

Best Value Review into HTS (Property and Environment) Ltd

Appendix 1

Outcome Reports for individual work streams

This appendix includes the individual outcome reports for each of the 15 work streams that form the review.

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 1

Theme: Economy- Spending Less, Increasing Income		
Area for Review:	Budgetary Control and Management	
Review Actions:	1. Review of Annual Service Charge	
Date review complete:	Harlow Council Lead:	HTS (Property and Environment) Ltd Lead:
23 September 2019	Andrew Smith	Alex Morris

Evidence Base for review:

- Annual Service Charge original build
- Annual Service Charge current build
- Annual Service Charge Forecast
- Total HTS Profit & Loss Forecast

Methodology:

1. Desktop analysis of evidence base
2. Jointly analyse impact of known changes to operations since original ASC build
3. Identify future possible changes to baseline ASC
4. Compare HTS allocations of costs with HDC allocations and identify any non alignment
5. Analyse effect of using BMI as indexation metric

Review findings:

2.1 The Review centered 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. With over two years' operational experience behind the Services Agreement with HTS (Property and Environment) Ltd finance professionals from both organisations agree that the time is right to review the Annual Service Charge (ASC). Work to present an ASC based on actual costs rather than assumptions made based on figures provided by the JVCo forms part of Business as Usual activity which feeds into the review as evidence.

2.2 Review of the Annual Service Charge (ASC)

2.3 ASC build at mobilization

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:

2.3.1.1 The benefit that would arise from the purchase rather than the hiring of specialist vehicles. During this review it was said that the long-term replacement of vehicles was not factored into the original Business Plan for the company but this has not been evidenced.

2.3.1.2 The effect procurement of materials locally rather than centrally.

2.3.1.3 The effect of purchase of fuel, as well as the investment HDC made in fuel supply equipment at the depot, to facilitate supplying wholesale rather than retail fuel with reliance on fuel cards.

2.3.1.4 The cost of hiring staff to perform a dedicated IT, Health & Safety, and Human Resources function which replaces a significant central overhead charged to Kier Harlow by Kier Group. At the time of mobilisation it was unknown whether these central overheads were an accurate reflection of local costs.

2.4 Subsequently, in the first year of operation, HTS (Property and Environment) Ltd aligned all contracts on the same grades, terms and conditions. This added a cost to the company.

2.4.1 Evidence has been sought as to the costs / savings for all of the above. The evidence submitted shows that overall costs had reduced in 2017/18 by (-)£247,000, represented by a decrease in Direct Costs of (-)£635, due to the saving on lease hire and purchase of assets including plant and vehicles and an increase in Indirect Costs of +£388,000 due to increased staffing levels in areas of HR and IT, use of consultants beyond transition into post mobilization stage and unforeseen or previously un-valued set up costs.

2.4.2 The evidence provided for the review gives an indication of the overall variation in expenditure and income during the first year of operation. Figures submitted suggest that the movement in expenditure and income for items listed above is not material.

2.5 Change Notices issued since February 2017

2.5.1 In 2017/18, the removal of the lift budget, (-)£142,800 which reduced the Baseline ASC to £17.378m.

2.5.2 In 2018/19, the TUPE transfer of Technical Services staff to HDC, (-)£567,886 and removal of Water Hygiene and Maintenance (CN17), (-)£34,908 offset by an enhanced service for Bin Emptying, £34,908, and Green Waste Collection, £5,000.

2.5.3 The annual uplift in 2018/19 was 3.7% and in 2019/20 is 5% forecasted. The original Business Plan assumed uplifts of 2% annually. It is observed that HTS (Property and Environment) Ltd was able to rebate the ASC to HDC by £0.256m in 2017/18 and £0.352m in 2018/19. The latest Business Plan produced in June 2019 suggests a continuation of the rebating ASC for 2019/20 and future years.

2.5.4 It would appear that the Cost of Sales are rising by 2.6% giving a comparable increase in profit of over £0.3m before any rebate adjustment. This suggests BMI is not a useful measure for recharging ASC and this is addressed in section 4 of this outcome report.

2.5.5 Whilst the changes identified via changes notices have been reflected in the baseline ASC, those arising from assumptions in the business plan have not been formally recognized in a recasting of the ASC model, and it is recommended that this is addressed under business as usual prior to the new financial year (2020/21)

2.6 ASC budget build for 2019/20 and internal apportionment

2.6.1 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.

2.6.2 HTS 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.

- 2.6.3 For the Council as client an understanding of the charges for services which HTS (Property and Environment) Ltd makes, i.e. its sales, is important. The difference between HTS (Property and Environment) Ltd's expenditure and the ASC income is the profit or loss on each activity.
- 2.6.4 As part of the review process HTS presented evidence detailing its HDC ASC Sales over the three years 2017/18, 2018/19 and 2019/20. This data was compared with the Financial model included within the Services Agreement as per section 2.3 above and the movement in ASC expenditure between Funds is not material. Without further breakdown across cost centres matching HDC accounting practices the profits and losses recorded against individual cost centres could not be further analysed.
- 2.6.5 Further work to ascertain allocation of ACS against specific activities should be undertaken. That said, HTS achieves its Key Performance Indicators (KPIs) which means that expenditure across HDC Cost Centres satisfies the requirements of the contract in terms of performance received for costs paid.
- 2.6.6 On future completion of this work, should there be a significant profit or loss achieved at Cost Centre level then, Change Notices should be considered as a mechanism to address this situation.
- 2.6.7 Based upon the evidence submitted to the review it has not been possible make direct comparisons to the 2017 business model. Further work should therefore be conducted as business as usual to ensure this is concluded as a matter of urgency, and then as part of the Review recommendations for any contract extension to contractually set the reporting of profits and loss in this way.
- 2.6.8 There have been no issues highlighted during the review to suggest the current arrangements do not represent best value.

3. Audit report into leaseholder recharging (detailing need for defining allocations as per above)

- 2.7 The Internal Audit Report regarding Leasehold Service Charges 2018/19 gave substantial assurance over the calculation, billing and recovery of Leasehold Service Charges. As detailed above HTS costs for individual charges could not be justified and therefore the Head of Finance and Head of Housing jointly made a decision at that time to retain the former Kier Harlow apportionments as a baseline for recharging leaseholders.
- 2.8 The Audit contained one recommendation: "as part of the three-year Best Value review of the HTS contract, the annual service charge allocation model for leaseholders should be revisited and based on actual HTS costs".
- 2.9 This is a matter still being addressed as per recommendation above on reporting on cost centre basis to mirror Council methodologies, and also part of business as usual work to realign the ASC baseline so that it is continually reflective of current activities.

3 Modelling to show effect of alternatives to BMI

- 3.1 The Indexation of the ASC is given in Schedule 3 of the contract. This states that at the March annual Review Date, the Building Maintenance Index (BMI) shall be used.
- 3.2 BMI was the inflationary index applied under the former Kier Harlow contract. It is based upon Building Maintenance costs, including employee, materials and subcontractor costs.
- 3.3 BMI is available by subscription only to the BCISOnline website. The cost of obtaining BMI data is approximately £750+VAT, shared 50:50 between HDC and HTS. The Office for National Statistics (ONS) produce free of charge data series for RPI, CPI and CPIH which are readily understood.
- 3.4 Uplifts of BMI take effect from April annually. In 2018 this was 3.7%, actual (but since then 'Revised' to 3.6%), and 2019 this was 5%, forecast. The forecast figure will be revised when actual data becomes available. BMI data downloaded on 8 August 2019

(given below) suggests the uplift for 2019/20 should be revised from 5% to 4.6%.

- 3.5 HTS (Property and Environment) Ltd's business is not exclusively aligned to increases in the BMI however, staff costs do not rise with BMI. Grounds Maintenance, Street Cleaning and Caretaking are also examples where costs are unrelated to BMI.
- 3.6 BMI increases in excess of staff costs build additional income into the business on a permanent basis when the cost base is not increasing at the same rate. BMI is not a reflection of the predominant cost driver of the business which is staffing, although this is not necessarily a view shared by HTS (Property and Environment) Ltd.
- 3.7 The HTS 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.
- 3.8 Any revision of the ASC baseline should give more guidance as to the extent to which BMI is a valid indicator for indexation. It may be that a hybrid BMI / CPI calculation is equitable given the nature of the business, therefore it is recommended that this is addressed under business as usual, prior to 2020/21 financial year.

4 Conclusion

- 4.1 The existing ASC is based on figures agreed prior to the mobilisation of HTS. The business underwent significant change in its first year of operation. Supporting evidence has been sought to understand how these changes might favourably or adversely affect the annual charge to HDC and figures submitted indicate that the variance is not material
- 4.2 HTS has demonstrated that changing the annual uplift from the Building Maintenance Index (BMI) to the Consumer Price Index (CPI) has a detrimental effect on ASC income and future investment. HDC contend that not all HTS' costs are BMI related, this will need resolving both as business as usual and in any contract extension decisions.
- 4.3 HTS has provided evidence to enable its income from the ASC to be reconciled to the initial ASC model for mobilisation, however this does not provide breakdown below HTS' divisional level. An action plan to address this is required (this analysis would establish where there is a significant profit and loss achieved at Cost Centre level).
- 4.4 In completing the above the management action from the Internal Audit report into leaseholder recharging report will also be implemented.

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

1. It is recommended that HTS realign cost reporting to better correlate with HDCs own internal methodologies as soon as possible (this recommendation to be included as contractual under any extension and also be addressed as a priority under business as usual practices).

Operational and Performance recommendations

Financial recommendations

2. It is recommended that contractual indexation is considered to ensure it is reflective of business activities undertaken and that this should be agreed and implemented in time to be reflected within the Council's 2020/21 budget setting process.

Cultural/relationship recommendations

Refer to Shared Operational Performance meetings as Business as Usual:

3. Address reporting of costs to allow comparisons between base operational costs and 2017 business model.
4. Update ASC to include changes arising from assumptions in the business plan prior to the new financial year (2020/21)

Refer to senior management teams as outside scope of review:

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 2

Theme: **Economy- Spending Less, Increasing Income**

Area for Review: Budgetary Control and Management

Review Actions: 2. Future value of Third Party Works

Date review complete:

Harlow Council Lead:

HTS (Property and Environment) Ltd Lead:

23 September 2019

Andrew Smith

Alex Morris

Evidence Base for review:

- Original HTS (Property and Environment) Ltd Business plan
- Current (2019) HTS (Property and Environment) Ltd Business plan
- Capital Works Forecast
- House Building Forecast
- 3rd Party (non HDC) Forecast
- Published accounts 2017/18
- Published accounts 2018/19
- Capital Expenditure Forecast

Methodology:

1. Desktop analysis of published accounts and forecast
2. Desktop review of Business Case process with HDC

Review findings:

1. The review of third party works secured by HTS (Property and Environment) Ltd involved joint discussion of the published accounts and forecasts which are currently being used to inform and direct HTS (Property and Environment) Ltd's business planning. The Business Plan narrative on third party works was also reviewed in light of published account data. Additionally the business case process whereby Harlow Council evaluates bids for works outside of the ASC, including Capital programmes, was also reviewed by the Client teams at Harlow Council, and delivery team at HDC to assess the efficiency and effectiveness of this process.

2. Published accounts to date

2.1 The original Business Plan for HTS (Property and Environment) Ltd assumed Third Party Works as follows: £0.5m in 2018/19, £1.5m in 2019/20 and £3m in 2020/21 but, as is evidenced below, actual work (described here as 'Non HDC Trading' has been considerably lower.

	<u>Actual</u>			<u>12 Months Actual to</u>			<u>Forecast</u>		
	<u>14 Months Actual to March 2018</u>			<u>Mar 2019</u>			<u>Year to 31 March 2020</u>		
	<u>Actual</u>	<u>Busin</u>	<u>Variance</u>	<u>Actual</u>	<u>Busin</u>	<u>Variance</u>	<u>Latest</u>	<u>Busin</u>	<u>Variance</u>
<u>£000's</u>	<u>ess Plan</u>	<u>£000's</u>	<u>£000's</u>	<u>ess Plan</u>	<u>£000's</u>	<u>Forecast</u>	<u>ess Plan</u>	<u>£000's</u>	
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	
4/ Non HDC Trading									
Sales	87	-	87	135	500	(365)	135	1,500	(1,365)
Cost of Sales	-	-	-	(15)	(468)	453	(26)	(1,403)	1,377
Gross Profit	87	-	87	120	32	88	109	97	12
Overheads	-	-	-	-	(12)	12	-	(30)	30
Net Profit	87	-	87	120	20	100	109	67	42

2.2 The latest Business Plan for HTS (Property and Environment) Ltd, dated January 2019, gives the current operational forecast for 'Non HDC Trading'. This shows an increase from £0.135m in 2019/20 to £1.5m by 2022/23.

HTS (Property & Environment) Ltd

Business Plan

June 2019

		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
	<u>A</u>	<u>A</u>	<u>A</u>	<u>QR</u>			
	<u>2 Months</u>	<u>Year to</u>	<u>Year to</u>	<u>Year to</u>	<u>Year to</u>	<u>Year to</u>	<u>Year to</u>
	<u>Mar-17</u>	<u>Mar-18</u>	<u>Mar-19</u>	<u>Mar-20</u>	<u>Mar-21</u>	<u>Mar-22</u>	<u>Mar-23</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
Non HDC Trading							
Sales	16	71	135	135	900	1,100	1,500
Cost of Sales	-	-	(15)	(26)	(785)	(975)	(1,355)
Gross Profit	16	71	120	109	115	125	145
Overheads	-	-	-	-	(18)	(22)	(30)
Net Profit	16	71	120	109	97	103	115
GP%	100.00%	100.00%	88.89%	80.74%	12.78%	11.36%	9.67%

2.1 Forecast

- The current year forecast includes rental from Jewson's and Veolia plus works for South Cambridge Council
- Future forecast assume that work is carried out by subcontractors

2.3 Within the Business Plan, there remains the option for it to develop Third Party opportunities beyond those created by Harlow Council. When these external opportunities have arisen HTS (Property and Environment) Ltd has not been successful to date. One factor in this could be that, as an LATC, HTS (Property and Environment) Ltd terms and conditions of employment are better than other organisations thus placing it at a commercial disadvantage where new employment of staff are required to deliver these works (new staff are also offered the same

terms as existing workforce, transferred from JVCo to deliver the works covered by the ASC).

2.4 There has 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 opportunity to bid for Facilities Management services via business case process at the Enterprise Zone is also in the pipeline. Business Cases are requested throughout the year; in 2019/20 these have included housing refurbishment contracts and the first New Build Council Housing projects. There is also an opportunity for additional capital works since the United Living and Mullaley contracts expired."

2.5 The relative success of works delivered via Business case directly to Harlow Council outside the ASC has created a success story in a market where housebuilding and construction has seen very slow growth and the Council's previous strategic partner, Kier Group, have removed themselves from a number of JVCo type models.

2.6 There remains an unanswered question as to whether, should an contract extension be granted, changes in pricing of 'true' third party works to deliver competitive bids would be required, and indeed whether Harlow Council wishes HTS (Property and Environment) Ltd to pursue such Third Party work or is content otherwise to have an LATC that delivers work only for the Council.

3. Housing Capital Programme Forecast

3.1 The Capital Forecast is included in the latest Business Plan.

HTS (Property & Environment) Ltd

Business Plan

June 2019

		1	2	3	4	5	6
	A	A	A	QR			
	2 Months Mar-17 Actual	Year to Mar-18 Actual	Year to Mar-19 Actual	Year to Mar-20 Forecast	Year to Mar-21 Forecast	Year to Mar-22 Forecast	Year to Mar-23 Forecast
<u>H.D.C. - Capital Works</u>							
Sales	135	3,478	6,068	8,885	5,800	5,800	5,800
Cost of Sales	(105)	(3,295)	(5,750)	(8,355)	(5,475)	(5,475)	(5,475)
Gross Profit	30	183	318	530	325	325	325
Overheads	(26)	(156)	(156)	(156)	(156)	(156)	(156)
Net Profit	4	27	162	374	169	169	169
GP%	22.22%	5.26%	5.24%	5.96%	5.60%	5.60%	5.60%
PBT	2.96%	0.78%	2.67%	4.20%	2.91%	2.91%	2.91%

2.1 Forecast

- The Capital Works forecast to 31st March 2020 includes the completion of the carry over from March 2019 plus the £5.8m 2019/20 works.
- The forward forecasts from 1st April 2020 are £5.8m per annum and this continues into year 6

3.2 Housing Capital Programme works are let for a total of £5.8m (fixed) annually. The 2019/20 figure of £8.885m looks ambitious in that some £3m is attributable to catching up a backlog of work. This though has been agreed and is monitored by the Housing Joint Operational Management Team as a business as usual (BAU) process.

3.3 Housing capital programme Business Case Evaluation narrative – breakdown of preliminaries and uplift

3.3.1 The latest Business Plan states:

"The preliminaries include the capital works team, and part of the Operational and Commercial Director's costs". Preliminaries are specific contract costs needed to deliver the works: site managers, Resident Liaison Officers, Quantity Surveyors, site cabins, welfare facilities etc.

