

SHAREHOLDER SUB COMMITTEE
Thursday 7 November 2019 at 7.30 pm
Council Chamber - Civic Centre

Members

Councillor Mark Ingall (Chair)
Councillor Joel Charles
Councillor Andrew Johnson
Councillor Danny Purton
Councillor Mark Wilkinson

AGENDA

1. Apologies for absence
2. Declarations of Interest

Councillors' declarations of interest (if any) in relation to any items on the agenda.
3. Minutes (Pages 3 - 9)

To approve the minutes of the meeting held on 25 June 2019.
4. Matters Arising

Any matters arising from the minutes of the previous meeting.
5. Sub Committee Work Plan (Page 10)

To review the Sub Committee's work plan
6. Operational and Performance Reports
 - a) Performance and Balanced Scorecard (Pages 11 - 33)
 - b) Risk Register (Pages 34 - 41)
7. Best Value Review (Pages 42 - 48)
8. Responsive Repairs and Customer Access Review (Pages 49 - 52)
9. Replacement of HTS (Property and Environment) Ltd Fleet
10. References from the HTS Board
 - a) Statutory Accounts Outturn (Pages 53 - 96)

11. References from the HTS (Property and Environment) Ltd Board

a) Statutory Accounts Outturn (Pages 97 - 140)

12. Matters of Urgent Business

Such other business which, in the opinion of the Chair, should be received as a matter of urgency by reason of special circumstances to be specified in the minutes.

13. Date of next meeting

**MINUTES OF THE SHAREHOLDER SUB COMMITTEE
HELD ON**

25 June 2019

7.30 - 8.30 pm

PRESENT**Sub Committee Members**

Councillor Mark Ingall (Chair)
Councillor Joel Charles
Councillor Andrew Johnson
Councillor Mark Wilkinson

Officers

Rebecca Farrant, Operations Manager (Property and Facilities)
Andrew Murray, Head of Housing
Adam Rees, Governance Support Officer

Additional Attendees

John Phillips, Managing Director of HTS (Property and Environment) Ltd

Also Present

Councillor Simon Carter
Councillor Bob Davis
Councillor Frances Mason

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Danny Purton.

2. DECLARATIONS OF INTEREST

None.

3. MINUTES

RESOLVED that the minutes of the meeting held on 15 January 2019 are agreed as a correct record and signed by the Leader.

4. MATTERS ARISING**a) Minute 32 - References from Cabinet**

In response to a question by Councillor Johnson, Councillor Mark Ingall requested that Andrew Murray, Head of Housing update the Committee advising , that a report on the creation of HTS (Housing and Regeneration) Company is scheduled to be reported to the Sub Committee at their meeting on 7 November 2019 with the workplan updated accordingly.

5. **SUB COMMITTEE WORK PLAN**

Councillor Ingall provided an update on the creation of the housing and regeneration company. The main obstacle was the transfer of land and assets.

It was explained that the legal relationship between the Council and HTS was being considered as part of a range of options. This included the possibility of HTS acting as a mutual. It was agreed that a separate report would be produced on the legal arrangements between the Council and HTS.

RESOLVED that the Work Plan is noted.

6. **OPERATIONAL AND PERFORMANCE REPORTS**

a) Performance and Balanced Scorecard

The Sub Committee received a report which set out HTS' financial and operational performance for 2018/19.

Councillor Johnson said he was concerned by the lack of outturn figures on the balanced scorecard. In response John Phillips, Managing Director of HTS (Property and Environment) Ltd, gave a verbal update on the outturn figures. It was also agreed that the additional information would be circulated to the Sub Committee.

RESOLVED that:

A The Shareholder Sub Committee (SSC) acknowledged both the year end (2018/19) outturn and current (2019/20) performance/financial position set out in paragraphs 3 to 14 in the report as follows:

- i) HTS (Property & Environment) Ltd (HTS) has achieved a reported 100 per cent success rate for both the year end 2018/19 and April 2019/20 against the current suite of major and minor KPI's that govern the contract.
- ii) An actual retained profit level totalling £413,299 as at March 2018/19 and are forecasting a level of £431,000 for the year ending March 2019/20.

b) Risk Management

Andrew Murray, Head of Housing, explained that there were strategic risks surrounding Information and Governance and this had been raised as an area of concern by the Audit and Standards Committee. Whilst there were robust arrangements there is an expected audit of GDPR reporting and actions to be aligned to the Sub Committee and Audit and Standards

Committee as appropriate. Data transfer controls are expected in accordance with GDPR requirements.

In reply to questions by Councillor Charles about business growth, John Phillips advised that it was reviewed monthly. John Phillips would amend the HTS (Property and Environment) Ltd Risk Register. Innovation included improvements that would be made as part of the customer access review, as well as how equipment was tracked. The Opportunities Register could be shared with Councillors, but it was in the early stages of development.

HTS had continued to develop its third party growth opportunities and has a £100,000 contract with South Cambs Council.

RESOLVED that the Sub Committee noted the strategic risks relating to HTS (Property and Environment) Ltd together with their analysis and mitigation.

c) Social Impact Report

John Phillips presented the Social Impact Report which set out the total social value that HTS had added over 2018/19. The report, produced by HACT, stated that HTS created £1,129,128 of social value in 2018/19.

It was agreed that the HACT would be invited to give a presentation to the Sub Committee and the HTS Board.

RESOLVED that the report be noted.

7. **BEST VALUE REVIEW - UPDATE REPORT**

Rebecca Farrant, Operations Manager, provided an update on the Best Value Review. She explained that the review would be completed in early 2020 and was currently on schedule. The review would determine whether the Council was receiving value for money and would make a recommendation on whether the contract with HTS would be extended.

In response to a question by Councillor Ingall, Rebecca Farrant said that comments about KPIs did not form part of the review, but could be dealt with under business as usual.

RESOLVED that the update report be noted

8. **REFERENCES FROM THE HTS GROUP BOARD**

None.

9. **REFERENCE FROM HTS (PROPERTY AND ENVIRONMENT) LTD**

a) Audited Group Management Accounts - Verbal Update

The Sub Committee raised concerns that the Audited Accounts had not been made available. John Phillips said that HTS were waiting on the external auditor to finalise the accounts. He added that there would be a £579,000 pre-tax profit to the Council. In addition there were two SLAs worth £70,000 and £129,000. This meant the overall profit to the Council was £818,000. HTS' accounts would be receiving an unqualified audit.

The accounts would need to be signed off by the Sub Committee. It was agreed that this could be done at the HACT presentation.

John Phillips to review alignment of end of year accounts closure aligned to reporting to the Sub Committee.

10. **REFERENCES FROM CABINET**

None.

11. **MATTERS OF URGENT BUSINESS**

None.

12. **DATE OF NEXT MEETING**

7 November 2019.

CHAIR OF THE SUB COMMITTEE

Financial
Performance

Financial Performance Summary

OBJECTIVES	PERFORMANCE	COMMENTS
Achieve pre-tax profit margin of 4.75% by end of FY 2018/19. (With a min of 50% return to Shareholder)	✓	HTS achieved 4.8% at the end of FY 2018/19.
Borrowing ratio of less than 70% by end of FY 2018/19	✓	Borrowing ratio stands at 47%.
Acid ratio in excess of 1.00	✓	Acid ratio is 1.20 at the end of FY 2018/19.
Minimum cash reserve of £0.5m by end of FY2018/19	✓	Exceeded target with £0.9m at the end of 2018/19.
Deliver cashable and non-cashable year on year efficiencies	✓	Achieved Objective.
Deliver a competitive and profitable (minimum margin of 5%) £5.8m capital works programme by end of FY 2018/19	✓	Achieved Objective.

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Minute Item 6a

Business Growth

Business Growth Summary

OBJECTIVES	PERFORMANCE	COMMENTS
By end of FY 2018/19 deliver external third-party profit of £22.5k before tax.		HTS have exceeded this target at £119k before tax.
∞ By end of FY 2019/20 deliver external third-party profit of £67.5k before tax.		Data to be provided when information available.
By end of FY 2020/21 deliver external third-party profit of £135k before tax.		Data to be provided when information available.

Culture Performance Summary

OBJECTIVES	PERFORMANCE	COMMENTS
Invest 500 working days (60k) per annum in corporate social responsibility	✓	HTS have achieved target with a contribution of £71k and 553 working days.
To ensure that employees on average receive three days training per annum	✓	Objective achieved with 4.08 training days per annum.
Recruit a maximum of 10 apprentices in line with business needs.	✓	Objective achieved in line with business need.
6 An agreed-upon succession plan	✓	Achieved Objective
Minimum 60% return rate of staff satisfaction surveys with a satisfaction rate >60%.	✓	Staff satisfaction surveys carried out in February 2019 with 72% returns.
Place the customer experience at the heart of how HTS operates	✓	Achieved Objective with an increase in plaudits/customer satisfaction and a reduction in complaints.
Illustrate an innovation driven and entrepreneurial culture	✓	Achieved Objective
Equality and diversity: <ul style="list-style-type: none"> • Gender Pay Gap • Social inclusion model (CIC)/partnerships with local community organisations • Disability Confident Champion (level 3 status) 	✓	Achieved Objective

Shareholder Sub-Committee Work Plan 2019/20

Title	25 June 2019	7 November 2019	July 2020
<u>Operational and Performance Reports</u>			
Performance and Balance Scorecard	Jan-Apr	May- Sept	Oct-Jun
Risk Register	Jan-Apr	May-Sept	Oct-Jun
Social Impact Report	Annual Report		Annual Report
<u>Other Reports</u>			
Responsive Repairs and Customer Access Review		Report	Report
Creation of HTS (Housing and Regeneration) Company			
Referrals from HTS Group Board - Statutory Accounts Outturn		Report	
Referrals from HTS (Property & Environment) Board - Statutory Accounts Outturn		Report	
Best Value Review	Report	Report	
Replacement of HTS (Property and Environment) Ltd Fleet		Report	

REPORT TO: SHAREHOLDER SUB COMMITTEE

DATE: 7 NOVEMBER 2019

TITLE: PERFORMANCE AND BALANCED SCORECARD

LEAD OFFICER: ANDREW MURRAY, HEAD OF HOUSING
(01279) 446676

RECOMMENDED that:

- A** The Sub Committee acknowledges the performance and financial position as at September 2019/20 set out in paragraphs 12 to 17 as follows:
- i) HTS (Property & Environment) Ltd (HTS) has achieved a reported 96 per cent success rate for September 2019/20 against the current suite of major and minor KPI's that govern the contract.
 - ii) An actual retained profit level totalling £493,009 as at September 2019/20 and are forecasting a level of £1,049,000 for the year ending March 2020/21.

BACKGROUND

1. HTS was established to deliver repairs and environmental maintenance services previously carried out by Kier Harlow Ltd.
2. In setting up a Local Authority Trading Company (LATC) the Council has created a business that can act commercially, generate income for the Council, trade externally, and importantly, deliver Council Corporate plan priorities. The Sub Committee has been established to provide strategic governance and oversight over these commercial and operational activities of its company/s.

SUMMARY OF PERFORMANCE

Operational

3. The approved targets within the HTS Business Plan/Balanced Scorecard outline Council themes and priorities for delivery. A summary of progress on performance for September 2020 is outlined in Appendix A.
4. HTS continues to demonstrate progress against Balanced Scorecard priorities. The headlines are as follows:
 - a) Operational performance (66 per cent);
 - b) Financial performance(100 per cent);

- c) Business growth (100 per cent); and
 - d) Culture (100 per cent).
5. HTS continue to strive and deliver tangible social impact outcomes whilst realising efficiencies, demonstrating best value as part of their ongoing business planning/improvement activities. Areas for scrutiny, however, include the sickness rate which is below the target at 4.12 per cent, as well as the health and safety Accident Incident Rate (AIR) rating which has dropped below the Health and Safety Executive requirements.
 6. Monthly detailed performance reporting which includes major, minor measurement performance indicators, complaints and member enquiries, together with case work are reviewed in detail at the Housing/Environment Portfolio Holder meetings. Detailed performance reports are available if required. Notable highlights reported include:
 - a) Average time (in hours) to remove fly tips – Excellent performance at 1.36 hours per job to clear dumped rubbish.
 - b) LGSR Gas Servicing – 100 per cent compliance since contract inception.
 - c) Graffiti/Fly posting removal of racist or obscene nature – Excellent performance maintained at 100 per cent.
 - d) Routine cleaning of streets to grade A standard (Wave) Litter - KBT (NI 195) – Continuation of excellent performance in compliance with standards required.
 - e) Tree works – Excellent performance maintained at 100 per cent across all tree works KPIs.
 - f) Routine cleaning of streets to grade A standard (Wave) Litter – KBT (NI 195) – Continuation of excellent performance in compliance with standards required.
 7. Underperforming KPI's include urgent requests for work to complete within five working days from the report by tenant of a commercial property or other stakeholders, the emptying of full and overflowing litter and dual use bins within 3.5 hours of the report being received.
 8. The Sub Committee should note health and safety progress during this period which include enhanced sub contractor management, commencement of trials for improved vibration equipment, GDPR action plan implementation, policy updates, enhanced drug and alcohol testing, nominated for an Environmental award. However, the following operational target areas have been identified:
 - a) OCRS score now on red due to MOT failure of HGV vehicle. Specific additional vehicle checks are now in place to ensure pre testing of

vehicles prior to MOT. This along with procedural changes will ensure full compliance going forward

- b) Further Noise surveys required for the use of machinery within parks and transport sections
 - c) Waste licence update required for to allow HTS to hold clinical waste
 - d) SMART meters outstanding to be used meters – further to be installed in Mead Park depot
 - e) Use of Drone technology for to be considered for work at height inspections
9. HTS have reported no reportable incidents during this review period. It must also be noted there have been no data breaches for September 2019. However, some outstanding breach investigations are still be closed out, and a break in at Mead Park depot being investigated with a report being finalised.
10. In addition, HTS as part of their business plan activities, have successfully been granted new Business Cases relating to the following:
- a) Harlow Science Park facilities, management and maintenance.
 - b) Civic Centre facilities management.
11. It is further proposed for the Council to develop a further business opportunity for HTS for the Science Park landscaping later in the year.

Financial

12. The controllable budgets assigned to HTS are managed within an existing Annual Service Charge (ASC) payment, uplifted annually for inflation. The actual ASC to September 2019 was £9,117,000 and the forecasted ASC to March 2020 is £18,158,000. A summary for September 2019/20 is shown in the table below:

Table 1 – ASC Summary

	Actual Year to Date 2019	Forecast Year ending March 2020
Retained Profit	£493,000	£1,064,000
Reserves	£1,319,000	£1,890,000
Cash Flow (as per CF statement submitted)	£2,235,000	£2,750,000
Harlow Council Loan outstanding	£565,000	£448,000,

13. Current progress and financial forward forecasting for HTS is outlined in the updated Shareholders' Statement which is shown in Appendix B. The audited

Statutory Accounts for the year end 2018/19 are reported later in the Agenda as a referral from HTS Board.

14. In addition, the Services Agreement allows the Council to award Housing Capital Works to the value of £5.8 million on a year by year basis up to 2021/22. The value of the work packages for 2019/20 total £9,602,000 including carryovers from previous year. HTS are reporting a spend of £1,942,546, with a forecast delivery of the allocated programme of works value of £9,442,316. This figure includes fixed price items within the ASC of £1,014,000 and an allocated budget of £460,000 for Sumners Farm that is yet to be commissioned.
15. In September 2019, the Council has invited HTS to submit new Business Cases for potentially three new projects associated with the 'Council House Building' Programme These include The Readings, which involves the construction of three new properties, Sumners Farm. Tenders are currently being evaluated.
16. Activity for HTS Council appointed Directors are included as appendices C, D and E.
17. In 2018, an audit of HTS's strategic governance was completed and an audit opinion was provided of substantial assurance regarding strategic governance arrangements in place for the Council as shareholders of HTS. This report is attached as Appendix F to the report.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

As contained within the report.

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

Housing

As outlined in the report

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

None specific,

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

None specific.

Author: Simon Hill, Head of Governance

Appendices

Appendix A – Balanced Scorecard

Appendix B – Shareholders’ Statement
Appendix C – Director Input (Councillor Bob Davis)
Appendix D – Director Input (Councillor Chris Vince)
Appendix E – Director Input (Councillor Simon Carter)
Appendix F – Internal Audit Report

Background Papers

Major and Minor KPI reporting

Glossary of terms/abbreviations used

ASC – Annual Service Charge
HTS – HTS (Property & Environment) Ltd
KPI – Key Performance Indicator
LATC – Local Authority Trading Company

HTS (Property & Environment) Limited

Balanced Scorecard 2019/20

HTS Balanced Scorecard - Objectives

- ❖ Achieve Pre-tax profit margin of 5% by end of FY 2019/20. (50% to shareholder as dividend subject to corporation tax)
- ❖ Borrowing ratio of less than 43% by end of FY 2019/20.
- ❖ Acid ratio in excess of 1.00.
- ❖ Minimum cash reserve of £0.5m by end of FY2019/20.
- ❖ Deliver cashable and non-cashable year on year efficiencies.
- ❖ Deliver a competitive and profitable (minimum margin of 5%) £7.3m capital works programme by end of FY 2019/20.

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- ❖ By end of FY 2018/19 deliver external third-party profit of £22.5k before tax.
- ❖ By end of FY 2019/20 deliver external third-party profit of £67.5k before tax.
- ❖ By end of FY 2020/21 deliver external third-party profit of £135k before tax.



- ❖ Invest 500 working days (60k) per annum in corporate social responsibility.
- ❖ To ensure that employees on average receive three days training per annum.
- ❖ Recruit a maximum of 10 apprentices in line with business needs..
- ❖ An agreed-upon succession plan.
- ❖ Minimum 60% return rate of staff satisfaction surveys with a satisfaction rate >60%.
- ❖ Place the customer experience at the heart of how HTS operates.
- ❖ Illustrate an innovation driven and entrepreneurial culture.
- ❖ Equality and diversity targets to monitor:
 - Gender Pay Gap
 - Social inclusion model (CIC)/partnerships with local community organisations
 - Disability Confident Champion (level 3 status)

- ❖ Achieve overall success rate of 95% against the Major & Minor KPI Suite.
- ❖ Sickness absence rate below 3.8% annualised.
- ❖ Health and safety performance below HSE accident incident rate. Attain 500,000 hours reportable accident free.
 - ❖ 100% compliance with regulatory requirements.
- ❖ Value of spend on subcontractors on the ASC to be no greater than 9% of the ASC budget.
- ❖ To achieve an overall success rate of 95.50% of customer repairs dealt with Right First Time.



