

Working Group Report to the Governance and Audit Committee.

Working Group:	Governance and Audit Heart of Wales Property Services (HoWPS) Working Group
Meetings Held:	From February to September 2023

Matters Considered

The Working Group carried out a deep dive into the transition of the council to HoWPS.

ToR Purpose:

To learn lessons which will inform the Council's decision making and governance of the establishment and operation of any future commercial enterprises with partners (private, public or third sector).

1. Arrangements underpinning the formal establishment of the HoWPS Ltd.
2. HoWPS Ltd Board establishment and oversight of the company by the Board, including financial and operational oversight, performance management and decision making.
3. The effectiveness of operational management arrangements below Board level.
4. Contractual arrangements between Powys CC, Kier and HoWPS, including but not exclusively, contract specification, contract management, off-contract decision making.
5. Inter-company financial decision making and reporting.
6. Operational and financial implications of IT systems interfaces.
7. Kier's wider commercial and financial relationship with the Council, in relationship to the capital programme.
8. Partner cultural fit.

Outcomes / Observations:

Concerns:

- The Council was pioneering this new way of working with only a few English local Authorities operating on these lines. It was early days, and no independent evaluations were available to draw on.
- The potential for attracting third parties to contract for HoWPS was based on cursory requests for expressions of interest from organisations such as the National Park Authority and Local Health Board. However, this was not followed up and nothing materialised. This was one of the reasons for setting up the new body in such a manner which had major shortcomings.
- There were issues with the procurement process, e.g. broadening the scope of the contract from a repairs and maintenance service to include the provision of professional services, in the hope of attracting more bidders.
- With other Local Authorities procuring similar contracts were Keir spreading their resources too thinly as they won more contracts. Is this something that could have been covered in the Council's due diligence process?
- Should and could have the procurement exercise been pulled at the eleventh hour through a 'cold towel' final appraisal of the project's risks and value for money? Had inertia set in?
- More investigative aspects could have been carried out into Kier before the contract was awarded as several of Kier Companies were failing.

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- Once operational there was a silo approach adopted by the various Keir companies with individual business plans. As a result, this did not lead to expected synergies from which the Council could have benefitted from.
- A better service provision could have been provided by Kier if the teams were placed in the Repairs and Maintenance company and not in Kier Facilities company. It was evident to the Working Group that the Consultancy Team were a late bolt on to the Repairs and Maintenance specification originally planned by PCC.
- The Working Group were concerned that the Council was and intelligent customer and believe a Shadow/interim independent chairperson with specialist knowledge in this field should have been appointed at the outset as a critical friend and needs to have been part of the development of the MNA's.
- Having Senior Council Officers as Board Members as well as being line managers of HoWPS was clear conflict of interest. The Council provided very little training for staff having to deal with conflicts of interest in this subordinate role.
- The overall process was extremely slow and took almost 3 years to go live.
- Financial penalties incurred by PCC in numerous ways including:
additional resource for 'Step In' procedures,
TUPE staff back to the council.
also, additional financial contributions made when HoWPS were failing.
- Fundamentally, HoWPS was not fully and thoroughly conceived and tested resulting in issues which were compounded through its procurement and operationalisation.
- the contract did not integrate specifics or mechanisms around, health and safety, ICT and staff time which would have benefitted the Council greatly on day-to-day operations and improvements that could have been made before transition.

Lessons learned

It was felt that if a project of this scale was undertaken again:

- An independent Chair from the initial development of a project would have benefited the project.
- Officers from the Contract Management Forum (CMF) could have been involved at Board level at a lot earlier stage for consistency.
- That the improved structure could have been introduced earlier.
- If internal problems had been resolved earlier, then a more refined package could have been offered for a joint venture partner.
- Staff skills – from a Council Officer moving to a Contract Manger in an external partnership demanded a different skill set.
- Investment in staff - training for a different relationships and dealing with conflict of interests in a subordinate role is essential.
- It was felt that staff could have been better prepared for relationships and roles between contract, partnership, and joint venture partnership.
- Problems should have been identified earlier and those responsible held to account. e.g. – poor data collected by HoWPS (compliance rates).
- Time and support provided to HoWPS to improve data was not worthwhile and the step in process needed to be more robust and substantial.
- ICT and data transfer would be set as a high risk if a further similar project was undertaken
- Development of systems caused a pressure on the transfer back to Powys.
- That contracts provide specifics or mechanisms around, health and safety, ICT and staff time.

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Recommendations to the Governance and Audit Committee

Recommendations to the Cabinet

Scrutiny's Recommendation	Accept (plus Action and timescale)	Partially Accept (plus Rationale and Action and timescale)	Reject (plus Rationale)
1. If the Council wish to form a partnership/relationship with any outside body, issues raised in this document should be considered at the outset.			