

SHAREHOLDER SUB COMMITTEE
Wednesday 23 March 2022 at 7.30pm
Council Chamber - Civic Centre

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 2 - 5)

To approve the minutes of the meeting held on 18 November 2021.
4. Matters Arising

Any matters arising from the minutes of the previous meeting.
5. Sub Committee Work Plan (Pages 6 - 7)

To review the Sub Committee's work plan
6. HTS Group Ltd Business Plan (2022-2027) (Pages 8 - 39)
7. References from the HTS Board

None.
8. 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.
9. Date of next meeting

To be confirmed.

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

18 November 2021

7.30 - 8.25 pm

PRESENT

Sub Committee Members

Councillor Joel Charles (Chair)
Councillor Simon Carter
Councillor Chris Vince

Officers

Andrew Murray, Director of Housing
Adam Rees, Senior Governance Support Officer

Also Present

John Phillips, Managing Director - HTS (Property and Environment) Ltd
Councillor Nicky Purse
Councillor Dan Swords

22. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Andrew Johnson and Nancy Watson.

23. **DECLARATIONS OF INTEREST**

None.

24. **MINUTES**

RESOLVED that the minutes of the meeting held on 28 September 2021 are agreed as a correct record and signed by the Chair.

25. **MATTERS ARISING**

None.

26. **SUB COMMITTEE WORK PLAN**

The Chair said that a number of items on the work plan would be considered and included as part of the new Business Plan at the February 2022 Committee meeting.

Strategic workshops would be taking place over the coming weeks on the development of the new HTS Group Business Plan. Briefings will be held for Councillors during this period.

RESOLVED that the work plan was noted.

27. **OPERATION AND PERFORMANCE REPORTS**

a) Performance Report

The Sub Committee considered the performance report. John Phillips, Managing Director HTS (Property and Environment) Ltd, said that HTS are facing challenges and performance issues which are affecting their recovery plans.

RESOLVED that:

A The Sub Committee noted HTS (Property & Environment) Ltd (HTS) performance and finance summary. It covers operational activity across all work streams for the period July to September 2021 as follows:

- i) Operational – The report illustrates HTS performance against KPI targets set including a summary of customer service update.
- ii) Financial – Financial analysis provides a review of HTS position against forecast. Shareholder Statement in attached in Appendix B.
- iii) Status Update – HTS has been reviewing Government advice at each stage and have reviewed the services we can safely deliver to limit the risk of spreading the virus to our staff and the residents we deliver services to.

b) Risk Register

The Sub Committee received a report on the updated strategic risk register.

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

c) Social Impact Report

The Sub Committee received the social impact report. John Phillips said that although the pandemic had impacted on HTS' ability to deliver social value, there were some highlights including the provision a testing centre.

RESOLVED that the Sub Committee noted the report.

d) Responsive Repairs and Customer Access Review

The Sub Committee received a report on the responsive repairs and customer access review. Andrew Murray, Director of Housing said that the review was focussed on improving the customer experience. A plan had been put in place to improve communications, processes and access.

RESOLVED that the Sub Committee noted the report and its alignment to the Corporate Strategy ambition raising customer standards and access.

e) Best Value Review Progress Report

The Sub Committee received a report on the best value progress review.

RESOLVED that the Sub Committee noted:

A The progress on the Best Value Review Action Plan.

B The BAU Action Plan progress to date.

C The mainstreaming of the Best Value actions to be included in the revised and updated HTS Group Business Plan/Improvement Plan.

28. **REFERRALS FROM CABINET**

None.

29. **REFERENCES FROM THE HTS BOARD**

None.

30. **MATTERS OF URGENT BUSINESS**

None.

31. **DATE OF NEXT MEETING**

17 February 2022.

CHAIR OF THE SUB COMMITTEE

Shareholder Sub-Committee Work Plan 2021/22

Title	1 July 2021	8 September 2021	18 November 2021	17 March 2022
<u>Operational and Performance Reports</u>				
Performance and Balanced Scorecard	Report	Report	Report	
Commercial challenges and Opportunities		Report	Report	
Operational Gap Analysis		Report	Report	
Business Development Plans		Report	Report	
Risk Register			Report	
Social Impact Report			Report	
<u>Other Reports</u>				
Responsive Repairs and Customer Access Review			Report	
HTS Group Ltd Business Plan		Scope		Final Report
Emerging from Lockdown	Report			
Covidi19 Resilience Plan		Report		
Best Value Review Progress Report			Report	
Draft Group Accounts	Report			

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Agenda Item 5

Shareholder Sub-Committee Work Plan 2021/22

Workforce Development				
HTS Group Expansion				
HTS Governance				
Market Intelligence (July 2022)				

REPORT TO: **SHAREHOLDER SUB COMMITTEE**
DATE: **23 MARCH 2022**
TITLE: **HTS GROUP LTD BUSINESS PLAN (2022-2027)**
REPORT OF: **CHIEF EXECUTIVE AND SENIOR MANAGEMENT BOARD**

RECOMMENDED that:

- A** The Shareholder Sub Committee approves recommendation of the HTS Board that the proposed Business Plan, as set out in Appendix A to the report, be agreed.
- B** The Shareholder Sub Committee requires that an evaluation of the proposals to acquire properties for rent as part of the expansion of the Housing and Regeneration subsidiary be carried out no later than June 2022 and that the results of the evaluation will be reported back to the Shareholder Sub Committee.
- C** The Shareholder Sub Committee requires further work to be undertaken to fully evaluate the option to create a Construction subsidiary of the Group, as set out in the Business Plan, such that an options appraisal is submitted to the Shareholder Sub Committee no later than October 2022.

REASON FOR DECISION

- A** The Shareholder Sub Committee is required to approve the HTS Business Plan as a formal update on the Council's Corporate Strategy Delivery Plans over the next five years.

BACKGROUND

1. The new HTS Business Plan is presented in response to the new Corporate Strategy outlined in the Council's short, medium and long term ambitions.
2. The HTS Business Plan, as set out in Appendix A of the report, is influenced by the scoping document approved by the Shareholder Sub-Committee in September 2021. The plan outlines the Council's ambition for its Local Authority Trading Company (LATC) and reflects the new vision.
3. The proposed expansion of the group set out within the Business Plan represents significant ambition, growth and investment in the LATC. As such the recommendations set out in this report provide for additional information in respect of the Construction and Housing and Regeneration subsidiaries to be prepared in the form of feasibility and options appraisals and reported back to the committee within the defined timescales.

4. The proposed development and expansion of the Construction and Housing and Regeneration subsidiaries will not be progressed until such reports have been considered and agreed by the committee.
5. The document will be graphically designed once approved.

IMPLICATIONS

Strategic Growth and Regeneration

It will be important to assess fully the viability of proposals to acquire residential properties to rent, and also to establish a significant construction arm of the business, before financial assumptions are made regarding the impact on the HTS Group beyond 2022-23. Therefore, Recommendations B and C in the report are supported to enable the Business Plan to proceed as set out in the report and accompanying attachment.

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance

As set out in the report and appendix.

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

Housing

As outlined in the report.

Author: Andrew Murray, Director of Housing

Communities and Environment

As outlined in the report.

Author: Jane Greer, Director of Communities and Environment

Governance and Corporate Services

The draft business plan seeks to address recommendations made as part of the Best Value Review published in 2019 and associated action plan on those recommendations. The business plan has governance implications which will be addressed individually as they occur including suggested additional companies and further board appointments.

Author: Simon Hill, Director of Governance and Corporate Services

Appendices

Appendix A – HTS Group Ltd Business Plan (2022-2027)

Glossary of terms/abbreviations used

HTS – HTS (Property and Environment) Ltd

LATC - Local Authority Trading Company



2022 – 2027 Business Plan

DRAFT

Infographics page

Our 2021 achievements include:

70% of our 342 employees live in Harlow



Our **fourth RoSPA Gold** award in consecutive years for Occupational Health and Safety

1.9m RIDDOR-free working hours (since May 2019)

96% of KPIs met (December 2021)

97% satisfaction rates (repairs) and **93%** satisfaction rates (environment services).

