

**REPORT TO:** SHAREHOLDER SUB COMMITTEE

**DATE:** 18 NOVEMBER 2021

**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. It covers operational activity across all work streams for the period July to September 2021 as follows:
- i) Operational – The report illustrates HTS performance against KPI targets set including a summary of customer service update.
  - ii) Financial – Financial analysis provides a review of HTS position against forecast. Shareholder Statement in attached in Appendix B.
  - iii) Status Update – HTS has been reviewing Government advice at each stage and have reviewed the services we can safely deliver to limit the risk of spreading the virus to our staff and the residents we deliver services to.

**BACKGROUND**

1. HTS is now working to service recovery plans (housing and environment) across all work streams with a view to reduce the backlogs, capital/planned works and day to day operations.
2. The Government continues to undertake a review to assess the country's preparedness for autumn and winter, which will consider whether to continue or strengthen public and business guidance as we approach the winter, including on face coverings and test, trace and isolate.
3. External factors are starting to take affect resulting in additional challenges and pressures emerging from Covid-19 as outlined in Appendix A.

## ISSUES/PROPOSAL

### Impact on Services

4. HTS has prepared a progress report, Emerging from Covid. The key points of these changes are:
  - a) Material supply and price increases
  - b) Labour supply and remuneration
  - c) Overhead challenges such as energy and fuel price increases, increases in insurance premiums and lead in time for vehicle supply
  - d) Inflationary increases to circa 4% and the risk of recession
  - e) Supply chain availability and reliability
  - f) Increased levels of WIP and operational performance leading to higher levels of complaints and escalations
  
5. The backlog of outstanding non-emergency works had increased significantly during the lockdowns and HTS has started to make substantial progress in reducing aged outstanding jobs, however WIP has continued to gradually rise in more recent weeks. The recovery plan details progress against these backlogs. HTS staff are now mainly working from the office full time.

### Summary of Operational Performance – September 2021

6. HTS has been working hard to not only deliver the normal service but also catch up on the backlogs that had been created in the lockdown. A number of Action Improvement Plans were completed to assist in reducing backlogs and tracking progress to improve performance.

Good progress was made in the following areas:

- Reducing Repairs backlogs to Standard Repairs
- Reducing compliance backlogs in Gas Servicing and EICR testing
- Clearing the voids backlogs

This is clearly demonstrated in our monthly Performance Reporting to Shared Operational Performance Meeting (SOPM) which has continued throughout the year.

7. HTS operations continued to cover all repairs lifting its performance from 86% in March '21 to 91% in September '21, and has achieved an average of 91% KPI compliance as at September '21 against the full suite of Major and Minor KPIs that govern the contract for the year 2021/22.

