

REPORT TO: SHAREHOLDER SUB COMMITTEE

DATE: 29 SEPTEMBER 2020

TITLE: OPERATIONAL AND FINANCE REPORT

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

CONTRIBUTING OFFICERS: HTS SENIOR MANAGEMENT TEAM
BUSINESS PERFORMANCE TEAM

RECOMMENDED that:

- A** The Sub Committee notes HTS (Property & Environment) Ltd (HTS) performance and finance summary together with its Covid-19 status update. It covers operational activity across all work streams for the period April to July 2020 as follows:
- i) Operational – The report illustrates HTS performance against KPIs targets set including a summary of customer service update highlighting the impact of Covid-19 crisis.
 - ii) Financial – Financial analysis provides a review of HTS position against forecast and the additional costs due to Covid-19 crisis.
 - iii) Status Update - HTS services were significantly impacted during the crisis and performance has been much lower as a result of the restrictions imposed by the government due to Covid-19. The report underlines steps taken to respond to and begin the process of social and economic recovery of Harlow.

BACKGROUND

1. On the 16 March 2020, the Government issued advice on how to prevent the spread of the virus. From 18 March 2020, and in conjunction with the needs of our services, all staff that could work from home were asked to do so; and changed (with immediate effect) the way HTS provide its services.
2. On 23 March 2020, the Prime Minister announced more measures to mitigate the virus in order to protect the NHS, with wide-ranging restrictions made on the freedom of movement for a planned "lockdown".
3. Responding to the Covid-19 pandemic was HTS's number one priority. By taking these steps we protected the health and wellbeing of our staff and residents.

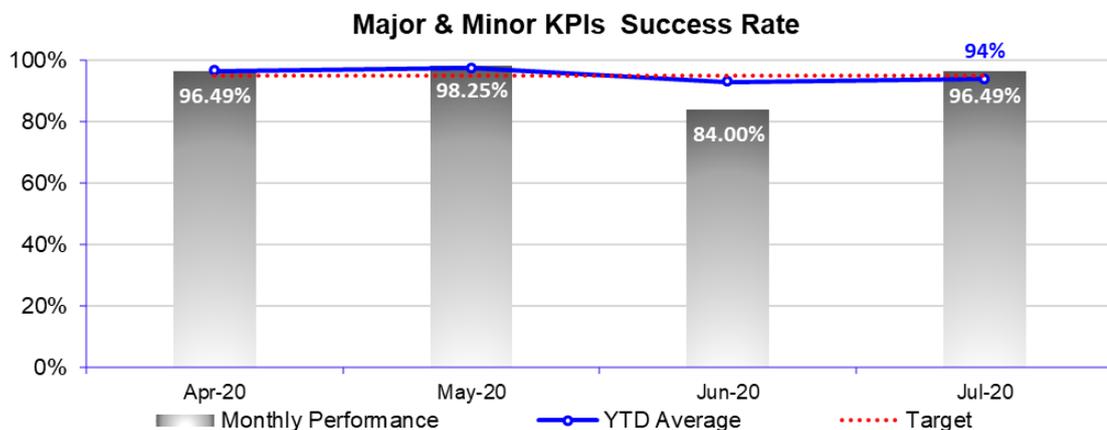
ISSUES/PROPOSALS

Impact on Services

4. From Monday 23 March 2020, HTS reduced its operations to manage emergencies only to ensure the residents have a point of contact during this period of anxiety.
5. Individual plans were produced by Heads of Service and Managers to include a review of homeworking, service requirements, preparation for potential absences due sickness, self-isolation, quarantine/school closures. The plans were incorporated into HTS's Business Continuity Plan (BCP).
6. HTS's main focus in responding to this pandemic was to keep essential services running.

Summary of Operational Performance – April-July 2020/21

7. HTS operations were initially reduced to run emergencies only in compliance with Government guidelines. These services were then extended to cover urgent jobs as the lockdown was eased. Subsequently with further relaxation of restriction, HTS began to increase operations to manage the backlog of non-urgent jobs. Consequently, some of the KPIs fell short of performance target resulting in 11% going into Red and 5% into Amber.
8. HTS achieved an average of 94% KPI compliance as at July 2020 against the full suite of Major and Minor KPIs that govern the contract for the year 2020/21.