"A mark-up of 5.6% on direct costs is included".

BUSINESS CASE RESPONSE DOCUMENT – PART TWO: Financial Statement of Preliminary Costs

1. Preliminary Costs (an illustration of the %rate of recovery against each work-stream), including OHP;

Agreed 2019-20 Capital Budget Allocations against defined work-streams;

Work-stream	Budget	%OHP	(£OHP)	%Prelim	(£Prelim)
Internal Works	£750,000	6%	£42,453	21.26%	£150,404
Aids and Adaptions	£900,000	6%	£50,943	17.19%	£145,968
Compliance	£1,000,000	6%	£56,604	23.12%	£218,139
Environment Estate Works	£100,000	6%	£5,660	22.52%	£21,250
External Works	£1,000,000	6%	£56,604	23.33%	£220,074
Garages	£350,000	6%	£19,811	9.56%	£31,565
Communal Boilers + Heating	£1,700,000	6%	£96,226	10.45%	£167,536
TOTAL	£5,800,000		£328,301		£954,936

Note: HTS (P&E) Limited are to provide a detailed illustration of their preliminary costs in accordance with the guidance provided.

“Recharge of overheads is maintained at £156,000 per annum”

3.3.2 The current ‘Business Case Response Document and Evaluation Methodology’ states that of the £5.8m let to HTS, £0.954m are preliminaries and £0.328m are overheads leaving £4.518m as the actual work undertaken.

3.3.3 A breakdown of preliminaries is shown in the ‘Financial Statement of Preliminary Costs’, however there is no uplift applied. Capital works is fixed at £5.8m annually. This means that over time preliminaries and overheads costs may rise and actual work available reduce, this may need to be considered long term.

4. Business case process for awarding works

4.1 For completeness the process for the inviting, submitting and evaluation of business cases for work request via Harlow Council was reviewed. Ads per above the volume of works awarded to HTS (Property and Environment) Ltd in this was has increased and if the trend towards increasing the work being delivered by HTS (Property and Environment) Ltd continues then it would be prudent to consider this process as part of the review.

4.2 The current practice for submitting business cases is primarily utilized for Housing Capital Works. HTS (Property and Environment) Ltd receives between 15-20 business cases per year to deliver this. Within the past 12 months the Non Housing client function has required HTS (Property and Environment) Ltd to produce business cases also. The use of Business Cases with HTS (Property and Environment) Ltd by the Environment Services is limited, as there is little scope for capital works i.e. the jobs and budgets are too small.

4.3 The current process is well known to Housing client team, however it is felt to be very rigid and inflexible, for example the criteria set out in Schedule 2 of the Services Contract may not be applicable or suitable for some works as the same questions do not fit all business cases and consideration of a bespoke evaluation methodology, whilst still retaining the focus of VFM overall is recommended.

4.4 The Services Agreement itself refers to Additional Capital Works and Planned and Capital Works separately, reflecting the pre-agreement of Planned and Capital Works arising from the Housing capital programme within the original business plan for the company; in effect a known additional income stream available from mobilization.. The Additional Capital works refer to any additional capital works which HTS (Property and Environment) Ltd are invited to bid for, sitting outside those already explicitly identified within the original Business Plan. It was not envisaged when HTS (Property and Environment) Ltd were set up that any ‘non service’ revenue requirements would be requested of HTS (Property and Environment) Ltd meaning there is no mechanism for smaller works to be requested via the Business Case process. There is a mechanism for additional services to be added, e.g. new landscape services or highways related services, but not for small works outside the capital thresholds. Consideration as to

whether significant volumes of revenue funded small works would be required by the client should be made and inclusion in the Services Agreement via a contract variation should be made to enable the Business Case process to be used for this.

4.5 As part of the Customer Reputation work stream it was identified that there is evidence within the Q4 financial report of large carryovers of Business Cases from one year to the next. This is currently being reviewed as part of Business as Usual operations but the management of performance for business case awarded works and courses of remedy where required should be included within any consideration of changes to this process.

4.6 The business case process as a whole is robust and achieves requirements of both parties, but could be streamlined to create a more efficient and expedient process. The weightings applied to some of the evaluation questions do not necessarily reflect the importance to the client and need to be appropriate and proportionate to the works requested. It is recommended that, especially in light of increasing use of the process, the mechanism is reviewed jointly and changes made that retain the focus of Value for Money, but also allow for quicker completion of the process.

5. Conclusion

5.1 Third Party work undertaken is considerably less than originally envisaged in the original Business Plan for the company, though this was based on a series of assumptions and in the context of a different political and economic environment. The current Business Plan includes growth over the 2021-2023 period and Harlow Council needs to take key strategic decisions regarding the nature of third party works and volumes of directly awarded works it provides to HTS (Property and Environment) Ltd should a contract extension be awarded in order to inform future business planning for the company and set the overall direction for its ambitions in that Plan. Harlow Council needs to take key strategic decisions regarding the nature of Third Party works and the volumes of directly awarded works it provides to HTS (Property and Environment) Ltd should a contract extension be awarded

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

1. 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 is included in the Services Agreement via a contract variation (change notice).
2. 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.

Operational and Performance recommendations

Financial recommendations

3. Consider actions to mitigate risk of preliminaries and overheads costs rising resulting in reduction of actual work able to be delivered.

Cultural/relationship recommendations

Refer to Shared Operational Performance meetings as Business as Usual:

4. Jointly review the Business case mechanism for award of capital and planned works; any changes to retain the focus of Value for Money but also allow for quicker completion of the process, and associated management processes once awarded
5. Review carryovers of Business Cases from one year to the next.

Refer to senior management teams as outside scope of review:

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 3

Theme: Economy- Spending Less, Increasing Income		
Area for Review:	Budgetary Control and Management	
Review Actions:	3. Demonstrate Plans for Supply Chain Management & Protection (Resilience)	
Date review complete:	Harlow Council Lead:	HTS (Property and Environment) Ltd Lead:
10 June 2019	Julie Galvin	Alex Morris

Evidence Base for review:

- Procurement Strategy (effective date Jan 17)
- CSOs - none provided, elements exist in other documents
- Appointment of suppliers process (PQQ, ITA,, Evaluation Template, standard T's and C's (Incidental Works Order), existing contracts lists and aggregate totals)
- Pricing process for sub-contractors – none provided, elements exist in other documents
- Narrative on security of supply chain – none provided
- *HDC supplier approval checks (for comparison)*
- *Shareholder Procurement Strategy 2018 (for comparison)*
- NCA form and amounts approved, tender evaluation report – not currently required
- Constructionline platform summary

Methodology:

1. Procurement strategy commercial application and reflection of shareholder aspirations
2. CSO's awareness, application of governance
3. Supplier appointment, engagement, due diligence, spend and risk management
4. Performance management and correction
5. Supply Chain Transparency

Review findings:

1. Procurement strategy, commercial application, reflection and furtherance of shareholder aspirations

1.1 The Council has been provided with Version 3 of Procurement Procedures dated 10 December 2018, together with 03. Procurement SHE Management System Effective Date Feb 17.

1.2 Procurement Procedures (which is later described as the procurement policy) positively note that sourcing initiatives should be fair and ethical, with social and environmental factors to consider. VfM is central as would be expected, as is transparency with suppliers.

1.3 Shareholder aspirations and equalities duties are embedded in the processes, although the narrative requires minor editing to reflect the Council's revised procurement policy adopted by Cabinet on 19 July

2018 in particular around “ethics”, and “Transparency in Supply Chains”, Modern Slavery Act requirements and GDPR processes.

1.4 As to application the SHE management system provides comprehensive requirements for the appointment of sub-contractors and performance management requirements not reflected or referred to in the main policy. The interaction between the two documents will assist users when engaging with the market. HTS may wish to consider embedding hyper links to the supporting documents to assist the reader and general application. Equalities furtherance is vital and needs consideration and shaping and should be embedded into service delivery.

1.5 There appears to be a lack of operational procedure (other than that detailed in the SHE Management system documents) and strategy to place HTS in a strong position long term. It may be prudent for HTS to consider what frameworks they could create, and or access now, to assist in delivering services. HTS would also benefit from one clear concise set of procurement rules.

2. CSO awareness, governance

2.1 Standing Orders are referred to in the papers, though these are not set out in a single document. Authorisation limits are set out, together with a form of waiver process where “non-compliant” spend requires authorisation. Clarification of the waiver process, application and timing of any non complaint spend may improve transparency awareness and governance. Any authorisation may be best recorded within the financial regulations of the company.

2.2 There is no commentary around the Shareholder control, Business Plan for the Company or the process, use and application of the Business Case Process and the amended Measured Term Contract agreed by the parties which could be included to ensure strong emphasis on company aims and objectives, and ensure coherent processes across all operations.

3. Supplier appointment, due diligence and risk management

3.1 Processes centre around sub-contractors, but Principal and Main Contractor approvals are unclear. The forms are comprehensive and allow for past experience and H&S processes amongst others to be tested prior to approval. A Subcontractor comparison - trade matrix has been provided to the Council, and an Enquiry for Sub-Contract Quotation where sub-contractors accepted by HTS (P&E) are asked to bid for works, and the quotes are considered.

3.3 The Sub-Contractor comparison form refers to UHL Authorisation Limits, though these are not expounded upon. Reference to where these are set should be included. Importantly, none of these processes are mentioned in the procurement process document. The SHE document refers to the “HTS Subcontractor database” (presumably the Approved List) and helpfully extends the term HTS supply chain to “anyone carrying out work on behalf of HTS e.g. contractors, principal contractors, sub-contractors, designers, consultants, professional advisors and agencies”.

3.4 Post Carillion the emphasis for robust financial management and avoidance of “race to the bottom” for price is central to risk profiles. The New Supplier/Subcontractor request form seeks the information required for database management, and confirms 30 day payment terms meeting the statutory requirement. Evidence of due diligence engaged prior to appointing third parties is carried out via Constructionline scheme and a process for assessing financial health checks or surety is included as part of this, with full access of records provided. It is noted that commercial terms and approach will shape the approach and view, however a statement of the approach, spend limits and rationale linking into HTS financial regulations would be welcome to show robust management and audit trail.

4. Performance management

4.1 The approved list has a RAG system applied to it but measurement of management is not explicit. The procurement procedures list key issues and requires requesters to set formal review dates. This is not reflected in the standard terms and conditions. If a contractor has an 81% rate, but is actually 30% more expensive, then they can afford to prop up performance and this goes to VfM principles. It is also unclear

which of these businesses are local SME's or otherwise. Of three randomly selected contractors two are listed in Harlow and one in Dorking.

4.2 The standard terms and conditions (in the form of an Incidental Works Order) appear to be comprehensive and are largely based on a JCT Minor Works agreement. Risk is managed by requiring critical paths as part of the works order issued. The Contractor may seek extensions of time, and the Employer may (subject to payment to the Contractor of all works to date of notice) immediately terminate the agreement. GDPR is fully reflected in the agreement, but not Modern Slavery or equalities duties. Indemnities are included and disputes are managed under the Construction Act as amended.

5. Supply Chain Transparency

5.1 Without a procurement portal, access from the HTS corporate website or similar to engage with the market it is unclear how and to what extent opportunities are tested. Feedback and support would assist less well performing suppliers.

5.2 Contracts awarded must be shown on Contracts Finder, this statutory duty stands regardless of EU Threshold levels. The procedures refer to a "charter" that requires full advertising of opportunities, however the majority of works are awarded to an approved list which indicates that the ranking on the approved list is referenced as part of the appointment process. The referral to the performance ratings on the approved list does not appear to be expressly noted as part of the enquiry process with the sub-contractor, which could offend transparency, equal treatment and proportionality principals. Is the performance review published or made public?

5.3 Aggregate totals and overall spend must be considered when awarding contracts. HTS may wish to run an OJEU process and create bespoke frameworks to ensure full compliance with Procurement Regs and help with overall service delivery.

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

1. Consideration of equalities furtherance embedded into service delivery.
2. Drafting of single CSO document for formal adoption

Operational and Performance recommendations

3. Adoption of one clear concise set of procurement rules.
4. Adoption of a robust Sub Contractor vetting and appointment process
5. Adoption of one clear performance management policy
6. Implementation of a Tender portal to ensure wide transparent advertising of tender opportunities
7. Adapt current procurement processes to run in line with OJEU process in order to demonstrate full compliance

Financial recommendations

8. Clear indications of spend, and process for waiver to procurement regulations

Cultural/relationship recommendations

Refer to Shared Operational Performance meetings as Business as Usual:

9. HTS to explore support and advice to determine what frameworks they could create and or access now to assist in delivering services.

10. Update procurement procedures to reflect MSA, GDPR, ethics and transparency code requirements

Refer to senior management teams as outside scope of review:

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 4

Theme: Economy- Spending Less, Increasing Income		
Area for Review:	Budgetary Control and Management	
Review Actions:	4. Mid-term investment Plan	
Date review complete:	Harlow Council Lead:	HTS (Property and Environment) Ltd Lead:
23 September 2019	Andrew Smith	Alex Morris

Evidence Base for review:

- Current (2019) HTS (Property and Environment) Ltd Business plan
- Cash Flow Forecast
- Balance Sheet Forecast
- Graph of revenue projections
- Capital investment schedule

Methodology:

1. Desktop analysis of Business Plan forecasts and narrative
2. Comparison of investment forecasts with cash flow statements
3. Comparison of investment narrative and cash flow forecasts with capital investment schedule

Review findings:

1. In reviewing the mid-term investment plans for HTS (Property and Environment) Ltd the forecasts and narrative within the current Business Plan, dated January 2019, were compared with the company's cash flow forecast and capital investment schedule.

2. Mid-term Investment Plan (Otherwise referred to as the latest Business Plan)

- 2.1 The following is an extract from the latest Business Plan produced in January 2019.

HTS (Property & Environment) Ltd

Business Plan

June 2019

		1	2	3	4	5	6
	A	A	A	QR			
	2 Months Mar-17 Actual	Year to Mar-18 Actual	Year to Mar-19 Actual	Year to Mar-20 Forecast	Year to Mar-21 Forecast	Year to Mar-22 Forecast	Year to Mar-23 Forecast
Cash Flow							
Balance B/F	-	922	1,828	1,868	3,072	3,343	3,792
Receipts							
Loans and Leases	1,916	-	-	973	1,475	910	1,880
Bank Receipts	3,054	24,330	28,229	32,900	34,919	37,446	39,674
Payments							
Loan & Lease payments	(203)	(430)	(430)	(510)	(791)	(996)	(1,186)
Harlow DC Management Charges	-	(540)	-	(579)	(684)	(485)	(436)
Trade Payments	(3,834)	(21,325)	(25,675)	(29,452)	(32,418)	(34,114)	(37,115)
VAT	(11)	(1,128)	(1,983)	(2,031)	(2,100)	(2,220)	(2,369)
Corporation Tax	-	-	(101)	(98)	(130)	(92)	(83)
Balance C/F	922	1,828	1,868	3,072	3,343	3,792	4,157

Cash Flow

- The forecast is based upon the continued payment mechanism as per the contract in which the ASC is paid monthly in advance
- Other revenue streams are due within 30 days of invoicing
- This allows HTS to pay creditors on due date and is cost effective to the group as a whole in that it minimises costs in both finance departments by removing the requirement for invoice staff and credit control staff.
- The cash flow is positive and results in a forecast cash balance of £4.1m by 2023.
- The cash flow includes payments of:-

Loan and Lease repayments	£4.5m
Harlow Management charges	£2.7m

2.2 The Business Plan shows a strong cash position. However, because HTS (Property and Environment) Ltd is a wholly-owned subsidiary of HDC, holding such a strong cash balance may not be seen favourably by the tenants, leaseholders and residents of Harlow. Whilst being profitable as a business is desirable in the commercial arena, having such balances to claim a measurement of viability may be a false premise as HDC who act as lender of first choice and not the commercial finance or banking sector.

2.3 Narrative on Cash Flow and Cash Management

2.3.1 The current strong cash flow is a real benefit to HTS (Property and Environment) Ltd and significantly reduces the costs of managing cash flow and enables HTS to pay local suppliers early / on time to help local economy, minimise credit control effort & costs, minimise sales invoicing costs and is easy to control with no detriment to either HDC or HTS (Property and Environment) Ltd. There is therefore no reason to change as no detriment to the group as a whole is demonstrated.

