal and governance requirements to which they are subject as an LATC and those set down in their Articles of Association, Scheme of Delegation and Business Plan.
16. The table below shows each of the 15 work streams, the area of the arrangement between HTS (Property & Environment) Ltd and Harlow Council to which it relates and the evidence base and methodology used.

No.	Area for Review	Work Stream	Evidence base	Methodology
1	Budgetary control and management	Review of ASC	ASC current build, ASC build at mobilisation, modelling and policy for future efficiencies in ASC, recent audit report into leaseholder recharging	Review movement in ASC to date and analyse where allocations can be realigned and efficiencies made to reduce ASC costs (profiled reductions in ASC over lifetime of contract)
2		Demonstrate future value of third party works	Published accounts for 2017/18 and 2018/19 and forecast reports	Review of accounts against balanced scorecard outcomes for third party income Review current bid strategies for 3 <sup>rd</sup> party works and identify potential blockages in securing them.
3		Demonstrate plans for supply	CSOs, Procurement	Review of use of procurement strategy to

		chain management and protection (resilience)	Strategy, strategy for identifying where internal and external resourcing will be used	create a diverse and competitive supply market and achieve sustainable relationships with appropriate arrangements with sub-contractors
4		Demonstrate midterm investment plan	Cash flow reports for Y1 & 2, cash flow and cash management policy, short and mid-term investment plans	Review of accounts, reserves and investment to ensure reserves are appropriate to investment plans and re-investment is appropriately targeted to increase performance and efficiencies
5	Payment mechanism	Analyse a range of payment mechanism models	Services contract schedule 3, Cash flow reports for Y1 & 2, cash flow and cash management policy, investment policy/plan to 2022, market research	Analysis of effect on cash flow, investment requirements and operational requirements. Review of recommendation from recent audit into payment mechanism.
6	An agreed-upon succession plan	Demonstrate succession planning and understanding of internal skills available	Interviews with HTS (P&E) Ltd, staff structures, and relevant policies procedures	Map succession planning process and strategy for apprenticeships through to senior management
7	Illustrate an innovation driven and entrepreneurial culture	Demonstrate nurturing of innovation and entrepreneurial culture	Case studies for balanced scorecard, investment plans and proposals for equipment initiatives/energy reduction/IT solutions, KPI suite of lower performing contract areas	Review proposals and plans arising from Business Plan aims Review and objectives to demonstrate innovation, and identify value to Council
8	KPI suite	Review KPI suite and transparency of job status from start to finish	Schedule 1 (Specification) , Callsys/servitor/ Orchard outputs, volume driver data, data	Analysis of KPI suite including data quality and use. Review of recommendation of recent audit report, on payment mechanism relating to KPIs

			sheets	
9	Governance arrangements	Demonstrate adherence with governance documents	Scheme of Delegation, Articles of association, Board minutes and decisions for mobilisation, Y1 and Y2	Review of use of Scheme of Delegation and Articles for compliance with decision making processes and Board operations.
10		Demonstrate adherence with services agreement obligations	Services Agreement, change notices, contract variations	Review of contractual obligations within the Services Agreement and evidence of all requirements being enacted.
11		Demonstrate adherence with statutory and regulatory requirements	GDPR policy, Procurement policy, incl CSAs and MSA, HR policies	Review against legal requirements as a Teckal company and confirm existence of necessary policies.
12		Demonstrate adherence with Business plan and process for setting mid to long term company direction including role of SSC	Business Plan	Review of objectives within the Business Plan and evidence of all requirements being enacted
13	Internal culture	Demonstrate evidence of organisational culture	Leadership and Accountability/ Illustrate an innovation driven and entrepreneurial culture	Culture questionnaires and workshop
14	Relationship with Council	Demonstrate use of governance arrangements in place to shape relationship with Council	Audit reviews in HTS payment mechanisms and governance arrangements, Services Agreement, minutes of shared operational, environmental and JPRM meetings.	Review contractual requirements for contract management and performance governance
15	External reputation	Demonstrate customer	Business plan aim - place the	Review themes from customer satisfaction data,

		satisfaction and future plans to increase and enhance customer engagement (including HDC client)	customer experience at the heart of how HTS operates, KPIs, Minutes of SIT/Housing standards meetings (where relevant)	complaints received and HTS related outcomes from Housing and Environment SITs, Housing joint standards panel/Board, tenant and leaseholder forums.
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## Review findings

17. Review findings were split across 15 work streams, under the three themes of the Review. Full outcome reports for each work streams can be found at Appendix 1, and a summary of the findings is included below. Recommendations were made from each work stream and these are included in the next section.

### Economy

#### Work Stream 1 - Review of Annual Service Charge

*Demonstrate alignment of costs at transition to present operations*

18. **ECONOMY- RECOMMENDATION 1 - Operational Cost reporting**  
The Review centred upon the evidence base of existing ASC build and how this is reported and shared with client in terms of breaking down cost on individual services and also sought to compare this against a current ASC reflecting 2019/20 operations. In October 2016 figures were produced prior to mobilisation of the HTS (Property and Environment) Ltd contract making a number of assumptions based on actual costs of the JVCO, Kier Harlow, for 2015 and 2016 and best estimates of savings and investments by an independent financial consultant. At that time there were a number of unknowns, including effect of changes to fleet and fuel purchasing, new arrangements for previously centralised services and effect of staff changes. The evidence provided for the review gives an indication of the overall variation in expenditure and income during the first year of operation, demonstrating the effect of those unknowns. Figures submitted suggest that this movement in expenditure and income is not material.
19. The review looked at the evidence base of existing ASC build and how this is reported and shared with client in terms of breaking down cost on individual services, with the view that this could then be used to shape a policy for creation of efficiencies. HTS (Property and Environment) Ltd does not monitor income from the ASC and expenditure at cost centre as HDC does and therefore it was not possible to state the profit or loss on each trading activity or cost centre individually. Based upon the evidence submitted to the review, it has not been possible to exactly determine the base operation costs of HTS (Property and Environment) Ltd and make direct comparisons to the 2017 business model. Further work should be conducted to ensure this is concluded as a matter of urgency.
20. There have been no issues highlighted during the review to suggest the current arrangements do not represent best value
21. **ECONOMY- RECOMMENDATION 2 – Application of annual price indexation**  
An annual inflationary uplift is applied to the contract costs based on an external price

index. Under the Services Agreement the Building Maintenance Index (BMI) is used. The review found that HTS (Property and Environment) Ltd's business is not exclusively aligned to increases in the BMI, for example staff costs do not rise in line with BMI. Grounds Maintenance, Street Cleaning and Caretaking are also examples where costs are unrelated to BMI. The HTS (Property and Environment) Ltd Business Plan needs to ensure that "the business continues to trade profitably and is able to invest in the replacement of the plant and vehicle fleet as replacements are required" so the measure applied needs to be a fair reflection of actual costs and provide scope for future investment. In other words a net profit needs to be achieved by HTS (Property and Environment) Ltd across all activities. Consideration of an appropriate price index that is reflective of the business as a whole is therefore recommended, both under business as usual for immediate consideration and as a contract variation under a contract extension scenario.

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## **Work Stream 2 - Future value of third party works**

*Demonstrate performance to date and basis of forecasts for growth*

22. **ECONOMY- RECOMMENDATION 3 - Third Party Works Requirements**  
Within the HTS (Property and Environment) Ltd Business Plan, Third Party works have been identified as opportunities for maximising return on investment to the Council. When external opportunities have arisen HTS (Property and Environment) Ltd has had only limited success to date in securing these. There has, however, been a gradual increase in 'non ASC' work delivered by HTS (Property and Environment) Ltd to Harlow Council; a successful Facilities Management contract has been let to HTS (Property and Environment) Ltd at the Civic Centre and Latton Bush Centre, with a cleansing contract also awarded for these sites and the Bus Terminus in October 2019. The award of Facilities Management services contracts, dependant on business case submission, at the Nexus building in the Enterprise Zone was also signed off by Cabinet in October 2019. In order to grow non ASC works further, should a contract extension be granted, changes in pricing of 'true' third party works to deliver competitive bids may be required, or the Council may choose to focus its LATC on an increased work programme delivering projects directly for the Council.
23. **ECONOMY- RECOMMENDATION 4 - Preliminaries and Overheads**  
The Review found that preliminary costs as described in the Business Plan include the capital works team, and part of the Operational and Commercial Directors' costs. Preliminaries are specific contract costs needed to deliver the works: site managers, Resident Liaison Officers, Quantity Surveyors, site cabins, welfare facilities and a mark-up on direct costs is included. A breakdown of preliminaries was also provided as evidence, however it was noted that there is no uplift applied to these costs. Capital works are fixed annually. This means that, over time, preliminaries and overheads costs may rise and actual work available therefore reduce and this may need to be considered long term.
24. **ECONOMY- RECOMMENDATION 5 - Mechanism for Additional Revenue Works**  
The Review considered the Services Agreement mechanism for awarding additional works and services outside of the core services delivered under payment of the Annual Service charge. When the HTS (Property and Environment) Ltd Services Agreement was set it was a process for HTS (Property and Environment) Ltd providing additional capital works was included. A process for the adding new operational service to the core services provided (and thereby increasing ASC costs accordingly was also included within the Services Agreement. These processes are understood and have been utilised in the first two years of operations. There was no requirement, however, for delivery of small works outside of capital thresholds at the point the contract was let and the review has found that sporadically an opportunity to carry our revenue funded small works has arisen and is not served by the existing Agreement. There needs to be consideration as to whether there

are significant volumes of revenue type small works required by the Council, and if a process should be included in the Services Agreement via a contract variation (to enable the Business Case process to be used for this if appropriate).

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### **Work Stream 3 - Supply Chain Management And Protection**

*Demonstrate robustness of Procurement and sub-contractor procedures*

25. **ECONOMY- RECOMMENDATION 6 - Contract Standing Orders**  
Procurement procedures were found to be in place and these positively note that sourcing initiatives should be fair and ethical, with social and environmental factors to consider. A number of procurement related policy and procedure documents (Procurement strategy, sub contractor appointment forms, tender evaluation procedures) were reviewed as evidence and cohesion and clarity would be created if some of these were combined and cross-referencing added, e.g. Contract Standing Orders (CSOs) set out in a single document. Value for money is central across all policies and procedures reviewed, as would be expected, as is transparency with suppliers.
26. **ECONOMY- RECOMMENDATION 7 – Equalities**  
Shareholder aspirations and equalities duties were found to be embedded in processes driven by the evidence submitted but this could be more explicit and could benefit from pro-active review of all policies related to service delivery to ensure equalities are embedded as far as possible in line with the Teckal status of the company as an LATC and Harlow Council's own commitment to equalities.
27. **ECONOMY- RECOMMENDATION 8 – Sub – contractor Procurement Policies**  
The Safety, Health, Environmental and Compliance (SHEC) management system provides comprehensive requirements for the appointment of sub-contractors and performance management requirements. There appears to be a lack of detail on ensuring robust business continuity arrangements within the supply chain included as part of the procurement strategy; ensuring supply chain resilience and inclusion of contingency plans would place HTS (Property & Environment) Ltd in a strong position long term and this would need to be addressed should a contract extension be awarded.
28. **ECONOMY- RECOMMENDATION 9 – Sub Contractor Processes**  
Appointment of suppliers process submitted as evidence includes Pre-Qualification Questionnaire and Sub contractor approval forms, supported by a standard Evaluation Template. These processes centre on sub-contractors and need strengthening for Principal and Main Contractor approvals. Evidence of due diligence engaged prior to appointing third parties is present. A statement of the commercial approach, spend limits and rationale linking into HTS (Property & Environment) Ltd financial regulations would be welcome to show robust management and audit trail.
29. **ECONOMY- RECOMMENDATION 10 – Sub Contractor Performance Management**  
Performance management for the supply chain was found to be addressed through the procurement procedures, which should be carried through and reflected in the standard terms and conditions, which were otherwise found to be comprehensive and are largely based on a Joint Contracts Tribunal (JCT) Minor Works agreement. Risk was found to be well managed.
30. **ECONOMY- RECOMMENDATION 11/12/ 13 – Procurement And Tenders**  
Under its Teckal Status the company is a Contracting Authority for the purposes of public procurement directives and therefore must follow related statutory duties. The Review found that procurement procedures refer to a “charter” that requires full advertising of opportunities but additionally it is recommended that full compliance with Public Sector

Directives would assist with overall service delivery from procurement stage to contract start.

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#### **Work Stream 4 - Midterm investment plan**

*Demonstrate sustainable investment plans*

31. **ECONOMY- RECOMMENDATION 14 – Cash Reserves**

The Business Plan for HTS (Property & Environment) Ltd shows a strong cash position. The strong balance sheet position reflects robust management of assets and liabilities, but the increase in cash and bank balances held currently may not be a long term priority for the Council as company owner, and strategic decisions around necessity and use of such reserves are recommended.

32. **ECONOMY- RECOMMENDATION 15 – Management Charge and Rebate**

The Review noted that retained profit for 2017/18 and 2018/19 is net of the Management Charge made by HDC and ASC Rebate to HDC. The Business Plan suggests an on going annual Management Charge and ASC Rebate. This may require reconsideration in light of the findings from work stream 1 (ASC) of this review if the value of ASC paid reduces and adjustments to the Business Plan made accordingly.

33. **ECONOMY- RECOMMENDATION 16 - Investment Schedule**

The HTS (Property & Environment) Ltd Capital Expenditure Schedule was reviewed. HTS (Property and Environment) Ltd's investment plans are ambitious and the evidence submitted goes beyond the current contractual 5 year period to include aspirations should a contract extension be granted. Evidence to support the level of investment is important given the business changes made in 2017 (i.e. the unknown costs and savings of changes to operational delivery moving from JVCo to LATC). As a company in its infancy such investments would require further work before conclusions can be drawn on viability of these plans and they would require inclusion in future Business Plan iterations and receive the correct level of sign off as per Scheme of Delegation before individual investment projects can be progressed. The Review therefore noted the schedule as an aspirational projection of possible investment, subject to all necessary governance and finance approvals before becoming a firm investment plan.

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#### **Work Stream 5 - Payment mechanism**

*Examine benefits and restrictions of the contractual payment mechanism model*

34. **ECONOMY- RECOMMENDATION 17 – Payment Mechanism Model**

The payment mechanism for the Services Agreement held between the Council and HTS (Property and Environment) Ltd was reviewed with input from client lead officers from Harlow Council. The premise of the Annual Service Charge payment (which is an annual contract sum) and associated payment mechanism (contract sum paid in twelfths monthly with ability to apply performance related deductions) is to save time valuing works; an invoicing and approval mechanism would be resource hungry for both parties with little benefit other than ensuring completeness and quality of workmanship. HTS (Property and Environment) Ltd in recognition of this carry out selected post inspection works, and deliver a 100% inspection measurement of Capital Works Key Performance Indicator (KPI) data and supporting information is shared with the Council Housing Officers for Housing related works covered by the ASC who review and challenge the works, in effect providing completeness and quality checks. This approach is not uniformly completed across other areas of the contract owing to lack of resources and/or expertise. The penalty mechanism of the ASC links KPI performance with possible deductions to monthly payments where performance thresholds are not met i.e. poor performance is noted below a minimum

standard.

35. Taking into consideration that KPI performance has historically been good, and the LATC is wholly owned by the Council (currently its sole client) the appropriateness of this mechanism was questioned during the Review and possibility of a different methodology to encourage high performance could be considered. The link between the penalty payment mechanism and KPIs also restricts changes being made to the KPI suite and does not allow a dynamic approach to introduction of new KPIs or amendment existing. It is therefore recommended that the KPIs be removed from the penalty mechanism formula and this is replaced with a different mechanism for applying penalties/rewards to the ASC as desired.
36. **ECONOMY- RECOMMENDATION 18 – Volume Drivers**  
There have been very minor financial adjustments at each year end in relation to the volume driver mechanism of the Services Agreement whereby a set number of instances for specific works activities are agreed as per the Services Agreement and payment made to HTS (Property & Environment) Ltd if this number is exceeded, or a rebate made to the Council if the number is not achieved. After two complete years of assessing the impact of Volume Drivers, the financial impact to the Council has been negligible and is of no real benefit to HTS (Property & Environment) Ltd; a further review of Volume Drivers is necessary to determine if there is any use for them but it is likely that they serve no significant value and this mechanism of charging for works can be abandoned and the associated works plus costs included in the ASC payment /core services delivery.
37. **ECONOMY- RECOMMENDATION 19 – ICT system investment**  
Investment in ICT systems was also recognised as required to carry out post works inspections for environment services delivered by HTS (Property and Environment) Ltd and this is addressed through Efficiency Recommendation 9.

## Efficiency

### Work Stream 6 - Succession planning and internal skillsets

*Demonstrate succession planning and understanding of internal skills available*

38. **EFFICIENCY- RECOMMENDATION 1/2 - Staffing and Organisational Development**  
The Review focused on the HTS (Property & Environment) Ltd Staffing and Organisational Development Strategy which recognises the internal factor of an aged employee profile as creating a pressing need for succession planning; 81% of the workforce are aged over 40, with 43% of the total workforce falling into the 50-59 age bracket, including members of the Senior Management Team. The Review found that the company is actively looking to address how it deals with recruitment, promotion, transfer, redeployment, attrition and retention, along with supporting employees' learning and development. The Review included interviews with existing staff to understand how embedded the Staffing and Organisational Development Strategy is with its core principles examined for evidence of tangible processes in place for delivery. It was found that efficiencies have been achieved via the processes contained within the Staffing and Organisational Development Strategy, but that standardisation is required to ensure replication across the organisation. Regarding equitability the gender pay gap was found to have improved from 2.16% to 0.7% between 2017/18 and 2018/19, but a perceived culture of personal favouritism was highlighted through feedback received during the Review. Equitability will need to be demonstrated through development of phase 2 of the Staffing and Organisational Development Strategy.
39. **EFFICIENCY- RECOMMENDATION 3 – Social Inclusion Model**  
The Staffing and Organisational Development Strategy states that HTS (Property &

Environment) Ltd have continued to maintain the levels of staff (18) that are in 'supported employment' following retirements, and an internal promotion/transfer, along with the employment of a number of people with disabilities across the business. HTS (Property & Environment) Ltd are also working with local charitable organisations, such as Employability, to further develop a social inclusion model, though this is not yet finalised. A timeline and action plan for this is not in place and therefore a recommendation is made that this is implemented.

40. **EFFICIENCY- RECOMMENDATION 4 – Environmental Opportunities**

An HTS (Property and Environment) Ltd staff survey, carried out in early 2019, had a very high response rate of 74%, of which a high percentage (70%) reported being at least satisfied with the sense of achievement they got from their work with HTS (Property & Environment) Ltd. Regarding promotion, only a third (34%) reported being satisfied with their promotion prospects and a similar number (35%) are dissatisfied, with those working in the environmental teams more likely to be dissatisfied than in other areas. Therefore it would seem there is a gap between the corporate process in place, and what is understood operationally within the organisation, and a particular focus should be on the opportunities available for those in the environmental teams.

41. **EFFICIENCY- RECOMMENDATION 5 – SMB Succession Planning**

A draft Succession Plan includes succession plans for all members of the Senior Management Team which will need regular and robust review by the Board as these posts are critical to the continuity of efficient service provision to Harlow Council in both its Shareholder and client capacities. A successful and well respected apprenticeship programme is in operation and the Review found that this scheme is often oversubscribed and leads to permanent employment opportunities.

42. **EFFICIENCY- RECOMMENDATION 6/7 – Communication of Opportunities**

Cross organisational communication occurs via the staff noticeboards, internal emails, text messaging and direct approach through line managers. All staff interviewed felt the notice boards were a positive route of communication and were accessible to all staff, especially those not on email. The Staff Survey supports this with 59% of the respondents finding this method of communication helpful. The ability to discuss succession opportunities is free from obstacles, with all staff included in the Review able to have open dialogue with line managers and Human Resources about opportunities. However, these conversations in the main rely on instigation by individuals, and a formal process to ensure conversations happen regularly is recommended.

43. **EFFICIENCY- RECOMMENDATION 8 – Training and Knowledge Sharing**

It was found that internal mentoring and training is successfully taking place at supervisor level and upwards and is an established and effective practice. The recognition of existing skills and capability of individuals is demonstrably being used to enhance the workforce and provide opportunity to individuals. Knowledge sharing and processes for individual roles was also highlighted in the staff interviews as needing formalising. In some instances line managers have good understanding of the all roles within their team, but in others individual staff members are the sole person who knows how and what their role entails and therefore a formal process for capturing this will aid business continuity objectives and ensure efficient service delivery.

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**Work Stream 7 - Innovation**

*Demonstrate nurturing of innovation and entrepreneurial culture*

44. The current Business Plan for HTS (Property & Environment) Ltd includes a focus on

innovation and fostering of an entrepreneurial culture, and see initiatives and investment that contribute to this are a priority for the organisation. This is also included in the balanced scorecard reporting to the Shareholder where illustration of an innovation and entrepreneurial culture forms one of the objectives under the Culture segment of the scorecard. The Review found that existing actions already completed include income generation from office rental at Mead Park Depot, and efficiencies on fleet procurement, alongside use of accreditation and certification to change operations to match or exceed national initiatives. This latter approach seeks to better and enhance service provision of the organisation to make it more attractive to third parties.

45. The actions taken to date are wide ranging and maximise assets at the organisation's disposal, as well as investing in initiatives that provide cashable and cultural returns to the business; case studies have been presented to the Shareholder presenting initiatives undertaken including investment in green fleet and vehicle diagnostics, fuel purchasing changes, recycling of waste streams such as mattresses and the apprenticeship scheme. The activities reported to the Shareholder demonstrate that the company values its property, plant and people assets.
46. **EFFICIENCY- RECOMMENDATION 9 – ICT Investment**  
Long term plans for innovation are bolder than those achieved to date and involve greater commitment of resource and, in some cases, ongoing contractual relationships. For the Review HTS (Property & Environment) Ltd submitted high level proposals for future innovation should the contract period be extended. It is important for purposes of Teckal compliance, and operational cohesion between Harlow Council and HTS (Property and Environment) Ltd, that the future aspirations of the company are aligned with the Council's own objectives and priorities. Feedback was therefore sought from both operational and strategic levels of the Council representing client and shareholding agent of HTS (Property & Environment) Ltd. Operational feedback centered around ICT linkages between the Council and company especially enhancing functionality of existing systems for non-housing repairs and also introduction of ICT management systems for Environmental works. Feedback also favoured an increased use of ICT and other technology to provide enhanced customer experience and investment in specific plant and fleet items. (Activities relating to the HTS (Property and Environment) Ltd customer experience is reviewed in depth as part of work stream 15 of the Review).
47. **EFFICIENCY- RECOMMENDATION 10 - ENERGY MANGEMENT**  
The Council Senior Management Board expressed the view that the initiatives and projects suggested by HTS (Property & Environment) Ltd for future investment were all relevant and of value; the feedback broadly reflected the operational feedback with priority given to initiatives relating to better customer experience/ use of innovation and around actions that would link with the work the Council is doing following declaration of a Climate Change Emergency.
48. Longer term plans for innovation included in the proposals would need to be included in a future Business Plan, along with much more detail on financing of such initiatives, including the Annual Service Charge and third party income, which ensures that the business is sustainable and delivering a dividend to Harlow Council whilst also being innovative. (Additional costs of buildings, plant & machinery, office equipment, IT equipment etc. that are linked to the plans for innovation will need to be placed in an overall framework for prioritising and approving investment, as addressed through Economy Recommendation 16). Investment is important and represents a cultural shift from the previous JVCo service delivery model, which relied heavily on leasing arrangements and benefitted from a central commercial resource for a number of internal services (e.g. HR, ICT and insurance services). It was positive to see some evidence of initial discussions regarding strategic priorities for such activities, and operational input

from client team, at the early planning stages as this will ensure smooth delivery at later stages, and it is recommended that this should become standard practice (see Effectiveness Recommendation 7).