204 tonnes of litter/fly tipping cleared and **98%** of graffiti reports dealt with in 24 hours

382 aids and adaptations work completed for tenants in 3 years

Our 5-year achievements (February 2017- November 2021)

138,726 repairs completed at an average cost of £117

3,557 voids completed for tenants in an average of 20 days



5 new homes provided for rent

49.16k hours of staff training and **17** apprentices employed

£38.68m spent with local suppliers and contractors

£748k investment in new plant, machinery, and IT to deliver more efficient services.

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Foreword

Embarking on an expansion, efficiency, and modernisation plan to build a Group with the commercial focus to succeed in new markets

The original ambition for HTS was that it would deliver environmental and housing maintenance services to its Shareholder, Harlow Council, then in due course seek third party work. Now is the time for HTS to fully capitalise on the ability of a Local Authority Trading Company (LATCo) to embrace and innovate ways of public and wider commercial delivery. This business plan delivers a joint vision to expand the Group, its geographical focus and diversify its existing delivery portfolio to benefit residents.

At the heart of the strategic vision underpinning the commercial direction HTS will pursue, are commitments to:

- Set up a construction (development) company
- Explore the aspiration to become an exemplar landlord with a wider housing portfolio
- Establish a trading vehicle that will enable the executive team to enhance its business development capacity
- Make sure HTS is well placed to pursue emerging green ventures
- Create an efficient and effective Group with the ability to compete commercially

Driving the focus of the group is a determination to refine the delivery of its existing services, become more cost effective and efficient, embrace new technology and new ways of working to allow us to be responsive to specific commercial needs.

To carry forward the new business strategy, the current workforce plan, wider group governance arrangements and the service level agreements that direct the core delivery model will be updated. As a result of the delays and other impacts of the pandemic, a recovery plan is a priority to be delivered in 2022 against agreed targets.

HTS will have the right tools, staff, and seek access to finance to deliver more commercial opportunities in the future. Building on the Group's existing performance focus, resilience and sustainability goals are also set out in this plan.

The intention of this business plan is not only to set out a blueprint for how HTS will become more commercially focused and efficient – it will also reinforce the Group's commitment to social value. There is an intention to establish a Training Academy to develop the existing operational teams, train apprentices and contribute towards putting in place the foundations for a highly skilled workforce to deliver its services. Enhancing employment opportunities is something which HTS will continue to be passionate about.

Supporting inclusion initiatives also forms an important part of the Group's social value mission. That is why it continues to be a Disability Confident employer and is committed to looking at new ways to increase the employment outcomes for people of all abilities and backgrounds.

Investing in people, using new technologies to deliver efficiency, building the Group's capacity to win new business and welcoming new talent at board level are positive steps forward. If they are taken forward in isolation there is always the risk that HTS will not be where it wants to be by the mid-2020s. The collaboration forged by council representatives at a political and officer level, HTS non-executive directors and HTS operational leadership team to agree this business plan shows the maturity of the existing group to be able to move ahead together.

It is an exciting time to be part of HTS. The team is looking forward to building on the success of the last five years to position the Group to access the types of public and complementary private sector opportunities that will fulfil the growth ambitions set out in this business plan. These will make HTS stand out as a success story in the East of England, as the recovery from the economic and social consequences of the pandemic continues.

Councillor Joel Charles - Deputy Leader and Portfolio Holder for Business and Community Resilience and Michael Harrowven JP - Non-Executive Director and Chair HTS Group Ltd

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1. Introduction

1.1 First 5 years (2017-22)

1.1.1 Our history

HTS Group Limited went live in February 2017 as a company wholly owned by Harlow Council (HTS' Shareholder) to deliver its corporate objectives for the built environment and property. This Local Authority Trading Company (LATCo) model allows councils to generate revenue to reinvest into frontline services, 'profit for a purpose', without reliance on government funding or council tax income.

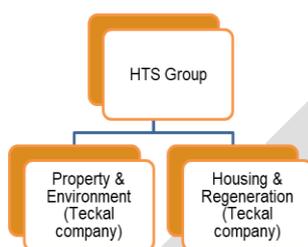


Figure 1 - HTS Group existing structure

HTS (Property & Environment) Ltd (P&E), currently undertakes £29m worth of housing maintenance, facilities management, and environmental maintenance services each year. **Housing & Regeneration (H&R)** was created to be an exemplar landlord that purchases, improves, and rents out affordable properties in Harlow and surrounding areas. As a pilot scheme, five properties have been delivered in the first year of trading with plans to expand significantly during this business plan period.

HTS (Property & Environment) Ltd	Housing & Regeneration
£29m annual revenue <ul style="list-style-type: none"> Undertakes housing repair works, gas servicing, cleaning, facilities management, and environmental services including grounds maintenance, street sweeping and tree management Planned maintenance, aids and adaptations, new build works 	£53k annual revenue <ul style="list-style-type: none"> Purchases and improves properties for rent to meet housing need, improves housing standards and choice Provides housing services to achieve exemplar landlord status

1.1.2 The legacy for Harlow

HTS Group Limited brings direct benefits for the local economies it works in:

- A minimum of 50% of our net profits are returned to the Shareholder each year to reinvest in its services
- Retained net profits have been reinvested to grow the business and develop our people
- We employ and upskill local staff, purchase materials locally, and use local subcontractors

GRAPHIC PLACEHOLDER:

£3.5m net profit returned to the Shareholder in 5 years

9,000 homes maintained

220 council buildings maintained

'All of our work is open-book, transparent and value for money. The profit that would otherwise be lost to an external contractor directly benefits our Shareholder. To maximise the works that we can undertake for tenants, our prices for kitchen and bathroom replacements have been held for the last three years. Following Harlow Council's 2019 Best Value review of HTS (P&E) Ltd, our initial contract was extended for a further five years.'

John Philips, Managing Director, HTS Group.

GRAPHIC PLACEHOLDER:

In the 3-years to March 2021 we created **£2.654m** social wellbeing value in Harlow and created **29** new jobs.

GRAPHIC PLACEHOLDER:

In 2021 we delivered **£171.6k** public sector cost saving/economic benefits, and gave **£90k** in donations and volunteering value

1.1.3 Our financial situation

HTS Group Limited has a healthy cash position and strong balance sheet and is in a good position to:

- Invest in new IT to improve the visibility and efficiency of services we deliver
- Achieve Carbon Net Zero by 2040
- Replace our fleet of vehicles and plant to ensure continuous and reliable delivery of services
- Continue to develop our people
- Invest to expand our services increasing the profit we make in future years

There are however practical financial issues that currently impact us as a business:

- As a Teckal company our ability to access external funding has yet to be tested and if we develop new non-statutory services, income is limited to 20% of the LATCo's total turnover
- HTS provides comprehensive Local Government terms and conditions for staff in HTS P&E and H&R including a generous Pension Scheme and holiday allowance. This will potentially make us less competitive when tendering for third party works

As a company wholly owned by Harlow Council, we must balance our books each year. However, to support our Shareholder, which has faced financial pressures over recent years, we:

- We have reverted to a negotiated annual inflationary increase for our Annual Service Charge (ASC) responsive repair and environmental works
- Undertake an annual review of Capital Works Projects with the ability to negotiate and adapt to market conditions

Like many sectors in the UK, over the last two years we have faced financially challenging times with increases in costs for materials, wages, subcontractors, fuel, plant hire, and energy with an 11% increase in fixed and variable costs anticipated for 2022/23. The Covid-19 pandemic has also required new safe working arrangements and has seen increased staff absences.

In response to these challenges, we will continue to drive **efficiency initiatives** which will secure ongoing cost savings and deliver improved services, following on from the current **value for money review** being undertaken independently and due to report early in 2022. The findings of the value for money review will include commentary of the cost, quality, and effectiveness of the current service delivery. Once the findings are known, HTS Group Limited will be able to agree on a

definition of value for money in our LATCo contract and then agree the planned reductions in Cost of Sales and Overheads to be shown within the P&L accounts.