2.4 Balance Sheet

2.4.1 The Business Plan shows the following Balance Sheet forecast.

HTS (Property & Environment) Ltd

Business Plan

June 2019

Balance Sheet

Fixed Assets

Start Up Costs
Fixed Assets

Total Fixed Assets

Current Assets

Stock
Debtors
Cash & Bank

Total Current Assets

Current Liabilities

Creditors & Accruals
VAT

Total Current Liabilities

Total Assets less Current Liabilities

Long Term Liabilities

Loan
Lease & Hire Purchase Creditors
Corporation Tax

Total Long Term Liabilities

Total Assets less Total Liabilities

	1	2	3	4	5	6
	A	A	A	QR		
	2 Months	Year to				
	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
	Actual	Actual	Actual	Forecast	Forecast	Forecast
	Actual	Actual	Actual	Forecast	Forecast	Forecast
Start Up Costs	448	358	268	178	88	-
Fixed Assets	1,228	1,012	893	1,491	2,243	3,035
Total Fixed Assets	1,676	1,370	1,161	1,669	2,331	3,035
Stock	27	33	42	42	42	42
Debtors	581	1,228	1,565	1,762	2,048	2,563
Cash & Bank	922	1,828	1,868	3,072	3,343	4,157
Total Current Assets	1,530	3,089	3,475	4,876	5,432	6,762
Creditors & Accruals	(1,138)	(2,033)	(2,439)	(3,140)	(3,093)	(3,391)
VAT	(219)	(633)	(420)	(450)	(480)	(550)
Total Current Liabilities	(1,357)	(2,666)	(2,859)	(3,590)	(3,573)	(3,941)
Total Assets less Current Liabilities	1,849	1,793	1,777	2,955	4,190	5,856
Loan	(1,170)	(936)	(702)	(468)	(415)	(260)
Lease & Hire Purchase Creditors	(543)	(347)	(151)	(977)	(1,909)	(3,041)
Corporation Tax	(26)	(97)	(98)	(130)	(92)	(81)
Total Long Term Liabilities	(1,739)	(1,380)	(951)	(1,575)	(2,416)	(3,382)
Total Assets less Total Liabilities	110	413	826	1,381	1,774	2,474

2.4.2 A strong balance sheet reflects the strong management of assets and liabilities but the large increase in cash and bank balances held may not be a long term priority for the Council as company owner and strategic decisions around necessity and use of such reserves should be considered.

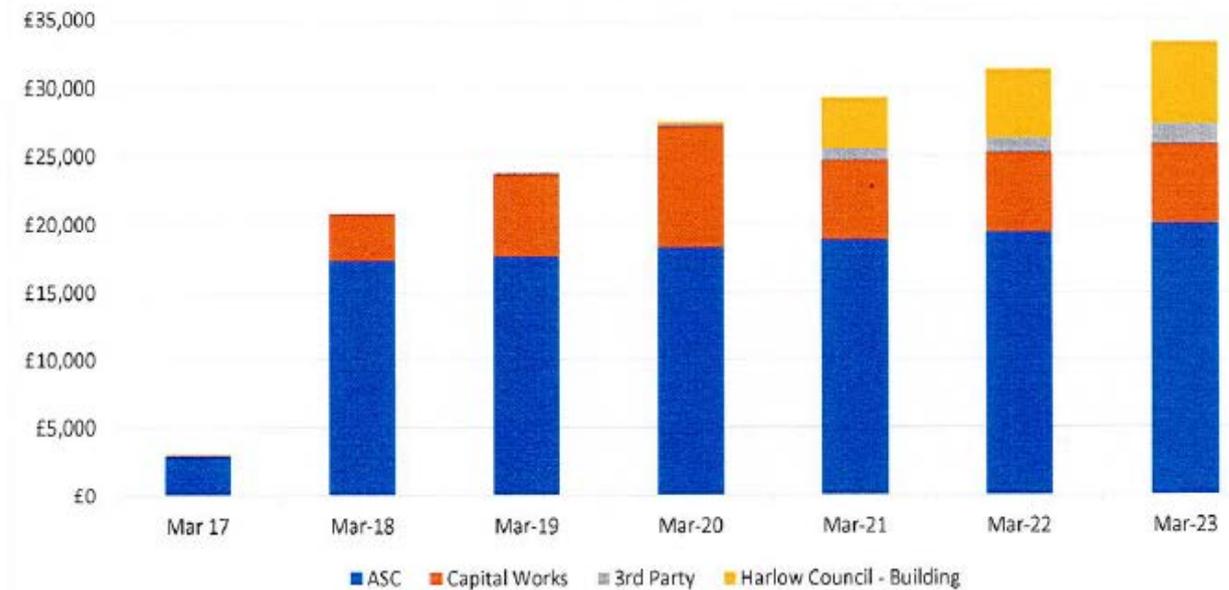
2.5 Background Data to Business Plan Financial Section

2.5.1 In terms of Background Data, the Business Plan shows the following:

Five Year Business Plan – Revenue Summary

HTS (Property & Environment) Ltd - Revenue Forecast

£'000s



HTS (Property & Environment) Ltd
5 Year Business Plan
Sep-18

Revenue Summary

	<u>Mar-17</u>	<u>Mar-18</u>	<u>Mar-19</u>	<u>Mar-20</u>	<u>Mar-21</u>	<u>Mar-22</u>	<u>Mar-23</u>
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
ASC	£2,878	£17,265	£17,600	£18,276	£18,824	£19,388	£19,970
Capital Works	£135	£3,478	£6,068	£8,885	£5,800	£5,800	£5,800
3rd Party	£16	£71	£135	£135	£900	£1,100	£1,500
Harlow Council - Building	£0	£0	£0	£200	£3,700	£5,000	£6,000
Total Revenues	£3,029	£20,814	£23,803	£27,495	£29,224	£31,288	£33,270
PBT %	4.49%	4.39%	4.60%	4.97%	3.32%	2.79%	2.58%
Capital Expenditure - £000s	£1,676	£19	£38	£880	£500	£500	£501
Potential Return to Harlow Council (50% P.A.T.)	£0	£540	£579	£684	£485	£436	£429

2.5.2 The Business Plan is broken down over a number of headings which include the Annual Service Charge, Third Party works where evidence is unclear as to the level of growth anticipated, and House Building for which, at the present time, work is not guaranteed to HTS (Property and Environment) Ltd but subject to a pilot tender exercise, details of which fall outside the remit of this report

2.5.3 A joint approach to future Business Planning beyond the first 5 years, should an extension be granted, will be essential to creating a strong Business Plan and assuring the company future financial viability to align further with the Council's priorities and long term strategies.

2.5.3.1 HDC's medium term financial forecast for house building totals just short of £21m covering the years 2019/20 to 2022/23, but this is based on assumptions rather than guaranteed work to HTS (Property and Environment) Ltd and the figures are dependent on the Company's capacity to successfully tender for two projects. Should this not be a successful pilot the Business Plan will need to be re-cast under business as usual operations.

3. Profit and Dividend Forecasts

3.1 In considering Profit and Dividend Forecasts the Shareholders Statement was reviewed to understand performance over the past two years, and that forecast also in the current financial year.

HTS (Property & Environment) Ltd

Summary of Management Accounts

Month:

March-19

	Actual			12 Months Actual to			Forecast		
	14 Months Actual to March 2018			Mar 2019			Year to 31 March 2020		
	Actual £000's	Business Plan £000's	Variance £000's	Actual £000's	Business Plan £000's	Variance £000's	Latest Forecast £000's	Business Plan £000's	Variance £000's
1/ Total (All Activities)									
Sales	23,843	26,159	(2,316)	23,453	24,171	(719)	27,293	25,529	1,764
Cost of Sales	(19,999)	(22,095)	2,096	(20,125)	(20,545)	420	(23,120)	(22,021)	(1,099)
Gross Profit	3,844	4,064	(220)	3,328	3,626	(299)	4,173	3,508	665
Overheads	(3,279)	(2,805)	(474)	(2,760)	(2,470)	(290)	(2,738)	(2,287)	(451)
Net Profit	565	1,259	(694)	566	1,156	(589)	1,435	1,221	214
Interest	(55)	(65)	10	(34)	(44)	10	(56)	(70)	14
Net Profit before Tax *	510	1,194	(684)	533	1,112	(579)	1,379	1,151	228
Taxation *	(98)	(239)	141	(106)	(128)	22	(276)	(230)	(46)
Retained Profit	412	955	(543)	427	984	(557)	1,103	921	182

**** The March 2018 & 2019 Results include the following exceptional items:**

1/ Return to Harlow District Council Management Charge	£'000s	£'000s
Annual Service Charge Rebate	285	227
Total Return to Harlow District Council	542	352
2/ Other Non-Budgeted Spends		
Councillor Director Salaries		27

3.2 Actual Retained Profit for 2017/18 and 2018/19 is net of Management Charge made by HDC and ASC Rebate to HDC. This was £0.542m and £0.579m respectively. Retained Profit would have otherwise been £0.954m and £1.006m, so very close to that originally planned (£0.955m and £0.984m respectively). 2019/20 suggests an increase in profit to that originally planned: £1.103m compared to £0.921m. The latest Business Plan, however, suggests an ongoing annual Management Charge and ASC Rebate. This may require reconsideration in light of the findings from work stream 1 (ASC) of this review.

3.3 The forecast of Profit and Loss for All Activities is summarised below.

	1		2		3		4		5		6	
	A		A		A		QR					
	2 Months	Year to	Year to	Year to	Year to	Year to	Year to					
	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-17	Mar-18	Mar-19	Mar-20	Mar-23
	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Actual	Actual	Actual	Forecast	Forecast
Total (All Activities)												
Sales	3,029	20,814	23,805	27,495	29,224	31,288	33,270					
Cost of Sales	(2,459)	(17,000)	(20,125)	(23,431)	(25,361)	(27,402)	(29,242)					
Gross Profit	570	3,814	3,680	4,064	3,863	3,886	4,028					
Overheads	(429)	(2,850)	(2,536)	(2,617)	(2,779)	(2,885)	(2,991)					
Net Trading Profit	141	964	1,144	1,446	1,084	1,002	1,037					
Interest	(5)	(50)	(50)	(79)	(113)	(130)	(180)					
Net Profit	136	914	1,094	1,367	971	872	857					
Harlow District Council	-	(540)	(579)	(684)	(485)	(436)	(429)					
Retained Profit	136	374	515	684	485	436	429					
Taxation	(26)	(71)	(102)	(130)	(92)	(83)	(81)					
Retained Profit	110	303	413	554	393	353	347					
	18.82%	18.32%	15.46%	14.78%	13.22%	12.42%	12.11%					
	4.49%	4.39%	4.60%	4.97%	3.32%	2.79%	2.58%					

2.1 Forecast

- The forecast is for revenues to grow from £23.8m in March 2019 to £33.2m by March 2023.
- Interest Costs from loans to invest in assets increase to £180k p.a. by March 2023.
- Returns to Harlow District Council

	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Management Charges and Rebate to H.D.C.	-	540	579	684	485	436	429
Cumulative	-	540	1,119	1,803	2,288	2,724	3,152

- The rebate and management charges payable to Harlow District Council increase to £684k by March 2020.
- The rebate will reduce to £429k by March 2023 due to investment in assets partially offset by increased trading in Housing and 3rd Party works.
- The total rebate to Harlow District Council is forecast to be £2.5m.

3.3.1 The latest Business Plan also suggests an ongoing Management Charge and ASC Rebate which may need amending in a re-cast business plan dependent on findings of Review Work Stream 1 (ASC).

3.4 Investment Schedule

3.4.1 HTS' Capital expenditure schedule was also reviewed; however there was no narrative from HTS (Property and Environment) Ltd included to describe the investment requirements. 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). 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. As a company in its infancy such investments which will require further work before conclusions can be drawn on viability of these plans and they will of course require inclusion in future Business Plans and receive the correct level of sign off as per scheme of delegation before individual investment projects can be progressed.

4. Conclusion

The current Business Plan, dated January 2019, assumes an increase in Third Party work as detailed above and substantial investment in house building which is still in pilot stage and therefore not guaranteed. It assumes that the Annual Service Charge will rise by 3% annually and that cash surpluses will increase substantially. The HTS (Property and Environment) Ltd Investment Schedule requires supporting evidence given the business changes made in 2017, and the assumptions that have been made in HTS (Property and Environment) Ltd's forecasts without parallel HDC governance or budget decisions to act as surety. The investment schedule of HTS (Property and Environment) Ltd therefore requires further development and viable investment options built into a refreshed Business Plan, with appropriate approvals for projects sought prior to implementation.

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations**Operational and Performance recommendations****Financial recommendations**

1. Consider long term approach to accumulation of cash reserves and strategy around necessity and use of such reserves.
2. 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.
3. Develop HTS (Property and Environment) Ltd investment schedule to create viable investment options to be built into a refreshed Business Plan (with appropriate approvals for projects sought prior to implementation).

Cultural/relationship recommendations**Refer to Shared Operational Performance meetings as Business as Usual:**

4. Should house building pilot not be successful Business Plan will need to be re-cast under business as usual operations to take into account the effect of this and forecasts and investment proposals amended accordingly.

Refer to senior management teams as outside scope of review:

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 5

Theme: Economy- Spending Less, Increasing Income		
Area for Review:	Budgetary Control and Management	
Review Actions:	5. Payment Mechanism	
Date review complete:	Harlow Council Lead:	HTS (Property and Environment) Ltd Lead:
23 September 2019	Andrew Smith	Alex Morris

Evidence Base for review:

- Services Agreement Schedule 3
- Volume Driver data

Methodology:

1. Review Service Agreement Schedules and Appendices
2. Carry out consultation with Client Teams

Review findings:

1. Payment Mechanism Model

- 1.1 Schedule 3 of the contract sets out the Payment Mechanism. Schedule 3 Part A covers the 'Calculation of the Gross Service Charge and [Annual] Service Charge'. Gross Service Charge is defined as the cost with the Financial Model, otherwise Annual Service Charge (ASC). The Service Charge is the amount of ASC paid to HTS (Property and Environment) Ltd monthly subject to Indexation (BMI under the Services Agreement), Additional Services, Volume Driver increases and decreases and / or Deductions.
- 1.2 Schedule 3 Part B covers 'Performance Adjustments' where there may be deductions for poor performance. In carrying out the review consideration was given to the appropriateness of this item given that HTS (Property and Environment) Ltd is a wholly owned subsidiary of Harlow Council and therefore penalties may not be the most appropriate course of remedy when dealing with performance issues.
- 1.3 Appendix 1 of Schedule 3 sets out the 'Major Key Performance Indicators' (KPIs); Appendix 2 sets out the 'Volume Parameters'; and Appendix 3 sets out the 'Form of monthly invoice'.
- 1.4 The premise of the ASC is to save time valuing works. An invoicing and approval mechanism, norm for traditional contracts, would be resource hungry for both parties with little benefit other than ensuring completeness and quality of workmanship. HTS (Property and Environment) Ltd carry out post inspection works, and a 100% measurement of Capital Works. Key Performance Indicator (KPI) data and supporting information is shared with the Council Housing Officers 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.

1.5 The success or otherwise of the Payment Mechanism may be assessed by those Officers who have day-to-day experience. Council Officers were asked for their thoughts, and HTS (Property and Environment) Ltd invited to comment. The following is from the detailed responses.

Issue	Comments from HDC Officers	Response (HTS (Property and Environment) Ltd)
Payment on account (except where critical failure identified)	Poor information in some areas [e.g. landscape works] about the quantity of work required so any change in demand is not easily quantified (and if necessary priced).	<p>The purpose of an ASC is to reduce expensive administration and re-measuring of works completed. One payment can be made per month for a variety of works. This limits the Council's risks to paying costs above the ASC if they were re-measured. Significant investment would be required in systems, technology and resources to administer a measured contract, both by HTS (Property and Environment) Ltd and the Council. Particularly with the environmental works that HTS (Property and Environment) Ltd carry out, the Council has limited knowledge about the quantities, types and locations of its asset. A major data collection exercise would be required by HDC to enable this to happen.</p> <p>The regular addition and removal of assets through Right To Buy (RTB) and in particular building work and new build works via third parties provides challenges in capturing current stock and state to be serviced.</p>
	Payment not sensitive to detailed fluctuations in performance.	HTS (Property and Environment) Ltd performance is measured monthly against agreed KPI's. Obviously, this does not mean that all work is completed within timescales, but there are tolerances within the KPI's that allow for this.
	The current mechanism doesn't provide much in the way of incentive for HTS (Property and Environment) Ltd to complete the maximum amount of work for the resources that they have.	HTS (Property and Environment) Ltd has consistently met or exceeded its performance targets throughout the duration of the contract.
Volume Drivers	The Volume Driver mechanism are generally skewed quite heavily in favour of the contractor: Volume of work in a given area must exceed the predetermined norm by a modest margin to trigger additional payments, but must fall below the norm by a substantial margin to trigger a rebate	There has been very minor financial adjustments at each year end – 2017/18 – rebate of £3000 to HTS (Property and Environment) Ltd, 2018/19 = rebate of £3000 to the Council.. Agree a review of Volume Drivers is necessary to determine their usefulness. After two complete years of assessing the impact of Volume Drivers, the financial impact to the Council has been negligible; hence there is no favour to the contractor as indicated. Surely this indicates the thresholds are fair and reasonable
	<i>Work stream 8 also found similar conclusions in relation to the limited usefulness of volume driver mechanism</i>	
Performance and Penalties	KPIs and HTS (Property and Environment) Ltd performance is linked to the current Payment Mechanism with penalties	We would hope that this would be the case, but as it remains in the Service Agreement there is a risk to HTS (Property and Environment) Ltd that it would be implemented if there were performance failures, this mechanism should be reviewed.

	imposed for poor performance. It is unlikely that the Council will ever want to impose penalties on a wholly owned subsidiary and so almost makes it irrelevant.	
Quotes and Invoicing	There are recognised delays and blockages in HTS (Property and Environment) Ltd Commercial Team providing quotes, and afterwards invoices in a timely manner. This can prove administratively burdening chasing these, and for HTS (Property and Environment) Ltd (parochially) an issue of cash flow.	HTS (Property and Environment) Ltd acknowledges these blockages and is working to remedy the problem. HTS (Property and Environment) Ltd Commercial Team resources have been lower than budgeted due to its ability to recruit and maintain Quantity Surveyors. HTS (Property and Environment) Ltd has secured a trainee Quantity Surveyor (QS) starting in September and is interviewing for a new QS

1.6 The following observations are made in light of these responses:

- Officers have identified ways in which the services can be improved, especially the Environmental services, through technology (including creating better records of assets, locations etc). HTS (Property and Environment) Ltd systems, and records transferred from predecessor Kier Harlow, should provide at least ten years of information, data about the Council services. Works should be quantifiable.
- If the performance mechanism is to continue then a complete review of the KPIs and tolerance levels is required as the current arrangement is a legacy of the JVCo and in some cases the KPIs are no longer fit for purpose.
- HTS (Property and Environment) Ltd can demonstrate it is meeting /exceeding its performance. However, this is based on information from HTS (Property and Environment) Ltd. HTS (Property and Environment) Ltd information is now added to the Council's performance system (InPhase) to enable more transparency in reviewing HTS (Property and Environment) Ltd performance.