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### **Work Stream 8 - Key Performance Indicator suite**

*Review KPI suite and transparency of job status from start to finish*

49. This work stream considered the Output Specification, i.e. what is being delivered by the contract, and the associated KPI suite, i.e. how is that service delivery being recorded and measured.
50. **EFFICIENCY- RECOMMENDATION 11 – Further Review of Output Specification**  
The Review found that the robustness of the Output Specification, which details the services delivered by HTS (Property and Environment) Ltd, needs to be further reviewed to reflect changes made since mobilisation of HTS (Property and Environment) Ltd. Processes for the Volume Driver element of the contract were also considered, and it was felt that these could be rationalised as a limited number of available volume drivers were adopted for use resulting in unnecessary data capture for some activities. This was fed into considerations made under work stream 5, which went further in recommending a possible complete removal of the volume drivers, see Economy recommendation 18.
51. **EFFICIENCY- RECOMMENDATION 12 – Further Review of KPI Suite**  
The Review considered the design of the individual Key Performance Indicators (KPIs) as well as how the reporting of KPIs is applied by HTS (Property and Environment) Ltd in managing and adapting services delivery, and the Council client team in its performance monitoring. It was found that some KPIs were serving as a valuable tool, but others were either not used or the measurements didn't reflect a specific activity where performance issues were known to be occurring. A full review of the KPI suite was recommended establishing what is desired for the contract as a minimum in performance measurement and tailoring the design of KPIs to the end use of the performance data e.g. statutory compliance, to drive service improvements etc. Consistency in KPI datasheets needs improvement; these documents show the data to be collected and an agreed calculation methodology to provide the performance measurement from that data. Some KPIs require immediate action to create datasheets where these are expired or missing.
52. **EFFICIENCY- RECOMMENDATION 13 – Job Ticket Workflow**  
The Review also considered the process from start to finish of each 'job' recorded by both the HTS (Property and Environment) Ltd IT works management system, Callsys, and the Council's Housing Management IT system, Orchard. This work recorded and analysed the data processes which sit behind the KPIs i.e. the processes from which the performance data for Housing related KPIs is derived. Demonstrations of these systems identified areas that need to be jointly addressed including automation of processes and need for development of combined, or integrated systems between organisations.
53. Investment in systems was also recognised as required to better track and record progress of works under environment services and non-housing non property related works to bring them in line with what is delivered for Housing service, and this is addressed through Efficiency Recommendation 9.

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## **Effectiveness**

### **Work Stream 9 - Adherence with statutory governance documents**

*Demonstrate adherence with governance documents*

N.B. No recommendations were required for this work stream.

54. An audit into governance arrangements formed part of the agreed 2018/19 Internal Audit Plan which was the basis for this element of the Review. The audit evaluated key controls to ensure that the key risks are managed adequately and effectively, and sought to provide assurance over compliance with the Articles of Association and Scheme of Delegation. The audit focussed on evidence of appropriate governance structures to ensure the Council's interests, protection of assets and reputation, progress against the business plan and acknowledgement of potential conflicts of interest. The evaluation showed that Articles of Association, Scheme of Delegation, and Business Plan were fit for purpose and working well in practice. Good oversight and challenge by the Shareholders Sub Committee (SSC) to ensure HTS (Property & Environment) Ltd is held to account in in place and in line with good practice the HTS (Property & Environment) Ltd Chair appraises the Board as a whole as well as individual Board members. No concerns were identified regarding the £1.4M loan between the Council and HTS (Property & Environment) Ltd. Repayments, including interest payments, are being made on time and in line with the signed agreement. Appropriate mechanisms were found to be in place to reduce the risk of a conflict of interest including conflicts of interest as a standing agenda item and training provided to Board members.

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#### **Work Stream 10- Adherence with services agreement obligations**

*Demonstrate adherence with services agreement obligations*

55. N.B. No recommendations were required for this work stream relating to Services Agreement obligations, but some observations were made around working culture which were also recorded as part of Work stream 13, therefore these findings have been addressed through recommendations for that work stream (Effectiveness Recommendation 5-7).
56. The Review found that contractual obligations are being enacted appropriately. Some of the obligations within the Services Agreement were found to be more akin to the previous JVCo arrangement and either needed to be strengthened or removed in order that the Agreement was more reflective of the LATC model. The process for change notices is described twice within the Services Agreement; a process map and Clause 16 which describes the process in more detail; although these are contractually complete operationally they are not always used together resulting in some ad hoc application of the process. This will need to be addressed via BAU consensus and guidance produced accordingly. To date only one contract variation has taken place - a deed of variation for the introduction of the General Data Protection Regulation - there is no written operational process which sets out when and how a contract variation will be managed and again this will need to be addressed via BAU discussions to agree appropriate protocols.

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#### **Work Stream 11 - Adherence with statutory and regulatory requirements**

*Demonstrate adherence with statutory and regulatory requirements*

57. **EFFECTIVENESS- RECOMMENDATION 1 – Management of statutory/regulatory requirements**  
The Review established that HTS (Property & Environment) Ltd has significant number of the Statutory and Regulatory policies in place; however it was found that further work is needed with regards to introducing formal procedures for reviewing and updating of these
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policies and clearly establishing named persons accountable for management and governance of statutory and regulatory requirements of the Company. The Review found that there is a general awareness of when policies are due for review, however this is not documented in a single place and introduction of a robust framework would support those accountable for these policies, and identify accountable persons where this currently falls between teams or several requirements are met through a single policy which may have a number of owners. A recommendation is therefore made to develop a process whereby requirements are recorded with clear owners and deadlines for required actions and review, along with approach to identifying what would trigger the introduction of a new policy (awareness of relevant legislation changes, best practice, company commitments etc.).

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### **Work Stream 12 - Adherence with Business Plan**

*Demonstrate adherence with Business plan and process for setting mid to long term company direction including role of SSC*

58. **EFFECTIVENESS- RECOMMENDATION 2 – Annual Business Plan Review**  
The Review found that the governance requirements for the Business Plan were met, with the current plan covering all areas of business activity presently required. The process for amending and approving changes to the Business Plan are well understood, but imbedding this into annual cycle of meetings is required, it is recommended that a standing item is introduced into the Shareholder Sub Committee agenda to annually present the Business Plan, either as a matter of noting that no changes has been made or an opportunity to present a new Business Plan as required.
59. **EFFECTIVENESS- RECOMMENDATION 3 – Communications Strategy**  
In reviewing the Stakeholder, Community and Social relations element of the Business Plan it was found that no individual or joint communications plans existing between HTS (Property & Environment) Ltd and Harlow Council or other parties to support this area of activity. A communications strategy defining key messages and target audiences is required to be able to tangibly track progress against these aspects of the Business Plan, with an associated annual work plan which captures opportunities for joint and parallel communications with Harlow Council identified.
60. **EFFECTIVENESS- RECOMMENDATION 4 – Implementing Business Plan objectives**  
A number of bespoke action plans are needed to provide SMART targets to measure achievement of all activities contained within the HTS (Property & Environment) Ltd Business Plan, though these do exist for those actions which are reported to the Shareholder through the Balanced Scorecard. During the Review it was found that the Balanced Scorecard reporting process is embedded and consistent, and the opportunity for appropriate comment and challenge of these targets existed through the Shareholder meetings where the Scorecard is presented. Introduction of action plans for those activities contained within the Business Plan but not reported via Balanced Scorecard is recommended.

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### **Work Stream 13 - Organisational Culture**

*Demonstrate evidence of organisational culture*

61. **EFFECTIVENESS- RECOMMENDATION 5 – Foster Good Working Relationships**  
The Review found a clear need and willingness for the organisational culture, both within and between, Harlow Council and HTS (Property & Environment) Ltd to be improved. Primarily clarification about expectations of the type of relationship held between Harlow Council and HTS (Property & Environment) Ltd is required as there was found to be a disconnect between operational relationships and perceived contractual requirements. There was also found to be a lack of clarity about what HTS (Property & Environment)

Ltd's future should look like in terms of focus on service delivery to Harlow Council versus growth to attract external clients and income generation. Arising from outcomes of a joint workshop on the culture and relationship between the Council and HTS (Property and Environment) Ltd it is recommended that a small, focused, design team is formed from both HDC and HTS (Property and Environment) Ltd to consider possible approaches to a planned culture change programme.

62. **EFFECTIVENESS- RECOMMENDATION 6 – Business Process Review**

Developing a more open and trusting relationship between Harlow Council and HTS (Property & Environment) Ltd through jointly reviewing and agreeing processes which sit behind service delivery will provide benefits in many areas, more streamlined and efficient processes, better use of resources, informed staff teams and elimination of unnecessary bureaucracy and processes, thus moving towards a more commercial style of operation.

63. **EFFECTIVENESS- RECOMMENDATION 7 – Joint Business Planning**

The Review found that both organisations harboured a keen desire to work more collaboratively on strategic direction of the company and were open to joint development of future Business Plan objectives and delivery which would in turn demonstrate Teckal compliance in regularly aligning priorities of both organisations.

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**Work Stream 14 - Contract Management Governance Arrangements**

*Demonstrate use of governance arrangements in place to shape relationship with Council*

64. The Service Level Agreements (SLAs) in place between HTS (Property & Environment) Ltd and the Council were found to be contractually delivered by the Council and regular two way discussion occurs on this, including changes made to ways of working that may require additional services under these agreements.

65. **EFFECTIVENESS- RECOMMENDATION 8 – Shareholder Arrangements**

The Review found that the current governance arrangements in place to manage the delivery of contract management and client-service provider relationships have been in place broadly unchanged since October 2017. The current arrangements clearly set out the agreed performance management framework for the contract and requires the performance information to be used 'actively' at every level of the governance arrangements including reporting to Cabinet via Joint Finance and Performance Report. The Review found that the contract includes a number of clauses which provide for the performance management of the contract, but found that some operational arrangements have been adopted which operate outside of what is formally recorded. For clarity and accountability any informal and ad-hoc arrangements which form part of a decision making process would benefit from being formalised within the contractual governance structure. Additionally minor changes to meeting schedules need to be updated within the contract following Shareholder Sub-Committee decisions.

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**Work Stream 15 - Customer Satisfaction and Engagement**

*Demonstrate customer satisfaction and future plans to increase and enhance customer engagement (including HDC client)*

66. **EFFECTIVENESS- RECOMMENDATION 9/10 – Broaden Communication Routes and Technology used**

The Review found that overall performance and the levels of satisfaction generally are good across the board, although limited satisfaction statistics are obtainable for activities making up the Environmental and Waste services as a whole. It would therefore be prudent to explore the feasibility and possible benefits of trying to increase the levels of

feedback received for this service specifically, as well as seeking to widen the customer base consulted on customer satisfaction.

67. Feedback from an elected Member review session attended by Shareholder Sub Committee members demonstrated that the public perception conveyed to them matched the customer satisfaction levels and trends demonstrated through HTS (Property & Environment) Ltd performance reporting, with landscapes in particular showing a notable improvement. Members also felt that customer satisfaction was a good measure of overall performance of the contract and it was felt and that a move towards broader public engagement was needed and different customer satisfaction metrics could be explored to do this. Use of technology would provide both better access and better transparency, and that current failure to use full functionality of technology available, either through use of older IT systems or non-adoption of digital communication methods act as a barrier to customers.
68. **EFFECTIVENESS- RECOMMENDATION 11– Customer Access**  
The analysis identified an increase in complaints escalations with two areas identified as main causes: Incomplete complaint details and poor quality of response. Both areas have improvements already in place and should be addressed by recently identified BAU actions. The Review also found from anecdotal evidence for housing repairs, based on client and repair delivery team experience, that there are sometimes issues with customer expectations. Evidence of Repairs quality for non-housing where the Council operate post inspections show communication issues between both partners. New measures to address these issues via staff training and the Customer Access Action Plan are not yet providing adequate satisfaction data however there is some evidence of stakeholder satisfaction issues being raised together with evidence of action taken to mitigate.
69. **EFFECTIVENESS- RECOMMENDATION 12– Work Management Systems**  
The culture around the council as a customer was identified as needing further review, this is a unique relationship but also one that represents a large stakeholder group for HTS (Property and Environment) Ltd. Issues of miscommunication between the Council and HTS (Property and Environment) Ltd in terms of individual Housing complaints were identified, again linked to the technical ability of the existing (Property & Environment) Ltd call reporting system 'Callsys'.
70. Increasing communicate channels available to all customers for enquiries/repairs at a time of choosing along with supporting processes can only improve relationships with all customers. The possibility of introducing an alternative technical repairs management system to potentially replace Callsys could be considered as increased functionality may enable improvements to processes, allowing both the Council and HTS (Property and Environment) Ltd access to comprehensive and consistent central call recording and diagnostics avoiding duplication and increasing the speed and quality of responses to complaints and insurance claims processing.
71. It follows that suitable and adequate staff competencies and skills should be in place for customer facing staff both at HTS (Property and Environment) Ltd and the Council, particularly in terms of repair diagnosis and finding synergies in how services are delivered to ensure that service levels are consistent and comparable across the board is recommended.
72. **EFFECTIVENESS- RECOMMENDATION 13 – Block Cleaning**  
Neither the KPI data nor Landlord Survey covers satisfaction of block cleaning effectively. A review of the range and coverage of block cleaning works activities undertaken is required to address this.

73. **EFFECTIVENESS- RECOMMENDATION 14 – Corporate Social Responsibility**  
Corporate Social Responsibility activities are reported to Shareholder and quantification in terms of financial value of these activities will be recorded and verified externally from 2019/20 onwards. These activities include the Environment ‘Spring Clean’ event carried out during 2019 which was well received with a high level of participants and marked increasing engagement within the community for benefit of the community. Appropriate targets and processes and regular reporting should be established and aligned to balanced scorecard and any future activities should build on Social Impact Report to Shareholder Sub-Committee in June 2019.
74. **EFFECTIVENESS- RECOMMENDATION 15 - Vulnerable Client Procedures**  
Members also provided feedback on approach to prioritising works for vulnerable people and it was suggested that the tailoring of services to those in need could be further explored. Through discussion it was concluded that although some good work was being done to assist those who are vulnerable this is not yet a formal process. Some adaptations to existing Call-sys and Orchard systems, or a move to a new system, could overcome difficulties currently experienced in this area and it was felt an appropriate recommendation to look at formalising the service offering to this sector.

## Conclusions

### Economy

75. The current arrangement for the ASC has ensured that HTS (Property and Environment) Ltd is a well-funded enterprise with a strong cash position showing robust management of assets and liabilities.
76. However, based upon the evidence submitted to the review, it has not been possible to exactly determine the base operation costs of HTS (Property and Environment) Ltd and make direct comparisons to the 2017 mobilisation business model. Recommendations, should the contract extension be granted, are for further work to be conducted as part of an action plan to ensure this is concluded as a matter of urgency. This is also contained within the ‘business as usual’ recommendations.
77. Given that KPI performance has been historically good, it is our view that the existing payment mechanism has been an economic method of contract payment. We are recommending that KPI’s (which require reconsideration in any event) should be removed from the penalty mechanism in favour of a different mechanism of penalty/reward.
78. The financial impact of the payments made to HTS (Property and Environment) Ltd under volume driven works is minimal and should be ceased and changes made to the ASC accordingly.
79. HTS (Property and Environment) Ltd has been a vehicle for the Council to increase ‘non ASC’ work which would have otherwise been awarded to external contractors retaining the contractor profit element within the company.
80. The increase on 3rd Party works, envisaged as a plus point of a LATC, to enable the opportunity of a return to the Council have yet to come to fruition. HTS (Property and Environment) Ltd needs to do more in this area and the Council needs to allow the ‘risk’ of those works to facilitate HTS (Property and Environment) Ltd.
81. The mechanism for awarding small works should be resolved and the review has flagged a number of processes and policy areas where (Property and Environment) Ltd need to

review their procedures as a Teckal company.

82. It is for the Council to decide, as company owner, whether the level of the future ASC should remain at its present level or potentially tapered over time.
83. The company's investment plans are ambitious, should the contract be extended, but more work is required to reach a conclusion about their viability. ICT investment is also required to make effective post work inspections for some areas of the contract.
84. Innovation over the first two years of HTS (Property and Environment) Ltd operation has been tangible with sustained and additional income achieved from building rental, as well as savings made from fleet and plant arrangements. The added value from CSR activities is well documented and welcomed by the Shareholder Sub-Committee.
85. There have been no issues highlighted during the review to suggest the current arrangements do not represent financial best value

### **Efficiency**

86. The HTS (Property and Environment) Ltd organisational strategy highlights the older age profile of its workforce. Updating of the Staffing and Organisational Development Strategy to implement phase 2 of this process must see a strengthened workforce in terms of staffing opportunities realized and continuity of efficient services achieved through succession planning. Work around social inclusion, equality of opportunity and its successful apprenticeships scheme need to be built on to ensure the company is ready to meet its staffing demographic challenges, including its Board level appointments strategy.
87. More work is required to embed workplace opportunities discussion and ensuring job role knowledge sharing as, in some areas, employees felt that a formal process for capturing job functions was required to support business continuity and service delivery.
88. The company's Business Plan includes a focus on innovation and an entrepreneurial culture and there is evidence of this through the reporting on the balanced scorecard and efforts to secure accreditation against national initiatives. HTS (Property and Environment) Ltd hope this makes them more attractive when attempting to secure third party works (although yet to bear fruit, see above). A number of initiatives have been demonstrated during the review which provide cashable and cultural return.
89. A key forward initiative is ICT linkages and investment. It will be important that these match those of the Council and that enhancements to system for non-housing and environment related work are tackled during any extension period. Work is required to make effective links between Callsys (the HTS (Property and Environment) Ltd works management system) and Orchard (the Council's Housing system) and other customer related processes. The Council Senior Management Board have also reviewed plans for investment and agree that they broadly meet the Council's aims around customer experience, use of innovation and actions that link to its commitment to prevent climate change. The continuing discussion on joint corporate priorities is important. The key is the balance between the financing of such initiatives and ensuring the business remains sustainable, delivers high performance levels and is able to provide a dividend to the council.
90. We have looked at the current suite of Key Performance Indicators and the Output Specification. The Output Specification requires further review to reflect changes since mobilisation. The KPI suite is being used effectively only for some activities, others are simply not used or what was being measured didn't relate to any specific improvement area.

A review of this suite is necessary and recommended.

**Effectiveness**

91. In terms of the Effectiveness theme of the Review the relationship between the intended and actual results of operating the agreement with the Council's LATC some areas of outstanding achievement and compliance were noted.
92. Two work streams in this part of the Review, work stream 9 (adherence with governance arrangements) and work stream 10 (adherence with services agreement obligations) recorded no requirement to make recommendations. However, parties do need to ensure the use of existing contractual processes for agreeing operational changes and we have made BAU recommendations in this regard.
93. In addition to this, positive demonstration of compliance with the LATC 's governance arrangements was demonstrated as good. In order to ensure that policies were maintained regularly however needs the implementation of a framework and the identification of accountable persons within HTS (Property and Environment) Ltd.
94. The adherence and application of governance around the HTS (Property and Environment) Ltd Business Plan was good, and an overall high level of customer satisfaction with services being received was also evidenced. Whilst the process for amending and approving the HTS (Property and Environment) Ltd Business Plan are understood, it requires embedding into the work of the Shareholder Sub-committee. We are recommending that the matter is considered annually and that the Council and HTS (Property and Environment) Ltd work more closely on communications where parallel communications opportunities should be taken. SMART targets are required are required for HTS (Property and Environment) Ltd Business Plan activities and we are suggesting the development of action plans to facilitate this.
95. As part of the review we have reviewed organisational culture. A workshop has shown the willingness of operational partners to move forward an aligning of cultural vision of each party. A Culture Change Programme has been suggested which will ensure continued confidence in the arrangement and also benefit from the effectiveness found in a joint approach to the shared goals of the Council and HTS (Property and Environment) Ltd.
96. There is a clear desire by both parties to work more closely in the areas of developing business processes and developing clear joint business planning with expectations that HTS (Property and Environment) Ltd bid for 3<sup>rd</sup> party works and future procurement pipelines by the Council. These pipelines being an opportunity under which HTS (Property and Environment) Ltd could be asked to present business cases. More clarity is needed to achieve this. The aim would be to align the priorities of both organisations.
97. Governance arrangements to manage the delivery of the contract and client – service relationships have remained broadly unchanged since 2017. We have found that operational arrangements have been otherwise adopted which should be formalised.
98. The customer is the key beneficiary of the Services Agreement held between the Council and HTS (Property and Environment) Ltd. It is here that best value and continuous improvement should be prioritised. Feedback sought through the review shows general satisfaction across the board from customers. HTS (Property and Environment) Ltd are looking at improving the reach of their surveys. A Member session also demonstrated the same correlation in Member's contacts with residents and, again, ICT was seen to be a limiting factor. A number of recommendations have therefore been made to ensure that the customer, whether Council tenant or Officer, Harlow resident or visitor, has highest

possible satisfaction from what is being delivered and access to services for those in greater need are prioritised.

99. The intended outcomes of an efficient and effective service delivery for core services of the contract have been demonstrated, with added value provided in some areas of contract management and also customer access improvements for a large proportion of the customer base.

### **General Conclusions**

100. The Council has effectively set up a well-funded LATC and successfully disaggregated its operations from the previous private sector provider. Recommendations made as part of our review seek to bring forward a defined program of work that would be required of any extension approval.
101. The contract term between the Council and HTS (Property and Environment) Ltd is set at 5 years, with the option to extend this by no more than 5 additional years. If a contract extension is desired this will be communicated to HTS (Property and Environment) Ltd by 1 February 2020 at a dedicated meeting where the Council will also confirm the terms upon which an extension is being granted
102. The basis for any extension should take account of the recommendations of this Review, the Review having been an extensive and transparent evaluation of evidence presented. The evidence has demonstrated HTS (Property and Environment) Ltd's performance and delivery across all areas of the contract held between Harlow Council and HTS (Property and Environment) Ltd, and including its relationship with the Council. If such an extension is approved, an action plan will be brought forward to deliver the recommendations. Any new contract agreement will be entered into by August 2020.

### **Recommendations**

103. Based on the Review activities a number of recommendations have been made jointly. These have been grouped under areas of Governance and Contractual, Operational and Performance, Financial and Culture and Relationships. The Review found overall that service delivery and performance was good, but that a number of areas required attention in order to create transparency or enhance the service provided to ensure that continuous improvement is provided through any continuation of the Services Agreement with HTS (Property and Environment) Ltd.
104. Where recommendations concern actions that fall under Business as Usual (BAU), i.e. they relate to projects or initiatives already underway, or constitute a minor change that would have been picked up under normal operational practices these have not been included in recommendations for this summary report. BAU recommendations have been collated into an Action Plan which will be delivered via the Shared Operational Performance meetings, who will provide accountability for those actions. Each action has been assigned a completion date and owner.
105. Recommendations that do not fall under BAU represent those actions that should be undertaken in order for HTS (Property and Environment) Ltd to continue to meet expected governance or statutory and regulatory requirements, and also to ensure continuous improvement remains a focus of the contract in the event of a contract extension.

