

Report of:			
Neil Rowland			
Name of Meeting:	Date of Meeting:	Agenda item:	Status:
Board Meeting	5 th July 2018	HTS Improvements & Efficiencies 2017/18	Information

Proudly serving Harlow

Subject of Report – Record of HTS Improvements & Efficiencies 2017/18

1) Introduction

This report provides a summary of improvements and efficiencies HTS (Property & Environment) Limited has initiated in its first year of operations. Due to the start date of the 1st February 2017 the first full year period commenced on 1st February 2017 and ended on 31st March 2018 (14 months in total).

2) Balance Scorecard

HTS and HDC jointly developed the Balanced Scorecard that tracks key strategic goals for the business.

Please see *Appendix 1.1* for HTS Balance Scorecard plan and *Appendix 1.2* for an updated HTS Balance Scorecard as at 31 March 2018.

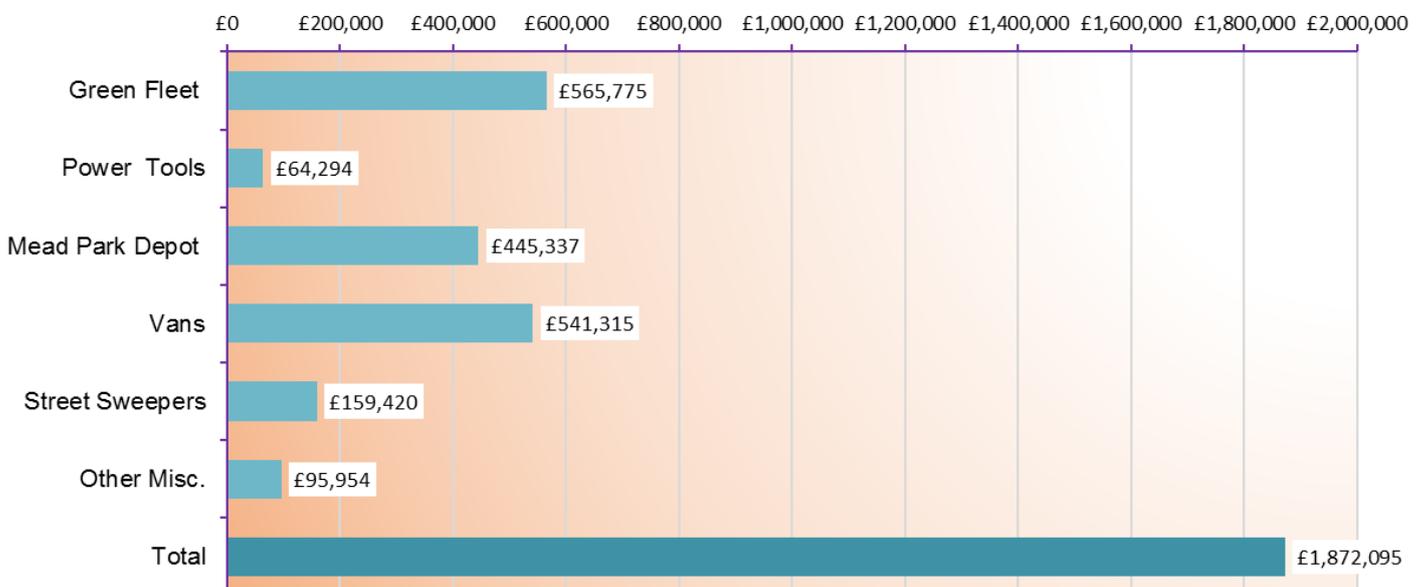
3) Investment

Since the beginning of the contract we have been investing in our company to ensure we deliver an excellent and consistent first-class service to Harlow Council.

Due to a lack of investment in front line plant, tools and machinery over many years, we have carried out a number of procurement exercises to ensure HTS was capable of delivering its key objectives.

The table below is a record of investment in 2017/18:

HTS Investment in FY 2017/18



Green Fleet Plant

The majority of the equipment that was used to deliver this service was either rented/leased or very old and unreliable.

As a result, HTS has invested in the following plant:

- 1No. Tractor 4066R and McConnel flail
- 2No. Tractors 3045R with cabs and McConnel flails
- 16No. John Deere 1580 ride on mowers
- 1No. Roberine F3 flail mower
- 1No. Wrights stand on mower
- 1No. Trimax Pegasus gang mower
- 1No. Timberwolf towed chipper
- 5No. lawnmowers

The total cost of this investment is £565,775.00

Power Tools

The power tools used by our operatives had to be replaced due to the fact the previous power tools had been procured via a hire agreement.

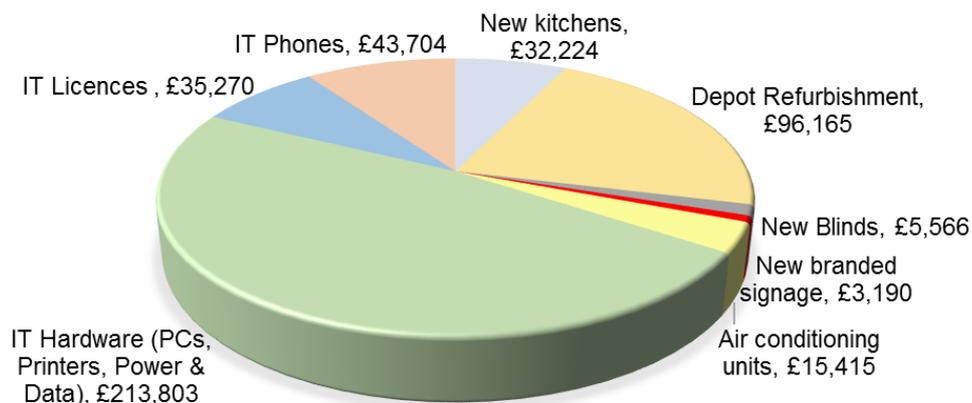
Having looked at a number of options such as Makita, Hilti and Bosch. Following demonstrations and pricing from each supplier we decided to purchase the Bosch power tools.

The total cost of this investment is £64,293.54

Mead Park Depot

HTS took over a depot that was tired, dilapidated and in need of refurbishment. HTS was keen to have a fresh start and embarked on a refurbishment programme of the occupied parts of Mead Park.

The works that were carried out included:



IT infrastructure

Hardware – including printers, screens, computers, power and data – £213,803.00
Licences - £35,270.00
Phones - £43,704.00

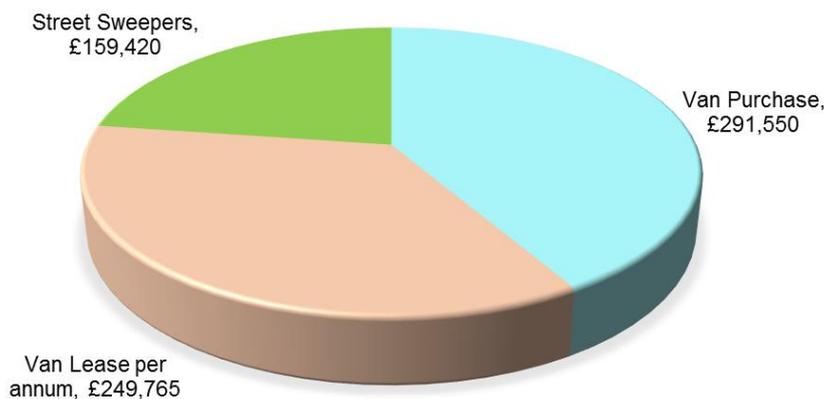
The total cost of this investment is £292,777.00

New kitchens £32,224.00
Refurbishment and formation of new spaces and rooms, decorations and flooring etc £96,165.25
New Blinds £5,566.00
New branded signage £3,190.00
Air conditioning units £15,415.00

The total cost of this investment is £152,560.00

Vehicles

Please see below a summary of HTS investment in vehicles.



Vans

HTS was going to inherit a very old fleet of vehicles due to the previous approach to run vehicles into the ground that resulted in a number of old and unreliable vehicles that did not represent a good impression of our company. Also, due to the fact a large proportion of the vehicles were leased from third parties there would not be sufficient vehicles available at the start of the contract to deliver the services required

Following a detailed procurement exercise, we implemented the following measures:

- 1) HTS purchased 61 vans from Arval. These vans had been leased by Kier Services and were approximately 3-5 years old. The advantage of this was they were already racked out and had been serviced and maintained at Mead Park.

The total cost of this investment is £291,550.00

- 2) HTS leased 69 vans from Alphabet on a 5 year fully maintained lease deal

The total cost of this investment is £249,765.00 per annum

Street Sweepers

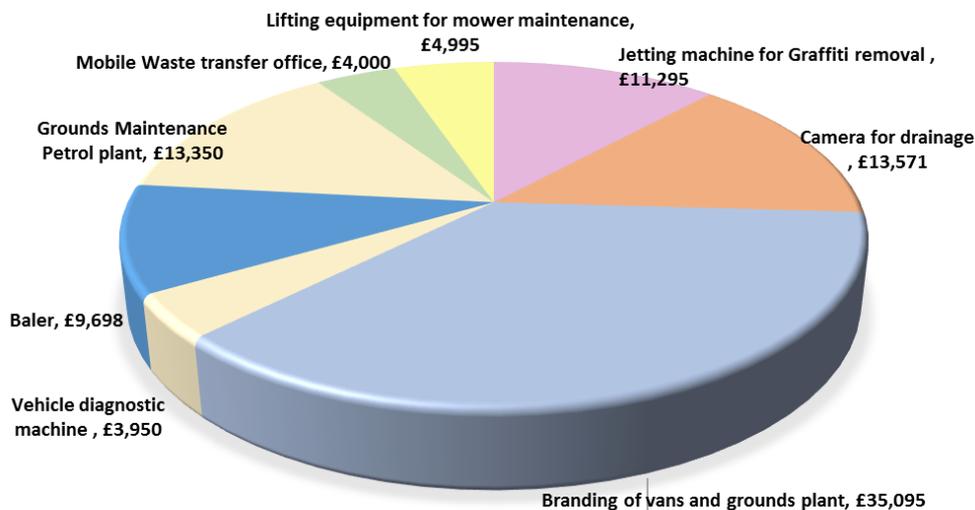
To deliver this service HTS have entered into a 5-year lease agreement with Essential Fleet Services (now Go-Plant).