Balanced Scorecard performance Summary

OBJECTIVES	PERFORMANCE	COMMENTS
Operational Performance	66%	Sickness rate is below target at 4.12%. H&S AIR rating has dropped below HSE rate.
Financial Performance	100%	Objectives on target to achieve performance.
Business Growth	100%	Objectives on target to achieve performance.
Culture	100%	Objectives on target to achieve performance.

Operational Performance Summary

OBJECTIVES	PERFORMANCE	COMMENTS
To achieve an overall success rate of 95% against the Major & Minor KPI Suite	✓	HTS has successfully achieved this target across the suite of KPIs.
Sickness absence rate below 3.8% annualised	✗	Sickness rate is below target at 4.12%.
Health and safety performance below HSE accident incident rate. Attain 500,000 hours reportable accident free.	✗	HTS AIR rating has increased to 515 following an incident in August.
100% compliance with regulatory requirements	✓	LGSR compliance performance has been at 100%.
Value of spend on subcontractors on the ASC to be no greater than 9% of the ASC budget	✓	Subcontractor spend has remained within target.
To achieve an overall success rate of 95.50% of customer repairs dealt with Right First Time	✓	Customers' feedback from satisfaction surveys has illustrated repairs carried out Right First Time at above target level.

Financial
Performance

Financial Performance Summary

OBJECTIVES	PERFORMANCE	COMMENTS
Achieve pre-tax profit margin of 5% by end of FY 2019/20. (With a min of 50% return to Shareholder)	✓	HTS remains within target.
Borrowing ratio of less than 43% by end of FY 2019/20	✓	Borrowing ratio is within target.
Acid ratio in excess of 1.00	✓	Acid ratio is in excess of target required.
Minimum cash reserve of £0.5m by end of FY2019/20	✓	HTS are on target to achieve the minimum cash reserve.
Deliver cashable and non-cashable year on year efficiencies	✓	On target to achieve efficiencies.
Deliver a competitive and profitable (minimum margin of 5%) £7.3m capital works programme by end of FY 2019/20	✓	On target to achieve objective.

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**Business
Growth**

Business Growth Summary

OBJECTIVES	PERFORMANCE	COMMENTS
By end of FY 2018/19 deliver external third-party profit of £22.5k before tax.		HTS have exceeded this target at £119k before tax.
By end of FY 2019/20 deliver external third-party profit of £67.5k before tax.		HTS is on target to achieve this objective.
By end of FY 2020/21 deliver external third-party profit of £135k before tax.		Data to be provided when information available.

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Culture Performance Summary

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OBJECTIVES	PERFORMANCE	COMMENTS
Invest 500 working days (60k) per annum in corporate social responsibility	✓	HTS are on target to achieve the investment.
To ensure that employees on average receive three days training per annum	✓	On target to achieve the staff training.
Recruit a maximum of 10 apprentices in line with business needs.	✓	HTS on target to achieve.
An agreed-upon succession plan	✓	Achieved Objective
Minimum 60% return rate of staff satisfaction surveys with a satisfaction rate >60%.	✓	Staff satisfaction surveys carried out in February 2019 with 72% returns whilst achieving 65% satisfaction.
Place the customer experience at the heart of how HTS operates	✓	Continual monitoring of plaudits and complaints.
Illustrate an innovation driven and entrepreneurial culture	✓	Achieved Objective
Equality and diversity: <ul style="list-style-type: none"> • Gender Pay Gap • Social inclusion model (CIC)/partnerships with local community organisations • Disability Confident Champion (level 3 status) 	✓	Achieved Objective

Month: September-19

	Actual			Actual			Actual Month			Actual Year to Date			Forecast		
	14 Months to March 2018			12 Months to Mar 2019			Sep 2019			6 Months to 30 Sep 2019			Year to 31 March 2020		
	Actual £000's	Business Plan £000's	Variance £000's	Actual £000's	Business Plan £000's	Variance £000's	Actual £000's	Budget £000's	Variance £000's	Latest Forecast £000's	Budget £000's	Variance £000's	Latest Forecast £000's	Budget £000's	Variance £000's
1/ Total (All Activities)															
Sales	23,843	26,159	(2,316)	23,453	24,171	(719)	2,214	2,627	(413)	12,857	13,806	(949)	26,429	27,296	(867)
Cost of Sales	(19,999)	(22,095)	2,096	(20,125)	(20,545)	420	(1,875)	(2,275)	400	(10,872)	(11,725)	853	(22,349)	(23,121)	772
Gross Profit	3,844	4,064	(220)	3,328	3,626	(299)	339	353	(13)	1,985	2,081	(96)	4,080	4,175	(95)
Overheads	(3,279)	(2,805)	(474)	(2,763)	(2,470)	(293)	(225)	(227)	2	(1,361)	(1,362)	1	(2,737)	(2,739)	2
Net Profit	565	1,259	(694)	563	1,156	(592)	113	126	(11)	624	719	(95)	1,343	1,436	(93)
Interest	(55)	(65)	10	(50)	(44)	(6)	(2)	(2)	-	(15)	(15)	(0)	(48)	(53)	5
Net Profit before Tax	510	1,194	(684)	515	1,112	(598)	111	124	(11)	609	704	(95)	1,295	1,383	(88)
Taxation	(98)	(239)	141	(102)	(128)	27	(21)	(24)	3	(116)	(110)	(6)	(230)	(262)	31
Retained Profit	412	955	(543)	413	984	(571)	90	101	(9)	493	594	(101)	1,064	1,121	(57)
2/ H.D.C.- Annual Service Charge															
Sales	20,143	20,359	(216)	17,248	17,871	(623)	1,519	1,523	(4)	9,149	9,138	11	18,288	18,276	12
Cost of Sales	(16,599)	(16,738)	139	(14,357)	(14,697)	340	(1,232)	(1,244)	12	(7,422)	(7,383)	(39)	(14,779)	(14,740)	(39)
Gross Profit	3,544	3,621	(77)	2,889	3,174	(284)	287	279	8	1,727	1,755	(28)	3,509	3,536	(27)
Overheads	(3,097)	(2,623)	(474)	(2,607)	(2,299)	(308)	(212)	(215)	3	(1,283)	(1,284)	1	(2,581)	(2,583)	2
Net Profit	447	998	(551)	282	875	(591)	75	64	11	444	471	(27)	928	953	(25)
3/ H.D.C. - Capital Works															
Sales	3,613	5,800	(2,187)	6,068	5,800	268	683	1,093	(410)	3,601	4,601	(1,000)	7,967	8,885	(918)
Cost of Sales	(3,400)	(5,357)	1,957	(5,750)	(5,380)	(370)	(638)	(1,028)	390	(3,397)	(4,328)	931	(7,506)	(8,355)	849
Gross Profit	213	443	(230)	318	420	(102)	45	65	(20)	204	273	(69)	461	530	(69)
Overheads	(182)	(182)	-	(156)	(159)	3	(13)	(13)	-	(78)	(78)	-	(156)	(156)	-
Net Profit	31	261	(230)	162	261	(99)	32	52	(20)	126	195	(69)	305	374	(69)
4/ Non HDC Trading															
Sales	87	-	87	135	500	(365)	12	11	1	107	67	40	173	135	38
Cost of Sales	-	-	-	(15)	(468)	453	(5)	(3)	(2)	(53)	(14)	(39)	(64)	(26)	(38)
Gross Profit	87	-	87	120	32	88	7	8	(1)	54	53	1	109	109	-
Overheads	-	-	-	-	(12)	12	-	-	-	-	-	-	-	-	-
Net Profit	87	-	87	120	20	100	7	8	(1)	54	53	1	109	109	-

** The March 2018 & 2019 Results include the following exceptional items:

1/ Return to Harlow District Council	£'000s	£'000s
Management Charge	285	227
Annual Service Charge Rebate	257	352
Total Return to Harlow District Council	542	579
2/ Other Non Budgeted Spends		
Councillor Director Salaries		27

Appendix E

HTS Non-Exec Board Director

Report to Shareholder

Reporting period: Period: 2 (July – September 2019)

Director Name: Cllr Simon Carter

Date	Time (hrs)	Activity	Benefits arising from activity
3 July 19	1	Audit and Finance sub-committee	Review final accounts with auditors prior to sign off
3 July 19	1	HTS and HDC meeting, Civic Centre	Consider options for the future to improve tax efficiency
3 July	1	Luncheon with Auditors	
3 July	1	Meeting with non-exec Chairman	Review progress of company and options for the future
	1	Meeting with Finance Director	Update on accounts, relations with auditors and staff matters.
29 July	2	Modern Slavery training and review of vehicle tracking system	Training update and view operation of tracking system
8 August	2	Meeting with Finance Director and staff	Review capital expenditure programme
11 August	2	Family Fun Day	Meeting staff informally, getting to know them and gaining their perspective on the business
5 September	3	Staff Briefings	Listening to staff; Supporting senior management and their relationship with staff
	1	Meeting with Finance Director	Update on accounts, relations with auditors and staff matters.
18 September	2	VFM Review with cllrs and HTS officers	
19 September	1	Customer Service Experience	Contribute towards assessment of HTS for CSE Award
10 October	3	Safety Review	Catch up with directors and inspections of vehicles following downgrade by DVLC
Total	21		

Final Internal Audit report: Ref 04.18/19 Harlow Trading Services (HTS) Strategic Governance 2018/19

1 Audit opinion

- 1.1 The work of Internal Audit provides **substantial assurance** regarding the strategic governance arrangements in place for the Council, as the shareholder of HTS (Property and Environment).

2 Executive Summary

- 2.1 The governance arrangements for HTS (Property and Environment) consist of its Articles of Association, a Scheme of Delegation, and a Business Plan and were found to be fit for purpose and working well in practice.
- 2.2 The Council's interests are protected by way of the Shareholder Sub-Committee. The Committee is supported by its Terms of Reference, the reports it receives and attendance of HTS at its meetings. Overall, the Committee is fulfilling its role; however, there are a number of opportunities for it to become more strategically focused. For example, by receiving reports from other assurance providers (such as Internal Audit), ensuring it is not too focused on operational issues and considering an away day/session with the HTS Board to explore growth opportunities.

3 Scope and Approach

- 3.1 This audit was undertaken to ensure robust governance arrangements are in place and that potential conflict of interests are being well managed. The audit was undertaken on behalf of the Council, and not HTS. It took into account the Cabinet Office's January 2016 publication Guidance for Directors of companies fully or partly owned by the public
- 3.2 Testing included interviews with a sample of HTS Board and Shareholder Sub Committee Members. These were:
- Michael Harrowven – Chair of the HTS Board
 - John Philips – HTS Managing Director
 - Bob Davis – Councillor Director of the HTS Board
 - Mark Wilkinson – member of the Council's Shareholders Sub Committee (SSC)

In addition, the auditor attended the 11 December 2018 Shareholders Sub Committee to better understand how the committee works in practice.

- 3.3 The audit evaluated key controls to ensure that the key risks are managed adequately and effectively and sought to provide assurance over the following objectives:

Audit Objective	Fully met	Largely met	Partly met	Not met
1. Compliance with the Articles of Association and Scheme of Delegation is working as intended	✓			
2. Appropriate governance structures are in place to ensure the Council's interests, assets and reputation are protected		✓		

Audit Objective	Fully met	Largely met	Partly met	Not met
3. Progress against the business plan, including the loan agreement, is regularly monitored and reported on at an appropriate level within the Council		✓		
4. Potential conflicts of interest are acknowledged and appropriately managed	✓			

3.4 Limitations of scope: This audit did not include the newly formed Housing and Regeneration subsidiary of the HTS Group.

4 Detailed Findings

4.1 The Council's Local Authority Trading Company (LATC), HTS (Property and Environment) Limited, governance arrangements consists of its Articles of Association, a Scheme of Delegation, and a Business Plan. The Council's interests are protected by way of the Shareholder Sub-Committee. Review of the Articles, Scheme of Delegation and Business Plan (2016-20) and interviews confirmed these are fit for purpose and working as intended.

4.2 The Shareholders Sub Committee meets on a regular basis and is politically balanced. There has been a steep learning curve for those involved since its inception in May 2016. Over this time the Committee has introduced a work programme and become more refined in its requirements for reports and management information in order for it to discharge its duties. It has a clear Terms of Reference in place, which has been recently updated to take into account the new HTS subsidiary, HTS (Housing and Regeneration).

4.3 The Shareholders Sub Committee reports to Cabinet (as per the governance structure in the business plan) through the sharing of their minutes.

4.4 A review of Committee papers, interviews and auditor attendance at the December 2018 meeting confirms there is good oversight and challenge by the Shareholders Sub Committee to ensure HTS is held to account. A common theme from the interviews suggested there was room for improvement by the Committee by being more strategically focussed. For example, the Committee was receiving summarised performance information but were at times delving into too much operational detail such as Member enquiries. As another example, there has been in the past little debate or consideration of the strategic future of HTS (Property and Environment) although the revised business plan due soon may help to address this. Consideration should be given to having an away day or session between the Shareholders Sub Committee and the HTS Board in order to provide a more relaxed setting to discuss strategic opportunities and growing turnover.

4.5 The auditor notes that last year's Internal Audit report on HTS payment mechanisms did not go to the Shareholders Sub Committee. The report provided moderate assurance over the key performance indicators that supported the payment mechanism within the HTS (Property and Environment) contract. These types of independent reports could form part of the assurance framework for the Committee as well as help them be more strategically focussed.

4.6 During the audit the auditor was asked by a Council Officer how the Council could obtain assurances that HTS is Teckal compliant. Good practice seen elsewhere is

through some form of assurance statement (control and function testing) which is set out in more detail later on in the report. The results of this could be fed back to the Shareholders Sub Committee as another way to improve its strategic oversight.

- 4.7 The HTS Board too meet on a regular basis with job descriptions in place for the Chair and the Councillor Directors. The Council's interests are represented on the Board by the Head of Housing, who has no voting rights. Consideration should be given to documenting the purpose and remit of this role to ensure transparency.
- 4.8 It was recognised by everyone interviewed there was a fine line between being a constituent Councillor and being a Councillor Director. On the whole these were being well managed with appropriate mechanisms in place to reduce the risk of a conflict of interest including conflicts of interest as a standing agenda item and training provided to Board members, with more planned. HTS is a founding member of the newly created National Federation of LATCOs, which will help to disseminate good practice to Board Members.
- 4.9 In line with good practice the HTS Chair appraises the Board as a whole as well as individual Board members. The Shareholders Sub Committee at their December 2018 meeting requested that updates are provided on the work carried out by Councillor Directors now they are remunerated. To further strengthen accountabilities both the HTS Board and the Shareholders Sub Committee should consider undertaking a skills and knowledge analysis to ensure it has an appropriate mix of both.
- 4.10 No concerns were identified regarding the £1.4M loan between the Council and HTS. Repayments, including interest payments, are being made on time and in line with the signed agreement.
- 4.11 The action plan attached includes detailed findings and recommendations. This report makes two recommendations (one medium and one low risk).

5 Background

- 5.1 This audit forms part of the agreed 2018/19 Internal Audit Plan. HTS strategic governance has not previously been subject to an audit review.
- 5.2 On 1 February 2017 the Council's Local Authority Trading Company HTS Property and Environment Ltd (HTS) commenced trading to deliver the services previously provided by Kier Harlow Ltd. HTS is part of a wider group company structure, created under the umbrella of a Council owned holding company. Governance arrangements for the trading group of companies were agreed by Cabinet in November 2015.
- 5.3 Until June 2018 the group structure comprised of a holding company called HTS Group Limited and one wholly owned subsidiary called HTS (Property & Environment) Limited. Both boards have the same Councillor Directors and Non-Executive Chair appointed to them. In addition, HTS has a Managing Director appointed to the Board and a Company Secretary.
- 5.4 HTS is held to account by a politically balanced Shareholder Sub-Committee (SSC), which is a sub-committee of Cabinet. The SSC has express terms of reference and retains overall strategic decision making powers enshrined in an approved delegation matrix for both the holding company and HTS.
- 5.5 The SSC consists of the Leader of the Council, the Portfolio Holder for Housing, and the Portfolio Holder for Environment, together with two opposition councillors (currently the Leader of the Opposition, and the Deputy Leader of the Opposition). Both the Managing Director and Non-Executive Chairman of HTS attend and report to each SSC meeting.

- 5.6 At the June 2018 Cabinet meeting it was agreed to establish a wholly owned subsidiary of HTS Group to act as a delivery vehicle for Council housing and wider regeneration and development activity and projects and did not form part of this audit.
- 5.7 The use of the Teckal exemption is complex and subject to challenge, therefore the Council and the local authority trading company (LATC) must ensure that the company is within the Teckal parameters. As stated earlier to be Teckal compliant there are two key tests: the control test and the functional test. Points 1-3 answer the 'Control Test' and Point 4 answers the 'Function Test'.
1. Provide evidence that the council is able to influence the Teckal company on key policy matters (evidence you could get for this could include reserved matters for the shareholder in the Articles of Association of the company);
 2. Provide evidence that the council is able to control membership of the Board of the Company (again, this should be in the Articles of Association/Shareholder Agreement);
 3. Provide evidence that the council holds all share capital in the company (evidence you could get for this would be from the annual accounts of the company);
 4. Provide evidence that at least 80% of the Teckal company's turnover for the last three years (when applicable) comes from its parent council (this could in the form of a breakdown of turnover over the last three years, by source – note a rolling three year period can be used as this is the time period over which 20% of turnover is allowed to come from sources other than the Council to control for peaks and troughs).
- 5.8 Significant findings from the review will be presented to the next Audit and Standards Committee. Implementation of recommendations will be tracked through a separate report to CMT and the Audit and Standards Committee.