2. Conclusions

2.1 The ASC is an instrument for making on account payments to HTS (Property and Environment) Ltd for a basket of works reducing the need for expensive inspection and sign off of completed works. Monthly payments of an Annual Service Charge work for both parties. In some instances the work undertaken has not been adequately specified and therefore cannot be adequately monitored and quantified. This requires investment in systems. Abandonment would be resource hungry for both parties with little benefit other than ensuring completeness and quality of workmanship. It is suggested that the penalty mechanism might be abandoned and the adjustments for Volume Drivers deemed unnecessary.

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

1. Consider alternative mechanisms for penalty and/or reward under the contract appropriate to performance management for a wholly owned subsidiary Company

Operational and Performance recommendations

2. Consider abandoning financial adjustments for Volume Driver activities. Consideration also needs to be given to whether the activities are a) already covered in the Output Specification; b) are needed; and c) be removed completed

Financial recommendations

3. Establish a program of systems investment to facilitate services improvements (linked to works streams 3 and 7 of the review)

Cultural/relationship recommendations

Refer to Shared Operational Performance meetings as Business as Usual:

Refer to senior management teams as outside scope of review:

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 6

Theme: **Efficiency** – spending well

Area for Review: An agreed-upon succession plan

Review Actions: 6. Demonstrate succession planning and understanding of internal skills available

Date review complete:	Harlow Council Lead	HTS (Property and Environment) Ltd Lead
23 July 2019	Simon Hill (supported by Bev Thomas and Becca Farrant)	John Phillips (supported by Tim Page)

Evidence Base for review:

- Staffing and Organisational Development Strategy
- Staff structure charts
- Draft Succession plan
- Promotion/Succession tracker
- Case studies
- Staff satisfaction Survey Results (ACAS report)

Methodology:

1. Establish the current strategies, policies and processes in place which govern and support succession planning within the organization.
2. Carry out interviews of staff across the organization to measure awareness of policies and procedures in place
3. Undertaken a joint desktop analysis of any areas for improvement or enhancement of what is in place, including anything additional to be implemented to support robust succession planning for the organisation.

1. Review findings:

- 1.1 HTS (P&E) Ltd Staffing and Organisational Development Strategy recognizes 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.
- 1.2 Retention across the core workforce is high with over 50% of the staff having worked on JVCO/LATC service delivery for 10 years or more, with another 12% of staff working between 5 and 10 years. Building upon initial changes to staff roles and responsibilities identified at the transition phase, in order to realign staff structures with the new delivery model, other factors impacting upon staff recruitment and retention have been identified by HTS (P&E) Ltd. These factors include local developments such as Harlow & Gilston Garden Town, Public Health England and the Enterprise Zone which have all been identified as bearing pressure on staff retention and recruitment.

1.3 The Strategy therefore looks to provide for internal opportunities for the recognition and development of existing staff, maintaining the numbers of staff supported in employment and achieving positive movement in the organisation's Gender Pay Gap.

1.4 The 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 (P&E) 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.

1.5 The Strategy defines 'Staffing and Organisation development' as a process for defining and addressing staffing implications of strategic and operational plans, i.e. recruitment, promotion, transfer, redeployment, attrition, retention, along with employees learning and development. The Strategy includes the following six core principles

- Affordability and/or self-financing
- Equitability
- Increases in substantive role responsibility (succession/slotting)
- Ring fencing, internal recruitment and competitive interview (where appropriate)
- HTS are committed to equal opportunities and welcomes applications from all sections of the community.
- Internal/External recruitment for specialised skills and/or qualified professionals

1.6 Using the responses received from staff interviews, case study examples of successful succession activities and the results of the 2019 Staff Survey, the core principles were examined for evidence of tangible processes in place for delivery, and the level of embeddedness within the organisation.

2. Affordability and/or self-financing

2.1 The affordability of retention activities was addressed in the Case Studies provided, whereby efficiencies have been achieved through not replacing vacant roles like for like, but instead re-evaluating existing posts, aligning capabilities with increased responsibilities required. There was no evidence of an overarching analysis of how this might be replicated, nor did the succession tracker process reflect this practice. Joint review discussions confirmed that analyses of optimum operational models have been considered as alternatives to the status quo as part of succession planning and that the current model is considered appropriate for current contracts held by the company. Phase 2 of the Strategy would see adaptations considered and implemented as and when new opportunities arise for business growth. The HTS (P&E) Ltd delivery model is broadly similar to that of the JVCo previously, with some adjustments to roles to fit the direct delivery of support services including outsourcing via SLAs (such as HR, SHEC and ICT) and senior management functions which now sit within the core workforce, solely working to HTS (P&E) Ltd. The tracker shows posts likely to become vacant with relevant timescales, and the process to be used to fill them, with a focus on retention and replication of the existing structure.

3. Equitability

3.1 No specific reference to processes or procedures contributing to achieving equitability is made within the evidence base for the review, although in the area of gender equality the promotion tracker reflects just over 40% of internal promotions to date were female and HTS (P&E) Ltd have worked to close the gender pay gap, improving from 2.16% to 0.7% between 2017/18 and 2018/19. The general responses from the Staff Survey, i.e. not specific to promotion opportunities, described a perceived lack of fairness and culture

of favoritism, and within this context the development of phase 2 of the Staffing and Organisational Development Strategy will need to combat this.

4. Increases in substantive role responsibility

4.1 The Case Studies provided as part of the evidence base demonstrated that internal mentoring and training is successfully taking place at supervisor level and upwards and that re-evaluation of existing roles to take on additional responsibilities is an established and effective practice at these levels also. The recognition of existing skills and capability of individuals is demonstrably being used to enhance the workforce and provide opportunity to individuals, although it is not clear what the formal process is for this and it would be advisable to communicate this widely to ensure transparency and encourage staff/employees to acknowledge the potential in themselves and others.

5. Ring fencing, internal recruitment and competitive interview

5.1 The Staffing and Organisational Development Strategy was originally made available at point of transition on the notice boards at Mead Park Depot, for all staff to view. However the most recent update in April 2019 has not yet been widely circulated. From the interview discussions with staff it was clear that there is limited awareness of the policy itself, however there was wide appreciation of the general principles of pursuing internal recruitment and retention as a first course of action when vacancies arise. The interviews also found that 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 HR about opportunities. However, these conversations in the main rely on instigation by individuals, rather than from top down or via HR team so a formal process to ensure conversations happen regularly initiated by line managers would be recommended. That said, all involved in the review felt able to approach their line managers for honest and open conversations on this subject, this was also supported by the outcomes of the Staff Survey, where 56% of the respondents stated that formal or informal meetings between managers and staff are seen as the most helpful communication processes.

6. Equal opportunities/applications from all sections of the community

6.1 Advertising vacant and new positions 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. Additionally, paper copies were made available at outstations, or provided directly to operatives not on the email system by their managers. Good practice was recognized in the cleansing team in particular where line managers made sure that paper copies and all supporting forms were available to staff wanting to pursue opportunities that arose.

6.2 The Succession Planning processes also includes direct approach of individuals who have existing skills that make up a high proportion of a vacant posts requirements and a 12 month process instigated whereby a trial period of 6 months is given to enable individuals to up skill to the required level whilst in post, followed by a 6 month probation period.

6.3 Staff also felt that that lot of the opportunities to date were at lower levels. A number of staff in the interview sample were happy to stay where they were and not move upwards which, on the whole, related to age of individuals. However those who wanted mobility felt it would be available to them when opportunities arise. Given the aged of the workforce at HTS (P&E) Ltd additional recruitment strategies will be needed to supplement internal mobility upwards and avoid stretching resources in the future.

7. Internal/External recruitment for specialised skills and/or qualified professionals

7.1 Recognition of skills and abilities is key for a successful internal recruitment process and the interviews demonstrated that regular meetings with line managers take place, and changes to roles and responsibilities, either by design or circumstance, can be discussed. The Staff Survey results showed that four in ten (39%) staff are satisfied or very satisfied with the arrangements for getting feedback and 17% of staff were dissatisfied. The response was mixed in relation to opportunities to discuss personal development with a third (32%) of staff indicating a degree of satisfaction, while 38% of staff said they were dissatisfied. A formal process for discussing development in relation to internal recruitment and promotion may assist with this and allow data to be collected to support the wider succession planning processes e.g. succession tracker. Knowledge sharing regarding information and processes for individual roles was also

highlighted in the staff interviews, as needing formalizing. In some instances line managers have good understanding of the all roles within their team. In others, individual staff members are the sole person who knows how and what their role entails.

7.2 HTS (P&E) Ltd additionally commit to achieving the following as part of the Strategy, which have been reviewed using the same evidence base as the principles of the Strategy by way of providing the platform for the second phase of the HTS (Property & Environment) Ltd Staffing and Organisational Development Strategy;

Continue to Implement Organisational structure changes and salary adjustments in recognition of increases in responsibilities which have not been previously recognised.

This is broadly addressed through the delivery of the core principles above. The review found nothing further beyond those recommendations arising from the review of the core principles.

Be committed to introducing and developing an Apprenticeship programme (up to ten apprentices in any rolling year). Apprenticeships will be available across trades, crafts and business/administration.

The staff interviews demonstrated a mixed depth of knowledge on the details of the scheme, but all felt the scheme was of value and would or have already recommended the scheme to friends and family. All knew where they could get more details if required and all felt the scheme demonstrates a real commitment by HTS (Property & Environment) Ltd have apprenticeships. The popularity of the scheme is testament to the opportunities provided through it.

Pay no less than the (currently) £9.00 per hour as set out by the Living Wage Foundation. The lowest rate HTS pay is £9.18, including apprentices.

HTS (Property & Environment) Ltd pay rates were found to be set in line with the above.

Work towards developing our current Disability Confident employer status to a leader in the community both internally and externally.

The Strategy states that HTS (Property & Environment) Ltd have continued to maintain the levels of staff (18) that are supported in employment following retirements and an internal promotion/transfer along with the employment of a number of disabled people 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.

Review our SMT staffing succession planning on an on-going basis in line with the changing business needs and where appropriate for approval by the HTS board e.g. setting up new companies i.e. Housing & Regeneration

The Staffing and Organisational Development Strategy does not currently link to horizon scanning of future opportunities, this is touched upon in the Business Plan for the organization, but links to the HR policy will be required to support this as third party growth plans are developed.

The draft Succession Plan includes succession plans for all members of the SMT. The Plan includes for key posts across the organization and each post has been assessed for likelihood of becoming vacant and includes proposed pathway for filling the post, including any additional coaching or training where an internal promotion is included as preferred option. The SMT staffing succession planning will need regular and robust review by the Board where staff have identified a medium or high likelihood of leaving the organization as these posts are critical to the continuity of service provision to Harlow Council in both its Shareholder and client capacities.

No timeline for Phase 2 of the Strategy was provided as part of the review. Suggestions about succession planning for roles identified within succession Strategy from the interview process included 4 month minimum shadowing period for a handover when key roles retire or leave is planned in advance, this along with other measures to support knowledge transfer, balance with the internal and external recruitment plans with timelines; and SLAs/partnering agreements for shared resources could all be considered in Phase 2 of the Strategy.

8. Conclusion:

8.1 The principles behind HTS (P&E) Ltd Staffing and Organizational Development Strategy are known and understood by a large proportion of staff, although the formal structures sitting behind this are not always clear or fully developed. Further development of processes and procedures both in direct delivery of the strategy, and wider organizational policies which would support its delivery would provide the means by which the principles could be deeply imbedded in the future plans for the company.

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

1. An action plan for the finalization and implementation of formal agreements to support the social inclusion model should be created.
2. The context under which Phase 2 of the Staffing and Organisational Development Strategy i.e. changing of operational models to meet business growth, would be triggered should be set and shared with HDC so that the Council's own forward planning can be fed into this process.

Operational and Performance recommendations

3. Investigation of how further opportunities could be created within the environmental teams should be carried out, and fed into an update of the current Staffing and Organisational Development Strategy
4. Clarification of the regularity and content of discussions with individuals around succession planning and opportunities for promotion should be made to all managers to ensure all are given equal opportunity to have such conversations across departments and at all levels.
5. Promotion and development opportunities should be a mandatory part of the appraisal/annual review process.
6. Consideration must be given to knowledge sharing of processes and procedures, as well as key contacts with clients and contractors, and practices to ensure that this happens should be formalized so that sudden or unexpected vacancies do not have a negative effect on service delivery.
7. 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.

Financial recommendations

Cultural/relationship recommendations

8. Provision of regular updates to Harlow Council SMB on succession plans for HTS (P&E) Ltd, specifically focused on SMT plans to provide certainty of continuation of the strategic management function should be built into agenda of the regular meetings between the two groups.

Refer to Shared Operational Performance meetings as Business as Usual:

Refer to senior management teams as outside scope of review:

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 7

Theme: Efficiency – spending well		
Area for Review:	Illustrate an innovation driven and entrepreneurial culture	
Review Actions:	7. Demonstrate nurturing of innovation and entrepreneurial culture	
Date review complete:	Harlow Council Lead	HTS (Property and Environment) Ltd Lead
2 August 2019	Simon Hill (Supported by Becca Farrant)	John Phillips (supported by Tim Page)

Evidence Base for review:

- Investment Schedule
- Narrative on long term innovation
- Business Plan
- Case Study: Certification and Accreditation
- Case Study: Efficiencies
- Case Study: Mobilization and Fleet
- Case Study: Generating income from Assets
- Case Study: Green Fleet

Methodology:

1. Establish the initiatives already introduced in this area and appraise the successes and impact of these on service delivery and customer satisfaction.
2. Receive feedback from Client team regarding plans for long term innovation and operational improvements to be achieved, and possible synergies and constraints to be considered
3. Receive feedback from SMB regarding plans for innovation and strategic priorities
4. Undertake a joint desktop analysis of any areas which need further consideration and how a joint approach to innovation can be achieved for future proposals that provide mutual benefits

Review findings:

1. HTS (Property & Environment) Ltd value innovation and the fostering of an entrepreneurial culture and see initiatives and investment that contribute to this as a priority for the organization, as per the current Business Plan. The requirement for HTS (Property and Environment) Ltd to illustrate an innovation driven and entrepreneurial culture is also rooted in the balanced scorecard reported to Shareholder. The Business Plan gives some examples of innovation to be introduced, but these are aspirational rather than tangible examples and therefore the review of this area has sought to analyse further evidence by way of case studies and a narrative describing the detail of long term plans.

2. Existing actions already completed which have been innovative and/or maximise revenue from alternative uses of assets and resources include income generation from building rental and efficiencies on fleet procurement and 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 organization to make it more attractive to third parties. The actions taken to date are wide ranging and maximize assets at the organisation's disposal, as well as investing in initiatives that provide cashable and cultural returns to the business. Additionally, it demonstrates that the company values its property, plant and people assets.
3. Long term plans for innovation are bolder and involve greater commitment of resource and in some cases, ongoing contractual relationships. It is important that commitments of this scale are made with full consideration of operational impact, with best advantage made of economies of scale and value for money through companywide utilization of new systems, as well as being in line with the strategic direction for the company. Feedback was therefore sought from both operational and strategic levels of the Council representing client and shareholding agent of HTS (Property & Environment) Ltd.