The following vehicles are part of the agreement:

Johnston C401 Street Sweeper x2
Johnston CX201 Street Sweeper x2
Johnston CX101 Street Sweeper x 1
Scarab M25H x2

The total cost of this investment is £159,420.00 per annum

Other Miscellaneous Purchases

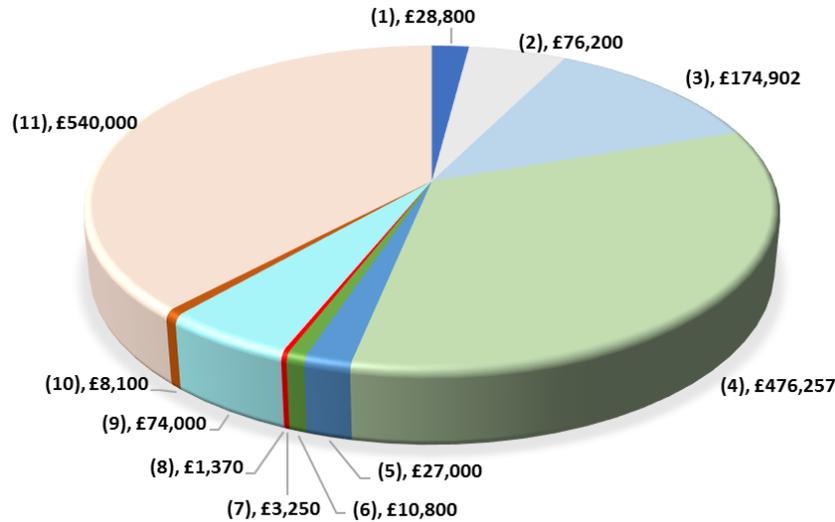


Jetting machine for Graffiti removal £11,295.00
 Camera for drainage £13,571.00
 Branding of vans and grounds plant £35,095.00
 Vehicle diagnostic machine £3,950.00
 Baler £9,698.00
 Grounds Maintenance Petrol plant £13,350.00
 Mobile Waste transfer office £4,000.00
 Lifting equipment for mower maintenance £4,995.00

The total cost of this investment is £95,954.00

Overall, taking all investment into account HTS invested a total of £1,872,095

4) Cashable Efficiencies



We have successfully leased space within Mead Park to Kier and Jewson's as follows:

- 1) Kier rent and service charge - £28,800.00
- 2) Jewson's rent and service charge - £76,200.00
- 3) Discount negotiated on green fleet from manufacturers price- £174, 902.00
- 4) Saving over a five period by purchasing green fleet - £476,257.00
- 5) Fuel £27,000
- 6) Recycle mattresses - £10,800.00
- 7) John Deere X350 tractor with cutting deck negotiated for free to HTS £3,250.00
- 8) PowerGard Protection limited warranty for 4 years for free to HTS - £1,370.00
- 9) Payment of average holiday pay - £74,000.00
- 10) Realignment of salary pay scales - £8,100.00
- 11) HTS has agreed to share a minimum of 50% of the profits back to HDC. In 2017/18 - £540,000.00

Total for Cashable Efficiencies £1,429,679.00

5) Non- Cashable Efficiencies and Improvements

HTS (Property & Environment) Limited was established to deliver services to Harlow Council that provide better value for money than had previously been delivered and to provide benefits and opportunities to its residents and local businesses.

In its first year of business, HTS has already delivered a number of measurable improvements that will continue to be delivered through the provision core services:

(a) HTS Apprenticeships Programme

We have an ambitious Apprenticeship Programme for 2017-18, with a target of 10 apprentices in place during this period. By December 2017 we had already filled 6 of these places, and the other 4 will be filled during 2018, with the likelihood of at least one of these being within the Capital Works Team. The current Apprenticeships are in all of our business areas: Trade skills, Electrical, Transport, Business Support, Finance, and HR.

Each one will complete a full Apprenticeship, gaining the qualifications, knowledge and experience they need to excel at their job and move into permanent employment. Our strong working relationship with Harlow College means that their study and qualifications will be carefully managed, as well as their work in our teams. They will be able to develop successful careers, and are part of our strategy for our future workforce. Each of our Apprentices has been recruited because of the enthusiasm, determination and potential they have shown; we are excited and confident that they will succeed.

HTS have guaranteed them all a permanent role within the company on completion of their Apprenticeships.

Apprenticeships through our supply partnership with Jewson
In addition to our own programme, we have agreed with our supply partner Jewson that they will also fund an extra 2 Apprenticeships through the money we spend with them in 2018, through the purchase of materials from Business Cases and the ASC.

(b) Work Experience Programmes

During 2017 we set up a large programme of Work Experience placements. This provides important experience and learning for target groups in our communities, supporting their progress to permanent employment:

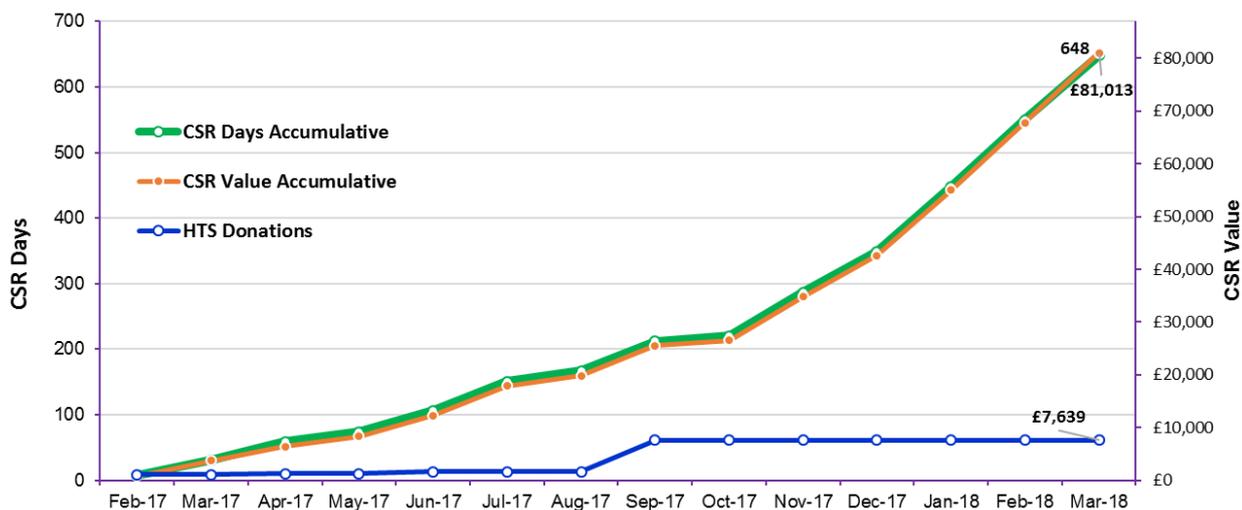
- 18-19-year olds at college
- Mature adults
- 15-year olds from local schools

Working with Harlow College, we set up a programme for 2017-18 offering 137 work placements. We take 4 per week, spread across our business, and include mature students as well as 18-19-year olds.

For local schools we provide 30 work experience placements during the summer term, each one for 30 hours during the working week.

(c) Corporate Social Responsibility

HTS committed to deliver 500 days of CSR to a value of 60K and in the end the final figures were 648 days, worth £81,103. Please see below HTS progress throughout its first year of operations.



Some of the activities we have participated in include:

- **Schools' outreach:** our programmes with local schools provide 'mock interview' sessions with students to help them prepare properly for job interviews. HTS Directors work with school management staff, to help them understand and engage with local business. We tour local primary schools, giving talks to the children about the dangers of building sites – over 1,000 children were included in a 10-day period.
- **Staff volunteering:** our staff donate their time to support and organise events and programmes with local schools, community groups and charities.
- **'Disability Confident' employer:** we have achieved Level 2 status for this accreditation, providing building access, JobSearch, Apprenticeship places, counselling services and maintaining our Environmental Task Force team. We provide supported employment for people with disabilities.
- **Jewson's** – HTS successfully negotiated a materials supply contract with Jewson's that deliver 11K worth of CSR investment or 1% of total spend in Harlow for each year of the contract.

(d) Training – We invite Harlow Council Staff onto our Health & Safety courses for free. So far, this has generated savings of £10,405.00 for Harlow Council. This arrangement also further supports our ongoing relationship. This will continue through 2018/19.

(e) Recruitment - HTS recruitment policy is to recruit locally and promote internally. Currently, our current workforce consists of 337 staff of which 233 (69%) live locally.

(f) Gifts – we provided 4 ride on mowers, a sweeper and 2 vans to Harlow College for use by their students and 2 Hayter mowers to Writtle College.

(g) Working with Harlow Council – as well as providing services to Harlow Council, we also purchase services from them. They are IT services worth £128,904 PA and insurance worth £70,105.00 PA. As a result of these agreements Harlow Council have been able to employ 3 local people.

HTS was assisted in its formation by a loan from Harlow Council of £1.4M. As we pay back this loan at £20,000.00 per month, they are making approx. 3.5% based on a lower loan rate, or around £46,000 PA.

(h) Charity – The staff of HTS decided that St Clare's Hospice would be our chosen charity HTS and its staff has raised over £7,639.00 so far for this charity.

(i) Indirect benefits - Harlow residents will benefit from many of the initiatives HTS has and will continue to deliver throughout the duration of our contract through local employment, apprenticeships and work experience of local students, engagement of a local supply chain to purchase materials and CSR activities.

(k) Harlow Council - HTS has agreed to share a minimum of 50% of the profits back to HDC. In 2017/18 this was £540,000.00

(l) Local Employment – as a result of the works we it will allow HTS to continue to employ local residents and employ the services of local suppliers and subcontractors, keeping the Harlow pound in Harlow.

In 2017/18 HTS employed the services of local suppliers and subcontractors to a value of £3,768,127.00

HTS is committed to working with HDC in order to develop mutually beneficial relationships together and within our supply chain. Our experience has shown that if we can offer the opportunity to develop long term relationships in which collaborative working can prosper, there can be many benefits.

From HTS's inception there was a commitment to engage a local supply chain, where possible, to deliver services to Harlow Council.

Subcontractors

Before HTS went "live" in February 2017, we organised a Subcontractor Roadshow. The purpose of the roadshow was to encourage local businesses to find out more about HTS and to see if the services they delivered would complement HTS services. Many were sourced through Harlow Council who had been contacted directly by the suppliers.

In total, 133 organisations attended the event over 4 sessions and 2 days.

As a result of this, 63 (47%) out of the 133 companies who attended are now approved and working for HTS. A further 22 are still progressing through the approval process bringing the total to 85 (64%).

The attendees consisted of local businesses, mainly SME's.

As an organization HTS has 93 approved subcontractors of which 35 (38%) are based within 10 miles of Harlow.

Suppliers

Having an organised and integrated supply chain is essential for HTS to deliver its services.

In order to achieve this HTS set about finding a supply chain partner who could deliver our aspirations.

Jewson and on-site Stores: We knew we needed a supply chain partner to provide materials for our Capital Works Programmes and our housing repairs and maintenance services. We used a tendering process to secure best value, which was won by Jewson. Jewson then needed an on-site supply base and we negotiated a deal to provide this space at our own depot.

The deal with Jewson provides great value for HTS, Harlow Council and residents in the following ways:

- Jewson pay rent £52,100 per year to HTS, which is additional income
- Jewson's service charge payments to HTS for utilities etc bring in another £24,100 per year
- Jewson committed to funding 2 additional Apprenticeship places
- Jewson's have employed 5 additional people in Harlow because of the deal for the next 5 years
- 1% of Jewson's turnover with HTS will be used to support CSR/community projects

Added value from this partnering arrangement also includes:

- An efficient on-site supply base for HTS trades teams
- A supplier who stocks the right products – supporting our front-line services and 'right first time' approach
- Joint working between both HTS and Jewson Buyers' teams, to get the best value for HTS
- Working together on back office efficiencies to reduce overhead costs

Additionally, HTS has accounts with 78 other local suppliers who are used on a regular basis. Many of the services they offer are essential to us.

Taking these into account, HTS is positioned to provide services year on year that deliver real benefits to residents, the Council and HTS employees that are guaranteed for the duration of the contract with Harlow Council.

Appendix 1.1: Balanced Scorecard

Financial Performance		
Objective	FY 2017/18 Strategy/Activities	FY 2019/20 Outcomes
<ol style="list-style-type: none"> 1. By end FY 2017/18 achieve a minimum pre-tax profit margin of 4.5% paying a minimum of 50% of this as a dividend to the Shareholder subject to Corporation Tax 2. Borrowing ratio of less than 60% by end of FY 2018/19 3. Acid ratio in excess of 1.00 4. Minimum cash reserve of £0.5m by end FY 2018/19 5. Deliver cashable and non-cashable year on year efficiencies 6. Deliver a competitive and profitable (minimum margin of 4.5%) £5.8m capital works programme by end of FY 2017/18. 	<ul style="list-style-type: none"> • To improve the customer experience through the development of the repairs policy including consideration of the introduction of am/pm appointment slots and change of priorities • Movement of planned works out of ASC and agree revised strategy for funding separately • Review fixed price costs • Develop a joint ASC efficiency plan by August 2017 • Start the development of a plan for profitable third-party business when the core activities have been established in terms of operational and financial performance. 	<ul style="list-style-type: none"> • Pre-tax profit of £1.5m returned to the shareholder • Pre-tax profit of £1.5m reinvested in the business in plant, facilities, technology and growth (subject to the requirements of the shareholder).