6 Distribution

- 6.1 **Brian Keane** (Managing Director for the Council)
Andrew Murray (Head of Housing)
Julie Galvin (Principal Solicitor)

Final report also to

Simon Freeman (Section 151 Officer)
Francesca Palmer (External Auditors, BDO)
Shareholders Sub Committee
John Philips (HTS (P&E) Managing Director)

6.2 Issue date

Draft report issued: 01 February 2019
Final report issued: 07 February 2019

6.3 Auditor

Sarah Marsh (Internal Audit Manager)

Management Action Plan – HTS (Property and Environment) Strategic Governance 2018/19

Ref	Findings	Risk	Priority	Recommendation	Manager's response	Implementation date
1	There is a general consensus that the Shareholders Sub Committee could be more strategically focussed	Inability to hold HTS to account as per the Committee's Terms of Reference	Medium	<p>With the assistance of Council Officers the Shareholders Sub Committee should undertake the following in order to improve its strategic oversight:</p> <ul style="list-style-type: none"> • Ensure reports of operational information is summarised, such as complaints and Member enquiries, in order to gain an understanding of themes or issues rather than the detail • Is provided with reports from other assurance providers, including Internal Audit and the Council's control and function testing for Teckal compliance. • Consider holding an away day/session with the HTS Board to discuss strategic opportunities • Consider undertaking a skills and knowledge analysis, which could be based on that format used by the Council's Audit and Standards Committee. (Note – something similar could be undertaken by the HTS Board, the results of which are reported back to the Committee) • Consider whether the frequency of Committee meetings should be reduced, ensuring they link in with the HTS Board and Council cycles. 	<p>This report will go to the April 2019 Shareholders Sub Committee for consideration. It is anticipated it could take up to year for the Committee to implement any actions agreed by them.</p> <p>Responsibility: Managing Director for the Council</p>	Date due: 31 March 2020
2	The governance arrangements set out in the 2016-20 business plan is working as expected, however the role of the Head of Housing as the	Reduced transparency/lack of accountability	Low	With the assistance of Council Officers the Shareholder Sub Committee should ensure the role and remit of the Council's representative on the HTS Board is	As above – this will be considered by the Shareholders Sub Committee when they	Date due: 30 September 2019

Management Action Plan – HTS (Property and Environment) Strategic Governance 2018/19

Ref	Findings	Risk	Priority	Recommendation	Manager's response	Implementation date
	Council's representative on the HTS Board is not documented			documented. :	receive this report at their April 2019 meeting. Responsibility: Managing Director for the Council	

Management Action Plan – HTS (Property and Environment) Strategic Governance 2018/19

Definitions of Assurance and Recommendation Priority Ratings

Levels of Assurance	
Substantial Assurance	Overall, there is a sound system of control. Any weaknesses which put system/service objectives at risk will be minor and does not lead the Council to significant risk exposure.
Moderate Assurance	Basically sound control, with areas of weakness, which put system/service objectives at risk. (Any high priority recommendations will prevent this level of assessment).
Limited Assurance	There are significant weaknesses in more than one key control area, which could put system/service objectives or the Council at risk.
No Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk.

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Recommendation Priority Ratings

The Public Sector Internal Audit Standards (PSIAS) make it clear that the work of the Internal Audit function should be risk-based; therefore the agreed priority ratings are based on the risk criteria used by Broxbourne Council in their current risk management strategy. Each recommendation is linked to a category of risk, with most recommendations falling into ‘high’, ‘medium’ or ‘low’ risk. A more scientific approach can be adopted in assessing recommendation priority ratings by using these [risk criteria](#).

A ‘critical/catastrophic’ rating will only be used in exceptional circumstances, with senior management being informed immediately if such a serious control failing was being observed or suspected during audit fieldwork.

Managers’ responsibilities

Managers should develop and maintain sound systems for governance, risk management, and internal control, including measures to prevent and detect error and fraud. Internal Audit is not a substitute for this. We plan our work to identify significant control weaknesses, and do not guarantee to detect error or fraud – managers should not rely on our work to replace their own monitoring and vigilance.

REPORT TO: SHAREHOLDER SUB COMMITTEE

DATE: 7 NOVEMBER 2019

TITLE: RISK REGISTER

LEAD OFFICER: ANDREW MURRAY, HEAD OF HOUSING
(01279) 446676

CONTRIBUTING OFFICER: STUART MOSELEY, INSURANCE AND RISK
MANAGER (01279) 446215

RECOMMENDED that the Sub Committee notes:

- A** The strategic risks as relating to HTS (Property and Environment) Ltd (HTS) together with their analysis and mitigation.
- B** HTS's ongoing actions to address Information Governance and Data Compliance concerns from Harlow Council

BACKGROUND

1. The SSC terms of reference includes responsibility to ensure HTS risks are adequately defined, monitored and controlled.
2. The Council has its own Corporate Risk register which is regularly reviewed by Senior Management Board (SMB), reported to each Audit and Standards Committee meeting for scrutiny and challenge together with escalations, if required. This is also reported to Cabinet quarterly.
3. Within the corporate risk register, two strategic risks have been identified which impact upon the Council. These are: 'Provision of Repairs, maintenance, landscape and street scene services' provided by HTS, and; 'Information Governance' as relates to Data Protection compliance.

ISSUES/PROPOSALS

4. The HTS risk register monitors its own corporate risks as relates to the business. They are living documents, evolving, being reported to their Board quarterly. The Council's reviews regularly ensuring issues are escalated, if required, to the Sub Committee.
5. HTS have aligned methodology for risk articulation, analysis and reporting with that used by the Council. Strategic risks are subject to regular quarterly reviews and report to HTS Board and to major reviews indicated by target date. This is to ensure they are concurrent with the HTS's Corporate Plan. The updated HTS Strategic Risk Register is shown in Appendix A.

6. Since the last risk report to the Sub Committee, HTS has continued to liaise with Harlow Council regarding controls for Information Governance relating to compliance a Data Protection/Information Security Action Plan has been set up to ensure HTS is properly dealing with:
 - a) Policy and procedures;
 - b) Privacy Notices;
 - c) Privacy Impact Assessment;
 - d) Data Protection Impact Assessments;
 - e) Objectives (linked to IS27001);
 - f) Data Protection Officer training;
 - g) Workforce Training;
 - h) Publicity and Reminders;
 - i) Contractors;
 - j) Security;
 - k) Audit of Data Protection; and
 - l) Audit of Electronic Data.

7. Identified actions within the plan are being worked through. To date HTS report that:
 - a) Two key staff have completed and passed General Data Protection Regulations foundation and practitioner training certificate;
 - b) Data champions to be appointed across the business;
 - c) All staff have attended training sessions;
 - d) Procedures and policies have been reviewed and amended;
 - e) Board Members and Managers trained;
 - f) Data breach log set up and reported monthly to SMB; and
 - g) Harlow Council is preparing the HTS ROPA & Information Sharing Agreement.

8. HTS will continue to work with the Council Officers to implement the action plan and address any recommendations arising from the Council's internal audit report.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

As contained within the report.

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

Housing

As outlined in the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

HTS (Property and Environment) Ltd [HTS] have identified in their corporate risk register, two strategic risks these are: 'Provision of Repairs, maintenance, landscape and street scene services' provided by HTS, and; 'Information Governance' as relates to Data Protection compliance. If HTS does not have sufficiently robust systems in place to ensure compliance with the risks identified the Council could suffer reputational and financial damage, to mitigate the risks the Council will need to satisfy itself that HTS are adhering to the KPIs as identified in the contract for services. With regard to data compliance HTS will need to provide the Council with copies of their data sharing agreements and Registers of Processing Activity, and have a full suite of documents available for inspection.

Author: Simon Hill, Head of Governance

Appendices

Appendix A – Strategic Risk Register

Background Papers

None.

Glossary of terms/abbreviations used

HTS – HTS (Property and Environment) Ltd

ROPA – Record of Processing Activities

SMB – Senior Management Board

HTS (Property Environment) Ltd Strategic Risk Register

Likelihood	Almost Certain	5	11	16	20	24	28
	Likely	4	7	12	17	21	24
	Moderate	3	4	8	13	18	22
	Unlikely	2	2	5	9	14	19
	Rare	1	1	3	6	10	15
Risk Rate Matrix		1	2	3	4	5	
	Insignificant	Minor	Medium	Major	Catastrophic		

Appendix A

Objective	Risk Name	Risk	Background	Likelihood	Impact	Risk Owner	Inherent Risk Score			Controls already in place	Residual Risk Score			Foreseeable Risk Score			Additional actions to mitigate risk (4Ts)	Target Date
							Likelihood	Impact	Score		Likelihood	Impact	Score	Likelihood	Impact	Score		
Financial Performance	SR01 - Financial Sustainability	If a sustainable budget is not secured, then HTS will lack financial resilience	HTS has been set up as a LATC, wholly owned by HDC with a five year contract in place. ASC budgets were set with JVCo baseline 2015/2016 and need to be managed going forward to maintain financial sustainability of the company.	Job priorities may impact on KPI achievement, management of client expectations, efficiencies, management of employee sickness, maintenance and replacement of assets, payscales alignment	Pension, failure of KPIs, external market wage rates pressures, service delivery	Alex Morris, Finance Director	3	4	18	change notice, job variation meetings, budget monitoring, Joint Performance meetings, JPRM, Management Account meetings, quarterly reviews, cash flow, VCR meetings, auditing of accounts, forward planning on replacement of assets (5 year plan)	2	4	14	2	4	14	callsys interface with orchard to manage job ticket priorities. Interfaces occur at when job is raised, complete and invoiced.	Annual review
Business Growth	SR02 - Business Sustainability	If the business does not develop and grow, then it will stagnate and ultimately fail	HTS needs to grow business beyond its existing HDC contract in order to develop and survive and meet employee and shareholder expectations for future opportunities	Perception of environmental performance by HDC versus contracted performance, KPI measurement and analysis, delayed capital works, failure to award additional capital works, ability to secure third party works and deliver at profit, capacity to deliver third party services	reputation, bottom line, morale, negative employee culture, productivity and service delivery, business growth, loss of key employees, inability to win new third party contracts, loss of existing third party contracts	Neil Rowland, Commercial Director	4	4	21	Joint Performance Meetings, JPRM, quarterly reviews, balanced scorecard reviews, KPI reviews, weekly performance and productivity reviews, vehicle tracking monitoring, opportunities register, joint board/member meetings, tenant and leaseholder engagement, accreditations	3	4	18	2	4	14	opportunities register, GIS mapping and route optimisation, innovations, marketing materials and presentations and case studies of efficiencies already achieved	Annual review
Operational Performance	SR03 - Operational Delivery	If HTS fails to deliver services on a consistent satisfactory basis, then the business may receive negative perception leading to failure to maintain and extend contracts	Inheritance of an ageing workforce may result in loss of local knowledge and expertise when they leave. HTS requires to resource existing and future employees along with external supplychain to ensure continuous satisfactory delivery of services and third party contracts	Government legislation changes, statutory regulations changes, KPI measurement and analysis, capacity to deliver third party services, resourcing against peaks and troughs and specialist trades, client expectations, perception vs actual performance, budget and seasonal variations, ageing workforce, incentivisation for employees	reputation, bottom line, employee opportunities, morale, negative employee culture, productivity and service delivery, business growth, loss of key employees, KPI penalties	Steve Ward, Operations Director	2	4	14	Joint Performance Meetings, JPRM, quarterly reviews, balanced scorecard reviews, KPI reviews, weekly performance and productivity reviews, vehicle tracking monitoring, change notices, tenant and leaseholder engagement, accreditations, ASC meetings, subcontractor and agency budget monitoring, efficient processes investment, Business Continuity Plan	2	4	14	2	4	14	compliance software, additional employee training, succession planning, continual training and development, apprenticeships, work experience employees, payscales reviews and alignment	Annual Review
Culture	SR04 - Employee Engagement	If HTS fail to engage it workforce, then there are consequences to delivery and success of the business	An engaged and happy workforce is a productive and effective workforce 'Proudly Serving Harlow' reflecting the HTS brand.	morale, incentivisation and engagement of workforce, training budgets and resource, quality of external candidates, salary packages, pension/pay flexibility, terms and Conditions of employment	VFM review in year 3, morale, lack of workforce engagement, reduced productivity, accidents, poor attendance, reputation, employee expectations	John Philips, Managing Director	3	4	18	Quarterly employee engagement, monthly union meetings, quarterly staff newsletters, balanced scorecard, staff award scheme, staff discount cards, PPRs, vehicle tracking monitoring, IT investment, asset investment, succession planning, training plans, 1-2-1s and Team meetings, Living Wage employer	3	4	18	2	4	14	employee satisfaction surveys, incentivisation schemes, employee conference and awards, succession plan, flexible working and retirement, future pay reviews, equal pay	Annual Review
Compliance	SR05 - Information Governance and Data Compliance	If HTS does not adopt holistic and robust response to data information and governance, then it may be unable to demonstrate statutory compliance.	An Information Governance Framework is required to ensure information is dealt with efficiently, effectively and in compliance with statutory provisions and regulations. The General Data Protection Regulations (GDPR) applies from 25 May 2018, replacing the Data Protection Act 1998, imposing a much tougher data protection regulatory framework. Also on the horizon is Electronic Data Protection Regulation (EDPR)	GDPR requirement to notify breaches within 72 hours. Changes to Subject Access Requests (SARS). It is necessary to evidence compliance in all areas of GDPR. There are changes to the way consent is obtained and individual's rights over data held about them.	Breach and non-compliance carries risk of enforcement action and increased financial penalties from the Information Commissioners Office (ICO). Reputation would suffer.	Tim Page, HR Manager	4	4	21	Data Protection & Security Policy in place. Privacy Impact Assessments in place (HTS format). Breach log in place (HTS format) and incidents reviewed & closed out. DPO in place and formally appointed. Deputy DPO identified internally. Full training carried out for key staff and toolbox talks provided for all staff. Data cleanup actioned. Variation to Services Agreement to align it for GDPR compliance has been signed and sealed. Actions from Z7001 gap analysis mostly closed out.	3	3	13	3	3	13	Cyber security policy reviewed but requires further review in January 2019. Carry out DPO training which has been identified. Ongoing employee awareness and training required along with poster campaign. Continue discussions and work to align Privacy Impact Assessments and Breach log with Harlow Council format.	Monthly Review

Likelihood	Almost Certain	5	11	16	20	23	25
	Likely	4	7	12	17	21	24
	Moderate	3	4	8	13	18	22
	Unlikely	2	2	5	9	14	19
	Rare	1	1	3	6	10	15
Risk Rate Matrix		1	2	3	4	5	
		Insignificant	Minor	Moderate	Major	Catastrophic	
Impact							

Objective	Department	Risk Name	Risk	Background	Likelihood	Impact	Risk Owner	Inherent Risk Score			Controls already in place	Residual Risk Score			Foreseeable Risk Score			Additional actions to mitigate risk (4Ts)	Target Date
								Likelihood	Impact	Score		Likelihood	Impact	Score	Likelihood	Impact	Score		
Operational Performance	COMMERCIAL, PROCUREMENT & PERFORMANCE DEPARTMENT (Performance)	Contract Performance	If we fail to manage our operations, then we may not achieve the required success rate on contracted major and minor KPIs	HTS (P&E) Ltd must manage and report contractual KPI's and statutory compliance to HDC to provide assurance on performance of the contract.	Failure to gather, report or meet the KPI's. Reliance on single individual across areas to compile the reporting information.	Damages Incurred, loss of revenue, reputational damage and loss of contract with Harlow Council. In addition initiation of improvement plans would be required to bring performance back to required standard.	Neil Rowland	4	4	21	Gather the information from various service areas and produces reports internally on a monthly basis and externally on a quarterly basis. Reports provided to the performance manager who undertakes an audit, forwards to contracts manager for sign off. Reports also shared in operational meeting with Harlow Council, at JPRM (senior management level), HTS Board, and shareholder sub-committee. Reports are discussed in monthly meetings with exception of HTS Board and Shareholder sub committee which is on a quarterly basis. Once reports are agreed, they are released to HDC for quarterly reporting.	2	4	14	2	4	14	Upskilling to ensure more than one employee has knowledge of areas such as KPI audit	Monthly
Operational Performance	COMMERCIAL, PROCUREMENT & PERFORMANCE DEPARTMENT (Performance)	Transparency	If we do not report performance or report incorrectly, then we will not be able to validate HTS performance to external parties.	HTS has an obligation to demonstrate transparency and provides reports to do this (e.g. volume drivers, measurements and 'right first time').	Failure to gather data, provide reports or audit of information	Incorrect reporting. Inability to provide transparency and validation. Challenge from residents and leaseholders and reputational damage.	Neil Rowland	4	3	17	Communication, courses, trackers, case studies	2	2	5	2	2	5	Upskilling to ensure more than one employee has knowledge to gather and report on performance	Monthly
Financial Performance	COMMERCIAL, PROCUREMENT & PERFORMANCE DEPARTMENT (Purchasing)	Purchase of Goods	If we are unable to provide value for money goods, then it will affect the cost of services and underlying profits. This will impact on the performance as the KPI's may not be met (timescales to complete works)	Reducing expensive stocks of goods in warehouse creates financial operating efficiencies. HTS strives to purchase value for money goods with efficient delivery.	Reliance on a single supplier (contractual obligation), Just in time process which replace stores - this does reduce cost but adds complexity. Some materials may have volatile costs.	Increased costs of working (including increased cost of goods) delays in works completion, failure to meet KPI's, identification of alternative suppliers within a reasonable time frame. Inefficiency of labour displacement.	Steve Ward	3	4	18	Alternative suppliers, PFH - procurement for Housing (benchmark suppliers and provide fixed costs). Labour force could operate in another area - multi trade work force. Internally procurement team (2 purchasing partners)	2	2	5	2	2	5	On Going development of work force. Relief event if there was a national shortage (part of contract)	Monthly
Culture	FINANCE & BUSINESS SUPPORT DEPARTMENT (Business Support/Governance)	Complaints Handling	If customer complaints are not dealt with properly, then opportunities to improve working practices and processes may be missed	Customer complaints need to be managed efficiently within timescales and learning points addressed.	Efficiencies in dealing with the complaints and in the right manner. How the investigation is handled. How identified learning is fed back to the business.	Reputational damage, adverse reputational risk, financial risk (compensation), resources for escalation of complaints. Failure to meet legislative requirements and contract failure.	Neil Rowland	3	3	13	Set timescales, escalation process for each stage, monthly meeting with performance manager looking at trends. Complaints officer from HDC reviews performance. Audit by HDC of responses (Simon Piper) - decision may be changed upon review. Reviewed as per first risk. Learning points and following trends fed back into business via departmental managers as per reports issued for improvements - managers then provide further training/tool box talk etc to team. Post works inspections by both parties (aim up to 10%). Disiplinary action	2	2	5	2	2	5	Additional Training (tool box talks) Disiplinary action. Achieve Customer Service Excellence Accreditation.	Monthly
Compliance	FINANCE & BUSINESS SUPPORT DEPARTMENT (Business Support/Governance)	Statutory Compliance	If statutory compliance testing requirements are not met, then the Council's tenants may be at risk.	Compliance testing must be carried out within statutory timeframes	Compliance communications also need to be sent out accurately and on a timely basis. Timely issue of letters in advance of the works.	Reputational damage, adverse reputational risk, financial risk (compensation), escalation of complaints. Failure to meet legislative requirements and contract failure. Risk of injury/death/explosion sustained to residents. Prosection by HSE	Steve Ward	4	5	24	10 Month cycle, strict no access procedure and court proceedings issued to take action within 45 days. IT system that provides reporting process and sub contractors if required (if sickness of internal staff). Provided in monthly reporting. If gas appliance is fitted externally - turn off gas supply from mains, take photos	1	5	15	1	5	15		Monthly
Financial Performance	FINANCE & BUSINESS SUPPORT DEPARTMENT (Finance)	Cash Flow	If HTS does not manage cash flow adequately, then it will be unable to meet its financial obligations	It is imporant to properly manage cash flow to avoid extended cash shortages and ensure the business can meet its financial obligations	Management of cash flow - financial planning, unable to meet financial liabilities	Unable to pay suppliers and staff, failure of supply chain, staff morale, failure of business	Alex Morris	4	4	21	Financial planning system in place, financial monitoring, across service discussions (monthly management meetings) 2 director sign off on all payments. Building a reserve. Costs from contractor paid month in advance before liabilities are paid. Sage System in place.	2	3	9	2	3	9	Building a reserve and Financial monitoring	Monthly

