

Report 1

REPORT TO: CABINET

DATE: 24 MARCH 2022

TITLE: HTS (PROPERTY AND ENVIRONMENT) LIMITED
CONTRACT AWARDS 2022-2027

PORTFOLIO HOLDER: COUNCILLOR SIMON CARTER, PORTFOLIO
HOLDER FOR HOUSING

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This is a Key Decision

It is on the Forward Plan as Decision Number I013485

Call-in Procedures may apply

This decision will affect no ward specifically.

RECOMMENDED that:

- A** The following Business Cases are awarded to HTS (Property and Environment) Limited for a 5-year term, subject to clarification and agreement on the terms and conditions, and that a contract is entered into for the activity, not exceeding the value below:

Internal Works	£11,202,500
Compliance Works	£5,800,000
Related Assets (Garages)	£1,751,000

REASON FOR DECISION

- A** To enable the Council to implement the Housing Revenue Account Asset Management plan and to continue its programme of improving its housing stock to maintain the Governments Decent Homes Standard and wider Housing Investment Programme (HIP) priorities.

BACKGROUND

1. On 1 February 2017, the Council established HTS (Property and Environment) Limited as a wholly owned Local Authority Trading Company (LATC).

2. In accordance with the new Service Agreement, HTS (Property and Environment) Limited is required to undertake housing capital works programmes as part of the Council's wider HIP programme.
3. A new business case and methodology process was approved which required a detailed programme of work information to be provided to HTS (Property and Environment) Limited for them to submit a series of Business Cases for the Council to evaluate and consider for approval.

2022-2027 BUSINESS CASES

4. HTS (Property and Environment) Limited's housing capital works allocations total £6.954million for 2022/23, including funding for fixed price improvements to support the turn-around of void properties (i.e. kitchens, bathrooms, rewires, and gas boilers and heating). This forms part of the Council's priorities for HTS (Property and Environment) Limited's Balanced Scorecard.
5. These 5-year Business Case allocations for Internals, Compliance and Related Assets (Garages) are three of the six work-streams to be delivered in 2022/23, and have been arranged to align to the same HTS (Property and Environment) Limited Services' Agreement contract.
6. The total allocations in 2022/23 consist of the following programmes, namely;

ASC Fixed Priced Items	£1,089,000
2022-2027 Year 1	
Internals	£2,500,000
Compliance	£1,800,000
Related Assets (Garages)	£314,731
2022/23 Replacement Communal Boilers and Heating	
Barn Mead	£328,000
2022/23 Replacement Communal Boilers and Heating	
Barley Croft	£420,000
2022/23 Replacement Communal Boilers and Heating	
Lower Meadow	£452,000

Total = £6,954,731

7. The published Business Case timetable for submission was 14 February 2022 for the Quality Response and Priced Documents submitted in accordance with the requirements the Service Agreement Schedule 2 for capital works approval and governance.

8. The proposals received, in accordance with the prescribed format for Business Cases set out within the Service Agreement, an analysis of all costs and value added benefits associated with the proposal to allow an assessment of Value for Money against a set of defined criteria, including but not limited to:
 - a) Price;
 - b) Evidence of price comparisons and benchmarking;
 - c) Quality of service to be measured against Key Performance Indicators (parameters, measurements and targets to be agreed on a work package basis);
 - d) Safety, Health and Environment (SHE) method statement and risk assessment;
 - e) Delivery timescales (including contract programming implications);
 - f) Customer Support/Delivery Team/Resident Liaison Officer Service;
 - g) Details of defect liability period and provision for cover;
 - h) Supply chain management;
 - i) Social Value Act 2012; and,
 - j) Where works are required to Leasehold properties provide a commitment to, and explanation of the process used, enabling the Council to recover costs in line with The Services Charges Regulations 2003.
9. The Business Case was submitted to the Council for internal validation prior to approval. The Business Case was subject to a comparison against existing unit rates for the same work and %uplifts to comparable HTS ASC Fixed Price budget.
10. To ensure compliance with the Business Case Schedule 2 Methodology and Services Agreement contractual requirements, a robust internal evaluation process is undertaken by Council stakeholders to ensure that all aspects of the submission comply.
11. Questions were posed to HTS (Property & Environment) Limited for them to provide statements of both accountability and demonstrable improvement over the term of the contract. The responses commit HTS to challenging but achievable improvements in their culture, commercial approach, operational efficiency, safety standards and environmental considerations of the allocated works.
12. HTS have an existing supply-chain which contains partners who will be held to the same expectations, but that will be developed over the term with more specialist contractors in the field of energy efficiency, building management systems and technology, as well as integrating shared asset management and business planning software packages.
13. There are a number of joint initiatives and investment opportunities which, by entering into a longer-term relationship, will enable more transparent, visible and timely reporting on the Service Agreement's stated KPI for HTS. These reports will form part of the governance arrangements and common methods of

