



HTS (Property & Environment) Limited

• Proudly serving Harlow •

Business Plan

INTERIM HTS (Property and Environment) Ltd

2016 – 2020

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Introduction

- 1.1.1 This Business Plan has been prepared to set out how the newly established HTS (Property and Environment) Limited (“HTS”) will operate from commencement of delivery from 1 February 2017 to 29 February 2020.
- 1.1.2 The primary objective of the HTS Board will be to support the delivery of Harlow Councils’ Corporate Values which are:
- (1) More and Better Housing
 - (2) Regenerating the town and supporting a thriving economy
 - (3) A clean, green and sustainable environment
 - (4) Successful young people and improving citizenship
 - (5) Promoting social inclusion
 - (6) Providing community leadership and good governance
 - (7) Sound Resource management
- 1.1.3 The Business Plan has been prepared by the Managing Director of HTS, John Phillips, with the support of Harlow Council’s legal team, Echelon Consultancy and East of England Local Government Association in respect of financial matters, and covers all of the key areas that will need to be addressed to ensure HTS is a successful venture over the 3 year initial trading period.
- 1.1.4 It is designed to be read in conjunction with the agreed Scheme of Delegation Matrix and the Articles of HTS, and is a living document and answers four main questions:
- What trading is to be undertaken and how?
 - What services are to be provided and charged for?
 - Is there a market place and if so what is the potential value of that market?
 - What price has been put on the services/trading?
- 1.1.5 The Business Plan shall be reviewed at Board level on at least a quarterly basis and form a working document for the HTS Board. Any key decisions and decisions to

add or remove business streams will be referred to the Shareholder Sub-Committee under the agreed terms of reference.

2 Background

2.1.1 Harlow Council entered into a joint venture partnership with Kier Support Services Ltd (now called Kier Services Ltd) which resulted in the formation of a JVCo known as Kier Harlow Ltd on the 1 February 2007.

2.1.2 The JVCo delivers the following services to Harlow Council and employs circa 335 FTE staff.

Service	Approximate Annual Value 2015/2016
Responsive housing repairs.	£7M
Cyclical housing maintenance, including gas servicing, electrical testing and water hygiene	£1.4M
Planned housing maintenance.	£2.5M
Responsive repairs to non-housing properties.	£180k
Cyclical maintenance to non-housing properties, including gas servicing, electrical testing and water hygiene	£27k
Street cleaning.	£1.95M
Grounds maintenance.	£2M
Cleaning and caretaking of communal housing.	£1M
Pest Control and Stray Dog Collection	£50k
Vehicle Maintenance	£800k
Drainage and gully repairs and maintenance	£300k
Supporting elections	£3k

Highway repairs	£50k
Totals	£17.2M

- 2.1.3 The contract for the provision of services delivered under the JVCo arrangements will end 31 January 2017. In March 2015, Cabinet resolved that three shortlisted options to replace the JVCo arrangement be analysed and developed and financial appraisals collated.
- 2.1.4 The options appraisal determined that the services to Harlow Council would be best served by the creation and operation of a Local Authority Trading Company (LATC) operating under “Teckal” rules.
- 2.1.5 In September 2015 Cabinet resolved to create and incorporate a tiered company group led by a holding company and a wholly owned and controlled subsidiary beneath.
- 2.1.6 On 24 December 2015 HTS Group Limited (being the holding company) and its sole current subsidiary trading arm HTS (Property & Environment) Limited were both incorporated at Companies House and the three core board members were appointed to serve on both boards. Harlow Council is the sole shareholder for HTS Group Limited, who in turn hold the single issued share in HTS (Property & Environment) Limited.
- 2.1.7 The Board for HTS Group Limited and HTS share the same three directors, comprising of Elected Members. A Managing Director responsible for day to day operations has been appointed to HTS becoming the fourth HTS Statutory Director and Board member. The final Statutory Director and Board member of HTS will be a Non- Executive Chairman recruited from the private sector.
- 2.1.8 A politically balanced Shareholder committee has been created who hold ultimate decision making over HTS at a corporate level.
- 2.1.9 Strong and transparent governance of HTS is critical to success and an external Managing Director has been recruited to ensure that the strategic objectives, commercialism and on-going performance required within HTS are achieved.
- 2.1.10 The establishment of HTS avoids a lengthy and costly procurement process and is more likely to ensure a smooth transfer of service provision than would have been achieved by transfer to another external provider.

- 2.1.11 To aid the smooth transition of services to HTS JVCo Assets (including fleet and service workshop areas) will be wholly transferred providing an immediately tested platform to commence services 1 February 2017.
- 2.1.12 At all times HTS must operate and be governed within Teckal principles (to avoid any breach of EU Procurement Regulations). HTS is subject to strategic Shareholder control and influence no less than the Shareholder Council may have with one of its own internal departments. In addition, 80% of HTS annual turnover must derive directly from Harlow Council business.
- 2.1.13 HTS could, in certain circumstances, become subject to FOIA principles. It will be registered in its own right as a Data Controller with the Information Commissioner. Full policies and procedures will be agreed to address data protection and freedom of information considerations and requests.
- 2.1.14 Harlow Council has been tasked by HTS with creating a brief to select and appoint Auditors to act for HTS. It is likely that for the first fourteen months of trading HTS will use the Council's current Auditors, being Ernst and Young, during which time a comprehensive procurement process will be undertaken to establish the most appropriate and best value for money auditors for HTS. Group accounts are required and this arrangement will avoid unnecessary duplication when preparing financial reports.
- 2.1.15 Subject to procurement regulations and board approval HTS may elect to use the Council's current bankers, being Barclays Bank.
- 2.1.16 The establishment of HTS also provides an opportunity for the development of income generation outside the service offered to Harlow Council with the opportunity to provide better value for money to Harlow residents.