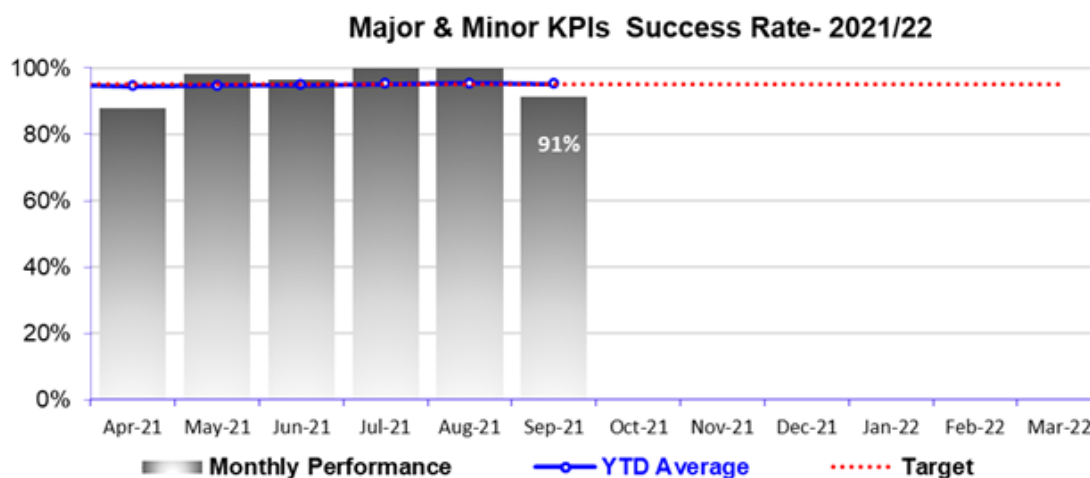
### Underperforming Major KPIs

#### Major KPIs:

##### Environment

**Amber:** Routine Cleaning of Streets – Detritus

**Reason:** HTS performance fell short of target. Areas identified were Industry & Warehousing, Rural Roads, Recreation Areas and Other Highways.



**Corr**

**Corrective action:** Detritus saw a great improvement in Q2 at 12.96% compared to 21.43% in Q1 however, still fell short of KPI target. HTS continues with increased activity in line with the lifting of restrictions from last quarter and expects continued performance recovery.

**Amber:** The proportion of relevant public land and highways with unacceptable levels of weed are visible.

**Reason:** Performance dropped due to delivery of a less efficient service following some staff isolating and revised working conditions which affected the overall performance.

**Corrective action:** Weed Growth at 17.82% has increased significantly. This increase is in line with the worsening condition of pavements and carriageways. They have increased to their highest score of 16.59% & 18.86% respectively since 2017/18. The Carriageway condition has the largest proportion of weed failure. HTS continues to increase activity in line with the lifting of restrictions and expects performance recovery by quarter end.

**Amber:** Graffiti / Fly posting removal - (Non-Offensive / Non-Obscene)

**Reason:** Performance dropped marginally to 93.75% during Q2.

**Corrective action:** This is generally a high performing area. The reduction in performance is due to 1x job completing just outside of target. The team has been reminded to focus on target time to ensure jobs are completed in time.

**Amber:** Tree works – work carried out within 80 working days

**Reason:** Performance dropped to 93.22% due to high volume of emergencies and inspection jobs.

**Corrective action:** HTS has seen an overall increase in tree works performance however the routine works priority performance marginally reduced in this quarter with 5x tree jobs completing outside of target. This was due to an increase in inspection jobs coming through. HTS is working with its tree specialist contractor to ensure that this performance recovers for next quarter.

## Minor KPIs:

### Environment

**Amber:** Remove all reported graffiti or fly posting of a racist or obscene nature removed within 24 hours.

**Reason:** Performance dropped marginally to 90% during Q2.

**Corrective action:** This is generally a high performing area. The reduction in performance is due to 1x job completing just outside of target. The team has been reminded to focus on target time to ensure jobs are completed in time.

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

R&M OPERATIONS	July '21	August '21	September '21
Response Repairs	3,573	3,159	3,348
Gas Servicing	1,122	940	1,023
Emergencies	526	383	437