Objective	Department	Risk Name	Risk	Background	Likelihood	Impact	Risk Owner	Inherent Risk Score			Controls already in place	Residual Risk Score			Foreseeable Risk Score			Additional actions to mitigate risk (4Ts)	Target Date
								Likelihood	Impact	Score		Likelihood	Impact	Score	Likelihood	Impact	Score		
Financial Performance	FINANCE & BUSINESS SUPPORT DEPARTMENT (Finance)	Budget Monitoring	If financial performance is not regularly monitored, then HTS may overspend its budget	It is necessary to monitor and control variances between budgeted amounts and actual financial performance to determine how well HTS is meeting its goals and controlling costs	Lack of budget control or contract monitoring. Cost of materials.	Budget overspend, reduced profits, failure of business	Alex Morris	4	4	21	VCR Process, monthly management meetings, procurement when orders are placed with sub contractors in comparison to internal staff, productivity of the operatives, purchasing deals of materials	2	3	9	2	3	9		Monthly
Operational Performance	OPERATIONS DEPARTMENT (Repairs and Maintenance)	Workforce skills	If we do not have a workforce with the correct skillsets, then we may not be able to meet contract requirements	HTS Workforce needs to have appropriate training, knowledge and skills to undertake work safely and to a high standard.	Lack of training, sickness Absence, age profile, recruitment issues, demand led business. Union action. Pay conditions. Quality of work. Demand of work	Unable to provide services within timescales, reputational damage, no service, poor service, failure to meet KPI's, complaints, damage/injury caused by workforce and increased damage due to delays in works. Increased costs, due to obtaining agency workers to backfill, liability insurance claims. Increased incidents and accidents including motor accidents. Union demands/strikes. Performance monitoring issues (KPIs). Work performance issues. Demand for work force (increase/decrease)	Steve Ward	4	4	21	Sickness absence policy, recruitment policy, occ health policy, access to agencies, training programme, health days. Senior Management Team Meetings	4	3	17	4	3	17	Apprenticeships, work placements, up skilling, multi skilling, internal promotions	Monthly
Operational Performance	OPERATIONS DEPARTMENT (Repairs and Maintenance)	Repairs System	If the repairs system is not reliable, then repairs and maintenance work will not be managed efficiently	Efficient repairs and maintenance workflow relies on reliable and accessible logging and reporting of jobs including completion of work together with an auditable trail. HTS relies on an external system provider for its repairs and maintenance system.	Size of provider, reliability of system/system owners, cloud hosted system, reliance on single internal employee, interface between orchard and callsys (both systems to be updated). No notification of right to buy/change of tenancy to update system and send comms to correct tenant (E.g. Gas checks)	Disruption to service, inefficient management of jobs, communication issues	Steve Ward	3	4	18	Callsys (Housing management system) provides auditable trail and interfaces with orchard and used to pay sub contractors and ordering materials through it (job costs are tracked)	3	3	13	3	3	13	Review supplier	Annual
Operational Performance	HR, PAYROLL AND COMMUNICATIONS DEPARTMENT	Workforce Management	If HTS fail to properly manage its employees, then service delivery could be jeopardised	Active management of communications and policies by HR is required to ensure an engaged workforce	New department (inexperience of the team), current policies and procedures in line with statutory requirements, communication issues, culture.	Tribunals, stress, grievance, disciplinarys, increased sickness, resource planning, poor service delivery, budgetary control (agency), increased costs, industrial relations, employee relations, reputational damage	Tim Page	4	3	17	Robust policies and procedures, balance score card, in house management (monitoring and reporting), JPRM Reports, SMT meetings, union meetings/JNCC (joint negotiation committee), staff briefings, training, tool box talks, 1-2-1's, open door policy, newsletters	3	2	8	3	2	8	Workshops, sickness absence management, enforcement of policies, education of line management to provide confidence and ownership and support of senior management, staff engagement.	Monthly
Operational Performance	HR, PAYROLL AND COMMUNICATIONS DEPARTMENT	Payroll Processing	If payroll is not processed correctly, then staff may suffer due to incorrect or late payments	Correct processing of employee payroll and associated information in a timely manner to meet deadlines. Providing correct annual returns to revenue and customs and to Essex Pension Fund.	Collection of data, new department (inexperience of the team), inhouse payroll, internal and external agencies, IT system (Sage), reliance on individuals, human error, timescales (pay schedule).	Staff not being paid, stress, incorrect amounts being paid, hardship, wrong FPS, disengaged workforce, poor performance, industrial action.	Tim Page	3	3	13	Back up of system (Sage), set cut of date each month to give adequate time for data input, forms and policies in place for recruitment and changes, director sign off (authorised signatory), monthly checks and balances (edit checks), post payroll resolution deadlines, advanced payments and adjustments	2	2	5	2	2	5	Formal training of staff, succession planning, multiskilling, remote access if required, back up off site	Monthly

Objective	Department	Risk Name	Risk	Background	Likelihood	Impact	Risk Owner	Inherent Risk Score			Controls already in place	Residual Risk Score			Foreseeable Risk Score			Additional actions to mitigate risk (4Ts)	Target Date
								Likelihood	Impact	Score		Likelihood	Impact	Score	Likelihood	Impact	Score		
Culture	HR, PAYROLL AND COMMUNICATIONS DEPARTMENT	Communications	If HTS does not adequately communicate with stakeholders, the business may suffer through poor perception of HTS.	HTS should keep its workforce and other stakeholders within the Council and externally informed and engaged through positive and pro-active communications	Misinformation, communications, new department, plaudits and complaints, social media (twitter, linked in), website, political change	Disengaged work force, poor performance, unclear messages, bad publicity, providing incorrect information, reputation, employee assumptions, information overload, peoples (internal and external) perceptions, culture, politics (internal and external)	Tim Page	4	4	21	JPRM, Newsletters, staff briefings, notice boards, emails, texts, award ceremony, SSC, tenant and leaseholder engagement meetings and forums, on site visits, web development, toolbox talks, open door policy, portfolio 1-2-1 sessions, CSR, donations, satisfaction surveys to members of the public, Disability confident employer, living wage employer, accreditation advertising.	3	4	18	3	4	18	Satisfaction surveys to be communicated by email/text for more engagement, new website, SMB and SMT from Harlow Council and HTS to communicate the same message.	Monthly
Compliance	SAFETY, HEALTH, ENVIRONMENTAL & COMPLIANCE DEPARTMENT	Safe Working	If HTS does not have adequate safety processes, then employees and the general public may be at risk	HTS should have robust safe working procedures to prevent incidents occurring and defined emergency arrangements in place if something goes wrong (accidents, gas leak, environmental impact or BC)	Works involving members of the public, agency workers, subcontractors, staff, using equipment, trades and services (can include hot works), materials and plant.	Accidents and Incidents, RIDDORS, RTA's, environmental spillage, enforcing authority (HSE, EA, Police, Fire, Environmental Health investigations), reputational, bad publicity, loss of work, staff morale, loss of staff	Stella Dunlop	4	5	24	Management system, all staff training, regular updates, new starter inductions, toolbox talks, audits (internal and external), weekly and monthly inspections, policies and procedures, accreditations, ISO, gas safe, NICEIC, monitoring and reporting, SMT meetings, monthly SHEC meetings, communication controls mentioned above, risk assessments, sub contractor approval and monitoring (i.e. subcontractors are constructionline approved)	3	3	13	3	3	13	Updating and monitoring the systems and also reviewing and changing the systems as required.	Monthly
Compliance	SAFETY, HEALTH, ENVIRONMENTAL & COMPLIANCE DEPARTMENT	Depot working environment	If a safe working environment is not established at the depot, then incidents and accidents could occur.	HTS must manage the depot and use of the building to provide a secure and safe working environment.	Lifts, gas, electrical, water, fire, hazardous materials, security, plant and equipment, vehicle movement, air conditioning, ventilation, welfare, working environment, lone workers. Three depots are Mead Park, Wych Elm and Staple Tye.	Accidents and Incidents, RIDDORS, RTA's, environmental spillage, enforcing authority (HSE, EA, Police, Fire, Environmental Health investigations), reputational, bad publicity, loss of work, staff morale, loss of staff, staff safety, BC	Penny Phillips	3	4	18	Premises register, log shows due dates, onsite security, SHEC management system, reporting process, regular inspections and audits, lone worker out of hours system at Mead Park. Adequate insurance cover in place across all lines of business.	2	3	8	2	3	8	BC plan to be tested and rolled out	Monthly
Compliance	SAFETY, HEALTH, ENVIRONMENTAL & COMPLIANCE DEPARTMENT	Hazardous Substances Handling	If chemicals, substances and asbestos is not handled safely, then employees and the general public may be at risk	When handling hazardous substances it is necessary to ensure that spills and hazards to staff and members of the public are prevented	Working on properties, asbestos removal, asbestos testing, use of chemicals and materials, clearance of properties and dumped rubbish including hazardous waste.	contamination, exposure, incidents and accidents, industrial disease, enforcing authority, BC, reputation and fines, prosecution, bad publicity, endangerment of the public and staff.	Stella Dunlop	4	4	21	SHEC Assessments, policies and precures, SHEC management system, asbestos register, client information, correct equipment, PPE, training, toolbox talks, approved contractors to test and remove asbestos (2 separate companies used).	2	3	9	2	3	9	Ensure client system is regularly updated, working more closely with the client undertaking joint inspections.	Monthly
Operational Performance	OPERATIONS DEPARTMENT (Environment/Cleansing)	Plant and Equipment Replacement	If we fail to maintain and invest in plant and equipment, then we will be unable to deliver frontline services effectively	HTS now lease 7 sweepers to carry out existing service. These need to be maintained, serviced and replaced at end of 5 year lifespan	lack of maintenance, failure of lease company to attend and repair breakdowns in timely fashion, unexpected accidents and mechanical incidents, poor road infrastructure	will lead to breakdowns and downtime. Failure of KPIs, financial penalties, bad publicity, increased costs, road defects lead to damage to vehicles. Restrictions or Loss of Operator licence	Mick Jenkins	4	4	21	Regular maintenance as per manufacturers guidelines, contract with vehicle supplier for maintenance. Spare vehicles supplied by vehicle supplier if vehicle is down for a long period. Driver awareness training, tracking system to monitor driving habits, regular monitoring, driver 'ownership', brushes held in stock to reduce downtime.	2	3	8	2	3	8	monitor performance and downtime of vehicles as they get older	Monthly
Operational Performance	OPERATIONS DEPARTMENT (Environment/Parks & Landscapes)	Landscapes Works	If landscape works are not carried out to correct locations, required timescales and specification and in a safe and considerate manner then HTS is at risk of claims for potential damages to HDC for failure of KPI's and personal insurance claims from third parties	HTS is required to carry out landscaping works to the requirements of the Output Specification and KPI's. Current mapping information is crude and inefficient, carried over to HTS from the incumbent contractor.	Out of date manual maps held by HTS. Manual maps not always taken out on site by operatives. Reliance on key personnel for local landscape area knowledge. Accidental damage to property from flying stones or debris due to the use of rotary cutting machinery such as flails, tractors and mowers working close to vehicles and the public.	HTS operatives may potentially carry out works to areas not owned by HDC causing damage to third party property leading to reputational damage. Claims for accidental damage to third party assets or personal injury due to type of machinery used.	Mick Jenkins	4	3	17	Maps are held on phones as PDF's when required. Changes in areas are captured via Change Notices and volume drivers with HDC. Agency workers closely monitored by supervisors. Performance measured and reviewed quarterly at JPRM and SSC.SHEC Management System, safe working procedures, staff training including LANTRA where required, re new starter inductions, toolbox talks, audits (internal and external), weekly and monthly inspections, policies and procedures.	4	2	12	4	2	12	Report produced by HDC at April 2018 JPRM detailing pilot programme to map street gullies and plan to update existing data. Update sent to JPRM in October 2018 detailing positive results of initial 3 month trial. Follow through with recommendations made by HDC to update online mapping of landscape areas.	Monthly

Objective	Department	Risk Name	Risk	Background	Likelihood	Impact	Risk Owner	Inherent Risk Score			Controls already in place	Residual Risk Score			Foreseeable Risk Score			Additional actions to mitigate risk (4Ts)	Target Date
								Likelihood	Impact	Score		Likelihood	Impact	Score	Likelihood	Impact	Score		
Operational Performance	OPERATIONS DEPARTMENT (Environment/Transport)	Vehicles and Plant Servicing	If we fail to provide adequate maintenance and repair to our vehicles and plant or replace, then we will not be able to deliver contracted services	The HTS fleet needs to be properly maintained and vehicles regularly replaced to ensure continuation of contracted service delivery	no plan to replace old vehicles, lack of funds to replace and/or maintain fleet, lack of qualified mechanics	mot failures, increased maintenance costs and hire costs, service delivery issues, failure of KPI, downtime of operatives, more breakdowns and accidents due to mechanical faults	Mick Jenkins	4	4	21	Apprenticeship scheme, planned maintenance, regular inspections, audit trail of inspections, monitoring of vehicle accidents, MOT pre-inspections, planned replacements	2	2	5	3	3	13	Agree method of leasing or purchasing new vehicles and available funding (report to HTS Board to be ratified) and implement	Monthly
Operational Performance	OPERATIONS DEPARTMENT (Environment/Cleansing)	Operatives and driving	If operatives do not take care, then there may be more accidents leading to damage or injury	If operatives are not skilled or become complacent or lose concentration whilst driving, it will lead to greater levels of accidents and damage	lack of qualified drivers, age of workforce, skills, inability to replace workforce	service delivery, higher than average amounts of minor damage, increased downtime, reduced productivity, failure of KPIs, increased costs	Mick Jenkins	4	3	18	Driver training and awareness, toolbox talks, regular monitoring of driving styles and habits, succession planning	2	2	5	2	2	5	driver incentives, drug and alcohol testing for drivers	Monthly
Compliance	OPERATIONS DEPARTMENT (Environment/Waste Transfer Station)	Environmental Impact	If we do not manage environment and waste transfer station adequately, then we may have waste escaping the boundaries	HTS collects waste and transports it to Mead Park depot for waste transfer and further treatment and disposal. The operation needs to be handled with care and within licencing (EA) guidelines.	loss of waste management licence, repeated failures of terms and conditions of licence	loss of EA licence, fines, reputation, environmental impact, increased costs due to having to use external waste disposal facilities, unable to segregate and recycle waste	Mick Jenkins	4	4	21	qualified staff, regular audits, waste management plan regular review/update, regular EA visits, toolbox talks, environmental updates, site inductions for users	2	4	14	2	4	14	keep up to date with legislation, ensure up to date competency certification, review as part of SHEC.	Monthly

REPORT TO: SHAREHOLDER SUB COMMITTEE

DATE: 7 NOVEMBER 2019

TITLE: BEST VALUE REVIEW UPDATE

LEAD OFFICER: SIMON HILL, HEAD OF GOVERNANCE
(01279) 446099

CONTRIBUTING OFFICER: REBECCA FARRANT, OPERATIONS MANAGER
(01279) 446811

RECOMMENDED that:

A The Sub Committee notes the report.

BACKGROUND

1. Following the first two years of trading, the Council has carried out a review of the operation of, and services delivered by HTS (Property and Environment) Ltd (HTS). In setting up a Local Authority Trading Company to deliver services Cabinet, in October 2016, set a review process in place to demonstrate the company was achieving value for money.
2. The review will record whether delivery of services received from HTS is meeting council held and contractual expectations, statutory/regulatory requirements, and has arrangements in place that will deliver continuous improvement and efficiency. This report follows a previous report to the Sub Committee in June 2019 and sets out progress since that report, and next steps of the review.
3. The review has been carried out by steering group of Officers, led by the Head of Governance, Simon Hill, and has involved participation from a wide range of Council and HTS staff, along with members involved in the various stakeholder groups linked to HTS service delivery such as the Service Improvement Team, Housing Standards groups and Boards and the Sub Committee.
4. The review has been designed to allow HTS to demonstrate to the satisfaction of the Council that it understands and has incorporated the principles of best value into its operation, securing continuous improvement through optimal use of resources to spend less; spend well and spend wisely. The outcomes of the review will be presented to Cabinet in December 2019.
5. There are four key themes for review as below:
 - a) Budgetary control and management;
 - b) Performance and Operations;

c) Contract and Governance; and

d) Culture and Relationships.

6. Evidence from each area has been examined to identify where successes are being made, where gaps exist or are at risk of occurring, and where opportunities for improvement or enhancement arise.

ISSUES/PROPOSALS

Progress

7. The main review phase has now been completed with individual reports from 15 work streams now being drawn together in an evaluation phase to draw out overall recommendations and conclusions from the review. The work streams reviewed are as below:

Table 1 – Work Stream Descriptions

No.	Work stream description
1.	Review of Annual Service Charge (changes to date and forward forecasts)
2.	Demonstration of value and intentions for third party works
3.	Demonstration of processes and procedures for supply chain management
4.	Demonstration of midterm investment plan
5.	Examination of payment mechanism
6.	Demonstration of succession planning within organisation (legacy and retainment)
7.	Demonstrate innovation/entrepreneurial culture (expansion of balanced scorecard case studies)
8.	Examination of KPI suite
9.	Demonstration of adherence with governance documents (TECKAL health check)
10.	Demonstration of adherence with services agreement obligations (contract health check)
11.	Demonstration of adherence with statutory and regulatory requirements (compliance health check)
12.	Examination of process for strategic direction (Business plan implementation)
13.	Demonstration of Internal culture (and future enhancement)
14.	Examination of relationship with Harlow Council (governance structures and routes for communication and decision)
15.	Examination of external reputation (customer satisfaction and access)

8. As part of the review a number of actions that fall under 'Business as Usual' have been identified. These are actions relating to activities which are already in progress, or directly feed into something already in progress, and for which there is a contractual mechanism in place to allow it to proceed. A draft action plan for completion of these actions, is attached as Appendix A to the report, with relevant action owners and target completion dates.

