

REPORT TO: CABINET

DATE: 14 SEPTEMBER 2017

TITLE: HTS (PROPERTY AND ENVIRONMENT)
LIMITED CONTRACT AWARDS 2017/18 –
PHASE 2

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 I007696
Call-in Procedures may apply
This decision will affect no ward specifically.

RECOMMENDED that:

- A** The following Phase 2 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) Communal boilers	£ 1, 912,000
b) Energy Efficiency	£ 188,000
c) Garages	£ 500,000
TOTAL	£ 2,600,000

REASON FOR DECISION

- A** To enable the Council to implement the Housing Revenue Account Asset Management Plans and key priorities, continuing its programme of improving both its housing and garage stock.

BACKGROUND

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

2. The originally agreed timetable for submission was extended due to HTS' limited mobilisation, with three of the six business cases having been agreed by Cabinet on 20 July 2017. In July, HTS were awarded business cases totalling £2.9 million as part of their housing capital works allocation for 2017/18 which totals £5.8 million. The remaining three business case submissions have now been received and submitted in accordance with the Service Agreement at Schedule 2.
3. 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. 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 and 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.
5. 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 Everards Limited, who undertake similar work under the Modern Homes Programme. Details of the works packages and allocations are shown below:

Communal Boilers - £1,912,000

6. This allocation forms part of the Council's Asset Management Strategy and supports the 30 year Business Plan approved by Cabinet in 2016 by addressing the Energy Efficiency of the Council's stock.
7. Works, which are to be agreed up to a budget not exceeding £1,912,000, include the replacement and renewal of four of the Council's Communal and District Heating Systems, and the installation of heat meters to comply with the Heat Network (Metering and Billing) Regulations 2014. The schemes

include Fenner Brockway House, Latton House, Sumners Farm Close and The Wayre.

8. The original programme of installation of these boiler replacements will now be delayed until after the winter season. The sum of £1.412 million will therefore be carried forward to the 2018/19 financial year to reflect the revised implementation. This is to ensure residents are not inconvenienced. It is expected for the remaining phases of the District/Communal Heating System Replacement Programme to complete by 2020/21.

Energy Efficiency - £188,000

9. This allocation forms part of the Council's ongoing commitment to take a proactive approach to Energy Efficiency targeting resources to eliminate the risk of fuel poverty. The works identified are aligned to the findings of the Home Energy Study undertaken by Rickaby Thompson Associates in which it identified the Council's poor performing properties. The work focuses on improving the Energy Performance rating (EPC) of Council property to a budget not exceeding £188,000.

Garages - £500,000

10. The allocation forms part of the Council's Garage and Hardstanding Strategy which was approved by Cabinet in 2015. The works identified, and subsequent investment in these sites, is aligned to the investment appraisal undertaken in 2015. Works include refurbishment of sites, demolition, as well as refurbishment works up to a budget not exceeding £500,000.

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 scrutinise 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 (CSFs) within the contract. The KPIs which will be used will cover issues of works cost, quality (customer satisfaction), works completion, and will 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.

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 million 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.