3 Company Summary

3.1 Aims & Objectives

- 3.1.1 HTS will continue to ensure that works and services provided to Harlow Council are of a high quality and represent Value for Money. KPIs and performance management framework will be agreed in the form of a service contract between HTS and Harlow Council.
- 3.1.2 Kier Harlow Ltd has made significant progress in the modernisation of work processes, investment in training and culture change since 2007 resulting in significant efficiencies, innovations and productivity gains.

- 3.1.3 HTS will focus on delivering high levels of customer service to the community it serves
- 3.1.4 HTS will look to promote social value through local employment and investment in training and developing local people within the sector it operates.
- 3.1.5 In addition, in time HTS will seek to sell their services to other Public Sector Organisations where they have a Competitive Advantage (see section 5.7 below) and the risk profile is low.

3.2 Services Delivered

- 3.2.1 HTS will deliver the following services to Harlow Council and where indicated develop its business to offer these services to neighbouring Registered Providers, Local Authorities and Health Providers.

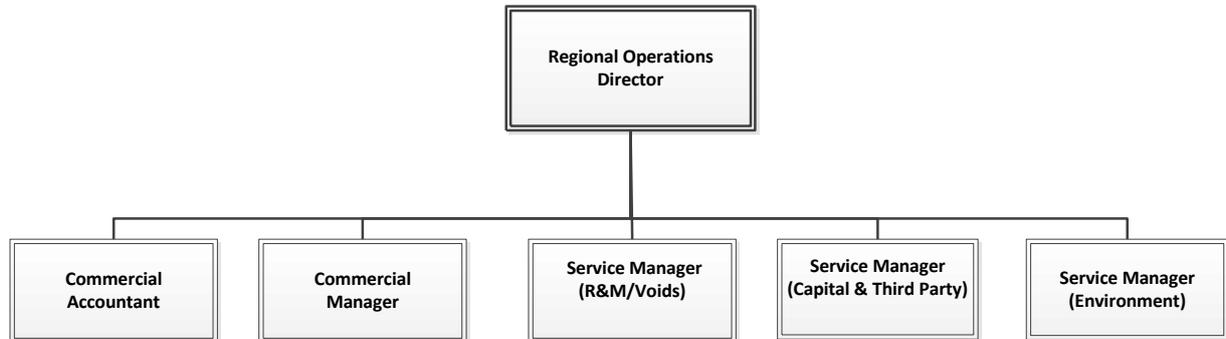
Service	Current Offering		Potential External Offering
	Housing	Non Housing	
Responsive repairs.	✓	✓	✓
Cyclical maintenance.	✓	✓	✓
Planned maintenance.	✓	✓	✓
Street cleaning.		✓	
Grounds maintenance.	✓	✓	✓
Cleaning and caretaking of communal housing.	✓		
Pest control.	✓	✓	
Stray dog collection.		✓	
Vehicle maintenance.		✓	
Drainage and gully repairs and maintenance.	✓	✓	
Supporting elections.		✓	

Highway repairs.		✓	
Compliance Works including Gas Servicing, electrical testing and water hygiene	✓	✓	✓

- 3.2.2 In addition HTS will take advantage of any opportunities to expand their potential service offering where they arise and align with key skills and competencies.
- 3.2.3 The statutory highway authority for the Harlow District is Essex County Council and we will need to formalise how we contract with Essex and others if we wish to offer the Highways work externally.
- 3.2.4 While growth is an ambition, market activity is limited to less than 20% of the turnover of HTS in adherence with Teckal principles. Our focus therefore should be to concentrate our growth efforts on areas that maximise profitability within the limitations of the revenue growth that HTS can trade.

3.3 Current Structure

3.3.1 The current management structure of the JVCo is as follows:



3.4 Current Staffing Levels

3.4.1 The current staffing levels are as follows:

Department	Service Manager	Operational Staff
Capital & Planned works	1	14
Technical services	1	11
Environmental & waste	1	152
Repairs & Maintenance	1	134
Overheads	1	16
Commercial	1	5
SHE	1	3
	7	335

3.5 Staffing and Management

3.5.1 HTS will benefit (through TUPE arrangements) from having a comprehensive and experienced team who have been successfully delivering the contract through a major private sector partner since February 2007.

3.5.2 We will seek to retain as many of these staff as possible to ensure their knowledge of Harlow's stock, assets and efficient and effective business practices can be maintained in the future.

3.5.3 HTS is a living wage employer.

3.5.4 We have identified the following Key roles as ones which we will need to recruit for if HTS is to be successful. It will be necessary for HTS to second or recruit senior managerial staff to HTS between three to six months before mobilisation to prepare for February 2017 operational commencement.

