

REPORT TO: CABINET

DATE: 20 JULY 2017

TITLE: HTS (PROPERTY AND ENVIRONMENT) LTD
CONTRACT AWARDS 2017/18

PORTFOLIO HOLDER: COUNCILLOR MARK WILKINSON,
PORTFOLIO HOLDER FOR HOUSING

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This is a Key Decision

It is on the Forward Plan as Decision number I007359

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 subject to terms and conditions, and that separate contracts are entered into for each activity not exceeding the values set out in the table below:

a) Windows and Doors	£ 1,300,000
b) Disabled Adaptations	£ 900,000
c) Compliance	£ 700,000
TOTAL	£ 2,900,000

REASON FOR DECISION

- A** To enable the Council to implement the Housing Revenue Account Asset Management Plans 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 (HTS) as a wholly owned Local Authority Trading Company (LATC).
2. HTS may be appointed by the Council to undertake housing capital works

programmes as part of the Council's wider Housing Investment Programme (HIP). Schedule 2 of the new Services Agreement contains a revised business case methodology to allow the Council to award capital works on a year by year basis.

3. HTS' housing capital works allocation for 2017/18 totals £5.8 million. As part of the process, the Council is required to provide a detailed programme of works to HTS for them to submit a series of business cases for the Council to evaluate and consider for approval. A list of properties and specification requirements have been identified from the Council's Asset Management Plan, in line with the Housing Revenue Account (HRA) Business Plan 2016-46 investment principles approved at Full Council on 2 February 2017.
4. The originally agreed timetable for submission was extended due to HTS' limited mobilisation, with three of the six business cases now having been submitted in accordance with the Service Agreement at Schedule 2. The business case submissions which have been provided to date are for windows and doors, disabled adaptations and housing statutory/regulatory compliance activities.
5. Schedule 2 of the Services Agreement requires HTS to provide supporting evidence when submitting a business case for approval. Such evidence includes, but is not limited to, an analysis of all costs and value added benefits associated with the proposal. This is to allow the Council to make an informed assessment of value for money against a set of defined criteria of price, benchmarking, quality statements, customer service, contract management, and health/safety compliance. Where works are required to leasehold properties, an explanation of the process used must be provided to HTS to ensure that the Council can secure lawful cost recovery in line with The Services Charges Regulations 2003.
6. To ensure compliance with the Services Agreement contractual requirements, a robust internal evaluation process is undertaken by the Council to ensure that all aspects of the submission comply. All business cases have been subjected to an independent overview and assessment, with a particular emphasis upon price and costs by the Council's appointed quantity surveyor, Pick Everard Limited, who undertake similar work under the Modern Homes Programme. Details of the works packages and allocations are shown below:

Windows and Doors - £1,300,000

7. The allocation forms part of the Council's Internal Works Programme approved by Cabinet in 2013 to ensure all of the Council's stock complies with central government's Decent Homes Standard. The programme covers works to windows and door within individual properties in nine wards up to a budget not exceeding £1,300,000.

8. This business case award will be subject to HTS undertaking a robust, external tendered procurement exercise for its main materials supplier in order to provide assurance to the Council in regard to value for money against the criteria set within the business case Schedule 2 additional planned/capital works methodology.

Disabled Adaptations - £900,000

9. The allocation forms part of the Council's ongoing commitment to suitably adapt properties for its tenants with disabilities. Year on year there has been an over demand compared to budget and the 2017/18 budget reflects the need to manage the ongoing demand and waiting time. These works include minor and major adaptations such as grab rails, wet rooms, stair lifts and extensions to provide additional accommodation on the ground floor, up to a budget not exceeding £900,000.

Statutory Testing and Compliance - £700,000

10. The allocation forms part of the Council's HIP regulatory activities and comprises of electrical upgrades, rewiring and statutory testing up to a budget not exceeding £700,000.