Underperforming Major KPIs

9. Grounds Maintenance
 - a) Red: Tree works – Inspection of trees (not dangerous) reported requiring attention/maintenance within 20 working days

- b) Reason: Performance dropped as operations were reduced to deal with attending to dangerous trees only following the National lockdown guidelines. This has increased the backlog of non-urgent jobs.
- c) Corrective action: HTS has implemented an action plan in light of the drop-in performance so a structured approach is adopted to prevent further decline and bring performance back on track. The Arborists team has increased activity as the restrictions are eased and working practices are revised to mitigate against the Covid-19. In addition, HTS have assigned inspections to a sub-contractor which has sped up progress being made.

10. Housing

- a) Amber: Standard requests for service (attend within 20 days)
- b) Reason: Performance dropped due to restricted operations following Covid-19 National Lockdown. 107 out of total 1,045 Jobs were completed outside of target due to Covid-19 National Lockdown.
- c) Corrective action: HTS continues to complete outstanding works as restrictions are eased and new methods of operations are introduced. Performance has already improved since previous month.

11. The volume of completed transactions within R&M over the reporting period is set out below:

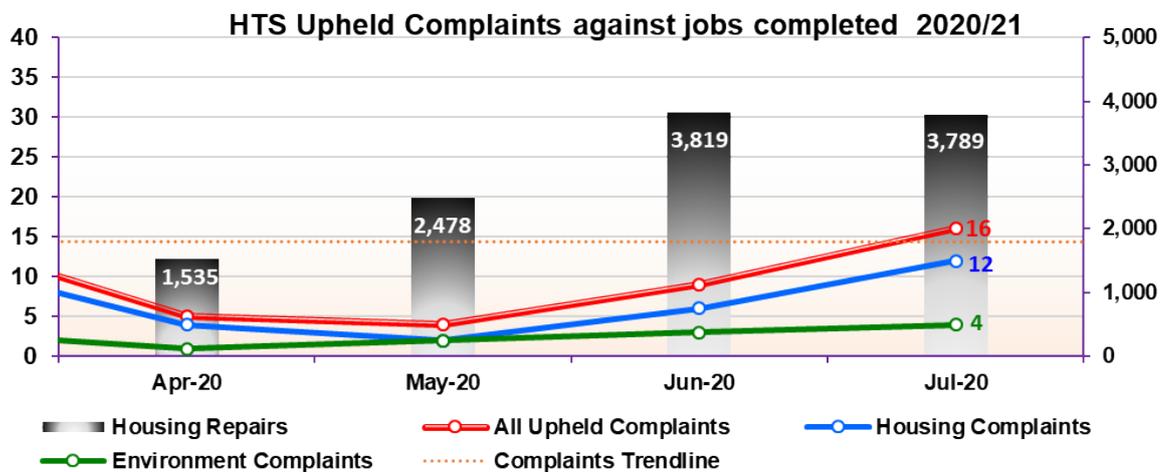
R&M OPERATIONS	April '20	May '20	June '20	July '20
Responsive Repairs	1,535	2,478	3,819	3,789
Gas Servicing	188	727	1,162	1,300
Emergencies	371	302	348	358

Customer Service Report

12. The customer service report provides a summary of the complaints for both Environment and Housing, members' enquiries as well as an update on plaudits. It is important to note that Harlow Council's complaints officer carries out a monthly audit of all complaints with the customer services team and so far, no variations have been identified. The chart below shows all **Upheld** complaints over Q1 and monitors the trend against the Housing repairs.

- a) HTS completed **3,789** repairs jobs in July; **16** have resulted in a valid complaint illustrating **0.42%** of jobs leading to valid complaint.

- b) Complaints relating to environment accounted for 25% of the overall complaints whilst the remaining 75% were in housing. This trend has been constant over the last 3 years of HTS Operations.
- c) Whilst upheld complaints remain significantly low, HTS analyses the causes of complaints to ensure continued learning. Initially, complaints remained low during April and May as the National Lockdown was in full effect. Subsequently complaints have increased as the lockdown is eased, and tenants' expectations are raised. HTS anticipates the numbers to increase further in Quarter 2 as tenants' chase up non-urgent repairs which had been put on hold due to the reasons outside of HTS control.