(a) Mobilisation Manager

This interim role has been now been filled

- (b) Commercial, Procurement and Performance Director

A recruitment process is underway

- (c) Safety, Health, Environment and Compliance Manager

A recruitment process is underway

- (d) Operations Director

A recruitment process is underway

- (e) HR / Communications Manager

A recruitment process is underway

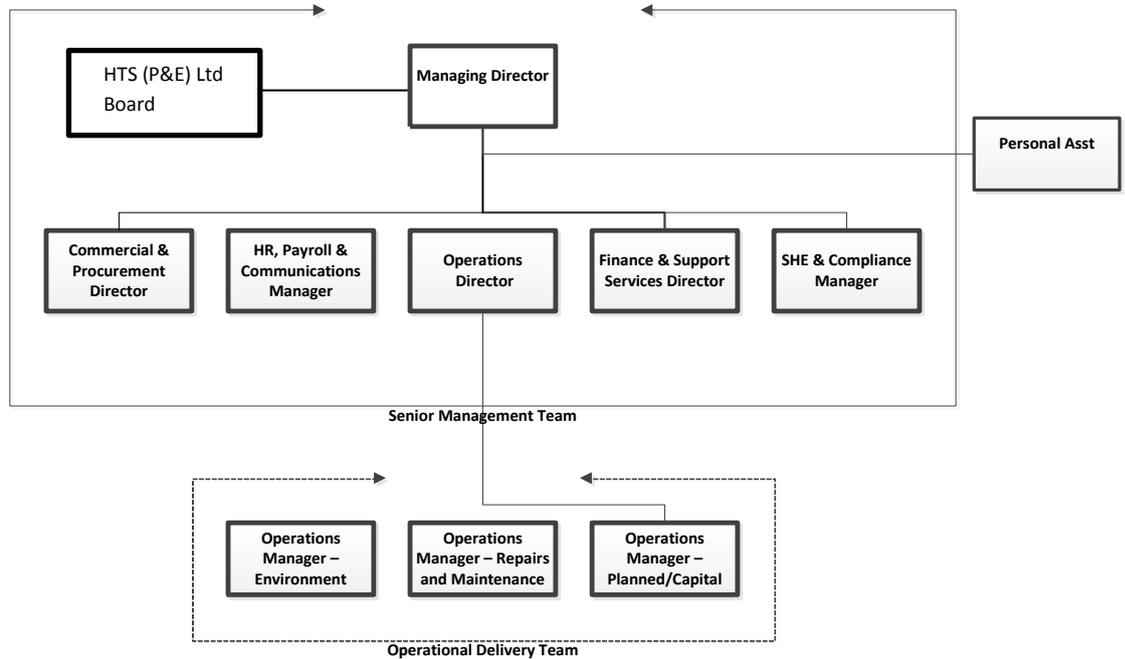
- (f) Finance Director

The Finance Director has an essential role in setting up HTS for both a financial and ICT perspective in readiness for go live 1 February 2017. On 14th June 2016 following interview an offer has been made to recruit into this post.

3.5.5 The proposed HTS staffing structure is as below

Specialist Functions to be provided from Local Authority to the LATC via SLA or externally:

- Insurance
- Legal
- Marketing
- Communications
- ICT
- Strategic HR
- Strategic Finance



3.5.6 None of the operational roles listed under 3.5.4 will become Statutory Directors of HTS, however the Board may decide to appoint the Finance Director to act as Company Secretary

3.6 Pensions

3.6.1 Pension arrangements are currently being reviewed. The Board may require professional advice prior to making any strategic pension decisions. Additional arrangements (if any) will need to be in place prior to posts to be filled by HTS before operational go live.

3.7 Property, Assets & Fleet

3.7.1 HTS will operate from the current JVCo location, Mead Park Depot (“depot”). The continued use and occupation of the depot mitigates operational risk significantly, in offering a tested, equipped, known (appropriately licenced) and functional base for HTS to deliver key functions and services to Harlow Council. In addition, HTS may operate from several other locations in Harlow including Wych Elm and Staple Tye depots.

- 3.7.2 Harlow Council will retain the ownership of the depot and the land. To facilitate a smooth transition it is anticipated that is that HTS will enter into a form of lease agreement of the whole or part of the depot, together with rights to use ancillary services and fixtures on the adjacent land the commercial terms of which are yet to be agreed.
- 3.7.3 HTS will need to undertake a major procurement process for purchase and/or lease arrangements in respect of van fleet. Following this a similar exercise shall be undertaken for landscape and street scene fleet vehicles.
- 3.7.4 Large and small plant is being reviewed with a view to ascertaining whether hire or purchase options provide best value.