Stakeholder Involvement

9. Stakeholder involvement has been a key aspect of the review and evidence collated from minutes of formal meetings through which stakeholders from housing leaseholder, and tenant groups have contributed, and also those meetings of the environmental service improvement group have been considered.
10. Additional stakeholder input from Councillors has been sought as part of the work stream reviewing external reputation, focussing on customer satisfaction and improved access routes. A Councillor session attended by membership of the Sub Committee took place on 18 September 2019 where feedback was captured regarding customer satisfaction levels and ease of interaction with HTS (customer access routes). There was also opportunity to provide general Councillor feedback on HTS. Councillor responses focussed on the need to broaden customer base consulted as well as exploring alternative methods and metrics for capturing satisfaction with services. Investment in ICT systems to support customer experience was also identified as a recommendation through these discussions, along with the need to formalise processes for prioritising needs of vulnerable customers. This feedback has been fed into the individual work stream outcome report for review of customer satisfaction and external reputation of HTS.

Communications

11. Regular communications to Officers and Councillors have been issued since the project commenced. Any Councillor wishing to receive further information or make comment on the review is invited to do so at each point of communication. Although the formal review period has completed, any Councillors still wishing to provide comments or feedback on the HTS contract and services provided by it have been invited to do so and any feedback will be fed into the relevant work stream of the review.

Next Steps

12. Following the evaluation of the individual work stream reports, which will take place over October the final report will be reviewed and agreed by the Council's Senior Management Board during November before being presented to Cabinet in December 2019. The expected outcomes on the review will be:
 - a) Possible contractual changes if identified as required to alleviate any blockages in progression, or being necessary to support additional activities or processes required; and

- b) Action plans as required to capture what's needed in areas of operations, finance and performance.
13. Some recommendations may be referred to Sub Committee where appropriate, including specific recommendations to ensure the company's activities in the area of corporate social responsibility and other areas of the Balanced Scorecard are maximised through setting of targets.
14. These recommendations in full will form the basis for the consideration of a decision regarding a contract extension of the Services Agreement with to be made by Cabinet.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

It is vital that the Council has in place affordable, flexible and resilient arrangements to provide the level of environmental services for the communities of Harlow.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

None specific.

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

Housing

As outlined in the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

The report sets out the Council's progress against a Best Value review requested by Cabinet which is currently timed to report by the contractual deadline set under the LATC Service Agreement. This requires a meeting with HTS (Property and Environment) Ltd where the Council will lay out its terms for agreement of any extension which must take place on or before 1 February 2020. The report indicates that the review is currently running on track to meet that contractual requirement

Author: Simon Hill, Head of Governance

Appendices

Appendix A – Draft Business as Usual Action Plan

Background Papers

None.

Glossary of terms/abbreviations used

HTS – HTS (Property and Environment) Ltd

Refer to Shared Operational Performance meetings as Business as Usual:

BVR Ref	Action	Deadline	Owner
3	Seek support and advice to determine what procurement frameworks they could create and or access now to assist in delivering services.	01-Jan-20	Neil Rowland
3	Update procurement procedures to reflect MSA, GDPR, ethics and transparency code requirements.	01-Jan-20	Neil Rowland
7	Inclusion of initiatives contained within the future innovation narrative as part of the standard agenda for client team meetings. Immediate projects for furtherance should include: o new fleet/plant to improve the service concerning street lighting repairs o Drainage tanker renewal o GIS investment	01-Jan-20	Client leads/Neil Rowland
7	When projects are identified for progression update Business Plan to include those outside the contemplation of the Current Plan as and when identified for definite delivery, the Board/Shareholder should be consulted, and approval sought for decisions on initiatives/projects as per the limits set out in the Scheme of Delegation.	as per Board schedule	John Phillips
10	Develop additional guidance and agree on when the change notice process should apply to remove the adhoc use of the process currently.	01-Dec-19	Neil Rowland/Bev Thomas
10	Revise and update process for managing escalations. Next SMT/SMB.	01-Oct -19	John Phillips/Simon Hill
10	Develop process for managing contract variations.	01-Dec-19	Neil Rowland/Bev Thomas
11	Review, update and publish all contractual statutory and regulatory policies.	01-Dec-19	Stella Dunlop
11	Identify review & completion dates for all non-statutory/regulatory policies.	01-Jan-20	Stella Dunlop
11	Write and implement policy in relation to Criminal Finance Act 2018	01-Nov-19	Alex Morris
12	Continue work on new housing maintenance system via Customer Access Strategy work.	01-Dec-19	Steve Ward
12	Publish HACT Social Value score on website. Actioned - Closed	01-Oct-19	Tim Page
14	Complete the legal formalities for the ICT SLA	01-Jan -20	Neil Rowland

Appendix A

14	Strategic Governance 2018/19 Audit to be presented to SSC meeting	07-Nov-19	HDC
14	Implement single improvement plan to collate the reviews of HTS services following final outcomes of BV review, and picking up existing outstanding reviews to be monitored at SOP meetings	01-Jan -20	Neil Rowland/Bev Thomas
15	Implement process to ask end users on Environment SIT for satisfaction levels.	01-Dec-19	Shakeel Khan
15	Obtain any available Environment satisfaction stats e.g. Essex County Resident Survey.	01-Nov-19	Shakeel Khan
15	Ensure Customer Access Action plan (enhancing customer access and communications) is fully implemented.	01-Jan-20	Steve Ward
15	Obtain customer satisfaction via link on HTS (Property and Environment) Ltd /HDC websites for grass cutting and tree works.	01-Mar-20	Shakeel Khan
15	Jointly explore what other organisations do to obtain customer feedback on repair quality (customer sign off) and customer reviews at time of repair and on the ways they save money.	01-Jan-20	Shakeel Khan/James Fulcher
15	Jointly arrange visits to other Customer Service Centres to benchmark and obtain best practice around consistency of service and diagnostics	01-Jan-20	Steve Ward/James Fulcher
15	Ensure achievement of aim to reduce complaints escalations to a downward trend by Q3 2019/20.	01-Jan-20	John Phillips / Shakeel Khan
15	Investigate causes of high levels of dumped rubbish and whether additional actions could be introduced to reduce this issue within the town.	01-Dec-19	Mick Jenkins/Client leads

REPORT TO: **SHAREHOLDER SUB COMMITTEE**

DATE: **7 NOVEMBER 2018**

TITLE: **RESPONSIVE REPAIRS AND CUSTOMER ACCESS REVIEW**

LEAD OFFICER: **ANDREW MURRAY, HEAD OF HOUSING (01279) 446676**

CONTRIBUTING OFFICER: **JAMES FULCHER, HOUSING ASSET AND BUSINESS SYSTEMS MANAGER (01279) 446316**

RECOMMENDED that:

A The Sub Committee notes the report.

BACKGROUND

1. At the Sub Committee meeting in October 2018, there was a request by members for the Council to implement a facility to report repairs online.
2. This report sets out the progress with the above, as well as other changes that are proposed for enhancing customer access to the Council's responsive repairs service. This includes, enhanced repair tracking processes, appointments/treatment of planned repairs priorities, and the provision of a SMS text message appointment reminder service.

ISSUES/PROPOSALS

Repairs Online Portal

3. The planned go-live date for Online Customer Portal is December 2019. The main objective is to provide customers with an online portal that will provide a number of services relating to housing, one of which being the ability for customers to raise repairs for both their own property and flat block online.
4. In addition to online repairs, the portal will allow customers access to their rent accounts, access to their leasehold accounts, to update their personal/contact details and the ability to send messages directly to Housing staff. This will allow enhanced visibility of information, easier access to Council services, and will generate ongoing efficiencies for the Council, allowing resources to be utilised more effectively.
5. The 'Landlord Survey' carried out by Council in 2018 identifies the requirement for the Council to transform the way it interacts with its customers. Almost 70 per cent of respondents stated that their last contact with the Council was regarding

a repair. In addition to this response, 30 per cent of the respondents stated that they would prefer to interact with the Council via an electronic method of communication such as internet.

6. The introduction of the Customer Portal will reduce the number of manual transactions being processed by the Council, speeding up these types of requests by reducing the amount of data entry required by Council Officers. The new business processes being created to deal with the contact from customers will allow more effective responses to customer enquiries as part of the Council's drive to move people away from face to face enquiries and telephone contact. In addition, online services will reduce the possibility of duplicate repair jobs being raised and should reduce the amount of contact customers have with the repairs contact centre as information is available online when required.
7. The new online repairs portal will align to the Council's Customer Services and Access Strategy and will be reviewed on a regular basis. Once the portal is live, the Council will evaluate the options for implementing additional functions into the portal, including online housing applications, Choice Based Lettings, reporting anti-social behaviour and other estate management functions.

Review of Appointments Processes/Treatment of Planned Repairs Priorities

8. HTS (Property and Environment) Ltd (HTS) currently reports the number of appointments made and kept and this stands at 97.48 per cent as of September 2019. Corporate data indicates that the number of complaints received by HTS continues to reduce year on year in line with the overall Council complaints totals, however there is evidence to suggest there is still a recurring theme of poor communication between HTS and customers throughout the repairs process.
9. The landlord survey undertaken in 2018 highlights both good perception of the repairs service and areas that require improvement, such as the length of time customers are awaiting repairs and being kept informed about a repair. The biggest source of dissatisfaction with the Council is related to the repairs service.

Appointment Slots

10. Councillors have reaffirmed the requirement for the long term replacement of the "Planned Works" priority in its current form.
11. Over the past year, HTS have reduced the repairs timescale for planned works from 12 months to nine months, with an aspiration to reduce this timescale further where achievable. In addition, day to day repair appointment slots have been changed from two hour slots to four hour slots in order to improve productivity. As part of these changes, HTS has agreed to investigate further enhancements to improve their productivity and deliver better customer outcomes by extending their working hours for urgent/standard repairs, as well as offering weekend working for certain trades. In addition, HTS are undertaking a feasibility study for providing more flexibility when offering an appointment slot for planned works at the point where the is first reported.

12. When a customer rings to report an emergency, routine or standard repair, the repair is prioritised as above with an appointment date and time being given. If the date of the appointment changes, the customer is advised. However, for planned jobs, such as plastering, roofing, or carpentry, no appointment date is currently given when the repair is first reported. Councillors have requested that this response is enhanced with the ambition to provide an appointment date and time when the repair is first reported, aligned to other repairs priorities.
13. Progress will be kept under review and aligned to priorities from the Best Value review, reporting progress back to the next Sub Committee meeting.

Enhancements to repairs information shared with the Council

14. There are a number of areas where improvements can be made to the information available to the Council about the status of a repair and specific work carried out to the property. There are IT system interfaces available that share this information automatically between the IT systems in use at both the Council and HTS. These interfaces will be enhanced to provide further transparency about the type/cost of repair undertaken.
15. The “repair events” interface is already in operation and currently provides the Council with limited repair status updates. The ambition is to increase the number of events being passed between IT systems which will enable the Council to provide customers with much more information about repairs they have reported to HTS, rather than re-directing the customer to the repairs contact centre.
16. Work has already commenced to enhance the current interfaces and is expected to go live in April of 2020.

Implementation of SMS text message appointment reminders within the Callsys system

17. HTS have committed to introduce the ability to send an SMS (text message) reminder of an upcoming repairs appointment. This allows for enhanced customer information to be provided, with the aim being to reduce the number of failed appointments due to “no access”. The introduction of SMS reminders also has the potential to reduce the number of paper letters being sent to customers to confirm repairs appointments when repairs are raised.
18. This function is expected to be live by the end of November 2019.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

As contained within the report.

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

Housing

As outlined in the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

As contained within the report.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

As set out in the report.

Author: Simon Hill, Head of Governance

Appendices

None.

Background Papers

None.

Glossary of terms/abbreviations used

HTS – HTS (Property and Environment) Ltd

REPORT TO: SHAREHOLDER SUB COMMITTEE

DATE: 7 NOVEMBER 2019

TITLE: REFERRAL FROM HTS GROUP BOARD – STATUTORY ACCOUNTS OUTTURN

LEAD OFFICER: ANDREW MURRAY, HEAD OF HOUSING
(01279) 446676

RECOMMENDED that:

- A** The Sub Committee note the HTS Group Ltd Audited Statutory Accounts attached as Appendix A to the report.

BACKGROUND

1. HTS Group Ltd.'s Statement of Accounts is a statutory document that provides information on the transactions relating to the provision of services by the Council owned company.
2. As part of the Sub Committee's scrutiny role there is a requirement for the Sub Committee to ensure they receive final audited accounts for noting and comment. The approval of statutory accounts, however, remain with the Board under the agreed delegations matrix.
3. The HTS Board approved the Statutory Accounts for 2018/19 at their meeting on 3 July 2019, and these have been aligned the Council's accountancy reporting.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

The Costs of the appointments are contained within the operational budgets of the Company as reflected within the HTS (P&E) Ltd Business Plan.

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

Housing

As outlined in the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

None specifically, the report is in line with the request of the Sub Committee, at its meeting in February 2016, to comment on such proposals.

Author: Simon Hill, Head of Governance

Appendices

Appendix A – Audited Statutory Accounts

Background Papers

None.

Glossary of terms/abbreviations used

None.

HTS GROUP LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019
PAGES FOR FILING WITH REGISTRAR

HTS GROUP LIMITED

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HTS GROUP LIMITED

STATEMENT OF FINANCIAL POSITION

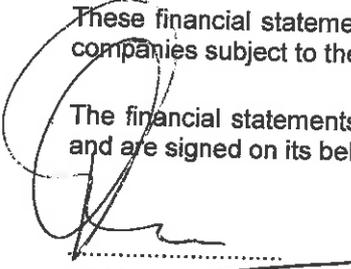
AS AT 31 MARCH 2019

	Notes	2019 £	£	2017 £	£
Fixed assets					
Investments	2		1		1
Current assets					
Debtors	3	1		1	
Creditors: amounts falling due within one year	4	(1)		(1)	
Net current assets			=		-
Total assets less current liabilities			<u>1</u>		<u>1</u>
Capital and reserves					
Called up share capital	5		1		1

The directors of the company have elected not to include a copy of the income statement within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 03/07/19 and are signed on its behalf by:


M F M A Harrowven
Director

Company Registration No. 09929960

HTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

HTS Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Civic Centre, The Water Gardens, College Square, Harlow, Essex, CM20 1WG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

HTS Group Limited is a wholly owned subsidiary of Harlow District Council and the results of HTS Group Limited are included in the consolidated financial statements of Harlow District Council which are available from The Civic Centre, The Water Gardens, College Square, Harlow, Essex, CM20 1WG.

1.2 Profit and loss account

The company has not traded during the year or the preceding financial period. During this time the company received no income and incurred no expenditure and therefore no Profit and loss account is presented in these financial statements.

1.3 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.4 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

HTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2 Fixed asset investments

	2019 £	2017 £
Investments	1	1

HTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

2 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 April 2018 & 31 March 2019	1
Carrying amount	
At 31 March 2019	1
At 31 March 2018	1

3 Debtors

	2019 £	2017 £
Amounts falling due within one year:		
Other debtors	1	1

4 Creditors: amounts falling due within one year

	2019 £	2017 £
Amounts owed to group undertakings	1	1

5 Called up share capital

	2019 £	2017 £
Ordinary share capital		
Issued and not fully paid		
1 Ordinary Share of £1 each	1	1

6 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was Barry Gostling.
The auditor was Ensors Accountants LLP.

HTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

7 Parent company

The parent company of HTS Group Ltd is Harlow District Council and its registered office is The Civic Centre, The Water Gardens, College Square, Harlow. Essex. CM20 1WG.

Company Registration No. 09929963 (England and Wales)

**HTS (PROPERTY AND ENVIRONMENT) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

HTS (PROPERTY AND ENVIRONMENT) LIMITED

COMPANY INFORMATION

Directors	Councillor S N Carter Councillor R V Davis Mr J E C Phillips Mr M A Harrowven Councillor C J Vince (Appointed 5 July 2018)
Secretary	Mr J A Morris
Company number	09929963
Registered office	The Civic Centre The Water Gardens College Square Harlow Essex CM20 1WG
Auditor	Ensors Accountants LLP Cardinal House 46 St Nicholas Street Ipswich Suffolk IP1 1TT
Business address	Mead Park Industrial Estate River Way Harlow Essex CM20 2SE

HTS (PROPERTY AND ENVIRONMENT) LIMITED

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HTS (PROPERTY AND ENVIRONMENT) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present the strategic report and financial statements for the year ended 31 March 2019.

Principle activities and review of the business

The principal activities of the Company are housing maintenance, gas servicing and repair, grounds maintenance and street cleaning. The majority of the Company's activities are performed on behalf of Harlow District Council ("the Council") under a five-year contract which commenced on 1st February 2017.

The Company has made a profit on ordinary activities before taxation of £0.51m for the year ended 31st March 2019 (2018: £0.56m).

The Company measures performance in a number of ways, including contract performance, quality reviews, debt reviews and regular re-forecasting and monitoring reviews.

The Company's aim is to provide a high-quality cost-effective client facing service whilst delivering positive financial returns to its shareholders.

HTS (Property & Environment) Limited attaches great importance to its corporate responsibility as evidenced by the many community support events and conferences attended by the company, the 140 work experience placements from Harlow college and 5 apprentices employed along with charitable fund raising being examples of this.

HTS (Property & Environment) Limited recognises the importance of our wider responsibility within the local community and have been involved with a number of local initiatives. The HACT report for 2018-19 reported that HTS created £1,129,128 of social value in the year.

Principal Risks and uncertainties

The Company maintain a detailed Risk Management and Internal Control system. This requires the company to:

- identify risks and record them in a risk register;
- diagnose and quantify the risks as to their likelihood and impact, record the controls established and monitor their effectiveness;
- develop a plan to mitigate the likelihood and impact of the identified risks;
- regularly review the risk registers and action plans; and
- report key issues upwards to Harlow District Council.

The key risks identified for the Company, and the mitigating actions taken, are:

Risk description	Mitigation
Construction risk	Long-Term contracts in progress are controlled and managed through regular review of forecast revenue and cost to complete.
People	The company applies rigorous health and safety policies and procedures aimed at minimising health and safety incidents that may affect the company's employees, subcontractors and members of the public who come into contact with our business activities.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Analysis of the development and performance

Safety. The Company's health and safety performance has been and will remain a key priority. The performance remained well above the industry average. In the year ended 31st March 2019, the company has had no reportable incidents (2018: 1 reportable incident), giving an Accident Incident Rate of 0 (this is calculated from the number of accidents occurring in the period and the total man hours worked and which is significantly lower than our industry standard of 412). The Company will not be complacent on this important issue and remains committed to maintaining a low Accident Incident Rate.