Acid ratio: Measures the liquidity of a company by adding cash, cash equivalents, short-term investments, and current receivables together then dividing them by current liabilities. This is a strong indicator of whether HTS has sufficient short-term assets to cover its immediate liabilities.

Borrowing ratio: Measures how much of a company's assets are funded by borrowing by dividing total liabilities by total assets. It can be interpreted as the proportion of a company's assets that are financed by debt and the target is less than 60%.

Cash reserve: Money the business has quick access to.

Appendix 1.1 (cont'd): Balanced Scorecard

Operational Performance		
Objective	FY 2017/18 Strategy/Activities	FY 2019/20 Outcomes
<ol style="list-style-type: none"> 1. To achieve an overall success rate of 95% against the major and minor KPI suite 2. Sickness absence rate below 4% annualised 3. Health and safety performance below HSE accident incident rate 4. 100% compliance with regulatory requirements 5. Value of spend on subcontractors on the ASC to be no greater than 10% of the ASC budget 6. To achieve an overall success rate of 95% of customer repairs dealt with Right First Time. 	<ul style="list-style-type: none"> • Innovate working at height practices to include new technologies • Health and safety training programme for all employees • Compliance training for all employees and robust reporting and monitoring of work and compliance activities • Proactive management of internal performance information. 	<ul style="list-style-type: none"> • Increased direct delivery of work by 3% • Maximum average sickness level of 3% per year • Formal recognition of safety, health, environmental and compliance performance.

Appendix 1.1 (cont'd): Balanced Scorecard

Culture <i>This measures social, ethical, innovation, learning and corporate value targets</i>		
Objective	FY 2017/18 Strategy/Activities	FY 2019/20 Outcomes
<ol style="list-style-type: none"> 1. Invest 500 working days (£60K) per annum in corporate social responsibility 2. To ensure that employees on average receive 3 days training per annum 3. Recruit apprentices to fill 1 in 3 leaver vacancies (in line with business needs) to a maximum of 10 apprentices by end of FY 2017/18 4. An agreed-upon succession plan 5. Minimum 60% return rate of staff satisfaction surveys with a satisfaction rate >60% 6. Place the customer experience at the heart of how HTS operates. 7. Illustrate an innovation driven and entrepreneurial culture. 	<ul style="list-style-type: none"> • To produce a succession/promotions plan covering all types / levels of employees by 1 August 2017 • Develop a people strategy that focuses on employee engagement and wellbeing; attracting, developing and retaining the best staff; and further development of our internal communications • Benchmark staff satisfaction levels year on year with comparable organisations • Establish bespoke engagement arrangements with customers by the end of FY 2017/18 and carry out both relationship and transactional surveying. 	<ul style="list-style-type: none"> • Clear succession plans for key roles • Social value reported annually • Employee engagement index of >75% • Annual staff turnover rate <10% • Achievement of industry associated awards • Customer feedback used to develop the HTS offering and customer satisfaction levels to exceed 96% by end of FY 2019/20.

Appendix 1.1 (cont'd): Balanced Scorecard

Business Growth		
Objective	FY 2017/18 Strategy/Activities	FY 2019/20 Outcomes
<ol style="list-style-type: none"> 1. By end of FY 2017/18 to secure profitable external 3rd party revenue of £0.5m before tax to be delivered in 2018/19. 2. By end of FY 2018/19 to secure profitable external 3rd party revenue of £1.5m before tax to be delivered in 2019/20. 3. By end of FY 2019/20 to secure profitable external 3rd party revenue of £3.0m before tax to be delivered in 2020/21. 4. Ensure all 3rd party works are profitable returning >4.5% 	<ul style="list-style-type: none"> • Survey leaseholders for other services to be offered • Initially develop gas servicing for leaseholders • Recruit business development manager • Compile a marketing / business growth strategy by 1 August 2017 • Expand the client database • Evaluate the potential realignment of Technical Services into a new business stream. 	<ul style="list-style-type: none"> • Growth in the number of customers using HTS • At least one successful tender per annum for additional Council capital works • Additional profitable businesses within the Group • Evaluation and identification of potential joint ventures with other clients.



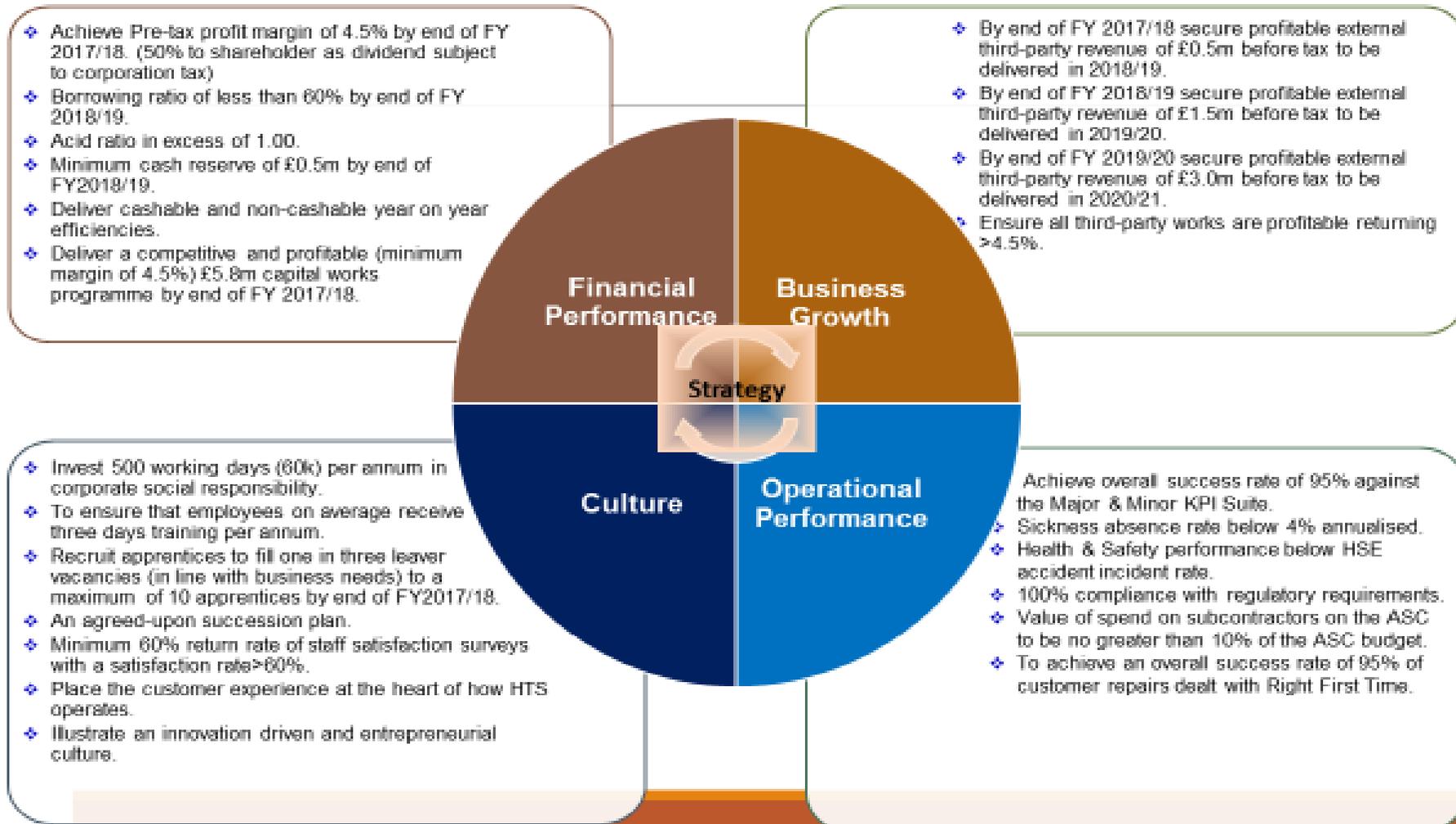
Appendix 1.2:

HTS (Property & Environment) Limited

Balanced Scorecard

'Proudly Serving Harlow'

HTS Balanced Scorecard - Objectives



'Proudly Serving Harlow'



Balance Scorecard performance Summary

OBJECTIVES	PERFORMANCE	COMMENTS
Operational Performance	83%	5 Objectives are on target. Sickness rate has marginally increased to 4.15% for March. HR is working with the individuals and providing support where necessary.
Financial Performance	100%	4 Objectives are on target. Performance will be updated when data is available on the remainder 3 objectives
Business Growth	100%	All objectives are on projected to be on target.
Culture	100%	All objectives are on projected to be on target.

Operational
Performance



Operational Performance Summary

OBJECTIVES	PERFORMANCE	COMMENTS
To achieve an overall success rate of 95% against the Major & Minor KPI Suite	✓	HTS has achieved 96% of all measurable KPIs to date.
Sickness absence rate below 4% annualised	✗	Sickness rate has marginally increased to 4.15% for March. HR is working with the individuals and providing support where necessary.
Health & Safety performance below HSE accident incident rate	✓	HTS Have had one incident since February 2017 and consequently our AIR rating is now 260 for March.
100% compliance with regulatory requirements	✓	LGSR compliance has been at 100% every month.
Value of spend on subcontractors on the ASC to be no greater than 10% of the ASC budget	✓	Subcontractor spend has remained within target of 10%.
To achieve an overall success rate of 95% 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.

Operational Performance

◆ Achieve overall success rate of 95% against the Major & Minor KPI Suite.



Major & Minor KPIs success rate

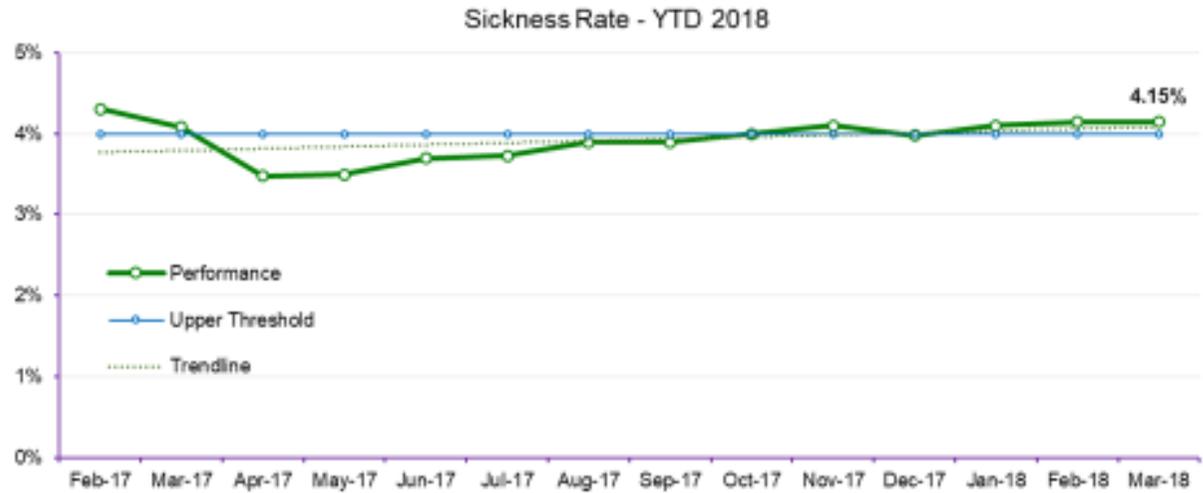


This Chart highlights HTS (P&E) Ltd performance against the Monthly KPIs. HTS achieved an overall average performance of **97.32%** for its first year of operations.