106. **Economy** – recommendations made under the Review relating to minimising the cost of resources used are included below:

<b>Rec. reference</b>	<b>Review Work stream</b>	<b>Recommendation</b>	<b>Category</b>
<b>ECONOMY- REC 1</b>	<b>1</b>	Contract to be varied to adopt a cost reporting structure for HTS (P&E) Ltd which correlates with the Council's cost centre arrangements (also to be adopted by HTS (P&E) Ltd as a priority under business as usual practices)	Contractual and Governance
<b>ECONOMY- REC 2</b>	<b>1</b>	HDC to consider contractual price indexation used to ensure it is reflective of business activities undertaken.	Contractual and Governance
<b>ECONOMY- REC 3</b>	<b>2</b>	HDC to have strategic consideration, in consultation with Shareholder Sub Committee, as to the mix of third party works and directly awarded works the Council wishes its LATC to deliver.	Contractual and Governance
<b>ECONOMY- REC 4</b>	<b>2</b>	HTS (P&E) Ltd to consider actions to mitigate risk of preliminaries and overheads costs rising resulting in reduction of actual work able to be delivered.	Financial
<b>ECONOMY- REC 5</b>	<b>2</b>	HDC to review client requirement for revenue works to be delivered by HTS (Property and Environment) Ltd and if desired amend mechanism for such works to be awarded via the business Case process	Contractual and Governance
<b>ECONOMY- REC 6</b>	<b>3</b>	HTS (P&E) Ltd to draft a single CSO document for formal adoption	Contractual and Governance
<b>ECONOMY- REC 7</b>	<b>3</b>	HTS (P&E) Ltd to consider equalities furtherance to be embedded into service delivery and match HDC expectations, and statutory requirements.	Contractual and Governance

<b>ECONOMY- REC 8</b>	<b>3</b>	HTS (P&E) Ltd to adapt procurement strategy to ensure resilience in supply chain and focus on business continuity for sub-contractors	Operational and Performance
<b>ECONOMY- REC 9</b>	<b>3</b>	HTS (P&E) Ltd to adopt a robust Sub Contractor vetting and appointment process	Operational and Performance
<b>ECONOMY- REC 10</b>	<b>3</b>	HTS (P&E) Ltd to adopt one clear performance management policy for sub-contractors	Operational and Performance
<b>ECONOMY- REC 11</b>	<b>3</b>	HTS (P&E) Ltd to implement a Tender portal to ensure wide transparent advertising of tender opportunities	Operational and Performance
<b>ECONOMY- REC 12</b>	<b>3</b>	HTS (P&E) Ltd to adapt current procurement processes to run in line with OJEU process in order to demonstrate full compliance	Operational and Performance
<b>ECONOMY- REC 13</b>	<b>3</b>	HTS (P&E) Ltd to develop clear indications of spend and process for waiver to internal procurement regulations	Financial
<b>ECONOMY- REC 14</b>	<b>4</b>	HDC to consider long term approach to accumulation of cash reserves and strategy around necessity and use of such reserves	Financial
<b>ECONOMY- REC 15</b>	<b>4</b>	HTS (P&E) Ltd to consider whether continuation of management charge and ASC rebate is required in financial forecasts in light of the findings from work stream 1 (ASC) of this review.	Financial
<b>ECONOMY- REC 16</b>	<b>4</b>	HTS (P&E) Ltd to develop, in consultation with HDC, an investment schedule to create viable investment options to be built into a refreshed Business Plan (with appropriate approvals for projects sought prior to implementation).	Financial

<b>ECONOMY- REC 17</b>	<b>5</b>	HDC to consider alternative mechanisms for penalty and/or reward under the contract appropriate to performance management for a wholly owned subsidiary Company (including removal of penalty mechanism)	Contractual and Governance
<b>ECONOMY- REC 18</b>	<b>5</b>	HDC to consider abandoning financial adjustments for volume driver activities	Operational and Performance
<b>ECONOMY- REC 19</b>	<b>5</b>	HTS (P&E) Ltd to invest in ICT systems to facilitate services improvements (linked to works streams 3 and 7 of the review, see Efficiency Recommendation 9)	Financial

107. **Efficiency** recommendations made under the Review relating to the relationship between the output from goods or services and the resources to produce them are included below:

<b>Rec. reference</b>	<b>Review Work stream</b>	<b>Recommendation</b>	<b>Category</b>
<b>EFFICIENCY – REC 1</b>	6	HTS (P&E) Ltd to set the context under which Phase 2 of the Staffing and Organisational Development Strategy would be triggered and shared with HDC so that the Council's own forward planning can be fed into this process.	Contractual and Governance
<b>EFFICIENCY – REC 2</b>	6	HTS (P&E) Ltd to update Staffing and Organisational Development Strategy to include approach to additional recruitment strategies needed to supplement internal mobility upwards in line with identifies movement of people out of the organisation, and avoid stretching resources in the future.	Operational and Performance
<b>EFFICIENCY – REC 3</b>	6	HTS (P&E) Ltd to create an action plan for the finalisation and implementation of formal agreements to support the social inclusion model.	Contractual and Governance
<b>EFFICIENCY – REC 4</b>	6	HTS (P&E) Ltd to investigate of how further opportunities could be created within the environmental teams and fed into the update of the current Staffing and Organisational Development Strategy	Operational and Performance

<p align="center"><b>EFFICIENCY – REC 5</b></p>	<p align="center">6</p>	<p>HTS (P&amp;E) Ltd to provide regular updates to Harlow Council SMB on succession plans for (Property &amp; Environment) Ltd specifically focused on Senior Management Team plans to provide certainty of continuation of the strategic management function should be built into agenda of the regular meetings between the two groups</p>	<p>Operational and Performance</p>
<p align="center"><b>EFFICIENCY – REC 6</b></p>	<p align="center">6</p>	<p>HTS (P&amp;E) Ltd to clarify regularity and content of discussions with individuals around succession planning and opportunities for promotion to ensure all are given equal opportunity to have such conversations across departments and at all levels</p>	<p>Operational and Performance</p>
<p align="center"><b>EFFICIENCY – REC 7</b></p>	<p align="center">6</p>	<p>HTS (P&amp;E) Ltd to promote and develop opportunities to be embedded into the appraisal/annual review process.</p>	<p>Operational and Performance</p>
<p align="center"><b>EFFICIENCY – REC 8</b></p>	<p align="center">6</p>	<p>HTS (P&amp;E) Ltd to bring forward formal practice for knowledge sharing of processes and procedures, as well as key contacts with clients and contractors, so that sudden or unexpected vacancies do not have a negative effect on service delivery.</p>	<p>Operational and Performance</p>
<p align="center"><b>EFFICIENCY – REC 9</b></p>	<p align="center">7</p>	<p>HTS (P&amp;E) Ltd to map future ICT requirements for Housing, Non-Housing, Street scene and landscapes elements of the contract (assuming contract extension to 2027) to be carried out and presented back to Client with proposal for a combined solution across the contract</p>	<p>Operational and Performance</p>

<b>EFFICIENCY – REC 10</b>	7	HTS (P&E) Ltd to create an energy management strategy addressing all areas of day-to-day operations (see Effectiveness Recommendation 7)	Operational and Performance
<b>EFFICIENCY – REC 11</b>	8	HDC to carry out a full review of the Output Specification against the services delivery by HTS (P&E) Ltd.	Operational and Performance
<b>EFFICIENCY – REC 12</b>	8	HDC to complete a full review of the KPI suite including establishing what is required for the contract, business and what is more 'of a wish list' and updating of governance and operational documents to reflect any changes .	Operational and Performance
<b>EFFICIENCY – REC 13</b>	8	HTS (P&E) Ltd to map operational processes / workflow for Callsys & Orchard and also for Non-Housing and Environmental Services to establish the processes, workflow and possible changes to current arrangement, with specific reference to ICT system improvements and sharing of information.	Operational and Performance

108. **Effectiveness** recommendations made under the Review relating to the relationship between the intended and actual results of public spending (are included below:

<b>Rec. reference</b>	<b>Review Work stream</b>	<b>Recommendation</b>	<b>Category</b>
<b>EFFECTIVENESS – REC 1</b>	11	HTS (P&E) Ltd to develop a framework to develop the management/governance of all statutory and regulatory requirements	Contractual and Governance
<b>EFFECTIVENESS – REC 2</b>	12	HTS (P&E) Ltd to add an annual standing item at the beginning of each year for business plan review and updating to be taken to the Shareholder.	Contractual and Governance
<b>EFFECTIVENESS – REC 3</b>	12	HTS (P&E) Ltd to develop a Communications Strategy and action plan – with priorities linked to outcomes of Action 15 – to be scoped out and implemented.	Cultural/relationship
<b>EFFECTIVENESS – REC 4</b>	12	HTS (P&E) Ltd to map out how activities contained within the Business Plan will be scoped, implemented and imbedded into operations.	Operational and Performance
<b>EFFECTIVENESS – REC 5</b>	13	Jointly foster and create good working relationships through a) a small, focused, design team from both Harlow Council and (Property & Environment) Ltd to consider possible approaches to a planned culture change programme. B) increase joint and transparent discussions at operational and strategic levels – across all elements of the contract – to embed contractual relationships and build upon operational success to date.	Cultural/relationship

<b>EFFECTIVENESS – REC 6</b>	13	Jointly review non contractual/operational processes in place to deliver services and consider carrying out business process review for key areas. to identify and eliminate bottlenecks, enable streamlining and efficiency and identify and minimise/eliminate unnecessary procedures	Operational and Performance
<b>EFFECTIVENESS – REC 7</b>	13	Jointly consider introduction of joint business planning and projects in the future to engender a 'one team' environment via internal governance structures e.g. realigning focus of Shared Operational Performance Meetings	Cultural/ relationship
<b>EFFECTIVENESS – REC 8</b>	14	HDC to vary contract to reflect SSC schedule changes	Contractual and Governance
<b>EFFECTIVENESS – REC 9</b>	15	HTS (P&E) Ltd to consider options for introducing more ways to communicate and consistent and comparable call recording and diagnostics to alleviate issues evidenced in Housing complaints and insurance processing giving regard to potential need for enhancing staff competencies and skills to support this.	Operational and Performance
<b>EFFECTIVENESS – REC 10</b>	15	Jointly investigate alternative metrics and methodology for collecting customer service data across the contract, including customer satisfaction surveys, as a whole to reach a wider spread and volume of customers	Operational and Performance
<b>EFFECTIVENESS – REC 11</b>	15	HTS (P&E) Ltd to replicate actions contained within Customer Access Strategy for Housing service area across commercial property and Environmental Services activities	Operational and Performance

<b>EFFECTIVENESS – REC 12</b>	15	HTS (P&E) Ltd to Investigate alternative systems to call-sys	Operational and Performance
<b>EFFECTIVENESS – REC 13</b>	15	HTS (P&E) Ltd to review range and coverage of block cleaning activities to justify tenant perception and develop ways to allow residents to have a voice in this area.	Operational and Performance
<b>EFFECTIVENESS – REC 14</b>	15	HTS (P&E) Ltd to ensure appropriate targets and processes in place to achieve/maximise CSR (balanced scorecard), building on Social Impact report to SSC June 2019.	Cultural/ relationship
<b>EFFECTIVENESS – REC 15</b>	15	Jointly consider formalising processes whereby more vulnerable clients can be easily identified and certain works prioritised for specific groups of people	Operational and Performance

## **Appendices**

Appendix 1 – Work Stream Outcome Reports

Appendix 2 – Action Plan for Business as Usual recommendations

**REPORT TO:** CABINET

**DATE:** 5 DECEMBER 2019

**TITLE:** TREASURY MANAGEMENT STRATEGY  
STATEMENT 2019/20: MID-YEAR REVIEW

**PORTFOLIO HOLDER:** COUNCILLOR MIKE DANVERS, PORTFOLIO  
HOLDER FOR RESOURCES

**LEAD OFFICER:** SIMON FREEMAN, HEAD OF FINANCE  
(01279) 446228

**CONTRIBUTING OFFICER:** ANDREW SMITH, FINANCE MANAGER  
(01279) 446212

**This is a Key Decision**

**It is on the Forward Plan as Decision Number I010143**

**This decision is not subject to Call-in procedures for the following reasons:**

The decision stands as a recommendation to Council

**This decision will affect no ward specifically.**

**RECOMMENDED that:**

- A** The Mid-Year Review of the Treasury Management Strategy, as set out in Appendix A to the report, be noted and referred to Council for consideration.

**REASON FOR DECISION**

- A** Compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice, requires that Council is presented with a mid-year report on The Treasury Management Strategy Statement (TMSS).

**BACKGROUND**

1. Treasury management is defined as: “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
2. The Council operates within the framework of CIPFA’s ‘Prudential Code for Capital Finance in Local Authorities’ (Prudential Code), the ‘Treasury Management Code of Practice’ and, the Ministry of Housing Communities and Local Government (MHCLG) Investment Guidance.

3. The primary requirements of the Code are as follows:
  - a) Creation and maintenance of a Treasury Management Policy Statement;
  - b) Creation and maintenance of Treasury Management Practices (TMPs);
  - c) Receipt by the Council of an annual Treasury Management Strategy (TMS), including Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-Year Review of the Treasury Management Strategy and an Annual Report (stewardship report);
  - d) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions;
  - e) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the current TMS specifies that responsibility for the delegated scrutiny role is delegated to the Cabinet Overview Working Group.

## **ISSUES/PROPOSALS**

4. As part of the primary requirements for reporting to Council, the mid-year review of the TMS has been prepared in compliance with CIPFA's Code of Practice and is attached to this report as Appendix A. Economic commentary has been provided by the Council's Treasury Management Advisors, Arlingclose Ltd.
5. Whilst no new external borrowing has been undertaken by the Council so far in 2019/20, existing borrowing comprises the protection and certainty of fixed-term debt.
6. The Bank Rate has remained at 0.75 per cent since August 2018. Some analysts believe that base rate is unlikely to rise over the next two to three years. The Council's overriding response is to ensure the security of investments above liquidity and yield. The effect of Brexit with prospect of a 'no deal' is a cause for concern. Officers aim to ensure that investments are made in the most cost efficient and effective manner.
7. On an on-going basis, officers continue to work within the scope of the TMS in order to contain counterparty risk as far as practically possible. Treasury management activities operate under a high-profile reporting mechanism, and

any significant issues that may arise through the year are reported in accordance with protocols set out in the TMS.

## **IMPLICATIONS**

### **Environment and Planning (includes Sustainability)**

None specific.

Author: **Andrew Bramidge, Head of Environment and Planning**

### **Finance and Property (Includes ICT and Properties and Facilities)**

As contained in the report.

Author: **Simon Freeman, Head of Finance and Property and Deputy to the Chief Executive**

### **Housing**

None specific.

Author: **Andrew Murray, Head of Housing**

### **Community Wellbeing (includes Equalities and Social Inclusion)**

None specific.

Author: **Jane Greer, Head of Community Wellbeing**

### **Governance (includes HR)**

None specific.

Author: **Simon Hill, Head of Governance**

### **Background Papers**

Treasury Management Strategy 2019/20

### **Glossary of terms/abbreviations used**

Arlingclose – The Council's appointed treasury management advisors.

CIPFA – Chartered Institute of Public Finance and Accountancy

MHCLG – Ministry of Housing Communities and Local Government

TMPs – Treasury Management Practices

TMS – Treasury Management Strategy

TMSS – Treasury Management Strategy Statement

### **Appendices**

Appendix A – Harlow Council Treasury Management Strategy Mid-Year Review 2019/20

**HARLOW COUNCIL  
TREASURY MANAGEMENT STRATEGY  
MID-YEAR REVIEW, 2019/20**

**Summary of the Report**

1. This report provides an update on economic conditions impacting on the Council and focusses on any major issues affecting borrowing and investments.
2. A full commentary is provided within this report by the Council's treasury management advisors, Arlingclose Ltd.
3. The economy is functioning within uncertain times. Brexit, which includes the possibility of 'no deal' with European nations, remains a concern with a further extension of the withdrawal date up until 31 January 2020. In the meantime the UK is going to the polls on 12 December 2019.
4. At all times the Council will take steps to protect its investment portfolio by placing security (the reduction of risk in order to protect the return of capital sums) and liquidity (being able to have immediate access to a reasonable amount of funds so that cashflow obligations may be met) above yield (i.e. the interest paid on investments).
5. In setting the Council's strategy for 2020/21, a full report will be presented to Cabinet and Council in January / February 2020. This will be in conjunction with the 2020/21 budget proposals and Capital Strategy.
6. The Treasury Management Strategy for 2019/20 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's 'Treasury Management in the Public Services: Code of Practice' (the CIPFA Code) which requires the Council to approve treasury management half-year and annual reports.
7. The Council is supported by treasury management advisors, Arlingclose Ltd., in decision making.

**Background**

8. The Council's treasury management strategy for 2019/20 was approved at a meeting of Council on 7 February 2019. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing

interest rates. The successful identification, monitoring and control of risk is therefore central to the Council's treasury management strategy.

9. The Council operates within the framework of CIPFA's 'Prudential Code for Capital Finance in Local Authorities' (Prudential Code), the 'Treasury Management Code of Practice' and, the Ministry of Housing Communities and Local Government (MHCLG) Investment Guidance.
10. The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy, complying with CIPFA's requirement, was approved by Council on 7 February 2019.

**External Context: Based upon commentary provided by the Council's Treasury Management advisors, Arlingclose Ltd. (October 2019)**

11. **Economic background:** UK Consumer Price Inflation (CPIH) fell to 1.7% year/year in August 2019 from 2.0% in July, below the expected forecast of 1.9% and below the Bank of England's target. The most recent labour market data for the three months to July 2019 showed the unemployment rate at 3.8% while the employment rate remained at 76.1%. Nominal annual wage growth measured by the 3-month average excluding bonuses was 3.8% and 4.0% including bonuses. Adjusting for inflation, real wages were up 1.9% excluding bonuses and 2.1% including.
12. The Quarterly National Accounts for Q2 (Apr-Jun) GDP confirmed the UK economy contracted by 0.2% following the 0.5% gain in Q1 (Jan-Mar) which was distorted by stockpiling ahead of Brexit. Only the services sector registered an increase in growth, a very modest 0.1%, with both production and construction falling and the former registering its largest drop since Q4 (Oct-Dec) 2012. Business investment fell by 0.4% (revised from -0.5% in the first estimate) as Brexit uncertainties impacted on business planning and decision-making.
13. The political climate both nationally and internationally has continued to be a big driver of financial markets over the last quarter.
14. Tensions continue between the US and China with no trade agreement and both countries imposing further tariffs on each other's goods. The US Federal Reserve cut its target Federal Funds rates by 0.25% in September mainly to maintain economic growth. There are also escalating concerns over the trade war and in turn a weaker economic environment leading to more pronounced global slowdown. The euro area Purchasing Manager Indices (PMIs) pointed to a deepening slowdown in the Eurozone. These elevated concerns have caused key government yield curves to invert, something seen by many commentators as a predictor of a possible global recession. Market expectations are for further interest rate cuts from the Fed

and in September the European Central Bank reduced its deposit rate to -0.5% and announced the recommencement of quantitative easing from 1 November 2019.

15. The Bank of England maintained Bank Rate at 0.75% and in its August Inflation Report noted the deterioration in global activity and sentiment and confirmed that monetary policy decisions related to Brexit could be in either direction.
16. **Financial markets:** After rallying early in 2019, financial markets have been adopting a more risk-off approach in the following period as equities saw greater volatility and bonds rallied (prices up, yields down) in a move to security and in anticipation of more monetary stimulus from central banks. The Dow Jones, FTSE 100 and FTSE 250 are broadly back at the same levels seen in March/April.
17. Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June, the 5-year benchmark gilt yield fell to 0.32% by the end of September. There were falls in the 10-year and 20-year gilts over the same period, with the former dropping from 0.83% to 0.55% and the latter falling from 1.35% to 0.88%. 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.65%, 0.75% and 1.00% respectively over the period.
18. Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth remains a global risk. The US yield curve remains inverted with 10-year Treasury yields lower than US 3-month bills. History has shown that a recession hasn't been far behind a yield curve inversion. Following the sale of 10-year Bunds at -0.24% in June, yields on German government securities continue to remain negative in the secondary market with 2 and 5-year securities currently both trading around -0.77%.

19. **Credit background:** Credit Default Swap (CDS) spreads rose and then fell again during the quarter, continuing to remain low in historical terms. After rising to almost 120bps in May, the spread on non-ringfenced bank NatWest Markets plc fell back to around 80bps (0.8%) by the end of September, while for the ringfenced entity, National Westminster Bank plc, the spread remained around 40bps (0.4%). The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 34 and 76bps (0.34% - 0.76%) at the end of the period.
20. There were minimal credit rating changes during the period. Moody's upgraded The Co-operative Bank's long-term rating to B3 and Fitch upgraded Clydesdale Bank and Virgin Money to A-.

### **Local Context**

21. On 31 March 2019, the Council had net investments of £31.700m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.19 Actual £m
General Fund CFR	53.358
HRA CFR	187.370
<b>Total CFR</b>	<b>240.728</b>
Less: Other debt liabilities	-
<b>Loans CFR</b>	<b>240.728</b>
External borrowing	(-)211.837
<b>Internal borrowing</b>	<b>28.891</b>
Less: Usable reserves	(-)54.175
Less: Working capital	(-)6.416
<b>Net investments</b>	<b>(-)31.700</b>

22. The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.
23. The treasury management position at 30 September 2019 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.19 Balance £m	Movement £m	30.9.19 Balance £m	30.9.19 Rate %
Long-term borrowing: Public Works Loan Board	211.837	-	211.837	3.309
<b>Total borrowing</b>	<b>211.837</b>	<b>-</b>	<b>211.837</b>	<b>3.309</b>
Long-term investments	(-)4.000	-	(-)4.000	2.53
Short-term investments	(-)7.500	7.500	-	-
Cash and cash equivalents	(-)20.200	(-)6.080	(-)26.280	0.75
<b>Total investments</b>	<b>(-)31.700</b>	<b>1.420</b>	<b>(-)30.280</b>	<b>0.99</b>
<b>Net borrowing</b>	<b>180.137</b>	<b>1.420</b>	<b>181.557</b>	

### **Borrowing Strategy during the period**

24. At 30 September 2019 the Council held £211.837m of loans as part of its strategy for funding previous years' capital programmes. Outstanding loans on 30 September are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.19 Balance £m	Net Movement £m	30.9.19 Balance £m	30.9.19 Weighted Average Rate %	30.9.19 Weighted Average Maturity (years)
Public Works Loan Board	211.837	-	211.837	3.309	15.8
<b>Total borrowing</b>	<b>211.837</b>	<b>-</b>	<b>211.837</b>		

25. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

### **Treasury Investment Activity**

26. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the six-month period, the Council's investment balances ranged between £29.420m and £42.270m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.19 Balance £m	Net Movement £m	30.9.19 Balance £m	30.9.19 Income Return %
Banks & building societies (unsecured)	3.710	(-)3.270	0.440	0.50
Government	5.280	(-)5.280	-	-
Local authorities	9.000	3.500	12.500	0.83
Money Market Funds	9.710	3.630	13.340	0.69
Other Pooled Funds				
Cash plus funds	2.000	-	2.000	0.91
Property funds	2.000	-	2.000	4.15
<b>Total investments</b>	<b>31.700</b>	<b>(-)1.420</b>	<b>30.280</b>	

27. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
28. In furtherance of these objectives, and given the increasing risk and falling returns from short-term unsecured bank investments, the Council is not routinely placing unsecured deposits with individual banks and building societies preferring instead to spread risk in Money Market Funds, a Cash Plus Fund and a Property Fund. It has found local authority investment to be a secure means of investment. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking - Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2019	4.16	AA-	48%	71	1.09%
30.09.2019	3.99	AA-	52%	36	1.01%
<b>Similar LAs</b>	<b>4.26</b>	<b>AA-</b>	<b>61%</b>	<b>91</b>	<b>1.58%</b>
<b>All LAs</b>	<b>4.28</b>	<b>AA-</b>	<b>62%</b>	<b>64</b>	<b>1.22%</b>

**Note:** Through benchmarking information provided by Arlingclose, the Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk. The table above shows that Harlow Council's exposure to risk is similar to other Councils, but with less bail-in exposure as a consequence of not making direct investments in banks or building societies at this time.