Governance

11. New procedures are in place for the governance and monitoring of the newly formed HTS for the delivery of the Council's housing capital works business cases.
12. An evaluation score-card has been developed to ensure contract requirements can be evidenced. This is to scrutinize delivery of the key performance measures outlined in paragraph five above. HTS performance shall be monitored by the Council and measured through the Key Performance Indicators (KPIs) and Critical Success Factors (CSF`s) within the contract. The suite of KPIs to be used cover issues of works cost, quality (customer satisfaction), works completion which place HTS onto the same delivery footing as the other Contractors engaged on the Council's HIP works.
13. In addition, by continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity with significant variances from approved budgets being investigated and reported by budget managers regularly.
14. HTS will comply fully with the contractual requirements of the contract by

providing data, information and attendance at meetings as required (including performance reporting to the Joint Performance Review 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 progress of works completion and delivery.

ISSUES/PROPOSALS

15. The Housing Capital Programme 2017/18 was approved by Cabinet in February 2017. Individual orders will be raised by the Council against these budgets where work is identified and a valid budget exists. Other works and budgets may be identified throughout the year for which these contracts would be an appropriate, efficient and cost effective method to deliver the works.
16. Any additional works identified by the Council that would result in the approved budget being exceeded shall be the subject of a separate report to the appropriate Portfolio Holder or the Cabinet, and subject to their subsequent approval prior to any additional expenditure being incurred. Detailed reports will be provided to form part of the wider reporting of the Housing capital programme (HCP) to ensure programmes are delivered on budget and within time with variance reporting is in accordance with the Council's and HTS' financial regulations.
17. The timetable for the remainder of the expected HTS business case submissions relating to garages, communal boilers and energy efficiency works is expected to be received by the Council by no later than 1 August 2017. Following assessment and validation, a further report with recommendations will be made to Cabinet in September 2017.

IMPLICATIONS

Place (includes Sustainability)

None specific.

Author: **Graeme Bloomer, Head of Place**

Finance (Includes ICT)

The proposed governance arrangements will ensure that both value for money and tight control over the contract costs is maintained. The proposals will be contained within the approved Housing Capital Programme allocations.

Author: **Simon Freeman, Head of Finance**

Housing

This project will:

- a) Assist the Council in delivering its commitments to maintain its properties to a lettable standard, and help meet its obligations to reach Decent Homes targets.
- b) Help improve tenant satisfaction with the improving standard of its property.
- c) Improve prospects for energy efficiency.

If the works packages are not approved, this will have implications on delivering the Housing Capital Programme and maintaining Decent Homes and housing regulatory standards.

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

Community Wellbeing (includes Equalities and Social Inclusion)

These works will have a positive impact on the quality of life in Harlow.

Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)

The Council may lawfully award capital works for its own purposes directly to HTS as its wholly owned subsidiary, subject to Council approval and best value evaluation pursuant to Schedule 2 of the Services Agreement.

The works packages must all be subject to separate enforceable capped price contracts and the management and monitoring of the contracts will be supported by the reporting obligations referred to in paragraphs 12-15 above, together with the approval requirements under the agreed scheme of delegation for HTS P&E.

At an operational level the Scheme of Delegation provides that:

- (i) any engagement of contractors in the contract value of £250,000 - £1,000,000 is reserved to the HTS Board;
- (ii) goods and equipment supplies with a yearly aggregate value of £3 million to £5 million is also reserved to the HTS Board; and
- (iii) Any price change of £150,000 or more awarded by HTS or more is subject to further approval purposes

In the event that the business cases fall short of requirements, or do not demonstrate best value, the Council may procure the work to third parties, HTS retain the right to tender for this work should they wish.

The Services Agreement requires HTS to apply their published procurement guidelines to any sub-contract that it procures to deliver services to the Council. When placing high risk/high value contract outside or in the absence of procurement guidelines HTS must seek Council consent.

The Council retains the right to review any sub-contracts entered into by HTS to preserve the rights of the Council as shareholder.

Author: **Brian Keane, Head of Governance**

Background Papers

None.

Glossary of terms/abbreviations used

None.