

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 rd 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.

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).

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.

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.

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.

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).

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.

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.

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.

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.).

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.

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.

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.

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 3rd 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:

Rec. reference	Review Work stream	Recommendation	Category
ECONOMY- REC 1	1	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
ECONOMY- REC 2	1	HDC to consider contractual price indexation used to ensure it is reflective of business activities undertaken.	Contractual and Governance
ECONOMY- REC 3	2	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
ECONOMY- REC 4	2	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
ECONOMY- REC 5	2	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
ECONOMY- REC 6	3	HTS (P&E) Ltd to draft a single CSO document for formal adoption	Contractual and Governance
ECONOMY- REC 7	3	HTS (P&E) Ltd to consider equalities furtherance to be embedded into service delivery and match HDC expectations, and statutory requirements.	Contractual and Governance

ECONOMY- REC 8	3	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
ECONOMY- REC 9	3	HTS (P&E) Ltd to adopt a robust Sub Contractor vetting and appointment process	Operational and Performance
ECONOMY- REC 10	3	HTS (P&E) Ltd to adopt one clear performance management policy for sub-contractors	Operational and Performance
ECONOMY- REC 11	3	HTS (P&E) Ltd to implement a Tender portal to ensure wide transparent advertising of tender opportunities	Operational and Performance
ECONOMY- REC 12	3	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
ECONOMY- REC 13	3	HTS (P&E) Ltd to develop clear indications of spend and process for waiver to internal procurement regulations	Financial
ECONOMY- REC 14	4	HDC to consider long term approach to accumulation of cash reserves and strategy around necessity and use of such reserves	Financial
ECONOMY- REC 15	4	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
ECONOMY- REC 16	4	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

<p>ECONOMY- REC 17</p>	<p>5</p>	<p>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)</p>	<p>Contractual and Governance</p>
<p>ECONOMY- REC 18</p>	<p>5</p>	<p>HDC to consider abandoning financial adjustments for volume driver activities</p>	<p>Operational and Performance</p>
<p>ECONOMY- REC 19</p>	<p>5</p>	<p>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)</p>	<p>Financial</p>

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:

Rec. reference	Review Work stream	Recommendation	Category
EFFICIENCY – REC 1	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
EFFICIENCY – REC 2	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
EFFICIENCY – REC 3	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
EFFICIENCY – REC 4	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">EFFICIENCY – REC 5</p>	<p align="center">6</p>	<p>HTS (P&E) Ltd to provide regular updates to Harlow Council SMB on succession plans for (Property & 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">EFFICIENCY – REC 6</p>	<p align="center">6</p>	<p>HTS (P&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">EFFICIENCY – REC 7</p>	<p align="center">6</p>	<p>HTS (P&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">EFFICIENCY – REC 8</p>	<p align="center">6</p>	<p>HTS (P&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">EFFICIENCY – REC 9</p>	<p align="center">7</p>	<p>HTS (P&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>

EFFICIENCY – REC 10	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
EFFICIENCY – REC 11	8	HDC to carry out a full review of the Output Specification against the services delivery by HTS (P&E) Ltd.	Operational and Performance
EFFICIENCY – REC 12	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
EFFICIENCY – REC 13	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:

Rec. reference	Review Work stream	Recommendation	Category
EFFECTIVENESS – REC 1	11	HTS (P&E) Ltd to develop a framework to develop the management/governance of all statutory and regulatory requirements	Contractual and Governance
EFFECTIVENESS – REC 2	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
EFFECTIVENESS – REC 3	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
EFFECTIVENESS – REC 4	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
EFFECTIVENESS – REC 5	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

EFFECTIVENESS – REC 6	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
EFFECTIVENESS – REC 7	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
EFFECTIVENESS – REC 8	14	HDC to vary contract to reflect SSC schedule changes	Contractual and Governance
EFFECTIVENESS – REC 9	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
EFFECTIVENESS – REC 10	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
EFFECTIVENESS – REC 11	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

EFFECTIVENESS – REC 12	15	HTS (P&E) Ltd to Investigate alternative systems to call-sys	Operational and Performance
EFFECTIVENESS – REC 13	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
EFFECTIVENESS – REC 14	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
EFFECTIVENESS – REC 15	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