3.8 ICT Systems and Infrastructure

- 3.8.1 HTS is currently reviewing the options that will be required to allow HTS to trade effectively from commencement in February 2017. Whilst some of the current support arrangements will transfer across, not all will be required. Our objective is to wherever possible to use existing arrangements to establish go live for the business and to fundamentally review these going forward as the business develops. At the time of writing Kier Harlow have agreed that HTS may use part of the Mead Park Depot to start to create an IT server room, and will permit HTS by licence to install and run appropriate IT infrastructure in readiness for service installation, testing and go live 1 February 2017.
- 3.8.2 The JVCo currently have the following systems in place and operational.
- Servitor = Repairs and Maintenance solution (Works order management) = 25 named user licences for Harlow.
 - Callsys = Work scheduling and PDA = 60 licenses
 - Eden = Interface between Kier and client CRM systems = 1 license
 - Pervasic Mobile 1 = Solution for PDAs to interface to Callsys = 46 licenses
 - Business Objects = Business reporting/BI = individually licensed so transferrable
 - Tranman = Fleet Management Software = Licensed to JV
 - AeroMark = Vehicle Tracking = licensed by JV although would be removed from vehicles
 - Autocad = Drafting/Design = approx. 5 licenses

- Coins = Kier Back office Financial system
- Kierpeople = Kier HR tool
- Albacs = Kier Payroll
- Merridale = Fuel Management System - licenses unknown

3.9 Materials and Suppliers

- 3.9.1 HTS is a contracting authority for the purposes of EU Procurement. The Scheme of Delegation (supplemented with Purchasing Guideline principles) will ensure that EU procurement regulations are met.
- 3.9.2 At the time of writing HTS is engaged in a major study of supply chain principles with Harlow Council. Early indications confirm that HTS will be able to procure its major assets and “high ticket” items using Crown Commercial Services Frameworks or similar, thus avoiding potential delay and costly procurement processes.
- 3.9.3 To date, frameworks for stores, fleet, and stationery have all been identified as possible supply sources for HTS. In addition, draft policies for approving sub-contractors to HTS have been tabled for consideration and eventual board approval. HTS will benefit from tested and revised existing briefs and specifications when soft market testing and procuring goods and materials to ensure value for money.
- 3.9.4 HTS will procure and engage suppliers mindful of Harlow Council’s governance expectations which set out the Council’s aspirations and how the Council expects suppliers to act.
- 3.9.5 The JVCo contract is served by a range of local SME suppliers who have been an integral part of the successful delivery of services. The local contractors provide a positive contribution to the local economy through local employment within Essex.
- 3.9.6 We plan to continue to utilise wherever possible these existing local SME suppliers through agreed arrangements to procure such services. There will however be the need to formally procure key activities during the mobilisation period leading up to go live of HTS. These include (but are not limited to) stores and core materials, vehicles, ICT systems.

3.10 Policies & Licences

- 3.10.1 Over the coming months leading up to service commencement a full review of policies and procedures ranging from Health and Safety operations to HR

employment terms, complaints procedures and statutory duties under Freedom of Information and Data Protection will be undertaken and these will be incrementally presented to the Board for adoption by HTS from September 2016 onwards.

3.10.2 This business plan will be updated following formal Board adoption of strategic policies.

3.10.3 HTS will be licenced in respect of Health and Safety, HGV 'O' licence use etc.

3.10.4 HTS will be registering for all relevant professional and trade body certificates to be able to deliver its services including NIC EIC, Gas Safe, CHAS, Construction line etc.

3.10.5 ISO applications will also be made and progress on these applications will be reported to the board and once obtained this business plan will be updated.

3.11 Ownership and legal structure

3.11.1 HTS (Property and Environment) Limited was incorporated on 24 December 2015 with Company Registration Number 9929963.

3.11.2 The Registered Office of HTS (Property & Environment) Limited is Civic Centre, The Water Gardens Harlow Essex CM20 1WG.

3.11.3 HTS (Property & Environment) Limited is a wholly owned subsidiary of HTS Group Limited which was incorporated 24 December 2015 with Company Registration Number 9929960. The Registered Office of HTS Group Limited is Civic Centre, The Water Gardens Harlow Essex CM20 1WG.

3.11.4 There is no statutory duty to appoint a Company Secretary, however HTS may consider appointing a Company Secretary in the future to administer statutory duties under the Companies Act(s)

3.11.5 The Shareholder Sub-Committee is a sub-committee of Harlow Council's Cabinet. The position and reporting lines of HTS Group Limited and HTS within the Council's wider structure and Constitution is shown in the diagram Appendix B.

3.11.6 Both the Shareholder Sub-Committee and the Board have a flexible "forward work plan" The Shareholder Sub-Committee meets in public approximately once a quarter; Board meetings are held in private session

3.11.7 HTS is governed by Articles which are supplemented by a Scheme of Delegation which in turn refers to this Business Plan. These governance arrangements look to give HTS ability to determine and deliver operational objectives and make commercially sound decisions within the Teckal envelope. The Articles provide the

framework for the operation of HTS including voting rights, casting votes, quorum and general objects and once adopted will be a matter of public record.

3.11.8 The Scheme of Delegation determines final decision making powers. Purchasing guidelines and financial regulations (where appropriate) will supplement the Scheme of Delegation.

3.11.9 Any changes to the Articles or the Scheme of Delegation must be approved by the Shareholder Sub-Committee under their agreed terms of reference.

3.11.10 Insurance for Directors, together with Employee cover, professional indemnity will be placed as soon as possible using Harlow Council's insurance team.

3.12 The Board

3.12.1 Councillor Directors

Three Elected Members of Harlow Council were appointed as Statutory Directors to the HTS Board on the 24 December 2016.

3.12.2 Managing Director (and Statutory Director of HTS)

Appointed on 1 March 2016 and subject to an ancillary secondment agreement for 50% of his time back to Kier Harlow until 31 August 2016 and 20% of his time back to Kier Harlow until 31 January 2017. This arrangement ensures that risk to the existing contract is mitigated whilst ensuring that the transition of staff and operations to HTS is managed appropriately.