The high-level activities that we expect to deliver efficiencies will include:

- Labour terms and conditions costs (Cashable efficiency assume £1.5m over 5 years)
- Increased labour productivity (non-cashable efficiency – more work completed for same cost)
- Sweating of existing overhead – economies of scale through addition of new group companies to deliver increased returns
- Investing in new technologies to delivery further cashable efficiency of assume £500k over 5 years

1.1.4 Today – five years on

The relationship with our Shareholder has matured to the degree that with the adoption of this business plan we will enhance our relationship from a client/contractor relationship towards an enabler/deliverer relationship.

Our core purpose is to directly benefit the people of the areas we work in. During the pandemic, we have played a vital role; as a significant employer we retained all our staff, provided experiences in the work environment, supported job opportunities, and continue to host a Covid-19 testing centre and team.

The last few years have thrown many challenges and opportunities at councils and their wholly owned companies. Working collaboratively, we explored the future vision for HTS Group Limited, its role in regeneration and the benefits it will return to the residents.

This business plan sets out an ambitious shared vision, which includes the expansion of the Group to deliver increased profits in the future, a focus on excellence in existing services, and future **increased efficiencies** through the introduction of new technology, greater and more diverse skills.

We will continue to deliver '**business as usual**' services as a key priority following the pandemic disruption, including housing and environmental recovery plans which are being implemented in 2022 to clear backlogs of work.

'The future looks challenging with price increases here to stay for some time. Our efficiency review will help us secure savings and service improvements over the next five years, including focusing on maximising operational productivity and investing in new technology.'

Michael Harrowven JP, Non-Executive Director and Chair HTS Group Ltd

Key Performance Indicators (KPIs) are being reviewed to ensure they reflect the key priorities over the next five years. These will take into account the agreed value for money definition, the drive for reduced costs and operational efficiencies and will be aligned to the strategic planning timetable. We expect to have in place a jointly agreed KPI framework to be operational by October 2022.

Financially, we will continue to invest in new sustainable technologies, including plant and fleet, to meet our carbon reduction ambitions, and replace aging key fixed assets over the duration of this plan. Whilst we are currently in a healthy financial position, we are mindful that we also need to be able to demonstrate ongoing financial stability. This will be achieved by securing new profitable external third-party works that will balance investment and the prudent maintenance of reserves.

We will also look at further ways to make the best use of assets, optimise our supply chain and harness new technologies to achieve operational and financial efficiencies. For example, we will look to review:

- Maximising the use of Mead Park depot including exploring potential for sub-letting elements of it and improving the green credentials of site e.g., PV panels, energy efficient boilers

- Supply chain optimisation – our SME supply chain partners that help deliver ASC will benefit from our sharing trade discounts e.g., with Jewson – combined purchasing power to help local SMEs; local employment using local suppliers to help deliver wider Business Plan; focus on raising capacity of SME partners – linking their training programmes in with the Academy we are looking to develop
- Modern methods of working – artificial intelligence and data analytics to be deployed to improve the customer experience. Examples could include asset tagging to provide greater intelligence – technology on how full bins are which could mean that resource is shifted to tackling fly tipping; job profiling and operating system to improve productivity; procurement spend analytics; work with our clients to improve customer experience so that more tenants can order jobs online, review delivery in real-time and reduce contact centre traffic. Investing in new technologies will also be made from the surpluses that we will generate from third party activity.

Up to 30% of our retained profits will be earmarked to help us invest in succession planning, strengthening the HTS board's skill base, develop our staff and implement a new organisational structure following a **workforce review** in Quarter 1 of 2022, to equip us with the skills to confidently move into new markets. The report and recommendations will be ready by June 2022 with a view to early progression and implementation of the recommendations.

This wide-ranging workforce review will incorporate:

- A review of our workforce resources, management arrangements and capabilities
- Consideration of our current age profile and succession planning arrangements
- Analysis of barriers to success e.g., tools, processes, training
- Succession planning for senior managers
- Future new roles and how these are filled, including apprenticeships
- Productivity review
- Talent management considerations
- Skills gap analysis and training plans
- Sickness absence and reasons
- Satisfaction survey and assessment of company culture
- The potential for us to bring in new employees with different skills
- A review of the diversity of our workforce compared to the diversity of the local community
- An assessment of our IT skills and use of new technologies
- Gaps in our structure that require to be filled e.g., business development function

The resulting report and recommendations will help us to realise this business plan through an **organisational development plan**, achieve a new commercial culture, fill skills gaps, position the Group to attract new recruits, and provide new leaders – at all levels – for the future.

Whilst current employees within HTS P&E and H&R will have their existing terms and conditions protected, as additional subsidiaries come online new employee terms and conditions will align with those of the private sector. This will allow HTS to effectively compete in our chosen markets as we work hand in hand with our Trade Union colleagues where required.

In summary, this Business Plan sets out a direction of travel which has been developed by HTS Group Limited. However, in the VUCA (Volatile, Uncertain, Complex and Ambiguous) world that we all live in, it is understood that the objectives will need to be kept under review with appropriate governance and challenge as it progresses.

2. Vision and Objectives

2.1 Our Shared Vision

Our vision is to achieve business growth to deliver an increased return in future years, bringing new skills, innovation, and efficiencies for the benefit of the communities we work in.

2.1.1 Strategic ambitions for the future of the HTS Group Limited

HTS Group Limited will become a leading provider of public sector services in Harlow and within the wider East of England region.

Through new commercial non-Teckal companies able to win third party works and a Training Academy providing training for local people, we will increase the profits made by the Group.

To deliver our aspirations we will implement a new Governance structure for the Group. This will include private sector and council officer non-executive directors to support the elected member representatives. These additional skills and expertise will help drive the new businesses forward against challenging targets which will be set collaboratively.



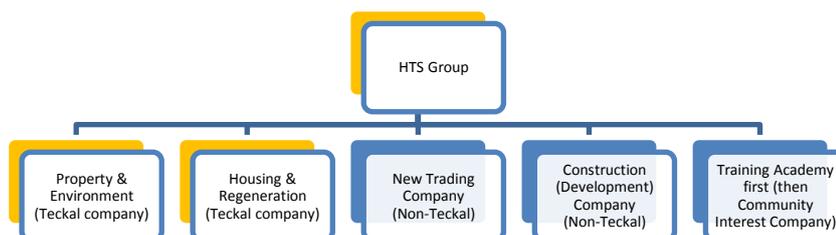
Figure 2 Our target area

We will recover from the impacts of the pandemic **delivering an ambitious recovery plan** in year 1, achieving **tangible improvements, reduced costs and enhanced services with robust reporting and focused and relevant measures**. Key activities to achieve this will be:

HTS (Property & Environment) Ltd – housing repair services	HTS (Property & Environment) Ltd – environmental services
<ul style="list-style-type: none"> • Collaboratively agree initial improvement plan and targets • Clear backlog repairs by June 2022. • Identify efficiencies to reduce our delivery costs • Ensure robust management and increase quality inspections during and post works • Review performance daily and report to the Senior Management Team on productivity and quality • Agree updated service level agreements, audits, relevant targets and KPIs by September 2022. • New KPI's to commence 1 October 2022 and update relevant Shareholder Sub-Committee workplan • Agree targets then undertake 6-month and 12-month reviews in April 2023 and October 2023 • Report performance monthly to the Shareholder and Shareholder Sub-Committee • Undertake customer satisfaction surveys 	<ul style="list-style-type: none"> • Collaboratively agree initial improvement plan and targets • Clear environmental backlogs by June 2022. • Identify efficiencies to reduce our delivery costs • Increase litter picking services in agreed hot spots • Agree updated service level agreements, audits, relevant targets and KPIs by September 2022. • New KPI's to commence 1 October 2022 and update relevant Shareholder Sub-Committee workplan • Agree targets then undertake 6-month and 12-month reviews in April 2023 and October 2023 • Ensure robust management of local services and increase quality checks • Review performance daily and report to the Senior Management Team • Report performance monthly to the Shareholder and Shareholder Sub-Committee • Undertake customer satisfaction surveys

2.1.2 Companies within the new Group

Our new Group structure is shown below:



The en

ew non-teckal c **Existing companies** **New companies** ise the Group’s tax effectiveness. These arrangements will be established at the most opportune time within the business plan period to maximise returns. Appropriate governance structures will need to be agreed for each business to ensure that the Shareholder retains overall control whilst simultaneously bringing in industry specialists who can be part of the advisory and decision-making processes. The companies will include:

- **A non-teckal trading company** to undertake planned, environmental, refurbishment and compliance works, and facilities management services for a range of clients. The company will be able to set commercial terms and conditions for employees making it more competitive
- **A Construction (Development) Company** a subsidiary of the Group acting as a developer or a contractor to buy land, build new properties for sale or letting for either market, affordable or social rent which will be owned and managed by H&R with nominations available to the Shareholder
- **A Training Academy first, then a Community Interest Company (CIC) in the future** to meet the demands of new business requirements and provide a training academy to develop construction-related skills

Non-Teckal trading company	Construction (Development) Company	Training Academy
		
<p>£20m revenue</p> <ul style="list-style-type: none"> • Will provide services including planned, environmental, aids and adaptation, compliance, refurbishment and facilities management services in Harlow and part of the wider East of England • Delivery of new energy efficiency / renewable services 	<p>£12m revenue</p> <ul style="list-style-type: none"> • Will build new properties as a developer or contractor in Harlow and the East of England • Agree an acquisition strategy • Agree property specification including energy efficiency, to raise housing standards • Initial programme to be developed in 2022/23 • Explore alternative 	<p>£150k revenue</p> <ul style="list-style-type: none"> • Will establish and run a Harlow-based training academy for construction-related skills • Delivery of social value / wellbeing in communities we work in

	financing models to deliver the ambition	
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HTS Group Limited will provide shared services including Finance, HR, H&S, PR and Marketing and a new Business Development function, to the other companies when they are formed. Each will contribute to the shared overhead proportionally.

Over the life of the 5-year plan we will deliver **£7.5m** in social value in Harlow

2.1.3 Our Business Growth Plan

Our plan, which will be implemented across the business plan period, and reported regularly includes:

- **An analysis of the markets and opportunities that we can penetrate in the short-term** in Harlow and the East of England (Essex, Hertfordshire, Luton, Central Bedfordshire, Bedford, Peterborough, Cambridgeshire, Suffolk, and Norfolk) for current services prioritising opportunities to bid for longer-term framework arrangements
- **An analysis of the markets and opportunities that we aspire to in the medium-term** and how we will develop experience in new services e.g., volume house building and renewable technology. We will deliver an increased range of work subject to the value for money criteria being evidenced to enable us to establish a track record to secure works with potential clients elsewhere

Opportunities for future bids include framework renewals for example:

- Uttlesford District Council bathroom and kitchen replacement in 2023
- Stevenage Borough Council decent homes works 2023
- Suffolk County Council Energy Efficiency Works Framework 2024
- Basildon Borough Council Grounds Maintenance Services 2024
- Ipswich Borough Council planned maintenance in 2025
- Braintree District Council planned maintenance in 2026
- Central Bedfordshire Council new build housing construction framework 2026
- Homes England Delivery Partner Dynamic Purchasing System for housebuilders and contractors

- **Delivering new services**, and evidencing capability, through recruitment, strategic partnerships, for example the Training Academy, or acquisitions for example the Construction (Development) Company and the Non-Teckal Trading Company
- **Resourcing both 'business as usual' services and growth**, to ensure each is achieved with appropriately skilled staff
- **Refreshing our Governance arrangements** introducing private sector and council officer non-executive directors (NEDs) with new matrix structure to be agreed by the Shareholder Sub-Committee for implementation in year 1

As part of our growth plan, we will implement a new staffing structure to provide focus and expertise to deliver our ambitions including a Business Development function to lead on growth and bidding.

We will have an ongoing efficiency project to ensure we are competitive in the market, maximise productivity and use the latest technology to support efficient service delivery.

We will rebrand and actively market our non-Teckal company services outside the Harlow district whilst still maintaining our Harlow-focus for P&E.

2.1.4 SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> Spend is kept within Harlow Our people and their commitment Meeting 96% of KPIs Exceeding CSR targets Strong client support Investment in training workforce Disability Confident employer status Safety awards won – strong safety culture Contract extensions Collaborative working Maintained ISO accreditations Investment in fleet and IT Experience of new build housing Cross party support Strong financial position 	<p>Weaknesses</p> <ul style="list-style-type: none"> Limited experience of working for other clients means bidding challenging Lack of diversity of board and senior team Skills shortage in sector Need to update IT systems to achieve efficiencies and enable growth Backlog caused by pandemic is taking additional resources to clear Short-term nature of contract with Harlow Council weakens ability to recruit senior staff and potentially raise private finance Change in Board representatives due to political changes Maintaining Local Government terms and conditions increases costs Ageing workforce
<p>Opportunities</p> <ul style="list-style-type: none"> New companies will reduce costs and improve potential to win third-party works Group structure will reduce costs allocated to current companies Efficiency initiatives to deliver improved value for money Review of ASC, services levels, KPIs and value for money will give improved clarity from October 2022 Training Academy will support new skills and assist recruitment Group structure will increase annual returns Change in housing and building safety legislation Move into green technology and energy efficiency provision Strong succession plan to ensure excellent senior people as new structure implemented and vacancies arise 	<p>Threats</p> <ul style="list-style-type: none"> Ability to recruit staff at all levels with right skills for current work and future opportunities Impact of central government strategies and public sector cuts on potential clients Change in housing and building safety legislation Unable to win third party works unless have track record in workstream bid for Reduced/zero profit in P&E untenable without income from other Group companies

2.2 Value for money and Efficiency

Value for money is defined as the most advantageous combination of cost, quality, and sustainability to meet customer requirements. Efficiency is the ability to do something successfully, avoiding wasting materials, energy, efforts, money, and time.

We need to demonstrate both value and efficiency, whilst delivering social value and maximising returns.

To test the value provided by our repair works we commissioned RAND Associates to review our current use of the NHF Schedule of Rates version 5.1 (2006). The benchmarking activity concluded that works undertaken on the schedule of rates are 24.99% below the current schedule of rates (version 7.2 base rates, released in 2021), illustrating a significant efficiency based on current NHFM rates.

HTS initiated this benchmarking review to test the commerciality of the services it delivers and enhance our clients perception with factual data to demonstrate value for money. Due the age of the current schedules there is a lack of library codes resulting in works being undertaken outside of the scheduled items.

Additionally, we have commissioned Pennington Choices to review the value for money provided across all our services. We will agree a value for money definition and criteria that will be used to ensure that the works undertaken with all of our clients represent the best value for money. We will demonstrate costs and quality in the delivery of works meeting new agreed service level agreements (SLAs).

We have set indicative targets for year-on-year efficiency savings based on the following:

- Introduction of new ICT systems to improve productivity – landscaping IT Solution, smart bins
- Review of staff terms and conditions
- Implementation of NHF Schedule of Rates version 7.2 including benchmarking against other organisations
- Tax efficient structure in payment of rebates/management charges

2.3 Financials

2.3.1 HTS Group 5-year financial statement forecast

HTS Group currently has £29m revenue a year (P&E) which will increase to £65.5m in 2026/27 based on our 5-year plan to expand our services. This will drive an increase in 'profit for purpose' from £0.5m to £3.1m over the life of the plan, a £8.1m cumulative return over the period.

The initial loan to establish HTS Group in 2017 will be fully repaid in 2022. We will use 30% of our retained profits to support the delivery of the new group structure and services, investing to increase returns to the Group in future years. Borrowing via the Shareholder and externally, as well as some Shareholder match funding will be required to fund our growth.

Financing structures will also be explored to realise these plans and to provide new homes through the Construction (Development) Company and H&R. A strategy to raise external funding will be developed with a commitment to do this in 2022-23. We will need assistance with this by utilising external skills with financial funding expertise to be able to fully develop these plans. In examining external funding opportunities to help deliver the Business Plan objectives, HTS Group will become more independent in terms of funding its growth and investment plans. Nevertheless, we cannot underestimate the importance of the Council support for its LATCo. This is essential as externals will always look at the Shareholder's view of the competence of the LATCo and how much of its work is being given to the LATCo, clearly on meeting value for money criteria.