### Customer Service Report

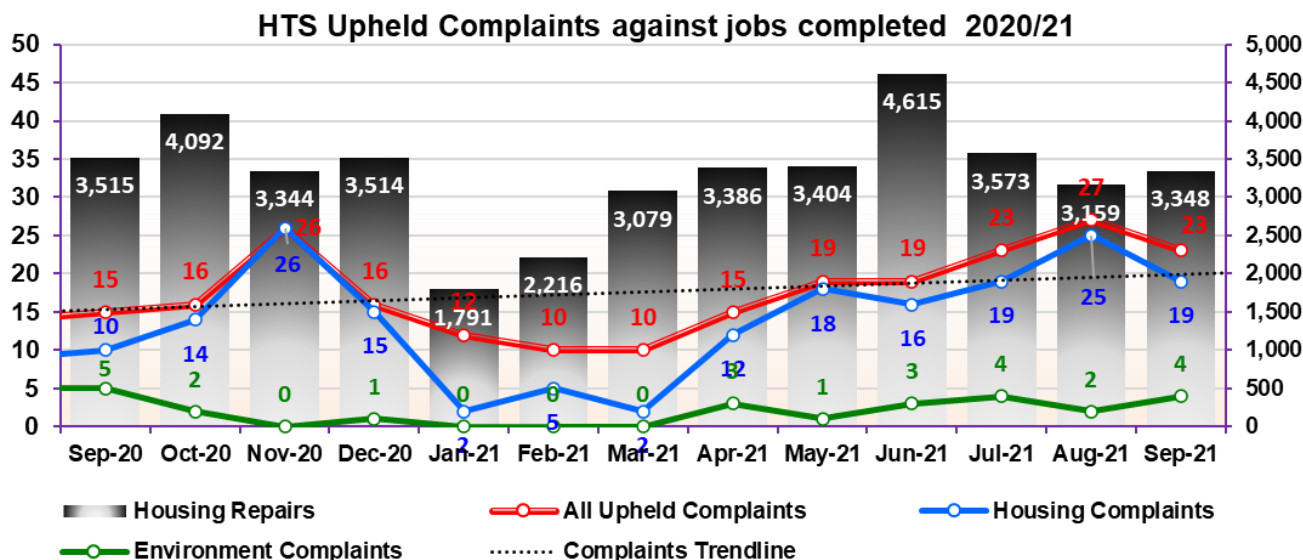
9. The customer service report provides a summary of the complaints for both Environment and Housing, members' enquiries as well as an update on plaudits. It is important to note that Harlow Council's complaints officer carries out a monthly audit of all complaints with the customer services team and so far, no variations have been identified.

Whilst complaints are rising gradually, there is also an underlying issue that the quality of works and the ability to diagnose a first-time repair to prevent follow on appointments being required. This has been highlighted in a number of roofing repairs that ended in up in complaints. HTS is looking at its processes and procedures to reduce these occurrences and making sure our customer service is not compromised. We are reviewing our call centre and are looking to improve the customer experience from start to finish. The chart below shows all **Upheld** complaints since June '20 and monitors the trend against the Housing repairs.

- HTS completed **3,348** repairs jobs in **September '21** with **23** resulting in valid complaints illustrating **0.69%** of jobs leading to valid complaint. This accounts for an average of 17 complaints per month during the period of January-September '21.
- Complaints relating to environment accounted for **17%** of the overall complaints whilst the remaining **83%** were in housing. This trend has been constant over the last 3 years of HTS Operations.
- Whilst the number of overall complaints have increased over the last quarter, the upheld complaints remain significantly low. HTS analyses the causes of complaints to ensure continued learning. The upheld complaint

numbers have remained low at less than 1% of jobs carried out. HTS has seen an increase in overall complaints as tenants are chasing non-urgent jobs which had been put on hold during the lockdown period. This trend is set to continue throughout the next quarter as HTS works through a service recovery plan to reduce the backlog of work requests.

Please see below a chart illustrating complaints trend during the last 13 months.



### Members' Enquiries

10. 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.

- a) There has been a significant increase in Councillors' enquiries over the last quarter. The highest number of requests came in September 2021. Please see table below.
- b) The biggest increase in enquiries continues to relate to Dumped Rubbish with **44%** of all calls followed by **29%** for Grounds Maintenance (grass, trees, hedges etc.).