3.12.3 Non-Executive Chairman

On 10 June 2016 Michael Harrowven was appointed as the Non Executive Chairman of the HTS Board. Michael is a Fellow of the Institute of Directors and a member of the Chartered Institute of Banking and brings a wealth of commercial experience from both the Commercial and Housing sector to the Board.

3.13 Board Duties

3.13.1 The core duties of the HTS Board is:

- To set and deliver the strategic direction of HTS.
- To deliver best value efficient services.

- To grow HTS and support and further Harlow Council's priorities and corporate values.
- To encourage HTS within a framework of prudent, commercially minded and effective controls which manage risk and reward, to be entrepreneurial and innovative to deliver acceptable returns to the Council.
- To ensure that all legal and regulatory obligations are understood and discharged.

3.13.2 A register of Director interests is held, updated and monitored. Risk is monitored on an ongoing basis.

3.13.3 Conflict of interests are managed and provided for within the Articles.

3.13.4 Directors training is planned in respect of statutory duties (including conflict of interest management, O Licencing and Health and Safety management).

3.14 Shareholder Sub -Committee Terms of Reference

3.14.1 The Shareholder Sub-Committee was created in December 2015 with five Councillor Elected Members and is politically balanced.

3.14.2 It has the following terms of reference:

- To receive reports on the creation of HTS and approve key decisions including, but not exclusively, the Articles of Association, the scheme of delegation and determining shareholder controls
- To be consulted on the appointment and dismissal of HTS Directors and external auditors
- To hold the HTS Board to account
- To receive and agree the HTS Business Plan
- To receive financial and performance monitoring reports and accounts
- To approve the cessation of existing business areas and approve new areas of business that fall outside of the thresholds contained in the Shareholder Agreement

3.15 Branding & Communication

3.15.1 Branding for HTS has been agreed by the Board

3.15.2 Website and Domain Names have been finalised.

3.15.3 Bulletins and face to face briefings giving all staff who will potentially transfer to HTS updates are in place and planned to take place not less than on a three monthly basis during transition and for the first 12 months of the service.

3.15.4 Press releases and communication with third parties will be subject to agreed policy and procedures, together with any contractual limitations agreed by Harlow Council and HTS

3.16 Business Continuity

3.16.1 HTS are reviewing all business continuity plans and have the benefit of known and tested practices used currently by the JVCo. Once reviewed these plans will be discussed again with key stakeholders over the coming months.

3.17 Advisors

3.17.1 Independent legal advisors will be appointed to HTS to avoid any conflict of interest. A procurement process is underway for appropriate legal advisors to the Board and HTS Senior Management.

3.18 State Aid

3.18.1 The Board and its Shareholder are mindful of State Aid implications. All commercial matters (including any loan agreement and or services provided to HTS from Harlow District Council) will continue to be monitored and scrutinised by external lawyers mindful of State Aid implications.

4 Context & Market Analysis

4.1.1 In developing HTS as a new entity separate from our shareholder we have looked extensively at the current market conditions and trends to ensure that it is a fit and proper state to deliver to our main customer and to take appropriate opportunities where they may arise.

- 4.1.2 The Government's 'austerity' measures have hit local government particularly hard, and in a number of ways. Grant funding to councils is being squeezed particularly hard, which is what contributes towards street scene and landscaping services.
- 4.1.3 Housing repairs and maintenance are paid from social housing rents through the ring-fenced Housing Revenue Account. From this year, and for the next three years, all social housing tenants will benefit from a 1% per annum reduction in rent, with obvious implications to landlords in being able to maintain services and take forward new investment.
- 4.1.4 Other changes to welfare may have an impact on landlord finances but much of the detail is still awaited, adding to uncertainty in the social housing sector.
- 4.1.5 HTS shares the priorities of Harlow Council and it will strive to adapt to the changing environment through positive engagement with the Harlow Council. This will be against a background of ensuring sustainability of HTS to continue to deliver the Harlow Council's priorities.
- 4.1.6 In the wider economic world, there is uncertainty over the impact of Brexit.

4.2 Impact on Local Authorities

- 4.2.1 Councils with their own housing stock maintain two main accounts, the General Fund and the Housing Revenue Account [HRA]. The HRA is a ring fenced account solely for the purposes of receiving rental income and the management and maintenance of the housing stock. The General Fund pays for all other services through government grant, Council Tax and other income.
- 4.2.2 Central Government has cut its grants to local government quite substantially over the past five years and will continue to do so until 2019/20, after which councils will begin to retain Business Rates, which currently are paid direct to the Treasury. However, the details of how this will be implemented are still awaited.
- 4.2.3 Councils have responded well to the challenging financial environment by finding different ways of delivering services, often through shared or merged services with other councils.
- 4.2.4 In addition to the four years of rent reductions, stock owning councils face additional pressures from other aspects of welfare reform, such as the roll out of Universal Credit, 'Pay to Stay' and right-to-buy for housing association tenants.
- 4.2.5 Universal Credit is a major reform of the benefits system which merges a range of different benefits paid fortnightly or four weekly into one monthly payment direct to

the claimant. Currently, Housing Benefit is paid on a weekly basis direct to the landlord. There is widespread concern that some tenants will struggle to manage a monthly budget, may not treat the rent as a priority, leading to a rise in arrears and higher management costs.