Quality. We seek constantly to improve the quality of the service we deliver to our clients and customers. To this end we encourage all our customers to provide feedback on the service they receive from us. The results for the month of March 2019 show that HTS (Property & Environment) Limited has achieved an overall success rate of 100% (2018: 97.32%) against the KPI's that govern the contract.

Community. HTS employees have been active in raising funds for various charities. These activities are purely down to the commitment of our staff to be involved in fundraising activities at work and during their own time. A number of staff were involved in School visits and assisted in Harlow Council Crucial Crew initiative whereby 1,000 children were trained in life skills. In the year, the Company and staff raised £7,542 for the chosen charity, St. Clare's Hospice.

Employee Development. The company is committed to employee development and invested over £67k in the period on staff training. The company employs five apprentices and offers work experience to local schools throughout the year. In line with the strategic objectives of our partner, Harlow District Council, HTS became a living wage employer in 2017. During 2018, the Company improved the gender pay gap from 2.16% to 0.7%.

By order of the board



.....
Mr J A Morris

Secretary

03/03/19
.....

HTS (PROPERTY AND ENVIRONMENT) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities

The principal activities of the Company are housing maintenance, gas servicing and repair, grounds maintenance and street cleaning. The majority of the Company's activities are performed on behalf of Harlow District Council ("the Council") under a five year partnering contract which expires on 31st January 2022.

Results and dividends

The company made a profit after tax of £413,298 (2018: £412,200) for the year which has been included within reserves.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Councillor S N Carter

Councillor J Strachan

(Resigned 5 July 2018)

Councillor R V Davis

Mr J E C Phillips

Mr M A Harrowven

Councillor C J Vince

(Appointed 5 July 2018)

Political and charitable donations

The Company has made £5,332 (2018:£1,428) of charitable donations in the year and no political donations.

Financial instruments

Treasury operations and Financial Instruments

The Company operates a treasury function which is, responsible for managing the liquidity, interest and credit risks associated with the company's activities.

The Company's principal financial instruments include loans (the main purpose of which is to raise finance for the company's operations). In addition, the company has various other financial assets and liabilities such as other receivables, amounts due from the Council and trade creditors arising directly from its operations. The company does not have any 'derivative' instruments.

Liquidity risk

The Company does not operate any overdraft facilities and maintains bank balances to meet the ongoing needs of the business.

Interest rate risk

All loans, lease and hire purchase agreements are on a fixed interest rate and therefore the Company reduces any exposure to changes in interest rates.

Credit risk

Harlow Council is the ultimate shareholder of the Company and also the main customer. As such the credit risk to the Company is very low.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees. To this end the Company is recognised as a Disability Confident Employer.

Employee involvement

The Company's policy is to consult and discuss with employees, through its recognition of trade unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

Future developments

HTS (Property & Environment) Ltd was established to deliver the repairs and maintenance of Harlow District Council's 9000 Social Housing and 220 public Buildings together with the cleaning and grounds environmental works within the Town.

The Company will also deliver a further £17.4million of housing related capital works over the first 3 years of operation.

Following a successful first two years of trading, the group is looking to maximize the opportunities available both locally and in the surrounding areas.

Auditor

Ensors Accountants LLP were appointed as auditor to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board



Mr J A Morris

Secretary

Date: 03/07/19

HTS (PROPERTY AND ENVIRONMENT) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HTS (PROPERTY AND ENVIRONMENT) LIMITED

Opinion

We have audited the financial statements of HTS (Property and Environment) Limited (the 'company') for the year ended 31 March 2019 which comprise the Income Statement, the Statement Of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HTS (PROPERTY AND ENVIRONMENT) LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Barry Gostling (Senior Statutory Auditor)
for and on behalf of Ensors Accountants LLP

3 July 2019

Chartered Accountants
Statutory Auditor

Cardinal House
46 St Nicholas Street
Ipswich
Suffolk
IP1 1TT

HTS (PROPERTY AND ENVIRONMENT) LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Revenue	4	23,329,315	23,753,196
Cost of sales		(20,280,960)	(20,000,515)
Gross profit		3,048,355	3,752,681
Administrative expenses		(2,606,851)	(3,280,853)
Other operating income		122,456	91,398
Operating profit	5	563,960	563,226
Investment income	8	7,187	2,074
Interest payable to group undertakings	9	(40,109)	(55,518)
Other finance costs	9	(16,285)	(585)
Profit before taxation		514,753	509,197
Tax on profit	10	(101,455)	(96,897)
Profit and total comprehensive income for the financial year	22	413,298	412,300

The income statement has been prepared on the basis that all operations are continuing operations.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Non-current assets			
Intangible assets	11	268,912	358,549
Property, plant and equipment	12	893,229	1,012,363
		<u>1,162,141</u>	<u>1,370,912</u>
Current assets			
Inventories	14	42,421	32,945
Deferred tax asset	19	11,137	-
Other receivables	15	1,529,184	1,354,672
Investments	13	505,478	501,229
Cash and cash equivalents		1,362,310	1,327,574
		<u>3,450,530</u>	<u>3,216,420</u>
Current liabilities			
Borrowings	16	233,942	233,942
Trade and other payables	17	2,397,410	2,159,280
Taxation and social security		532,281	726,023
Obligations under finance leases	18	145,517	179,466
Deferred income	20	6,125	15,384
		<u>3,315,275</u>	<u>3,314,095</u>
Net current assets/(liabilities)		<u>135,255</u>	<u>(97,675)</u>
Total assets less current liabilities		<u>1,297,396</u>	<u>1,273,237</u>
Non-current liabilities			
Borrowings	16	467,884	701,826
Obligations under finance leases	18	3,913	149,430
		<u>471,797</u>	<u>851,256</u>
Provisions for liabilities			
Deferred tax liabilities	19	-	9,680
Net assets		<u>825,599</u>	<u>412,301</u>

HTS (PROPERTY AND ENVIRONMENT) LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Equity			
Called up share capital	21	1	1
Retained earnings	22	825,598	412,300
Total equity		<u>825,599</u>	<u>412,301</u>

The financial statements were approved by the board of directors and authorised for issue on 03/07/19
and are signed on its behalf by:



.....
Mr J E C Phillips
Director

Company Registration No. 09929963

HTS (PROPERTY AND ENVIRONMENT) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital	Retained earnings	Total
	£	£	£
Balance at 1 January 2017	1	-	1
Period ended 31 March 2018:			
Profit and total comprehensive income for the period	-	412,300	412,300
Balances at 31 March 2018	<u>1</u>	<u>412,300</u>	<u>412,301</u>
Year ended 31 March 2019:			
Profit and total comprehensive income for the year	-	413,298	413,298
Balances at 31 March 2019	<u>1</u>	<u>825,598</u>	<u>825,599</u>

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

HTS (Property and Environment) Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Civic Centre, The Water Gardens, College Square, Harlow, Essex, CM20 1WG.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Harlow District Council in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 113(a), 114, 115, 118, 119(a)-(c), 120-127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group accounts of Harlow District Council. The group accounts of Harlow District Council are available to the public and can be obtained as set out in note 25.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue arises from the provisions of goods and services provided in line with the principal activities set out in the Directors' report and excludes value added tax.

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

In the case of the annual service charge (building maintenance, street cleaning and environmental services) which is a fixed-price contract, governed by KPI's the customer pays the fixed amount based on a payment schedule, normally paid in the same month as the service is rendered.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

In the case of capital and planned works performed for customers amounts are invoiced monthly based on certified valuations. Payment is due within 31 days from the date of the invoice.

1.4 Intangible assets other than goodwill

Costs arising on the acquisition of the contract with Harlow District Council were capitalised as intangible assets and were charged over the life of the initial term of the contract with Harlow District Council. The rates of amortisation are as follows:-

Capitalised contract costs - 20% per annum.

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvem'ts	20% of cost
Computers and office equipment	20% of cost
Plant and machinery	20% of cost
Motor vehicles	20% of cost

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

In relation to small tools it is the company's policy to expense tools with an individual of less than £1,000 as consumables as these are likely to have an estimated useful life of less than 12 months.

1.6 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Intangible assets do not have indefinite useful lives so are not tested for impairment annually.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Inventories

Inventories are stated at cost and relate to fuel and vehicle parts being used in the business.

1.8 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less, Bank deposits with original maturities of over three months are shown in current investments.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.10 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is held for trading. This is the case if:

- the asset has been acquired principally for the purpose of selling in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Interest and dividends are included in 'Investment income' and gains and losses on remeasurement included in 'other gains and losses' in the statement of comprehensive income.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.11 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The company's employees are members the Essex pension fund which is a defined benefit pension plan and a part of the Local Government Pension Fund.

The assets of the scheme are held separately from those of the company in an independently administered fund. Pension scheme assets are measured using fair values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

It has been agreed with Harlow District Council that contributions payable by the Company will be capped at either 10.6% or 14.1%.

To the extent that the company has a liability to pay any additional amounts to the scheme such liabilities are negated by an equal contingent asset arising from the capping agreement with Harlow District Council.

Accordingly, the contributions paid by the company are set in relation to the current service period only and as such the company has accounted for the contributions to this scheme as if they were a defined contribution scheme.

Harlow District Councils' Indemnity of the pension deficits supports the preparation of the financial statements on a going concern basis.

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the fair value of the assets at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, less any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

Assets held under finance leases and hire purchase contracts are capitalised in the statement of financial position and depreciated over their expected useful lives. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. The capital element reduces the balance owed to the lessor.

2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Accounting for the defined benefit scheme deficit

There has been significant judgement involved when reviewing the agreement with the Harlow District Council and concluding that all the actuarial risks associated with the scheme remain with Harlow District Council and therefore the deficit of the scheme relating to the company has not been accounted for within these accounts.

Key sources of estimation uncertainty

Estimation of useful life - Tangible fixed assets

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the income statement. The useful lives and residual values of the company's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

4 Revenue	2019	2018
	£	£
Revenue analysed by class of business		
Building maintenance, street cleaning and environmental services	23,329,315	23,753,196
	<u> </u>	<u> </u>
	2019	2018
	£	£
Other significant revenue		
Interest income	7,187	2,074
Rental income	118,117	60,936
	<u> </u>	<u> </u>
5 Operating profit	2019	2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	9,425	12,227
Depreciation of property, plant and equipment	269,062	223,536
Loss on disposal of property, plant and equipment	3,547	-
Amortisation of intangible assets	89,637	89,637
	<u> </u>	<u> </u>
6 Employees		
The average monthly number of persons (including directors) employed by the company during the year was:		
	2019	2018
	Number	Number
Production	239	233
Administration and Support	93	100
	<u> </u>	<u> </u>
	332	333
	<u> </u>	<u> </u>
Their aggregate remuneration comprised:		
	2019	2018
	£	£
Wages and salaries	9,173,451	10,407,023
Social security costs	855,461	982,539
Pension costs	1,044,611	1,045,990
	<u> </u>	<u> </u>
	11,073,523	12,435,552
	<u> </u>	<u> </u>

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

7	Directors' remuneration	2019	2018
		£	£
	Remuneration for qualifying services	186,867	199,407
		<u> </u>	<u> </u>
8	Investment income	2019	2018
		£	£
	Interest income		
	Interest on bank deposits	7,187	2,074
		<u> </u>	<u> </u>
	Total interest income for financial assets that are not held at fair value through profit or loss is £7,187 (2018 - £2,074).		
9	Finance costs	2019	2018
		£	£
	Interest on financial liabilities measured at amortised cost:		
	Interest on lease liabilities	16,285	585
	Interest payable to group undertakings	40,109	55,518
		<u> </u>	<u> </u>
		56,394	56,103
		<u> </u>	<u> </u>
10	Income tax expense	2019	2018
		£	£
	Current tax		
	UK corporation tax on profits for the current period	108,060	87,217
	Adjustments in respect of prior periods	14,212	-
		<u> </u>	<u> </u>
	Total UK current tax	122,272	87,217
		<u> </u>	<u> </u>
	Deferred tax		
	Origination and reversal of temporary differences	(20,817)	9,680
		<u> </u>	<u> </u>
	Total tax charge	101,455	96,897
		<u> </u>	<u> </u>

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

10 Income tax expense

(Continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019 £	2018 £
Profit before taxation	514,753	509,197
Expected tax charge based on a corporation tax rate of 19.00%	97,803	97,460
Effect of expenses not deductible in determining taxable profit	97	96
Depreciation on assets not qualifying for tax allowances	1,002	562
Under/(over) provided in prior years	14,211	-
Deferred tax adjustments in respect of prior years	(12,623)	-
Adjust opening and closing deferred tax to average rate	965	(1,221)
Taxation charge for the year	101,455	96,897

11 Intangible fixed assets

	Capitalised contract costs £
Cost	
At 31 March 2018	448,186
At 31 March 2019	448,186
Amortisation and impairment	
At 31 March 2018	89,637
Charge for the year	89,637
At 31 March 2019	179,274
Carrying amount	
At 31 March 2019	268,912
At 31 March 2018	358,549

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

12 Property, plant and equipment

	Leasehold improvements	Computers and office equipment	Plant and machinery	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 31 March 2018	16,271	225,963	702,115	291,550	1,235,899
Additions	24,830	29,645	99,000	-	153,475
Disposals	-	-	-	(5,600)	(5,600)
At 31 March 2019	<u>41,101</u>	<u>255,608</u>	<u>801,115</u>	<u>285,950</u>	<u>1,383,774</u>
Accumulated depreciation and impairment					
At 31 March 2018	3,254	44,796	117,176	58,310	223,536
Charge for the year	6,479	47,324	157,136	58,123	269,062
Eliminated on disposal	-	-	-	(2,053)	(2,053)
At 31 March 2019	<u>9,733</u>	<u>92,120</u>	<u>274,312</u>	<u>114,380</u>	<u>490,545</u>
Carrying amount					
At 31 March 2019	<u>31,368</u>	<u>163,488</u>	<u>526,803</u>	<u>171,570</u>	<u>893,229</u>
At 31 March 2018	<u>13,017</u>	<u>181,167</u>	<u>584,939</u>	<u>233,240</u>	<u>1,012,363</u>

Property, plant and equipment includes assets held under finance leases or hire purchase contracts, as follows.

Leased assets	2019 £	2018 £
Net values	343,800	458,400
Depreciation charge for the year	114,600	114,600

13 Investments

	Current		Non-current	
	2019 £	2018 £	2019 £	2018 £
Investments held at fair value through profit or loss	<u>505,478</u>	<u>501,229</u>	<u>-</u>	<u>-</u>

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

Fair value of financial assets carried at amortised cost

The directors consider that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

14 Inventories	2019 £	2018 £
Raw materials	42,421	32,945
	<u>42,421</u>	<u>32,945</u>

15 Trade and other receivables	2019 £	2018 £
Trade receivables	29,135	57,377
Other receivables	735,414	692,929
Amounts owed by fellow group undertakings	455,262	550,785
Prepayments	309,373	53,581
	<u>1,529,184</u>	<u>1,354,672</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

16 Borrowings	2019 £	2018 £
Unsecured borrowings at amortised cost		
Loans from related parties	701,826	935,768
	<u>701,826</u>	<u>935,768</u>

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019 £	2018 £
Current liabilities	233,942	233,942
Non-current liabilities	467,884	701,826
	<u>701,826</u>	<u>935,768</u>

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

17 Trade and other payables

	Current 2019 £	2018 £
Trade payables	676,182	311,286
Accruals	1,700,136	1,841,101
Other payables	21,092	6,893
	<u>2,397,410</u>	<u>2,159,280</u>

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

18 Obligations under finance leases

	Minimum lease payments		Present value	
	2019 £	2018 £	2019 £	2018 £
Within one year	147,437	195,751	145,517	179,466
In two to five years	4,368	151,805	3,913	149,430
	<u>151,805</u>	<u>347,556</u>	<u>149,430</u>	<u>328,896</u>
Less: future finance charges	(2,375)	(18,660)	-	-
Lease liabilities in the financial statements	<u>149,430</u>	<u>328,896</u>	<u>149,430</u>	<u>328,896</u>

Finance lease obligations are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019 £	2018 £
Current liabilities	145,517	179,466
Non-current liabilities	3,913	149,430
	<u>149,430</u>	<u>328,896</u>
	2019 £	2018 £
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	<u>16,285</u>	<u>585</u>

The fair value of the company's lease obligations is approximately equal to their carrying amount.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs £	Other £	Total £
Deferred tax liability at 1 April 2017	-	-	-
Deferred tax movements in prior year			
Credit to profit or loss	17,312	(7,632)	9,680
Deferred tax liability at 1 April 2018	17,312	(7,632)	9,680
Deferred tax movements in current year			
Credit to profit or loss	5,497	(26,314)	(20,817)
Deferred tax liability at 31 March 2019	-	-	-
Deferred tax asset at 31 March 2019	22,809	(33,946)	(11,137)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £	2018 £
Deferred tax liabilities	-	9,680
Deferred tax assets	(11,137)	-
	(11,137)	9,680

20 Deferred revenue

	2019 £	2018 £
Arising from rent	6,125	15,384

Analysis of deferred revenue

Deferred revenues are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019 £	2018 £
Current liabilities	6,125	15,384

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

21 Share capital	2019	2018
	£	£
Ordinary share capital		
<i>Issued and fully paid</i>		
1 ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

22 Retained earnings	2019	2018
	£	£
At 1 April 2018	412,300	-
Profit for the year	413,298	412,300
At 31 March 2019	<u>825,598</u>	<u>412,300</u>

23 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2019	2018
	£	£
Minimum lease payments under operating leases	<u>303,302</u>	<u>208,178</u>

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
Within one year	287,989	303,302
Between two and five years	672,009	936,732
	<u>959,998</u>	<u>1,240,034</u>

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

24 Capital commitments	2019	2018
	£	£
At 31 March 2019 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	-	84,000
	<u> </u>	<u> </u>

25 Controlling party

The parent company of HTS (Property and Environment) Limited is HTS Group Ltd and its registered office is The Civic Centre, The Water Gardens, College Square, Harlow. Essex. CM20 1WG.

The ultimate parent undertaking and controlling party is Harlow District Council.

The consolidated financial statements of Harlow District Council are available from The Civic Centre, The Water Gardens, College Square, Harlow. Essex. CM20 1WG

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

26 Retirement benefit schemes

Defined contribution scheme

The company operates a defined contribution pension scheme for all qualifying employees with Smart pension. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £22,179 (2018:£44,079)

Defined benefit scheme

Qualifying employees belonged to the Local Government Pension Scheme (LGPS), which is managed by Essex County Council. This is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds.