Operational Performance



❖ Sickness absence rate below 4% annualised.

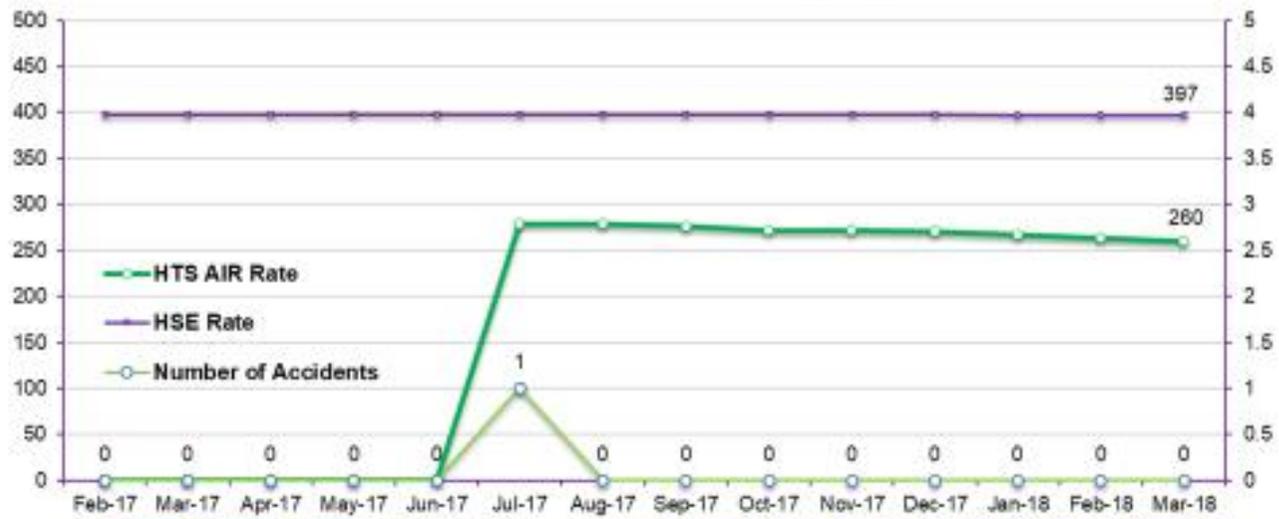


Operational
Performance

◆ Health & Safety performance below HSE accident incident rate.



HTS Accident Incident Rate (AIR)



Operational Performance



◆ 100% compliance with LGSR regulatory requirements.

Regulatory Requirements Performance



LGSR: Landlord Gas Safety Record

Operational Performance



✦ Value of spend on subcontractors on the ASC to be no greater than 10% of the ASC budget.

Sub-Contractors' Spend of ASC Budget

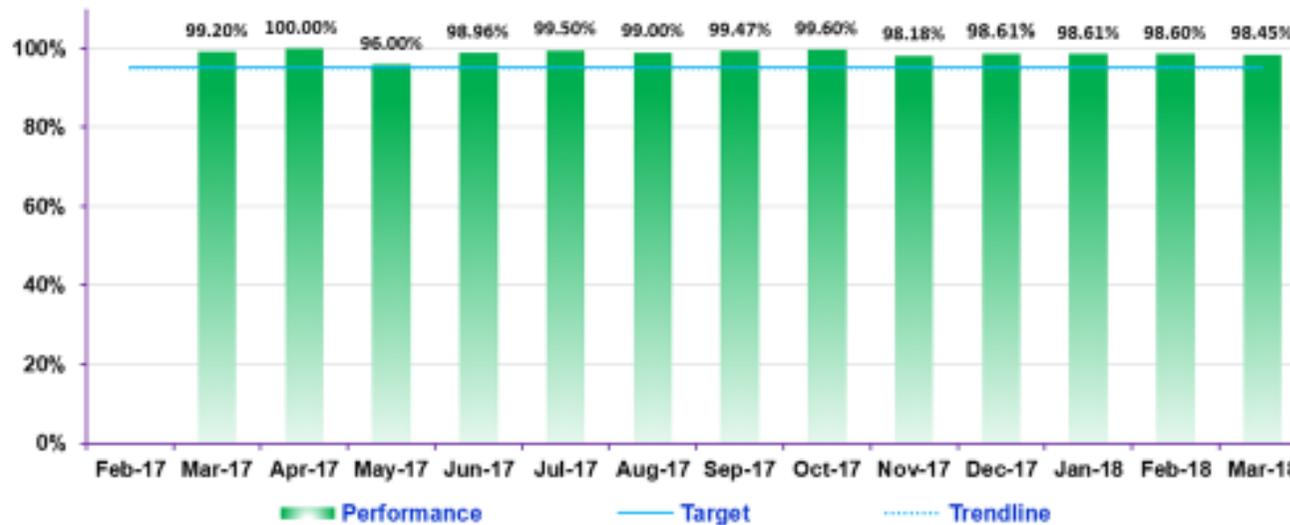


Operational Performance



❖ To achieve an overall success rate of 95% of customer repairs dealt with Right First Time.

Right First Time Repair Analysis



"Right First Time Repair" surveys results are drawn from customer satisfaction surveys and focuses on one specific question, whether the repair was completed right first time. The dissatisfied responses are investigated and findings are shared with the relevant craft teams.

* February 17 data is not available as first month of operations.

Financial
Performance

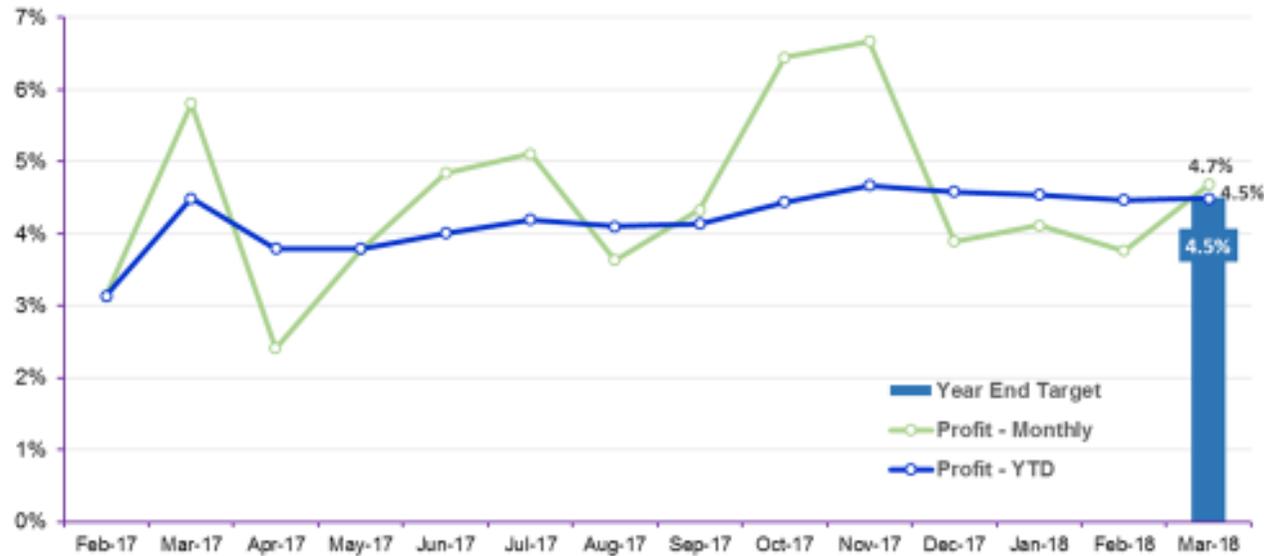
Financial Performance Summary

OBJECTIVES	PERFORMANCE	COMMENTS
Achieve Pre-tax profit margin of 4.5% by end of FY 2017/18. (50% to shareholder as dividend subject to corporation tax)	✓	HTS is projected to achieve 4.5% Pre-tax profit by end of FY 2017/18
Borrowing ratio of less than 60% by end of FY 2018/19	✓	On target to achieve Objective
Acid ratio in excess of 1.00	✓	On target to achieve Objective
Minimum cash reserve of £0.5m by end of FY2018/19	✓	Projected cash reserve is on track to achieve target.
Deliver cashable and non-cashable year on year efficiencies	✓	On target to achieve Objective
Deliver a competitive and profitable (minimum margin of 4.5%) £5.8m capital works programme by end of FY 2017/18	✓	On target to achieve Objective based on projection

Financial Performance

- ◆ Achieve Pre-tax profit margin of 4.5% by end of FY 2017/18.
(50% to shareholder as dividend subject to corporation tax)

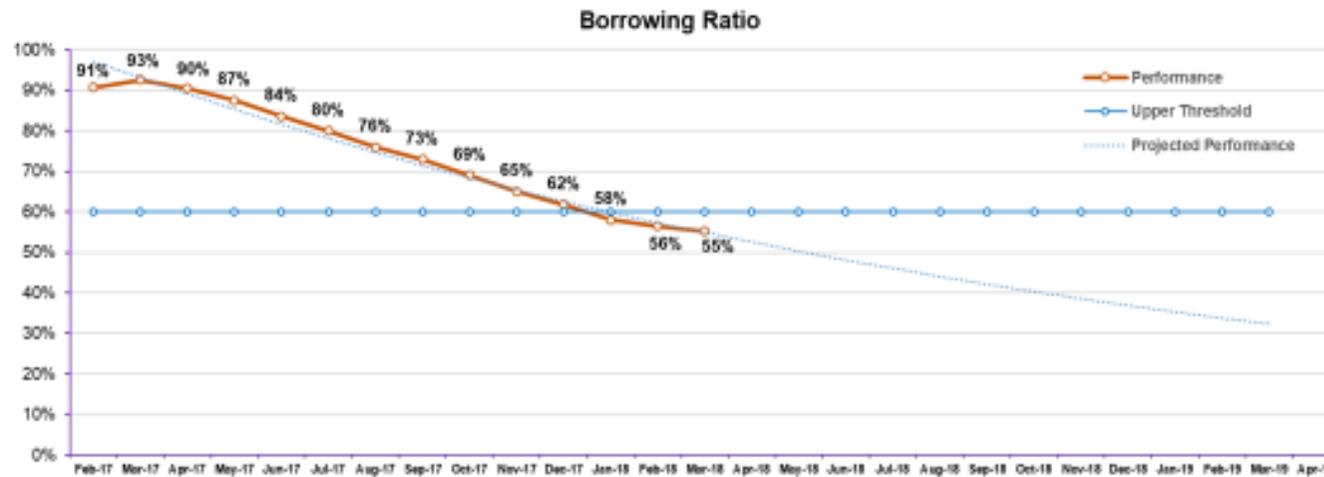
Pre-Tax Profit Margin



HTS has achieved 4.5% Pre-tax profit for its first year of operations.

Financial
Performance

❖ Borrowing ratio of less than 60% by end of FY 2018/19.



HTS leverage has consistently improved with the borrowing target of 60% against total assets forecast to be achieved by 2019. Borrowing Ratio is calculated as "Total Debt (short & long term)" as a percentage of "Total Assets".