Members' Enquiries

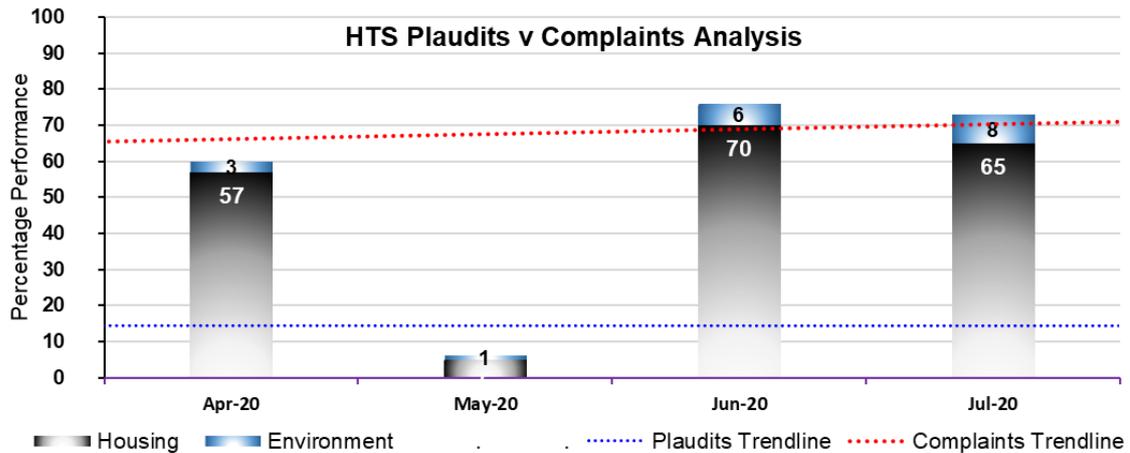
13. Councillors can also take up issues on behalf of residents and report to Harlow Council. These issues/enquiries are then passed on to HTS where necessary for a resolve. These are reviewed daily, and the Customer Service Team advise members of all completions by e-mail within a 10 working day period if passed to other departments and one working day for general enquires. There has been an increase in activity as expected following the Covid-19 National Lockdown. Please see below a monthly analysis of enquiries.

HTS OPERATIONS	Apr '20	May '20	Jun '20	Jul '20
Members' Enquiries	4	18	22	30

Plaudits and Good News Stories

14. A plaudit is recognition of a team member or group who the customer feels has gone above and beyond what is usually expected of them. Plaudits are recorded by HTS HR and Communications team and come through various mediums such as satisfaction surveys, letters or phone calls. Once a plaudit has been recorded by HR, the business support team writes to the staff member or team

advising them that they have been recognised by customers thanking them for their good work. Please see below an analysis of plaudits against complaints.



- July has resulted in 65 Plaudits across housing and Environment. The drop in May was mainly due to technical issue with recording plaudits. In comparison to Complaints, average Plaudits have been on the increase since June 2018.