- 4.2.6 'Pay to Stay' is aimed at households earning over £30,000 per annum, whereby their rent is increased to near market levels, on a sliding scale, and the additional rent paid to the Treasury. Again, details are awaited of how this will operate, such as identifying tenant's income and without putting an administrative burden on the landlord for no perceivable benefit.
- 4.2.7 It may seem odd that Right to Buy for housing association [HA] tenants is a risk to stock owning councils. In order to help make up the capital loss to the HA on the disposal of a property at a discount, the government is proposing that councils sell off high value properties when they become vacant and pay the proceeds to the Treasury. This is proving extremely controversial and at the time of writing it is unclear as to how and when this scheme will take off.

4.3 HTS Opportunities

- 4.3.1 The organisations that have taken the opportunity to review the requirements of their service have seen the benefits of an internal delivery model, but are wary of the commercial risks in creating one from 'scratch'. As a result, we are seeing an increase in hybrid models where a new commercial entity is created to deliver the asset management service that is wholly owned by the Contracting Authority. The establishment of HTS gives Harlow Council a unique opportunity to utilise the strong and well established expertise that currently exists within the Harlow JVCo to continue to develop improved services through an LATC arrangement.
- 4.3.2 Models such as HTS un-shackle the asset management delivery from the rest of the organisation and allow the entity to run on a more commercial basis and explore strategic opportunities. This ethos is essential to meeting Harlow Council's objectives going forward and will play a key role in the effective and efficient delivery of the services delivered by HTS.
- 4.3.3 The third party work which could undertake will be in the core business areas of
- Building maintenance
 - Building compliance
 - Environmental
- 4.3.4 Building Maintenance and Compliance

Potential public sector clients provide opportunities under the building maintenance and compliance area mirroring what is to be delivered to Harlow Council. Potential clients include

- Social housing (Registered Providers)
- care homes/facilities in the Harlow area.
- Harlow Education Consortium
- Regeneration, economic development and inward investment provide more areas in which works could be undertaken, for example Prentice Place development and Harlow Council's Priority estates project

4.3.5 Environmental

- Town and Parish Councils within Essex
- Public Health England site
- Enterprise Zone
- Newhall land retained by a management company

4.3.6 Noted growth in works carried out by HTS will be part of a three year plan, with a marketing brochure to be considered in or around year 2. HTS will need to spend the first year positioning itself and deciding what it wants to be known for and considering any scope widening.

5 Strategy

5.1 Generally

- 5.1.1 As set out previously HTS' Strategy is founded on maintaining and improving service levels to Harlow Council while exploring opportunities to develop commercially viable low risk income streams externally.

5.2 Service Continuation and Improvement

- 5.2.1 HTS is focussed on a seamless transition and seek to maintain business as usual throughout the transition period and thereafter to continue delivering high levels of performance.

5.3 Market Opportunities

- 5.3.1 To effectively grow our service and expand our offering to other clients we will be seeking to tender for opportunities primarily within Harlow and its neighbouring boroughs.
- 5.3.2 To determine the target areas of growth for HTS we have carried out an analysis of the potential markets, products/services, customers and competitors as set out below:

Markets	Products/Services
Adjacent Local authorities/Registered Providers Charities Other voluntary and community agencies Health Education – local schools and colleges both within Harlow and its surrounding authorities Leisure Private sector Commercial sector Schools – State and Private Leasing and rental arrangements for assets allocated to HTS	Void management Disabled adaptations Mechanical, Electrical and Environmental Home security improvements Conversions/extensions Facilities management (maintenance) Sustainable energy and climate change Procurement and supply chain management Statutory compliance of building services

Customers	Competitors
Councils/housing associations/ALMOs Contractors (HTS as sub-contractor) Hospitals/surgeries Community centres Schools/Nurseries Sports halls Private householders Private businesses Managing agents/property managements Developers Consultants – e.g. architects, QSs, Project Managers	Private sector contracting organisations Specialist contractors (e.g. on M, E and E) Other DLOs locally

5.4 Geographic Coverage

- 5.4.1 We will aim to grow our business in neighbouring areas within a 20 mile radius, and following review of market growth look to potential in adjoining counties.

5.5 SWOT Analysis

- 5.5.1 In order to focus our marketing and business development on areas with the maximum potential we have considered both external threats and opportunities together with internal strengths and weaknesses as set out below

Strengths	Weaknesses
<ul style="list-style-type: none"> • Existing relationship with Harlow – and would remain wholly owned • Cheaper/cleaner than other options • Established and known workforce • Single entity/single service supplier • Focussed service delivery • 100% responsibility for workforce would rest with us as the subsidiary • Commercial risk would sit with us as the subsidiary • Established, successful model • Locally based with local knowledge • Company name, logo and initial website to shortly be in place • Single point of contact • Service Provider incentivised to drive improvements 	<ul style="list-style-type: none"> • Limitations on transfer arrangements of systems for managing data • Limitations on ability to use current use of ICT • Lack of established company reputation • Inconsistent employee contracts, terms and conditions • Need to re-procure existing key contracts • May cost more before it costs less (e.g. initial set up costs, procurement of new systems) • Will take time to implement and 'bed in' • Need to drive and maintain commercial approach to doing business