Investments in Money Market Funds carry bail-in risk but the risk itself is spread across numerous counter-parties.

29. The Council's £4m of externally managed pooled property and multi asset funds is likely to generate an average total return of £101,200 (2.53%). Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives are regularly reviewed.
30. Readiness for Brexit: The revised leave date for the UK to leave the EU is now 31 January 2020. The Council will ensure that it holds sufficient facilities with UK-domiciled banks and Money Market Funds to enable sufficient liquidity to be held within the UK coupled with the ongoing use of its account with the Debt Management Account Deposit Facility (DMADF) with HM Treasury to manage the situation leading up to and after the UK leaves the EU.

### **Non-Treasury Investments**

31. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

### **Service Investments: Loans**

32. The Council lends money to its subsidiary and a local business, to support local public services and stimulate local economic growth.
33. HTS (Property and Environment) Ltd is a wholly owned subsidiary of Harlow Council which began trading on 1 February 2017. The Council provided a start-up loan to the business of £1.209m repayable over five years, two months, approved on 21 July 2016. The balance outstanding as at 31 March 2018 was £0.702m. A report elsewhere on the Cabinet agenda also details proposals for a second loan to HTS (P&E) Ltd associated with the acquisition of replacement fleet for a sum of £670,000.
34. Harlow Property Limited was provided with two loans to support the development of the Enterprise Zone, approved on 23 January 2014. The amounts loaned were £1m on 15 March 2016 and a further £1.5m on 3 March 2017 secured against the value of the properties at the KAO Park facility. Interest accrues on these loans with the total outstanding as at 31 March 2019 being £2.802m.

35. Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The Council considers that this loss should be zero because, (1) HTS is the sole shareholder of the Council; (2) HPL loans are a charge secured against property which considerably exceeds the value of the loan.

#### Commercial Investments: Property

36. The Ministry of Housing, Communities and Local Government (MHCLG) defines property to be an investment if it is held primarily or partially to generate a profit.
37. The Council has historically held nine commercial and residential properties with the intention of making a profit that will be spent on local public services. These include telecommunication masts, a Golf Club, and three other properties with a total value of £1.861m. Annual income from all these assets is about £125,000.

#### Loan Commitments and Financial Guarantees

38. Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.
39. In 1987 and 1992 the Council agreed to undertake joint liability with a number of other local authorities to guarantee loans of £66.3 million and £17.3 million to Home Housing Association (previously called North Housing Association) in support of their private initiative for the provision of housing in Harlow and surrounding authorities. The guarantee is for a 50-year period ending 2037. The Council's proportion of the total liability is £4.5 million. The Council considers that the probability of the guarantee being called upon is low.

#### Compliance

40. The Deputy to the Chief Executive and Head of Finance & Property reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

#### Outlook for the remainder of 2019/20

41. The global economy is entering a period of slower growth in response to

political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth as a response to the downturn in global activity and also as a result of the ongoing uncertainty regarding Brexit. In response, global and UK interest rate expectations have also reduced.

42. Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.
43. The Council's treasury advisor Arlingclose expects the Bank Rate to remain at 0.75% for the foreseeable future but there remain substantial risks to this forecast, dependant on Brexit outcomes and the evolution of the global economy. Arlingclose also expects gilt yields to remain at low levels for the foreseeable future and judge the risks to be weighted to the downside and that volatility will continue to offer longer-term borrowing opportunities

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
<b>Official Bank Rate</b>													
<b>Upside risk</b>	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
<b>Arlingclose Central Cas</b>	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
<b>Downside risk</b>	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

**REPORT TO:** CABINET

**DATE:** 5 DECEMBER 2019

**TITLE:** JOINT FINANCE AND PERFORMANCE REPORT,  
QUARTER 2 2019/20

**PORTFOLIO HOLDER:** COUNCILLOR MIKE DANVERS, PORTFOLIO  
HOLDER FOR RESOURCES

**LEAD OFFICER:** SIMON FREEMAN, HEAD OF FINANCE AND  
DEPUTY TO THE CHIEF EXECUTIVE  
(01279) 446200

**CONTRIBUTING OFFICERS:** SENIOR MANAGEMENT BOARD (01279) 446004  
POLICY AND PERFORMANCE TEAM

**This is not a Key Decision**

**It is on the Forward Plan as Decision Number I010144**

**The decision is not subject to Call-in Procedures for the following reason:**

The recommendations are within the scope of the original budget and Corporate Plan approved by Full Council in February 2019.

**This decision will affect no ward specifically.**

**RECOMMENDED that** Cabinet:

- A** Notes the projected outturn position set out in sections three and four of Appendix A to this report for the second quarter (July – Sept) of 2019/20 as follow:
- i) An adverse variation on controllable budgets of £441,000 representing 0.81 per cent of the gross General Fund Budget.
  - ii) A total projected underspend of £75,000 representing -0.14 per cent of the gross General Fund Budget.
  - iii) The Council performed on or above target for 48 out of 49 (98 per cent) of its quarterly performance indicators

**REASON FOR DECISION**

- A** To ensure that Cabinet reviews performance against the Council's approved General Fund Budget and Corporate Plan for 2018/19 and acknowledges the small variation to the forecast outturn position.

## **BACKGROUND**

1. This report sets out the Council's corporate priorities and financial and performance position as at the end of September 2019. The report is the second in the formal reporting process for the 2019/20 financial year.

## **ISSUES/PROPOSALS**

### **Summary of Quarter Two Financial Performance 2019/20**

2. A review of the second quarter of 2019/20 indicates that, in total, the controllable General Fund Budget is projected to overspend by £441,000 or 0.81 per cent when compared to the approved gross General Fund Budget. Section three of Appendix A to this report summarises the major budget variations. This variance is relatively small in the context of the Council's approved budget and range of services provided.
3. Taking into consideration the budgets which are not directly under service area control the overall position at the end of September 2019 is that the General Fund is forecast to underspend by £75,000 or -0.14 per cent when compared to the approved gross General Fund Budget.
4. Careful management of budgets continues to be exercised across all services in order to guard against expenditure pressures and to offset income reductions.
5. The major variations across both controllable and non-controllable budgets are set out in Appendix A to the report. The situation will be closely monitored during the financial year and should the position change the forecasts will be amended and reported in future financial reports accordingly.

### **Summary of Quarter Two Operational Performance 2019/20**

6. The Council's operational performance is set out in section four of Appendix A to the report.
7. The Council performed on or above target for 48 out of 49 (98 per cent) of its quarterly performance indicators. Sixty per cent of the indicators have been maintained or improved compared to Quarter Two for 2018/19.
8. Sixteen milestones (10 per cent) have been successfully completed and 129 milestones (83 per cent) have started and are on track. Six milestones (4 per cent) have not started as the due dates are in the future; 1 milestone (0.6 per cent) requires further action and 3 milestones (2 per cent) are significantly off-track.
9. Thirty-five (71 per cent) of the Council's Key Performance Indicators performed significantly better than their targets. Some of the indicators that have contributed to this achievement are:

- a) CS25Q – Percentage of Customer Complaints responded to within target time.
  - b) LHI SO26 - Annual Leasehold Service Charge Collection.
  - c) HTS 2.11 – Removal of Graffiti or Fly Posting of racist or obscene nature removed with 24 hours.
  - d) HTS 3.11d – Tree works carried out within 80 working days
10. One out of the 49 (two per cent) performance indicators did not perform as well as expected. The indicator detailed below has an Improvement Action Plan which outlines the performance situation and the steps for improvement.
- a) BV010 – National Non-Domestics Rates Collected.

### **Significant Risks/Opportunities**

11. The Council continues to operate in a period of major change driven by both worldwide economic conditions and legislative changes being introduced by the Government. Key changes that will or continue to be impact on the Council include:
- a) The risk and volatility associated with the Government’s localisation of Council Tax support and business rates.
  - b) Variations in income from fees and charges and other specific grants.
  - c) Ongoing low staff turnover rates which put at risk the achievement of the vacancy savings targets allocated to each service within the Council’s budget.
  - d) The uncertainty regarding the future financial settlements including the end of the current four year funding deal beyond the current spending review period from 2021/21 onwards.
12. Significant opportunities continue to arise and develop to benefit the town and its residents. The Council must ensure it continues to work with all stakeholders to realise those benefits. Examples where opportunities arise include:
- a) Harlow and Gilston Garden Town.
  - b) Enterprise Zone delivery and skills plan to support development of a skilled workforce.
  - c) Public Health England relocation to Harlow.
  - d) Road and transport infrastructure including M11 Junction 7a

13. At end of 2 Quarter 2019 there are no exceptional strategic risks (rated 20 or higher – high likelihood, high impact) recorded in the Council’s Risk Register.
14. The Senior Management Board continues to review strategic risks on a regular basis to assess future impact and necessary controls required to keep risks at acceptable levels.

## **IMPLICATIONS**

### **Environment and Planning (Includes Sustainability)**

As contained within the report.

**Author: Andrew Bramidge, Head of Environment and Planning**

### **Finance and Property (Includes ICT, Properties & Facilities)**

As contained within the report.

**Author: Simon Freeman, Head of Finance & Property and Deputy to the Chief Executive**

### **Housing**

As contained within the report.

**Author: Andrew Murray, Head of Housing**

### **Community Wellbeing (Includes Equalities and Social Inclusion)**

As contained within the report.

**Author: Jane Greer, Head of Community Wellbeing**

### **Governance (Includes HR)**

As contained within the report.

**Author: Simon Hill, Head of Governance**

## **Appendices**

Appendix A – Joint Finance and Performance Report, Quarter 2 2019/20

## **Appendix A**

**Harlow Council**

**Joint Finance and Performance Report  
for the Period Ending**

**30/09/2019**

## The Council's aim for 2019-20:-

**"to improve Harlow for residents, businesses and visitors"**

### The Council's priorities:

1. More and Better Housing



2. Regeneration and a Thriving Economy



3. Wellbeing and Social Inclusion



4. A Clean and Green Environment



5. Successful Children and Young People



## How to use this report

You may wish to consider the following questions to form an idea on how well the Council is doing in achieving its priorities and objectives.

### Questions which the reader may wish to consider:

1. What are the reasons for the performance being below target?
2. What is the Council's expenditure on this service?
3. Has performance fluctuated between quarters and what are the reasons for this?
4. Is it anticipated that the target will be met by the end of the year?
5. What are the proposed actions to improve performance and achieve the target and when will this be done by?
6. How well is the Council responding to gaps in performance or shortfalls in income?

### Other areas for consideration could include:

1. Is the indicator a high priority for the Council? Is this reflected in the budget?
2. How does the service compare to other local authorities in terms of value for money – how does the Council's expenditure on this service and performance achieved compare to similar local authorities?
3. What are other Council's doing to improve performance in this area?
4. Are there any overspends/underspends in the budget area within which the under performing indicator sits?
5. Are there any future projects planned that will enhance existing performance?
6. How severe or likely are risks associated with lower level performance?

### Performance Symbols:

Harlow Council uses the below symbols when reporting performance.

<b>Below Target:</b> e.g. more than 5% worse than target	<b>On Target:</b> e.g. within 5% of target	<b>Above Target:</b> e.g. more than 5% above target	<b>Data not yet available:</b> e.g. survey information pending
			

### Direction of Travel (DOT) Symbols:

The direction of travel is from the same quarter in the previous year.

Going up and getting better e.g. % of rent collected	Going down and getting better e.g. crime levels	Exactly the same as previous year	Going up and getting worse e.g. levels of litter	Going down and getting worse e.g. income generated
				

## Section One: Key Considerations

The key issues relating to the Council's finances, performance, risks and corporate plan:

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### FINANCE

The forecast outturn position for 2019/20 is that the controllable General Fund revenue budget will overspend by £441,000 on its gross controllable costs. This represents an overspend of just 0.81% of the Council's approved gross budget for the General Fund. Taking into consideration the budgets which are not controllable by services, there is an overall forecast underspend of £75,000 or -0.14%.

Key risks in relation to financial management are currently:

- The risks and volatility associated with the Government's localisation of business rates.
- Variations in income from fees and charges.
- The uncertainty regarding the future financial settlements including the end of the four year funding deal beyond the current spending review period from 2020/21 onwards.

### RISK

At end of Quarter 2 2019/20 there are no exceptional strategic risks (rated 20 or higher – high likelihood, high impact) recorded on the Council's Risk Register.

### PERFORMANCE

The following indicators had poor performance in quarter 2 2019/20:

Finance : BV010 NNDR collected (%)

### CORPORATE PLAN

The position of the Corporate Milestones as at 30 September 2019 are broken down as follows:

- 10.3% (16 out of 155) have been successfully completed
- 82.2% (129 out of 155) have started and are on track
- 3.9% (6 out of 155) have not started
- 0.6% (1 out of 155) require further action
- 1.9% (3 out of 155) are significantly off track

There were no milestones cancelled or suspended.

## Section Two: What Our Customers are Telling Us (Complaints)

The Council provides and commissions a large number of services, to a population of around 86,600 residents (2018 estimate). Every year the Council undertakes over 600,000 housing transactions and deals with hundreds of thousands of enquiries at Contact Harlow.

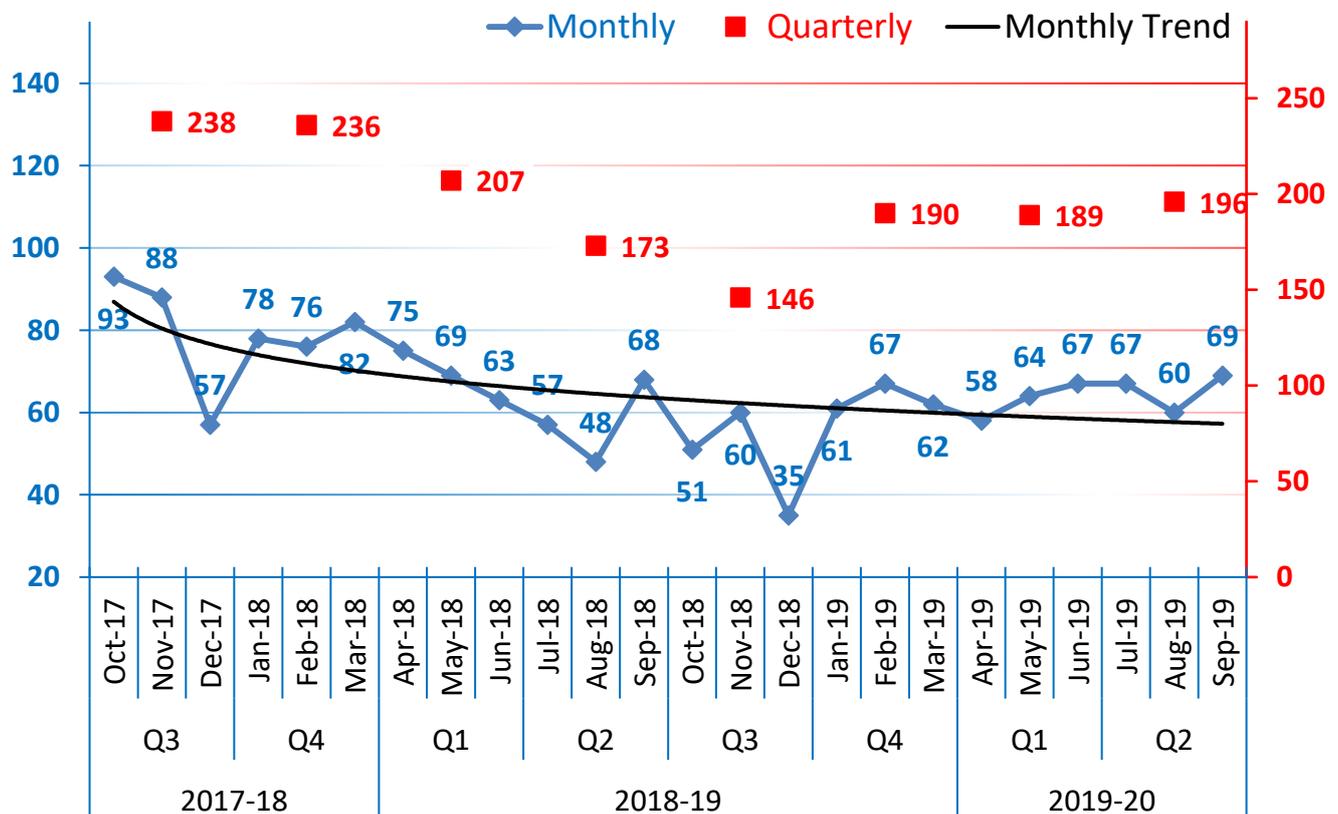
Contact Harlow also provides an administrative service for Housing Benefit and Local Council Tax Support. The caseload for this is just under 8,000 benefit claimants and is down from 9,000 last year, due to the impact of universal credit.

The Council aims to respond and resolve all stage one and stage two complaints within ten working days, and stage three complaints within 15 working days.

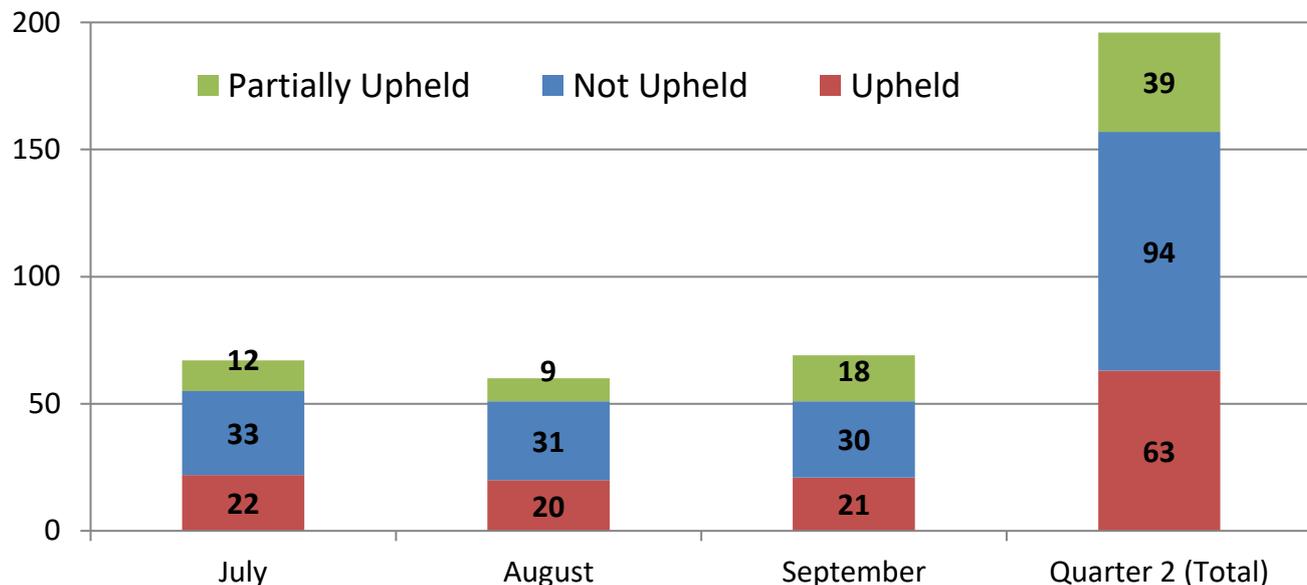
The chart below shows two years of complaints (October 2017 to September 2019) by the monthly and quarterly figures, monthly is in blue and quarterly is in red. When quarter two of 2019/20 is compared to the same quarter in 2018/19, there is a 13.3% increase in the number of complaints received. This relates predominately to HTS - Housing and also Environment and Planning.

In the last twelve months (October 2018 to September 2019) there was an average of 60 complaints per month, whereas in the previous 12 months (October 2017 to September 2018), the monthly average was 71. The drop in this period, equates to a 15.5% reduction.

The chart below includes a monthly trend line and shows the monthly numbers of complaints is still trending downwards.



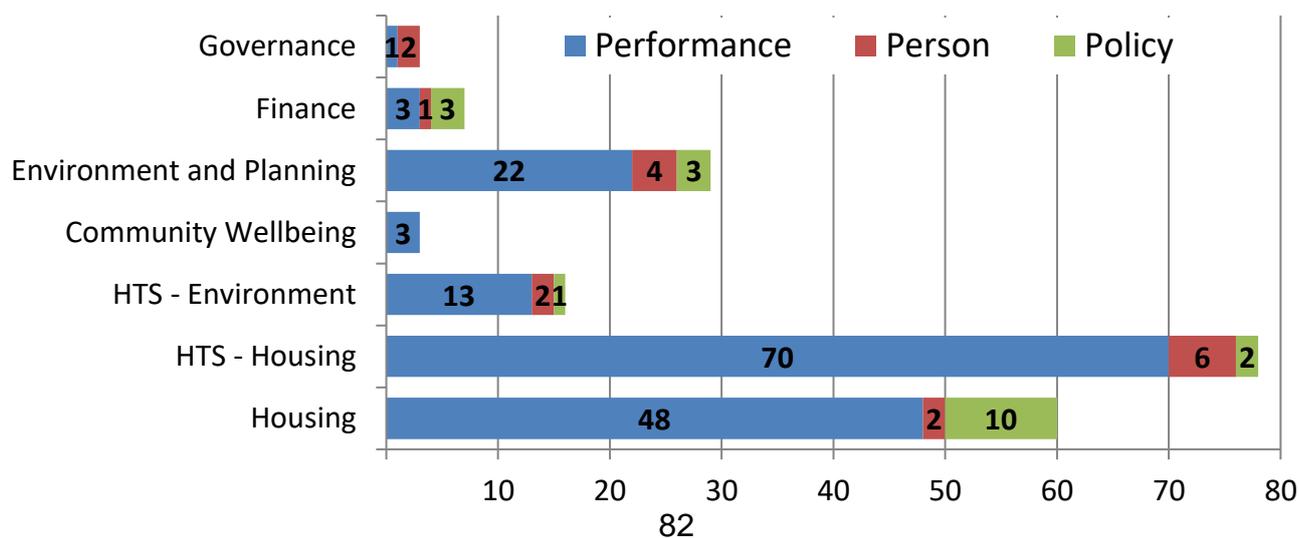
In quarter two (2019/20), the Council received a total of 196 complaints. These complaints break down as 63 (32%) upheld, 94 (48%) not upheld and 39 (20%) partially upheld. The chart below shows the breakdown by classification for each month and the quarter total.