Planned Works and Delivery of Capital Programme

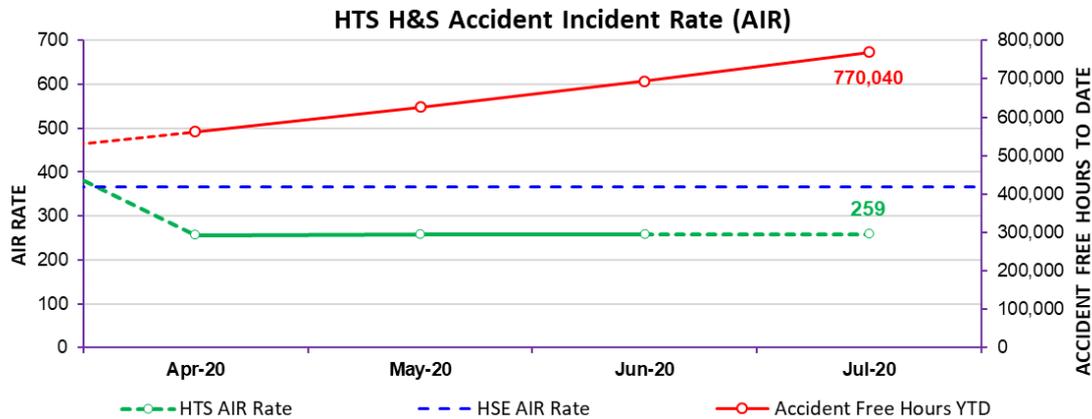
- The Council and HTS agreed an initial draft three-year Programme within the Council's investment plans at the commencement of the contract, with the Programme being reviewed on an annual basis.
- Key for both HTS and the Council is to continue to ensure increased confidence is demonstrated with the new Housing Capital Business Case processes. This will need to involve effective liaison, robust forward forecasting on Programme of delivery that can demonstrate of value for money. Ensuring programmes are delivered on time, within budget, and to high satisfaction to customers.
- All Business Case submissions have been subjected to the requirement of the new Schedule 2 Services Agreement (Planned and Capital works methodology) which requires internal and external evaluation, enabling the Council/HTS to demonstrate value for money against a set of defined criteria required.

Business Case Awards 2020/21

- Joint liaison has ensured Business Cases were submitted in line with the timescales and approved by Cabinet, using the new form of Contract for the programmes of work under the JCT Measured Term Contracts (2016).
- On-going meetings with HTS Senior Management Team and Council representatives continue in order to discuss issues and risks associated with delivery of the Business Case Awards. All works are subject to ongoing review at the monthly Progress Meetings with issues being addressed, and escalated if necessary to the Shared Operations Meeting and reporting to SMB.

Health and Safety

21. HTS reported a RIDDOR in August '19 resulting in an increase of AIR rating. Currently AIR rating is at 259 with 770,040 accident free hours. HTS expects to achieve the ZERO AIR rating in August '20.



Finance Update – April-July 2020/21

22. Overall, HTS's revenue as at July 2020 was £34,000 above forecast, mainly within Capital Works, and produced Net Profit before Tax of £73,000. The year to date total profit was £188,000 (2.9%).
23. July 2020 results include £54,500 release of Covid-19 specific provision; these were mainly to cover higher subcontractors' costs incurred as a result of additional orders raised to support service delivery.
24. Grounds – Revenues of £259,000 were £6,000 below forecast and produced Gross Profit of £7,000, being £3,000 above the forecast. Total YTD Revenue was £1,034k, with a YTD Profit of £20,000.
25. Streets – Revenues of £275,000 were £4,000 below the forecast and produced a Gross Profit of £41,000, being £3,000 above the forecast. Total YTD Revenue was £1,112,000 with a YTD profit of £162,000.
26. Housing Property Services – Revenues of £763,000 were £1,000 as per the forecast and produced a Gross Profit of £37,000 being £3,000 above forecast. The YTD Revenue was £3,051,000 with a total profit of £161,000.
27. Depot – Revenues of £46,000 were as per the forecast and produced a Gross Loss of £10,000 being as per the forecast. Total YTD Revenue was £190,000 with a total loss of £44,000.
28. Overheads – Revenues in the month of £207,000, as per forecast. The actual overhead spends in the month of £233,000 as per the budget, with the YTD Revenue of £828k, with the actual YTD costs of £1,005,000.

29. Harlow Capital Works – The July revenue of £218,000 were £46,000 above the forecast with a gross profit of £17,000 being £7,000 above forecasted. Total YTD revenue was £451,000, with a total YTD profit of £36,000.
30. Third Party Works – There were £11,000 revenues relating mainly to the sub lease of Mead Park and South Cambridgeshire facility management.
31. ASC Budget – The JUL 2020 results of 4,469 jobs were completed with an actual spend of £690,000. YTD total jobs completed was 12,656 with an actual spend of £1,638,000.
32. Non Housing Budget – The Non-Housing results for JUL 2020 were 76 jobs completed and valued at £27,000. YTD total number of jobs of 155 valued at £42,000.
33. Harlow District Council Loan – The loan continues to be repaid at £19,000 per month and the balance outstanding as at Jul 2020 was £390,000. Interest of £2,000 for July 2020 has been paid to the Council.
34. Capital Assets – As at Jul 2020, the Net Book Value of Fixed Assets was £950,000 as shown below:

	Cost Value	Acc. Depreciation	NBV
Goodwill	£448k	£299k	£149k
Plant & Machinery	£963k	£497k	£465k
Office Equipment	£19k	£8k	£10k
IT & Phones	£244k	£153k	£91k
Motor vehicles	£438k	£201k	£237k
Building Improvements	£55k	£23k	£32k
	£2,167k	£1,181k	£986k

Note: Following last year's changes to IFRS16 on leases, HTS balance sheet includes the right of use assets representing qualifying leases to a value of £780,000 and the corresponding right of use liability to a value of £791,000. New JCB was purchased at a cost of £62,500. Orders have been placed for 36 remaining vehicles and we continue with the temporary hire of the vehicles until their delivery.

Audited Accounts

35. Ensors have completed their audit of HTS's financial statements of the company for the period ended 31 March 2020 This comprised of the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The accounts were agreed and the financial statements:
- a) provided a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the period then ended;

- b) had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- c) had been prepared in accordance with the requirements of the Companies Act 2006

Coronavirus Status Update

- 36. HTS has taken steps to respond to and begin the process of social and economic recovery of Harlow as the country continues to deal the Covid-19 pandemic. It has established a number of Working Groups to work on a recovery action plan.
- 37. HTS services were significantly impacted during the crisis and performance has been much lower as a result of the restrictions imposed by the government.
- 38. On 15 June 2020 the Council granted HTS relief on the performance of its KPIs that govern the contract (Majors, Minors and Measurements) for the financial year 2020/21.
- 39. HTS Achievements
 - a) Played a leading role in supporting the Community Hub, providing vans, volunteer resources, and storage accommodation for food parcels etc.
 - b) Played a leading role in procuring PPE equipment ensuring “fit for purpose”, establishing reliable markets/supply chain, interpreting Complex/changing government Health & Safety guidance into adapting business processes, arranging Covid Secure office arrangements
 - c) Established a “remote contact centre” quickly for responding to customer emergencies/enquiries.
 - d) Worked well with local/national trade unions, in partnership, to provide support to employees through lock down, and get people back to work safely/processes.
 - e) Achieved national recognition as a playing a leading role in the newly formed LATCo organisation, developing support mechanisms for members.
 - f) Ensuring that Harlow Council maintained compliance activities across a range of activities
 - g) Maintaining resources to deliver emergency services throughout the pandemic

40. Current Status of Services

Service	Direction of Travel	Commentary
Street Scene		Quarter 1 produced some good results with main area of concern around detritus and weed growth. The Wave has taken 8 weeks to finish a complete round of the town, 2 weeks longer than normal. The hard weed spray was delayed but was reprogrammed and results take some time for improvements to show. The next keep Britain Tidy visit is due w/c 14/9
Grounds Maintenance		There is a Tree Improvement Action Plan in place that is being monitored regularly to clear a backlog of works. High levels of inspections are generating significant workload despite the time of year when we would normally expect a reduction. Grass cutting has been fully resourced but the wet weather has resulted in perfect growing conditions.
Housing Property		The voids backlog has been cleared with levels at the lowest for some time, resulting in an improved turnaround time. Gas compliance has improved to the extent that compliance is back to pre-covid levels. There is a standard repairs Improvement Action Plan to place which details how the backlog of repairs will be reduced.
Non-Housing Property		Emergency repairs were only carried out during lockdown that resulted in standard repairs not getting completed. Generally, services are now being delivered in the required timescales

IMPLICATIONS

Environment and Planning (Includes Sustainability)

The performance on tree works went into red in the first quarter with a significant backlog of outstanding work. An action plan has been agreed with the Council's Environment Team to improve this and performance is expected to be back on track by the end of Q3.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

As contained within the report.

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

Housing

As contained in the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

None specific.

Author: Simon Hill, Head of Governance

Appendices

Appendix A – HTS Management Accounts

Background Papers

None.

Glossary of terms/abbreviations used

HTS – HTS (Property and Environment) Ltd

YTD – Year to Date