4. Operational feedback

4.1 Feedback was received from across the client team, including contract administrator, finance and customer services leads, as well as individual contract delivery leads, on the following areas

- Alignment of proposed initiatives with Harlow Council priorities
- Cohesion of proposed initiatives with projects Harlow Council will be undertaking
- Avoidance of conflict between proposed initiatives and activities Harlow Council already undertakes or intends to/or not to undertake
- Any operational activities or areas for improvement not included

4.2 A common theme centred around the value of more frequent discussions between client teams and HTS (Property & Environment Ltd operational teams across the contract delivery areas with the aim of ensuring innovation benefits the contract as a whole, and also to use the expertise and experience of the Harlow Council client team in positioning innovation and investment in the right place to ensure HTS (Property & Environment) Ltd are in the best position to compete in the wider market.

4.3 Alignment

4.3.1 Client team feedback gave collective agreement on initiatives described in the narrative on plans for innovative initiatives being aligned with Harlow Council activities, however the below services and activities were included in feedback for further consideration as plans are developed:

- Linkages between HTS (Property & Environment) Ltd governance arrangements and structures and Council's own Governance Services
- Enhancing customer experience of commercial customers in line with proposals for the housing customer experience; ICT solutions for housing should explicitly include and consider non-housing requirements
- Inclusion of new fleet/plant to improve the service concerning street lighting repairs to build upon discussions to date
- Stronger commitment to GIS investment
- Strengthening of plans for of ICT solutions to serve Environmental Services and Non Housing

4.4 Cohesion

4.4.1 Feedback responses regarding cohesion with operational activities of the client team linked with HTS (Property & Environment) Ltd contract delivery focused on ICT linkages with GIS, asset and voids management and wider compliance monitoring and reporting. These could all benefit from structured operational discussions at Shared Operational Performance Meetings to identify specific projects that could deliver a joint approach between client and company in these areas.

4.5 Avoidance of conflict with Harlow Council activities

4.5.1 Client feedback unanimously cited ICT linkages and importance of compatibility with Harlow Council systems as the key factor in ensuring that both operations deliver future innovation via projects that do not conflict with the Council's own activities. Ensuring compatibility, and where possible joint procurement, for future ICT systems would bring both improved operational delivery and economies of scale benefitting both organisations. It is noted that proposals are silent on linkages with Harlow Council systems at present.

4.3.2 No contradictions were noted regarding specific projects included in the narrative, however the rationale behind replacement of ICT equipment was not felt to be clearly stated given that this was newly procured for HTS (Property & Environment) Ltd at transition and the reasoning for replacement is not obvious, therefore prioritising this may not be supported.

4.6 Additional innovation areas not considered

4.6.1 Three areas for innovation and investment beyond what is in the proposals were submitted from the client team;

- Exploration of enhanced customer service and using technology. For example using Facetime or Skype to diagnose resident repairs that would mean operatives could do more without having to send an engineer out. Similarly having a more detailed fault finder website so customers could self-serve more.
- The Drainage tanker is approaching the need for a replacement; consideration should be made to discharging tanker waste to a reed bed system making use of the silt waste, leading to a decrease in waste to landfill. (A similar scheme has been undertaken by a number of local authorities).
- Investment in HTS (Property & Environment) Ltd resources to maintain and repair splash parks may also need to be included depending on outcome of current Harlow Council review.

5. Strategic Feedback

5.1 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. The Council Senior Management Board therefore were also asked to partake in the review and

- a) Identify any initiatives which it feels should take strategic priority in line with corporate direction of the Council so that this can be fed into the recommendations for the review;
- b) Identify any initiatives which are included within the HTS (Property & Environment) Ltd proposals/client feedback which should not be pursued; and
- c) Identify any areas of innovation that are missing from HTS (Property & Environment) Ltd proposals/client feedback

5.2 The Senior Management Board did not identify any initiatives or projects that did not fit with the Council's own strategic direction and therefore nothing was identified that was felt should not be pursued further. The feedback recorded on the narrative provided by HTS (Property & Environment) Ltd was that the initiatives and projects included were all relevant and of value, with no additional items identified for inclusion beyond those included in feedback of the client team. The following initiatives were identified as priorities;

- Initiatives relating to better customer experience/ use of innovation
- Use of GIS (use for client to track/map and monitor the contract)
- IT solutions for environment should be boosted and if possible linked together with those used/planned for Housing
- Imbedding initiatives for energy management through replacement boilers into a wider energy reduction strategy, considering reduction of energy through day-to-day operations

- Electric Vehicles/Plant and equipment; linking with the climate change emergency declared by Harlow Council on 11 July active consideration of electric fleet acquisitions going forward should be a priority. (Though it is understood and accepted that what's currently available on the vehicle market is not yet a viable option, and therefore this will require a 12 month + window before work can begin in earnest on this).
- Improved IT linkages between the two parties across all future initiatives implemented

6. Financial Context

Inevitably the longer term plans for innovation included in the narrative will need to be included in the 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 ensuring the delivery of a dividend to Harlow Council whilst also delivering innovation. (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 and may be addressed further via Action 4 of the BV review). 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. The initiatives included in the narrative will require a good deal of cost benefit analysis before they can be considered within the Business Plan for the company, however it is 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 should become standard practice.

7. Conclusion:

HTS (Property & Environment) Ltd have evidenced a number of initiatives where innovation and an entrepreneurial approach have seen financial and operational rewards. Future plans to repeat this across a number of areas of service delivery, as well as through investment are in line with strategic and operational requirements of the Council, with a few areas currently not considered having been identified. The long term plans remain in the initial stages, and it will be imperative to bring sound financial analysis into the progression of these, along with regular conversations with both client teams and Council senior management team to ensure that synergy between the organisations is achieved, and maximization on returns in realized. Given the early stages of the Company's trading, and contract with Harlow Council, much of this will be addressed through Business as Usual activities via the Shared Operational teams and Joint Performance Review meetings where innovation and investment will naturally become the focus should the Council decide upon an extension of the contract term beyond the initial 5 years.

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

Operational and Performance recommendations

1. Mapping of 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
2. Creation of an energy management strategy addressing all areas of day-to-day operations

Financial recommendations

Cultural/relationship recommendations

Refer to Shared Operational Performance meetings as Business as Usual:

3. Inclusion of initiatives contained within the future innovation narrative as part of the standard agenda for client team meetings, suggest formation of an 'innovation pipeline' from the narrative to aid discussions, with task and finish groups across both organizations set up as appropriate to aid delivery. Immediate projects for furtherance should include:

new fleet/plant to improve the service concerning street lighting repairs

Drainage tanker renewal

GIS investment

4. The Business Plan should be updated to include any initiatives/projects outside the contemplation of the Current Plan as and when identified for definite delivery
5. The Board/Shareholder should be consulted and approval sought for decisions on initiatives/projects as per the limits set out in the Scheme of Delegation

Refer to senior management teams as outside scope of review:

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 8

Theme: Effectiveness		
Area for Review:	KPI Suite	
Review Actions:	8. Review KPI Suite and Transparency of Job Status from Start to Finish	
Date Review Complete:	Harlow Council Lead:	HTS (Property and Environment) Ltd Lead & Support:
16 August 2019	Bev Thomas	Neil Rowland Steve Ward (Supported by Shakeel Khan)

Evidence Base for review:

- Schedule 1 (Output Specification)
- Callsys/Servitor/Orchard Outputs
- Volume Drivers Data
- KPI Datasheets

Methodology:

1. Undertake a desktop review of the Output Specification (Schedule 1) including:
 - a. Checking the robustness of the content and any missing operational activities.
 - b. Reviewing the list of KPIs set out Appendix 3 of the Services Agreement
 - i. Are the right things being measured?
 - ii. The purpose & usefulness of the KPIs for service & operational delivery and performance monitoring.
 - c. Reviewing the Critical Success Factors (CSFs) for each element of the Output Specification (*link to Action 5 of Evidence Schedule*).
2. Arrange demonstrations of Callsys and Orchard which are primarily used for the Housing element of the contract.
3. Undertake a desktop review of the Volume Drivers (Appendix 2 to Schedule 3 of Payment Mechanism). *Link to Action 5 of Evidence Schedule.*
4. Undertake a review of KPI Datasheets as part point 1 above, including (*linked to Audit report on payment mechanism – related to KPIs*):
 - a. Is the process appropriate?
 - b. What changes are required for setting the targets and tolerances?

Review findings:

1. Schedule 1 (Output Specification)

1.1 The review found that the robustness of the Output Specification needs to be reviewed as changes that have been jointly agreed are not reflected in the document. There are also operational activities that require narrative i.e. paddling pools/MUGA's or the narrative / requirements needs updating or further clarification. Also, the operational changes in service elements are not reflected i.e. Technical Services and the Water Hygiene budget. A full review of the Output Specification against the services delivery by HTS is recommended.

1.2 Each service element in the Output Specification has a set of Key Performance Indicators (KPIs) categories as either Major, Minor or Measurements. Using the list of KPIs set out in Appendix 3 of the Services Agreement, it was established that the contract has a total of 78 KPIs covering the above categories. The suite of KPIs comprise of the following, plus the expectations of key stakeholder that go back ten or more years:

- i. Critical to service outcomes & carry a financial penalty (Major KPIs).
- ii. A default event – 10% or more of the (Minor PIs) fall below the Performance Target under the payment mechanism; which in certain circumstance lead to the termination of the Company.
- iii. Management and reporting data (Measurement PIs) which must be provided in accordance with timescales or allow the Council to understand how the Company is performing or satisfy BV reporting requirement.

1.3 The review also considered if the *'right things were being measured'* as well as *the 'purpose and usefulness of the KPIs for services & operational delivery and performance monitoring'*. It was found that some KPIs were measuring the right things and some KPIs were not. Are the KPIs useful? - Yes & No. A full review of the KPI suite would be recommended including establishing what is required for the contract, business and what is more 'wish list'

1.4 The review also found that the descriptions of the KPI needs to be reviewed and updated; and these descriptions used in all cases i.e. HTS RAG reports and Output Specification (Schedule 1).

1.5 An audit was undertaken of **HTS Payment Mechanism in the financial year 2017/18**; and the underlying contract management processes i.e. the suite of KPIs included within the services provided by HTS to the Council. A **moderate assurance** was given. The Audit made four specific recommendations related to the performance indicators in the contract. These were:

- i. The performance indicators within the contract should be reviewed to ensure the Council's requirements for improved efficiencies, incentivised performance and value for money are met.
- ii. The review of KPIs should be identified and managed as a formal project with appropriate documentation and timescales for each KPI. The review of individual KPIs should be prioritised on a risk basis. A review of the suite has been undertaken (and managed by HDC CA) as part of BAU for 2019/20
- iii. As part of the review, consideration should be given on paying HTS in arrears as well as invoking penalty clauses where performance is below expectations. Being considered in Action 5 (Schedule of the Payment Mechanism)
- iv. A sample of indicators used for performance reporting should be selected periodically by the Council for HTS to provide assurance and verify the integrity of information used to report performance. An approach needs to be developed and agreed by HDC SMB.

1.6 Critical Success Factors (CSFs) have been identified for each Service elements; yet there is no process in place for monitoring or reporting them. CSFs are linked to the Payment Mechanism (**Action 5**) and a failure of a CSF represents automatic 'non-availability' of the service for the duration of the period the service performs below the CSF threshold. **Question - what are the thresholds? And do they exist?**

2. Callsys/Orchard Outputs

2.1 Demonstrations of Callsys and Orchard were arranged separately for the Council's Contract Administrator; and took place on 22 & 29 May 2019. The purpose of the demonstrations was to gain a better understanding of the operational delivery processes, the workflow and the transparency of the 'job status from start to finish'.

2.2 Sessions to map the process / jobs /works with the Council's Officers from Non-Housing and Environmental Services were not included as part of the review as these are not a standardized process, this should be addressed as an outcome however.

2.3 The demonstrations of Callsys & Orchard provided a step by step guide of the 'job status from start to finish' for the Housing element of contract, which included the interaction with residents (Call Centre) and the operative (via PDAs). The demonstrations also identified areas that need to be jointly addressed.

- a) The update of Housing tenant's information is done manually (not automated) and sometimes include lots of human errors.
- b) The sharing of Housing information is dependent on the individuals following a process which creates the interface for the two systems.
- c) Information about problem or the welfare of tenants not always transparent.
- d) Lack of development towards a more joint up system(s).

The demonstration of Callsys (via the Call Centre) also showed the 'job status from start to finish' for the Non-Housing element of the contract. These transactions are managed separately from the Orchard system.

The other element of the contract is Environmental services, which has no link to Callsys or Orchard and is reliant on a paper-based system. Furthermore, the workflow for this area is split across the Council (Contact Harlow) and HTS.

3. Volume Drivers Data

3.1 A desktop review of the Volume Drivers set out in Appendix 2 to Schedule 3 of Payment Mechanism, raised more questions than answers. The findings were as follows:

- a. There is no mechanism for annual review or update of Volume Drivers, including setting the lower and upper thresholds. Volumes have not been verified or updated since 2016 and volume drivers will need to be updated and kept updated for new house building programmes and refurbishments.
- b. Volume Drivers are part of calculation for the Service Charge each contract month, yet the '*form for the monthly invoice*' does not reflect the calculation set out in Schedule 3, Part A of Payment Mechanism, item 4.
- c. Each quarter HTS provides information/data based on approach setup for the JVCo (Volume Driver Schedule), which serves no real purpose, provides no real benefits and is resource intensive for HTS.
- d. Volume Drivers must be considered as part of the review of Action 5 (Payment Mechanism).
- e. Out of a total of 28, only three Volume Drivers that are measured have a financial impact.

4. KPI Datasheets

4.1 The review of KPI datasheets was undertaken as part of point 1 above. It was found that some KPIs have datasheets but need updating and sign off; and some KPIs have no datasheets and are a legacy of the JVCo. The current process is not appropriate for completing the datasheets (needs to be strengthened and transparent) as its ad hoc and dependent on the Client Managers & HTS engaging with the Council CA

in a timely manner to get the job done.

4.2 Without the individual datasheet's assumptions are made and questions asked about the how the performance of an indicator has been calculated and verified. Also, the methodology for calculating the KPIs (numerator & denominator and tolerances) is required for all the KPIs. All KPIs should have a datasheet which sets out the description and methodology for calculating the KPI.

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

1. A full review of the Output Specification against the services delivery by HTS.
2. The descriptions of the KPI to be reviewed and updated; and these descriptions used in all cases i.e. HTS RAG reports and Output Specification (Schedule 1).

Operational and Performance recommendations

3. A full review of the KPI suite including establishing what is required for the contract, business and what is more 'of a wish list'. Building on the KPI review undertaken as part of business as usual for the financial year 2019/20; a full review of the KPI suite to be undertaken and managed as a formal project with appropriate documentation and timescales for each KPI. The review to also include prioritising the risk of each KPIs on the basis; and ensure all KPIs have a datasheet which sets out the description, the methodology for calculating and reporting the KPIs.
4. Callsys & Orchard:
 - a. The operational processes / workflow for both systems (Callsys & Orchard) to be mapped to provide a better understanding of the strengths and weaknesses, including the working relationships, what needs to change or be improved.
 - b. A mapping session held with the Client Officers from Non-Housing and Environmental Services to establish the processes, workflow and possible changes to current arrangement.
5. Serious consideration given to use of (expansion of) technology in Non-Housing & Environment Services elements of the contract.

Financial recommendations

NB. Recommendations surrounding payment mechanism, linked to KPIs, are addressed via Item 5 of the review and will include outcomes from recent audit and consideration of Critical Success factors/Volume Drivers.

Cultural/relationship recommendations

NB. Recommendations surrounding governance arrangements which provide the framework for delivering recommendations made under this part of the review are addressed via Item 10 of the review.

Refer to Shared Operational Performance meetings as Business as Usual:

Refer to senior management teams as outside scope of review:

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 9

Theme: Effectiveness – spending wisely		
Area for Review:	Governance arrangements	
Review Actions:	9. Demonstrate adherence with governance documents	
Date review complete:	Harlow Council Lead	HTS (Property and Environment) Ltd Lead
26 April 2019	Julie Galvin	John Phillips (supported by Alex Morris)

Evidence Base for review:

- Harlow Council Internal Audit report Ref 04.18/19 Harlow Trading Services (HTS) Strategic Governance 2018/19
- Articles of Association
- Scheme of Delegation
- Business Plan
- SSC Terms of Reference
- SSC papers
- Cabinet Office's January 2016 publication Guidance for Directors of companies fully or partly owned by the public
- Interviews with a sample of HTS Board and Shareholder Sub Committee Members
- Attendance of the 11 December 2018 Shareholders Sub Committee

Methodology:

An audit into governance arrangements formed part of the agreed 2018/19 Internal Audit Plan. HTS strategic governance had not previously been subject to an audit review. The audit evaluated key controls to ensure that the key risks are managed adequately and effectively and sought to provide assurance over the following objectives:

Audit Objective
1. Compliance with the Articles of Association and Scheme of Delegation is working as intended
2. Appropriate governance structures are in place to ensure the Council's interests, assets and reputation are protected
3. Progress against the business plan, including the loan agreement, is regularly monitored and reported on at an appropriate level within the Council
4. Potential conflicts of interest are acknowledged and appropriately managed

Taking into account the Cabinet Office's January 2016 publication Guidance for Directors of companies

fully or partly owned by the public the audit evaluated key controls to ensure that the key risks are managed adequately and effectively and sought to provide assurance.