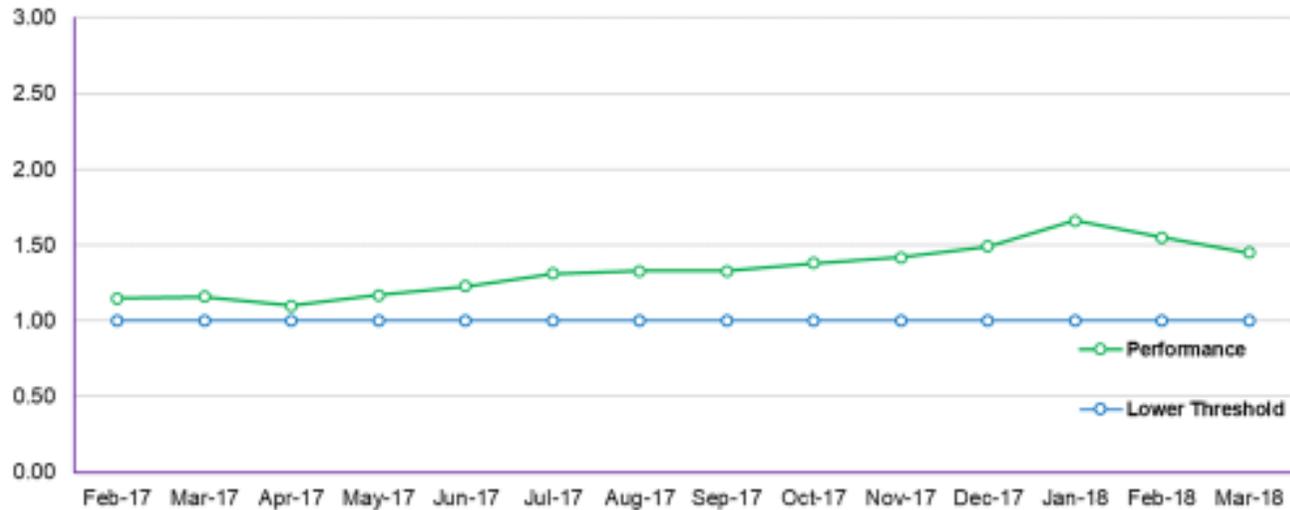
The March 2018 performance illustrates that 55% of HTS assets are financed by debt.

Financial Performance

◆ Acid ratio in excess of 1.00.



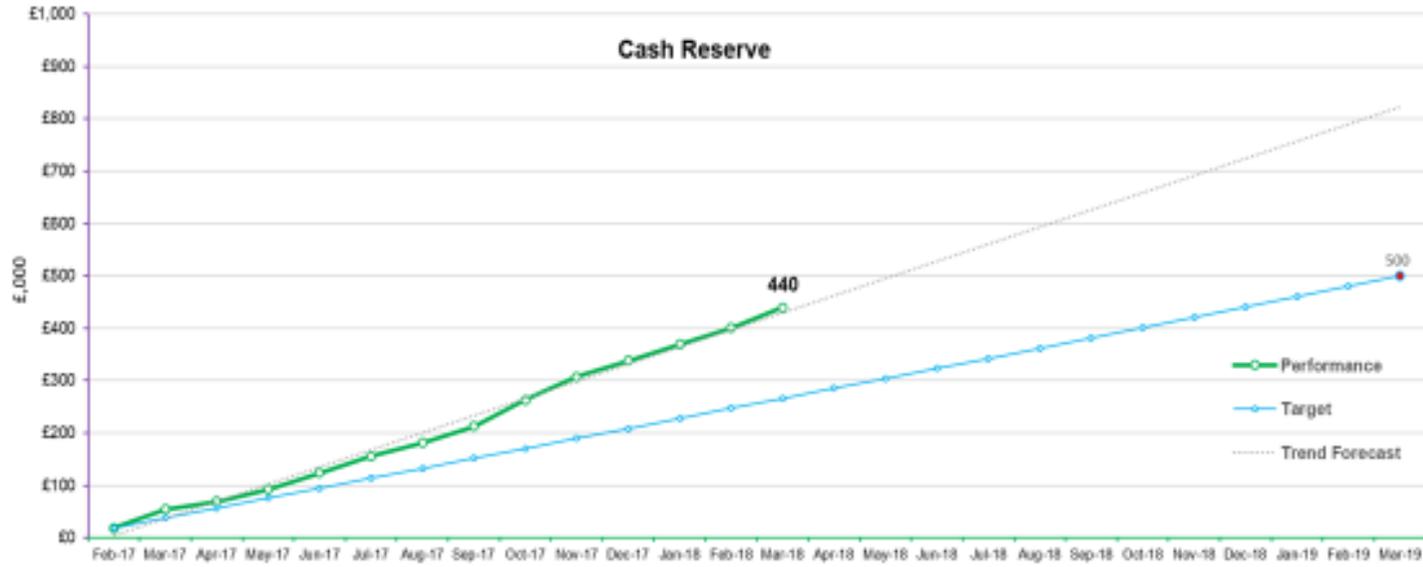
Acid Ratio



The current assets of HTS are weighed against the current liabilities which results in the ratio that highlights HTS liquidity.

Financial Performance

◆ Minimum cash reserve of £0.5m by end of FY2018/19.





Financial
Performance

- ❖ Deliver cashable and non-cashable year on year efficiencies.

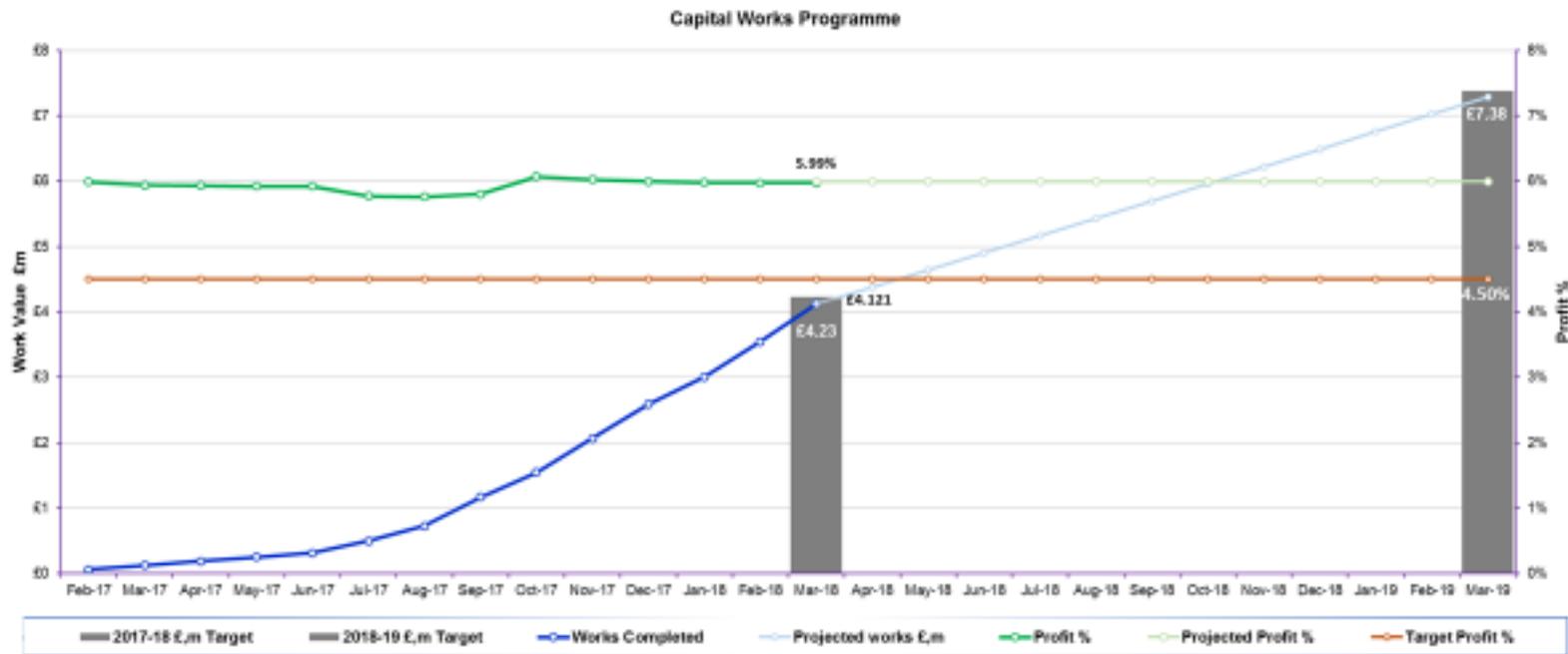
HTS has implemented various efficiencies since its launch in February 2017 to complement entrepreneurial culture. These are now captured in a case study as shown in Appendix 2. The initial case study highlights the significant progress HTS has made in several areas and provide the detail of how we have achieved them and the subsequent benefits to HTS, HDC and the people of Harlow

Our investment in the range of improvements defines our true nature as a business, this will add to our long term success as well as supporting our client and the local community of our town. Please see covering report in Appendix 1 highlighting such initiatives.

Appendix 2: Improvements and Efficiencies

Financial Performance

- Deliver a competitive and profitable (minimum margin of 4.5%) £4.23m capital works programme by end of FY 2017/18.



This target has been revised to £4.23m due to the delay in boiler renewal programme. As a result the £5.8M spend has been reduced to £4.23m in the year. The underspend for year 1 has been added to year 2 target thus increasing it to £7.38m. Projected works will be sufficient to achieve target by end of FY 2017/18.

Business
Growth

Business Growth Summary



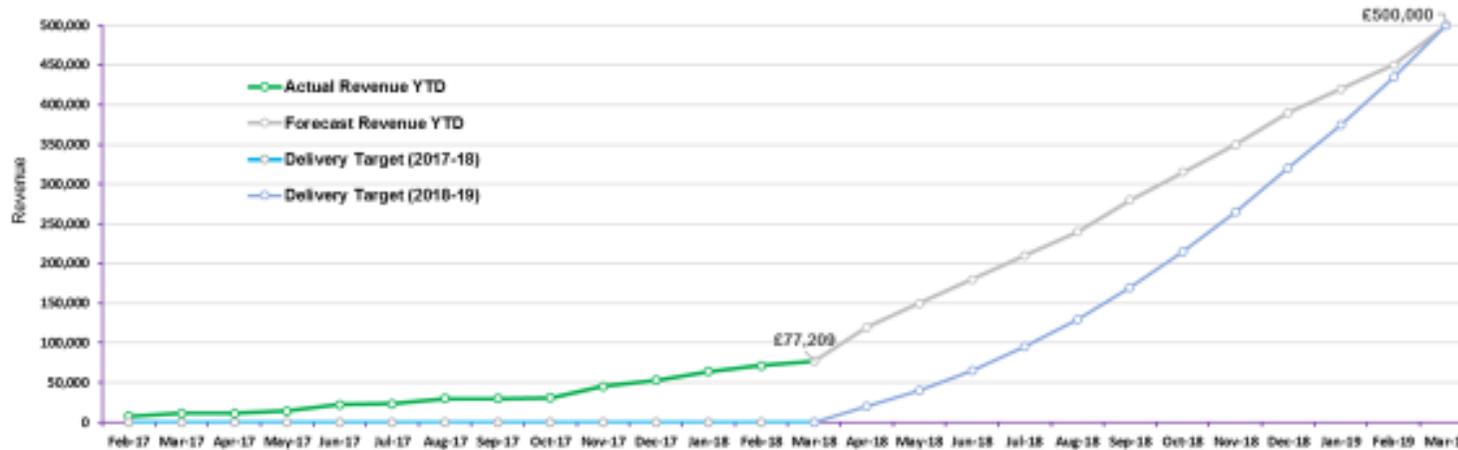
OBJECTIVES	PERFORMANCE	COMMENTS
By end of FY 2017/18 secure profitable external third-party revenue of £0.5m before tax to be delivered in 2018/19	✓	HTS has actively pursued a number of initiatives thus securing external third-party revenue projected to achieve target by period end.
By end of FY 2018/19 secure profitable external third-party revenue of £1.5m before tax to be delivered in 2019/20	⌚	Data to be provided when information available
By end of FY 2019/20 secure profitable external third-party revenue of £3.0m before tax to be delivered in 2020/21	⌚	Data to be provided when information available
Ensure all third-party works are profitable returning >4.5%.	✓	HTS has been able to achieve third-party revenue without additional costs due to efficiencies realised therefore delivering 100% profit.