The table below shows the breakdown of complaints by the stage, for each month in quarter two. Eighty-six percent of the complaints were resolved by stage one, 11% of the complaints were resolved by stage two and 3% of the complaints reached stage three.

Month	Stage One	Stage Two	Stage Three
July	59	6	2
August	54	3	3
September	56	13	0
<b>Quarter Two Total</b>	<b>169</b>	<b>22</b>	<b>5</b>

The chart below shows a breakdown of the three complaint types and the number of complaints against the relevant service area. In quarter two (2019/20), there were 160 performance; 17 person and 19 policy related complaints.



Additional information is collected on all closed complaints, that were either upheld or partially upheld, to ensure lessons are learnt to improve service delivery and minimise the risk of reoccurrence.

This information is logged by the Service areas responding to the complaint and includes:

- What will be done as a result of the complaint?
- Who by?
- By when?

The Customer Services Officer receives monthly reports, to ensure that action(s) are being completed. Any failures/blockages are reported to the Customer and Media Services Manager, to progress to the relevant Head of Service.

Reports on trends and resolutions are provided to the Senior Management Board, to ensure continuous improvement.

## Section Three: The Latest Financial Performance

The Council continues to face financial challenges, especially those created by the long term reductions in its core Government funding which have, and will continue to feature within its Medium Term Financial Strategy (MTFS). As has been previously reported to Cabinet, the long period of austerity and the resulting budget reductions that have been required over an extended period to enable a balanced budget to be approved each year are now creating a much greater challenge at service level in terms of managing service costs and income to the approved budget.

The aggregate of the service controllable variations shown in the 2019/20 Quarter 2 report have generated a £441,000 overspend or 0.81% of the Council's gross budget (£141k adverse variation at Q2 2018/19 and £213k favourable variation at Q2 2017/18). With the budgets now set having been reduced to meet savings targets in previous years the ability for services to deliver below the approved budget moving forward will be extremely difficult.

Despite this position, the contents of this report highlights the excellent financial control being placed upon existing budgets by all services and whilst there remain great uncertainties for the future arrangement for local government funding, the Council can have confidence that its services will continue to delivered to residents it serves without reduction or cuts for the foreseeable future.

Taking into account the non-controllable costs, there is a forecast underspend of £75,000 or -0.14% of the gross budget.

Simon Freeman, Deputy to the Chief Executive and Head of Finance and Property

[Movement in General Fund \(Q2 2019\\_20\); The Major Variances \(Q2 2019\\_20\)](#)

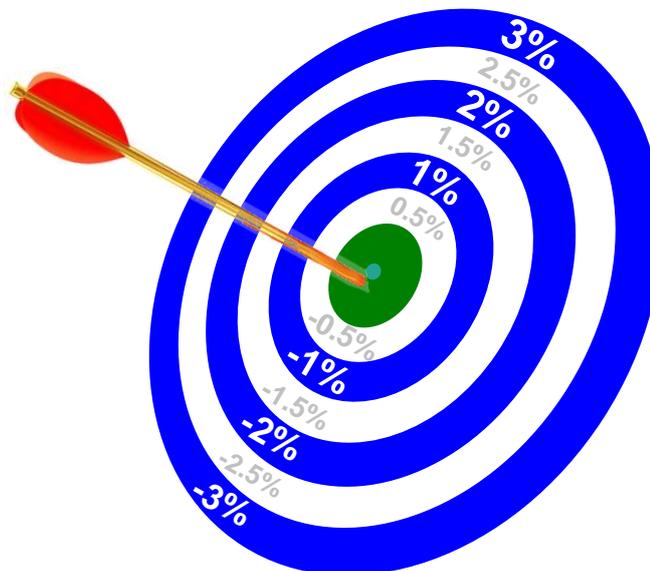
## Movements in General Fund Balance in Quarter Two 2019/20

£millions*	
<b>General Fund closing balance as at 31 March 2019</b>	<b>4.488</b>
<b>Variation resulting from previous Cabinet / Council decisions:</b>	
• One off funding requirement 2019/20 – museum (Cabinet July 2019)	(0.100)
• Carry forwards from 2018/19 to 2019/20	(0.138)
<b>Effective General Fund closing balance as at 31 March 2019</b>	<b>4.250</b>
<b>Current Variations</b>	
• Service budget variations	(0.441)
• Other variations	0.516
<b>Balance on General Fund at 31 March 2020 (Projected)</b>	<b>4.325</b>

\* Note: Figures in brackets () reduce the projected General Fund Balance.

### 2019/20 Outturn

The Council projects to underspend by a margin of **-0.14%** on its gross General Fund revenue budget.



## Latest Financial Performance (Budget Variations / Exceptions):

### Major Variances - Quarter 2 2019-20

Service	Adverse £000s	Favourable £000s	Net £000s	Main Contributing Factors to Variations
<b>Community Wellbeing</b>				
Pets Corner	17		17	The year-end variation reflects forecast overspend on fire alarm, marketing related activities, energy and employee costs offset by additional income.
Community Services - Central Services		(21)	(21)	Salary savings due to reduced hours worked by a member of the team.
Enterprise Zone	173		173	The forecast cost of administering / and managing the Enterprise Zone development and the legal costs associated with a compulsory purchase of land process.
Leah Manning Centre	73		73	This forecast overspend is due to increased costs of building maintenance works, increased employee costs, energy costs offset by reduced income from Essex County Council.
Regeneration Team	27		27	Consultancy costs offset by savings from a vacant post.
Minor Variations	34		34	
Total Community Wellbeing			303	
<b>Environment and Planning</b>				
Refuse Collection and Recycling		(34)	(34)	Additional Income from sales of bins and green waste collections offset by lower recycling credits than estimated.
Environmental Health		(47)	(47)	Vacant posts.
Head of Place Services / Head of Environment & Planning		(32)	(32)	Net saving from the deletion of the Head of Place Services offset by the cost of the newly created Head of Environment & Planning.
Planning Services		(36)	(36)	Vacant posts offset by the cost of employing agency staff.
Other minor variations	18		18	
			(131)	
<b>Housing (General Fund) Services</b>				
Minor variations	4		4	
Total Housing (General Fund) Services			4	
<b>Finance and Property Services</b>				
Accountancy	120		120	Staff vacancies offset by consultancy and advertisement costs.
ICT		(36)	(36)	Vacant post.
Seen Nightclub	80		80	Reduced rental income and an increase in business rates and insurance costs.
Latton Bush Centre	37		37	Increased energy costs.
Car parks	27		27	Increased maintenance costs and business rates.
Bus Terminus		(23)	(23)	Savings on staffing and increased income from ticket sales.
Minor Service variances	76		76	
Total Finance and Property Services			281	

## Latest Financial Performance (Budget Variations / Exceptions):

### Major Variances - Quarter 2 2019-20

Service	Adverse £000s	Favourable £000s	Net £000s	Main Contributing Factors to Variations
<b>Chief Executive</b>				
Chief Executive	5		5	
<b>Governance</b>				
The Playhouse	66		66	Variation due to combination of gas charging, IT and related services, security costs and requirement for vacancy savings
Legal Section		(50)	(50)	Vacant posts and reduced expenditure on legal costs
Minor variances		(37)	(37)	
Total Governance Service			(21)	
<b>Service Specific Variations</b>			<b>441</b>	<b>Sub-total</b>
<b>Other</b>				
Interest Payments		(225)	(225)	Forecast borrowing is expected to be lower than originally anticipated.
Interest Income	56		56	Interest income is forecast to be lower than anticipated because Interest rate assumptions have changed.
S31 grant income		(1,158)	(1,158)	Grant reimbursed by the Government for the loss of income under the business rates retention scheme resulting from tax changes announced in Government announcements.
Enterprise Zone Disregarded Amount		(1,176)	(1,176)	The amount of business rates retained by the Council in respect of the Enterprise Zone.
Transfers to earmarked reserves	2,334		2,334	Transfer of the S31 grant income and Enterprise Zone retained business rate income to earmarked reserves.
Council tax sharing agreement		(15)	(15)	Council Tax sharing agreement income from County, Fire and Police is estimated at £415,000. This compares to an approved income budget of £400,000.
Housing Benefits	117		117	Housing benefits has been amended to reflect the revised housing benefit subsidy return.
Business Rates Surplus		(776)	(776)	Estimated Business Rates surplus.
Business Rates Pooling	327		327	Additional levy due to Central Government, being their share of additional business rates over and above that which was initially estimated.
<b>Total Other Variations</b>			<b>(516)</b>	<b>Sub-total</b>
<b>Total General Fund Budget Variations</b>			<b>(75)</b>	

## Section Four: Service Based Analysis

### Community Wellbeing, Jane Greer

The quarter overspend is influenced by a number of issues that include a reduced income from the Essex County Council contract for services at Leah Manning Centre, increased employee costs and increased energy costs.

The position across the service area will continue to be monitored throughout the remainder of the year with a view to reducing the overspend where this is possible.

### Environment & Planning, Andrew Bramidge

Financial performance is on track for the year as is delivery against service milestones. There is potential pressure with the level of vacancies that are being carried and partially filled through agency staff. A major recruitment exercise is currently under way in the Planning and Building Control teams and it is hoped that this will be successful in securing the necessary staff as well as reducing costs expended on agency workers.

There is also potential pressure with a fall in recycling credits as the level of contaminated recycling has increased this year. Work is planned to undertake more education for residents on recycling and also to identify new measures with the Council's contractor, Veolia, to improve this.

### Housing, Andrew Murray

Resources for housing need were previously reduced which required the need for ongoing prioritisation and the targeting of resources.

The updated Homelessness Strategy and Delivery Plan was approved by Cabinet in October 2019. This details a trend for anticipated increases in costs for homelessness, and use of temporary accommodation. As anticipated, there has been an increase in homelessness enquiries through Quarters 1 and 2.

The Strategy identifies an increase in statutory duties to prevent and deal with homelessness following the introduction of the Homelessness Reduction Act (2018). This requires earlier interventions and longer term use of temporary accommodation whilst homelessness enquiries are completed. The increased trend outlined in the Homelessness Strategy recognises there are still uncertainties around future Government funding for homelessness.

The implementation of the Supported Housing plan is ongoing within the background of cessation of funding from Essex County Council for Housing Related Support.

### Governance, Simon Hill

#### Service Milestones

The service continues its overall good performance across its range of Corporate milestones with 42 of 45 meeting or exceeding current target completion dates. The Council's new website, now substantially complete, has taken a little longer to complete than anticipated due to changes in service requirements and agreeing which information from the existing website was required to be published on the new. This work is now finished and I anticipate the launch of the site shortly. Work on the style guide for the Council is linked to the new design of the website and once this is launched work on this element will take place.

#### Service Performance

It is encouraging to note that the IEP put in place by managers to rectify a drop in call answering performance ensured that the council's contact centre has met its targets this quarter. There are challenges to meeting call performance ongoing with an increase in service related calls this quarter and staff should be congratulated in meeting targets.

#### Financial Performance

Governance overall budget is, overall, on target. Across departments there are variances which are a combination of staffing underspends (for support services); Gas recharges, IT costs, Security related costs and vacancy targets (for the playhouse). During quarter three officers will be monitoring income targets closely.

### Finance & Property, Simon Freeman

The current forecast for the Finance and Property Service that it will overspend by £281,000 in 2019/20. The main factors driving this position include the need to utilise agency staffing to cover for a key senior post combined with additional unforeseen costs across a number of property sites as detailed within the report. Work across the service will continue to look for in year efficiencies to help offset these pressures.

## Section Five: Performance

The Council performed on or above target for 48 out of 49 (98%) of its indicators. Sixty per cent of the indicators have been maintained or improved compared to Quarter Two 2018/19.

<b>Percentage of indicators within or better than target</b>	Qtr ended 30/09/2018	Qtr ended 31/12/2018	Qtr ended 31/03/2019	Qtr ended 30/06/2019	Qtr ended 30/09/2019
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>96%</b>	<b>98%</b>
<b>Percentage of indicators improving or unchanged from the same period last year</b>	Qtr ended 30/09/2018	Qtr ended 31/12/2018	Qtr ended 31/03/2019	Qtr ended 30/06/2019	Qtr ended 30/09/2019
	<b>66%</b>	<b>56%</b>	<b>62%</b>	<b>57%</b>	<b>60%</b>

### Good Performance:

Thirty-five (71%) of the indicators performed significantly better than their targets. Listed below are a selection of the performance indicators which have contributed to this achievement.

		30/09/2019 Actual	30/09/2019 Target	30/09/2018 Actual	30/09/2018 Target
★ ↑	<b>Community Wellbeing : CS25q % of customer complaints responded to within target time</b>	95.92	85.00	94.83	85.00
The KPI continues to maintain a good performance as a result of closer monitoring and reporting of complaints.					
★ ↑	<b>Housing : LHI SO26 Annual Leasehold Service Charge Collection</b>	58.03	53.00	56.89	49.50
The quarter 2 outturn of 58.03% is 5.03% above the target, and continues the upward trend of upper quartile service charge collection. This demonstrates sound policies/processes with the continued focus on income recovery which helps support the short, medium, and long term objectives of the HRA Business Plan.					
★ ↑	<b>Place Services : HTS 2.11 Removal of graffiti or fly posting of a racist or obscene nature removed within 24 hours</b>	100.00	100.00	92.86	100.00
Performance in September 2018 dropped due to one job completing outside of the target. HTS Team was reminded to focus on the timescale to ensure jobs are completed within the set timeframe. This has resulted in HTS completing all such jobs within target with 100% performance.					
★ ↑	<b>Place Services : HTS 3.11d - Tree works carried out within 80 working days</b>	100.00	100.00	92.63	100.00
There was a decline in performance during (Q2 July-Sep 2018) as resources were directed to deal with the increased emergencies due to the storms. As a result there was an increased focus and push to clear the outstanding jobs and bring performance back in line with the set target. Subsequently, HTS was able to increase and maintain the KPI performance at an acceptable level.					

## Section Six: Improvement Action Plans

The Council and HTS (Property & Environment) Ltd monitors all performance indicators which have been subject to an Improvement Action Plan (IAP) during the past 12 months. The table below illustrates how the indicators subject to an IAP have performed over time.

All performance indicators are reported as red, blue and green in line with the Council performance monitoring.

Quarterly Performance Indicator	QTR Ended 30/09/2018	QTR Ended 31/12/2018	QTR Ended 31/03/2019	QTR Ended 30/06/2019	QTR Ended 30/09/2019
CS02b % Lost calls for Contact Harlow (Quarter Cumulative)	★	★	★	▲	★
CS50 Average waiting time of calls received by Contact Harlow	●	★	★	▲	●
BV010 NNDR collected (%)	●	●	●	●	▲
Number of Red Quarterly Indicators	0	0	0	2	1

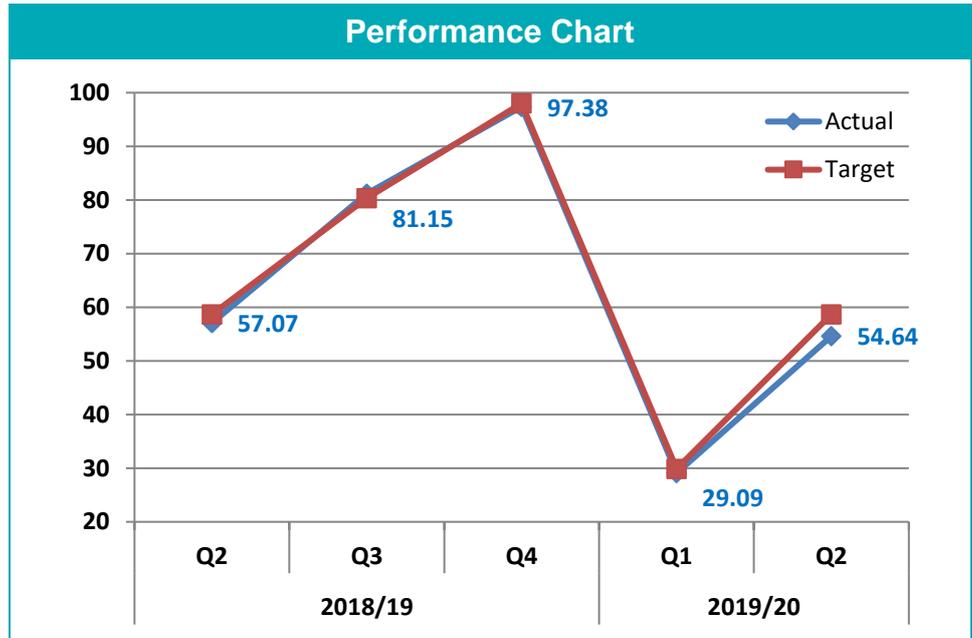
## Improvement Action Plan

Reporting Period Ended: 30/09/2019

KPI
BV010 NNDR Collected %

Performance					
Harlow	to 30/09/18	to 31/012/18	to 31/03/19	to 30/06/19	to 30/09/19
Actual	57.07	81.15	97.38	29.09	54.64
Target	58.66	80.32	98.00	29.90	58.66

Description
The percentage of non-domestic rates due for the financial year which were received by the authority



Direction of Travel

### What is the performance situation?

The quarterly targets are based on the previous rate payments (periodically accumulating) and do not accommodate changes in the payment schedule.

In Q1 2018/19 a ratepayer with a large NNDR bill paid in full, which effected the performance of the indicator in Q2 2018/19. For the financial year 2019/20, the ratepayer has chosen to pay monthly (over 10 months), which resulted in a lower collection rate for Q1 and Q2 2019/20, compared to the same quarters in 2018/19.

If the ratepayer had paid in full in Q1 2019/20, the collection rate at the end of Q2 2019/20 would have been 57.01%.

### What practical steps are being taken to improve?

There are no practical steps required to improve this situation, as the lower performance is a result of a change to the payment schedule of a significant rate payer.

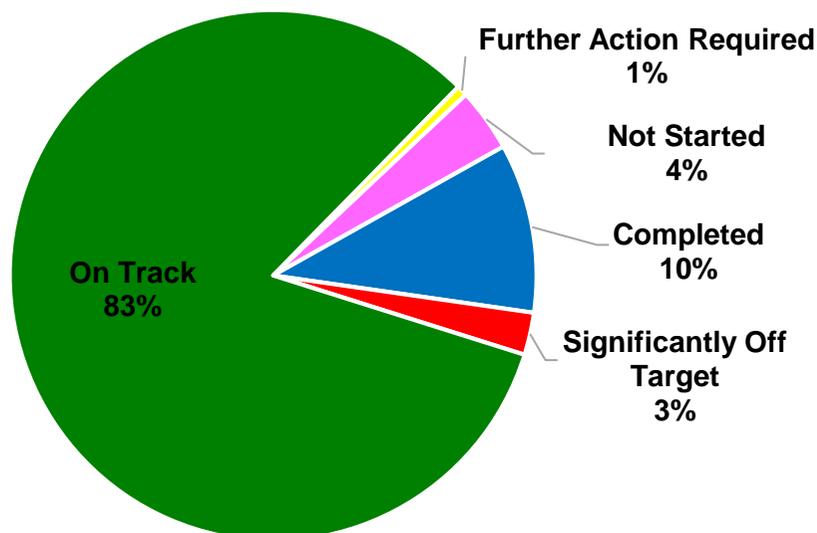
## Section Seven: Key Corporate and Financial Risks

Risk Name	Risk Owner	Inherent Likelihood	Inherent Impact	Controls Already in Place	Residual Likelihood	Residual Impact	Residual Risk Score	Residual Risk Indicator	DoT	Foreseeable Likelihood	Foreseeable Impact	Foreseeable Risk Score	Additional actions to mitigate risk	Last Reviewed
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There are no exceptional strategic risks (rated 20 or higher – high likelihood, high impact) recorded on the Council’s Risk Register.

## Section Eight: Progress in delivering the Corporate Plan

The Corporate Plan sets out the goals the Council needs to complete, in order to deliver its corporate priorities and principles. Below is an update of how well the Council is doing in delivering its Corporate Plan.



The position of the Corporate Milestones as at 30 September 2019 are broken down as follows:

- 10.3% (16 out of 155) have been successfully completed
- 82.2% (129 out of 155) have started and are on track
- 3.9% (6 out of 155) have not started
- 0.6% (1 out of 155) require further action
- 1.9% (3 out of 155) are significantly off track

There were no milestones cancelled or suspended.

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Milestones requiring further action	Due Date	Status	What is the performance situation?
CM04.1.1 Continue to develop new website roll out	30 Sep 2019	▲	Additional requirements have slightly delayed the roll out, but it is not time critical and will be completed by end of Quarter 3.
CM04.1.2 Roll out Style Guide	30 Jun 2019	▲	The milestone is running parallel to the website (CM04.1.1)
FM01.3.2 Sign off and completion of the 2018/19 audit process	31 Jul 2019	▲	The audit of the 2018/19 Statement of Accounts is behind schedule and is now expected to be completed in early December.
GM07.3.1 Produce a report for Head of Governance on the Council's maturity against the NPS toolkit	30 Sep 2019	●	Delayed due to competing work priorities. Will now be completed end Oct 2019 (Q3)

**REPORT TO:** CABINET

**DATE:** 5 DECEMBER 2019

**TITLE:** HOUSING REVENUE ACCOUNT, QUARTER 2  
FINANCE REPORT 2019/10

**PORTFOLIO HOLDERS:** COUNCILLOR MIKE DANVERS, PORTFOLIO  
HOLDER FOR RESOURCES

COUNCILLOR MARK WILKINSON, PORTFOLIO  
HOLDER FOR HOUSING

**LEAD OFFICERS:** SIMON FREEMAN, HEAD OF FINANCE AND  
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ALISON CURTIS, SENIOR SERVICE  
ACCOUNTANT (01279) 446211

**This is not a Key Decision**

**It is on the Forward Plan as Decision Number I010145**

**The decision is not subject to Call-in Procedures for the following reason:**

The recommendations are within the scope of the budget which has been approved by Full Council.

**This decision will affect no ward specifically.**

**RECOMMENDED that Cabinet:**

**A Notes:**

- i) A favourable variation against the approved HRA operational/controllable budget of £272,000 representing (-)0.05 per cent of the gross Housing Revenue Account (HRA) budget.
- ii) An unfavourable non-operational variance of £489,000 representing 0.1 per cent of gross HRA budget which includes adjustments to housing capital programme financing resulting from the re-alignment of budgets and associated funding.

- B** Notes the forecast balance at 31 March 2020, of £6,826,000 in respect of the Housing Revenue Account and nil in respect of the Major Repairs Reserve (MRR).

## **REASON FOR DECISION**

- A** To ensure that Cabinet reviews performance against the approved HRA Business Plan and acknowledges the operational variations in light of the challenges the Council may face in this financial year and future years.

## **BACKGROUND**

1. This report sets out the Council's financial performance against the agreed 2019/20 HRA Budget and provides an indication of the outturn projection as at 31 March 2020.
2. The Council approved a minimum revenue balance of £4,000,000 in 2019/20, £1,500,000 of which is held as a provision against any additional expenditure that may be required as a result of the Grenfell Tower Public Inquiry.
3. The 2019/20 HRA original estimate anticipated a working balance on the HRA of £4,147,000 at 31 March 2020.