Review findings:

1. HTS is held to account by a politically balanced Shareholder Sub-Committee (SSC), which is a sub-committee of Cabinet. The SSC has express terms of reference and retains overall strategic decision making powers enshrined in an approved delegation matrix for both the holding company and HTS.

2. It was recognised by everyone interviewed there was a fine line between being a constituent Councillor and being a Councillor Director. On the whole these were being well managed with appropriate mechanisms 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, with more planned

3. No concerns were identified regarding the £1.4M loan between the Council and HTS. Repayments, including interest payments, are being made on time and in line with the signed agreement.

4. Expectations met:

- Articles of Association, a Scheme of Delegation, and a Business Plan and were found to be fit for purpose and working well in practice.
- There exists good oversight and challenge by the Shareholders Sub Committee to ensure HTS is held to account
-
- In line with good practice the HTS Chair appraises the Board as a whole as well as individual Board members

5. Action required:

Overall, the Shareholder Sub Committee is fulfilling its role; however, there are a number of opportunities for it to become more strategically focused. For example, by receiving reports from other assurance providers (such as Internal Audit), ensuring it is not too focused on operational issues and considering an away day/session with the HTS Board to explore growth opportunities. These are addressed in the existing internal audit report into Strategic Governance of HTS, and its associated management plan, which gave substantial assurance regarding the strategic governance arrangements in place for the Council.

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

Operational and Performance recommendations

Financial recommendations

Cultural/relationship recommendations

Refer to Shared Operational Performance meetings as Business as Usual:

Refer to senior management teams as outside scope of review:

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 10

Theme: **Effectiveness: Spending Wisely**

Area for Review: Governance Arrangements

Review Actions: 10. Demonstrate adherence with Service Agreement Obligations

Date review complete:	Harlow Council Lead:	HTS (Property and Environment) Ltd Lead:
26 April 2019	Bev Thomas	Neil Rowland

Evidence Base for review:

- Services Agreement
- Change Notices
- Contract Variations

Methodology:

1. Undertake a desktop review of the Services Agreement and its Schedules (1 to 11) to determine the contractual obligations and establish which have (or have not) been enacted.
2. Review the process for Change Notices set out in Clause 16 & Schedule 5 of the Services Agreement including the process for agreeing and issuing Change Notices.
3. Identify any contract variations and the processes used to vary the contract.

Review findings:

1. **Services Agreements:** The desktop review established that the contractual obligations are being enacted and those that are not, due to the clause(s) not required at this time. The review also found that some of the obligations were a legacy of the JVCo and either needed to be strengthened or removed in order that the Agreement was more reflective of the LATC.
2. **Change Notices:** The process for change notices is included in two places within the Services Agreement; Schedule 5 is the process map which describes the procedure and Clause 16 which describes the process in more detail. As part of the escalation process states, where both parties cannot agree the details of the Change Notice, the dispute is taken to JPRM. Based on the recent governance changes a revised escalation process needs to be agreed.
3. **Contract Variations:** To date only one contract variation has taken place - a deed of variation for GDPR. There is no written process which set out when and how a contract variation will be managed which may assist operationally for future variations required.

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

None.

Operational and Performance recommendations

None.

Financial recommendations

None.

N.B. the outcome of the payment mechanism and/or any other financial matters may have an impact/change the Services Agreement.

Cultural/relationship recommendations

- a) To foster and create good working relationships as per clause 26 (Liaison between the Council and the Contractor).
- b) Strive to 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.

Refer to Shared Operational Performance meetings as Business as Usual:

- a) Additional guidance developed and agreed on when the change notice process should apply, which will remove the ad-hoc use of the process currently.
- b) A revised process for managing escalations put into place as part of the move to new Joint Performance management meetings between SMB and HTS (P&E) Ltd Senior team
- c) A process for managing contract variations developed and agreed.

Refer to senior management teams as outside scope of review:

None.

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 11

Theme: Effectiveness		
Area for Review:	Governance Arrangements	
Review Actions:	11. Demonstrate Adherence with Statutory and Regulatory Requirements	
Date review complete:	Harlow Council Lead:	HTS (Property and Environment) Ltd Lead:
16 August 2019	Bev Thomas	John Phillips (supported by Stella Dunlop & Alex Morris)

Evidence Base for review:

- General Data Protection Regulation (GDPR) /Data Protection Action (DPA)
- Procurement Policy including Contracts Standing Orders (CSOs)
- HR Policies
- Moderns Slavery Act (MSAs)
- H&S Policies Transparency Code 2015
- Public Contract Regulations (PCR) 2015
- Freedom of Information/Environmental Information Regulations
- Equality Act 2010

Methodology:

1. Establish the statutory and regulatory documents in place using HTS internal resources i.e. HR and Procurement etc.
2. Seek approval from HTS Review Project Board to expand the evidence base to include the following statutory requirements:
 - Transparency Code 2015
 - Public Contract Regulations (PCR) 2015
 - Freedom of Information/Environmental Information Regulations
 - Equality Act 2010
3. Collect and post the documents within the agreed shared area.
4. Undertaken a joint desktop review/comparison exercise of the documents against the requirements of the statutory and regulatory bodies.

Review findings:

1. The Statutory and Regulatory documents currently in place were established using the evidence base and HTS Policy list (pre the formation of the company in 2017). The documents were then posted on

the agreed shared file.

2. An initial review of the evidence base identified that several key statutory requirements were missing. In agreement with the HTS Review Board, the evidence base was expanded to include the statutory requirements listed below. It was also recognised that other Statutory and Regulatory requirements may come to light during the review.

- Transparency Code 2015
- Public Contract Regulations (PCR) 2015
- Freedom of Information/Environmental Information Regulations
- Equality Act 2010

3. It was agreed that some of the documents were operational (HTS day to day business) and not required for this piece of work. Also, in several cases, the documents had already been reviewed by another action area of the review. The above will be reflected in the comparison exercise.

4. A desktop review of the documents was undertaken separately by HTS and the Council, followed by a comparison exercise. The outcomes of the desktop review are captured in the 'Policy Review Index' document. See details in Policy Review Index at the end of this report.

5. The review established that HTS has significant number of the Statutory & Regulatory policies in place. However, further work is needed with regards

- Establishing the policies which are statutory and operational
- The process for reviewing and updating of the statutory policies
- The management and governance of statutory and regulatory requirements

6. Whilst HTS is aware that the review dates for several statutory and regulatory policies are overdue and some policy reviews have already taken place; a robust timeline will be required to ensure these documents are updated and put in place.

7. Key policies need further work as the documents are either a) Trying to do too many things at the same time; and/or b) The policy is for one statutory requirement, but the content is for another i.e. Information Security Policy Statement and GDPR.

8. The management and governance of HTS statutory and regulatory policies needs to be revisited and identify the owners who are responsible for maintaining and updating the policies as it is not always clear who in HTS is keeping the company abreast of new legislation and its wider statutory and regulatory responsibilities.

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

1. A framework to be developed for the management/governance of all statutory and regulatory requirements

Operational and Performance recommendations

Financial recommendations

Cultural/relationship recommendations

Refer to Shared Operational Performance meetings as Business as Usual:

2. All contractual statutory and regulatory policies are reviewed, update and published by December 2019, if not before.
3. A review & completion date identified for all policies that are overdue or still to be completed by end December 2019.
4. Policy required for a new statutory requirement - Criminal Finance Act 2018

Refer to senior management teams as outside scope of review:

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 12

Theme: **Effectiveness** – spending wisely

Area for Review: 12. Governance Arrangements

Review Actions: Demonstrate adherence with Business Plan and process for setting mid to long term company direction including role of SSC

Date review complete: Harlow Council Lead

HTS (Property and Environment) Ltd Lead

31 May 2019

Becca Farrant

John Phillips
(supported by Neil Rowland)

Evidence Base for review:

- HTS (Property and Environment) Ltd Business Plan
- Narrative on implementation
- Shareholder Terms of Reference

Methodology:

1. Establish the aims, objectives and outputs contained within the Business Plan.
2. Review the narrative on implementation of Business Plan and identify areas which currently do not have a stated pathway for delivery
3. Undertaken a joint desktop analysis of best routes of delivery for activities and objectives which are not clearly stated, or have not yet been scheduled.

Review findings:

1. The Business Plan is a statutory governance document for the purposes of trading activities. The current Business Plan was adopted by the Shareholder Sub Committee in January 2019 and covers the period until 2021. Where changes to trading activities are required the Business Plan must be updated, under the approval of the Shareholder Sub Committee. The process to update the current Business Plan from the plan in place at mobilization stage of the company was complex due to the volume of changes made across this time and the need to set and incorporate future direction of the company; the current plan includes all current areas of trading activity. The ability to update the Business Plan exists via recommendations to the Shareholder Sub Committee, which meets quarterly, though no internal process is currently adopted to enable this to take place on a regular basis therefore an annual standing item on the Board agenda is suggested.

2. The Shareholder

- 2.1 The role of the shareholder is defined via Shareholder Terms of Reference. The Council's Cabinet

adopted updated terms of reference for its Shareholder Sub Committee in December 2018. These terms of reference include the receipt and agreement of Business Plans from HTS Group Ltd and its subsidiaries.

2.2 The Business Plan is structured so that it includes tangible targets, as also reported to the Shareholder through the Balanced Scorecard. During the review it was found that this reporting process is imbedded and consistent and the opportunity for appropriate comment and challenge of these targets existed through the quarterly shareholder meetings.

3. Setting Direction

The Business Plan also sets the mid to long term direction of the company through appreciation of the company's strengths and weaknesses and consistent approach to identifying opportunities. Market analysis is currently dated as per issue date of the plan, however as current focus is to develop opportunities in additional service and works offering to the Council the direction of these activities is set by the Council's own strategic objectives and activities so refreshing this aspect of the Plan is not currently required. At the point that additional third party works are sought outside of HDC award then a methodology for horizon scanning and engagement in local markets would be required.

4. Desktop analysis of improvement areas

One of the key commitments of HTS (P&E) Ltd. is the maximizing of return on investment in the company through targeting improvement areas; on review it was found that some aspects of this area of the Business Plan could be supported by action plans and strategies to ensure implementation of the activities contained in the plan are delivered in the most efficient and coherent way. Investment of time and money in the stated improvement areas fall under two categories, those addressed solely in the Business Plan and those included within the company's investment schedule. For completeness the two documents should be read together, but given that the investment plan is separately considered as part of the review (under Action 4) those elements of the Business Plan have been excluded from the desktop analysis on this part of the review. Additionally the cash flow and management elements of the business plan are also addressed separately (also under Action 4) and therefore have also been excluded from this exercise.

- a) The joint desktop analysis identified that a number of items under the knowledge and skill improvement heading do not currently have smart targets set against them to measure success accordingly. An action plan setting SMART targets for these actions is required.
- b) The quality, reliability and efficiency heading contains the main service offerings of the company, work via the ASC and the Housing capital works awarded annually. These are adequately measured and tracked via contractual arrangements within the Services Agreement and Contracts for Work respectively. The joint desktop analysis recognized that investment in a new housing maintenance system had made progress via the Customer Access Strategy, and this remains a Business as Usual focus at present.
- c) The SHEC heading includes a number of completed items including open dialogue on SLA for H&S auditing for HDC, initial actions for diving safety activities completed and HACT Social value scoring methodology adopted. The intention is to publish the HACT score for 2018/19 once formally received, and this will provide a benchmark for future years. The desktop analysis found that work on measured improvements in environmental services performance outputs had not yet been commenced and that a bespoke project plan for this is required.
- d) The customer base and customer satisfaction headings include activities related to the Customer Access Strategy which is also included in Action 15 (External Reputation) so has been excluded from the desktop analysis in this part of the review, as has the capital programme extension activities as these are included under Action 2 (third party works incl. business cases to HDC). The analysis noted the change in timeslots to AM/PM slots and reduction of planned priorities from 12 months to 9.
- e) Stakeholder, Community and Social relations heading was analysed jointly, but it was found that no individual or joint communications plans existing between HTS (P&E) Ltd and HDC or other parties. 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 HDC identified.

5. Conclusion:

5.1 The governance requirements for the Business Plan are met, with the current plan covering all areas of business activity currently required. The process for amending and approving changes to the Business Plan are well understood, but imbedding this into annual cycle of meetings is not currently in place, though easily resolved.

5.2 The proposals and initiatives contained within the Business Plan have been partially implemented, and a number of bespoke action plans and operational practices are needed to provide SMART targets to measure achievement of other activities, as per recommendations below. Additionally a method for imbedding these initiatives into the organization as part of business as usual activities so that they continue and do not become one off exercises is required, therefore ownership of these by the workforce as a whole is imperative.

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

1. Internal governance for HTS (P&E) Ltd includes an annual standing item at the beginning of each year for business plan review and updating to be taken to the Shareholder. Where no changes are required this should be minuted accordingly.

Operational and Performance recommendations

2. Project plan required to map out how measured improvements in environmental services performance outputs will be scoped, implemented and imbedding into operations.

Financial recommendations

None

Cultural/relationship recommendations

3. Communications Strategy and action plan – with priorities linked to outcomes of Action 15 – to be scoped out and implemented.

Refer to Shared Operational Performance meetings as Business as Usual:

4. Continue work on new housing maintenance system via Customer Access Strategy work.
5. Publish HACT Social Value score on website once received.

Refer to senior management teams as outside scope of review:

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 13

Theme: Effectiveness – spending wisely		
Area for Review:	Organisational Culture	
Review Actions:	Demonstrate evidence of organisational culture	
Date review complete:	Harlow Council Lead	HTS (Property and Environment) Ltd Lead
23 August 2019	Simon Hill (Supported by EELGA)	John Phillips (supported by Tim Page)

Evidence Base for review:

- External consultant engaged through the East of England Local Government Association (EELGA)
- Proposal accepted for delivery of research, analysis, workshop and report by Gilli Galloway (EELGA Senior Associate)
- Harlow Council's Corporate Plan
- HTS (Property and Environment) Ltd Business Plan
- Governance and performance model for the contract
- Best Value Review terms of reference
- HTS (Property and Environment) Ltd 2018 Staff Survey results
- HTS (Property and Environment) Ltd Organisational Development Strategy
- HTS (Property and Environment) Ltd Case Studies
- Analysis of culture audit questionnaire (research by Gilli Galloway (EELGA Senior Associate))
- Output of workshop with HDC and HTS on 1st August 2019 (workshop by Gilli Galloway (EELGA Senior Associate))

Methodology:

Following the appointment of Gilli Galloway (EELGA Senior Associate) arrangements were agreed with Rebecca Farrant (HDC) on dates for the culture audit and workshop. The following phases of the culture audit then commenced:

1. Review of documents and pre-workshop culture audit

- Review of all documents provided by Harlow District Council by Gilli Galloway
- Development of culture audit questionnaire by Gilli Galloway, distributed by Rebecca Farrant.
- Pre-workshop culture audit questionnaire completed by both HDC and HTS Ltd delegates and selected operational staff.
- Respondents were asked to score (out of 100) what they considered to be the current culture of their organisation, and what their preferred culture would be. Questionnaire sections were:

- Joint working
- Overall culture
- Leadership
- Management style
- Emphasis
- Organisational “Glue”
- Success

- All responses submitted to the EELGA Associate for analysis on an anonymous basis, a 100% response rate was achieved (23 in total).
- Results of the audit analysed for presentation at the workshop, to form the baseline “As Is” position from both management and operational perspectives.
- Indication on the desired ‘To Be’ position with analysis of differences from the “As Is” results
- Illustration of the areas of difference to enable key areas of focus for improvement to be identified and discussed at the workshop.

2. Half-day workshop - 1st August 2019

- Delivery of half day workshop
 - Outline of the definition of organisational culture.
 - Exploration of what causes a toxic culture and its impact on an organisation.
 - Discussion on how the current culture came to be.
 - Analysis of pre-workshop culture audit - baseline “As Is” and preferred “To Be” - including results from operational staff who were not at the workshop.
 - Facilitated discussion, based on key elements of the baseline audit, to define and agree on the optimum “To Be” culture of each organisation to enable an effective and productive working relationship.
 - Work in groups mixed between HDC and HTS
 - Identifying common areas of agreement
 - Facilitated discussion on areas of difference
 - Facilitated discussion on possible ways forward to agree and implement changes
 - Agreement on key areas of focus for a culture change programme.
 - Discussion and agreement on a potential facilitation framework for a culture change framework.

3. Collation of information and write up

- Review of the workshop outputs
- Report on the workshop outcomes and outputs
- Recommendations on possible ways forward

Review findings:

1. The collation of the outputs from the culture audit questionnaires and the workshop on 1st August revealed a number of points that should be addressed to improve the overall culture between the two organisations (HDC & HTS). The workshop also produced areas of focus for future action to enable a culture change programme to be developed and implemented with the aim of improving the organisational culture between HDC and HTC and to boost the level of trust and cooperation between the two organisations.