We will investigate acquisitions of businesses that align with our core activities, including planned capital works to both housing and non-housing, FM, compliance activity, EV installs, Refurbishment and Decent Homes for example. Depending on the nature of the acquisition and the property market which may of course change during the lifetime of the Business Plan, these will be funded from a mix of reserves, external investment and borrowing. We would want to prudently target 20% (£4m of the total £20m) of the overall growth target of the non – teckel trading company. Acquisitions could be funded from reserves built up over time from the other business plan activities.

In the short term the profits from the Group companies will cross-subsidise P&E whilst works are undertaken at reduced profit margins to support the Group's financial challenges including the constraints on annual indexation of ASC. P&E must make an internal profit including efficiencies prior to investment need. After these are accounted for, P&E could run at a zero profit.

The importance of the new companies' contribution to the P&E budgets is significant. The third-party works are shown within the projections for the new non-teckal trading company. For example, if the H&R plan is not undertaken, then the forecast profit is reduced by £1.8m. If the Council Construction work is not awarded, then the forecast profit is reduced by £1.2m over 5 years.

New Group companies will appoint staff on commercial terms and conditions, with a reduction in Teckal company employees contributing to the pension fund and pension cap for HTS will potentially increase the fund's financial liability. This will be explored collaboratively with the pension provider during Quarters 1 and 2 in 2022/2023 to develop scenarios for further consideration.

The Group will be structured to maximise its tax efficiency. In consultation with our advisors, we will determine the most effective VAT structure. Each company with an annual taxable turnover more than £85,000 per annum can register individually for VAT or join a VAT group registration. Companies operating a residential property rental portfolio (as H&R) are VAT exempt as rents are typically exempt from VAT, H&R is therefore likely to remain outside any group VAT registration so there is no negative impact on other companies which may be partially blocked from recovering input VAT if a VAT exempt company was part of the VAT group.

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HTS Group - 5 Year Financial Statement Forecast							
	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	
	Current Year	Year 1	Year 2	Year 3	Year 4	Year 5	
	£000	£000	£000	£000	£000	£000	£000
HTS GROUP TOTAL REVENUES	28,954	28,515	35,355	50,837	59,676	65,549	
HTS GROUP DIRECT COSTS	25,609	25,511	31,142	44,905	52,526	57,519	
HTS GROUP GROSS PROFIT / (LOSS)	3,345	3,004	4,212	5,932	7,151	8,030	
HTS GROUP GROSS PROFIT / (LOSS) MARGIN	11.6%	10.5%	11.9%	11.7%	12.0%	12.3%	
HTS GROUP OVERHEAD COSTS	2,839	3,184	3,351	3,433	3,533	3,623	
HTS GROUP NET OPERATING PROFIT / (LOSS) BEFORE TA	506	(180)	862	2,499	3,618	4,407	
HTS GROUP NET OPERATING PROFIT / (LOSS) MARGIN	1.7%	-0.6%	2.4%	4.9%	6.1%	6.7%	
HTS GROUP FINANCE COSTS	64	91	412	705	980	1,265	
HTS GROUP NET PROFIT / (LOSS) BEFORE TAX	442	(271)	450	1,794	2,637	3,142	
HTS GROUP NET PROFIT / (LOSS) MARGIN	1.5%	-1.0%	1.3%	3.5%	4.4%	4.8%	
HTS GROUP CUMULATIVE NET PROFIT / (LOSS) BEFORE T	442	170	620	2,414	5,052	8,194	
FINANCIAL FORECAST PER ENTITY:							
HTS PROPERTY & ENVIRONMENT							
Revenue	28,901	27,858	28,784	29,640	30,420	31,220	
Direct Costs	25,604	24,945	25,605	26,283	26,979	27,693	
Gross Profit / (Loss)	3,297	2,913	3,178	3,357	3,441	3,527	
% Gross Profit Margin	11%	10%	11%	11%	11%	11%	
Direct Overhead Costs	2,823	1,600	1,640	1,681	1,723	1,766	
Central Overhead Costs	-	966	801	591	544	527	
Operating Pre-tax Profit / (Loss)	474	347	737	1,086	1,174	1,234	
% Profit Margin	0	1.2%	2.6%	3.7%	3.9%	4.0%	
Finance Costs	24	51	92	108	110	124	
Pre-tax Profit / (Loss)	450	296	645	978	1,064	1,110	
% Profit Margin	0	1.1%	2.2%	3.3%	3.5%	3.6%	
HTS HOUSING & REGENERATION							
Revenue	5%	53	57	571	1,096	1,631	2,179
Direct Costs		5	6	87	172	259	350
Gross Profit / (Loss)		48	51	484	925	1,372	1,828
% Gross Profit Margin		90.57%	89.47%	84.74%	84.35%	84.11%	83.91%
Direct Overhead Costs		16	16	131	134	138	142
Central Overhead Costs		-	31	49	53	49	47
Pre-tax Profit / (Loss)		32	4	304	737	1,186	1,640
% Profit Margin		60.38%	6.83%	53.18%	67.25%	72.67%	75.27%
Finance Costs		40	40	320	597	870	1,141
Pre-tax Profit / (Loss)		(8)	(36)	(16)	140	315	500
% Profit Margin		-750.00%	-15.09%	-63.35%	-2.81%	12.79%	19.33%
HTS CONSTRUCTION CO (Development Co)							
Revenue	5%	-	600	4,000	8,000	11,500	12,000
Direct Costs		-	560	3,600	7,300	10,425	10,900
Gross Profit / (Loss)		-	40	400	700	1,075	1,100
% Gross Profit Margin		-	40.0%	20.0%	23.3%	21.5%	22.0%
Direct Overhead Costs		-	200	205	210	215	221
Central Overhead Costs		-	21	111	159	205	203
Pre-tax Profit / (Loss)		-	(181)	84	330	654	677
% Profit Margin		-	-180.8%	4.2%	11.0%	13.1%	13.5%
HTS TRADING CO (Non Teckal Co)							
Revenue	5%	-	-	2,000	12,000	16,000	20,000
Direct Costs		-	-	1,850	11,100	14,800	18,500
Gross Profit / (Loss)		-	-	150	900	1,200	1,500
% Gross Profit Margin		-	-	7.5%	7.5%	7.5%	7.5%
Direct Overhead Costs		-	300	308	315	323	331
Central Overhead Costs		-	-	56	239	286	338
Pre-tax Profit / (Loss)		-	(300)	(213)	346	591	831
% Profit Margin		-	0.0%	-10.7%	2.9%	3.7%	4.2%
HTS Training Academy (CIC)							
Revenue	5%	-	-	100	125	150	
Direct Costs		-	-	50	63	75	
Gross Profit / (Loss)		-	-	50	63	75	
% Gross Profit Margin		-	#DIV/0!	#DIV/0!	50.0%	50.0%	50.0%
Direct Overhead Costs		-	50	50	50	50	
Central Overhead Costs		-	-	-	-	-	
Pre-tax Profit / (Loss)		-	(50)	(50)	-	13	25
% Profit Margin		-	0.0%	0.0%	0.0%	10.0%	16.7%