<ul style="list-style-type: none"> • Job safety for employees • Less duplication • Existing assets owed • Strong commercially experience of the teams • Strong existing infrastructure for performance and financial management communications plan or brand guidelines being effectively established 	
Opportunities	Threats
<ul style="list-style-type: none"> • Opportunity to contract out to third parties • ‘Fresh start’ for the service and workforce plus improved workforce development • Improved delivery of capital programmes • Potential for significant savings by being a medium enterprise rather than within a PLC structure • Potential for business growth and new income streams • Further Cultural change – resulting in yet more increased productivity • Aligned objectives and joint working • Establishment of recognised/trusted brand and reputation • Potential for shared services (e.g. materials supply) – value for money/reduced costs 	<ul style="list-style-type: none"> • Failure to deliver savings/surpluses – e.g. if incentives outweigh efficiencies • Inability to secure external work due to perceived lack of experience and company size • Competition in the marketplace • Suitable structure and infrastructure not put in place though utilising existing employees • Failure to align objectives and integrate teams and working practices • Skills shortages due to external market factors • Management capacity to make changes and deliver new work • Pressures of trading within a market close to London • Impact of any further changes to budget, housing policy and/or legislation

5.6 Delivery Strategy

5.6.1 Taking into account market opportunities. Geographical coverage and the SWOT analysis above we consider the key areas of potential growth are:

- Repairs & Maintenance
- Planned and capital works
- Grounds and Streets Maintenance

5.7 Sources of Competitive Advantage

5.7.1 As a 'wholly owned public company' we have identified the following as our sources of Competitive Advantage that will enable us to obtain and retain external sources of income:

5.7.2 Social Value

- HTS will work with regard to the Nolan principles
- HTS will safeguard against exploitation when carrying out due diligence for procurement activities
- HTS is able to draw upon extensive established relationships with an existing supply chain network, many of which are based locally and familiar with the services required by Harlow Council and committed to working within their local area for the benefit of local people.
- HTS aspires to creating apprenticeship opportunities to maximise current expertise within the workforce and develop a local skill base.

5.7.3 Commercial Risk/Covenant:

HTS provides unique covenant strength as a wholly owned Local Authority company, thereby offering a low risk option for potential customers and supply chain

5.8 Actions required to ensure HTS 'market ready'

5.8.1 HTS have identified that they will be aiming to grow their business by up to 20% or £4.6m per annum commencing incrementally from year 2.

5.8.2 To ensure that HTS is competitive in the open market against established contractors we identified the following areas for development over the initial 14 months of trading (up to March 2018)

No	Area
1	Evidence – HTS should produce case studies detailing the performance of each service provided to Harlow
2	Social Value – HTS will need to evidence how it is contributing to Harlow through local employment apprentices etc.

3	Bid Writing – HTS will need to a secure a resource (internal or external) capable of producing competitive tenders
4	Development of Commercial Acumen/Estimating Capability
5	ICT – effective ICT that allows HTS to schedule, manage and report on its workforces productivity.
6	Marketing/Business Development i.e. attendance at Conferences use of traditional and Social Media

6 Anticipated Financial Results and Other Outcomes

- 6.1.1 In Year 1 HTS expects to break even, and will deliver services to Harlow Council only. In Year 2 expectation is for consolidation and preparation for growth, seeking to grow further in Year 3 when a Value for Money review will be carried out in respect of the service offered to Harlow Council. At this stage the value of potential growth will be measured against the cap imposed by the Teckal status of HTS as below.
- 6.1.2 We will initially look to target our growth within the immediate Harlow community focussing on the core services that we provide to Harlow Council. Only when we are sure our core business activities are being effectively and efficiently delivered will we then look to develop our business into other work streams.
- 6.1.3 HTS need to be mindful that our capacity to grow is limited by Teckal arrangements that limit us to 20% of core turnover of circa £23m. This therefore equates to circa £4.6m per annum. Our focus needs to be to primarily look to maximise profitable venture to ensure we make the most of our limitation on revenue growth.

6.2 Financials

- 6.2.1 It is anticipated that HTS will enter into a form of facilities arrangement on commercial terms with the Council to finance both the initial costs of transition and the investment required to trade. Any loan arrangement will be made on commercial terms and subject to independent scrutiny to mitigate any State Aid implications.

The table below sets out the projected revenue income for the business over the initial 3 years. These figures take account of a £5.8m capital programme allocation after year 1 (to be confirmed) and the maximum 20% third party growth based on ASC and Capital allocations as set out being in place.

	Year 1 Feb 2017 – March 2018		Year 2 2018/2019	Year 3 2019/2020
	12 Months	14 Months		
ASC	£17,649,111	£20,643,129	£18,125,474	£18,567,622
Capital	£5,800,000	£5,800,000	£5,800,000	£5,800,000
Total	£23,449,111	£26,443,129	£23,925,474	£24,367,622
Growth opportunity (up to 20%)	c£50,000 (depot rental income)	c£50,000 (depot rental income)	£4,785,094	£4,873,524
Total Revenue	£23,499,111	£26,493,129	£28,710,568	£29,241,146

6.3 Capital Works

- 6.3.1 Certain Capital Works will be carried out by HTS during 2017/18, the scope of works are still to be determined. The value of this work allocation will be £5.8m.