2. Overarching requirement:

It was clear from discussions with the group during the workshop that one of the first things that should be addressed is to have clarification around what relationship is expected between HDC and HTSAs there is a level of confusion/misunderstanding around what is actually required under the contractual arrangements regarding governance. There did not appear to be a clear understanding by either organisation about what was expected, and it was also stated that there are differing views on the relationship depending on where

staff are located, whether it's in HDC or HTS, or at management or operational level. A number of ad-hoc arrangements to aid delivery of services were found to be in place which were not contractual but nevertheless adopted as the required way of doing things. Attitudes to these ad-hoc arrangements were mixed with some perceiving them as a necessary 'work round' where clarity is not available, others seeing them as having created unnecessary bureaucracy and others still seeing them as confusing and potentially biased towards specific client groups. Reviewing where these exist would allow delivery of the services to be streamlined, efficient and consistent and eliminate unnecessary bureaucracy and processes. This fundamental lack of clarity will hinder any planned actions to improve working relationships in the future. However, there was a great willingness in the whole workshop group to make things better.

3. Outputs from the Culture audit and workshop

Current culture: - results from group discussions

- Historical - a result of the various moves between different trading structures
- Seen as being imposed rather than planned and implemented
- Different expectations as different levels
- Fragmented culture development
- Differing levels and amount of governance
- Lack of knowledge of what governance is actually needed and what has 'evolved' more informally
- Us and them atmosphere - trust is improving but very slowly
- The culture is not the same across the board

4. The future of HTS

There were differing views on whether HTS was striving to be an efficient, value for money service deliverer to HDC, or whether it was looking to expand its service offering to external clients, thus becoming an income generator for HDC. The Business Plan clearly states "to achieve operational and service excellence, **business growth** and development, and a can-do team culture creating a positive impact on operations throughout the company." (Point 4 - Objectives). But the discussions around the table had differing views on what this meant. Point 5 in the Business Plan does lay out areas for growth, but again it wasn't clear that this was widely communicated or understood. The suggestion (shown below) of joint business planning in the future will assist in both organisations having a thorough understanding of the drivers for the future.

5. Key areas of focus to work on

(Based on outcome of the Culture Audit and discussions during the workshop)

Priority	Point No	Preferred culture
Both Groups agreed on the following four as the highest priority areas of focus		
1	1.1	Want a more trusting and collaborative working relationship between HDC and HTS
2	1.4	Want less bureaucracy, hierarchy and unnecessary procedures (clarity on what is required and why)
3	2.2	Want a more entrepreneurial approach and managed risk taking (feeling that currently the organisations are too risk averse and will miss opportunities to improve and/or expand)
4	3.3	Want a less driven, results oriented focus

These points evidenced the greatest differences between the 'As Is' culture and the preferred 'To Be, focusing on these points as a starting point for cultural change will provide a sound basis for moving forward. The differences in the scoring of the culture audit between management and operations was interesting. Management wanted a more entrepreneurial approach, whilst operational staff wanted a more trusting and collaborative working relationship between HDC and HTS. Operational staff also wanted a less driven, results oriented focus than the management responses. Some of the areas of focus which were identified by one group only can be easily linked with the 'top four' to give a manageable number of

project areas to form a culture change programme. Whilst both rated these points highly in need of improvement and their combined scores gave the priority list above, it is important that these differences are noted when planning any culture change programme.

6. The Way Forward - Methodology and Facilitators

After lively discussions in the groups a two-pronged approach (top down and bottom up) was agreed to ensure that all staff could be engaged in any future culture change programme.

Proposed methodology for a culture change programme:

- Clarify exactly what the relationship between HDC and HTS should/must look like as a starting point for the culture change journey.
- Replace 'ad-hoc' ways of working with structure and clarity to identify and address the perceived/actual levels of control and bureaucracy.
- Undertake joint business planning.
- Maximise opportunities for collaborative working and joint projects.
- Ensure the output specification matches the Business Plan.
- Process map the flow of information and actions between HDC and HTC to identify any bottlenecks and improve/streamline processes and understanding.
- Clarify roles and responsibilities between and within the two organisations, making the output of this widely available to all staff to improve understanding of the relationship.
- Provide shadowing opportunities for staff to increase levels of understanding of the relationship between the two organisations.
- Deliver workshops at all levels on specific areas of culture change that require improvement, tailored to the specific audience(s), practical and relevant.

Potential delivery

- Creation of a small design team from within HDC and HTS to drive and monitor a future culture change programme. Meetings to be structured, with a maximum of 8 people plus a Chair.
 - First meeting to agree simple Terms of Reference to ensure members understand what the role of the design team is and how it will take things forward.
- Consideration of the development of a Culture and Behaviours Statement between HDC and HTS which clearly outlines the expectations of what will and won't be acceptable. Possible areas for focus:
 - Openness and Honesty
 - Respect
 - Team Working
 - Integrity
 - Innovation

7. Point for consideration

The ACAS employee feedback survey for HTS (February 2019) has a detailed analysis of employee demographics and profile (Points 2.1 and 2.2.). This indicates that a large number of employees are in the older age bracket and have many years of service. Culture change programmes with this profile of staff often is more difficult as they are accustomed to working in a certain way ('We've always done things this way'). It is likely that there are deeply embedded beliefs and perceptions that will need to be understood and addressed. A consistent and joint approach from HDC and HTS will be vital in these circumstances to enable the 'us and them' culture' to be improved.

8. Conclusion:

There is a clear need and willingness for the organisational culture, both within and between, HDC and HTS to be improved. Without a fundamental understanding within both organisations of what the

relationship is expected to be this will be difficult to achieve. There is also a lack of clarity in the two organisations about what HTS' future should look like. Is it to be an efficient deliverer of services to HDC or is it on a path for growth to attract external clients and thus become an income generator? Even though this appears to be clearly set out in the Business Plan, it is not widely known and understood. Developing a more open and trusting relationship between HDC and HTS 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.

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

Linked to Area 14 of review, clarify/improve contractual governance arrangements (also providing performance benefits, enabling future plans to have correct aim and focus)

Operational and Performance recommendations

1. 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

Financial recommendations

Cultural/relationship recommendations

2. Form a small, focused, design team from both HDC and HTS to consider possible approaches to a planned culture change programme.
3. 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

Refer to Shared Operational Performance meetings as Business as Usual:

Refer to senior management teams as outside scope of review:

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 14

Theme: Effectiveness		
Area for Review:	Governance Arrangements	
Review Actions:	14. Demonstrate Use of Governance Arrangements in Place to Shape the Relationship with the Council	
Date review complete:	Harlow Council Lead:	HTS (Property and Environment) Ltd Lead:
28 June 2019	Bev Thomas	Neil Rowland

Evidence Base for review:

- Audit review on HTS Payment Mechanism
- Audit review on HTS Governance Arrangements
- Services Agreement
- Minutes of Shared Operational Performance Meetings (SOP)
- Minutes of Environmental Operational Meetings
- Minutes of JPRM Meetings
- Service Level Agreements:
 - ICT
 - Insurance

Methodology:

1. Review the current governance arrangements in place against the evidence base.
2. Undertaken a desktop review of the Service Level Agreements for Insurance & IT and compare with the day to day implementation of the agreement.
3. Establish the progress/implementation of the recommendations from the two Audit reviews.
4. This action is also linked to Action 10 (Demonstrate Adherence to Service Agreement Obligations).

Review findings:

1. Governance Arrangements:

1.1 The current governance arrangements have been in place since October 2017; with some minor changes the arrangements still reflect the legacy of the JVCo. The current arrangements set out the agreed performance management framework for HTS and requires the performance information to be used 'actively' at every level of the governance arrangements including reporting to Cabinet via Joint Finance Performance Report (JFPR).

1.2 A review of the Services Agreement revealed that the current governance arrangements are not fully

defined as shown in the document above but are reflected to some extent in the following:

- a. *Clause 14 (Performance of Services and Service Levels)*
- b. *Clause 24 (Continuous Improvement and Performance Review)*
- c. *Clause 28 (Best Value)*
- d. *Clause 29 (Performance Management)*

1.3 Clause 24 does refer to the current arrangement at a strategic level only; the Council's Shareholders Sub-committee (SSC) and Joint Performance Review Meetings (JPRMs). Also, the current meeting schedule of the SSC is no longer reflected in this Clause.

1.4 In March 2019, the Council & HTS agreed to alter the format of the JPRM (Joint Performance Review Meeting), with a paper presented to the Council's Senior Management Board (SMB) on these future governance arrangements in line with clause 24 of the Services Agreement, creating a more streamlined and focused performance review mechanism, still encompassing the required governance function at senior level, and ability to escalate issues and approve changes to service delivery where required.

2. Service Level Agreements – Insurance & ICT:

The obligations and services set out in the Schedule for both SLA's are being contractual delivered by the Council. Regular two-way discussion takes place including changes that may impact on the SLA's i.e. HTS exploring a new home working solution.

3. Internal Audit Reviews

Two Internal Audits have taken place; these were **a)** HTS Payment Mechanism 2017/18; and **b)** HTS Strategic Governance 2018/19.

a) *HTS Payment Mechanism 2017/18*

The Audit was undertaken to review the Payment Mechanism and the underlying contract management processes i.e. the suite of KPIs included within the services provided by HTS to the Council. A **moderate assurance** was given to this Audit. The Audit identifies good processes in place such as contract management and recognised that there were no financial incentives for HTS to improve its performance as the payments are not affected by the 1/12th payment each month. The Audit found that the payment mechanism was being performed as per the contract and focused on the two related areas of Performance Indicators and Contract Management for variations and ad hoc works.

The audit recommends a review of the KPIs suite, however the risk states '*without the use of relevant performance indicators and payment mechanism the contractor could become complacent*' The recommendations set out in the report should be read in the context of any revisions to the payment mechanism, (any review of the KPIs are intrinsically linked to Schedule 3 of the Payment Mechanism). The second recommendation (Contract Management), recommends an 'overarching improvement plan' to be created for all the Council reviews of HTS services into one document. Whilst the Audit touched on performance and governance matters it makes no recommendation in relation to changes to the payment mechanism itself (this will be addressed under Action 3 of the Review).

b) *HTS Strategic Governance 2018/19*

The Audit was undertaken to ensure the robustness of the governance arrangements and that potential conflict of interest were being managed well. The Audit was undertaken on behalf of the Council and not HTS. A **substantial assurance** was given to this Audit. The statutory governance arrangements for HTS consist of its Articles of Association, a Scheme of Delegation and a Business Plan and found to be "it for purpose and working well in practice". It is clear that this Audit was not intended to look at the wider operational governance arrangements for the HTS contract. However, the recommendations feed into the revised governance arrangements set out in point **1.4** above.

4. Action 10 (Demonstrate Adherence to Service Agreement Obligations)

Action 14 also links to Action 10 of this review. The specific recommendations from Action 10 are noted in the relevant sections below.

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

1. Contract variation required to reflect SSC schedule changes

N.B. Recommendations relating to contractual governance protocols for variations and change management are addressed through Action 10 of the review and these will need to be adopted by the formal governance structures that exist.

Operational and Performance recommendations

None

Financial recommendations

None

Cultural/relationship recommendations

None

N.B. Recommendations relating to contractual governance protocols for relationships between client and service provider are addressed through Action 10 of the review and these will need to be adopted by the formal governance structures that exist.

Refer to Shared Operational Performance meetings as Business as Usual:

1. Revised governance arrangements to provide JPRM function to be formalised and any related contractual changes made accordingly.
2. Strategic Governance 2018/19 Audit: Ensure the two recommendations are implemented and feed into revised governance structure, where applicable.
3. Payment Mechanism 2017/18) Audit: Ensure recommendation 2.1 *“improvement plan to be created collate the reviews of HTS services”* forms part of the revised governance framework.
4. Payment Mechanism 2017/18) Audit: Ensure the following recommendations are implemented:
 - a. Review KPIs (Rec's 1.1 & 1.2)
 - b. Programme of indicators to be identified for sample testing (Rec 1.4)
 - c. Introduce an overall improvement plan to hold HTS to account if targets/remedial actions are not addressed (Rec 2.2)
5. Payment Mechanism 2017/18) Audit: Ensure recommendation 1.3 – *“as part of the KPI review consideration to be given to paying HTS in arrears as well as invoking penalty clauses where performance is below expectations”* forms part of the KPI review. Linked to Action 8.

Refer to senior management teams as outside scope of review:

HTS (Property and Environment) Ltd Best Value Review 2019/20

Outcome Report 15

Theme:		
Area for Review:	Item 15: External reputation:	
Review Actions:	Demonstrate customer satisfaction and future plans to increase and enhance customer engagement (including HDC client)	
Date review complete:	Harlow Council Lead	HTS (Property and Environment) Ltd Lead
30 August 2019	Andrew Murray Sue Martin Michael Pitt	John Philips Shakeel Khan

Evidence Base for review:

1. HTS Customer satisfaction KPI outputs- analysis
2. Minutes of SIT
3. Minutes of Housing standards meetings (Tenants panel, Leaseholder panel, Standards board)
4. Customer Access Action Plan (enhancing customer access and communication)
5. Capital Housing Business Case Delivery Plan
6. Cases of complaints and insurance processing
7. Leaseholder Site visits
8. Responsive Housing Repairs Internal Audit report Ref 07 18/19
9. BMG Landlord Survey (Repairs)
10. Plaudits
11. Complaints data and analysis
12. Member enquiries data and analysis
13. CSR (corporate social responsibility) actions and graph
14. HTS Staff survey results Apr 2019 (see item 13 Internal culture)
15. Elected Member Customer Satisfaction/Access review session

Methodology:

1. Establish existing methods of customer interaction and where feedback regarding service delivery and customer satisfaction are received and recorded, both formally and informally.
2. Review the evidence submitted with regard to customer satisfaction levels, range of customer base served and interacted with, and any areas for enhancement.
3. Undertake a joint desktop analysis, considering customer satisfaction and engagement related to the following areas for the activities carried out under the Environmental and Repairs and Maintenance Services:
 - a) Service quality
 - b) Complaints Analysis

- c) Member enquiries
- d) Corporate Social Responsibility

4. Undertake an elected Member review session focusing on Member experience of Customer Service and customer access routes; to include presentations on trends to date and changes made to enhance customer access to information on, and reporting of, services provided.

Review findings:

1. For the purposes of the review service quality has been determined via analysis of customer feedback through KPIs, results of post completion inspections and with feedback from engagement channels such as surveys and tenant and service user meetings. The Review looked at this range of evidence (items 1-9 of the evidence base) to determine quality of services delivered across the Services Agreement.
2. Complaints analysis is carried out jointly between HDC and HTS (Property and Environment) Ltd to ensure consistency between responses with member enquiries dealt with by individual organizations depending on where responsibility for the subject matter falls, analysis of this data and relevant trends has been carried out as part of the review to identify any potential areas where additional actions may need to be taken to ensure enhancement or resilience building of existing provisions. Initial complaints are generated via Harlow Council CAM management system and are monitored through to completion. In addition, monthly audits are carried out by a Harlow Council officer with monthly discussion on all outcomes. Complaints are treated as **Stage 1** (response by Service Manager), **Stage 2** (response by Head of Service), **and Stage 3** (response by Chief Executive). A monthly HTS (Property and Environment) Ltd complaints report is presented to Officers at the Shared Operational Performance Meeting (SOP).
3. Residents can also report any concerns or dissatisfaction with their surroundings to their local Councillor as part of community engagement process. Member enquiries are received via Harlow Council CAM system. HTS (Property and Environment) Ltd arranges the necessary works and responds to the relevant Councillor by email upon completion of works. All enquiries are dealt with and responded to within 10 working days. Performance forms part of a customer service report issued to Harlow council for discussion in the SOP Meeting.
4. As a wholly owned company HTS (Property and Environment) Ltd has a commitment to delivering positive social impact as per the Council's corporate objectives. The aim is to add social value in full-time employment, general training for jobs, volunteering, apprenticeships etc. HTS (Property and Environment) Ltd has been regularly holding fund raising activities as well as encouraging staff to volunteer with charities. Work experience, apprenticeships and proactive targeting of under-represented groups such as those with disabilities is also undertaken. CSR contributes towards the 'Balanced Scorecard' reported to its Shareholder under the heading of 'Culture'. Case studies include details of staff engagement in form of Family Fun days in a local sports centre, and contributes towards awards such as RoSPA award (Health & Safety), Apprentice of the Year and finalist for the prestigious UKHA's 'Contractor of the Year.'
5. Due to the differing approaches taken by the delivery teams at HTS (Property and Environment) Ltd for the activities delivered under grouped areas of activity within the business commentary on each area of the review into External Reputation have been split between Environmental Services (including waste and street scene) and Repairs and Maintenance Services.

6. Environmental services:

HTS (Property and Environment) Ltd Environment management services include Grass & Landscapes, Streets & Grounds, Drainage, Pest control and Stray Dog Collection, cleaning and caretaking of Communal Housing, Vehicle Maintenance, minor highways repair and gully repairs and maintenance. These involve a number of activities delivered around Harlow in line with set service standards. All reactive work requests are generated by Harlow Council CAM system or directly from officers, whilst HTS (Property and Environment) Ltd also prepares and executes planned cyclical programmes for some activities such as grass and hedge maintenance and ditch/drainage works.