2.3.2 Assumptions made in the business plan

2.3.2.1 Property & Environment

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027
	Current Year	Year 1	Year 2	Year 3	Year 4	Year 5
HTS (PROPERTY & ENVIRONMENT) LIMITED	£000	£000	£000	£000	£000	£000
Annual Service Charge Annual Inflation Uplift	2%	3.0%	3.5%	3.0%	2.5%	2.5%
Annual Inflation Increase in Direct Costs	n/a	2.5%	2.5%	2.5%	2.5%	2.5%
Continuous Reduction in ASC charge	£ 250	£ 250	£ 250	£ 250	£ 250	£ 250
Capital Works - core element	£ 5,800	£ 5,800	£ 5,800	£ 5,800	£ 5,800	£ 5,800
Capital Works - additional works	£ 3,283	£ 2,300	£ 2,543	£ 2,793	£ 3,051	£ 3,317
Capital Works Profit Margins	2.50%	6.00%	6.00%	6.00%	6.00%	6.00%
Annual Inflation Uplift for Capital Works Income	n/a	3.00%	3.00%	3.00%	3.00%	3.00%
Annual Inflation Increase in Capital Works Direct Costs	n/a	3.00%	3.00%	3.00%	3.00%	3.00%
HDC Facilities Management Income Stream	£308	£314	£320	£326	£333	£340
Annual Inflation Uplift for HDC Facilities Management Income	n/a	2.00%	2.00%	2.00%	2.00%	2.00%
Annual Inflation Increase in HDC Facilities Management Costs	n/a	2.00%	2.00%	2.00%	2.00%	2.00%
Subleases	£103	£114	£114	£114	£114	£114
Third Party Works	£103	-	-	-	-	-
Capital Investment Value included	£ 14	£ 2,405	£ 960	£ 110	£ 160	£ 795
Loan Value Required (on average 75% of Investment Value)	£ -	£ 1,804	£ 940	£ 90	£ 120	£ 596
Loan Interest Rate	n/a	3%	3%	3%	3%	3%
Loan Term	n/a	5 yrs				
Capital Investments financed internally (on average 25% / cash purchases)	£14	£601	£20	£20	£40	£199

2.3.2.2 Housing & Regeneration

We aim to acquire and improve 120 additional market rented properties during the 5-year period. This is the optimum number of properties needed to make this company viable both in respect of return on investment and the overhead cost to drive the viability of the business, all being let at market rent with loan interest at 2.5% and 25% capital stake coming from the Shareholder or external funding providers. Loan interest could be higher thus producing a reduced return.

These properties will be purchased in locations, including outside Harlow (properties purchased outside Harlow could be paid for via third party investment), where the profit will maximise the return to HTS in future years. For this reason, properties will be predominantly for market rent where this is more financially advantageous. With proposed property purchases of c.30 properties per year there is not expected to be a destabilising impact on the local property market.

Year 1 of the business plan period will be used to undertake further feasibility studies, determining viability, and raising private funding, our financial assumptions show no acquisition activity until Year 2. We will do some early work during 2022 to ensure that the full range of funding options is explored and there is an assessment of implications, risks, acquisitions, and partnerships.

Third party funding opportunities including the bond market will also be explored. Some elements of shareholder investment will help to make this a more attractive proposition to external funders. We appreciate this does present some challenges in a time of council budget constraints; nevertheless, the direct and indirect benefits for Harlow are significant.

Specialist VAT advice has been taken and the residential letting company should remain outside the VAT group so as not to have a negative impact on other companies within the group.

H&R may not require VAT registration as rental income does not count towards the £85,000 annual income limit at which mandatory registration is required, if improvements or repair works were undertaken by H&R without registration, VAT will not be recoverable and would become an absolute cost of refurbishment activity.

Any shared costs charged to H&R by other HTS companies will need to have VAT added, and because the company will not be VAT registered this will not be able to be reclaimed. Therefore, we will consider with employment lawyers whether employees should be directly employed, or employed jointly with other group companies, with salary costs apportioned rather than recharged.

We will invest in our staffing structure to ensure that we are a landlord of choice: an exemplar landlord.

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027		
	Current Year	Year 1	Year 2	Year 3	Year 4	Year 5		
HTS (HOUSING & REGENERATION) LIMITED	£000	£000	£000	£000	£000	£000		
Number of Properties to Acquire:							Subtotals:	
Market Properties (Average Purchase Price: £330K)	0	0	30	30	30	30	120	100%
Affordable Properties (Average Purchase Price: £300K)	0	0					0	0%
Social Properties (Average Purchase Price: £270K)	0	0					0	0%
Total Number of Properties	0	0	30	30	30	30	n/a	n/a
Total Cumulative Number of Properties	5	5	35	65	95	125	125	100%
Investment Value based on Total Acquisition Costs (incl. legal cost & referb)	£ -	£ -	£ 10,694	£ 10,694	£ 10,694	£ 10,694	£ 42,778	
Equity Investment Required (25% of Total Investment Value)	£ -	£ -	£ 2,674	£ 2,674	£ 2,674	£ 2,674	£ 10,694	
Loan Value Required (75% of Total Investment Value)	£ -	£ -	£ 8,021	£ 8,021	£ 8,021	£ 8,021	£ 32,083	
Loan Interest Rate	4%	3.50%	3.50%	3.50%	3.50%	3.50%		
Loan Repayment Term	40 yrs	40 yrs	40 yrs	40 yrs	40 yrs	40 yrs		
Rental Income Inflation								
Market Properties (Average Monthly Rent £1,4k)	n/a	2.00%	2.00%	2.00%	2.00%	2.00%		
Affordable Properties (Average Monthly Rent £1,1)	n/a	1.00%	1.00%	1.00%	1.00%	1.00%		
Social Properties (Average Monthly Rent £0.6k)	n/a	0.00%	0.00%	0.00%	0.00%	0.00%		
Direct Cost Inflation	n/a	2.00%	2.00%	2.00%	2.00%	2.00%		
Property Price Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		

2.3.2.3 Construction (Development) Company

After growing HTS' new build capacity by undertaking works for Harlow Council, and meeting value for money criteria, we will also seek external works both in Harlow and across the wider East of England using our track record to win work. The initial proposed schemes in 2022/23 will be delivered by HTS acting as a Main Contractor and as a Developer, both returning a profit and establishing a track record in new build works. The total proposed pipeline of £36m over 5 years is made up of £21m of Harlow Council allocated developments and a further £16m of external acquired activity. The Shareholder will support this proof of concept, with potential pump prime funding and/or match funding where this supports the delivery of its strategic objectives. It is anticipated that the feasibility study will be completed in Q1 2022 when a funding decision can be made.

The acquisition of a small existing company may be considered as an option for achieving this diversification of services, and securing skilled, experienced personnel to deliver works. Further development of a funding strategy for any proposed business acquisitions would require to be developed. A secure development pipeline is required to retain senior staff and ensure profits are achieved.

New build residential construction is usually zero-rated for VAT meaning that contractors do not charge VAT on house sales. However, there may be VAT on costs such as architect and surveyors' fees unless a design and build company is formed to deal with the construction. Where a company builds and sells residential properties the VAT incurred on fees is recoverable in full because sales are VATable, at 0%. If the properties were rented out rather than sold, some of the VAT reclaimed on professional fees would become repayable to HMRC. For this reason, the construction company will not be used to let the properties out, this will be via H&R, and the construction company and H&R will not be in the same VAT group.

Sales of any new commercial properties would be at the standard VAT rate, 20%.

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		Current Year	Year 1	Year 2	Year 3	Year 4	Year 5	
		£000	£000	£000	£000	£000	£000	
HTS CONSTRUCTION CO (Development Co)*								
								TOTAL
Revenue from HDC Pipeline (50% only)	5%	-	500	2,000	5,000	6,500	7,000	21,000
Revenue from Third Party Works	15%	-	100	2,000	3,000	5,000	5,000	15,100
Direct Costs		-	560	3,600	7,300	10,425	10,900	32,785
Gross Profit / (Loss)		-	40	400	700	1,075	1,100	3,315
% Gross Profit Margin		-	40.0%	20.0%	23.3%	21.5%	22.0%	22.0%
Direct Overhead Costs to facilitate growth		-	200	205	210	215	221	1,051
Central Overhead Costs		-	21	111	159	205	203	700
Pre-tax Profit / (Loss)		-	(181)	84	330	654	677	1,564
% Profit Margin		-	-180.8%	4.2%	11.0%	13.1%	13.5%	10.4%
SCHEME NAME:		NO OF UNITS	EST BUD in £000					
Totals		72	£ 42,010	* ONLY 50% APPLIED IN FIRST 5 YEARS			£ 21,005	

2.3.2.4 Non-Teckal Trading Company

The new Non-Teckal Trading Company will provide services including planned/capital and environmental works, aids and adaptation, compliance, refurbishment, Decent Homes and Facilities Management services across the East of England. New services will include the delivery of energy efficiency and renewable heating installations.