## **ISSUES/PROPOSALS**

### **Variances**

4. The projected operational variance for 2019/20 is showing a £272,000 underspend, the key variations are detailed below with a more detailed analysis shown in Appendix A to the report:
  - a) A favourable variance for staffing costs of £383,000 from net savings in salaries due to the re-organisation of housing teams and difficulties recruiting appropriately qualified staff.
  - b) Adverse variance of £95,000 in rent income due mainly to Right to Buy sales in the first half of the year being higher than anticipated. As at 30 September 2019 27 properties had already been sold compared with the annual estimate of 40 sales. In addition there are a number of void properties awaiting refurbishment.
  - c) Favourable variance of £41,000 in respect of estimated HTS pension costs.
  - d) Favourable variance of £38,000 in the HTS contract costs for Repairs and Maintenance due to the lower Building Maintenance Index at September 2019.

e) The impact of the new gas contract has not yet been recognised in the invoicing received and any additional costs in the HRA are in part recoverable from tenants and leaseholders.

5. At 31 March 2019 there was a nil balance on the MRR. The estimated depreciation charge for 2019/20 following a review is anticipated to be £10,092,000 (original estimate £10,085,000) and is expected to be used in full to support the Housing Capital Programme in line with regulations and the HRA Business Plan approved by Council in February 2019.

**HRA Balances 2019/20**

6. The projected balance at 31 March 2020 reflects the re-profiling of the 2019/20 Housing Capital Programme and the expectation that it will not be necessary to borrow to fund the council house building programme in 2019/20.

**Table 1 – HRA Projected Working Balance at 31 March 2020**

	£'000
Actual balance in hand 1 April 2019	13,731
Original estimate deficit	(-)6,688
	7,043
Appendix A:	
Operational variances	272
Non Operational variances	(-)489
Projected Working Balance at 31 March 2020	6,826

**Significant Risks/Opportunities**

7. The following risks (all of which are subject to review) have been identified which could affect the HRA Business Plan:
- a) The outcome of the Grenfell Tower Public Inquiry on landlords across the country;
  - b) Outcomes from national housing policy relating to the sale of larger properties in support of Registered Social Landlord RTB proposals, and future rental income legislative parameters. The Government’s Green Paper, ‘A New Deal for Housing’ (August 2018), proposes that this policy will be abandoned, and legislation will be repealed in due course;
  - c) Welfare Reform: the Government’s reduction in benefits to non-working families may have an adverse impact on tenants’ ability to pay rent. Essex County Council has also reduced Housing Related Support to the Council;
  - d) Continuing development of a Capital Programme to deliver decent homes in partnership with contractors, and deal with issues such as fire safety and regulation, especially in light of constraints arising from

the enforced reduction in rental income over the 2016/17 – 2019/20 period;

- e) The Homeless Reduction Act that was implemented on the 1 April 2018 increased the legal duties on Councils to take steps to prevent families from becoming homeless and to intervene at an earlier stage. The Act continues to have financial implications on the Council, in terms of the increased numbers and cost of Temporary Accommodation;
- f) The Government has introduced new plans to fix the “broken housing market and build more homes across England”. This includes measures to:
  - i) Reduce the obstacles to house building and help local authorities, developers and small and medium enterprise builders build the homes Britain needs.
  - ii) Publish a consultation paper on the reforming of RTB Receipts, which will allow local authorities to hold receipts for longer than the three years which is currently allowed and which following consultation is awaiting a Government response.
  - iii) Removing the Housing Borrowing Cap. The Government removed the cap in the Autumn Budget on 29 October 2018. Details of its application are to follow.

## **IMPLICATIONS**

### **Environment and Planning (Includes Sustainability)**

None specific.

**Author: Andrew Bramidge, Head of Environment and Planning**

### **Finance (Includes ICT and Properties & Facilities)**

As contained in the body of the report.

**Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive**

### **Housing**

As contained in the body of the report.

**Author: Andrew Murray, Head of Housing**

### **Community Wellbeing (Includes Equalities and Social Inclusion)**

None specific.

**Author: Jane Greer, Head of Community Wellbeing**

### **Governance (Includes HR)**

None specific.

**Author: Simon Hill, Head of Governance**

## **Appendices**

Appendix A – HRA Operational Variances, Period 6

Appendix B – Housing Revenue Account Budget Summary 2019/20, Period 6

## **Glossary of terms/abbreviations used**

HRA – Housing Revenue Account

HTS – Harlow Trading Services (Property & Environment) Ltd

MRR – Major Repairs Reserve.

## Appendix A

HRA Operational Variances				Period 6
Item	Adverse £000's	Favourable £000's	Net £000's	Main contributing Factors to Variations
General Management		(-383)	(-383)	Net vacancy savings on salaries due to staff reorganisation and the difficulty in recruitment of suitably qualified staff. .
General Management		(-41)	(-41)	Reduced HTS pension contribution.
General Management	26		26	Additional legal costs in respect of fraud prosecutions and disrepair cases.
Special Management	0		0	Variance anticipated in respect of gas supply for communal heating.
Repairs & Maintenance		(-38)	(-38)	Reduction in HTS contract costs.
Dwelling Rents	95		95	Rental income reduced due to higher RTB sales and void properties awaiting refurbishment.
Interest charges	30		30	Higher cost of borrowing to the HRA
Other minor variances	39		39	
Deficit/ (Surplus) for year	190	(-462)	(-272)	Net favourable (-) 0.05%

Non Operational Variances				
Item	Adverse £000's	Favourable £000's	Net £000's	
Direct Revenue Financing of Capital Expenditure	482	0	482	Consequential movement to projected capital expenditure for the financial year.
Major Repairs Reserve (depreciation)	7	0	7	
Variance	489	0	489	Net adverse 0.1%

HRA Operational Variance	(-)£272,000
HRA Non Operational Variance	£489,000
<b>TOTAL Projected in year HRA Deficit</b>	<b>£217,000</b>

## Appendix B

	2019/20	2019/20	Variance
	Current	Forecast	Original Estimate
	Estimate	Outturn	to Forecast
	£	£	Outturn
	£	£	£
<b>EXPENDITURE</b>			
General Management	11,543,970	11,163,938	(-)380,032
Special Management	7,695,181	7,707,031	11,850
Repairs	10,872,720	10,834,681	(-)38,039
Rent, Rates, Taxes	52,000	52,000,	0
Provision for Bad & Doubtful Debts	280,000	280,000	0
Supporting People Transitional Arrangements	5,000	5,000	0
Major Repairs Reserve	10,085,000	10,092,000	7,000
Debt Management Expenses	16,520	16,250	0
Interest Charges	6,624,000	6,654,356	30,356
Direct Revenue Financing of Capital Programme	9,191,000	9,673,000	482,000
	56,365,391	56,474,318	108,927
<b>INCOME</b>			
Dwelling Rents	43,004,000	42,908,932	95,068
Garage Rents	1,018,520	1,018,520	0
Other Rents	66,150	66,150	0
Charges for Services & Facilities	5,485,588	5,473,588	12,000
Interest Receivable	103,000	106,000	(-)3,000
	49,677,258	49,558,190	119,068
<b>Balance in hand at 1 April</b>	<b>13,731,084</b>	<b>13,731,084</b>	
<b>Surplus / (Deficit) for year</b>	<b>(-)6,688,133</b>	<b>(-)6,905,336</b>	<b>(-)217,203</b>
<b>Balance in hand at 31 March</b>	<b>7,042,951</b>	<b>6,825,748</b>	<b>217,203</b>

**REPORT TO:** CABINET

**DATE:** 5 DECEMBER 2019

**TITLE:** CAPITAL PROGRAMMES, QUARTER 2 FINANCE REPORT 2019/20

**PORTFOLIO HOLDERS:** COUNCILLOR MIKE DANVERS, PORTFOLIO HOLDER FOR RESOURCES  
COUNCILLOR MARK WILKINSON, PORTFOLIO HOLDER FOR HOUSING

**LEAD OFFICERS:** SIMON FREEMAN, HEAD OF FINANCE AND DEPUTY TO THE CHIEF EXECUTIVE (01279) 446004  
SENIOR MANAGEMENT BOARD (01279) 446004

**This is not a Key Decision**

**It is on the Forward Plan as Decision Number I010146**

**The decision is not subject to Call-in Procedures for the following reason:**

The recommendations are within the scope of the budget which has been approved by Full Council.

**This decision will affect no ward specifically**

**RECOMMENDED that Cabinet:**

- A** Notes the progress in the delivery of the Council's Housing and Non Housing Capital Programmes as at Quarter 2 (29 September 2019) as follows:
- i) Housing Capital Programme – forecast outturn £21,615,000 (revised estimate £23,743,000).
  - ii) Non Housing Capital Programme – forecast outturn £14,559,000 (revised estimate £19,654,000).
- B** Approve a business case in the Non Housing Capital Programme for new CCTV in Old Harlow (£31,000) to improve the images available to assist with tackling crime and anti-social behaviour.
- C** Approve capital funding in the Housing Capital Programme of £140,000 for the purchase of the 50 per cent interest in an equity share property in Little Pynchons. The Council currently owns a 50 per cent interest and the purchase of the other half interest in the property will add a three bed house to the lettable social housing stock. This purchase falls outside of the rules for the use of retained receipts.

- D** Note purchase of the freehold of Osler House (£200,000) from Harlow Health Centres Trust under an Option Agreement dated 15 January 2016, as part of the development work at Prentice Place.

## **REASON FOR DECISION**

- A** To ensure that Cabinet reviews performance against the Council's approved 2019/20 Housing and Non Housing Capital Programmes.

## **BACKGROUND**

1. This report on the Capital Programme forms part of the suite of budget monitoring reports provided to ensure close supervision over the financial position throughout the year.
2. In February 2019, Full Council approved a Housing Capital Programme for 2019/20 totalling £24,044,000 and a Non Housing Capital Programme totalling £11,156,000.
3. The Cabinet meeting on 12 September 2019 approved a revised Housing Capital Programme for 2019/20 of £23,743,000 in line with revised Housing Asset Management priorities. The Non Housing Capital Programme of £19,654,000 (original estimate £11,156,000) includes a budget for Enterprise Zone Plot H 'Modus' of £7,200,000 approved at Cabinet on 20 June 2019.
4. The Council continues to plan ahead using its business planning processes to establish a short, medium and long term Asset Management Plan with programmes of works to its housing stock procured effectively as possible to realise efficiency, make the best use of resources, and maintain compliance with the Government's Decent Homes Standards, manage the growing complexity of meeting local priorities, as well as fulfil its wider regulatory and statutory duties as a responsible landlord.

## **ISSUES/PROPOSALS**

### **Asset Management Priorities**

5. Having achieved the Government's Decent Homes Standard the Council has continued investment through its modern homes programme. The programme includes replacement of district heating schemes, energy efficiency programmes, and commencing a programme of Council house building within the reducing resources available.
6. Previous reviews of the Council's tower block fire risk assessments confirmed that all blocks were inherently safe. However, the budget for 2019/20 enables schemes to continue which respond to the conclusions of the Hackitt Report and also provides funding for fire risk works as they are identified.
7. The budget for Fire Safety including related Health and Safety work in tower blocks is £3,224,000. This will enable the Council to continue to tackle more

complex works to ensure the Council's assets remain safe and align to Building Regulation, and Statutory/Regulatory requirements both in the short and long term. Works continue to be identified through inspection regimes, Fire Risk Assessments and advice from Ministry for Housing, Communities and Local Government (MHCLG). This process means that a carryover of £2,000,000 has been identified to enable the work to continue in 2020/21.

8. The previous external works programme being undertaken by Mulalley and Company is complete with a few specific issues to be finalised. The contract requires all sites to have been handed over complete prior to the final payment. A carryover of £623,000 was requested at year end to fund the remaining final account.
9. External works to a number of priority sites across the town continues in 2019/20 with a budget of £2,646,000. Work is currently on-going at five sites with a further site being prepared for inclusion in the programme of work.
10. A further £1,850,000 for other external works includes planned work to leasehold properties to Dellfield Court and work to be carried out under the HTS (Property and Environment) Ltd (HTS) contract. The programme of work to replace water tanks in flat blocks (£100,000) will now be carried out in 2020/21.
11. Other works includes a programme to refurbish or demolish garages across the town or create new parking spaces with budgets, including carryovers, totalling £910,000 across the Housing Revenue Account (HRA) and General Fund capital budgets. The budget for 'Other Works' also includes work to remove asbestos to council dwellings which is forecast to cost £200,000 (original estimate £100,000).
12. In 2018/19 the Council received a Flexible Support Grant (FSG) from the Government. In 2019/20 under round two of the FSG allocation the Council has been awarded a further £360,000 funding which will continue to support this service with £36,000 allocated to support expenditure in the HRA.

### **Building Council Homes**

13. The Council's programme to build new council homes within its HRA, is funded from retained pooled receipts and, when appropriate, external borrowing. This includes:
  - a) Temporary Accommodation: An increase in the number of bed spaces available for Temporary Accommodation. This has resulted in an additional one bed unit, a two bed unit, and four additional bedrooms, for both general needs and temporary accommodation.
  - b) Sumners Farm Close: Planning consent has been approved and the scheme is expected to progress in 2019/20 providing four one bed units.

- c) The Readings: The construction of three units, approved by Cabinet at its meeting on 6 December 2018, with work expected to commence towards the end of 2019/20.
- d) Bushey Croft and Elm Hatch: Preparatory work on Bushey Croft commenced in 2018/19 to deliver 16 additional homes with a budget in 2019/20 of £2,670,000.
- e) Lister House site, Perry Road: The contract for the demolition of the building has been awarded with work due to commence in November at an estimated cost of £350,000 with construction planned for 2020/21.
- f) Planned expenditure and funding from 2020/21 will be in line with the Business Plan and reported in the Capital Estimates report.

**Table 1 – Council Home Building Programme 2019/20 (**

2019/20			
	Original Estimate (£'000)	Revised Budget (£'000)	Forecast Outturn 2019/20 (£'000)
<b>Existing programme</b>			
Sumners Farm Close	450	461	461
Temporary Accommodation	54	63	72
<b>Planned programme</b>			
The Readings	560	71	71
Bushey Croft	2,621	100	105
Lister House site / Perry Road	31	350	350
<b>Total</b>	<b>3,716</b>	<b>1,045</b>	<b>1,059</b>

### Heating Systems Replacement

14. In 2017/18 Cabinet approved a contract for HTS to deliver the replacement of four District Heating Schemes. In 2019/20 HTS has a proposed budget of £1,552,000 to complete works commenced in 2018/19 and facilitate further communal boiler works.
15. Alongside the Heating System Replacement programme a programme of urgent works was put in place to install new gas 'wet' system boilers and heating systems and to decommission the associated air ducts in tower blocks. This work affects five tower blocks (Stort, Moor, Edmund, Willowfield and Nicholls). Due to the complex nature of the work the replacement programme commenced

with a pilot scheme at Willowfield Tower in August 2018, works which were complete by the end of July 2019. In 2019/20 the remaining budget for the pilot scheme is £629,000, with £3,000,000 allocated to work on the remaining towers. Over the five sites the work affects 248 individual properties (140 tenanted and 108 leasehold) and includes consultation with residents. Full completion of the project across all tower blocks is currently forecasted for March 2020.

## Housing ICT

16. Each year Cabinet approves a programme of Housing IT enhancements as part of the wider housing capital programme. This has included replacement modules for Asset Management, Responsive Repairs, as well as upgrades and interfaces to and from the Orchard Housing Management system. The allocated budget for 2019/20 is £522,000 and will focus on improving and enhancing Homelessness Management together with customer access. However, the work will need to carryover (£300,000) in to 2020/21 to complete this work.

## Housing Capital Programme – 2019/20

17. The Housing Capital Programme in 2019/20 will continue to deliver the investment priorities for the Council's housing assets outlined in the approved HRA Business Plan 2018-2048. The governance around programme and project management remains robust and the Council continues to monitor contract performance and delivery making adjustments to the programme as the year proceeds.
18. Table 2 below provides a summary of the approved Housing Capital Programme. It includes carry forwards from 2018/19 and is the current projection of expenditure to 31 March 2020

**Table 2 – Housing Capital Programme as at Quarter 2**

<b>2019-20 Budget Stage</b>	<b>£000s</b>	<b>Date Approved</b>
<b>Original budget</b>	<b>24,044</b>	<b>7 Feb 19</b>
Carryovers from 2018/19	3,608	18 July 19
Other additions / adjustments	(-)1,104	
	26,548	
Quarter 1 Adjustments	(-)2,805	12 Sept 19
Current Budget	23,743	
Carryovers to 2020/21	(-)2,400	
Other Minor Adjustments	132	
Addition to Stock	140	

Forecast outturn 2019/20	21,615
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19. A more detailed view of the approved Housing Capital Programme is shown in Table 3 below. As a result of the current forecast it is expected that Direct Revenue Financing required from the HRA will be £9,673,000.

**Table 3 – Housing Capital Programme 2019/20**

	Original Budget	2018/19 Carryovers and adjustments*	Current Estimate	Projected Outturn (revised estimate)	Variance Current Budget (Projected Outturn)	Report Ref.
	£'000	£'000	£'000	£'000	£000	
<b>Expenditure</b>						
Council Home Building	3,716	(-)2,671	1,045	1,059	14	Table 1
Internal Works	3,313	(-)333	2,980	2,980	0	
External Works (Savills)	3,294	(-)25	3,269	3,269	0	8 & 9
External Works (HTS)	1,000	(-)680	320	320	0	10
External Works (Other)	250	1,280	1,530	1,430	(-)100	10
Environment	100	0	100	100	0	
Damp & Structural Works	600	0	600	600	0	
Other Works: Lifts Asbestos, Garages,	894	306	1,200	1,305	105	11
Energy Efficiency (including Boilers)	1,700	13	1,713	1,713	0	14
Compliance & Electrical Upgrades	1,000	1,337	2,337	2,337	0	
Fire Safety Tower Blocks	3,746	(-)522	3,224	1,224	(-)2,000	7
Fire Safety – Pilot Scheme	0	0	629	629	0	15
Fire Safety SE Ducts	3,000	629	3,000	3,000	0	15
Aids & Adaptations	900	375	1,275	1,275	0	
Housing IT Development	531	(-)9	522	222	(-)300	16

	Original Budget	2018/19 Carryovers and adjustments*	Current Estimate	Projected Outturn (revised estimate)	Variance Current Budget (Projected Outturn)	Report Ref.
	£'000	£'000	£'000	£'000	£000	
Communal Boilers (non HTS)	0	0	0	12	12	
Acquisition	0	0	0	140	140	Recommendation C
<b>TOTAL EXPENDITURE</b>	<b>24,044</b>	<b>301</b>	<b>23,743</b>	<b>21,615</b>	<b>(-)2,129</b>	
<b>Financed by:</b>						
Capital Receipts: Right to Buy	(-)953		(-)953	(-)1,532	(-)579	
Retained Receipts	(-)1,115		(-)314	(-)317	(-)3	
Major Repairs Reserve	(-)10,085		(-)10,085	(-)10,092	(-)7	
Borrowing	(-)2,700		0	0	0	
Direct Revenue Contribution	(-)9,191	(-)2,504	(-)12,391	(-)9,673	2,718	
<b>TOTAL FINANCING</b>	<b>(-)24,044</b>	<b>(-)2,504</b>	<b>(-)23,743</b>	<b>(-)21,615</b>	<b>2,129</b>	

20. The projected outturns reflect the planned scope of work in progress and schemes planned for 2019/20.
21. HTS are contracted to undertake a range of housing related works including compliance, energy and efficiency, windows and doors, garage and disabled facility works to council dwellings.
22. The 2019/20 HTS work programme has been realigned as part of the three year delivery of planned works. Details of the 2019/20 budget are reported in Table 4 below.

**Table 4 – HTS Work Packages 2019/20**

Work Packages	Current Contract	Carryovers /Adjustments	Forecast/ revised outturn
	£'000	£'000	£'000
Compliance	1,800	537	2,337
Communal Boilers	1,400	152	1,552
Energy Efficiency		160	160
Aids & Adaptations	900	375	1,275
Externals	320		320
Environment	100		100

Internals	930	986	1,916
Garage Refurbishment (including GF Allocation)	350	117	467
ASC fixed prices	1,014	0	1,014
Sumners Farm: Business Case	0	0	461
<b>TOTAL</b>	<b>6,814</b>	<b>2,327</b>	<b>9,602</b>

23. The Housing Capital Programme has delivered over 50,000 new components such as windows, doors, kitchens, bathrooms and boilers in dwellings between 1 April 2013 and 31 March 2019. The 2019/20 Housing Capital Programme will focus on preventing 102 properties from becoming non-decent within the financial year, as well as delivering a number of additional projects, including district heating systems, lift refurbishments, electrical upgrades, external property refurbishments and aids and adaptations to council properties, in line with Housing's Asset Management short, medium and long term priorities contained within the Business Plan.
24. The Council only pays for completed work when it is signed off by an independent clerk of works. There is a time lag, however, with this invoicing due to the necessary requirement that works can only be invoiced once they are satisfactorily completed and all associated paperwork/certification, such as gas, electric, asbestos, is compiled and formally handed over. The Council is committed to prompt payment once these processes have been completed.
25. The original estimate approved by Council 2 February 2019 assumes 40 Right to Buy (RTB) sales in 2019/20 with 27 RTB disposals completed by 29 September 2019. However, applications pending suggest that there will 62 Right to Buy sales in by 31 March 2020 resulting in additional income and therefore finance available of £579,000.
26. At 31 March 2019 there was a nil balance on the Major Repairs Reserve (MRR). Under proper accounting practice, the charge to the HRA for depreciation is projected to be £10,092,000 in 2019/20 (original estimate £10,085,000). At year end this is transferred to the MRR which, in turn, is utilised to support the Housing Capital Programme.

### Non-Housing Capital Programme

27. The Non Housing Capital Programme of £11,156,000 was approved by Council at its meeting on 7 February 2019, which included major works at the Enterprise Zone and Prentice Place. Table 5 details the Non Housing Capital Programme as at Quarter 2.

**Table 5 – Non Housing Capital Programme as at Quarter 2**

<b>2019-20 Budget Stage</b>	<b>£'000s</b>	<b>Date Approved</b>
Original budget (Core)	3,490	7 Feb 19

Enterprise Zone	5,319	
Prentice Place	2,347	
Approved budget	11,156	18 July 19
Carryovers 2018/19	1,476	
Adjustment re. Prentice Place	(-)188	
Funding contribution – Passmores Wall	10	
Enterprise Zone – Modus	7,200	20 June 19
Current Budget	19,654	
Potential carryovers: Enterprise Zone - Modus	(-)5,200	A14
Enterprise Zone	666	
Business Case CCTV Old Harlow	30	Recommendation B
Latton Bush Boiler Houses	(-)325	A4
Harlow Museum	(-)239	A8
Other minor adjustments	27	
Forecast Outturn	14,559	

28. Further details of expenditure relating to projects are contained within Appendix A to this report, together with financing implications related to these.
29. Estimated capital receipts from asset disposals in 2019/20 are anticipated to be £34,000 plus overage received in respect of private house sales at Ram Gorse which currently totals £609,000 (original estimate £250,000).
30. The Council has been awarded Disabled Facility Grant (DFG) funding for 2019/20 of £798,000 from MHCLG. However, the estimated budget of £500,000 will remain unchanged as expenditure is determined by demand and it is not expected that the estimated budget will be required in full.
31. Estimated internal borrowing to support the core programme in 2019/20 totals £2,324,000. In addition there is estimated borrowing of £8,246,000 to support new and on-going work at the Enterprise Zone and £1,754,000 to complete the refurbishment works at Prentice Place. It is likely that the Council will need to borrow externally to finance expenditure. The amount of external borrowing is estimated at £2,000,000.
32. Details of the Non Housing Capital Programme expenditure and financing are shown in Table 6 below.