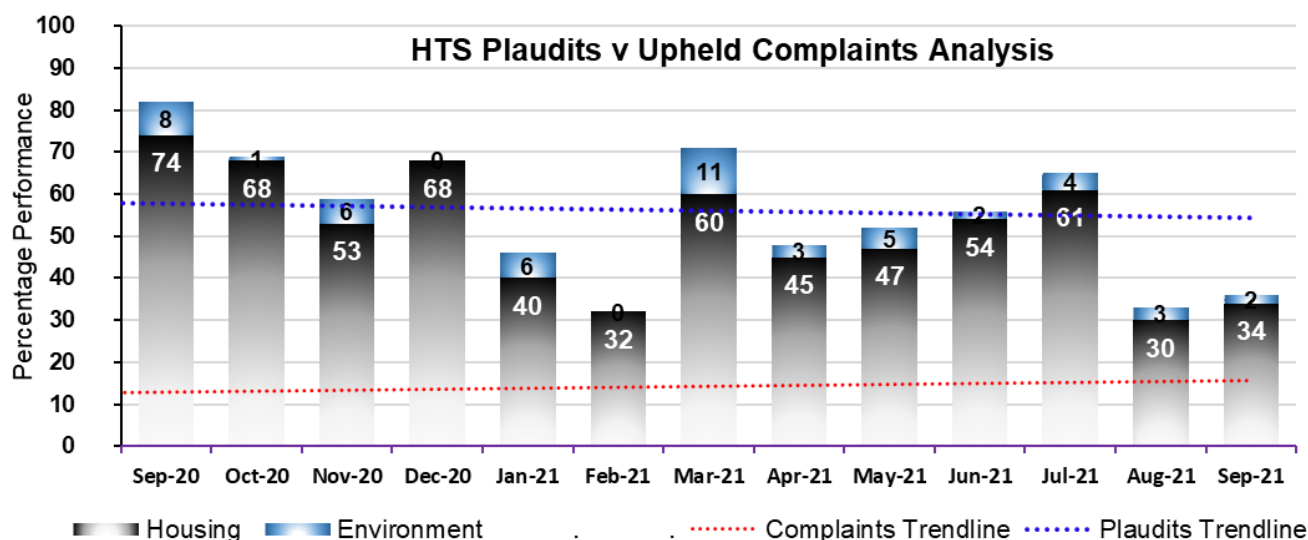
HTS OPERATIONS	July '21	August '21	September '21
Members' Enquiries	45	52	79

### Plaudits and Good News Stories

11. 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.

a) Please see below an analysis of plaudits against complaints.



b) September 2021 has resulted in **36** Plaudits across housing and Environment. Whilst the number of plaudits is higher than complaints, there is a recurring theme of reduction in plaudits as complaints increase in numbers as reflected in the trendline above.

### Planned Works and Delivery of Capital Programme

12. 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 – currently in Year 5.
13. 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 a programme of delivery that can demonstrate value for money; ensuring programmes are delivered on time, within budget, and to high satisfaction to customers.
14. All Business Case submissions have been subjected to the requirement of the new Schedule 2 Services Agreement (Planned and Capital works methodology) that enables the Council and HTS to demonstrate the outcome of the value for money assessment against a defined criterion.