HTS want to be the provider of choice for property and environmental services across the East of England and to be able to win third party works aligned to our core services.

To employ the right people we will need to offer market commercial terms and conditions to make the company attractive and competitive.

The acquisition of a small existing company may be considered as an option of securing existing contracts, and securing skilled, experienced personnel to deliver works. Staff will be on commercial terms and conditions not council terms and conditions. We will bid for local authority and other public and private sector work across the region and explore direct awards from local authorities who wish to work with us as a LATCo.

		2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027
		Current Year	Year 1	Year 2	Year 3	Year 4	Year 5
		£000	£000	£000	£000	£000	£000
HTS NEW TRADING CO (Non Teckal Co)*							
Revenue	7.5%	-	-	2,000	12,000	16,000	20,000
Direct Costs		-	-	1,850	11,100	14,800	18,500
Gross Profit / (Loss)		-	-	150	900	1,200	1,500
% Gross Profit Margin		-	#DIV/0!	7.5%	7.5%	7.5%	7.5%
Direct Overhead Costs		-	300	308	315	323	331
Central Overhead Costs		-	-	56	239	286	338
Pre-tax Profit / (Loss)		-	(300)	(213)	346	591	831
% Profit Margin		-	0.0%	-10.7%	2.9%	3.7%	4.2%

2.3.2.5 Training Academy

As a Council owned business, it will be important for HTS Group Limited that we build on our successful delivery of social value. Growing and developing a workforce with modern construction sector skills will be very important as the country transitions towards a carbon net zero position. We propose establishing a Training Academy that focuses on green jobs skills e.g., heat pump installation, EV charging point installation, PV panels installation, retrofitting, property surveillance, etc. We will explore the opportunities to link with Harlow College as well as providing opportunities for other local employers to utilise the services of our academy, on a commercial basis. The aspiration is for the Training Academy to become a regional hub bringing additional people into the surrounding areas.

During the lifetime of the Business Plan (likely around 2025-26), we will explore setting up a Community Interest Company (CIC) to harness additional social value benefits from wider role activities.

Once the exact nature of the recruitment, vocational training and partnerships is known we will be able to determine the companies likely VAT status. As an education provider it might be exempt from VAT, but this will depend on the company's constitution and what it does as well as where its income is generated from.

		2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027
		Current Year	Year 1	Year 2	Year 3	Year 4	Year 5
		£000	£000	£000	£000	£000	£000
HTS Training Academy (C I C)							
Revenue	0.0%				100	125	150
Direct Costs					50	63	75
Gross Profit / (Loss)		-	-	-	50	63	75
% Gross Profit Margin		-	0.0%	0.0%	50.0%	50.0%	50.0%
Direct Overhead Costs		-	50	50	50	50	50
Central Overhead Costs							
Pre-tax Profit / (Loss)		-	(50)	(50)	-	13	25
% Profit Margin		-	0.0%	0.0%	0.0%	10.0%	16.7%

2.3.3 Shareholder Returns and Investment Needs

Our strong balance sheet position reflects our robust management of assets and liabilities. It enables us to make investments in the company to expand our services to deliver additional returns to the Group in the future.

Initial discussions with third party funders have received positive responses and the Board is confident that sufficient funding at competitive rates can be secured.

Our investment plans are ambitious, and deliver the Group structure, IT and Carbon Zero strategies and increased returns:

Company	Revenue 2021/22	Revenue 2026/27	Profit 2021/22-2026/27
P&E	£28.901m	£31.220m	£4.542m
H&R	£0.053m	£2.179m	£0.895m
Construction (Development) Company	£0.000m	£12.000m	£1.564m
Trading Company	£0.000m	£20.000m	£1.255m
Training Academy	£0.000m	£0.150m	(£0.063m)
Total	£28.954m	£65.549m	£8.194m

3. Group ambitions

3.1 Property & Environment

3.1.1 Our Vision

We have a single, simple purpose to sustainably grow our business with our motivated workforce, delivering the best customer experience in our sector. At the core of our ambition is to build an organisation recognised for its consistent, high-quality customer-focused service.

3.1.2 Strategic ambitions

- Deliver value for money services in line with updated SLAs, efficiently and effectively, achieving the new agreed KPIs
- Transitioning to a new Governance structure within year 1 of the business plan
- To achieve Net Zero by 2040
- Develop and deliver Efficiency Programmes

3.1.3 Growth ambitions

- Develop skills to deliver energy efficiency and green technology services

3.1.4 Performance

- We will report KPIs, financial performance, risk management and social value achievements to our clients on a regular basis.

3.1.5 Case studies

Case study (photo to be included)

In November 2021 we introduced innovative new labels with scannable QR codes on 187 litter bins across Harlow. Residents can now use this technology to report a full or damaged bin. The idea was suggested by local community litter picking group, the Harlow Wombles which has 300 members of all ages to help keep the town clean.

Councillor Alastair Gunn, portfolio holder for environment, said: *“I’m pleased that using the Wombles’ simple and effective idea, we are making it easier for them and all Harlow residents to report litter bin issues directly to us for attention. Getting full or broken bin reported and sorted quicker means that less litter will be dropped.*

“By working together residents, the council, HTS and the Harlow Wombles volunteers can make Harlow cleaner and tidy, restoring pride in our town.”

Zulqar Cheema from the Harlow Wombles said: *“We very much welcome the council and HTS rolling out these stickers on litter bins. As a community group of residents who pick up litter daily, we know what the impact on the environment can be if a bin is broken or full. It is up to every one of us to do our bit to help keep Harlow clean and litter free. These stickers and the use of modern technology will really help improve the way that street cleaning issues are reported and the speed in which they are dealt with.”*

Case study (photo to be included)

In a remarkable year for our apprentices, we first celebrated our Apprentice of the Year, Sean Leftwich, achieving a High Distinction in his electrotechnical AM2S exams. Working at HTS,

Sean has completed his Electrical Apprenticeship and become a fully qualified electrician.

We then held a ceremony for all our apprentices and their mentors in November 2021. Managing Director, John Phillips, Non-Executive Director, Michael Harrowven and Harlow Councillor Bob Davis praised the work of the apprentices, including their efforts during the pandemic.

Special mention was also made of their mentors, who had gone above and beyond, not only doing their own jobs but showing great powers of guidance and leadership in helping the apprentices in a challenging year.

John Phillips said: *“I am very proud of our apprentices and the apprenticeship system we have at HTS. I think it encapsulates the teamwork culture that we have nurtured. Long may it continue”.*

Case study (photo to be included)

For the fourth year in a row, HTS were awarded Gold for Occupational Health and Safety in the RoSPA 2021 awards! The gold award recognises our positive Health and Safety performance, policies and procedures put in place during 2020.

During the turbulent year of the pandemic, we were delighted to be held in such high regard for our endeavours. The RoSPA Health & Safety Awards are one of the most prestigious and recognised schemes in the world, with a reach of over 7 million employees.

The award was a real team effort with our SHEC Team and all HTS’ employees working together towards this achievement! Managing Director, John Phillips said *“Achieving the RoSPA Gold award is fantastic recognition of HTS Group’s commitment to the health and safety of our employees and the customers we proudly serve. On behalf of the Board of Directors, I’m offering a sincere and heartfelt “Thank You” for entrusting us with such an important statement that well and truly underlines our continual effort in this important area of our work.”*

3.1.6 Year 1 objectives and outcomes

Objective	Outcome
Undertake workforce review	Skills gap analysis, training plan, succession plan, recruitment plan, embed new culture, be able to deliver energy efficiency/renewables works. Implementation plan for 2022/23
Simplify processes for Business Case submissions including procurement of longer-term framework	Efficient working and best use of resources
Agree VFM criteria and measures, SLAs and KPIs to commence June 2022	Ensuring the cleanliness, maintenance, monitoring and protection of open spaces and high-quality housing repairs and planned works.
Focus on delivery of services linked to covid recovery plans and Best Value Review	Clear backlog of works

Carry out VFM and efficiency reviews – including use of new technology - identifying short-, medium- and long-term actions for implementation 2022-27	Efficient working practices
Revised overhead structure to share and save costs	Reduced costs and cost sharing across the Group
Maximize return to Shareholder	Continue to make returns for benefit of people in areas that we work in
Collaboratively review the ASC formula used by September 2022 for implementation in April 2023	Achieve transparency and open book accounting
Agreeing an IT Strategy that meets the future needs of the business and our clients	Increased efficiency and new ways of working

3.2 Housing & Regeneration

3.2.1 Our Vision

We have a single, simple purpose to sustainably grow our business with our motivated workforce, delivering the best customer experience in our sector. At the core of our ambition is to build an organisation recognised for its consistent, high-quality customer-focused service.