assessing HTS' adherence to the principles of the Business Case procurement route.

14. A list of properties and specification requirements have been identified from the Council's Housing Asset Management Plan, in line with the investment principles established in the revised Housing Revenue Account (HRA) Business Plan approved in January 2020.
15. These works form part of the Council's wider HIP which target internal works to Council homes and target resources to ensure homes meet the Governments Decent Homes Standards are maintained and that local priorities are addressed.
16. Works to individual properties under the Internals work-stream include the replacement of kitchens, bathrooms, shower rooms, WCs, and boiler and heating installations, the Compliance contract describes the final year of the domestic and landlord's ECIR electrical testing, improvements to stored water facilities and housings, and improvements to commercial gas and heating installations, and the Related Assets (Garages) contract covering the proposed re-roofing, renewal of garage door sets and the demolition and rebuilding of garages, or for their sites to be left as hardstand parking.

GOVERNANCE

17. New methodology is in place for the governance, reporting, delivery, and monitoring of HTS (Property and Environment) Limited's delivery. The performance will be monitored and reported regularly to the Cabinet. The reporting will cover issues of works costs, quality, customer satisfaction, and wider resourcing to enable the Council to benchmark against other Contractors, and its five year Housing Asset Management plans.
18. HTS (Property and Environment) Limited will need to comply with the contractual requirements of the Contract by providing data, information and attendance at meetings as required (including performance reports to the Programme and Project Management Group, Tenancy and Property Panel and Budget Review meetings). All individual programmes will be subject to a formal, contractual Mid-Year Review which will assess the productivity, cash-flow and completion programmes.

NEXT STEPS

19. The HRA Business Plan was approved by Cabinet in January 2020 and individual 'Project Orders' will be issued by the Council in incremental packages and against the budget/s identified above. Further works, and the equivalent funding, may be identified throughout the year for which this contract would be an appropriate, efficient and cost effective method to deliver the Council's requirements for investment.

20. Any additional works identified by the Council that would result in the approved budget being exceeded, shall be the subject to a separate report to the relevant Portfolio Holder or the Cabinet, and subject to their subsequent approval prior to any additional works being commissioned.

IMPLICATIONS

Strategic Growth and Regeneration

None specific.

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance

The costs of the works is contained within the 2022/23 budgets agreed at Full Council in February 2022.

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

Housing

This programme of work will enable the Council to:

- a) Deliver its commitments to maintain its properties to a lettable standard.
- b) Meet its obligations to achieve Decent Home targets.
- c) Maintain the overall level of gas boiler statutory compliance
- d) Help increase tenant satisfaction with the improving standard of its properties.
- e) Provide opportunities for the tenant's to reduce their energy consumption.

If the works package is not approved, this will have implications on delivering the Housing Capital Programme and maintaining the Decent Homes standard. There will also be knock-on effect to the repair budget, voids turn-over and resident satisfaction.

Author: Andrew Murray, Director of Housing

Communities and Environment

None specific.

Author: Jane Greer, Director of Communities and Environment

Governance and Corporate Services

The business case referred to above were procured in compliance with the Council's Contract Standing Orders.

Author: Simon Hill, Director of Governance and Corporate Services

Appendices

None.

Background Papers

None.

Glossary of terms/abbreviations used

HTS – HTS (Property and Environment) Limited

HIP – Housing Investment Programme

LATC – Local Authority Trading Company

SHE - Safety, Health and Environment

KPI – Key Performance Indicators