Harlow District Council entered into an agreement with the company which has the effect of capping the employer pension contributions payable by the company to the Essex Local Government Pension Scheme.

Due to the capping of the contributions the defined benefit scheme will be treated as a defined contribution scheme for the purposes of the preparation of the accounts and the contributions will be recognised as they fall due.

Included within the pension charge are contributions of £1,609,826 (2018: £1,584,970) payable by the company to the fund less £587,220 (2018: £583,056) reimbursed by Harlow District Council under the capping contribution arrangement.

The Net Pension Liability is guaranteed by the Local Authority and not the company, therefore the Net Pension Liability is treated as contingent liability which has an equal contingent asset being the fair value of the guarantee.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension scheme's liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Company being based on the latest full valuation of the scheme as at 31 March 2016. The key assumptions (expressed as weighted averages) at the period end were as follows:

	2019	2018
RPI	3.45%	3.35%
CPI	2.45%	2.35%
Discount rate	2.40%	2.55%
Salary increase rate	3.95%	3.85%
Pension increase rate	2.45%	2.35%

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Retiring today: Male 21.3 years (2018: 22.4 years), female 23.6 years (2018: 24.7 years)
- Retiring in 20 years : Male 22.9 years (2018 24.4 years), female 25.4 years (2018: 27.0 years)

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

26 Retirement benefit schemes (continued)

<i>The contingent amounts arising from the company's obligations in respect of this defined benefit pension plan are as follows:</i>	2019 £'000	2018 £'000
Present value of defined benefit obligations	(51,290)	(46,619)
Fair value of plan assets	37,113	32,993
Fair value of local authority guarantee	14,177	13,626
	-	-

HTS (PROPERTY AND ENVIRONMENT) LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

	31 March		Period
	2019		ended
	£	£	31 March
			2018
			£
Revenue			
Income from services		23,329,315	23,753,196
Cost of sales			
Materials purchases	2,534,995		2,393,604
Carriage inwards and import duty	-		97
Wages and salaries	8,094,597		9,162,004
Social security costs	746,821		863,818
Subcontract and agency labour	5,840,598		4,237,221
Staff recruitment costs	10,096		10,438
Staff welfare	17,052		6,926
Staff training	48,024		41,106
Staff pension costs	930,511		959,447
Management Charges	156,000		156,000
Rent re operating leases	413		556
Rates	1,326		1,528
Security costs	533		2,287
Cleaning	903		3,029
Waste disposal and service charges	373,659		348,928
Power, light and heat	-		26
Repairs and maintenance	7,382		10,288
Computer running costs	3,475		778
Software costs	12,395		390
Hire of equipment (not operating lease)	1,287		-
Leasing - other assets	119,374		151,778
Loose tools	5,980		84,021
Motor running expenses	939,225		1,078,010
Travelling expenses	6,055		5,302
Accommodation and subsistence	629		454
Postage, courier and delivery charges	99		224
Professional subscriptions	4,815		9,550
Legal and professional fees	2,346		1,600
Consultancy fees	13,975		104,194
Insurances	102,935		92,050
Printing and stationery	6,443		6,997
Books, periodicals, reference materials	283		136
Public relations	1,266		2,974
Meetings and seminars	-		136
Telecommunications	979		1,023
Other office supplies	1,507		631
Entertaining	614		613
Sundry expenses	38,871		16,916
Protective clothing	29,043		69,949
Depreciation	222,907		175,486
Profit or loss on sale of tangible assets (non exceptional)	3,547		-

HTS (PROPERTY AND ENVIRONMENT) LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

		31 March 2019		Period ended 31 March 2018
	£	£	£	£
		(20,280,960)		(20,000,515)
Gross profit	13.07%	3,048,355	15.80%	3,752,681
Other operating income				
Rent receivable	118,117		60,936	
Other operating income	4,339		30,462	
		122,456		91,398
Administrative expenses		(2,606,851)		(3,280,853)
Operating profit		563,960		563,226
Investment revenues				
Bank interest received	7,187		2,074	
		7,187		2,074
Finance costs				
Hire purchase interest payable	16,285		585	
Interest payable to group companies	40,109		55,518	
		(56,394)		(56,103)
Profit before taxation	2.21%	514,753	2.14%	509,197

HTS (PROPERTY AND ENVIRONMENT) LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2019

	31 March 2019 £	Period ended 31 March 2018 £
Administrative expenses		
Wages and salaries	1,078,854	1,245,019
Social security costs	108,640	118,721
Subcontract labour	-	14,063
Staff recruitment costs	12,332	5,250
Staff welfare	2,505	15,182
Staff training	19,084	49,471
Staff pension costs	114,100	86,543
Management charge - group	70,588	129,023
Rates	221,715	245,864
Cleaning	-	704
Waste disposal and service charges	15,998	3,165
Power, light and heat	82,091	85,700
Repairs and maintenance	36,385	131,271
Computer running costs	3,922	67,106
Software costs	59,128	61,809
Leasing - other assets	14,384	16,743
Motor running expenses	-	25
Travelling expenses	9,454	4,581
Accommodation and subsistence	7,191	5,402
Postage, courier and delivery charges	31,131	31,288
Professional subscriptions and CITB levy	(23,991)	71,491
Legal and professional fees	980	6,954
Consultancy fees	69,266	85,710
Non audit remuneration paid to auditors	9,425	12,273
Audit fees	9,425	12,227
Charitable donations	6,412	3,136
Bank charges	2,770	3,641
Insurances	370,203	455,263
Printing and stationery	27,938	38,177
Books, periodicals, reference materials	35	347
Advertising	6,498	24,819
Public relations	7,571	2,354
Meetings and seminars	1,412	2,803
Telecommunications	48,535	52,568
Other office supplies	6,439	2,229
Entertaining	14,815	14,445
Sundry expenses	25,824	36,390
Protective Clothing	-	1,409
Amortisation	89,637	89,637
Depreciation	46,155	48,050
	<u>2,606,851</u>	<u>3,280,853</u>

REPORT TO: SHAREHOLDER SUB COMMITTEE

DATE: 7 NOVEMBER 2019

TITLE: REFERRAL FROM HTS (PROPERTY AND ENVIRONMENT) BOARD – STATUTORY ACCOUNTS OUTTURN

LEAD OFFICER: ANDREW MURRAY, HEAD OF HOUSING
(01279) 446676

RECOMMENDED that:

- A** The Sub Committee notes the HTS Group Ltd Statutory Accounts attached as Appendix A to the report.

BACKGROUND

1. HTS Group Ltd.'s Statement of Accounts is a statutory document that provides information on the transactions relating to the provision of services by the Council owned company.
2. As part of the Sub Committee's scrutiny role there is a requirement for the Sub Committee to ensure they receive final audited accounts for noting and comment. The approval of statutory accounts, however, remain with the Board under the agreed delegations matrix.
3. The HTS Board approved the Statutory Accounts for 2018/19 at their meeting on 3 July 2019, and these have been aligned the Council's accountancy reporting.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

The Costs of the appointments are contained within the operational budgets of the Company as reflected within the HTS (P&E) Ltd Business Plan.

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

Housing

As outlined in the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

None specifically, the report is in line with the request of the Sub Committee, at its meeting in February 2016, to comment on such proposals.

Author: Simon Hill, Head of Governance

Appendices

Appendix A – Audited Statutory Accounts

Background Papers

None.

Glossary of terms/abbreviations used

None.

HTS GROUP LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019
PAGES FOR FILING WITH REGISTRAR

HTS GROUP LIMITED

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HTS GROUP LIMITED

STATEMENT OF FINANCIAL POSITION

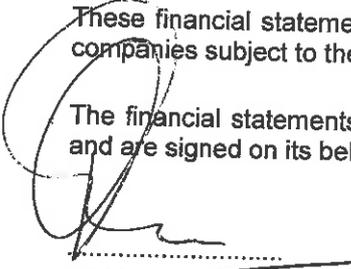
AS AT 31 MARCH 2019

	Notes	2019 £	£	2017 £	£
Fixed assets					
Investments	2		1		1
Current assets					
Debtors	3	1		1	
Creditors: amounts falling due within one year	4	(1)		(1)	
Net current assets			=		-
Total assets less current liabilities			<u>1</u>		<u>1</u>
Capital and reserves					
Called up share capital	5		1		1

The directors of the company have elected not to include a copy of the income statement within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 03/07/19 and are signed on its behalf by:


M F M A Harrowven
Director

Company Registration No. 09929960

HTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

HTS Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Civic Centre, The Water Gardens, College Square, Harlow, Essex, CM20 1WG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

HTS Group Limited is a wholly owned subsidiary of Harlow District Council and the results of HTS Group Limited are included in the consolidated financial statements of Harlow District Council which are available from The Civic Centre, The Water Gardens, College Square, Harlow, Essex, CM20 1WG.

1.2 Profit and loss account

The company has not traded during the year or the preceding financial period. During this time the company received no income and incurred no expenditure and therefore no Profit and loss account is presented in these financial statements.

1.3 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.4 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

HTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2 Fixed asset investments

	2019 £	2017 £
Investments	1	1

HTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

2	Fixed asset investments	(Continued)	
	Movements in fixed asset investments		Shares in group undertakings £
	Cost or valuation		
	At 1 April 2018 & 31 March 2019		1
			<u>1</u>
	Carrying amount		
	At 31 March 2019		1
			<u>1</u>
	At 31 March 2018		1
			<u>1</u>
3	Debtors	2019	2017
		£	£
	Amounts falling due within one year:		
	Other debtors	1	1
		<u>1</u>	<u>1</u>
4	Creditors: amounts falling due within one year	2019	2017
		£	£
	Amounts owed to group undertakings	1	1
		<u>1</u>	<u>1</u>
5	Called up share capital	2019	2017
		£	£
	Ordinary share capital		
	Issued and not fully paid		
	1 Ordinary Share of £1 each	1	1
		<u>1</u>	<u>1</u>

6 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was Barry Gostling.
The auditor was Ensors Accountants LLP.

HTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

7 Parent company

The parent company of HTS Group Ltd is Harlow District Council and its registered office is The Civic Centre, The Water Gardens, College Square, Harlow. Essex. CM20 1WG.

Company Registration No. 09929963 (England and Wales)

**HTS (PROPERTY AND ENVIRONMENT) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

HTS (PROPERTY AND ENVIRONMENT) LIMITED

COMPANY INFORMATION

Directors	Councillor S N Carter Councillor R V Davis Mr J E C Phillips Mr M A Harrowven Councillor C J Vince (Appointed 5 July 2018)
Secretary	Mr J A Morris
Company number	09929963
Registered office	The Civic Centre The Water Gardens College Square Harlow Essex CM20 1WG
Auditor	Ensors Accountants LLP Cardinal House 46 St Nicholas Street Ipswich Suffolk IP1 1TT
Business address	Mead Park Industrial Estate River Way Harlow Essex CM20 2SE

HTS (PROPERTY AND ENVIRONMENT) LIMITED

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HTS (PROPERTY AND ENVIRONMENT) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present the strategic report and financial statements for the year ended 31 March 2019.

Principle activities and review of the business

The principal activities of the Company are housing maintenance, gas servicing and repair, grounds maintenance and street cleaning. The majority of the Company's activities are performed on behalf of Harlow District Council ("the Council") under a five-year contract which commenced on 1st February 2017.

The Company has made a profit on ordinary activities before taxation of £0.51m for the year ended 31st March 2019 (2018: £0.56m).

The Company measures performance in a number of ways, including contract performance, quality reviews, debt reviews and regular re-forecasting and monitoring reviews.

The Company's aim is to provide a high-quality cost-effective client facing service whilst delivering positive financial returns to its shareholders.

HTS (Property & Environment) Limited attaches great importance to its corporate responsibility as evidenced by the many community support events and conferences attended by the company, the 140 work experience placements from Harlow college and 5 apprentices employed along with charitable fund raising being examples of this.

HTS (Property & Environment) Limited recognises the importance of our wider responsibility within the local community and have been involved with a number of local initiatives. The HACT report for 2018-19 reported that HTS created £1,129,128 of social value in the year.

Principal Risks and uncertainties

The Company maintain a detailed Risk Management and Internal Control system. This requires the company to:

- identify risks and record them in a risk register;
- diagnose and quantify the risks as to their likelihood and impact, record the controls established and monitor their effectiveness;
- develop a plan to mitigate the likelihood and impact of the identified risks;
- regularly review the risk registers and action plans; and
- report key issues upwards to Harlow District Council.

The key risks identified for the Company, and the mitigating actions taken, are:

Risk description	Mitigation
Construction risk	Long-Term contracts in progress are controlled and managed through regular review of forecast revenue and cost to complete.
People	The company applies rigorous health and safety policies and procedures aimed at minimising health and safety incidents that may affect the company's employees, subcontractors and members of the public who come into contact with our business activities.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Analysis of the development and performance

Safety. The Company's health and safety performance has been and will remain a key priority. The performance remained well above the industry average. In the year ended 31st March 2019, the company has had no reportable incidents (2018: 1 reportable incident), giving an Accident Incident Rate of 0 (this is calculated from the number of accidents occurring in the period and the total man hours worked and which is significantly lower than our industry standard of 412). The Company will not be complacent on this important issue and remains committed to maintaining a low Accident Incident Rate.

Quality. We seek constantly to improve the quality of the service we deliver to our clients and customers. To this end we encourage all our customers to provide feedback on the service they receive from us. The results for the month of March 2019 show that HTS (Property & Environment) Limited has achieved an overall success rate of 100% (2018: 97.32%) against the KPI's that govern the contract.

Community. HTS employees have been active in raising funds for various charities. These activities are purely down to the commitment of our staff to be involved in fundraising activities at work and during their own time. A number of staff were involved in School visits and assisted in Harlow Council Crucial Crew initiative whereby 1,000 children were trained in life skills. In the year, the Company and staff raised £7,542 for the chosen charity, St. Clare's Hospice.

Employee Development. The company is committed to employee development and invested over £67k in the period on staff training. The company employs five apprentices and offers work experience to local schools throughout the year. In line with the strategic objectives of our partner, Harlow District Council, HTS became a living wage employer in 2017. During 2018, the Company improved the gender pay gap from 2.16% to 0.7%.

By order of the board



.....
Mr J A Morris

Secretary

03/03/19
.....

HTS (PROPERTY AND ENVIRONMENT) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities

The principal activities of the Company are housing maintenance, gas servicing and repair, grounds maintenance and street cleaning. The majority of the Company's activities are performed on behalf of Harlow District Council ("the Council") under a five year partnering contract which expires on 31st January 2022.

Results and dividends

The company made a profit after tax of £413,298 (2018: £412,200) for the year which has been included within reserves.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Councillor S N Carter

Councillor J Strachan

(Resigned 5 July 2018)

Councillor R V Davis

Mr J E C Phillips

Mr M A Harrowven

Councillor C J Vince

(Appointed 5 July 2018)

Political and charitable donations

The Company has made £5,332 (2018:£1,428) of charitable donations in the year and no political donations.

Financial instruments

Treasury operations and Financial Instruments

The Company operates a treasury function which is, responsible for managing the liquidity, interest and credit risks associated with the company's activities.

The Company's principal financial instruments include loans (the main purpose of which is to raise finance for the company's operations). In addition, the company has various other financial assets and liabilities such as other receivables, amounts due from the Council and trade creditors arising directly from its operations. The company does not have any 'derivative' instruments.

Liquidity risk

The Company does not operate any overdraft facilities and maintains bank balances to meet the ongoing needs of the business.

Interest rate risk

All loans, lease and hire purchase agreements are on a fixed interest rate and therefore the Company reduces any exposure to changes in interest rates.

Credit risk

Harlow Council is the ultimate shareholder of the Company and also the main customer. As such the credit risk to the Company is very low.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees. To this end the Company is recognised as a Disability Confident Employer.

Employee involvement

The Company's policy is to consult and discuss with employees, through its recognition of trade unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

Future developments

HTS (Property & Environment) Ltd was established to deliver the repairs and maintenance of Harlow District Council's 9000 Social Housing and 220 public Buildings together with the cleaning and grounds environmental works within the Town.

The Company will also deliver a further £17.4million of housing related capital works over the first 3 years of operation.

Following a successful first two years of trading, the group is looking to maximize the opportunities available both locally and in the surrounding areas.

Auditor

Ensors Accountants LLP were appointed as auditor to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board



.....
Mr J A Morris

Secretary

Date: 03/07/19

HTS (PROPERTY AND ENVIRONMENT) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HTS (PROPERTY AND ENVIRONMENT) LIMITED

Opinion

We have audited the financial statements of HTS (Property and Environment) Limited (the 'company') for the year ended 31 March 2019 which comprise the Income Statement, the Statement Of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HTS (PROPERTY AND ENVIRONMENT) LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Barry Gostling (Senior Statutory Auditor)
for and on behalf of Ensors Accountants LLP

3 July 2019

Chartered Accountants
Statutory Auditor

Cardinal House
46 St Nicholas Street
Ipswich
Suffolk
IP1 1TT

HTS (PROPERTY AND ENVIRONMENT) LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Revenue	4	23,329,315	23,753,196
Cost of sales		(20,280,960)	(20,000,515)
Gross profit		3,048,355	3,752,681
Administrative expenses		(2,606,851)	(3,280,853)
Other operating income		122,456	91,398
Operating profit	5	563,960	563,226
Investment income	8	7,187	2,074
Interest payable to group undertakings	9	(40,109)	(55,518)
Other finance costs	9	(16,285)	(585)
Profit before taxation		514,753	509,197
Tax on profit	10	(101,455)	(96,897)
Profit and total comprehensive income for the financial year	22	413,298	412,300

The income statement has been prepared on the basis that all operations are continuing operations.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Non-current assets			
Intangible assets	11	268,912	358,549
Property, plant and equipment	12	893,229	1,012,363
		<u>1,162,141</u>	<u>1,370,912</u>
Current assets			
Inventories	14	42,421	32,945
Deferred tax asset	19	11,137	-
Other receivables	15	1,529,184	1,354,672
Investments	13	505,478	501,229
Cash and cash equivalents		1,362,310	1,327,574
		<u>3,450,530</u>	<u>3,216,420</u>
Current liabilities			
Borrowings	16	233,942	233,942
Trade and other payables	17	2,397,410	2,159,280
Taxation and social security		532,281	726,023
Obligations under finance leases	18	145,517	179,466
Deferred income	20	6,125	15,384
		<u>3,315,275</u>	<u>3,314,095</u>
Net current assets/(liabilities)		<u>135,255</u>	<u>(97,675)</u>
Total assets less current liabilities		<u>1,297,396</u>	<u>1,273,237</u>
Non-current liabilities			
Borrowings	16	467,884	701,826
Obligations under finance leases	18	3,913	149,430
		<u>471,797</u>	<u>851,256</u>
Provisions for liabilities			
Deferred tax liabilities	19	-	9,680
Net assets		<u>825,599</u>	<u>412,301</u>

HTS (PROPERTY AND ENVIRONMENT) LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Equity			
Called up share capital	21	1	1
Retained earnings	22	825,598	412,300
Total equity		<u>825,599</u>	<u>412,301</u>

The financial statements were approved by the board of directors and authorised for issue on 03/07/19
and are signed on its behalf by:


.....
Mr J E C Phillips
Director

Company Registration No. 09929963

HTS (PROPERTY AND ENVIRONMENT) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital	Retained earnings	Total
	£	£	£
Balance at 1 January 2017	1	-	1
Period ended 31 March 2018:			
Profit and total comprehensive income for the period	-	412,300	412,300
Balances at 31 March 2018	<u>1</u>	<u>412,300</u>	<u>412,301</u>
Year ended 31 March 2019:			
Profit and total comprehensive income for the year	-	413,298	413,298
Balances at 31 March 2019	<u>1</u>	<u>825,598</u>	<u>825,599</u>

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

HTS (Property and Environment) Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Civic Centre, The Water Gardens, College Square, Harlow, Essex, CM20 1WG.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Harlow District Council in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 113(a), 114, 115, 118, 119(a)-(c), 120-127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group accounts of Harlow District Council. The group accounts of Harlow District Council are available to the public and can be obtained as set out in note 25.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue arises from the provisions of goods and services provided in line with the principal activities set out in the Directors' report and excludes value added tax.