By end of FY 2017/18 secure profitable external third-party revenue of £0.5m before tax to be delivered in 2018/19.



Third Party Revenue - 1st year Performance



Third Party Revenue:

- Kier Rent - secured
- Jewson Rent - secured
- HTS Consultancy - secured
- Facilities Management-Claphams - secured
- School works - secured
- Oxford City Council consultancy - secured



- ❖ By end of FY 2018/19 secure profitable external third-party revenue of £1.5m before tax to be delivered in 2019/20.

- ❖ Target is for 2018/19 financial year to be delivered in 2019/20.
- ❖ Data will be provided when information is available following previous objective.



- ❖ By end of FY 2019/20 secure profitable external third-party revenue of £3.0m before tax to be delivered in 2020/21.

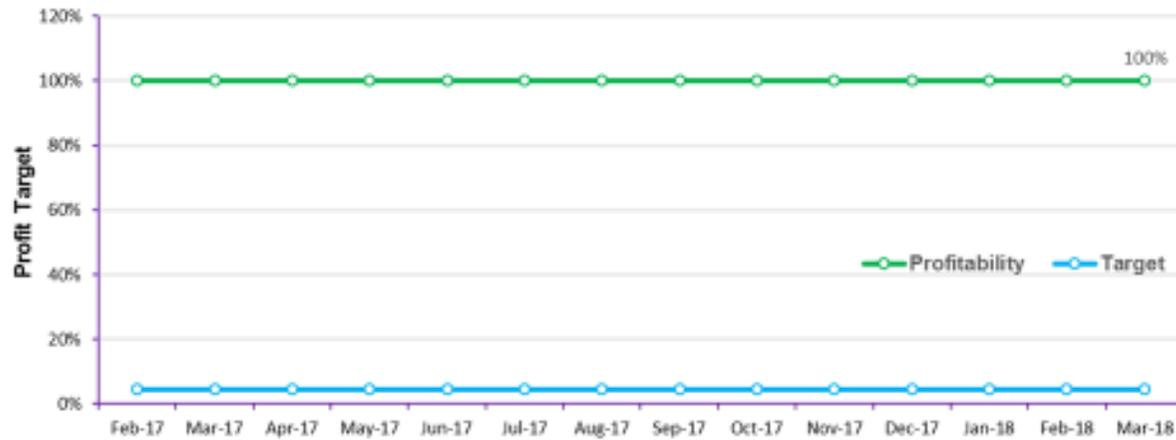
- ❖ Target is for 2019/20 financial year to be delivered in 2020/21.
- ❖ Data will be provided when information is available following previous objective.



Business Growth

- ◆ Ensure all third-party works are profitable returning >4.5%.

Third Party Revenue - Profitability



HTS is able to deliver the additional services at no additional costs thus producing a 100% profit.



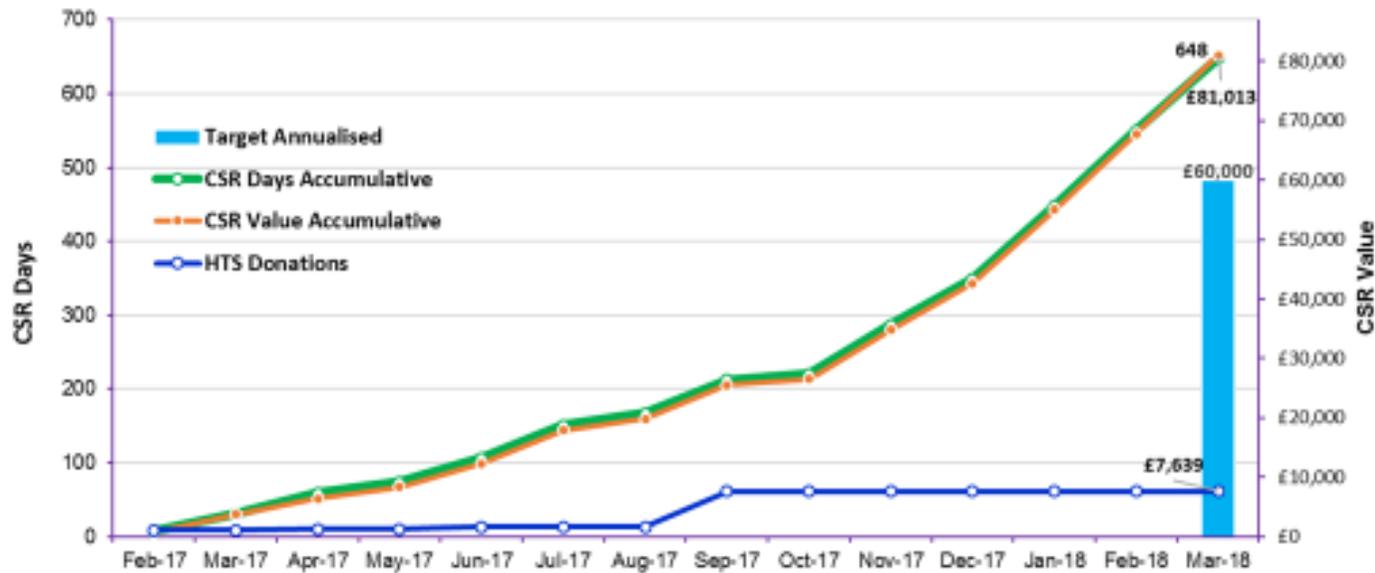
Culture Performance Summary

OBJECTIVES	PERFORMANCE	COMMENTS
Invest 500 working days (60k) per annum in corporate social responsibility	✓	HTS is on target to achieve this with planned activities.
To ensure that employees on average receive three days training per annum	✓	On target to achieve Objective
Recruit apprentices to fill one in three leaver vacancies (in line with business needs) to a maximum of 10 apprentices by end of FY2017/18	✓	On target to achieve Objective
An agreed-upon succession plan	✓	On target to achieve Objective
Minimum 60% return rate of staff satisfaction surveys with a satisfaction rate >60%.	⚠	Staff satisfaction surveys to be carried out in the first quarter of 2018.
Place the customer experience at the heart of how HTS operates	✓	On target to achieve Objective
Illustrate an innovation driven and entrepreneurial culture	✓	On target to achieve Objective

Culture



Invest 500 working days (60k) per annum in corporate social responsibility.



HTS is working closely with local community by accommodating a high intake of work experience students as well as planned fund raising events to achieve its target.

Culture



❖ To ensure that employees on average receive three days training per annum.

Training Days per employee accumulative



Culture



- ❖ Recruit apprentices to fill one in three leaver vacancies (in line with business needs) to a maximum of 10 apprentices by end of FY2017/18.

Apprenticeships



Initial proposal for 6 apprentices including an electrician, carpenter/multi-trade operative, a plant shop fitter, HR apprentice, Business Support Partner and Finance apprentice have been fulfilled.

Further apprenticeships are scheduled for the next financial year 2018/19.



- ❖ An agreed-upon succession plan.

A detailed succession plan has been completed to illustrate the changes made to date and further plans that need to be developed and implemented.





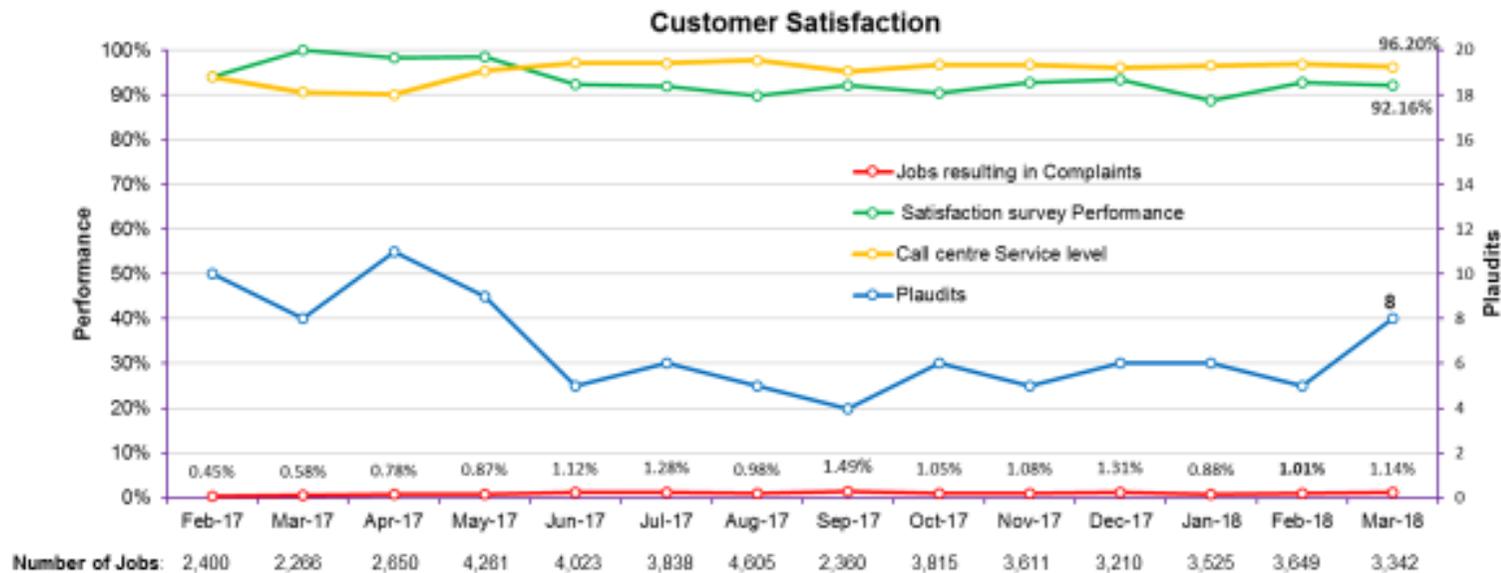
- ❖ Minimum 60% return rate of staff satisfaction surveys with a satisfaction rate >60%.

Staff satisfaction survey moved to second quarter 2018 following staff appraisals.

Culture



Place the customer experience at the heart of how HTS operates.



Customer satisfaction is measured against all work streams including environment.



Culture

- ◆ Illustrate an innovation driven and entrepreneurial culture.

HTS has developed detailed case studies that provide an in-depth view of work that has been carried out, demonstrating innovation drive and entrepreneurial culture, as shown in Appendix 3-7. This includes analysis of the savings and benefits provided to both HTS and HDC.

These case studies highlight the significant progress HTS has made in these areas and illustrate of how we have achieved them and the subsequent benefits to HTS, HDC and Harlow residents alike.

Please see Appendix 3-7 for case studies listed below:-

Appendix 3: Business Certification and Accreditation

Appendix 4: Local Employment and Support

Appendix 5: Generating Extra Income from Assets

Appendix 6: Fleet Strategy During Mobilisation

Appendix 7: Purchase of Green Fleet

Appendix 1

Report of:		Title:	
Neil Rowland		Commercial Director	
Name of Meeting:	Date of Meeting:	Agenda item:	Status:
SSC	18th January 2018	Balance Scorecard	Information

Proudly serving Harlow



Subject of Report – Case Studies associated with Balance Scorecard

1. Synopsis

Within the Balance Scorecard HTS committed to deliver the following:

Financial Performance - Deliver cashable and non-cashable year on year efficiencies

Culture – Illustrate an innovation driven and entrepreneurial culture

In order to achieve this, we have started to illustrate the activities and achievements we have made in more detail by developing case studies.

