

HTS (Property & Environment) Limited

Business Plan

2017-2020

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HTS (PROPERTY & ENVIRONMENT) LIMITED BUSINESS PLAN

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1 Executive Summary

HTS (Property & Environment) Limited (“HTS”) was established after Harlow Council carried out an options appraisal on the delivery of services that had been carried out by a private contractor for ten years from February 2007.

In setting up a Local Authority Trading Company, Harlow Council has created a business that can trade externally and generate income for the Council whilst delivering core services to a high standard.

The profits made by HTS are reinvested in the business and shared with the Council, thereby driving continuous improvement in service delivery whilst also enabling the Council to resource other services to the local community.

HTS has long-term aspirations for growth and to develop income streams by taking its offering to the market.

2 Introduction

This Business Plan sets out how the newly established HTS operates from commencement of delivery from 1 February 2017 to 29 February 2020. It outlines the business objectives and the activities undertaken to achieve them.

The Business Plan is reviewed at Board level on at least a quarterly basis and forms a working document for the HTS Board. Any key decisions and decisions to add or remove business streams will be referred to the Shareholder Sub-Committee under the agreed terms of reference.

The primary objective of the HTS Board will be to support the delivery of Harlow Councils' Corporate Values which are:

- (1) More and Better Housing
- (2) Regenerating the town and supporting a thriving economy
- (3) A clean, green and sustainable environment
- (4) Successful young people and improving citizenship
- (5) Promoting social inclusion
- (6) Providing community leadership and good governance
- (7) Sound Resource management

2.1 Mission

Our customer focussed mission is to be both the provider of choice and employer of choice for the services we offer. We use innovative practices that deliver value for money for our customers and allow us to grow and provide a return for our shareholder

2.2 Vision

Our vision is to sustainably grow our business with our motivated workforce delivering the best customer experience in the sectors we work.

2.3 Values

1. Safety and Environment

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

2. Ethics

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

3. People

- a. Our employees will always be our most valuable asset.
- b. Recruit and retain the best people to work for us.
- c. Build the business from within by developing, promoting and rewarding people in line with their performance.
- d. Encourage and promote healthy lifestyles for our employees.

4. Leadership and accountability

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

5. Customer Satisfaction

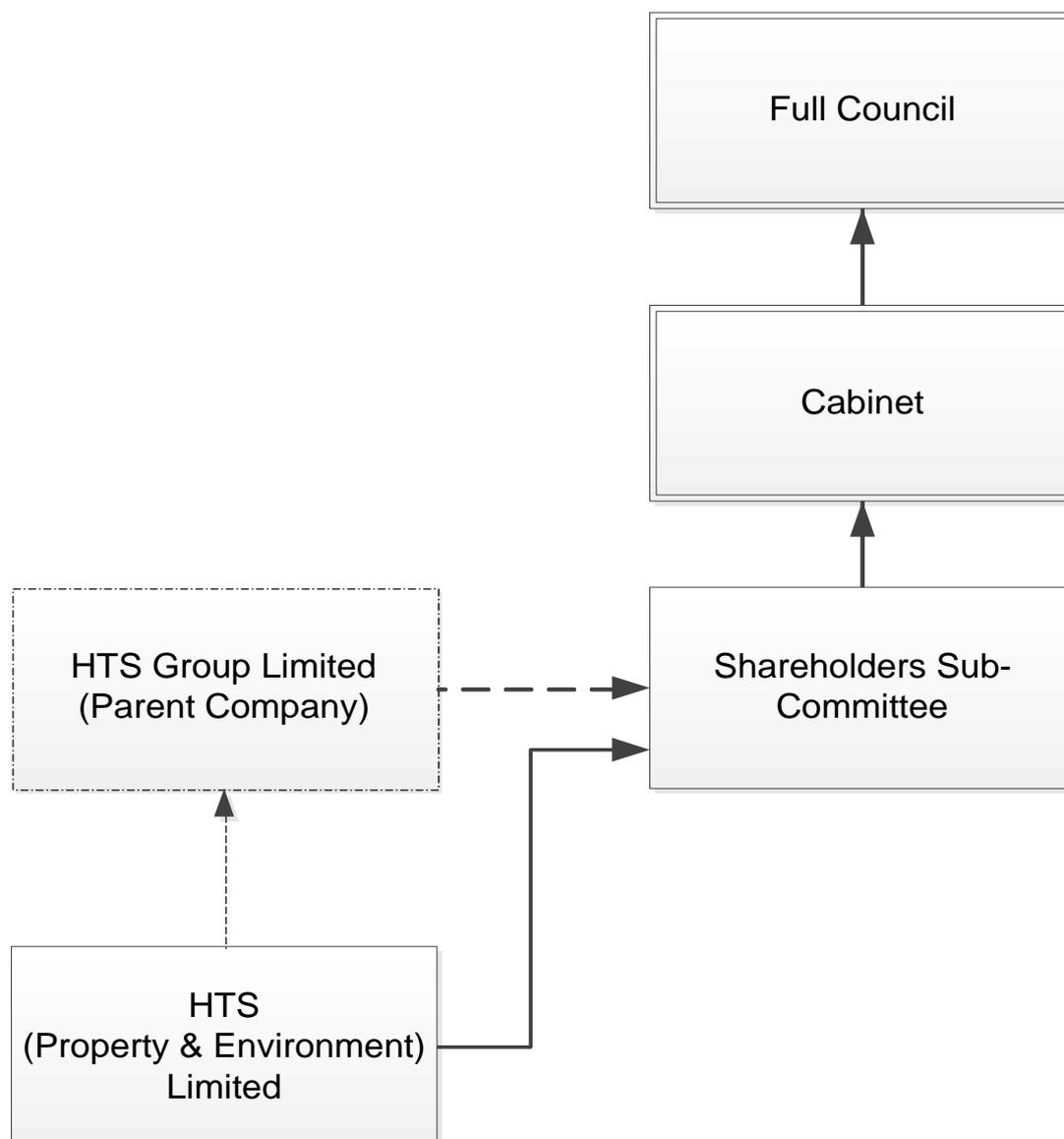
- a. Consider the customer in all we do.
- b. Fulfil the expectations of our customers and employees.
- c. Deliver what's right for the customer.
- d. Treat our customers with care, respect and consideration.

3 HTS Formation

HTS was formed on the 24 December 2015 with the purpose of carrying out the range of works and services previously carried out by Kier Harlow Ltd (a JVCo between Harlow Council and Kier) from the 1 February 2017.

In 2015 the Council carried out an options appraisal to determine how to deliver these services after the contract with Kier came to an end. The options appraisal concluded that the services to Harlow Council would be best served by the creation and operation of a Local Authority Trading Company (LATC) operating under “Teckal” rules.

The structure of HTS Group is shown in the diagram below and Harlow Council is the sole shareholder for HTS Group Limited, who in turn hold the single issued share in HTS (Property & Environment) Limited. Three politically balanced councillors were appointed by the Council to serve as directors on boards of both HTS Group and HTS (Property & Environment) Limited.



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The Managing Director responsible for day to day operations is the fourth HTS Statutory Director and Board member. The final Statutory Director and Board member of HTS is a Non- Executive Chairman.

A politically balanced Shareholder committee has been created who hold ultimate decision making over HTS at a corporate level.

Strong and transparent governance of HTS is critical to success and an external Chairman was recruited to ensure that the strategic objectives, commercialism and on-going performance required within HTS are achieved.

The establishment of HTS avoided a lengthy and costly procurement process and allowed a smoother transfer of service provision than would have been achieved by transfer to another external provider.

At all times HTS must operate and be governed within Teckal principles (to avoid any breach of EU Procurement Regulations). HTS is subject to Shareholder control and influence no less than the Shareholder Council may have with one of its own internal departments. In addition, 80% of HTS annual turnover must derive directly from Harlow Council business.

HTS is a living wage employer that provides an opportunity for the development of income generation outside the service offered to Harlow Council with the opportunity to provide better value for money to Harlow residents.

4 Ownership and Legal Structure

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

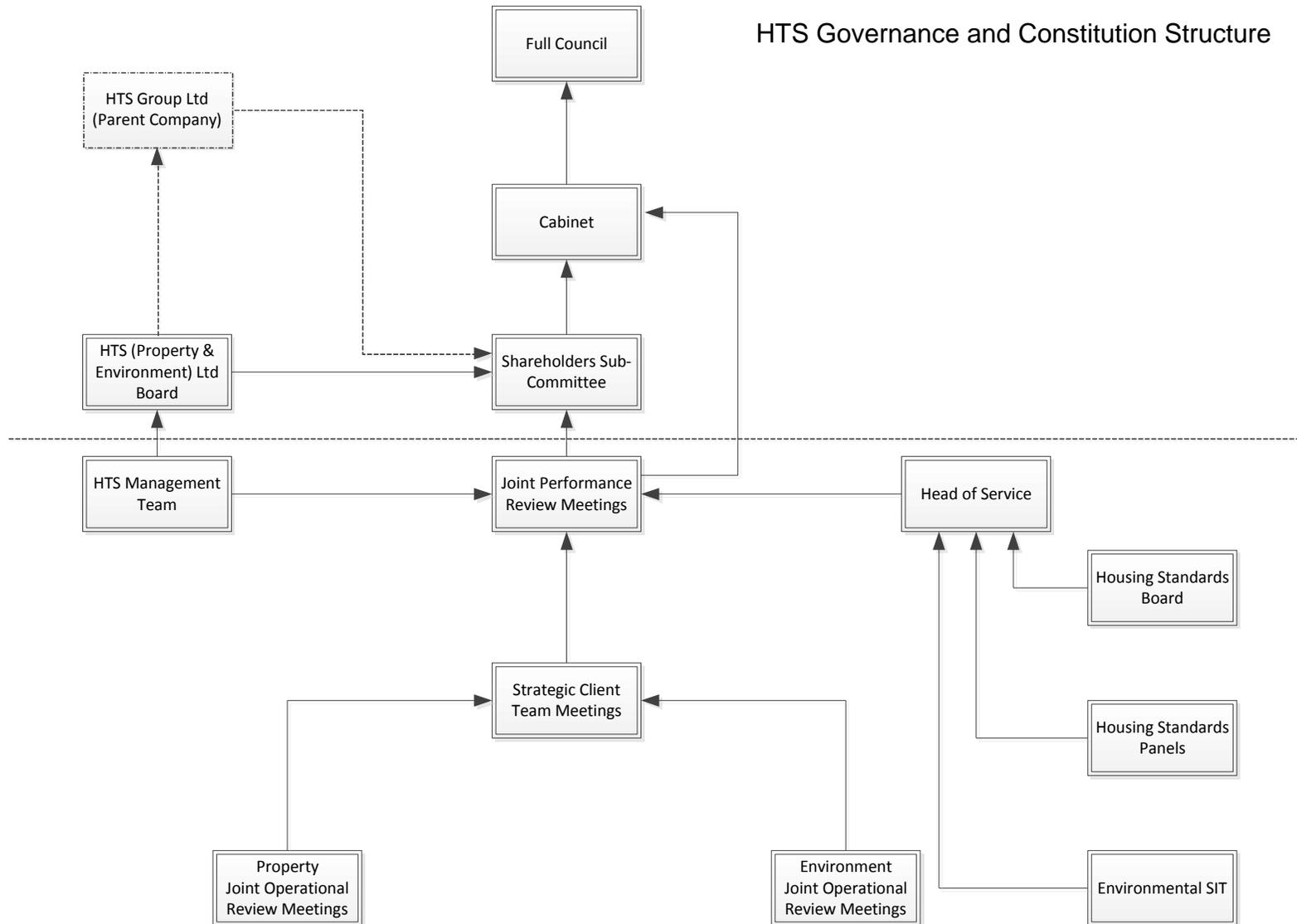
The Registered Office of HTS (Property & Environment) Limited is Civic Centre, The Water Gardens Harlow Essex CM20 1WG.

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

The Shareholder Sub-Committee is a sub-committee of Harlow Council's Cabinet. The position and reporting lines of HTS Group Limited and HTS within the Council's wider structure and Constitution is shown in the diagram on Page 10 opposite.

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HTS Governance and Constitution Structure



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Both the Shareholder Sub-Committee and the Board have a flexible “forward work plan”. The Shareholder Sub-Committee meets in public at least once a quarter; Board meetings are held in private session.

HTS is governed by Articles which are supplemented by a Scheme of Delegation which in turn refers to this Business Plan. These governance arrangements look to give HTS ability to determine and deliver operational objectives and make commercially sound decisions within the Teckal envelope. The Articles provide the framework for the operation of HTS including voting rights, casting votes, quorum and general objects and once adopted will be a matter of public record.

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

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

5 Board Duties

The core duties of the HTS Board are:

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

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

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

5.1 Director Profiles

Michael Harrowven – Non-Exec Chair



Collectively offering more than two decades of shaping Boards and fulfilling complex needs on a domestic and international scale, Michael's focus is on driving business stabilisation and growth by influencing key stakeholders, utilising diplomatic, persuasive communication techniques to ensure buy-in at all levels.

Michael brings a track record of successes across a wide range of environments, involving cross-functional, culturally diverse professionals to deliver world class solutions from a foundation of operational, tactical and fiscal strength.

Current/Previous Experience

- An Investment Manager for a major UK PLC Insurer and Investment House
- Fellow of the Institute of Directors
- Director of a recently merged Credit Union
- Previous Non-Executive Director/Chair of a leading Moody's rated Housing Association.

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John Phillips – Managing Director



John has overall responsibility for HTS and is the first point of contact for Harlow District Council.

John has over twenty years' experience in the Public Sector at senior strategic levels, having previously worked for Homes for Islington (Islington Council's ALMO) as Director of Property Services.

John has a detailed knowledge of local authorities' asset management requirements, and the contractual arrangements required to coordinate ongoing maintenance, periodic refurbishment and large scale capital works programmes.

Having a thorough understanding of public sector funding, John offers decisive direction to ensure budgets are met and best value is achieved for both the client and the customer.

Councillor Simon Carter



Simon has been a councillor on Harlow Council since 2000 and was closely involved in the selection of Kier for the joint venture company, Kier Harlow. He was Resources Portfolio holder between 2008 and 2012 when he was an observer on the board and is now shadows the Housing portfolio.

Before becoming a councillor he had a career in a major high street bank, taking early retirement following a decade in financial control, latterly specialising in indirect taxation.

He has also been actively involved in running a number of charities in Harlow and is currently chairman of a local housing charity.

Councillor Bob Davis



Bob Davis was first elected as a Labour councillor in 2002 and is currently vice chair of the Housing Standards Board

He completed an engineering indentured apprenticeship and then worked in engineering for 30 years; he also ran a number of European Social Funded Projects working with partners in Italy, Germany and Greece.

Bob ran a property maintenance company for 2 years before working in local government. He has worked in 2 local authorities, the Royal Borough of Kensington and Chelsea as a Business Initiatives Officer and Camden Council as a Social Enterprise Officer setting up 35 new businesses.

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Councillor John Strachan



John has had careers in Construction, Asset Management and Logistics, at a senior management level.

He first became a Councillor in 2009 and is a Cabinet member as well as vice chair on Licensing. He was also a board member of Harlow Regeneration Ltd and has served on 2 other boards.

His main outside interest has always been DJ'ing and producing music, starting with soul and disco until he discovered House in the early 80's. This has taken him all around the world.

John lives in Harlow with his partner and has 2 sons.

6 Shareholder Sub -Committee Terms of Reference

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

It has the following terms of reference:

- To be consulted on the appointment and retirement of HTS Directors and external auditors.
- To hold the HTS Board to account.
- To receive and agree the HTS Business Plan.
- To receive financial and performance monitoring reports and accounts.
- To approve the cessation of existing business areas and approve new areas of business that fall outside of the thresholds contained in the Shareholder Agreement.

7 Company Summary

7.1 Aims and Objectives

HTS was established to ensure that works and services provided to Harlow Council are of a high quality and represent Value for Money.

KPIs and a performance management framework have been agreed in the form of a service contract between HTS and Harlow Council.

HTS will focus on delivering high levels of customer service to the community it serves and will look to promote social value through local employment and investment in training and developing local people within the sector it operates.

In addition, in time HTS will seek to sell its services to other Organisations where we have a Competitive Advantage (see Page 33) and the risk profile is low.

7.2 Services Delivered

HTS will deliver the services listed in the table below to Harlow Council and where indicated develop its business to offer these services to neighbouring Registered Providers, Local Authorities and Health Providers.

HTS can also expand its potential service offering where opportunities arise that align with our key skills and competencies.

While growth is an ambition, market activity is limited to less than 20% of the turnover of HTS in adherence with Teckal principles. Our focus therefore is to concentrate our growth efforts on areas that maximise profitability within the limitations of the revenue growth that HTS can trade.

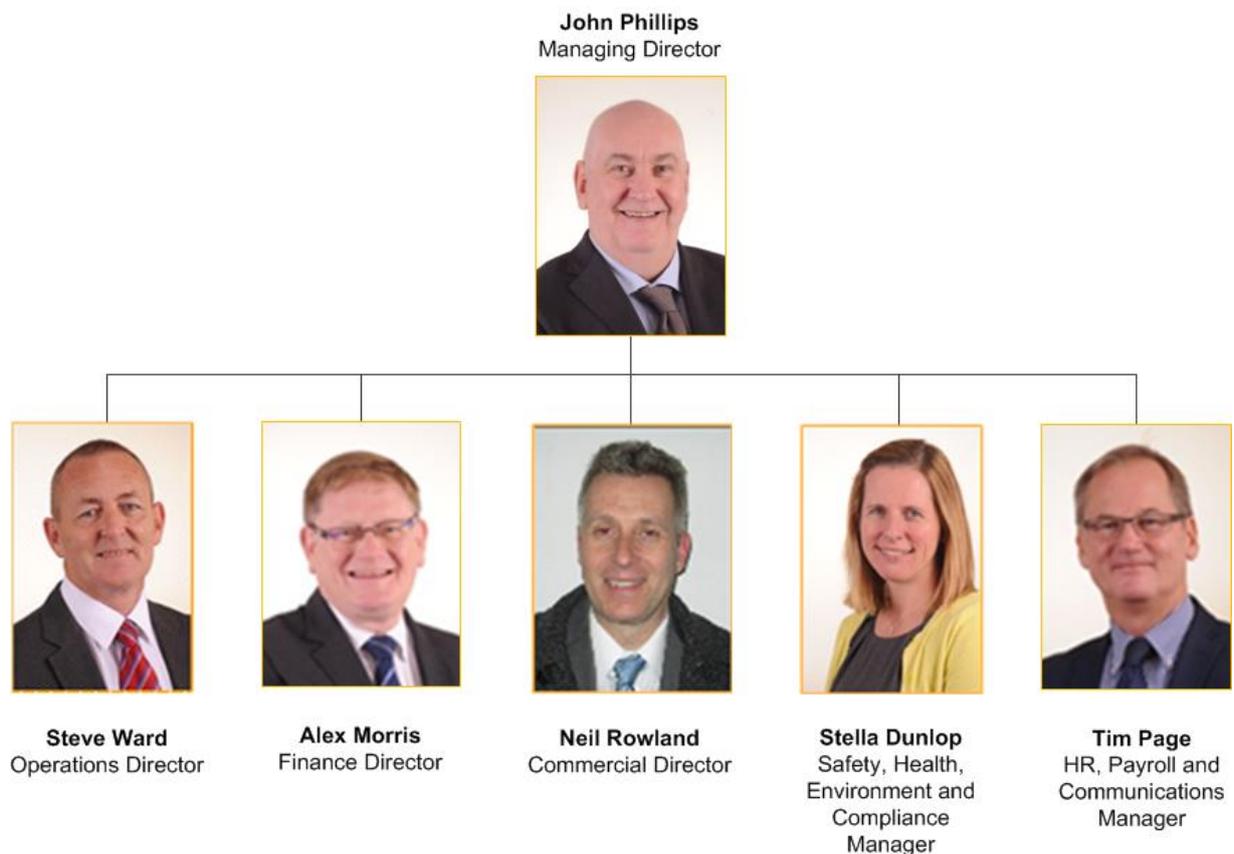
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Service	Current Offering		Potential External Offering
	Housing	Non Housing	
Responsive repairs	✓	✓	✓
Cyclical maintenance	✓	✓	✓
Planned maintenance	✓	✓	✓
Street cleaning		✓	
Grounds maintenance	✓	✓	✓
Cleaning and caretaking of communal housing	✓		
Pest control	✓	✓	
Stray dog collection		✓	
Vehicle maintenance		✓	
Drainage and gully repairs and maintenance	✓	✓	
Supporting elections		✓	
Highway repairs		✓	
Compliance Works including Gas Servicing, electrical testing and water hygiene	✓	✓	✓

8 Management Structure

HTS benefitted (through TUPE arrangements) from having a comprehensive and experienced team who have been successfully delivering the contract since February 2007 and whose knowledge of Harlow's stock, assets and efficient and effective business practices can be maintained in the future. This is particularly important considering the myriad construction methods used to build Harlow's housing stock in the last 60 years which includes non-traditional methods no longer in common practice.

None of the operational Director roles listed below are Statutory Directors of HTS



9 Property, Assets & Fleet

HTS operates from the location previously occupied by the JVCo, Mead Park Depot (“depot”). Harlow Council retains the ownership of the depot and the land and leases it to HTS on a full repairing lease.

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

10 ICT Systems and Infrastructure

Organisations are often prevented from adapting and innovating due to the limitations of the legacy systems they operate and the investment already made in both hardware and software solutions. The creation of HTS (Property & Environment) Ltd presents an ideal opportunity to take advantage of the technological advances made in the way we do business, and the way we communicate, with our customers, suppliers and the wider general public.

Our strategy is to implement a hybrid-Cloud based IT solution, with sensitive information stored locally within an HTS private network, and enterprise class systems being hosted securely on the internet.

Specialist and mature, order management systems enable HTS to manage and deliver services through the effective use of our workforce and approved supply chain using mobile solutions and up-to-date technology.

The IT strategy is specifically aligned to HTS business process requirements both now and in the future, and provides a modern, secure, flexible and affordable solution that is designed for growth and innovation.

11 Business Context and Market Analysis

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

The Government's 'austerity' measures have hit local government particularly hard, and in a number of ways. Grant funding to councils is being squeezed particularly hard, which is what contributes towards street scene and landscaping services.

Councils with their own housing stock maintain two main accounts, the General Fund and the Housing Revenue Account (HRA). The HRA is a ring fenced account solely for the purposes of receiving rental income and the management and maintenance of the housing stock. The General Fund pays for all other services through government grant, Council Tax and other income.

From this year, and for the next three years, all social housing tenants will benefit from a 1% per annum reduction in rent, with obvious implications to landlords in being able to maintain services and take forward new investment.

Other changes to welfare may have an impact on landlord finances but much of the detail is still awaited, adding to uncertainty in the social housing sector.

HTS shares the priorities of Harlow Council and it will strive to adapt to the changing environment through positive engagement with the Harlow Council. This will be against a background of ensuring sustainability of HTS to continue to deliver the Harlow Council's priorities.

11.1 Impact on Local Authorities

Central Government has cut its grants to local government quite substantially over the past five years and will continue to do so until 2019/20, after which councils will begin to retain Business Rates, which currently are paid direct to the Treasury. Alongside the four years of rent reductions, stock owning councils face additional pressures from the following three aspects of welfare reform.

1. Universal Credit merges a range of different benefits paid fortnightly or four weekly into one monthly payment direct to the claimant. There is concern that some tenants will struggle to manage a monthly budget, may not treat the rent as a priority, leading to a rise in arrears and higher management costs.
2. 'Pay to Stay' is aimed at households earning over £31,000 per annum, whereby their rent is increased to near market levels, on a sliding scale, and the additional rent paid to the Treasury.
3. Right to buy for housing association (HA) tenants presents a risk to councils as the government is proposing that the capital loss to the HA on the disposal of properties at a discount, is offset by the sale of high value council properties, the proceeds of which are paid to the Treasury.

12 Strategy

12.1 Delivery Strategy

Taking into account the challenges listed above, it's essential that HTS not only performs viably, but continues to review efficiencies and controls costs all the while delivering the highest levels of customer satisfaction.

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

In order to fulfil this promise, HTS must prepare to challenge conventions and be innovative in service delivery to share in the Council's asset management strategy.

Our delivery is to include:

- Understanding the scale and extent of what HTS can offer.
- Being ready and able to respond to market conditions in respect of client priorities and opportunities that fit the HTS brand.
- Listening our customers and having in place mechanisms to respond to their requirements and change the business accordingly.
- Ways of getting closer to and understanding the demands on Harlow Council. Relationships with our Shareholder need to expand to allow us to tell our story better and build a greater understanding of the benefit of HTS.
- Undertaking efficiency reviews in respect of labour costs including non-salary benefits (holiday/pension/occupational sickness):
 - review the salary package on offer
 - increase productivity levels through improved leadership and, where possible, the use of better, more effective technology
 - consider the viability of the current pension arrangements and research and develop alternative pension options.
- Building on the positive relationships with Trade Union partners.
- Continuing to invest in our talent pool, identifying employees who are able and want to progress at all levels throughout HTS. In respect of the Board posts, ensure we have designated staff in place at least 12 months in advance of retirement.
- Progress and invest further in meeting the needs of the most vulnerable in our communities such as NEETS, Care Leavers and Young Carers.

12.2 Delivering strategic priorities

Realising our vision is about thinking differently to solve the challenges we face and focussing on the outcome and impact of our actions more than the actions themselves. We have therefore developed four key success measures that track outcomes instrumental to sustained organisational success. The activities that underpin these are shown in the Balanced Scorecard on Page 24.

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1. Financial performance
2. Operational performance and customer service
3. Culture
4. Business Growth.

12.2.1 Financial Performance

Financial sustainability is important for HTS to survive and grow as it underpins our ability to achieve our operating objectives and fulfil our mission over the long term. It's also essential for HTS to provide value for money back to Harlow Council and vindicate the decision of the options appraisal.

12.2.2 Operational Performance and Customer Services

In order to maximise our operational performance we must build on our existing strengths and use our core services as foundations for all service improvements, efficiencies and growth. This will involve combining our expertise with insight and innovation to deliver the most efficient, consistent and effective services that we offer individually and with our partners. There is an industry expectation to getting things right first time which we means we must look at each link in the chain to ensure we can achieve this wherever it is possible to do so. This will also require us to challenge how we work and focus on outcomes, impact and the value of our work.

12.2.3 Culture

Our culture is what truly defines us as different from the rest and is our only truly unique identifier. The type of work that we carry out can be replicated, but it's our personality, the way we do things underpinned by our values, that makes us a success. We're a company that listens to what matters to our customers and partners. We offer real choices to support their aspirations and respond to achieve positive outcomes. We support, involve and develop our employees because we want to make HTS a great place to work by enabling and empowering our employees.

12.2.4 Business Growth

We must be disciplined in seeking growth opportunities that support our aspirations and provide the opportunity to demonstrate the benefit of our customer focussed model. Our growth must be sustainable and we will look to grow in areas that allow us to increase our economies of scale and share costs without distracting us from our three year vision. Growth opportunities ideally will also lead to the development of our employees providing services, opportunities for customers and for innovative future service provision.

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12.3 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.

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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.

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Culture This measures social, ethical, innovation, learning and corporate value targets		
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.

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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.

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12.4 Market Opportunities

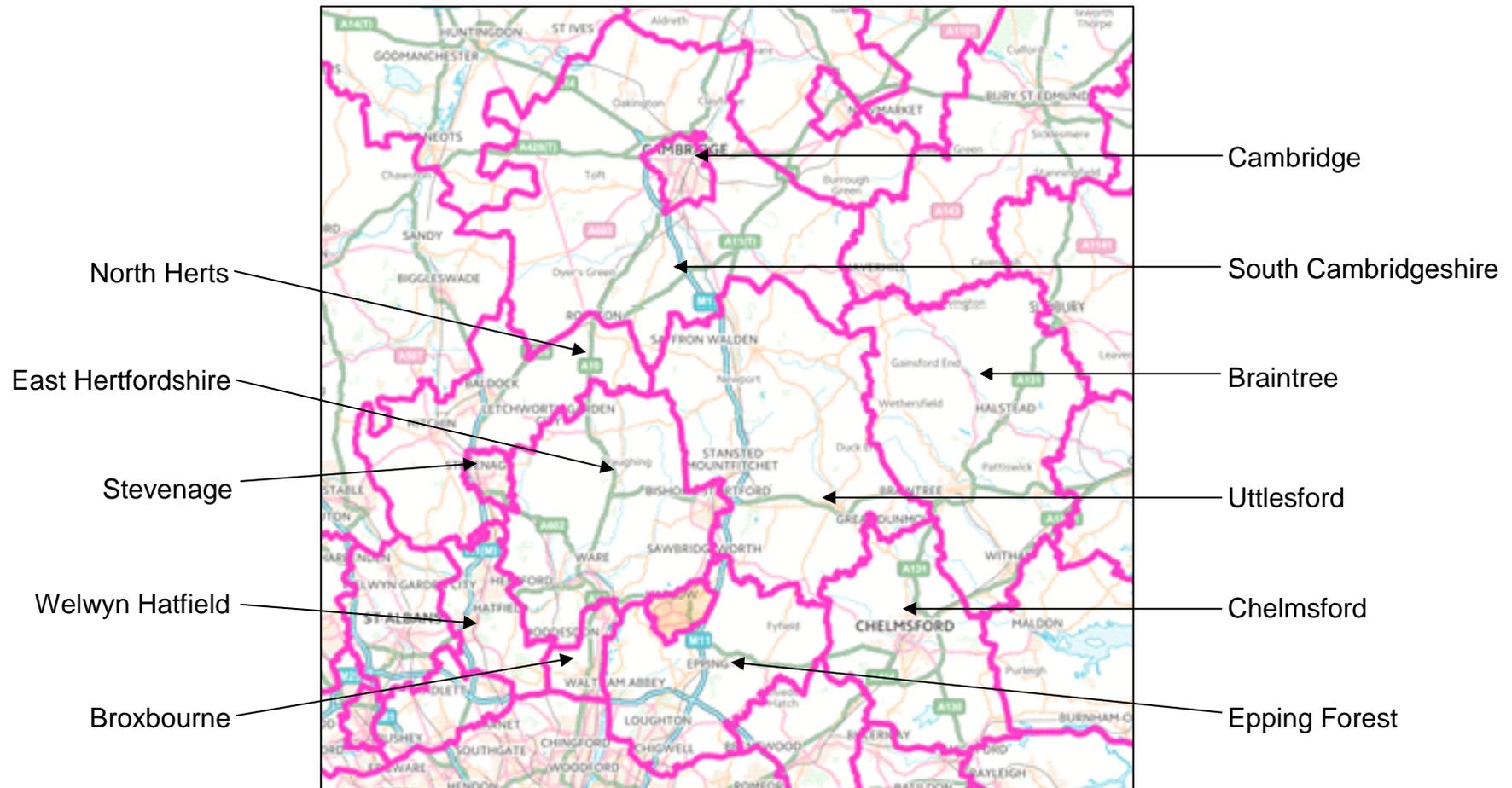
To effectively grow our service and expand our offering to other clients we will be seeking to tender for opportunities primarily within Harlow and its neighbouring boroughs.

To determine the target areas of growth for HTS we have carried out an analysis of the potential markets, products/services, customers and competitors as set out below:

Markets	Customers
<ul style="list-style-type: none"> • Adjacent Local authorities/Registered Providers • Charities • Other voluntary and community agencies • Health providers • Education – local schools and colleges both within Harlow and its surrounding authorities • Leisure • Private sector • Commercial sector • Schools – State and Private • Leasing and rental arrangements for assets allocated to HTS 	<ul style="list-style-type: none"> • Councils/housing associations/ALMOs • Contractors (HTS as sub-contractor) • Hospitals/surgeries • Community centres • Care homes • Schools/Nurseries • Sports halls • Private householders • Private businesses • Managing agents/property managements • Developers • Consultants – e.g. architects, Quantity Surveyors, Project Managers
Products/Services	Competitors
<ul style="list-style-type: none"> • Void management • Disabled adaptations • Mechanical, electrical and environmental • Home security improvements • Conversions/extensions • Facilities management (maintenance) • Sustainable energy and climate change • Procurement and supply chain management • Statutory compliance of building services 	<ul style="list-style-type: none"> • Private sector contracting organisations • Specialist contractors (e.g. on M, E and E) • Other local direct labour organisations

12.5 Geographic Coverage

We will aim to grow our business in neighbouring areas, and following a review of market growth look to adjoining counties.



HTS (PROPERTY & ENVIRONMENT) LIMITED BUSINESS PLAN

12.6 SCORE Analysis

In order to focus our marketing and business development on areas with the maximum potential we have considered the internal and external environment as set out below.

Strengths	
<ul style="list-style-type: none"> • Existing relationship with Harlow Council • Better value than other options • Established and known workforce • Single service supplier • Focussed service delivery • 100% responsibility for diverse workforce • Commercial risk sits with HTS as the subsidiary • Established, successful model for managing services for Harlow Council • Locally based with local knowledge 	<ul style="list-style-type: none"> • Incentivised to drive improvements • Growth arrangements established • Single point of contact for all services provided • Job security for employees • Less duplication of tasks • Existing assets owned • Strong commercial experience from private sector • Existing infrastructure for performance and financial management • Communications plan developed during mobilisation
Challenges	
<ul style="list-style-type: none"> • Company reputation needs establishing • Immature supply chain and resources arrangements • Costs may increase before they reduce (e.g. initial set up costs, procurement of new systems) • Will take time to implement and 'bed in' • Assumed efficiency savings need to be proven • Securing external work with a lack of demonstrable company experience • Competition in the marketplace 	<ul style="list-style-type: none"> • Changing culture of existing employees at all levels • Alignment of objectives and integration of teams and working practices • Skills shortages due to external market factors • Management capacity to make changes and deliver new work • Pressures of trading within a market close to London • Impact of any further changes to budget, housing policy and/or legislation

HTS (PROPERTY & ENVIRONMENT) LIMITED BUSINESS PLAN

Options	
<ul style="list-style-type: none"> • Opportunity to contract out to third parties • ‘Fresh start’ for the service and workforce plus improved workforce development • Improved delivery of capital programmes • Streamlined overhead structure being a medium enterprise rather than within a PLC structure 	<ul style="list-style-type: none"> • Potential for business growth and new income streams • Culture change programmes leading to increased productivity • Aligned objectives and joint working • Establishment of recognised/trusted brand and reputation • Potential for shared services (e.g. materials supply) – value for money/reduced costs
Responses	
<ul style="list-style-type: none"> • Opportunity to contract out to third parties • ‘Fresh start’ for the service and workforce plus improved workforce development • Root and branch review of service delivery methods • Potential for significant savings by being a medium enterprise rather than within a PLC structure 	<ul style="list-style-type: none"> • Investment in the business to fund improvements • Alignment of objectives and joint working • Establishment of recognised/trusted brand and reputation • Potential for shared services (e.g. materials supply) – value for money/reduced costs • Potential for business growth and new income streams
Effectiveness	
<ul style="list-style-type: none"> • Meeting KPIs 	<ul style="list-style-type: none"> • Meeting Strategic Priorities

12.7 HTS Opportunities

Taking into account market opportunities, geographical coverage and the SCORE analysis above the key areas of potential growth and third party work which can be undertaken will be in the core business areas of:

- Building maintenance
- Building compliance
- Environmental.

Organisations that have taken the opportunity to review the requirements of their service have seen the benefits of an internal delivery model, but are wary of the commercial risks in creating one from 'scratch'. As a result, we are seeing an increase in hybrid models where a new commercial entity is created to deliver the asset management service that is wholly owned by the Contracting Authority. The establishment of HTS gives Harlow Council a unique opportunity to utilise the strong and well established expertise that existed within the Harlow JVCo to continue to develop improved services through an LATC arrangement.

Models such as HTS un-shackle the asset management delivery from the rest of the organisation and allow the entity to run on a more commercial basis and explore strategic opportunities. This ethos is essential to meeting Harlow Council's objectives going forward and will play a key role in the effective and efficient delivery of the services delivered by HTS.

12.7.1 Building Maintenance and Compliance

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

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

12.7.2 Environmental

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

12.8 Sources of Competitive Advantage

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

12.8.1 Social Value

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

12.8.2 Commercial Risk/Covenant

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

13 Anticipated Financial Results and Other Outcomes

In FY 2017/18 HTS expects to make a profit, and deliver £0.5m of services to third parties. In Year 2 expectation is for the business to improve performance and increase third party growth to £1.5m. By Year 3 the business will be consolidated and targeting £3m of third party works at which point a Value for Money review will be carried out in respect of the service offered to Harlow Council. At this stage the value of potential growth will be measured against the cap imposed by the Teckal status of HTS.

We will initially look to target our growth within the immediate Harlow community focussing on the core services that we provide to Harlow Council. Only when we are sure our core business activities are being effectively and efficiently delivered will we then look to develop our business into other work streams.

HTS need to be mindful that our capacity to grow is limited by Teckal arrangements that limit us to 20% of core turnover of circa £17M. This therefore equates to circa £3.4m per annum. Our focus needs to be to primarily look to maximise profitable venture to ensure we make the most of our limitation on revenue growth.

14 Commercial Model

The commercial model will be subject to service level considerations with Harlow Council, the terms of which are being reviewed.

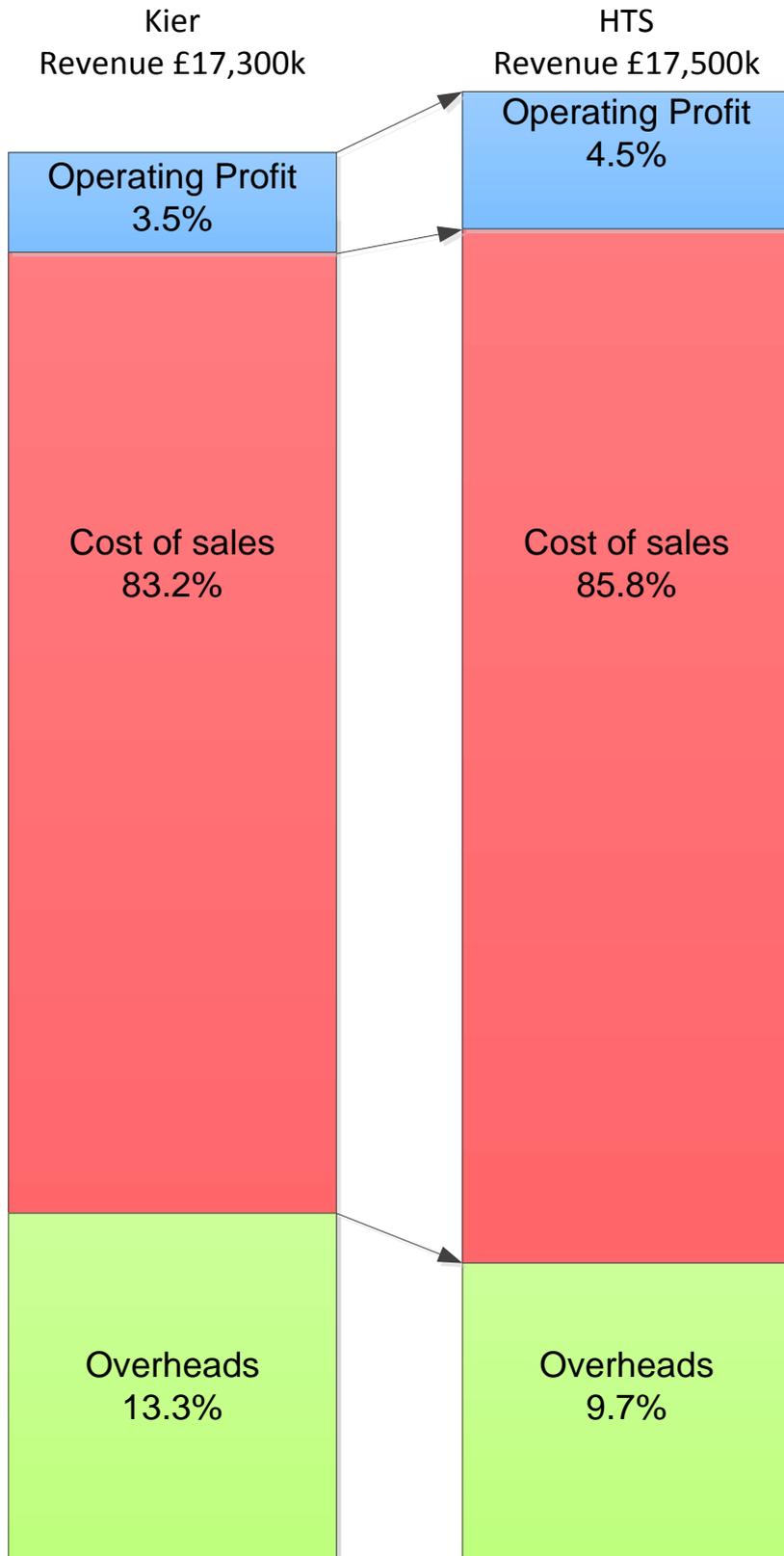
It is anticipated that there will be an Annual Service Charge paid monthly, on the 1st of the month and subject to an agreed payment mechanism.

Any services supplied by Harlow Council, will subject to market rate fees and delivered and management pursuant to separate service level agreement terms.

HTS is founded on a loan from Harlow Council of £1.4m and the table below summarises the budget summary for FY 17/18, 18/19 and 19/20.

	2 Months	12 Months	12 Months	12 Months
	Mar-17	Mar-18	Mar-19	Mar-20
	Forecast	Forecast	Forecast	Forecast
Total Revenues	3,005	23,154	24,171	25,529
Profit Before Tax	136	1,041	1,088	1,151
Taxation	(28)	(208)	(217)	(230)
Retained Profit	108	833	871	921
<u>Ratios</u>				
PBT Percentage	4.51%	4.5%	4.50%	4.51%
Tax Percentage	20.00%	20.00%	20.00%	20.00%

The following diagram shows how additional operating profit can be leveraged from the Annual Service Charge by HTS carrying out the works previously undertaken by Kier.



15 Return to our Shareholder

HTS's objectives help in delivering some of the key priorities of Harlow Council:

	Harlow Council Objective	HTS Return
1	More and Better Housing	<ul style="list-style-type: none"> Delivering 30,000 repairs per annum, 9,000 gas services, fitting over 200 new kitchens and installing over 100 new boilers each year.
2	Regenerating the town and supporting a thriving economy	<ul style="list-style-type: none"> Using local subcontractors and employing a workforce over 65% of whom live in Harlow.
3	A clean, green and sustainable environment	<ul style="list-style-type: none"> Maintaining 4 million square metres of grass per annum Processing 5,700 cubic metres of green waste per annum.
4	Successful young people and improving citizenship	<ul style="list-style-type: none"> Working with local schools to provide work experience places for schoolchildren each year Committing to a programme for up to ten apprentices.
5	Promoting social inclusion	<ul style="list-style-type: none"> HTS is a Disability Committed employer HTS employs an Environmental Task Force of circa 20 employees requiring additional support to work.
6	Providing community leadership and good governance	<ul style="list-style-type: none"> Holding leaseholder forums Appointing three Councillors as Board Directors Having a clear reporting line to a politically balanced Shareholder.
7	Sound resource management	<ul style="list-style-type: none"> Employing locally and keeping the Harlow pound (£) in Harlow Making the depot available for local businesses Sharing training courses with subcontractors and partners.

16 Appendix A – Glossary

ALMO	Arm's-Length Management Organisation. A not-for-profit company that provides housing services on behalf of a local authority
Articles	A public document that regulates company operations
ASC	Annual Service Charge to Harlow Council from HTS
Conflict of interest	A situation that has the potential to undermine the impartiality of a person because of a clash between self-interest, public or private interest
Company Secretary	Statutory or non-statutory appointment responsible for ensuring compliance with company law
EU Procurement Regulations	Legislation setting out the procedures and practices which local government and HTS are required to follow when purchasing goods and services
Framework	A procured and agreed mechanism allowing for contracts to be placed with one or more operator for goods and services subject to pre-agreed terms and conditions
ICT	Information and communications technology
JVCo	Joint Venture Company
KPI	Key Performance Indicator
LATC	Local Authority Trading Company
Nolan Principles	The Seven Principles of Public Life defined by the Committee for Standards in Public Life:

	<ul style="list-style-type: none"> • Selflessness • Integrity • Objectivity • Accountability • Openness. • Honesty • Leadership
PLC	Public Limited Company
Registered Provider	Provider of Social Housing regulated by the Homes and Communities Agency
Right to Buy	Automatic statutory right to for a secure tenant purchase their property
SLA	Service Level Agreement (form of contract)
Scheme of Delegation	Matrix confirming final decision making powers
Statutory Director	Post holding express enforceable duties to HTS
Teckal	Wholly owned, influenced and controlled local authority company undertaking with no direct private capital participation. Not less than 80% of its work directly for the local authority.
TUPE	Transfer of undertakings (Protection of Employment) Regulations 2006 (as amended)