**Table 6 – Non Housing Capital Programme 2019/20**

	Original Budget	Current Budget with carryovers	Forecast Outturn	Variance Outturn to Current Budget	Report Ref.
	£'000		£'000	£'000	
<b>Expenditure:</b>					

<b>Place Services</b>	2,879	3428	2837	(-)591	A4-10
<b>Governance</b>	140	140	140	0	
<b>Finance</b>	36	236	236	0	A11
<b>Community Wellbeing</b>	435	912	942	30	A2-3
<b>Subtotal Core Programme</b>	<b>3,490</b>	<b>4,716</b>	<b>4,155</b>	(-)561	
<b>Prentice Place</b>	2,347	2,158	2,158	0	A12
<b>Enterprise Zone</b>	5,319	5,580	6,246	666	A13
<b>Enterprise Zone "Modus"</b>	0	7,200	2,000	(-)5,200	A14
<b>Sub total</b>	<b>7,666</b>	<b>14,938</b>	<b>10,404</b>	<b>(-)4,534</b>	
<b>Total Expenditure</b>	<b>11,156</b>	<b>19,654</b>	<b>14,587</b>	<b>(-)5,095</b>	
<b>Financed by:</b>					
<b>Capital Receipts / Right to Buy</b>	(-)207	(-)207	(-)207	0	
<b>Asset Disposals/Over age</b>	(-)250	(-)250	(-)643	(-)393	Para 31
<b>Earmarked Resources</b>	0	(-)20	(-)20	0	
<b>Direct Revenue Contribution</b>	(-)156	(-)453	(-)446	7	
<b>Disabled Facilities Grant</b>	(-)500	(-)500	(-)500	0	
<b>Renovation Loans &amp; Contributions</b>	(-)5	(-)5	(-)15	(-)10	A9
<b>Prentice Place capital receipt</b>	(-)593	(-)404	(-)404	0	
<b>Sub Total</b>	<b>(-)1,711</b>	<b>(-)1,839</b>	<b>(-)2,235</b>	<b>(-)396</b>	
<b>Prentice Place borrowing</b>	(-)1,754	(-)1,754	(-)1,754	0	
<b>Enterprise Zone Internal borrowing</b>	(-)5,319	(-)12,780	(-)8,246	4,534	A14
<b>Other borrowing</b>	(-)2,372	(-)3,281	(-)2,324	929	
<b>Sub Total Borrowing</b>	<b>(-)9,445</b>	<b>(-)17,815</b>	<b>(-)12,324</b>	<b>5,491</b>	
<b>Total Financing</b>	<b>(-)11,156</b>	<b>(-)19,654</b>	<b>(-)14,559</b>	<b>5,095</b>	

## **Risks and Opportunities**

33. There is national concern about fire safety and regulation in tower blocks in the wake of the Grenfell Tower fire and the implications the outcomes of the inquiry will have for landlords including Harlow.
34. Key risks in the delivery of the Housing Investment programme are the performance of contractors and the Council's capacity to deliver a housing capital programme revised in light of changing priorities and funding available from the HRA. The Council's management of the appointed contractor for these works has been subject to an Internal Audit which reported a 'Substantial Assurance' outcome in December 2016.
35. Housing capital funding has been affected by the nationally imposed rent reductions over the 2016-2020 period.
36. Key risks in the Non Housing Capital Programme are centred on the implications for the Asset Management Plan and for future capital budgets and income generation following the completion of the Stock Condition Surveys.
37. An additional risk in the Non Housing Capital Programme is the cost of removing asbestos as works are undertaken.

## **IMPLICATIONS**

### **Environment and Planning (Includes Sustainability)**

As contained within the body of the report.

**Author: Andrew Bramidge, Head of Environment and Planning**

### **Finance (Includes ICT and Properties & Facilities)**

As contained within the body of the report.

**Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive**

### **Housing**

As contained within the body of the report.

**Author: Andrew Murray, Head of Housing**

### **Community Wellbeing (Includes Equalities and Social Inclusion)**

None specific.

**Author: Jane Greer, Head of Community Wellbeing**

### **Governance (Includes HR)**

None specific.

**Author: Simon Hill, Head of Governance**

## **Appendices**

Appendix A – Capital Programmes Quarter 2 Finance Report, 2019/20

## **Glossary of terms/abbreviations used**

DFG – Disabled Facilities Grant

FSG – Flexible Support Grant

HRA – Housing Revenue Account

HTS – Harlow Trading Services (Property and Environment) Ltd

MHCLG – Ministry of Housing, Communities and Local Government

MRR – Major Repairs Reserve

RTB – Right to Buy

## APPENDIX A

### CAPITAL PROGRAMMES QUARTER 2 FINANCE REPORT, 2019/20 Update on the Status of Capital Projects

#### Housing Capital Programme

##### A1. ANNUAL SERVICE CHARGE (ASC) Fixed Prices

Works to the ASC fixed prices for 2019/20 commenced on the 1 April 2019. The number of units completed at end of August 2019 is shown in the table below.

Performance shows a variance of £224,425 collectively against the work streams for the month of August against the 12 months profiled budget.

Element	Total Annual units agreed	Agreed Total ASC to date	Completed Units to date	Total Value to date	Variance to Profiled Budget
Kitchens	84	£228,886	60	£300,051	£204,681
Re-Wires	45	£107,887	8	£19,588	(-)£25,365
Boiler/ Heating	142	£677,420	97	£307,856	£25,598
Bathrooms			10	£19,511	£19,511
<b>Total</b>	<b>271</b>	<b>£1,104,193</b>	<b>175</b>	<b>£647,006</b>	<b>£224,425</b>

#### Non-Housing Capital Programme

- A2. In Community Wellbeing schemes in 2019/20 include ongoing work to refurbish the Playhouse totalling £265,000, work to The Stow in front of the Moot House (£188,000) and plans to refurbish 21 The Rows (£350,000). In addition there is a budget of £70,000 to provide new signage at the entry points to Harlow.
- A3. As part of the carryovers a scheme to upgrade the main Council website, £38,000 has been completed (approved February 2017).
- A4. Schemes originally approved at the Latton Bush Centre total £567,000 to enable work to the boilers and to provide additional parking spaces. A carryover of £18,000 will complete the work of asbestos removal begun in 2018/19. However, it is anticipated that substantial work including asbestos removal required to both the North and South Boiler Houses will mean that the work to replace the boilers will not commence until 2020/21 and therefore the budgets, which total £325,000, are expected to be carried over.
- A5. Home Repairs Assistance Loans (estimate £15,000) are made available by the Council to owner occupiers for work to improve their homes.

- A6. The Council's Commercial portfolio in 2019/20 includes schemes to refurbish Ladyshot Pavilion (£160,000) and Cannons Cottages (£110,000). Following the tender process for work to Bush Fair Offices (original estimate £58,000) the forecast expenditure is £130,000. Work to refurbish Bush Fair Pavilion (£89,250) is deferred and included in the Non Housing Capital bids for 2020/21.
- A7. Other schemes in Place Services include work to the Leah Manning Centre (£65,000), a scheme to improve the public realm at Bush Fair (£94,000) partly funded from a revenue contribution in 2018/19 and roofing work to Abercrombie Play Barn and the Barbara Castle Health Centre (£179,000).
- A8. A budget of £329,000 is available for refurbishment works to Harlow Museum. The majority of this will be used for roofing works which are not expected to commence until 2020/21 and therefore it is anticipated that £239,000 will be carried over to enable this work to take place.
- A9. Included in the capital programme is a scheme at Passmores House to take down and rebuild defective sections of the brick boundary wall which in places is leaning dangerously into the garden (£75,000). A contribution of £10,000 has been received for this work.
- A10. A carryover of £13,000 for Energy Performance Certificates will enable capital works to commercial properties to be completed to meet the minimum E EPC rating in line with the Energy Act (2011) and EU legislation which came into force 1 April 2018. This will increase the sustainability of the commercial portfolio as the regulations will apply from the granting or renewing of leases to tenants. By 2023 properties leased with less than an E rating will be subject to a penalty payment.
- A11. The scheme to install a new telephone system in the Civic Centre is expected to complete in 2019/20 funded from a carryover of £200,000.
- A12. The Regeneration of Prentice Place was approved by Cabinet 31 March 2016 and a business case included in the Non Housing Capital Programme 2017/18. Work will continue in 2019/20 with a budget of £2,158,000 funded from the remaining capital receipt of £404,000 and borrowing of £1,754,000.
- A13. The Council is undertaking a major project to construct premises on the Enterprise Zone with expenditure in 2018/19 of £5,530,000 and a current forecast outturn of £6,246,000 (original estimate of £5.58m) in 2019/20. The project from 2018/19 will be funded from borrowing to be financed from future business rate receipts.
- A14. Cabinet approved the funding of £7.2 million over two years to develop Plot H of the Harlow Science Park into a range of 'mid-tech' units combining office, research and manufacturing/assembly space, to be

known as Modus. It is anticipated that £2m will be spent in 2019/20 with the remainder carried over to 2020/21. The development will be retained by Harlow Council as an investment with the development likely to comprise a mix of long leasehold disposals providing a capital receipt and shorter leases providing an ongoing revenue stream. The development will be funded through borrowing repaid by the Enterprise Zone business rate uplift retention as agreed with the South East Local Enterprise Partnership (SELEP).

**REPORT TO:** CABINET

**DATE:** 5 DECEMBER 2019

**TITLE:** AWARD OF LONG TERM CONTRACT FOR INSURANCE SERVICES PROVISION

**PORTFOLIO HOLDER:** COUNCILLOR MIKE DANVERS, PORTFOLIO HOLDER FOR RESOURCES

**LEAD OFFICER:** SIMON FREEMAN, HEAD OF FINANCE AND DEPUTY TO THE CHIEF EXECUTIVE (01279) 446228

**CONTRIBUTING OFFICER:** STUART MOSELEY, INSURANCE AND RISK MANAGER (01279) 446215

**This is a Key Decision**  
**It is on the Forward Plan as Decision Number I010532**  
**Call-in Procedures may apply**  
**This decision will affect no ward specifically.**

**RECOMMENDED that Cabinet:**

**A** Notes the outcome of the insurance tender process for the Council’s main insurance programme as detailed below:

<b>Policy Type</b>	<b>2020 Best Insurer Premium</b>	<b>Best Insurer</b>
<b>Lot 1 – Material Damage, Business Interruption, Money and Specified All Risks</b>	£89,520.06	Zurich Municipal Insurance
<b>Lot 2 – Property Owners</b>	£32,989.77	QBE Insurance via RMP
<b>Lot 3 – Contractor’s All Risks</b>	£6,626.07	HSB Engineering via RMP
<b>Lot 4 - Terrorism</b>	£17,436.00	Lloyd’s Underwriters via Alesco
<b>Lot 5 – Employer’s Liability, Public/Products Liability, Officials Indemnity, Libel &amp; Slander, Land Charges and Public Health Act</b>	£163,032.79	Zurich Municipal Insurance
<b>Lot 6 – Professional Indemnity</b>	£4,258.82	QBE Insurance via RMP
<b>Lot 7 - Crime</b>	£4,411.76	QBE Insurance via

		RMP
<b>Lot 8 - Computer</b>	£2,923.81	HSB Engineering via RMP
<b>Lot 9 – Engineering Inspection &amp; Insurance</b>	£33,479.64	Zurich Municipal Ins
<b>Lot 10 – Motor Fleet</b>	£3,320.06	Zurich Municipal Ins
<b>SUB-TOTAL</b>	<b>£357,998.78</b>	
<b>Claims Handling (Liability only)</b>	Not applicable	
<b>Insurance Premium Tax @ 12%</b>	£39,941.97	
<b>VAT (Claims Handling and Engineering Inspection only) @ 20%</b>	£5,029.80	
<b>GRAND TOTAL</b>	<b>£402,970.55</b>	

- B** Notes the outcome of the insurance tender process for Residential leaseholders Buildings Insurance as detailed within this report, which will be awarded to Ocaso SA subject to the outcome of the second leaseholder consultation.
- C** Authority is delegated to the Head of Finance and Deputy to the Chief Executive to make final contract awards following the outcomes of any minor clarifications, which are not expected to materially affect the evaluation.
- D** Approves the retention of Arthur J Gallagher as insurance brokers for the duration of the Long Term Agreement.
- E** Authority is delegated to the Head of Finance and Deputy to the Chief Executive and to seek revised terms from unsuccessful tenderers as set out in the Invitation to Tender (ITT) should the need arise once quoted premiums have been reviewed based on claims experience as at 31 January 2020 and to reflect any portfolio changes since submission of the ITT.

## **REASON FOR DECISION**

- A** To enable the Council to enter into contracts for insurance service provision in compliance with OJEU and Standing Orders Relating to Contracts and Financial Regulations
- B** With regard to recommendation E, terms have been sought from insurers well in advance of the renewal date to accommodate the Council's budgetary process and tenderers will not hold terms open until that date. In view of this, a mechanism has been included within the ITT to request that terms be held open, subject to a review of claims experience as at 31 January 2020, until 1 April 2020. If the successful tenderers seek to revise terms based on updated claims experience, the Council reserves the right to go back to unsuccessful tenderers with the updated claims experience and seek revised terms from them. If these

terms prove to be better than the successful tenderers, then the Council reserves the right to change the award of contracts accordingly.

## **BACKGROUND**

1. The Council previously renewed its Long Term Agreement (LTA) for insurance service provision and for residential leasehold buildings insurance at 1 April 2015. That contract expires 31 March 2020 and the Council is required to tender for a new insurance LTA.
2. Insurance brokers Arthur J Gallagher & Co. were selected to assist in the tender process, conducted under the EU Services Directive (OJEU) –Open Procedure – process, and are to be retained as the Council’s brokers for the duration of the LTA if required.
3. The traditional public sector insurance market is extremely limited and insurance contracts are complex with variable options to obtain optimum cover and price. In addition, much of the insurance market which could provide insurance cover only operates through brokers. The use of a professional insurance broker gives the level of support to run an Open Procedure process and provides greater opportunity to obtain cover from the wider commercial insurance market than would otherwise be the case.
4. In order to accommodate the complexity of the ITT for the Council’s main insurance programme, and to adhere to timescales required for statutory consultation with leaseholders for the residential buildings insurance contract, two separate tenders were made:
  - i) Council’s main insurance programme
  - ii) Residential Leasehold/Mortgaged Properties Buildings Insurance
5. The Council’s main insurance programme was split into nine ‘Lots’, reflecting the various Classes of Business being tendered, to enable specialist insurers to bid and provide potential wider market interest. A further Lot ten invited insurers to submit a package bid for combined Lots.
6. The residential leasehold buildings insurance was tendered as a single ‘lot’. This allows the contract to remain distinct from the council’s main insurance programme and enabled a discrete timetable to incorporate necessary statutory consultations.
7. For each tender, insurers were invited to bid on existing terms, and were also invited to provide any other option insurers might consider appropriate based on the information contained in and with the Invitation to Tender document. For the Main Insurance Programme, specific alternative policy excess options for Material Damage (Lot 1) and Liability (Lot 5) were also invited as set out in the ITT.

8. The ITT for the Main Insurance Programme was available to bidders from 10 September 2019 and the closing date for bids was 11 October 2019. Eight bids have been received and evaluated.
9. The ITT for the Residential Leasehold Buildings Insurance was available from 14 August 2019 and the closing date for bids was 6 September 2019. Four bids have been received and evaluated. One of the bidders are new and not a recognised market for this type of cover that has responded before.

## **ISSUES/PROPOSALS**

### **Tender Evaluation**

10. In accordance with the ITT bids have been evaluated on a 40 percent price: 60 percent quality evaluation.
11. Full evaluations of each tender have been prepared by the Council's brokers based on the joint tender and evaluation exercise carried out between Arthur J Gallagher and the Council's Insurance Team.
12. An initial evaluation of each lot was carried out based on quality. Quality scores of less than 60 percent of the total score available for the response to method statements resulted in those potential providers being excluded from the evaluated lot. This was built into the ITT to ensure that an overly low price did not obscure a bid whose quality was fundamentally unacceptable.
13. Qualifying bids were then evaluated on price. For each lot, the best overall bid was awarded 40 percent and all other tenders for that lot were awarded a proportion of 40 percent based on the formula  $\text{Lowest Price/Price} \times \text{Price Weightage}$ .
14. The Residential Leaseholder buildings insurance tender was subject to a first stage consultation with leaseholders prior to issue of the ITT. Evaluation of the tender has been submitted for a second stage consultation period with residential leaseholders. The recommended option put to leaseholders is for a five year LTA rather than a 3+1+1 arrangement.

### **Tender Results and Impact**

15. The recommended best combination bid for the Council's main insurance programme is in direct comparison with the Council's existing insurance contract since it is based on the same policy excesses. Increased limits of indemnity under Employer's and Public Liability covers was an option sought during the tender. While some terms were secured during the tender, these will be reviewed as it may be possible to secure better terms from Excess Layer insurers. It is recommended that the Council should consider increasing the limits of indemnity for Employer's and Public Liability covers from £25m to £50m.

16. Residential leasehold buildings Insurance premium costs including Insurance Premium Tax is around 14 percent less than 2019/2020 based on the tender submission. Note, however, this is subject to a review of claims experience as at 31 January 2020. This premium saving will directly benefit the council's leaseholders.
17. Insurance premium costs for the Council's main insurance programme including insurance premium tax, VAT (Engineering Inspection Contract) and annual broker fee provides a saving of approximately 42 percent compared with 2019/2020.
18. It should be noted however that only two bids were secured for Material Damage/Business Interruption cover despite wider initial interest. The principal reason given by potential providers who did not submit bids is the high value of the Housing Stock, coupled with the high number of Tower Blocks. Furthermore, the recommended provider for Lot 1 Material Damage/Business Interruption requires independent valuations to be carried out on the tower block sums insured.
19. Harlow is unusual for a District Council in having 14 tower blocks, one of which is listed. While the Council is confident in its fire safety compliance, the insurance market is clearly nervous in the aftermath of the Grenfell Tower disaster. It should also be noted that whereas the previous District Valuer provided sums insured based on Housing archetypes and beacon codes, an exercise is currently underway to provide the current valuer with properties' Gross Internal Area (GIA) to ensure rebuild sums insured are accurate and up to date.
20. The premium savings made are a reflection of the continued robust claims recording and handling by the council's own Insurance Team alongside significant improvements in risk management. Appendix A shows the Total Cost of Risk (TCoR) for Employer's Liability, Public Liability, Housing and General Properties insurance between 2010 and 2020. The chart in Appendix A shows stable TCoR between 2014 and 2019. By extrapolating the claims costs which fall below the policy excess and using the quoted premiums from the preferred bidders for the new insurance contract, it can be seen that a considerable saving is estimated in 2020/21 during the first year of the new contract for these policies compared to previous years. It is possible that insurance rates might increase over the term of the LTA and any changes in property sums insured will also be directly reflected in premiums charged.
21. Against the backdrop of the outcome of the insurance tender exercise and the premium reductions achieved it is important to consider the Council's medium and long term options for insurance strategy and risk management. Effective property risk management will ensure that the property portfolio is attractive to insurers. In addition to good risk management, it is recommended that the Council continue to review alternative insurance and self-funded options. In this regard, reinvestment of insurance savings into the Insurance Fund would

be recommended in order to build sufficient fund balance prior to the next LTA to provide options for greater self-insurance in the coming years.

## **IMPLICATIONS**

### **Environment and Planning (Includes Sustainability)**

None specific.

**Author: Andrew Bramidge, Head of Environment and Planning**

### **Finance (Includes ICT and Property & Facilities)**

As set out in the report.

**Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive**

### **Housing**

As outlined in the report.

**Author: Andrew Murray, Head of Housing**

### **Community Wellbeing (Includes Equalities and Social Inclusion)**

None specific.

**Author: Jane Greer, Head of Community Wellbeing**

### **Governance (Includes HR)**

None specific.

**Author: Simon Hill, Head of Governance**

## **Appendices**

Appendix A – Total Cost of Risk

## **Glossary of terms/abbreviations used**

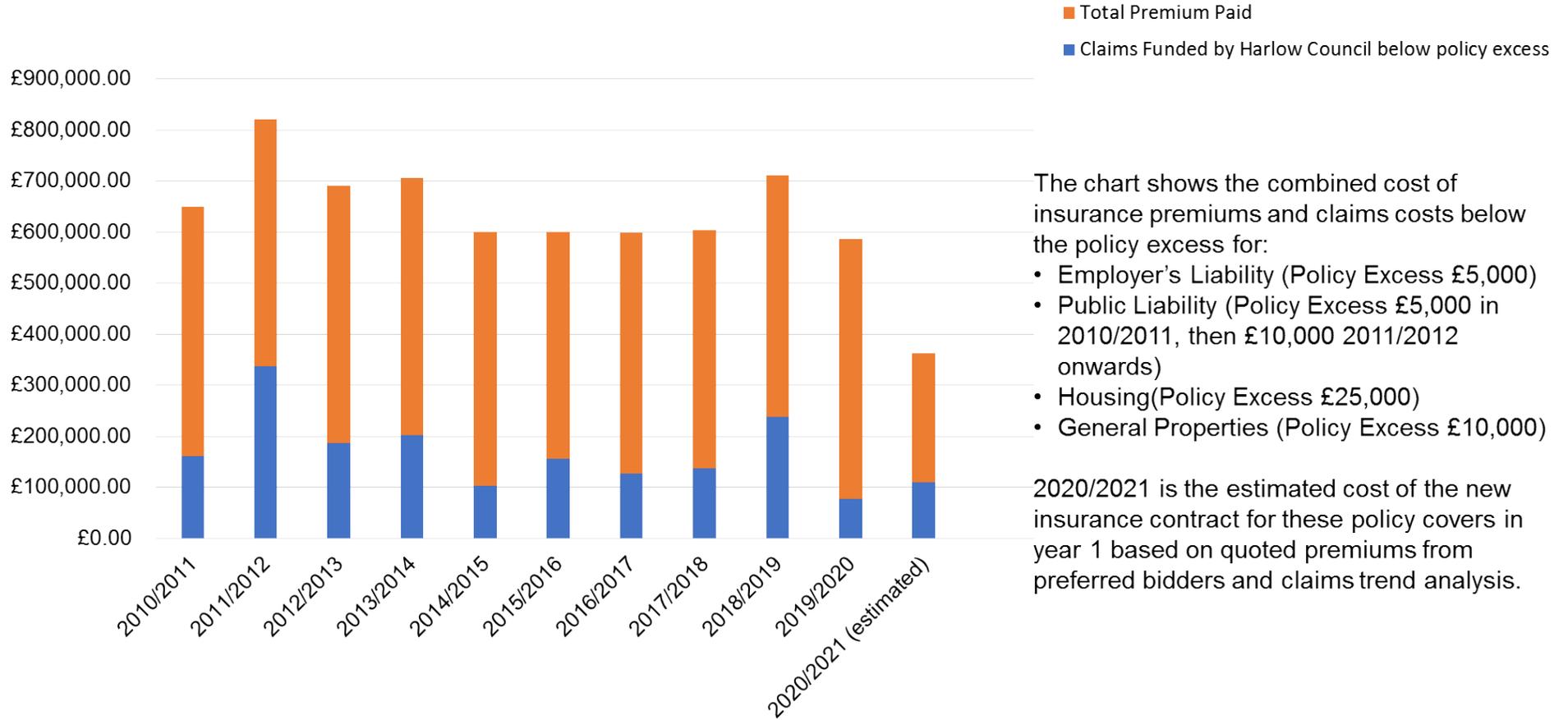
GIA – Gross Internal Area

ITT – Invitation to Tender

LTA – Long Term Agreement

TCoR – Total Cost of Risk

## Appendix A – Liability and Property Total Cost of Risk 2010-2020 as at 20/11/2019



**REPORT TO:** CABINET

**DATE:** 5 DECEMBER 2019

**TITLE:** REPLACEMENT OF WATER MAIN & CENTRAL HEATING SYSTEMS INCLUDING DECOMMISSIONING OF SE DUCTS & ASSOCIATED HEATING WORKS AT MOOR TOWER, NICHOLLS TOWER, STORT TOWER AND EDMUNDS TOWER, HARLOW - PROJECT NO. 19/051

**PORTFOLIO HOLDER:** COUNCILLOR MARK WILKINSON, PORTFOLIO HOLDER FOR HOUSING

**LEAD OFFICER:** ANDREW MURRAY, HEAD OF HOUSING (01279) 446676

**This is a Key Decision**

**It is on the Forward Plan as Decision Number 1010640**

**This decision is subject to Call-in**

**This decision will affect Bush Fair, Little Pardon & Hare Street and Mark Hall Wards.**

**RECOMMENDED that:**

- A** The most economically advantageous tender submitted by Contractor A is accepted in the sum of £2,739,481.88 subject to subject to contract and Leaseholder consultation.