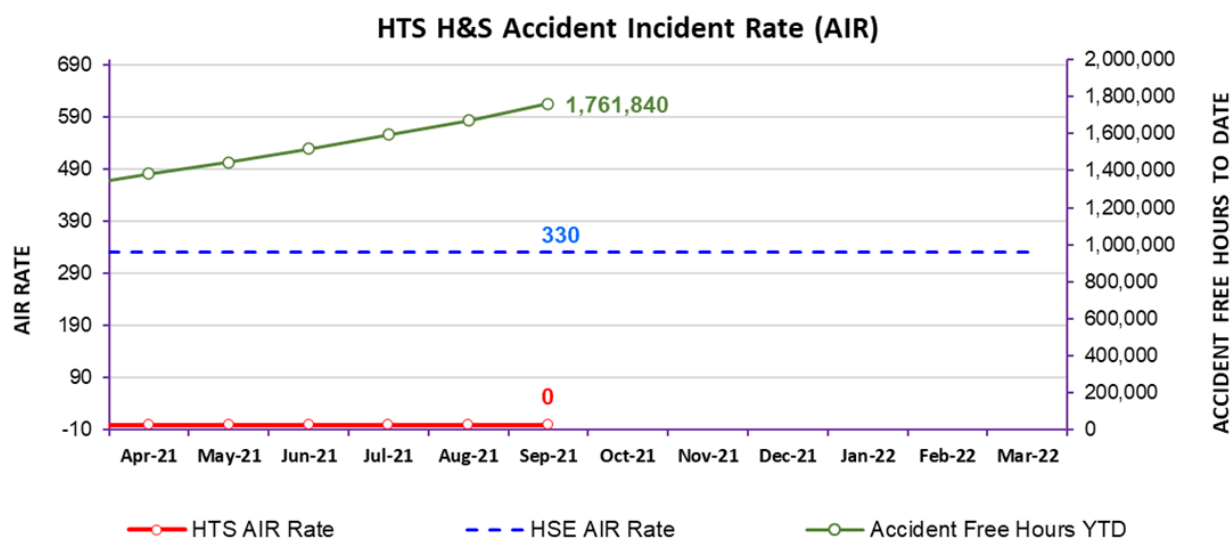
### Business Case Awards 2020/21

15. It is recognised ongoing review of process for awarding individual contracts will need to be aligned to wider Business plan activities. To include longer term agreements where applicable.

### Health and Safety

16. HTS has maintained an excellent rating of **0 AIR** with over **1.7 million hours** of

accident-free operations.



## Finance Update

17. Overall Summary - September 2021 Revenue of £2,542k was £390k below forecast, mainly due to variance in Capital Works, and produced Net Profit before Tax of £85k. The YTD total revenue was £13,669k, with YTD Profit of £326k, representing 2.4% net profit margin.
18. Grounds – Revenues of £264k were as per forecast and produced Gross loss of £8k, being £7k below the forecast. Total YTD Revenue was £1,591k, with a YTD Profit of £99k.
19. Streets – Revenues of £285k were as per forecast and produced a Gross Profit of £30k, being £3k below the forecast. Total YTD Revenue was £1,726k, with a YTD Profit of £204k.
20. Housing Property Services – Revenues of £880k were £123k above forecast due to the additional income relating to buy back properties and due release of COVID deferred income (now completed) and produced a Gross profit of £51k, being £45k above forecast. Total YTD Revenue was £5,103k, with a YTD loss of £131k.
21. Depot – Revenues of £46k is in line with forecast and produced a Gross loss of £6k which was £2k above budget. Total YTD Revenue was £296k, with a YTD loss of £10k.
22. Overheads – Revenues in the month of £211k were as per forecast. The actual overhead spends in the month of £234k which is £8k below the budget. Total YTD Revenue was £1,267k, with a YTD Profit of £35k.
23. Harlow Capital Works – The September revenue of £847k were £510k below the forecast with a gross profit of £35k which is £15k below the budget. Total YTD Revenue was £3,615k, with a YTD Profit of £170k.
24. Third Party Works – There were £9K revenues relating mainly to the sub lease of Mead Park and South Cambridgeshire facility management. Total YTD Revenue was £70k, with a YTD Profit of £52k.

25. ASC Budget – The SEP 2021 results of 4,398 jobs were completed with an actual spend of £608k. YTD total jobs completed was 25,262 with an actual spend of £3,652k.
26. Non-Housing Budget – The Non-Housing results for SEP 2021 were 81 jobs completed and valued at £28k. YTD total number of jobs of 444 valued at £172k.
27. Harlow District Council Loan – The loan continues to be repaid at £30k per month and the balance outstanding as at September 2021 was £707k. Interest of £2k for September 2021 has been paid to Harlow District Council.
28. Capital Assets – As at SEP 2021, the Net Book Value of Fixed Assets was £1,210k as shown below:

	<b>Cost Value</b>	<b>Acc. Depreciation</b>	<b>NBV</b>
<b>Goodwill</b>	£448k	£403k	£45k
<b>Plant &amp; Machinery</b>	£984k	£696k	£288k
<b>Office Equipment</b>	£19k	£13k	£6k
<b>IT &amp; Phones</b>	£249k	£210k	£39k
<b>Motor vehicles</b>	£1,221k	£438k	£783k
<b>Building Improvements</b>	£87k	£38k	£49k
	<b>£3,008k</b>	<b>£1,798k</b>	<b>£1,210k</b>

Note: In line with IFRS16 on leases, HTS balance sheet includes the right of use assets representing qualifying leases to a value of £451k and the corresponding right of use liability to a value of £462k.