2. Report

Financial Performance

Previously a list of activities with no detail of the amount of efficiencies achieved, we have now developed a detailed case study that provides an in-depth view of work that has been carried out to date, including an analysis of the savings and benefits this has provided to HTS and HDC.

Culture

Initially we have prioritised and completed the following case studies:

- Business Certification & Accreditation
- Fleet Strategy
- Generating Extra income from Assets
- Green Fleet
- Local Employment & Support

These initial case studies highlight the significant progress HTS has made in these areas and provide the detail of how we have achieved them and the subsequent benefits to HTS, HDC and the people of Harlow

Conclusion

HTS will continue to develop and update case studies in line with requirements.

The afore mentioned case studies are enclosed for review and these will be followed with:

- Fleet management - incorporating new technologies introduced such as trackers and fleet management system, renovation of fuel pumps and fuel savings, work to HDC vehicles and maintaining HTS fleet of vans and plant.
- Succession Planning
- In house stores relocation via Jewson's Contract
- IT Software and Hardware – Calsys, Sage Accounting, new hardware
- Refurbishment of Mead Park



APPENDIX 2:

Improvements & Efficiencies

How have we changed?

Since our launch on 1st February 2017, we have invested in a range of improvements that we believe demonstrate the true nature of our business and define the culture at HTS Group.

Our main drivers have been:

- to serve the local community of Harlow
- to drive cost savings, investments and culture change across our organisation to ensure its long term success, and
- to support our client – Harlow Council.

We are excited to share these developments with you.

Serving the local community

We are on target to meet our goal of investing 500 working days in Corporate Social Responsibility (CSR) activities – the equivalent of £60,000.

Local Charities: As a Harlow based company, we are passionate about supporting local charities. This year, we have been raising money for St. Clare Hospice in Harlow – a charity that was chosen by HTS Group staff.

We have also donated labour and vehicles to support several local charity events this year. This has included putting up barriers for bonfire night and the Christmas Coca Cola truck, litter picking, moving furniture between venues and opening/closing toilet facilities for various events.

Local Business: We make our services available to local community organisations such as schools and Princess Alexandra Hospital, who benefit from our experience and knowledge of housing repairs and maintenance, capital and planned works, facilities management, environmental and compliance services.

We have implemented a strict policy to ensure all suppliers are paid on time - the majority of our suppliers are from the local area, and we believe this approach is important, not only for our ongoing relationship with them, but also for the benefit of the local community.

One of our goals is to employ locally, and all our apprentices come from Harlow College.

> £8,000 raised

by HTS Group in 2017 for



HTS Group fund raisers handing over a cheque for £5,000 to St Clare Hospice

£100,000

Will be donated by HTS Group towards next year's environmental services in Harlow, including grass cutting, weeding and strimming





Improvements & Efficiencies (2)

Local Education: We have made a number of donations to Harlow College for students to benefit from as they study. Donations include vans, mowers and a sweeper. This machinery is even being used by students to maintain the college grounds!

In 2018, HTS Group directors Tim Page, Alex Morris and Stella Dunlop will be working in three local schools to provide careers advice and promote careers for women in the housing and building industry.

Our Apprenticeships programme has already taken on six people, with four more to come in 2018. Our partnership with Jewson will see them add another two.

Environmental Task Force

We have a team of staff with learning disabilities that are permanently employed at HTS Group. We're pleased to offer our ETF employees a range of opportunities and support they may otherwise not have received



HTS Group donating vehicles to Harlow College

140 students

in our annual work experience programme



10 apprentices
planned placements 2017-18



Investing in our future

Since the beginning of the year, we have been investing in our company, and implementing revenue generation schemes to benefit the organisation.

Our investments include:

- £563,600 over 33 months for new fleet vehicles
- £160,000 in improvements to our office internal layout to support our employee culture and experience
- £100,000 in branded PPE & uniforms
- £70,000 in new power tools
- £18,000 in new petrol fuel tools for ground maintenance
- £5,000 in towers, cement mixers and generators, saving on long term hire costs
- £4,000 in a vehicle diagnostic instrument, massively reducing ongoing service costs
- We have invested in a new compactor that has enabled us to improve our recycling volume to about 65% of our total waste



Improvements & Efficiencies (3)

We are also successfully leasing space to Jewson and Kier at the following rates:



Rent: £52,100 per annum
Service charge: £24,100 per annum



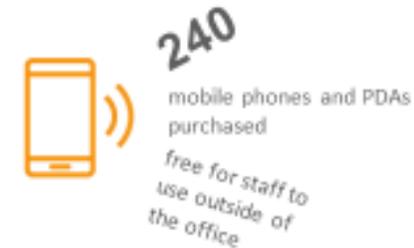
Rent: £18,800 per annum
Service charge: £10,000 per annum

As part of our contract terms with Jewson, they have agreed to contribute a proportion of their turnover to CSR initiatives on our behalf, and up to a total possible value of £14,000.

Savings

Over the past year, we have worked hard to reduce unnecessary costs or outlay. Examples include:

- Replaced a deal that was costing HTS Group £10,000 per annum for vending machines. Our new onsite coffee and snack machines are now free of charge
- We now recycle mattresses by breaking them down and recycling individual parts – at around 180 mattresses a month that previously cost us £10 each to dump, the savings are on-going
- Our approach to fuel purchasing has completely changed – where all drivers previously used fuel cards, they now purchase fuel at our on-site fuel pumps at approx. 20% lower cost. We are also able to provide our green fleet with red diesel, which we can source at around 75% cheaper than our previous supplier



£160,000

invested in our offices, with new meeting rooms, chill-out areas, kitchens and improved outside areas



We've made a major investment in IT with upgrades to Windows 10, Office 365, servers, cabling & networking



Improvements & Efficiencies (4)

Improving our organisation

We have been enthusiastic about improving the culture of our company. From enhanced T's & C's, to internal promotions, from investment in our building, to improved communications, we are developing a better workplace experience for our people. The previous £1.4m in organisational overhead now benefits the local community and local people.

Our trimmed management team is keen to ensure vacancies are filled from within and all internal applicants are now interviewed. In 2017, around 12 people have been promoted internally.

As part of our new organisation, we had to introduce three new in-house departments before launch:

Finance: We can now react to personnel needs quickly and efficiently, for example over the holiday period, we paid both December and January wages early.

HR: Moving all HR systems in-house has allowed us to work with local recruitment agencies and develop effective local policies and procedures.

Health & Safety our new SHEC department can operate much more flexibly than was previously possible while still complying with all H&S legislation. With a less regimented approach, they can apply H&S compliant practices to the specific needs of our own local service delivery.

Other organisational changes include:

- A rolling plan to align all staff into the pension scheme
- Standardisation of staff T's & C's
- Improved holiday pay for all personnel – based on the previous 3 months, pay is calculated on the number of hours worked – and HTS Group foot the bill
- Improved staff communications with newsletters, briefings and a move towards a change in culture of collaboration and togetherness

01/02/2018



At our launch anniversary we are planning a staff award ceremony to recognise & reward our people

25%

Discount voucher for all staff for Jewson builders merchants

JEWSON

£40,000

HTS Group contribution to improved holiday pay for all personnel





Improvements & Efficiencies (5)

Working with our Client

As well as providing our services to Harlow Council, we also purchase services from them that we are unable to deliver in-house. These services include:

IT Services
@ £128,904 per annum

Insurance
@ £70,105 per annum

This approach benefits Harlow Council by:

- Creating efficiencies
- Providing revenue

... and it benefits HTS Group by:

- Removing any outsourcing requirements
- Helping us to build on our close relationship with the Council

Where we can, we invite Harlow Council staff onto our Health & Safety courses free of charge. For example if we have five free spaces on a course of 15, we offer them to Harlow at no cost. These savings benefit the Council and also further support our on-going relationship.

As a Local Authority Trading Company (LATC), HTS Group was formed by a loan from Harlow Council. As we pay this money back to the council at £20,000 per month, they are making approx. 3.5% based on lower interest payments, or around £46,000 per year.

£10,405 saved

by Harlow Council on H&S training courses provided by HTS Group



Harlow
Council
Working together for Harlow

HTS
Group
HTS (Property & Environment) Limited
Proudly serving Harlow

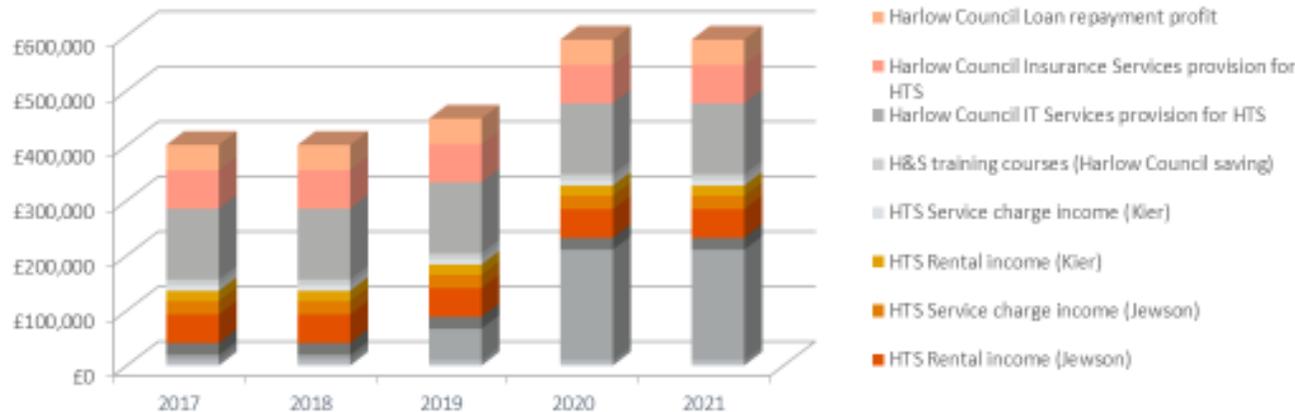
Members of Harlow Council visiting the HTS Group Head Office at Mead Park





Efficiencies Summary

Savings/Income - HTS Group & Harlow Council



Non-cashable Efficiencies

- Supporting local events
- Providing services to local organisations
- Policies to employ locally and promote internally
- Donations to Harlow college
- Careers Advice days in local schools & work experience
- Comprehensive Apprenticeship programme
- Environmental Task Force employing staff with learning difficulties
- Mobile phones for all staff
- IT upgrade for servers, cabling and network
- New internal departments for Finance, HR and H&S
- Range of organisational improvements including T's& C's, pensions, staff communications, rewards and recognition



Appendix 3: Business Certification and Accreditation

Professional Services for our Customers

Our aim is to provide our customers with the best possible services in terms of safety, quality, compliance and protecting the environment.

Our Safety Health Environment & Compliance (SHEC) Manager Stella Dunlop says: *"We made it a priority during 2017 to ensure that our services met recognised standards, so our customers can see that we take their safety very seriously, and our employees know that they are part of a professional organisation"*.

Certifications & Accreditations achieved

OHAS 18001: for health and safety management, to protect our customers, employees and the public.

ISO 14001: for our environmental protection measures, ensuring that we minimise the impact of our work on the local environment.

ISO 9001: to quality assure the standard of work we deliver.

Gas Safe: making sure that our work with gas fittings in homes is safe as well as effective.

NICEIC: ensuring that our electrical works provide the right standard of safety and quality.

Carrying the Standards into Homes

We make sure that these high standards are delivered every day in customers' homes through the way our teams are organised and managed.

- All employees receive our SHEC Information Folder, to guide them with the right approaches and procedures
- Our employees receive training in the safety, environmental and quality control procedures and checks
- Our supervisors and managers carry out checks and coach our front line staff
- Communication to employees through monthly Toolbox Talks to maintain their awareness and enable them to make suggestions or raise issues
- Subcontractors are required to comply with our standards, and are offered free places on training courses
- Our senior management and Board monitor our performance standards
- Our specialist SHEC staff carry out audits to check that the procedures controls are used properly

Additional Safety Awards



SHEC League Table
and Trophy
for best performing team



100%
Gas compliance
(annual servicing
completed)





APPENDIX 4:

Local Employment and Support

Focus on Local People

HTS was set up to provide high quality services to local people, and to ensure that we support the success of the Harlow community by providing work opportunities, skills and learning.

The positive impact we have on people is as important as the services we deliver, and our Apprenticeship, Work Experience and supported employment programmes are central to our values as a local company.

HTS Apprenticeships Programme

We have an ambitious Apprenticeship Programme for 2017-18, with a target of 10 apprentices in place during this period. By December 2017 we had already filled 6 of these places, and the other 4 will be filled during 2018. The Apprenticeships are in all of our business areas: Trade skills, Electrical, Transport, Business Support, Finance, and HR.

Each one will complete a full Apprenticeship, gaining the qualifications, knowledge and experience they need to excel at their job and move into permanent employment. Our strong working relationship with Harlow College means that their study and qualifications will be carefully managed, as well as their work in our teams. They will be able to develop successful careers, and are part of our strategy for our future workforce. Each of our Apprentices has been recruited because of the enthusiasm, determination and potential they have shown; we are excited and confident that they will succeed.

Apprenticeships through our supply partnership with Jewson

In addition to our own programme, we have agreed with our supply partner Jewson that they will also fund an extra 2 Apprenticeships through the money we spend with them in 2018.

6 Apprentices

recruited in 2017



Our first 6 Apprentices, backed up by HTS Board Members, Harlow Council colleagues and Managers

4 HTS + 2 Jewson

Apprentices

due in 2018





Local Employment and Support

Work Experience Programme

During 2017 we set up a large programme of Work Experience placements. This provides important experience and learning for target groups in our communities, supporting their progress to permanent employment:

- 18-19 year olds at college
- Mature adults
- 15 year olds from local schools

Working with Harlow College, we set up a programme for 2017-18 offering 137 work placements.

We take 4 per week, spread across our four departments, and include mature students as well as 18-19 year olds.

For local schools we provide 30 work experience placements during the summer term, each one for 30 hours during the working week.

Corporate Social Responsibility

Schools' outreach: our programmes with local schools provide 'mock interview' sessions with students to help them prepare properly for job interviews. HTS Directors work with school management staff, to help them understand and engage with local business. We tour local primary schools, giving talks to the children about the dangers of building sites – over 1,000 children were included in a 10 day period.

Staff volunteering: our staff donate their time to support and organise events and programmes with local schools, community groups and charities.

'Disability Confident' employer: we have achieved Level 2 status for this accreditation, providing building access, JobSearch, Apprenticeship places, counselling services and maintaining our Environmental Task Force team. We provide supported employment for people with disabilities.

167

Work Experience Placements



Tony Luck was working as a Carer while trying to complete his qualifications as an Electrician. He approached HTS when he was struggling to find a work placement to complete his qualifying hours. We saw his talent and took him on as mature student, placing him with one of our experienced Electricians. Tony quickly repaid our belief in him - on one job he was at the home of an elderly tenant who was ill and collapsed; he used his Carer skills to help her until medics arrived. Tony has now qualified and is one of our full-time Electricians



Electrician Tony Luck,
with his Team Leader
Jackie Kennedy





APPENDIX 5: Generating Extra Income from Assets

Entrepreneurial Approach

In finding the best ways to deliver services to customers we have a flexible strategy. We identify opportunities to strengthen the impact we have as a local company, and this includes making the best use of our business assets.

Leasing Premises to Partners

When we started up in February 2017 we conducted a space planning exercise. This worked out the space we would need for our business, as well as surplus space which we could rent out to other businesses with whom we collaborate.

Jewson and on-site Stores: We knew we needed a supply chain partner to provide materials for our housing repairs and maintenance services. We used a tendering process to secure best value, which was won by Jewson. Jewson then needed an on-site supply base and we negotiated a deal to provide this space.

The deal with Jewson provides great value for HTS in the following ways:

- Jewson pay rent £52,100 per year to HTS, which is additional income for us
- Jewson's service charge payments to HTS for utilities etc bring in another £24,100 per year
- Jewson committed to funding 2 additional Apprenticeship places
- 1% of Jewson's turnover with HTS will be used to support CSR/community projects once our spend reaches £1.4m per year

Added value from this partnering arrangement also includes:

- An efficient on-site supply base for HTS trades teams
- A supplier who stocks the right products – supporting our front line services and 'right first time' approach
- Joint working between both HTS and Jewson Buyers' teams, to get the best value for HTS
- Working together on back office efficiencies to reduce overhead costs

£76,200

Additional income to support HTS services



Free

Supply of Toolkits for HTS Apprentices from Jewson



£14,000

To be allocated to local community projects

JEWSON



Generating Extra Income from Assets

Kier office rental: Former Harlow partner Kier stayed on good terms after their contract ended, and we agreed to rent them a set of refurbished offices for 2 years. The benefits for HTS are:

- £18,800 per year in rental income
- £10,000 per year in service charge income
- Use of HTS assets to generate extra income
- Office assets kept in good condition
- Another business retains a base in Harlow and employs local people

St Clare's Hospice: We work closely with this local charity, and they need storage space for donated goods before they can be placed in their charity shops. HTS and St Clare's are now discussing how we can allocate a separate storage area for them to use. They would pay HTS for use of this space, and we will offer them a preferential rate so that they save money compared to other options.

- This would directly support St Clare's fundraising work
- It will provide them with secure storage
- It will bring in further additional income for HTS
- It would add to the strong and supportive relationship between St Clare's, HTS and the local community

£28,800

Additional income to support HTS
services





APPENDIX 6:

Fleet Strategy During Mobilisation

Our objectives

For the launch of HTS Group on 1st February 2017, it was apparent that much of our fleet needed to be upgraded or replaced. The previous approach had been to run vehicles into the ground and this had resulted in a number of old or unreliable vehicles that had not been looked after and did not present a good impression of our company.

Our approach was to implement a programme that would mean our fleet would:

- Deliver savings to the Council
- Be in good working order and fit for purpose
- Carry HTS Group branding
- Have fast and efficient access to fuel and servicing
- Be well managed and offer data transparency for Harlow Council, HTS Group management and other stakeholders

Aligning to our values

Determining our fleet policy, we made sure we lived by our values and strategy of 'Proudly serving Harlow'. It was important to us that we introduce a fleet of vehicles that were high quality, while offering value for money, that demonstrated the professional nature of our organisation, and that could be relied upon for a number of years.

Our approach

We reversed the previous strategy of hiring/long-term leasing the majority of vehicles and decided to purchase where possible. Vehicles are now replaced on a managed approach, and in January 2018 we will further develop the 5-year forward plan for the entire fleet management.

Working with senior Council members and their procurement department, and managed by a project team that included Martin Bytner, Neil Rowland, Steve Ward and Alex Morris, the programme was planned ahead of HTS company launch.

61

Vehicles purchased from Arval (previously on long-term lease) with full service history



69

New vehicles leased from Alphabet that were previously spot-hires or leased – all with 2017 plates



34

Owned vehicles with 2005 plates or older will be replaced over time





Fleet Policy During Mobilisation (2)

The programme delivered:

- Launch of our on-site fuel bunker, subsidised by Harlow Council; development of our on-site garage with two Mechanics and an Apprentice
- Purchase of a 'Snap-on' diagnostic computer, to evaluate vehicle systems,
- Trackers fitted in all vehicles, supporting safer driving habits, driver education, 'good driver' league tables, journey data
- Full re-branding of every HTS Group vehicle
- On time delivery of all vehicles, including one temporary leased green fleet vehicle until the new tractor was available
- Involvement of local businesses - we now work with the highest quality, best value and most reliable local suppliers and our on-site stores have been rationalised
- Implementation of a new Fleet Management System offering a complete record of every vehicle
- Training courses for all drivers

Programme benefits

The key benefits to HTS Group of this programme have been cost control, reduced bureaucracy around the procurement process, improved fleet efficiencies and full transparency on all fleet data and records. Additionally, forward planning for future requirements means that the approval process with Harlow Council will become faster and easier.

Additional benefits include:

- MOT Pass rate of >90%
- Ability to respond to all vehicle enquiries, e.g. CO₂ emissions or fuel consumption
- 2 team members have joined the Chartered Institute of Logistics & Transport
- Use of our garage by council and third party vehicles
- We gifted 4 ride-on mowers, a sweeper and two vans to Harlow College for use by their students
- Better treatment of the fleet by our drivers



Two members of HTS Group have joined the CILT with access to libraries, knowledge and training

£4,000 invested
in a diagnostic computer to reduce servicing costs





APPENDIX 7:

Purchase of Green Fleet

Our objectives

Before the launch of HTS Group, the green fleet had been leased every year. With no long term investment and an ageing, uneconomical fleet the existing green fleet was being run into the ground.

Our objectives for a new fleet needed to be forward thinking and long term.

We needed to secure a high quality and reliable green fleet that would be cost effective and fuel efficient.

The new fleet programme would also need to:

- Deliver savings over the previous green fleet programme
- Have latest technology to ensure low emissions
- Run efficiently on the latest and cleanest diesel
- Include an externally run training programme for all drivers/operators
- Introduce tracking devices into all vehicles to improve driving standards

Our approach

We negotiated a 33 month lease/purchase programme with Tuckwell Ltd. for 27 tractors, hedge trimmers, mowers and shredders. Tuckwell Ltd. is a reputable dealer that offers a range of high quality brands including John Deere, Yamaha and JCB.

The deal included a 24% discount on RRP and monthly payments of £200,862 – an annual reduction of £9,138 over previous costs.

After 33 months: we will own the fleet and continue to maintain the vehicles, replacing them as required.

After 5 years: the vehicles will be written off but retain some residual value which we will use as down payment to reduce the monthly rental on replacement vehicles.

All vehicles were obtained in time for the start of the cutting season in the second week of March, including the use of a borrowed tractor for an interim period at no extra charge.



£174,902 discount

negotiated with Tuckwell Ltd.
on new green fleet



£476,257 saved

over 5 years compared to
previous lease programme





Purchase of Green Fleet (2)

Managing the programme

The successful rollout of the 3-year programme has included:

- Phase 1 to address priority needs, and Phase 2 that will address ongoing requirements in line with the available budget
- Improved approach to the management of vehicle servicing. No longer based on how long the vehicles have been owned, our updated servicing plans reflect the number of hours a vehicle has been in use
- In-house servicing includes warranty services which are charged back to Tuckwell Ltd. Our on-site mechanics have been fully trained to maintain the green fleet models
- Vehicles are over-wintered on-site and under cover, where they are maintained until the new cutting season
- On-site fuelling with red diesel at 75% cheaper than standard diesel

Benefits

Our green fleet programme has:

- Enabled us to have full cost control over the fleet purchase and ongoing costs
- Provided transparent vehicle usage data due to on-board tracking devices, and full vehicle management records
- Improved reliability of green fleet and associated services for Harlow Council

6 months

period of daily use of green fleet during summer cutting season



8

number of times grass areas require cutting every year