**REASON FOR DECISION**

- A** To enable the Council to enter into a contract for the works in compliance with Contracts Standing Orders for the removal of obsolete warm air ducts.

**BACKGROUND**

1. The Council has 14 tower blocks, four of which are heated by warm air (SE ducts). These existing Warm Air Heating Systems within the flats to the four tower blocks are now obsolete with difficulty maintaining and repair.

2. Due to an increasing rate of complete failures and the non-availability of parts or new systems, the Council has reviewed the current method of heating for the blocks as part of its wider asset management plans.
3. The aftermath of the Grenfell Fire in June 2017 has also meant that current asset management plans need to be reviewed aligned to updated fire risk assessments. In dialogue with the Essex Fire and Rescue Service regularly, who regularly undertake fire safety compliance inspection, consideration should be given to the decommissioning of the SE Ducts in five Tower Blocks, which included Willowfield Tower, and the four Tower Blocks detailed to receive works under this proposed contract.
4. A pilot was completed at Willowfield Tower in 2019 to determine how best to package a replacement programme, learning any lessons regarding design, alternative arrangements and tenant/leaseholder consultation. This should maximize transfer of the learning and cost efficiencies achieved on the sites and develop a programmed/phased approach.
5. The works will consist of the removal and decommissioning of the old warm air heating system, including removal of the SE Duct and the new installation of gas combination boilers and replacement heating distribution systems. A new boosted water supply will be installed with additional pumping equipment and external pipework to achieve the required pressure to operate the new combination boilers.
6. It is expected for the programme will commence in January 2020 and be completed within ten months.

## **ISSUES/PROPOSALS**

### **The Procurement Process**

7. The works have been subject to a competitive tender process, in line with the Council's procurement procedures. The selected form of contract is JCT Intermediate Building Contract with Contractors Design 2016 incorporating Harlow Council's preferred amendments and all accompanying documents. In view of the relatively short term and standalone nature of the works the tender comprised of a 70 percent price and 30 percent quality weighting.
8. Seven contractors were invited to submit tenders each of which had satisfied the Council's pre-tender checks. Five compliant tenders were received by the deadline.

9. Bids were evaluated against a pre-determined evaluation model. Quality evaluations were completed by a panel of four and this assessment was concluded prior to prices being released.
10. A detailed tender analysis has been undertaken. As part of this process several qualifications, clarifications, and where appropriate, amendments were sought from tendering contractors.
11. The final prices, weighted scores and rankings are shown below:-

<b>Contractor</b>	<b>Quality Weighted Score %</b>	<b>Total Price £'s</b>	<b>Price Weighted Score %</b>	<b>Total Points Score</b>	<b>Ranking</b>
<b>Contractor A</b>	<b>30.00</b>	<b>2,739,481.88</b>	<b>70.00</b>	<b>100.00</b>	<b>1</b>
Contractor B	26.64	2,836,408.98	67.61	94.25	2
Contractor C	24.55	3,731,299.92	51.39	75.95	5
Contractor D	22.47	3,265,527.22	58.72	81.19	4
Contractor E	29.19	3,512,068.50	54.60	83.79	3

## **CONCLUSIONS**

12. Contractor A has submitted the most advantageous bid overall and, furthermore, has provided both the lowest price and highest ranked quality submission. Our conclusion is that Contractor A's bid provides good value for money and demonstrates that they will be capable of delivering the works to the standard required by the Council.

## **NEXT STEPS**

13. **Important Note that will affect progression of this contract:** The Government have recently made amendments to the Building Regulations concerning high rise flats. This is in the wake of the Grenfell disaster in 2017.
14. One of the changes, which has already come into force, without industry consultation, is that no product containing combustible material is allowed to pass through the external wall of the building. This, by definition, includes the flue liner pipe for wall mounted gas boilers to be installed as this part of this programme of works.
15. As of December 2018, this Regulation affects all buildings higher than 18 metres, ruling out a traditional gas boiler installation. In addition, the regulation applies to retrofit as well as new build. So, as the Regulations stand today, properties with

an existing gas boiler and flue will not be permitted to have it replaced and, likewise, properties with no existing gas boiler and flue will not be permitted to have one installed.

16. Boiler manufacturers are currently exploring technical solutions for this issue and are also in communication with the Government to look at ways in which the new restrictions can be overcome with different technologies and materials. They are also discussing the possibility of relaxation of the ruling specifically to gas boilers to allow these solutions to be properly developed. It is noted that currently there is an exemption to this ruling for the installation of windows. The exemptions list is currently under review but at present no timescales have been communicated in regards to the timescales associated with this.
17. It is our understanding that Central Government have in the meantime advised that Local Authorities should consider on a case by case basis, whether it is appropriate to dispense with this Regulations pursuant to Section 8 of the Building Act which states that any public body can dispense with any requirement of Building Regulations if they consider it unreasonable. The Council are therefore urged to engage with the Building Control services for an assessment of all four towers relative to this Regulation and the feasibility of the proposed works programme in order that a confirmed position can be reached and documented. **It is essential that this process is concluded; and works are confirmed as permitted; prior to progressing to contract award in order to minimise the Council's exposure to the contractual risks associated with this matter.**
18. The relevant statutory consultation with leaseholders (Notice of Estimates) is due to commence in November 2019 and conclude in early January 2020.
19. A contract lead in period of at least six weeks is necessary in order for the contractor to mobilise their supply chain and internal resources. It is anticipated that works will commence on site late January 2020.

## **IMPLICATIONS**

### **Environment and Planning (Includes Sustainability)**

None specific.

**Author: Andrew Bramidge, Head of Environment and Planning**

### **Finance (Includes ICT and Properties & Facilities)**

The costs of the works outlined within the report will be met from existing resource allocations within the Housing Capital Programme.

**Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive**

**Housing**

As outlined in the report.

**Author: Andrew Murray, Head of Housing**

**Community Wellbeing (Includes Equalities and Social Inclusion)**

None specific.

**Author: Jane Greer, Head of Community Wellbeing**

**Governance (Includes HR)**

This procurement is compliant with contract standing order requirements as outlined in the report and appropriate advice has been sought during the process.

**Author: Julie Galvin, Principal Solicitor (Procurement and Property) on behalf of Simon Hill, Head of Governance**

**Appendices**

None.

**REPORT TO:** CABINET

**DATE:** 5 DECEMBER 2019

**TITLE:** LITTLE BRAYS FLAT BLOCKS FLAT BLOCKS  
192-201, 202-207, 208-213, 243-252 & 94-103  
EXTERNAL REFURBISHMENT AND REPAIRS  
PROJECT NO.19/060

**PORTFOLIO HOLDER:** COUNCILLOR MARK WILKINSON, PORTFOLIO  
HOLDER FOR HOUSING

**LEAD OFFICER:** ANDREW MURRAY, HEAD OF HOUSING  
(01279) 446676

**CONTRIBUTING OFFICERS:** WENDY MAKEPEACE, HOUSING OPERATIONS  
MANAGER (01279) 446342

CAROLYN LIVINGSTONE, PROCUREMENT  
ADMIN OFFICER (01279) 446174

**This is a Key Decision**

**It is on the Forward Plan as Decision Number I010705**

**Call-in Procedures may apply.**

**This decision will affect Bush Fair Ward.**

**RECOMMENDED that:**

- A** The most economically advantageous tender submitted by Contractor C is accepted in the revised sum of £419,597.98 for the delivery of external refurbishment and repairs to five flat blocks at Little Brays subject to formal contract and leaseholder consultation.

**REASON FOR DECISION**

- A** To enable the Council to enter into a contract for these works in compliance with Contracts Standing Orders.

**BACKGROUND**

1. Little Brays flat blocks were identified on Harlow Council's external capital works programme due to major elements failing, beyond economical repair and end of lifecycle. As such, and in line with current housing priorities, the blocks within Little Brays require renewals and repair works carried out.
2. The main drivers for this project are to ensure the properties meet Central Government Decency Standards and are kept weather proof and watertight, whilst preserving the value, presentation and integrity of the blocks and properties within the area.

- The scope of works for five blocks which include leaseholders, are refurbishment works but not limited to - replacement roof coverings, railings, fencing, upgrading insulation repairs to fascia's soffits gutters, repairs to steel staircases, bin stores and brickwork.

## ISSUES/PROPOSALS

### The Procurement Process

- The Council invited six suitably qualified Contractors to tender for the works. Three compliant tenders were received by the closing date for return of bids. Three Contractors declined to tender.
- A full analysis of tenders has been undertaken, with bids evaluated against a pre-determined quality/price methodology (ie 40:60) included in the tender documents. The quality aspect has been evaluated by an in-house panel of four without knowledge of price.
- Tender clarifications were requested to finalise the price evaluation resulting in the revised prices shown below.
- The quality and price scores have been combined to produce an overall ranking for each Contractor as shown below.

	Quality Score	Price Score	Tender Price	Revised Tender Price	Overall Score	Ranking
Contractor A	3480	62	704,876.50	756,664.15	7300	2
Contractor B	4000	55	592,227.35	675,769.52	6125	3
Contractor C	2400	100	401,952.71	419,597.98	9480	1
Contractor D	Declined to tender					
Contractor E	Declined to tender					
Contractor F	Declined to tender					

## CONCLUSION

- Contractor C has submitted the most economically advantageous bid and is able to deliver the works to the desired programme.
- Notice of Estimates (NOE) will be issued to leaseholders in December with anticipated commencement date in February 2020 with a scheduled 16 week programme.

## **IMPLICATIONS**

### **Environment and Planning (Includes Sustainability)**

None specific.

**Author: Andrew Bramidge, Head of Environment and Planning**

### **Finance (Includes ICT and Properties & Facilities)**

The costs of the works detailed in the report will be met from approved Housing budgets.

**Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive**

### **Housing**

As outlined in the report.

**Author: Andrew Murray, Head of Housing**

### **Community Wellbeing (Includes Equalities and Social Inclusion)**

None specific.

**Author: Jane Greer, Head of Community Wellbeing**

### **Governance (Includes HR)**

This procurement is compliant with contract standing order requirements as outlined in the report and appropriate advice has been sought during the process.

**Author: Simon Hill, Head of Governance**

### **Appendices**

None

### **Glossary of terms/abbreviations used**

NOE – Notice of Estimate

**REPORT TO:** CABINET

**DATE:** 5 DECEMBER 2019

**TITLE:** REFERRAL FROM SHAREHOLDER SUB COMMITTEE – REPLACEMENT OF HTS (PROPERTY AND ENVIRONMENT) LTD FLEET

**PORTFOLIO HOLDER:** COUNCILLOR MARK INGALL, LEADER OF THE COUNCIL

**LEAD OFFICER:** BRIAN KEANE, CHIEF EXECUTIVE (01279) 446004

**CONTRIBUTING OFFICERS:** SIMON FREEMAN, HEAD OF FINANCE AND DEPUTY TO THE CHIEF EXECUTIVE (01279) 446228

ANDREW MURRAY, HEAD OF HOUSING (01279) 446676

**This is a Key Decision**  
**It is on the Forward Plan as Decision Number I010916**  
**Call-in Procedures may apply**  
**This decision will affect no ward specifically.**

**RECOMMENDED that:**

- A** A loan to HTS (Property and Environment) Ltd (HTS) of £670,000 is approved, in principle, for the purpose of purchasing 43 new vehicles.
- B** HTS (Property and Environment) Ltd is requested to mitigate actions to alleviate any impact on climate change. In addition, to keep under review changes to electric vehicle technology so that they are well placed to take advantage for the next fleet renewal period.

**REASON FOR DECISION**

- A** To enable HTS to replace ageing vehicles as part of its ongoing vehicle refresh programme.
- B** To reduce HTS's carbon output following the Council's declaration of a Climate Emergency.

**BACKGROUND**

1. At its meeting on 7 November 2019, the Shareholder Sub Committee considered a report to authorise a loan of £670,000 in order for HTS to replace 43 of its vehicles. This would be in addition to £300,000 from HTS's reserves.

## **ISSUES/PROPOSALS**

2. The Sub Committee expressed a desire to increase the number of electric vehicles purchased by HTS. It was agreed by the Sub Committee that it should be recommended to Cabinet that the loan should be approved in principle. HTS would then be asked to carry out more work surrounding the viability of purchasing more electric vehicles during this round of vehicle replacements.

## **IMPLICATIONS**

Implications of the recommended decision are outlined in the 'Implications' section of the original report, which is attached as Appendix 1.

## **Appendices**

Appendix 1- Original report to the Shareholder Sub Committee 'Referral from Shareholder Sub Committee – Replacement of HTS (Property and Environment) Ltd Fleet

## **Background Papers**

None.

## **Glossary of terms/abbreviations used**

HTS – HTS (Property and Environment) Ltd

**REPORT TO:** SHAREHOLDER SUB COMMITTEE

**DATE:** 7 NOVEMBER 2019

**TITLE:** REFERENCE FROM HTS (PROPERTY AND ENVIRONMENT) LTD – REPLACEMENT OF HTS (PROPERTY AND ENVIRONMENT) LTD FLEET

**LEAD OFFICER:** JOHN PHILLIPS, MANAGING DIRECTOR HTS (PROPERTY AND ENVIRONMENT) LTD (01279) 446673

**RECOMMENDED** that the Sub Committee:

- A** Authorises HTS (Property and Environment) Ltd to seek a loan of £670,000 from the Council and approve the purchase of 42 new vehicles.
- B** Recommends to Cabinet that a loan to HTS (Property and Environment) Ltd of £670,000 is approved for the purpose of purchasing 42 new vehicles.

## **BACKGROUND**

1. The HTS Board approved the purchase of the vehicles in line with its agreed Business Plan to replace vehicles which are now uneconomical to maintain and repair.

## **ISSUES/PROPOSALS**

2. The Scheme of Delegation requires Sub Committee to approve any borrowing by HTS over the value of £100,000. Therefore, approval is sought for the Sub Committee to authorise HTS to enter into a loan agreement of £670,000 to facilitate the purchase of 42 vehicles as part of its ongoing vehicle refresh programme.
3. This cycle of fleet replacement includes a single electric vehicle. This early initiative move HTS towards a green fleet commitment and will be used to evaluate the use of such vehicles against current HTS operating model and is linked to company's wider electrification plans having regard to the Shareholders 'Climate Emergency' commitment.
4. HTS have utilised The Procurement Partnership to undertake the tendering process through the Hertfordshire County Council Purchase Framework 2019.
5. In seeking to raise the funding through the Council subject to Cabinet approval the interest rate applied will be determined both by the prevailing interest rates available to the Council at the time of the advance and giving due consideration to the requirements of State Aid regulations.

## **IMPLICATIONS**

### **Environment and Planning (Includes Sustainability)**

The maintenance of an effective fleet is an essential pre-requisite for the delivery of a high quality environmental service to local residents.

**Author: Andrew Bramidge, Head of Environment and Planning**

### **Finance (Includes ICT, and Property and Facilities)**

HTS (P&E) Ltd have factored the financing costs of the fleet replacement programme into the company business plan and associated financial plans accordingly. Any financial implications for the Council will be included within the report to Cabinet in due course subject to SSC agreeing to the company undertaking the borrowing.

**Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive**

### **Housing**

As outlined in the report.

**Author: Andrew Murray, Head of Housing**

### **Community Wellbeing (Includes Equalities and Social Inclusion)**

None specific.

**Author: Jane Greer, Head of Community Wellbeing**

### **Governance (Includes HR)**

The decision accords with the revised terms of reference approved by Cabinet in December 2018.

**Author: Simon Hill, Head of Governance**

### **Appendices**

None.

### **Background Papers**

None.

### **Glossary of terms/abbreviations used**

HTS – HTS (Property and Environment) Ltd

**MINUTES OF THE SHAREHOLDER SUB COMMITTEE  
HELD ON**

7 November 2019

7.30 - 8.25 pm

**PRESENT**

**Sub Committee Members**

Councillor Mark Ingall (Chair)  
Councillor Joel Charles  
Councillor Danny Purton  
Councillor Mark Wilkinson

**Officers**

Andrew Murray, Head of Housing  
Adam Rees, Governance Support Officer

**Additional Attendees**

Michael Harrowven, Non-Executive Chair of the HTS (Property & Environment)  
Limited Board  
John Phillips, Managing Director, HTS (Property and Environment) Limited

13. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Andrew Johnson.

14. **DECLARATIONS OF INTEREST**

None.

15. **MINUTES**

**RESOLVED** that the minutes of the meeting held on 25 June 2019 are agreed as a correct record and signed by the Leader.

16. **MATTERS ARISING**

a) Minute 4a - Matters Arising

Councillor Ingall said that the report on HTS (Housing and Regeneration) Company had been delayed. There were multiple areas which still needed to be worked on and it was vital that the Council got it right. It was hoped that reports would be ready to go to Cabinet after December.

17. **SUB COMMITTEE WORK PLAN**

**RESOLVED** that the Work Plan was noted.

18. **OPERATIONAL AND PERFORMANCE REPORTS**

a) Performance and Balanced Scorecard

The Sub Committee received a report which set out the financial and performance position for HTS as at September 2019.

In response to questions by Councillors, John Phillips, Managing Director HTS (Property and Environment) Ltd, said that there were two reasons that operational performance was at 66 per cent. Firstly, sickness rates had risen to 4.12 per cent against a target of 3.8 per cent. This increase was primarily due to long term sickness. Secondly, HTS had experienced two RIDDOR incidents. The RIDDOR incidents would not come off of HTS's statistics until July 2020.

HTS had a minimum reserve target of £500,000, but currently had a greater level of reserves. HTS was planning to use £300,000 of its reserves to replace 43 vehicles within its fleet.

**RESOLVED** that:

**A** The Sub Committee acknowledges the performance and financial position as at September 2019 set out in paragraphs 12 to 17 as follows:

- i) HTS (Property & Environment) Ltd (HTS) has achieved a reported 96 per cent success rate for September 2019/20 against the current suite of major and minor KPI's that govern the contract.
- ii) An actual retained profit level totalling £493,009 as at September 2019/20 and are forecasting a level of £1,049,000 for the year ending March 2020/21.

b) Risk Register

The Sub Committee considered a report which set out strategic risks associated with HTS, as well as the actions that HTS was taken to address governance and data compliance concerns from the Council.

**RESOLVED** that the Sub Committee noted:

**A** The strategic risks as relating to HTS (Property and Environment) Ltd (HTS) together with their analysis and mitigation.

- B** HTS's ongoing actions to address Information Governance and Data Compliance concerns from Harlow Council.

19. **BEST VALUE REVIEW**

The Sub Committee received a report which set out progress made in the Council's best value review of the operation and services delivered by HTS (Property and Environment) Ltd since its creation in October 2016.

**RESOLVED** that the Sub Committee notes the report.

20. **RESPONSIVE REPAIRS AND CUSTOMER ACCESS REVIEW**

The Sub Committee received a report which gave an update on the responsive repairs and customer access review. This included progress on the implementation of an online customer portal.

**RESOLVED** that the Sub Committee noted the report.

21. **REPLACEMENT OF HTS (PROPERTY AND ENVIRONMENT) LTD FLEET**

The Sub Committee received a report which recommended that HTS sought a loan of £670,000 from the Council to replace 43 vehicles within HTS's fleet.

The Sub Committee discussed the opportunities available for further electric vehicles. John Phillips said that the single electric vehicle would serve as a trial and would be used to establish the needs of workers. Electric, commercial vehicles were not currently widely available, but current predictions suggested that during the next financial year they would become viable.

HTS needed to refresh its fleet now as some vehicles were being scrapped and HTS was needing to spot hire vehicles. Continuing with spot hiring would become more expensive than purchasing new vehicles.

It was agreed that the wording for recommendations A and B would be amended to include the loan was being authorised and approved in principle. It was also agreed that the subsequent report to Cabinet would request that further work be carried out on increasing the number of electric vehicles HTS had to mitigate its carbon footprint.

**RESOLVED** that the Sub Committee:

- A** Authorised HTS (Property and Environment) Ltd to seek a loan, in principle, of £670,000 from the Council and approve the purchase of 43 new vehicles.

**B** Recommended to Cabinet that a loan to HTS (Property and Environment) Ltd of £670,000 is approved, in principle, for the purpose of purchasing 43 new vehicles.

**C** Requested that HTS (Property and Environment) Ltd mitigate actions to alleviate any impact on climate change. In addition, to keep under review changes to electric vehicle technology so that they are well placed to take advantage for the next fleet renewal period.

22. **REFERENCES FROM THE HTS BOARD**

a) Statutory Accounts Outturn

The Sub Committee received the HTS Group Ltd Audited Statutory Accounts.

**RESOLVED** that the Sub Committee noted the HTS Group Ltd Audited Statutory Accounts attached as Appendix A to the report.

23. **REFERENCES FROM THE HTS (PROPERTY AND ENVIRONMENT) LTD BOARD**

a) Statutory Accounts Outturn

The Sub Committee received the HTS Group Ltd Audited Statutory Accounts.

**RESOLVED** that the Sub Committee noted the HTS Group Ltd Audited Statutory Accounts attached as Appendix A to the report.

24. **MATTERS OF URGENT BUSINESS**

None.

25. **DATE OF NEXT MEETING**

July 2020.

CHAIR OF THE SUB COMMITTEE