3.2.2 Strategic ambitions

- Achieve exemplar landlord status
- Support regeneration in line with the sustainable growth of Harlow, providing high-quality homes to assist with meeting local housing needs
- To fund growth plans through a mix of PWLB funding via our Shareholder and private equity funding which is currently being explored

3.2.3 Growth ambitions

- Providing additional quality rented housing to increase property portfolio by 120 homes

3.2.4 Performance

- We will report KPIs, financial performance, risk management and social value achievements on a regular basis.

3.2.5 Case studies

Case study (photo to be included)

We have built two new houses in The Hill. Demolition of the previous semi-detached house, which was unsafe, was needed before construction could get underway.

We celebrated the start of the works with John Phillips, HTS Group Ltd Managing Director, saying: *“We are very excited to see the gradual and careful progress being made as we prepare the site to build two brand new council houses in The Hill.”*

The works started in June 2021, and included the complex making good, underpinning and over

cladding of the retained semi-detached house, and construction of two semi-detached homes with landscaping.

3.2.6 Year 1 objectives and outcomes

Objective	Outcome
Maximising revenue-generating opportunities, delivering increased efficiencies, productivity, and value for money	Maximising returns
Agree risk appetite and form strategy for securing work / funding in new markets	Access to new markets to fund ambitions
Develop Staff structure to deliver 120 new properties for the rental market	Meet targets and ambitions of the Business Plan
Revised overhead structure to share and save costs	Reduced costs across the Group
Agreeing an IT Strategy that meets the future needs of the business and our clients	Increased efficiency and establishing new ways of working
Future proof HTS group through strengthening its asset base	HTS will be strong financial position and attractive to investors
Set exemplar standards for housing management and be the private sector landlord of choice	Meets demand for high-quality market renting in Harlow and West Essex economy.

3.3 New Trading Company

3.3.1 Our Vision

We have a single, simple purpose – to sustainably grow our business with our motivated workforce, delivering the best customer experience in our sector. At the core of our ambition is to build an organisation recognised for its consistent, high-quality customer-focused service.

3.3.2 Strategic ambitions

- To create a provider of property maintenance and facilities management services with staff on new commercial terms and conditions
- To maximise profits to support the Group and maximise the returns

3.3.3 Growth ambitions

- To establish the company in 2023-24 achieving a turnover of £20m by 2026-27.

3.3.4 Performance

- We will report progress, KPIs, financial performance, risk management and social value achievements on a regular basis.

3.3.5 Year 1 objectives and outcomes

Objective	Outcome
Develop Growth Plans to identify markets and opportunities	To deliver Commercial forecasts
Develop strategic accounts	To develop relationships and build trust
Account management – client retention, feedback, and insight	To ensure repeat business
Marketing plans, sales reporting, PR, website, and social media	To establish HTS brand and market coverage
Implementation of new T&C's	To enable HTS to be competitive in the commercial sector
Recruitment of Bid Director, estimator, bid writer	To maximise ability to deliver objectives

3.4 Construction (Development) Company

3.4.1 Our Vision

We have a single, simple purpose to sustainably grow our business with our motivated workforce, delivering the best customer experience in our sector. At the core of our ambition is to build an organisation recognised for its consistent, high-quality customer-focused service.

3.4.2 Strategic ambitions

- To build new homes across Harlow and the wider East of England

3.4.3 Growth ambitions

- To build 72 homes in the business plan period

3.4.4 Performance

- We will report progress, KPIs, financial performance, risk management and social value achievements on a regular basis.

3.4.5 Year 1 objectives and outcomes

Objective	Outcome
Develop Growth Plans to identify markets and opportunities	To deliver Commercial forecasts
Develop strategic accounts	To develop relationships and build trust
Account management – client retention, feedback, and insight	To ensure repeat business
Marketing plans, sales reporting, PR,	To establish HTS brand and market

website, and social media	coverage
Implementation of new T&C's	To enable HTS to be competitive in the commercial sector
Recruitment of Bid Director, estimator, bid writer	To maximise ability to deliver objectives
Secure third-party work	Demonstrate value for money and commercial astuteness
Invest in high-quality new skills	Grow our ability to deliver this activity

3.5 Training Academy

3.5.1 Our Vision

We have a single, simple purpose to sustainably grow our business with our motivated workforce, delivering the best customer experience in our sector. At the core of our ambition is to build an organisation recognised for its consistent, high-quality customer-focused service.

3.5.2 Strategic ambitions

- To establish a Training Academy in Harlow upskilling the local community
- To deliver Social Value across Harlow for the benefit of the community
- We will explore a Community Interest Company (CIC) during the lifetime of the Business Plan to drive additional social value benefits for Harlow

3.5.3 Performance

- We will report progress, KPIs, financial performance, risk management and social value achievements on a regular basis.

3.5.4 Year 1 objectives and outcomes

Objective	Outcome
Resource platform for HTS growth plans into new areas including retrofit	Providing suitably qualified staff to deliver quality services
Develop relationships with local organisations – Harlow College	Develop areas where suitable candidates can be located as well as developing internal staff
Providing local employment	Added social value to the community
Improve retention and attraction of skilled tradespeople in Harlow and East of England	Ability to consistently deliver services to the highest standards
To develop exemplar social value and wellbeing in our communities	Investing in our local community and providing opportunities
Grow capacity to deliver existing and third-	Ability to enter into new renewable markets

party works	
Grow supply chain	Attract new businesses into Harlow

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4. Conclusion

4.1 A New Era

The maturing relationship between HTS Group and its Shareholder brings with it exciting opportunities for growth, the continuous improvement of services, efficiency gains and value for money assurances. Working collaboratively, we will invest to expand our services both in Harlow and across the East of England. This will bring direct tangible benefits including:

- Financial returns, enabling the delivery of local services
- Improved environmental services
- Social impact from the investment in growing numbers of local jobs and services
- Quality training opportunities for local people e.g., in construction and green skills
- New social, affordable and market rental housing increasing housing choice
- An exemplar landlord delivering first-class services to tenants
- Innovation directly improving services and access to services, delivering efficiencies, upskilling staff, and increasing returns to invest in training, IT and to achieve Carbon Net Zero

The future promises much for the communities we will work in, built on the strong foundations that we have put into place over the last 5-years.

4.2 An enabler / deliverer relationship

The purpose of the new relationship is to transform HTS Group to deliver both 'business as usual' services and our new growth ambitions. We remain committed to our client and community, using our new trading abilities to generate additional profit to benefit local people. Working together we will drive business growth with clear short-, medium- and long-term objectives. New investment and new skills will ensure we deliver efficient, effective service to our clients.

Delivering additional workstreams for current clients we will establish a track record enabling us to secure external contracts in the future. We will be a business characterised by ambition and innovation, commercially focused, fit for the future and able to secure new, exciting opportunities. New strategic investments will ensure we achieve Net Zero by 2040, delivering carbon reductions to safeguard the environment.

With strengthened Governance arrangements, including private sector non-executive directors and council officers involved we will benefit from additional skills and expertise to implement our plans. Our staffing team will be enhanced with new skills following a wide-ranging workforce review and organisational development plan, including experienced senior property professionals recruited to lead our new businesses.



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