7 Financial Plan

7.1 Assumptions

The following assumptions have been made:

Financial costs are to deliver the Annual Service Charge scope of works, and capital works are out of scope.

No significant third party income has been assumed at this stage.

Income and costs based on Harlow Council work alone will achieve break-even plus 1% profit mark up on direct cost base.

No rent charged from Harlow Council as the landlord, only payment for a small service charge – as the current commercial arrangement.

HTS will lease 180 vehicles with new livery, and upgraded vehicles trackers.

ICT set up costs assume existing environment – not a standalone environment, for 125 desk based, and 85 mobile users

Cash flow projections assume consignment stock arrangements with material suppliers, and only a small stores provision.

Call centre and Out of Hours will remain as a provider function in HTS.

7.2 Borrowing

- 7.2.1 We anticipate borrowing requirement in the range of £900,000 to £1,400,000 at an annual interest rate of 4% and repaid within 5 years.
- 7.2.2 This will finance the pre-trading costs to set up the company and acquire trading assets, totalling £1,247,900:

ICT Environment set-up costs	£300,000
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Legal and consultancy fees	£50,000
Advance lease deposits (120)	£160,200
Livery and vehicles trackers (120)	£72,600
Early transitional management	£465,900
COINS software configuration	£15,000
Servitor software upgrade	£75,000
Option on leased vehicles (60)	£109,200

7.3 Cash Flow Forecast

To follow after final budget determination

7.4 Financial Indicators / Measures

7.4.1 The financial measures and indicators by which HTS will be governed by and have to report back to its Shareholders on are as follows:

- a) Controllable costs, variance to budget
- b) Indirect costs, variance to budget
- c) Net profit before interest, value and % of Income
- d) Third Party Income, value and profit % of income
- e) Outstanding loan balance

7.5 Projected Profit and Loss

To follow after final budget determination

7.6 Indexation

To follow after final budget determination

7.7 Value for Money Review

7.7.1 In 2020 there will be the need for HTS to undertake a Value For Money review.

7.7.2 HTS will therefore need to be able to evidence the following:

- (a) The costs of the repairs and maintenance activities can be compared reliably to industry standard rates and cost indices.
- (b) Performance and activity data is maintained to facilitate a meaningful direct cost analysis.
- (c) Indirect cost efficiencies have been delivered, compared to the budget base year (June 2015).

7.8 Commercial Model

7.8.1 The commercial model being adopted by HTS to deliver the works is a continuation of the arrangements from the current Joint Venture company.

7.8.2 There will be an Annual Service Charge that will be broken into 12 equal payments, paid on the 1st of the month.

7.8.3 Any services being bought back from the Council will be broken into 12 equal payments, paid monthly in arrears on the 1st of the following month.

To follow after final budget determination

8 Appendices

8.1 Appendix A - Glossary

Articles	A public document that regulates company operations
Conflict of interest	A situation that has the potential to undermine the impartiality of a person because of a clash between self-interest, public or private interest
Company Secretary	Statutory or non-statutory appointment responsible for ensuring compliance with company law
Customer Service Excellence	Best practice management standard
Data Controller	Person or organisation who determines the purposes for which and the manner in which any personal data are, or are to be, processed
EU Procurement Regulations	Legislation setting out the procedures and practices which local government and HTS are required to follow when purchasing goods and services
Framework	A procured and agreed mechanism allowing for contracts to be placed with one or more operator for goods and services subject to pre-agreed terms and conditions.

FTE	Full Time Equivalent (staff)
FOIA	Freedom of Information Act 2000
HR	Human Resources
ICT	Information and communications technology
ISO 9001 and 14001	Quality management system awarded to organisations that demonstrate a consistent service meeting the needs of customers
Information Commissioner	Government regulator for freedom of information and protection of personal data and the specialist ombudsman
Investor in People	Best practice management standard
JVCo	Joint Venture Company
O Licence	Operator's Licence required to operate vehicles above 3.5 tonnes
Register of Interests	Public list giving details of any interests that may give rise to a conflict of interests in a Directors duties
Registered Provider	Provider of Social Housing regulated by the Homes and Communities Agency
Right to Buy	Automatic statutory right to for a secure tenant purchase their property
SLA	Service Level Agreement (form of contract)
Scheme of Delegation	Matrix confirming final decision making powers
Secondment Agreement	Enforceable agreement between two parties allowing for staff to work in whole or part for both organisations.
Statutory Director	Post holding express enforceable duties to HTS
State Aid	Any advantage granted by public authorities through state resources on a selective basis to any organisations that could potentially distort competition and trade in the European Union (EU). The definition

	of state aid is very broad because 'an advantage' can take many forms.
TUPE	Transfer of undertakings (Protection of Employment) Regulations 2006 (as amended)
Teckal	Wholly owned, influenced and controlled local authority company undertaking with no direct private capital participation. Not less than 80% of its work directly for the local authority.

8.2 Appendix B – HTS Governance Chart

**HTS (PROPERTY & ENVIRONMENT) LTD
GOVERNANCE ARRANGEMENTS
(Ver.4)**