There were no additions and disposals of motor vehicles in the month of SEP 2021.

### **Coronavirus Status Update**

29. Following the easing of restrictions at the end of the lockdowns, there has been a need to continually exercise safe working practices that have impacted on the work delivered. This is pertinent as we approach the winter season when the virus spread is expected to be at its highest point.
- a) HTS's Recovery Plan – Emerging from Covid is a strategy to drive the recovery and monitor progress of the Environment and Housing workstreams following the easing of restrictions as a result of the Covid-19 pandemic and this report is covered separately.



## HTS Achievements



30. HTS (Property & Environment) Ltd. are supporting Veolia waste management locally with fuel whilst there are national supply issues. This is to ensure that Veolia can continue to deliver their services to Harlow Town.

Steve Ward, Operations Director at HTS comments:

*“HTS wanted to support Harlow Council to allow businesses to run as normally as possible. Even though this will hopefully only need to be a short-term fix, we will be re-assessing the situation fortnightly based on deliveries and business needs. As always HTS will continue to proudly serve Harlow during these challenging times”.*

31. HTS Fishing Team Raises £270.00 for St Clare Hospice  
The fishing team and their families had a great day over at Southend Farm Fisheries recently, luckily the weather was very kind and the top 3 winners received trophies including Largest Catch and Catch of the Day!



Well done to all of the team for continuing to support HTS Groups' chosen charity, St Clare Hospice.

### 32. Works progress at site of new housing in The Hill



The first houses to be built by HTS are progressing well at the site of new housing in Old Harlow. Work to construct the two properties, situated in The Hill, is now moving forward following the demolition of the house that was there previously. This had to be a very careful demolition, carried out by a specialist contractor as the house, which was in an unsafe condition, was part of a semi-detached pair of houses.

Drainage and the foundations for the two new houses are now being laid in readiness for construction of the buildings to begin in earnest.

John Phillips, HTS Group Ltd Managing Director, said: ***“We are very excited to see***

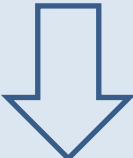



***the gradual and careful progress being made as we prepare the site to build two brand new council houses in The Hill.”***

Councillor Simon Carter, Portfolio Holder for Housing, said: ***“I am pleased to see that work on the first homes to be built by HTS continues to progress well. With the foundations now being prepared I am looking forward to see how these houses take shape over the coming months”.***

Once built, these homes will be let to people on Harlow Council's Housing Needs Register.

The homes are due for completion in early 2022.

### 33. Current Status of Services

Service	Direction of Travel	Commentary
Street Scene		Quarter 2 produced some good results with main area of concern around still detritus and weed growth.
Grounds Maintenance		Still some remaining issues around performance of tree works
Housing Property		There has been a good progress made in housing repairs as reflected in KPI performance following the improvement action plan. The work in pipeline has increased.
Non-Housing Property		Back log is nearly cleared and WIP at average levels

### IMPLICATIONS

#### Environment and Planning (Includes Sustainability)

As contained in the report.

**Author: Andrew Bramidge, Director of Strategic Growth and Regeneration**

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

As set out in the report.

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

**Housing**

As contained in the report.

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

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

None specific.

**Author: Jane Greer, Director of Communities and Environment**

**Governance (Includes HR)**

KPI's are currently being reviewed as part of the Recommendations of the Best Value Review and changes will be reported on in due course.

**Author: Simon Hill, Director of Governance and Corporate Support**

**Appendices**

Appendix A – Emerging from Covid

Appendix B - HTS Management Accounts

**Background Papers**

None.

**Glossary of terms/abbreviations used**

HTS – HTS (Property and Environment) Ltd

KPI – Key Performance Indicators

WIP – Work in Progress

YTD – Year to Date