

## Outline Business Plan – Scoping Document

### Executive Summary

The purpose of this scoping paper is about transforming the HTS Group and preparing it for the next phase of its journey, not only to deliver its current BAU activity, but to also enter new markets and be more commercially focused in the East of England. HTS is going to be an enabler to meet the council's ambitions to regenerate the town and build more houses.

The beginning of this new era will involve the creation of a number of new companies under the HTS Group banner. The new structure will allow HTS to take advantage of synergies within the Group and really accelerate growth and development.

Since 2017 we have taken our first few cautious steps, but now it is time to unleash the potential HTS has. Increase our risk appetite. Expand our commercial practice. Grow the business in the way the Shareholder intends.

Looking ahead, we want to step up the game. To accelerate and drive business growth hard. We remain fully committed to our priorities and we are determined to do more.

Within the HTS Group, we need to enhance the things that connect us, identity, values, culture, strong relationships, care for the environment, but also recognise and act accordingly in the context of the different new entities in the Group.

Each Company in the Group will require a different purpose and require a different approach to succeed.

The key themes to achieve this will include the following:

- There is a need and ambition to accelerate and drive business growth. This will need to be planned and prioritised into short, medium, and long-term objectives.
- Deliver new investment, new skills to the workforce and leadership team to build in scalability and resilience into the company
- The purpose of HTS is to deliver the core work and more of it, but to also focus on internal and external growth and diversification
- Initial growth markets should align to existing competencies within HTS to maximise opportunities
- The business must be characterised by ambition, innovation, leading, fit for the future, early adopters, grasping opportunities, prepared to invest in order to grow which might mean limited returns in the short-term increasing over the medium and long term.
- To achieve this:
  - Harlow Council work to be truly maximised and made easier to secure
  - A shared commitment between HTS and Harlow Council in delivering efficiencies both across client and delivery activities. Harlow Council will commission work that will be delivered by HTS through a collaborative relationship. Types of efficiencies have been categorised into short, medium, and long term:

*12 months	1-3 Years	4-6 Years
Short Term Efficiency	Medium Term Efficiency	Long Term Efficiency
Simplify processes for Business Case submissions including procurement of longer-term framework		
Agree measures for VFM criteria		
Agree Risk appetite and form strategy for securing work in new markets		
Focus on delivery of services linked to covid recovery plans and Best Value Review		
Review Performance Improvement through BVR actions relating to KPI's		
Revised overhead structure to share and save costs		
	Introduce Technology to facilitate delivery of new markets and existing services. Detailed proposals to be included in the Business Plan	
	Investment in vehicles/plant - aligned to investment plan	
	Improve Customer satisfaction by introduction of enhanced customer processes and access	
	Improve communications	
	Improve sickness levels to reduce use of additional agency staff	
		Increased Profit return to HDC – see financial forecast and efficiencies including cashable efficiencies such as SLA's, loans etc.
		Identify and reduce duplication

\*next 12 months from agreement of Business Plan in February 2022

- HTS to establish a platform for external growth by providing confidence in delivery and performance by allocating the required resources and investment when required
- Increased risk appetite, lodge accountability and permission with HTS for growth
  - delegations need to match this commitment
- Sharing of the ambition with Council and cross-party colleagues and use the opportunity to derive a new narrative and develop a mechanism to communicate what will be different this time.
- Review HTS branding so as to be seen as more than just a Harlow Council contractor
- Ensure the Recovery Plan from the Covid-19 pandemic is achieved and does not impact on BAU

## Recovery

HTS's Recovery Plan is a strategy to drive the recovery of the Environment and Housing workstreams following the easing of restrictions as a result of the Covid-19 pandemic.

Covid-19 restrictions have delayed the delivery of a number of different work-streams and the extent of the delays have had a significant impact on delivery in 2020/21. A plan has been developed that details the actions and time scales that HTS are taking to facilitate Business as Usual activities as soon as possible.

Monthly updates on progress against the plan are communicated to key stakeholders and we are on schedule to complete as detailed in the plan.

## Carbon Reduction Strategy

As part of the Business Plan HTS will need to identify and commit to the level of carbon emission reductions it will achieve over the period of the plan and to commence the critically important work required to prepare to meet Net Zero commitment by 2040.

To understand what is achievable over the duration of the 5-year plan HTS will prepare an Action Plan to identify what areas improvements can be targeted and what overall carbon reduction can be achieved with associated costs.

By implementing the action plan HTS will be-able to develop an evidence-based assessment of what is possible in terms of carbon reduction by 2026 and communicate this in August 2022.

We will develop and deliver a new carbon reduction plan which will set out how HTS aims to contribute further still to safeguarding the environment and reduce consumption of finite resources. Reducing what we use, changing how we do things and influencing others.

A potential carbon saving for HTS of 39 tonnes over the next five years has been identified in the Councils Plan and we will work together to finalise this proposal.

There is a significant investment programme proposed, largely centred around specialist staff, ICT, and plant. In the past the approach to fleet acquisition has been like for like replacement with some variance around the margins (such as electric vehicle provision). Going forward a more strategic approach will be taken aiming to reduce costs, optimise service delivery and make a better contribution to carbon reduction and this will include a new fleet strategy.

## **This Business Plan**

### **What's different than before – a New Deal**

- Symbolises a joint commitment from Harlow Council / HTS for action and change
- Reflects the ambition of cross-party political leadership who are all determined to achieve significant growth
- This document is a call to arms – if it's in here, it gets done
- The Business Plan gives permission to act and provides the authority to do so
- This commitment needs to be demonstrated by a lengthy extension to the core contract

## **About HTS Vision**

We will be a key provider of public sector services in the East of England. Strategic direction will be required to focus on what the key sectors and geographical boundaries HTS will target and a detailed plan in the first 5 years of the plan.

The Business Plan ideally needs to specify markets and opportunities that HTS to can sell on initially and develop new strands as expansion occurs e.g., Capital/Planned Works, Facility Management, House Building.

Develop opportunities in Housing and Environment to maximise service provision improvements and efficiencies through the ASC.

All options should be considered including acquisition and JVs with other teckal organisations.

Develop leadership accountability values for the larger Group

Review the possibility of a Community Interest Company to dedicate time and resources and deliver added value in the communities we work in.

## **Values**

Our values demonstrate our commitment to our mission, grouped into 6 key areas:

### **Commercial Values**

- Add social value through the contracts we secure
- Deliver forecast turnovers and profit margins
- Understand the markets we operate in, including competitors, clients, and supply chain
- Generate efficiencies through the core contract
- Efficiently manage cash flow
- Delivering a financial return to the Council
- Tax efficient structure to minimise tax

### **Leadership and accountability**

- Have a clear vision of where we are going.
- Consider the customer, client, employee, and community needs when making decisions.
- Accept personal accountability to meet the business needs, improve our processes and help others improve their effectiveness.
- Value and reward open, honest communication.

### **Customer Satisfaction**

- Consider the customer in all we do.
- Fulfil the expectations of our customers and employees.
- Deliver what's right for the customer.
- Treat our customers with care, respect, and consideration.

### **Safety and Environment**

- To ensure the protection of people and the environment over competing goals.
- Recognise, correct, and always report potential hazards.
- Take responsibility for our own safety and for those around us.
- Make Harlow a place where people want to live and work.

### **People**

- Our employees will always be our most valuable asset.
- Recruit and retain the best people to work for us.
- Build the business from within by developing, promoting and rewarding people in line with their performance.
- Encourage and promote healthy lifestyles for our employees.
- People development and growth in organisational capacity to achieve stated ambition for organisation. We must invest upfront rather than just organically. Otherwise, growth will be too slow.
- Need to also identify skill base required to add value to our proposition – continue to play to our current strengths but build on the skill and knowledge we'll need by recruiting the right people. Don't be afraid to invest then accumulate.

### **Ethics**

- Maintain the highest standards for customers, employees, clients and communities.
- Be accountable for our conduct and decisions.
- Only make promises we intend to keep.
- Avoid any conflicts of interest and operate within the law.

### **Successes**

- Investment in the business including fleet, plant and equipment to deliver services reliably and efficiently
- SLAs with Harlow Council
- Return of dividends to Harlow Council off circa £2.5m to date
- Delivering on performance requirements

- Delivering above Social Value targets
- Providing Apprentice and work experience opportunities in the community
- Local employer with 80% of employees living and working in Harlow – keeping the Harlow pound in Harlow
- Excellent CSR achievements and investments in the community
- Sustained compliance accreditation of ISO 18001, 9001 and 14001
- Strong and robust H&S culture
- Awards such as RoSPA Gold and Customer Excellence
- Reduced Planned category repairs to 9 months

### Missed Opportunities

- Third Party Growth
- Low HTS visibility beyond Harlow Communities
- Ability to recruit staff with right skills due to constraints of T&C's
- Lack of aspiration for HTS
- Unable to achieve fundamental buy in on our joint objectives with stakeholders

### Summary Objectives

Source	Objective	Target Date	Delivered through
HTS / Harlow Council	Agree new financial plan / investment strategy  Commissioner = HC Delivery partner = HTS  Procurement strategy optimising PCR 2015  Establish regular pipeline oversight – truly focus on delivery	February 2022	Budget setting processes and new business plan Commissioning agreement  New Procurement Strategy  Monthly meeting
Teckal	Maximise Harlow Council work – see financial modelling summary	February 2022	Capital programme House building FM Regen Unknowns
Teckal/Harlow Council	Joint commitment to achieve savings	August 2022	Develop efficiency plans jointly
Trading Co.	Establish external business Develop BD strategy Set up new trading company	2 years	Additional skilled resources
Teckal & Trading Co.	Carbon Zero	Agree carbon reduction saving over duration of 5-year plan	Retrofit heating – through Housing and Non-housing Capital Programmes, new vehicle strategy, Mead Park energy

			improvements
Teckal & Trading Co.	Measured and increased Customer experience	2022	Working groups and technology. Benchmarking
Teckal & Trading Co.	Quality & compliance	2022	Benchmarking. Process improvement
Teckal & Trading Co.	Investment in Staff	2022	Training, CSR. T&C's
Teckal & Trading Co.	Safety	2022	Continued IT investment and cultural changes
Teckal & Trading Co.	Social value	2022	CIC

### Potential Market Opportunities

Activity	Clients	Resources	Timescale to implement	Procurement	Potential Value Per Annum
Capital/Planned Works	Local Authorities/ Housing Associations	BDM, Estimator, Bid writer	3-6 months	Tendering, frameworks, other LATCo,s	£1m
FM	As above, local businesses, hospitals	BDM, Estimator, Bid Writer	3-6 months	Tendering, frameworks	£200K
New Build	As above	BDM, Estimator, Director, Bid writer	6-12 months	Tendering, frameworks	£1m
Other, EV charging points etc	As above plus HDC for charging points	As above	6-12 months	Tendering, frameworks	£2m
Landlord	Internal Opportunity with HDC Investment	Housing Management Team	6-12 months	In HTS control	£1.5m

As the BP is developed market opportunities will need to form part of a wider discussion to formalise the targets for HTS.

## Master Objectives

Objective	Reason required	To Commence
Ensure continued delivery of Business-as-Usual activities and completion of Best Value Review Actions and delivery of covid Recovery Plan	Its key to continue to deliver core services and deliver Recovery Plans to reduce WIP and backlogs built up during the pandemic	In progress
Develop longer term plans with Council Officers to set out teckal work plans and budgets – Capital Works, FM, Cleaning Non-Housing	Agree longer term commitments where possible	December 2021
Develop strategy and opportunities in Housing and Environment to maximise service provision, improvements and efficiencies through the ASC	To combat effects of covid and reduced budgets	December 2021
Review resources and staff skills and capabilities to deliver BP	Resources must be available and skilled with relevant experience	December 2021
Develop low risk tax efficient agreement for teckal works	Limit corporation tax liabilities	November 2021
Change Governance	Review and amend existing arrangements to ensure the BP can be effectively delivered	*February 2022
Establish new market opportunities	Business development role to be established	*February 2022
Establish if additional bolt on services are required to deliver the BP	Agree market opportunities and assess skills required	*February 2022
Maintain Business Sustainability	Ensure correct governance and monitoring of growth aligns to plans	*February 2022
Embed cultural change in both organisations	Required to deliver new BP objectives, assisted by review of VFM criteria and Risk Strategy	April 2022
Add commercial value	To ensure HTS thrives within the East of England region to the benefit of its stakeholders	Ongoing from years 1 to 5



Add social value	To ensure HTS continues to be seen as credible social value advocate	Ongoing from years 1 to 5
Look at the feasibility of developing a sustainable Community Interest Company	To dedicate time and resources and deliver added value in the communities we work in with enhanced social objectives such as increasing skill base, positive environmental impact, improved delivery of services. Look at potential of forming a skills academy to retrain operatives in future initiatives such as upskilling from gas engineers to installing electric heating.	August 2022

*\*To commence when Business Plan is approved at February 2022 Cabinet*

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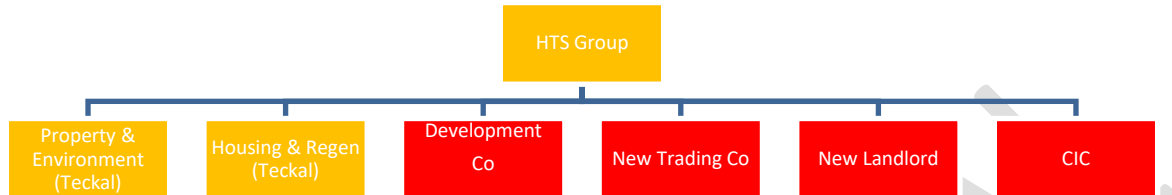
## Governance

- Build capacity in governance structure and leadership team to manage growth
- Clarification of Shareholder stake in HTS. A strong and agile business? A healthy balance sheet? Appropriate levels of reserves for investment? Guaranteed dividend? Prepared to invest to allow HTS to grow meaning lower returns in early years?
- Agree levels of investment to deliver the required growth:
  - Business Development Manager - 100K PA gross
  - Bid Writer for Quality elements of tenders - 90K PA gross
  - Estimator experienced in Refurbishment, New Build and FM - 90K PA gross
  - New IT systems and support to deliver different types of work i.e., FM provision, estimating software – 100K investment with 50K PA ongoing
  - Construction Director - 130K PA gross
  - New management team for delivery of trading company works
  - Make investment of circa 510K upfront for additional overheads to deliver the increased turnover
- Harlow Council to be the commissioner and HTS as the enabler
- To drive efficiency by looking at maximising skill sharing within HTS and Harlow Council
- Develop the skill base of the current directors to assist in the growth and ambitions of the company whilst looking to employ sector specific Exec directors for specialist opportunities.
- HTS to be the delivery arm for Harlow Council and undertakes client & contractor role wherever possible – delegated authority and appropriate scheme of delegations which includes MD / Board level authority for all financials if within the parameters of the business plan. This means move appropriate client functions in and have strategic and advisory expertise in the company
- Harlow Council as shareholder retains small and more strategic list of reserved matters such as maximum value of contract, duration and value.
- Much higher risk appetite for HTS in order to achieve growth
- Establish new trading company which will require investment and deliver limited returns in early years, investment in people to source and secure new workstreams
- Up to 5 years to return net profit but more detailed modelling is required once the profile of work is confirmed.

## Structure

### Existing Structure

### Potential Structure – new companies



### New Companies in the HTS Group:

Company Name & Purpose	Timescale to Start	Scale £
Development Co – to acquire land, design and construct new properties	6-12 months after BP sign off	£3,000,000
Trading Co – to secure and deliver work outside of Harlow	1-4 months after BP sign off	£1,000,000
New landlord – to manage properties owned by H&R	12-18 months after BP sign off	£500,000
CIC – community investment company with enhanced social objectives	18-24 months after BP sign off	£250,000

See over-arching financial forecasts for more detail.

HTS Group will provide shared services to the other companies in the group when they are formed including Finance, HR and H&S departments. Each company will contribute to the shared overhead proportionally. Also, the new Business Development function will be managed centrally through Group.

## Over-arching Financials

Subject to external advice on appropriate structure / avoiding tax leakage. Establish mutual arms-length trading arrangements. Below are sources of value from HTS to Harlow Council:

- Source 1 = HTS to pay market rents for Mead Park and other leased sites, support service costs, borrowing
- Source 2 = HTS / Harlow Council shared commitment to efficiency – this will improve HTS ability to compete and drive down costs in both entities - %age TBA
- Source 3 = HTS charge core contract plus 5% = guaranteed dividend (to be calculated pre and post investment for the future / delivery)
- Source 4 = Harlow Council investment programme (3 years) = with a guaranteed level of turnover from Harlow Council, HTS will guarantee a dividend
- Source 5 = HTS external trading co returns – from the medium term onwards
- Source 6 = Recognise historical corporation tax risk and regularise this going forward

Overleaf find a more detailed forecast detailing a range of projections including Steady, Dynamic and Slow growth scenarios of turnover and profit over the next 5 years.

### Forecast 2021-2027 (6 years including current year)

We have developed high-level modelling under three different scenarios and routes that HTS could follow:

SCENARIO 1 - Steady Growth	2021-26
HTS GROUP TOTAL REVENUES	261,200
HTS GROUP CUMULATIVE PRE-TAX PROFIT / (LOSS)	5,247

SCENARIO 2 - Dynamic Growth	2021-26
HTS GROUP TOTAL REVENUES	290,720
HTS GROUP CUMULATIVE PRE-TAX PROFIT / (LOSS)	8,067

SCENARIO 3 - Slow Growth	2021-26
HTS GROUP TOTAL REVENUES	238,622
HTS GROUP CUMULATIVE PRE-TAX PROFIT / (LOSS)	1,667

The forecasts are as a result of more detailed modelling and a number of assumptions have been made under each scenario and these will form the basis of the financial proposition included in the final Business Plan once they are agreed.

## Teckal Co

- Make teckal work as easy as possible
- Satisfy VFM 'in the round', not job by job. Individual business cases no longer required
- Efficiency – joint commitment HTS and Harlow Council
- Dividends as set out above
- Procurement – PCR2015 applies but agree optimum position – needs procurement experts who understand how to flex PCR, category management specialism (e.g., construction), etc
- Regular monthly pipeline meetings to ensure flow of work is delivered
- Long term capital programme rather than annual – 5-year programmes
- Maximise revenue into teckal co
- Complete Best Value Review Actions to agreed timescales

## Trading Co

- Agree on key markets, geographical locations and client base. Initial focus should be on existing services that HTS deliver. These should be limited to 3-4 activities and include Planned Works, FM Services, House Building and refurbishments. Benefits of this is the ability to demonstrate experience, use of existing resources and skill already in the business.
- Development of longer-term framework arrangements are preferable rather than one off opportunities.
- Proposal for a new company wholly owned by Harlow Council
- Value proposition = purposeful business delivering value across partners, financial, environmental, social, local economies, etc.
- This plan is about building this new company foundations – no assumptions yet about returns in early years
- Mixed economy – develop longer term JVs, partnerships with LA's (Gilston Town etc), HA's, NHS, but take opportunities in the short term e.g., building refurbishment, FM (cleaning M&E, property, environment), fleet, with advocacy provided by Harlow Council
- Spend time now to develop a proper Business Development Strategy:
  - Growth plans which identify the market and the opportunities
  - Strategic accounts e.g., new business, tendering, proactive leads
  - Account management – retention, customer feedback & insight
  - Strategy development – marketing plans campaigns, sales reporting, MI
  - Digital & marketing comms – PR, website, social media
- Also need to ensure investment and HTS is equipped to deliver new work streams. Will require sales team, bid writer, commercial team such as QS, etc.
- New Ts & Cs for staff employed here to allow HTS to compete in the commercial sector
- Teckal co pension scheme to remain intact

## Overarching themes

- Important themes across the business as follows:
  - Environmental / net zero carbon
  - Customer experience and satisfaction
  - Quality
  - Investment in staff
  - Strong Safety culture
  - Adding Social Value
  - Efficiency and cost savings

## Risk

- Major risks:
  - Lack of investment – mitigate by agreement with Harlow Council up front
  - Delivery risk – mitigate by investment in resources
  - Commercial risk – mitigate through appropriate sign offs by MD / Board on contracts
  - Business Plan barriers – shared commitment between HTS and Harlow Council to deliver the components and identify / overcome barriers quickly
  - Not being tax efficient
  - Current resource capacity in HC and HTS – both require project management resources
  - Ageing workforce
  - Lack of knowledge of local markets and being competitive in those markets
  - HTS overhead structure needs to be competitive to compete with competitors

## Next Actions/Resolutions

- Complete six actions from Business Plan meeting on 6<sup>th</sup> June 2021
- Agree a joint position on VFM and communicate it
- Agree the position on procurement – PCR 2015 and a totally different arrangement for the new trading co that is not subject to public procurement rules
- Review Scheme of Delegation so HTS has total authority over the business plan
- Agreement on how value is returned to shareholder. Currently its rebates and carries taxation risk to HTS. This would include for example establishing market rent and/or support service plus
- Shareholder stake – are HC prepared to limit return at first? What value is placed by Harlow Council on a strong balance sheet?
- Pipeline meeting – needs to be regular and committed to
- Risk Appetite a statement worth producing to set new boundaries
- Group Structure – Tax advice needed

## Business Development opportunities now

- The car park / charging opportunities for EVs – firm proposals and costing to be done – needs to link to a coherent strategy for electrifying Harlow. Harlow Council are preparing a Business Case for HTS in the next 6 months
- EV strategy. Could HTS be a charge point operator?
- Section 20 leaseholder opportunities – HTS will continue to get these opportunities in open tender against competitors and will need to be competitive to secure.
- Other opportunities from Harlow Council – this can be progressed once regular pipeline meetings are established
- Need to extend existing contract arrangements past 2027 now?
- Landlord options still on the table – need to produce business case based on high quality homes that add social value but at a profit – Serious ethical landlord in the sub region. Lead the way for private sector landlords. Be the landlord of choice.
- Regeneration projects in Harlow, but will depend on HTS ability to deliver
- National Federation of LATCo's contacts
- Tender opportunities through Eastern Procurement Framework
- Tender opportunities Delta E-sourcing portal
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## Gap Analysis

The gap analysis highlights the scale of resourcing, governance and complete change in mind set required to assist HTS in meeting its commercial ambitions and future vision.

We have defined HTS's objectives and targets and compared them against the company's current state to allow the gaps to be identified.

## Strategic Gap Analysis

Objective	Current State	Desired State	Gap Identified	Gap description	Next Steps
Increase turnover and new market sales	Limited 3 <sup>rd</sup> party contracts or tender opportunities	Increase in line with BP	Yes	Lack of 3 <sup>rd</sup> party opportunities	Develop BDM and estimator roles to source and price opportunities
Correct governance to facilitate growth	Scheme of Delegation for HTS (P&E) only	Develop Scheme of Delegation to align with BP objectives	Yes	Scheme of Delegation does not allow HTS group to implement BP	Agree changes to Scheme of Delegation to match BP targets and Objectives
Form new companies in HTS Group	Only P&E and H&R at present	Revised proposed structure with four new companies	Yes	Create new companies to deliver BP new workstreams	Create new companies and governance arrangements

Sign off BP to enable HTS to deliver objectives	Current BP does not match current expectations	BP to incorporate all activities and budgets to enable HTS to deliver it	Yes	Sign of Scoping Document by end of September 2021 and full BP by end of February 2022	Scoping document to be signed off by Shareholder by end of September so work can commence on BP
Resources and skills to deliver BP	Resources are ok for current set up	Develop resources to be able to deliver increased turnover in specialist markets	Yes	Additional key roles will need to be identified and recruited	Agree new BP to be able to commence recruitment

The analysis indicates that without a clear trajectory to enter new markets and buy in from the Council the plan will not be realised and could impact the return on investment without total commitment to the timelines for achieving scalability.