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

In the case of the annual service charge (building maintenance, street cleaning and environmental services) which is a fixed-price contract, governed by KPI's the customer pays the fixed amount based on a payment schedule, normally paid in the same month as the service is rendered.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

In the case of capital and planned works performed for customers amounts are invoiced monthly based on certified valuations. Payment is due within 31 days from the date of the invoice.

1.4 Intangible assets other than goodwill

Costs arising on the acquisition of the contract with Harlow District Council were capitalised as intangible assets and were charged over the life of the initial term of the contract with Harlow District Council. The rates of amortisation are as follows:-

Capitalised contract costs - 20% per annum.

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvem'ts	20% of cost
Computers and office equipment	20% of cost
Plant and machinery	20% of cost
Motor vehicles	20% of cost

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

In relation to small tools it is the company's policy to expense tools with an individual of less than £1,000 as consumables as these are likely to have an estimated useful life of less than 12 months.

1.6 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Intangible assets do not have indefinite useful lives so are not tested for impairment annually.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Inventories

Inventories are stated at cost and relate to fuel and vehicle parts being used in the business.

1.8 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less, Bank deposits with original maturities of over three months are shown in current investments.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.10 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is held for trading. This is the case if:

- the asset has been acquired principally for the purpose of selling in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Interest and dividends are included in 'Investment income' and gains and losses on remeasurement included in 'other gains and losses' in the statement of comprehensive income.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.11 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The company's employees are members the Essex pension fund which is a defined benefit pension plan and a part of the Local Government Pension Fund.

The assets of the scheme are held separately from those of the company in an independently administered fund. Pension scheme assets are measured using fair values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

It has been agreed with Harlow District Council that contributions payable by the Company will be capped at either 10.6% or 14.1%.

To the extent that the company has a liability to pay any additional amounts to the scheme such liabilities are negated by an equal contingent asset arising from the capping agreement with Harlow District Council.

Accordingly, the contributions paid by the company are set in relation to the current service period only and as such the company has accounted for the contributions to this scheme as if they were a defined contribution scheme.

Harlow District Councils' Indemnity of the pension deficits supports the preparation of the financial statements on a going concern basis.

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the fair value of the assets at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, less any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

Assets held under finance leases and hire purchase contracts are capitalised in the statement of financial position and depreciated over their expected useful lives. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. The capital element reduces the balance owed to the lessor.

2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Accounting for the defined benefit scheme deficit

There has been significant judgement involved when reviewing the agreement with the Harlow District Council and concluding that all the actuarial risks associated with the scheme remain with Harlow District Council and therefore the deficit of the scheme relating to the company has not been accounted for within these accounts.

Key sources of estimation uncertainty

Estimation of useful life - Tangible fixed assets

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the income statement. The useful lives and residual values of the company's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

4 Revenue

	2019	2018
	£	£
Revenue analysed by class of business		
Building maintenance, street cleaning and environmental services	23,329,315	23,753,196

	2019	2018
	£	£
Other significant revenue		
Interest income	7,187	2,074
Rental income	118,117	60,936

5 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	9,425	12,227
Depreciation of property, plant and equipment	269,062	223,536
Loss on disposal of property, plant and equipment	3,547	-
Amortisation of intangible assets	89,637	89,637

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019	2018
	Number	Number
Production	239	233
Administration and Support	93	100
	332	333

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	9,173,451	10,407,023
Social security costs	855,461	982,539
Pension costs	1,044,611	1,045,990
	11,073,523	12,435,552

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

7	Directors' remuneration		
		2019	2018
		£	£
	Remuneration for qualifying services	186,867	199,407
		<u> </u>	<u> </u>
8	Investment income		
		2019	2018
		£	£
	Interest income		
	Interest on bank deposits	7,187	2,074
		<u> </u>	<u> </u>
	Total interest income for financial assets that are not held at fair value through profit or loss is £7,187 (2018 - £2,074).		
9	Finance costs		
		2019	2018
		£	£
	Interest on financial liabilities measured at amortised cost:		
	Interest on lease liabilities	16,285	585
	Interest payable to group undertakings	40,109	55,518
		<u> </u>	<u> </u>
		56,394	56,103
		<u> </u>	<u> </u>
10	Income tax expense		
		2019	2018
		£	£
	Current tax		
	UK corporation tax on profits for the current period	108,060	87,217
	Adjustments in respect of prior periods	14,212	-
		<u> </u>	<u> </u>
	Total UK current tax	122,272	87,217
		<u> </u>	<u> </u>
	Deferred tax		
	Origination and reversal of temporary differences	(20,817)	9,680
		<u> </u>	<u> </u>
	Total tax charge	101,455	96,897
		<u> </u>	<u> </u>

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

10 Income tax expense

(Continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019 £	2018 £
Profit before taxation	514,753	509,197
Expected tax charge based on a corporation tax rate of 19.00%	97,803	97,460
Effect of expenses not deductible in determining taxable profit	97	96
Depreciation on assets not qualifying for tax allowances	1,002	562
Under/(over) provided in prior years	14,211	-
Deferred tax adjustments in respect of prior years	(12,623)	-
Adjust opening and closing deferred tax to average rate	965	(1,221)
Taxation charge for the year	101,455	96,897

11 Intangible fixed assets

	Capitalised contract costs £
Cost	
At 31 March 2018	448,186
At 31 March 2019	448,186
Amortisation and impairment	
At 31 March 2018	89,637
Charge for the year	89,637
At 31 March 2019	179,274
Carrying amount	
At 31 March 2019	268,912
At 31 March 2018	358,549

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

12 Property, plant and equipment

	Leasehold improvements	Computers and office equipment	Plant and machinery	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 31 March 2018	16,271	225,963	702,115	291,550	1,235,899
Additions	24,830	29,645	99,000	-	153,475
Disposals	-	-	-	(5,600)	(5,600)
At 31 March 2019	<u>41,101</u>	<u>255,608</u>	<u>801,115</u>	<u>285,950</u>	<u>1,383,774</u>
Accumulated depreciation and impairment					
At 31 March 2018	3,254	44,796	117,176	58,310	223,536
Charge for the year	6,479	47,324	157,136	58,123	269,062
Eliminated on disposal	-	-	-	(2,053)	(2,053)
At 31 March 2019	<u>9,733</u>	<u>92,120</u>	<u>274,312</u>	<u>114,380</u>	<u>490,545</u>
Carrying amount					
At 31 March 2019	<u>31,368</u>	<u>163,488</u>	<u>526,803</u>	<u>171,570</u>	<u>893,229</u>
At 31 March 2018	<u>13,017</u>	<u>181,167</u>	<u>584,939</u>	<u>233,240</u>	<u>1,012,363</u>

Property, plant and equipment includes assets held under finance leases or hire purchase contracts, as follows.

Leased assets	2019 £	2018 £
Net values	343,800	458,400
Depreciation charge for the year	114,600	114,600

13 Investments

	Current		Non-current	
	2019 £	2018 £	2019 £	2018 £
Investments held at fair value through profit or loss	<u>505,478</u>	<u>501,229</u>	<u>-</u>	<u>-</u>

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

Fair value of financial assets carried at amortised cost

The directors consider that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

14 Inventories	2019 £	2018 £
Raw materials	42,421	32,945

15 Trade and other receivables	2019 £	2018 £
Trade receivables	29,135	57,377
Other receivables	735,414	692,929
Amounts owed by fellow group undertakings	455,262	550,785
Prepayments	309,373	53,581
	<u>1,529,184</u>	<u>1,354,672</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

16 Borrowings	2019 £	2018 £
Unsecured borrowings at amortised cost		
Loans from related parties	701,826	935,768

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019 £	2018 £
Current liabilities	233,942	233,942
Non-current liabilities	467,884	701,826
	<u>701,826</u>	<u>935,768</u>

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

17 Trade and other payables

	Current 2019 £	2018 £
Trade payables	676,182	311,286
Accruals	1,700,136	1,841,101
Other payables	21,092	6,893
	<u>2,397,410</u>	<u>2,159,280</u>

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

18 Obligations under finance leases

	Minimum lease payments		Present value	
	2019 £	2018 £	2019 £	2018 £
Within one year	147,437	195,751	145,517	179,466
In two to five years	4,368	151,805	3,913	149,430
	<u>151,805</u>	<u>347,556</u>	<u>149,430</u>	<u>328,896</u>
Less: future finance charges	(2,375)	(18,660)	-	-
Lease liabilities in the financial statements	<u>149,430</u>	<u>328,896</u>	<u>149,430</u>	<u>328,896</u>

Finance lease obligations are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019 £	2018 £
Current liabilities	145,517	179,466
Non-current liabilities	3,913	149,430
	<u>149,430</u>	<u>328,896</u>
	2019 £	2018 £
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	<u>16,285</u>	<u>585</u>

The fair value of the company's lease obligations is approximately equal to their carrying amount.

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs £	Other £	Total £
Deferred tax liability at 1 April 2017	-	-	-
Deferred tax movements in prior year			
Credit to profit or loss	17,312	(7,632)	9,680
Deferred tax liability at 1 April 2018	17,312	(7,632)	9,680
Deferred tax movements in current year			
Credit to profit or loss	5,497	(26,314)	(20,817)
Deferred tax liability at 31 March 2019	-	-	-
Deferred tax asset at 31 March 2019	22,809	(33,946)	(11,137)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £	2018 £
Deferred tax liabilities	-	9,680
Deferred tax assets	(11,137)	-
	<u>(11,137)</u>	<u>9,680</u>

20 Deferred revenue

	2019 £	2018 £
Arising from rent	6,125	15,384

Analysis of deferred revenue

Deferred revenues are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019 £	2018 £
Current liabilities	6,125	15,384

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

21 Share capital	2019	2018
	£	£
Ordinary share capital		
<i>Issued and fully paid</i>		
1 ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

22 Retained earnings	2019	2018
	£	£
At 1 April 2018	412,300	-
Profit for the year	413,298	412,300
At 31 March 2019	<u>825,598</u>	<u>412,300</u>

23 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2019	2018
	£	£
Minimum lease payments under operating leases	<u>303,302</u>	<u>208,178</u>

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
Within one year	287,989	303,302
Between two and five years	672,009	936,732
	<u>959,998</u>	<u>1,240,034</u>

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

24 Capital commitments	2019	2018
	£	£
At 31 March 2019 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	-	84,000
	<u> </u>	<u> </u>

25 Controlling party

The parent company of HTS (Property and Environment) Limited is HTS Group Ltd and its registered office is The Civic Centre, The Water Gardens, College Square, Harlow. Essex. CM20 1WG.

The ultimate parent undertaking and controlling party is Harlow District Council.

The consolidated financial statements of Harlow District Council are available from The Civic Centre, The Water Gardens, College Square, Harlow. Essex. CM20 1WG

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

26 Retirement benefit schemes

Defined contribution scheme

The company operates a defined contribution pension scheme for all qualifying employees with Smart pension. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £22,179 (2018:£44,079)

Defined benefit scheme

Qualifying employees belonged to the Local Government Pension Scheme (LGPS), which is managed by Essex County Council. This is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds.

Harlow District Council entered into an agreement with the company which has the effect of capping the employer pension contributions payable by the company to the Essex Local Government Pension Scheme.

Due to the capping of the contributions the defined benefit scheme will be treated as a defined contribution scheme for the purposes of the preparation of the accounts and the contributions will be recognised as they fall due.

Included within the pension charge are contributions of £1,609,826 (2018: £1,584,970) payable by the company to the fund less £587,220 (2018: £583,056) reimbursed by Harlow District Council under the capping contribution arrangement.

The Net Pension Liability is guaranteed by the Local Authority and not the company, therefore the Net Pension Liability is treated as contingent liability which has an equal contingent asset being the fair value of the guarantee.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension scheme's liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Company being based on the latest full valuation of the scheme as at 31 March 2016. The key assumptions (expressed as weighted averages) at the period end were as follows:

	2019	2018
RPI	3.45%	3.35%
CPI	2.45%	2.35%
Discount rate	2.40%	2.55%
Salary increase rate	3.95%	3.85%
Pension increase rate	2.45%	2.35%

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Retiring today: Male 21.3 years (2018: 22.4 years), female 23.6 years (2018: 24.7 years)
- Retiring in 20 years : Male 22.9 years (2018 24.4 years), female 25.4 years (2018: 27.0 years)

HTS (PROPERTY AND ENVIRONMENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

26 Retirement benefit schemes (continued)

<i>The contingent amounts arising from the company's obligations in respect of this defined benefit pension plan are as follows:</i>	2019 £'000	2018 £'000
Present value of defined benefit obligations	(51,290)	(46,619)
Fair value of plan assets	37,113	32,993
Fair value of local authority guarantee	14,177	13,626
	-	-

HTS (PROPERTY AND ENVIRONMENT) LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2019

	31 March		Period
	2019		ended
	£	£	31 March
			2018
			£
Revenue			
Income from services		23,329,315	23,753,196
Cost of sales			
Materials purchases	2,534,995		2,393,604
Carriage inwards and import duty	-		97
Wages and salaries	8,094,597		9,162,004
Social security costs	746,821		863,818
Subcontract and agency labour	5,840,598		4,237,221
Staff recruitment costs	10,096		10,438
Staff welfare	17,052		6,926
Staff training	48,024		41,106
Staff pension costs	930,511		959,447
Management Charges	156,000		156,000
Rent re operating leases	413		556
Rates	1,326		1,528
Security costs	533		2,287
Cleaning	903		3,029
Waste disposal and service charges	373,659		348,928
Power, light and heat	-		26
Repairs and maintenance	7,382		10,288
Computer running costs	3,475		778
Software costs	12,395		390
Hire of equipment (not operating lease)	1,287		-
Leasing - other assets	119,374		151,778
Loose tools	5,980		84,021
Motor running expenses	939,225		1,078,010
Travelling expenses	6,055		5,302
Accommodation and subsistence	629		454
Postage, courier and delivery charges	99		224
Professional subscriptions	4,815		9,550
Legal and professional fees	2,346		1,600
Consultancy fees	13,975		104,194
Insurances	102,935		92,050
Printing and stationery	6,443		6,997
Books, periodicals, reference materials	283		136
Public relations	1,266		2,974
Meetings and seminars	-		136
Telecommunications	979		1,023
Other office supplies	1,507		631
Entertaining	614		613
Sundry expenses	38,871		16,916
Protective clothing	29,043		69,949
Depreciation	222,907		175,486
Profit or loss on sale of tangible assets (non exceptional)	3,547		-

HTS (PROPERTY AND ENVIRONMENT) LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

		31 March 2019		Period ended 31 March 2018
	£	£	£	£
		(20,280,960)		(20,000,515)
Gross profit	13.07%	3,048,355	15.80%	3,752,681
Other operating income				
Rent receivable	118,117		60,936	
Other operating income	4,339		30,462	
		122,456		91,398
Administrative expenses		(2,606,851)		(3,280,853)
Operating profit		563,960		563,226
Investment revenues				
Bank interest received	7,187		2,074	
		7,187		2,074
Finance costs				
Hire purchase interest payable	16,285		585	
Interest payable to group companies	40,109		55,518	
		(56,394)		(56,103)
Profit before taxation	2.21%	514,753	2.14%	509,197

HTS (PROPERTY AND ENVIRONMENT) LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2019

	31 March 2019 £	Period ended 31 March 2018 £
Administrative expenses		
Wages and salaries	1,078,854	1,245,019
Social security costs	108,640	118,721
Subcontract labour	-	14,063
Staff recruitment costs	12,332	5,250
Staff welfare	2,505	15,182
Staff training	19,084	49,471
Staff pension costs	114,100	86,543
Management charge - group	70,588	129,023
Rates	221,715	245,864
Cleaning	-	704
Waste disposal and service charges	15,998	3,165
Power, light and heat	82,091	85,700
Repairs and maintenance	36,385	131,271
Computer running costs	3,922	67,106
Software costs	59,128	61,809
Leasing - other assets	14,384	16,743
Motor running expenses	-	25
Travelling expenses	9,454	4,581
Accommodation and subsistence	7,191	5,402
Postage, courier and delivery charges	31,131	31,288
Professional subscriptions and CITB levy	(23,991)	71,491
Legal and professional fees	980	6,954
Consultancy fees	69,266	85,710
Non audit remuneration paid to auditors	9,425	12,273
Audit fees	9,425	12,227
Charitable donations	6,412	3,136
Bank charges	2,770	3,641
Insurances	370,203	455,263
Printing and stationery	27,938	38,177
Books, periodicals, reference materials	35	347
Advertising	6,498	24,819
Public relations	7,571	2,354
Meetings and seminars	1,412	2,803
Telecommunications	48,535	52,568
Other office supplies	6,439	2,229
Entertaining	14,815	14,445
Sundry expenses	25,824	36,390
Protective Clothing	-	1,409
Amortisation	89,637	89,637
Depreciation	46,155	48,050
	<u>2,606,851</u>	<u>3,280,853</u>