6.1 Service quality

- 6.1.1. Individual teams have monthly meetings with the relevant client managers to review performance and

agree outcomes before HTS (Property and Environment) Ltd issues final KPI data for further strategic discussion. Environment team deliver satisfaction survey cards around the areas they are working in. The residents' response varies with direct survey letters achieving higher response rate. For Non Housing repairs quality is determined on post inspection carried out by Harlow Council. The Environment SIT (Service Improvement Team) provides feedback on service standards from the representatives forming that group. Plaudits are recorded by HTS (Property and Environment) Ltd and corporate social responsibility (CSR) actions and associated graph are maintained.

6.1.2. Customer feedback and satisfaction for this service is recorded via the HTS (Property and Environment) Ltd Customer satisfaction KPI, (minor highways repair and gully repairs and maintenance are not covered) Complaints data analysis and Member enquiries data analysis. Customer satisfaction surveys for Non Housing are sent to relevant properties however for land with no postal address on-line surveys are made available based on job number. For non – housing tenants, commercial premises usually have a full repairing lease and so the customer is Harlow Council. Customers include tenants, leaseholders, general public (e.g. grass and landscapes) and the Council itself.

6.1.3. The KPI customer satisfaction analysis supplied, ranges from March 2017 to March 2019 and concludes that overall performance and the levels of satisfaction generally are good across the board with additional 300k of resources noted for landscape and street scene services on an ongoing annual basis. Satisfaction with grass cutting is an important residents issue though it is difficult to obtain statistically significant satisfaction measures. Little actual satisfaction stats are obtainable for activities making up the Environmental and Waste services as a whole, though street cleansing satisfaction levels are high; it would therefore be prudent to explore the feasibility and possible benefits of trying to increase the levels of feedback received for this service. It was noted, however, that 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 in order to justify tenant perception and develop ways to allow residents to have a voice in this area.

6.2 Complaints Analysis

6.2.1. Complaints include the following services under Environment: Mobile cleaning, Parks & Landscapes, Street Cleaning, and Transport. HTS (Property and Environment) Ltd complaints procedure is aligned with Harlow Council process. A summary and analysis of complaints received for Feb 2017 to May 2019 was supplied. 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 i.e. calling complainant first to understand the complaint fully and Business Support Manager quality checking all complaint responses before issue. HTS (Property and Environment) Ltd aim to reduce escalations to a downward trend by Q3 2019/20; monthly reports to SOP Meeting over a period of 6 months demonstrate many 'thank you's from tenants which is testament to the good conduct of HTS (Property and Environment) Ltd operatives.

6.3 Member feedback

6.3.1. A summary of Member enquires received between Feb 2017 to May 2019 was supplied. Members enquiry data analysis shows HTS (Property and Environment) Ltd review the Council's CAM system daily. Cleansing accounts for 45% of enquiries along with 29% for parks. Cleansing enquiries are highest around dumped rubbish; however a high level of response times is maintained for dumped rubbish KPI which is positive. (Outside of this Review the client teams may wish to consider investigation additional actions to reduce levels of dumped rubbish occurring, though there are no service delivery issues in this area). Monthly reports are reported to SOPM. A fairly linear trend line indicates no major increase or decrease in trend over nearly 18 months across Environmental activities.

6.3.2 During the Member review session Members reported that the public perception conveyed to them matched the customer satisfaction levels and trends demonstrated through HTS 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 more useful than drilling down in to complexities of individual KPIs.

6.3.3 Regarding the Environment services particularly, the current KPI suite has not changed from previous measurements used under JVCo model and do not necessarily reflect the LATC model. Regarding environmental customer satisfaction in particular it was felt and that a move towards broader public

engagement was needed and different customer satisfaction metrics could be explored to do this. Although the Environment SIT meetings, which are minuted and regular, do provide feedback, membership is self-selected and does not necessarily reflect the wider population of the town.

6.3.4 This limited representation was also felt to be reflected in the Housing panels, though Housing Services have a range of feedback methods in place including Landlord survey, transactional surveys, perception data, Standards Board in addition to this. A wider reach across all elements of the Contract would be beneficial in terms of understanding customer satisfaction across the contract. Attendance to Council events was sometimes felt to be low and suggestions of different approaches, including HTS making direct contact with tenants rather than via HDC channels could be explored. Consulting with a wider base of the population would increase volume of feedback being received, and the possibility of including questions relating to satisfaction with HTS within a general resident survey was discussed.

6.3.5. The feedback received from Members highlighted that increased 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. Members also provided feedback on the current ad-hoc 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 within the contract. Some adaptations to existing CRM software, or move to a new system, could overcome some operational difficulties currently experienced in this area and it was felt an appropriate recommendation to look at formalising the service offering to this sector.

6.3.6 Discussions around dumped rubbish reflected those held by Officers and investigations to analyse the make-up of rubbish that is dumped to understand what the possible sources of origination may be with a view to addressing it at source. This to include providing possible solutions where some waste streams may currently be hard to dispose of, and also encourage retailers etc to provide their own solutions to waste being dumped where they provide new installations of fixtures and fittings etc. Work to identify types of waste and reasons why it is dumped is to be carried out, as also highlighted through Officers discussions, under Business as Usual activities.

6.4 Corporate Social Responsibility

6.4.1. The CSR graph supplied demonstrates the levels and type of HTS (Property and Environment) Ltd actions under CSR for 2018/19. This includes days provided, CSR value in terms of money and of donations made. The Environment 'Spring Clean' event carried out during 2019 was well received with a high level of participants, 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 subcommittee (June 2019).

7. Repairs and Maintenance

HTS (Property and Environment) Ltd manages a portfolio of around 9,000 residential and 84 commercial properties for Harlow Council and includes responsive repairs and cyclical housing maintenance to housing and non-housing properties. Planned housing maintenance is also delivered via this service function. Housing repairs calls are initially recorded on Harlow Council Orchard system which interfaces with HTS (Property and Environment) Ltd Callsys system to enable further progression, Commercial property repairs are reported directly to HTS (Property and Environment) Ltd repairs centre. Repairs are allocated a priority as **Emergency** (2-hour response), **Urgent** (5 working days response), **Standard** (20 working days response) and **Planned** (9 months completion – reduced from 12 months in April 2019). The **Planned** priority is used specifically for Housing repairs and current work is being carried out to align resources to lower the completion times for this priority even further.

7.1 Service quality

Customer feedback and satisfaction for this service is recorded via the HTS (Property and Environment) Ltd Customer satisfaction KPI. Reports are produced on a monthly basis to review that jobs are completed in time against targets and any shortfalls are reviewed at SOP Meeting. Harlow Council Housing client and HTS (Property and Environment) Ltd hold regular Property Standards Panel Meetings, Leasehold Standards

Panel Meetings and Tenancy Standards Panel meetings to engage all stakeholders/customers, to review service standards and to identify further improvements.

7.1.1. The KPI customer satisfaction analysis supplied covers KPI's Housing repairs and Non Housing repairs from March 2017 to March 2019. For Housing repairs where full address details are known, Satisfaction response surveys are sent with prepaid envelopes; for Non Housing repairs quality is determined on post inspection carried out by Harlow Council. KPIs analysis show overall performance is above target. Customer satisfaction for Repairs and Maintenance services can be split broadly between satisfaction with response times, and satisfaction with quality of work.

7.1.2. The review found from anecdotal evidence, based on client and repair delivery team experience that there are sometimes issues with customer expectations. For example, if an operative attended to fix a sink washer but the customer wants a new sink, their satisfaction will not be high. Repairs quality is also monitored by carrying out on site Health & Safety inspections and post completion inspections. Evidence of Repairs quality for non-housing where the Council operate post inspections show communication issues between both partners. This becomes 'stifled' by existing HTS (Property and Environment) Ltd 'Callsys' call system technology that limits the amount of information that can be provided to an HTS (Property and Environment) Ltd engineer. The recent Responsive Housing Repairs Internal Audit report sampled completed repair works not signed off by tenants, and cited improvements needed for checks and recording of post inspections on more complex works. The report further identifies the need for 'review of suitability' of existing KPIs for the contract, which is being addressed via item 8 of the BV review, additionally the management of performance of sub-contractors, found as necessary by the audit to further ensure quality of repair and time taken to carry out, is addressed via item 3 of the Best Value Review. The Audit report demonstrated Moderate Assurance overall. (Areas requiring actions within the audit will be progressed through its Management Action Plan as part of business as usual processes).

7.1.3. The review noted that the Housing Customer Access Action Plan (enhancing customer access and communication) is in place with implementation of Housing repairs improvements e.g. new changes to appointments, online repairs ordering and performance reporting, tracked through a dedicated group of representatives from Housing and Non Housing HDC Client as well as updates to Housing Portfolio Holder, and Shareholder Sub Committee. The minutes of Housing Property Standards Panel on 12 June 2019 highlights ongoing issues regarding missed/cancelled appointments. New changes to repairs appointments slots arising from Customer Access Action Plan are not yet providing adequate satisfaction data however this does provide evidence of stakeholder satisfaction issues being raised together with evidence of action taken to mitigate. HTS Non-Housing KPI performance has been consistently high at 100% against targets set over the last 2 years. This includes performance measures for repairs, compliance and customer satisfaction. Further to this it is noted that improvement actions under Customer Access Plan have been prioritised at Shareholder Sub Committee.

7.1.4. In addition evidence arose from discussions related to the automation of communication between Tenant & HTS (Property and Environment) Ltd by online reporting of jobs, and more technological use of PDA's to enable texting customers with an ETA of an operative. This was seen to be the way forward. Further to this Housing Services are implementing a 'self-serve' project in 2019. Overall it appears issues and possibilities are being raised and addressed in a variety of ways, making use of existing technology of both parties. The review found that although the ability to receive feedback on PDAs is available a conscious decision has been made not to collect customer satisfaction/quality opinions at time of repair via this method as it may lead to customers feeling pressured to say how they found the service, resulting in subsequent complaints.

7.1.5. Upon reviewing a sample of hampered repairs complaints cases and insurance claims as part of the evidence base it was found that existing systems did not always adequately record and track required details to deal with responding to such enquiries. 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 (financial), avoiding duplication and increasing the speed and quality of responses to complaints and insurance claims processing which is currently being hampered.

7.1.6. The BMG Landlord Survey 2018/19 results show that overall tenant satisfaction is at 88%, this result

is positive and reflective of the enhancements that have been made across a range of Housing aspects, including customer access. The Survey is a perception survey developed over a number of years which can be matched against the transactional satisfaction surveys from which action plans can be developed to influence decision making. It is noted however that the survey shows 'repairs' as the most common reason for contact with the Council for residents who have been in contact in the last 12 months. Importantly 29% of those tenants that were dissatisfied were 'waiting for repairs.' HTS currently completes an average of 4.40 repairs per property per year. The National Social housing tenants' repairs analysis reports on average, 3-4 repairs per year and have done so for at least the last five years. The median average is 3.25 repairs per year. This places HTS in lower quartile and reflects the condition of property stock under management. Repairs generates high stakeholder contact with the Landlord survey further indicating the most popular contact method is by far the telephone at 83%. The Survey also found that a lower percentage of younger tenants are generally much less satisfied with the repairs service. Focus should be on introduction of more ways of reporting a repair; in line with the way younger tenants communicate. It is noted the Customer Access Action Plan is already in place and tackling current issues. Findings in Repairs Internal audit report show evidence of communication issues and varying levels of customer care provided between the Council and HTS (Property and Environment) Ltd.

7.1.7. 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 HTS call reporting system 'Callsys'. 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. 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.

7.2 Complaints Analysis

Complaints include the following services for **repairs and maintenance to both residential and commercial property** – Capital & third Party works. Responsive repairs & voids. A summary and analysis of complaints received for Feb 2017 to May 2019 was supplied and overall the analysis shows that the number of jobs leading to complaints is low at 0.75% and is continuing on a downward trend with majority of complaints resolved at stage one. Analysis provides that the highest areas of complaint are due to length of time taken by HTS (Property and Environment) Ltd to complete jobs on time and 'communications'. BMG Landlord survey aligns this for repairs as from those that stated they were dissatisfied with their overall housing service; the highest percentage reason was 'still waiting for repairs' at 29%.

7.2.1. Responsive Repairs Internal Audit report highlights perception that "quality of customer service provided by HTS (Property and Environment) Ltd staff deteriorates and communication issues between Council officers and HTS (Property and Environment) Ltd staff with repairs can arise". Individual complaints and insurance related cases were reviewed which demonstrated some of these issues. The item will be progressed through its Audit Management Action Plan as business as usual and may also be addressed by some of the outcomes of item 13 of the Review, relating to organisational culture. It is however noted that HTS (Property and Environment) Ltd have introduced customer service training to all teams and HTS (Property and Environment) Ltd Call Centre and that HTS (Property and Environment) Ltd have also introduced schedulers/call handlers providing a bespoke service for craft teams. Further to this HTS (Property and Environment) Ltd have put in place a process to communicate closely with complainants to avoid further escalation. Per the analysis, this collectively appears to be reducing overall complaints compared to first few months of operations.

7.2.2. As for Environmental services the review identified an increase in complaints escalations with two areas identified as main causes with improvements already in place as detailed above, measures would could further be supported through the recommendations suggested in relation to service quality around ensuring that service levels are consistent and comparable across the board is recommended.

7.3. Member enquiries

A summary of Member enquires received between Feb 2017 to May 2019 was supplied. Repairs and maintenance enquiries account for 26% of those received. No significance was found in numbers of enquiries for any one specific activity area within Repairs and Maintenance. A fairly linear trend line

indicates no major increase or decrease in trend over nearly 18 months.

2.4 Corporate Social Responsibility (CSR)

The CSR graph supplied demonstrates the levels and type of HTS (Property and Environment) Ltd actions under CSR for 2018/19. Activities centre on Environmental activities as these have the widest impact upon large numbers and sectors of the local community. Consideration could be given to specific enhancements to services provided to repairs and maintenance customers in future, perhaps around customer access, but HTS (Property and Environment) Ltd will need to be mindful of offering services in a fair and proportionate manner to ensure that any CSR activities benefit a spread of service users and are not limited to low numbers, except where these might benefit specialist or marginalized groups identified in consultation with the Council as being a priority. 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 subcommittee (June 2019).

Recommendations

From the findings of the review the following recommendations are made:

Contractual and Governance recommendations

N.B Recommendations surrounding management of sub-contractors are contained within item 8 of the Review, and surrounding delivery of regulatory regime by HTS within item 11 of the Review.

Operational and Performance recommendations

- a) Consider options for introducing more ways to communicate and consistent and comparable call recording and diagnostics across both organisations to alleviate issues evidenced in Housing complaints and insurance processing giving regard to potential need for enhancing staff competencies and skills to support this.
- b) A review of range and coverage of block cleaning activities (the current Landlord Survey does not cover block cleaning effectively in terms of customer perception) to justify tenant perception and develop ways to allow residents to have a voice in this area.
- c) Evaluate applicability of Customer Access activities introduced within Housing client areas to be replicated commercial property and Environmental Services activities
- d) Investigate alternative systems to call-sys (links to item 7 of Review on innovation)
- e) Investigate alternative metrics and methodology for collecting customer service data across the contract as a whole to reach a wider spread and volume of customers
- f) Jointly consider formalizing processes whereby more vulnerable clients can be easily identified and certain works prioritised for specific groups of people

N.B Recommendations surrounding payment mechanism are contained within item 5 of the Review.

Financial recommendations

N.B. existing telephony project for HDC and HTS (Property and Environment) Ltd includes the ability to deliver the below which will support enhanced customer engagement needs identified, and be able to provide call recording to alleviate issues evidenced in Housing complaints and insurance processing.

Cultural/relationship recommendations

- a) Ensure appropriate targets and processes to achieve/maximize CSR (balanced scorecard). Use events to build value in the form of Case studies and showcase e.g. on HTS(Property and Environment) Ltd /Harlow websites, building on Social Impact report to SSC June 2019, and considering actions that benefit service users of repairs and maintenance services.

NB. Recommendations surrounding culture between Council and Mead Park are addressed via Item 13 of the review and will be aligned to Management Action plan from recent Audit.

Refer to Shared Operational Performance meetings as Business as Usual:

- a) Ask end users on Environment SIT for satisfaction levels.
- b) Obtain any available Environment satisfaction stats e.g. Essex County Resident Survey.
- c) Ensuring Customer Access Action plan (enhancing customer access and communications) is fully implemented.
- d) Obtain customer satisfaction via link on HTS (Property and Environment) Ltd /HDC websites for grass cutting and tree works.
- e) To jointly explore what other organisations do to obtain customer feedback on repair quality (customer sign off) and customer reviews at time of repair and on the ways they save money.
- f) Visits to other Customer Service Centres to benchmark and obtain best practice around consistency of service and diagnostics
- g) Ensure achievement of aim to reduce complaints escalations to a downward trend by Q3 2019/20.
- h) Investigate causes of high levels of dumped rubbish and whether additional actions could be introduced to reduce this issue within the town.

Refer to senior management teams as outside scope of review: