

# Trading Company Summary Business Case

Creation of a Local Authority Trading Company

## Appendix 2

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## **SECTION 1**

### **1.1 INTRODUCTION**

This document sets out the Business Case for the establishment of a local authority trading company (LATC) in respect of various services currently operated under the West Yorkshire Joint Services Committee. It is proposed to provide services to the private sector through a LATC and the Joint Committee will provide services to the LATC to enable it to do so.

This LATC will provide a vehicle for providing services initially in the following areas:

- Materials Testing Service
- Calibration Services
- Archaeological Services
- Business Hive

Other services may be provided in the future and each will be subject to a separate business case before that is implemented.

At this time, the LATC will provide a vehicle through which the Joint Committee can trade, and as such, the LATC will not employ staff, or require it's own management structure or overheads.

### **1.2 BACKGROUND**

The Joint Committee is keen to generate additional income by trading its services to a wider private sector market. The services have been provided to the public sector, including the 5 Constituent authorities that make up WYJS, for many years and spare capacity has been sold to the private sector. The decrease in public funding has meant a reduction (gradual at first but considerably accelerated in recent years) in work commissioned into those areas by the public sector. At the same time, opportunities have arisen to increase the amount of work provided to the private sector. The extent of this is that it is now necessary to provide those services through a company vehicle if this balance of income is to continue and to satisfy legal obligations.

The powers and legal issues around this are detailed in the covering report.

Production and approval of a Business Case is a requirement of the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 and the Guidance developed by central Government for the establishment of such companies by Local Authorities. This document sets out the business case for the Holding Company and each of the Subsidiaries.

It is not proposed to put all the work of each of the service areas into the LATC. Services to the public sector will continue to be provided through the Joint Committee arrangements. Any private sector work will be provided through the

LATC with the Joint Committee providing services at a fully rechargeable commercial rate to the LATC.

### **1.3 Services to be provided**

The proposed LATC will initially provide services in the following areas:

- Materials Testing Service
- Calibration Services
- Archaeological Services
- Business Hive

Services connected to the West Yorkshire Analytical Services may be provided in the future through the LATC but at present the balance of public and private sector work is such that the majority of it is public sector and can be provided through the Joint Committee.

### **1.4 GROUP IDENTITY**

The current range of services has been provided in a group format for a number of years under the Joint Services banner. They are all supported from a central resources function that provides professional accountancy, human resources, governance and marketing and communications support. Central ICT support is provided by a service level agreement with Leeds City Council. Strategic direction is provided by the Strategic Leadership Team (SLT) who oversee the business and organisational direction of all services with the support from the Management Team working with the commercial managers in all three service areas.

Although the three scientific services (Materials Testing, Calibration Services and Archaeological Services) do not naturally sit together there are other synergies such as accreditation schemes (ISO9001 & ISO17025) which benefit from shared coordination. Each of the services also have links with the statutory services provided by the Joint Committee offering opportunities to promote the services on offer to a wider audience at little or no cost.

The backing of a larger organisation clearly has benefits in terms of being able to access expertise that would potentially prove more costly to access on an individual basis.

### **1.5 FINANCIAL INFORMATION**

#### **1.5.1 Set Up Costs**

Initial set up costs of £100k have been factored into the financial forecasts and there is an anticipation that this will be funded by a loan between the Joint Committee and the trading company at the prevailing rate of interest. As some of those set up costs are already being incurred there may well also be a charge between the Joint Committee and the trading company and this will affect the profitability of the company in the initial months and impact upon any tax liability.

The set up costs include;

- Legal and tax advice
- Setting up the company
- Utilisation of Joint Committee officers (and those of the districts where appropriate)
- Banking, audit and accounting fees
- ICT costs (inc software)

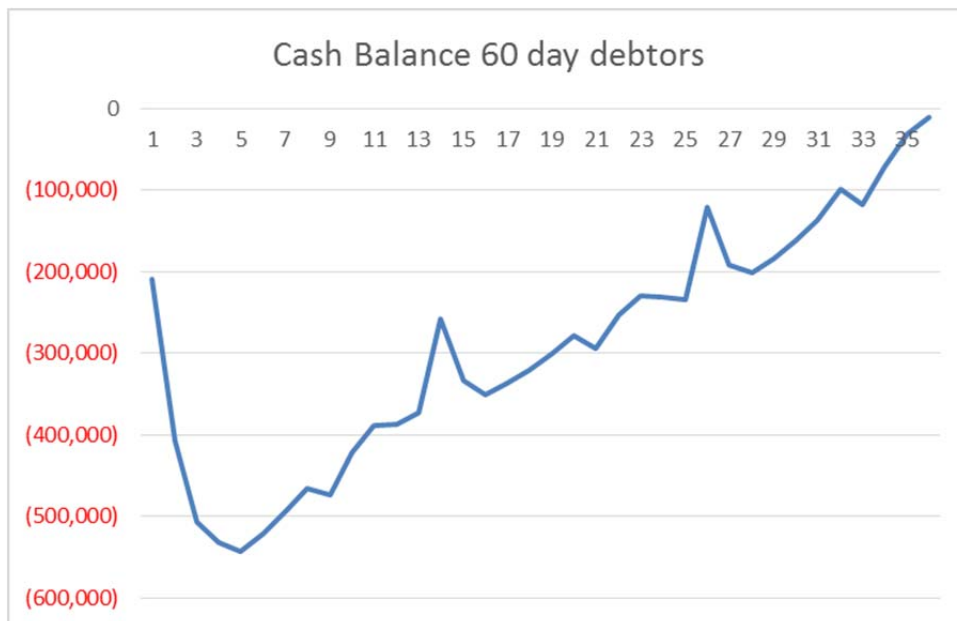
### 1.5.2 Consolidated budget

The consolidated budget for the services areas are set out below. Members should be aware that these differ from those previously presented in the WYJS budget strategy as they now include the set up costs referred to in paragraph 1.5.1. For simplicity the set up costs have been shared 3 ways across the three largest services with each service expected to incur £33k though the reality is that the actual split of costs will depend upon the specific requirements of each of the services.

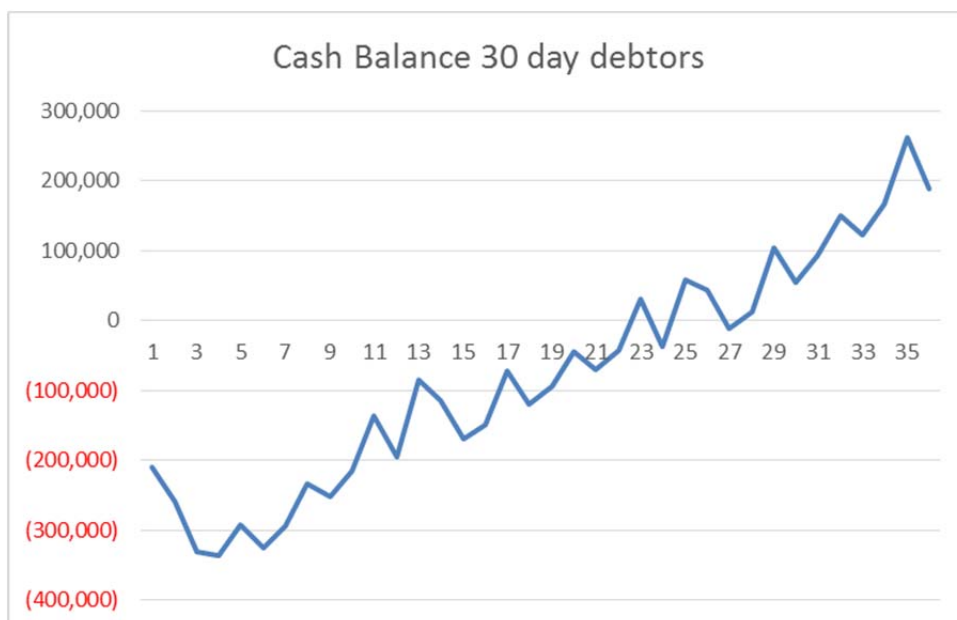
		2016/17	2017/18	2018/19	2019/20	Total
		<i>Actual</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	
Materials Testing Service	Expenditure	506,386	579,037	546,037	546,037	2,177,497
Calibration Services		605,015	576,311	543,474	543,642	2,268,441
Archaeological Services		871,272	915,900	908,114	1,009,276	3,704,562
Business Hive		-	70,000	70,000	70,000	210,000
<b>Total Expenditure</b>		<b>1,982,673</b>	<b>2,141,248</b>	<b>2,067,625</b>	<b>2,168,955</b>	<b>8,360,500</b>
Materials Testing Service	Revenue	612,499	678,900	678,900	678,900	2,649,199
Calibration Services		549,009	523,100	524,123	525,167	2,121,399
Archaeological Services		903,449	901,900	938,250	1,057,632	3,801,231
Business Hive		-	75,000	80,000	85,000	240,000
<b>Total Income</b>		<b>2,064,957</b>	<b>2,178,900</b>	<b>2,221,273</b>	<b>2,346,699</b>	<b>8,811,829</b>
<b>Year end Deficit / (Surplus)</b>		<b>(82,284)</b>	<b>(37,652)</b>	<b>(153,648)</b>	<b>(177,744)</b>	<b>(451,329)</b>

### 1.5.3 Consolidated Cash Flow and Working Capital Requirements

This business case recognises that the cash flow of the company will be a significant area of concern. Based on the existing experience of the trading of the Joint Committee i.e creditor payment terms of 30 days and average debtor days of 60 days, the following cash-flow requirements would be necessary. With an allowance for contingency this means a potential maximum requirement of up to £550k in period 5 of operation.



The trading company will seek to offer incentives to customers with the aim of bringing debtors days down to 30 days which would mean the cash requirement would reduce to a maximum of £340k as set out below. A credit control policy was implemented earlier this year that has generated some success in moving the average debtor days below 60 days.



In reality the cash flow requirement should not reach this limit as the Joint Committee will control the credit terms it offers the trading company, significantly impacting the monthly outgoings. During initial trading the Joint Committee will be able to influence the cash flows to support the trading company and minimise the necessity to seek external sources of finance which in any case would be difficult to achieve given the

limited trading history of the company. The working capital requirement will therefore be managed through a combination of loans from the Joint Committee/districts and management of the credit terms between the two bodies.

## **1.6 Risk Management**

A general risk assessment has been undertaken to cover all areas proposed to be within the LATC group. Each area of growth has also been subjected to a separate risk assessment which is set out in more detail in the business plans. The projected income figures have been risk assessed using the following criteria:

- Level of control
- Is the expansion in known or new markets
- Level of investment required
- Level of competition in the sector



## **SECTION 2**

### **MATERIALS TESTING SERVICE**

#### **2.1 BACKGROUND**

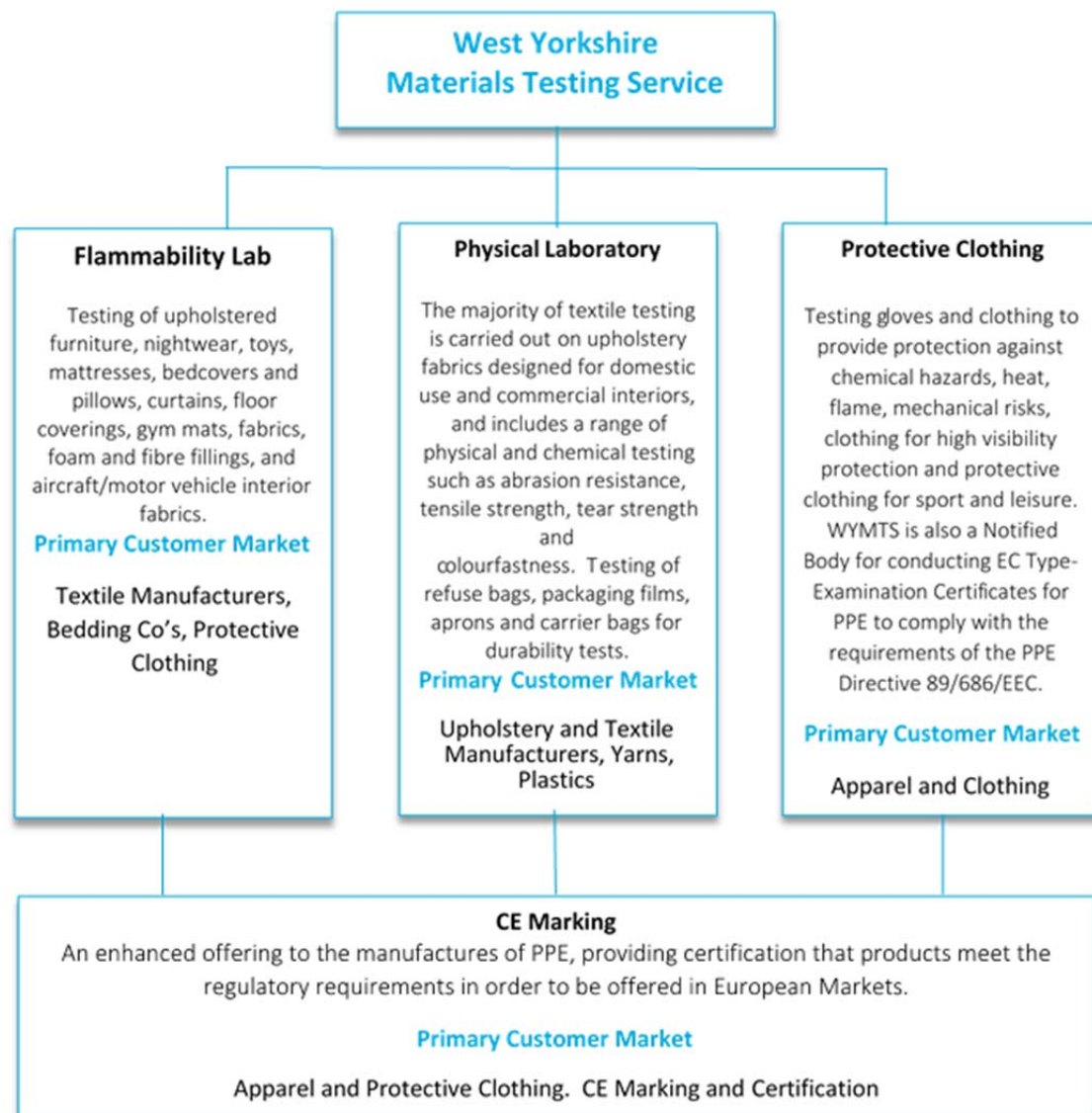
A detailed business plan has been prepared for the West Yorkshire Materials Testing Service (WYMTS) and is available to members as a background paper. However, a summary of key issues is provided here for the benefit of the overall business case to establish a LATC.

##### **2.1.1 Sector and Services provided**

The testing of materials is the measurement of the behaviours and characteristics of certain materials under various conditions ensuring that material under test complies with the relevant legislation and is safe for use by consumers, trade and industry. Materials can be wide ranging from everyday items such as upholstered furniture for domestics and commercial use, protective personal equipment (PPE), plastics to colour fastness on apparel. Manufacturers of such materials have a legal requirement and/or duty to ensure that materials meet the required specifications, carry the appropriate certification for the country of use and are labelled correctly. In the main, WYMTS core areas are textile tests for flammability performance of textiles and associated physical testing. WYMTS also have expertise in the testing of polythene film products, particularly sacks and bags for domestic, trade, garden disposal, and the disposal of clinical waste.

In 2008 the service was expanded to include PPE which has grown into a valuable area of the business. During 2015 this work dipped due to imminent changes in the PPE regulations which has led to customers deferring testing until the new standard is in place (expected in 2016). This situation is being monitored closely and although some of it has recovered it is not at previous levels. What it has demonstrated is that the work can be cyclical and understanding of the market is clearly important in managing the risks associated with trading.

WYMTS has a varied customer base which includes a range of international clients. The range of services can be summarised as follows:



## 2.2 SWOT ANALYSIS

The strengths, weaknesses, opportunities and threats of the business are summarised in the table below:

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>A long standing reputation built on expertise and integrity via good client relations and knowledgeable experienced staff;</li> <li>Value added consultancy, guidance and support on appropriate testing and results;</li> <li>Client visits to laboratory to view facilitates and observe analysis;</li> <li>Association with West Yorkshire Trading Standards, unbiased approach to analysis;</li> <li>Fast turnaround upon request;</li> <li>Expert witness available if required.</li> <li>Staff members who sit on the committees of governing bodies</li> </ul>	<ul style="list-style-type: none"> <li>Time taken to train new staff in in highly demanded test methods;</li> <li>Turnarounds suffer when training needs to take place;</li> <li>Lack of staff cover on a number of tests split across sub groups for holidays, sickness and general leave; long term staff sickness.</li> <li>Unable to compete on quick turnaround times for specific sectors e.g. apparel/clothing;</li> <li>Clients becoming more price sensitive, time bound and knowledgeable on testing;</li> <li>A number of tests are loss leaders</li> </ul>

	<ul style="list-style-type: none"> <li>• ICT Infrastructure still needs improving following the move to the new service provider;</li> <li>•</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Greater use of IT on certain tests to increase turnaround;</li> <li>• New online activity and website should drive traffic;</li> <li>• New equipment installed has increased Hi Vis testing;</li> <li>• Increasing abrasion testing capacity could lead to additional income;</li> <li>• Extending PPE offering once new equipment (charge decay) is commissioned;</li> <li>• Opportunities in aircraft and automotive sectors could provide new income streams;</li> <li>• Increased capacity in flammability testing e.g. mattresses and seating.</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Potential reductions in income generation from: changes in cigarette &amp; match testing; growing amount of internal checks and auditing; change in usage of plastics sacks/bags by LA;</li> <li>• Staff turnover;</li> <li>• Lack of local authority funding (trading stds);</li> <li>• Some equipment is coming to the end of its useful economic life Changes in legislation may leading to new technologies and therefore new equipment.</li> </ul>

## 2.3 PEST ANALYSIS

Carrying out a pest analysis provides an insight into market attractiveness and highlights key areas in the macro environment.

<b>Political</b> <ul style="list-style-type: none"> <li>• Government policy around budget strategies impacting local authorities and therefore the requirements of WYJS and committee members.</li> <li>• Freedom to trade under a subsidiary would elevate any current trading restrictions. However may result in taxation issues.</li> <li>• Changes in current legislation relating to labelling, fibre content, Country of Origin, care instructions and flammability: Textile and Clothing (EU) No. 1007/200, Furniture and Furnishings (fire safety) Regulations 2010;</li> <li>• The impact of Brexit will impact on the services provided as some of this e.g. PPE Testing is based on EU legislation.</li> </ul> <p>Note: changes in PPE are happening in April 2017 will mean additional accreditation is required, it is also likely to present an opportunity as existing product certs will not be compliant.</p>	<b>Economical</b> <ul style="list-style-type: none"> <li>• WYMTS trades internationally. Trading currency is sterling, however any change could impact on client spend and profitability.</li> <li>• Known economic challenges and pressures resulting in some organisations reviewing budgets and minimising testing if possible.</li> <li>• Industry cycles are experienced due to recurring testing/certification which are time bound (also has variation)</li> <li>• Different legislation between products for domestic use and commercial.</li> <li>• Economic issues around low level interest rates and impact on the nature of funding and/or capital borrowing requirements.</li> </ul>
<b>Social</b> <ul style="list-style-type: none"> <li>• Consumer trends are such that some customers are aware of legislation and safety issues, particularly for products used commercially and therefore seek reputable manufacturers.</li> </ul>	<b>Technological</b> <ul style="list-style-type: none"> <li>• The rate of change is slow generally, the advancement in technology are around technical textiles - a high growth area as manufacturers strive to achieve better performance in abrasion, strength, weight</li> </ul>

<ul style="list-style-type: none"> <li>• Consumers for domestic or personal use are thought to be less aware or concerned and as a result buying behaviour can be more price sensitive.</li> <li>• Other demographics such as lifestyle choices and age are not generally of direct concern to WYMTS, changes in fashion and current media influences such as movies can result in an increase in product testing, mainly seen from a consumer safety perspective.</li> </ul>	<p>and protectiveness.</p> <ul style="list-style-type: none"> <li>• Centres of excellence being developed which focusing on research and development as well as standard setting</li> <li>• Audit and costs of accreditation;</li> <li>• Financial implications of new equipment/ old equipment. Specialist nature of tests</li> </ul>
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### 2.3.1 Measures to manage SWOT and PEST

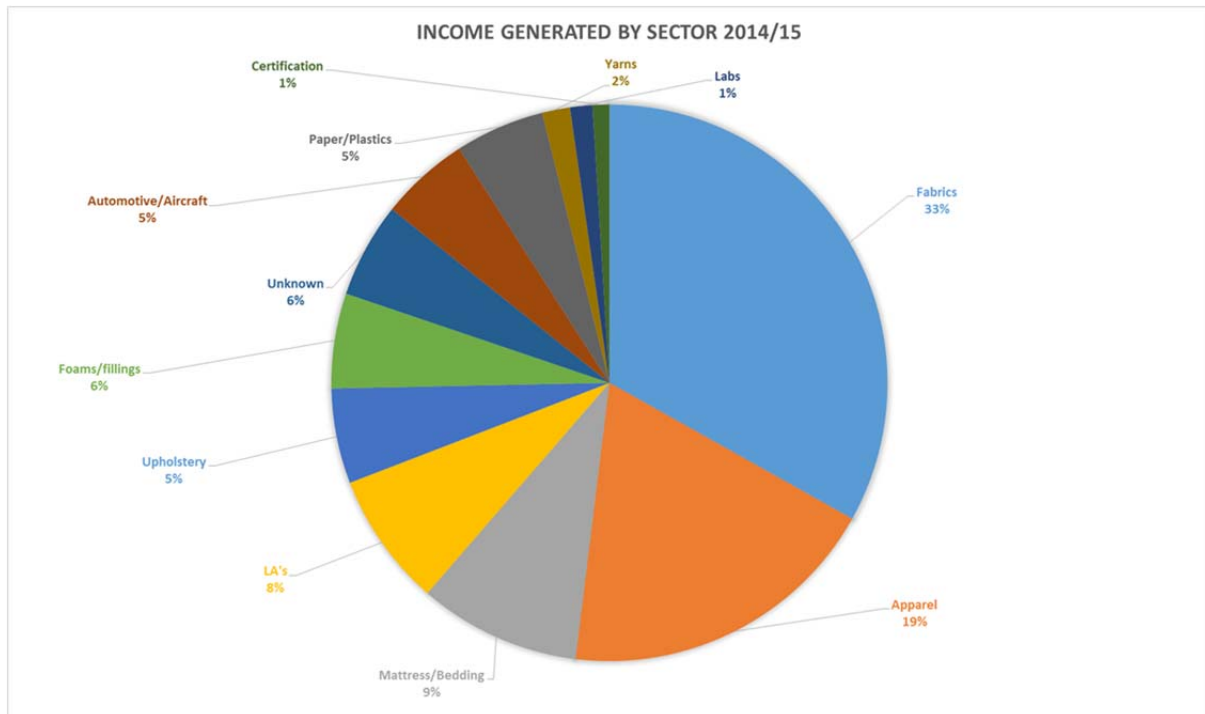
Protecting the reputation, relevant accreditations and retaining the association with West Yorkshire Trading Standards are fundamental to protecting this strengths of WYMTS, as is the achievement of the required turnaround times and maintenance and growth of existing levels of expertise.

Regulation, and changes in the political arena are areas that could influence business level decisions, particularly as imminent changes in legislation are likely to increase the demand for testing in PPE while conversely reducing demand for flammability (cigarette and match) testing. Whilst in some instances these issues are outside the control of the service, every effort is required to keep abreast of any developments and to approach them in a proactive manner.

Many of the existing team members are associated with various UK and EU associations who govern and set the industry standards meaning they are well placed to influence the sector and remain informed of changing priorities.

### 2.3.2 Target market and competitors

The current customer base is dominated by fabric and apparel manufacturers as identified below. All sectors are governed by EU directives for the European markets and, as a result, producers have a preference to have products tested by a UKAS accredited laboratory in the country of use.



The fabric sector is highly competitive with most textile firms manufacturing overseas (hence the reason for the global client base) as barriers to entry are much lower and industry clusters have been formed. Despite this, most of the design and sales remain in the UK and focus is increasingly drifting towards high value, design-led and knowledge intense products. Key areas in this sector for WYMTS are upholstery for the domestic and commercial furniture markets.

Testing in the apparel sector is mainly around aspects of personal protective clothing (PPE) using technical textiles, a term used in industry to describe textiles that fulfil technical requirements in order to better perform whereby manufacturing techniques seek innovation and versatility. A key area therefore is targeting the manufacturers of PPE apparel.

Markets where there are opportunities include the bedding sector (mattresses) and textiles used in automotive and aircraft interiors. Some work has been done to develop links with Huddersfield University who have a strong textile base, and some shared working is being developed, along with some access to a number of their partners/customers.

Generally, competitive rivalry is considered fairly strong and there is an abundance of other textile testing laboratories offering services at low prices and operating on fast turnaround times. Clients recognise that the work provided is in relation to a niche market where we provide technical expertise. Clients initially look for value for money, but often WYMTS find customers are willing to pay a premium rate for a fast turnaround time. Most of the textile laboratories compete across the board and offer very similar services resulting in the high level of competition. It is not uncommon for WYMTS to receive samples on occasions from its competitors when they are unable to carry out a particularly test.

### 2.3.3 Charging policy

The current pricing structure is historical and based on a market rate where annual price increases are applied to a rate schedule which in turn is submitted to all customers at the beginning of the financial year. A number of customers enjoy a discount, however this is only for bulk or frequent submissions.

Though this method could be considered a traditional approach, it has created customer loyalty, which is demonstrated by the top twenty highest value customers who continue to spend year on year. In instances where a decrease in submissions or spend takes place, the Service Manager seeks to rationalise any discount structures in place.

Work is ongoing to ensure that the pricing structure is reflective of the actual cost of testing and is appropriate given the overheads faced and the market conditions.

## 2.4 FINANCIAL PROJECTIONS

Individual financial forecasts have been compiled within the business plan which has since been subject to the revisions set out below. In summary, the last 3 years revenue and expenditure, plus the next 3 projected are as follows:

<b>Materials Testing Service</b>	2014/15	2015/16	2016/17		2017/18	2018/19	2019/20
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>		<i>Budget</i>	<i>Budget</i>	<i>Budget</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>		<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Total Expenditure	525,131	518,202	506,386		579,037	546,037	546,037
Total Income	664,281	585,196	612,499		678,900	678,900	678,900
Contribution to/(from) reserves	63,750	(2,500)	-		-	-	-
<b>Year End Deficit(Surplus)</b>	<b>(75,400)</b>	<b>(69,494)</b>	<b>(106,113)</b>		<b>(99,863)</b>	<b>(132,863)</b>	<b>(132,863)</b>

WYMTS has consistently contributed to JSC reserves, as evidenced above, and the financials for this service are based on a combination of analysis of historical trading figures and patterns, cost centre analysis and current staffing levels. Cash flow projections have been compiled and for WYMTS there is a maximum working capital requirement of £120k, (including shared set up costs of £33k).

### 2.4.1 Growth Projections

In addition to the forecast year end surplus or deficit growth plans have been developed in each of the commercial areas. The forecasts for WYMTS are supported by a tactical implementation plan that sets out the background to the markets and the strategies that will be employed to realise the growth potential including a detailed action plan that will be reviewed regularly to monitor progress.

### **2.4.2 Risk rating**

The anticipated levels of growth have been assessed against risk criteria based on:

- Level of control
- A focus of re-connecting with customers
- The reliance on generating capacity through Business Process Re-engineering (BPR)
- Upskilling all Technologists and Technicians
- Level of competition in the sector

## **2.5 RESOURCE REQUIREMENTS AND INVESTMENT**

Staff and equipment will be loaned by the JSC to the Company at full cost recovery rates to ensure that there are no state aid issues.

Equipment requirements are modest however there is equipment in the laboratory that is coming to the end of its economic useful life. There is demand to increase physical capacity in the Flammability Lab and recent investment of £1,500 has been made to install a new flowmeter. The growth targets included in this business case provides more details on where this increased flammability work will come from. Much of the investment requirements will depend upon how much new work is generated and whether any alternative working arrangements can be implemented to increase equipment utilisation. Some feasibility work has been undertaken to scope this out in terms of location and cost. If the company requires additional space, WYJS has vacant floor space that can be adapted to accommodate this additional demand. It is estimated that this work can be undertaken (at a cost of between £10-15k) and costs recharged to the company either as a one-off cost or on the basis of increased recharges over a fixed period of time. The exact nature of these transactions will depend upon the timing (i.e. pre or post creation of LATC) and other considerations such as cash flow and the tax position.

## 2.6 RISK REGISTER

Risk	Controls	Actions Required	Current Risk Assessment			Risk owner
			Probability	Impact	Overall Risk Score	
Availability of qualified and experienced staff following high turnover rate in recent years	A service review was undertaken during 2016/17 which implemented a new structure.	A skills matrix and review of the performance of staff is currently being undertaken to ensure that they are working at the correct level. Personal Development Plans (PDP's) are now being developed for all staff to ensure that sufficient training and opportunities are provided in support of the business strategy.	Medium	Medium	Medium	Materials Testing Manager
New legislation and standards	Managers participate in the UKTLF. BSIF & BSI Committees and are aware of legislative changes	Ensure that we are aware of potential changes in legislation via networking, speaking to customers or update we receive.	Low	High	Medium	Materials Testing Manager and Senior Technologist
Equipment is old and needs replacing	A capital programme is in place and	A review of current equipment needs to be undertaken to assess asset	Medium	Medium	Medium	Materials Testing Manager



	funding is available through prudential borrowing	utilization and expected useful life. From this business cases for any items required need to be prepared.				
Competition within the sector.	Materials testing has a long standing and good reputation in the sector.	Continue to attend conferences, review website and marketing collateral and continue to develop links with customers and other stakeholders.	Medium	Medium	Medium	SLT and Materials Testing Manager

## **2.7 SUMMARY**

The business plan for Materials Testing builds on a strong service which has grown consistently over recent years. Initially there must be a period of consolidation to ensure that this is sustainable, including recruitment and training of new staff as well as cross-skilling others.

Further market research needs to be undertaken, but there is evidence to show that further growth is feasible. Investment levels are reasonable as some equipment is currently running under capacity and new equipment needed is of a relatively modest cost. Workloads will be monitored as it is important to recruit new staff at the right time if new work is to be secured and then delivered without impacting on performance.

## **SECTION 3**

### **CALIBRATION SERVICES**

#### **3.1 BACKGROUND**

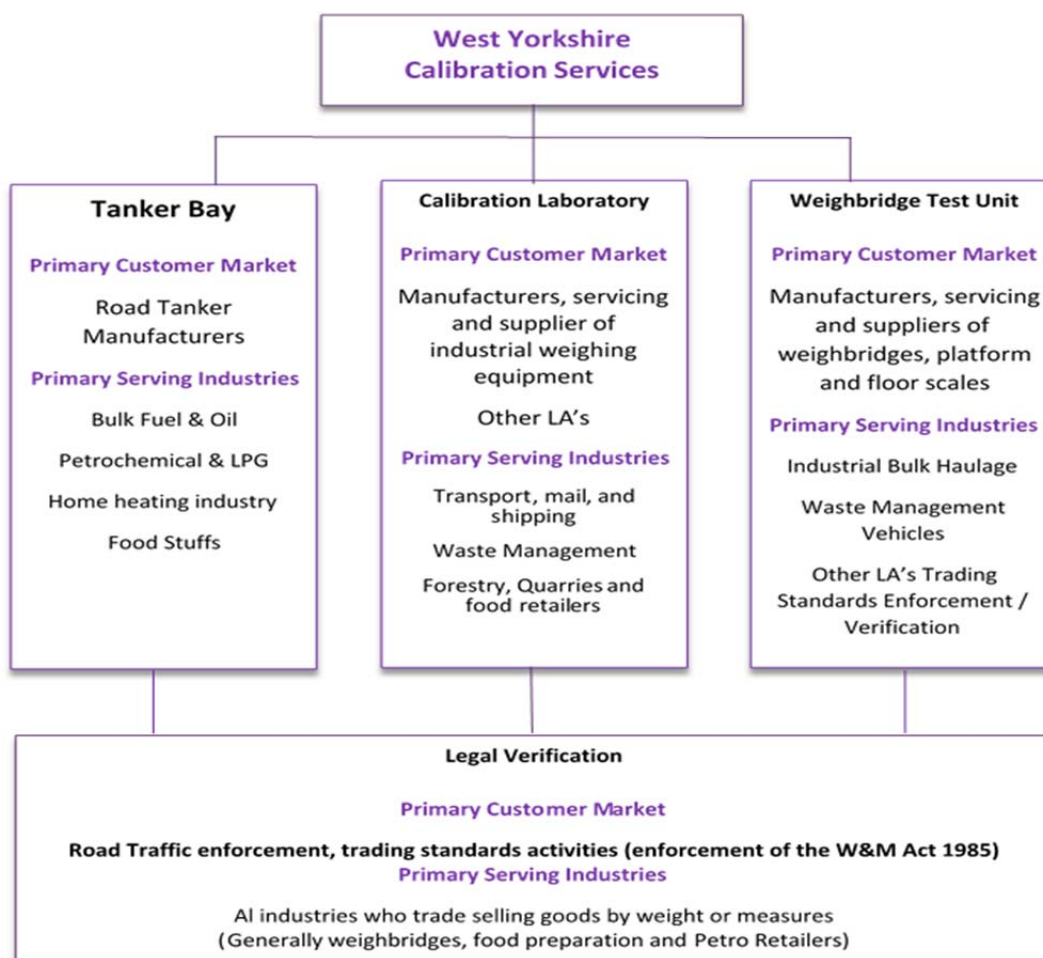
A detailed business plan has been prepared for the calibration service and is available to Members as a background paper. Similar to Materials Testing a summary of key issues is provided here for the benefit of the overall business case to establish a LATC.

##### **3.1.1 Sector and Services Provided**

West Yorkshire Trading Standards Calibration Services (WYCS) has evolved out of the Local Trading Standards Weight and Measures Authority function which is responsible for enforcing the provisions of the Weights and Measures Act 1985, and associated legislation. This Act contains provisions which permit such enforcement bodies undertaking and providing additional calibration and legal verification services for which fees can be levied.

WYCS operate in the weights and measures sector where industry relies on the use of many different weighing or measuring techniques in order to ensure that the mass, length or volume of the goods that they produce and supply are accurate and correct. The current legal framework lays down requirements for both the weights and measures equipment used for trade as well as goods sold by weights or measure. As such, the industry has a legal duty to make certain the accuracy, reliability and fairness of weights and measures confirming that the products being produced, sold and purchased are in the correct weight or measure.

The service offers a wide range of calibration and verification services to a local, national and international customer base. In addition, various pieces of specialist weighing or measuring equipment are made available for hire to industry. In summary the service offering is as follows:



### 3.2 SWOT ANALYSIS

The strengths, weaknesses, opportunities and threats of the business are summarised in the table below:

<b>Strengths</b> <ul style="list-style-type: none"> <li>Asset rich laboratory with a wide scope UKAS approval for mass calibration</li> <li>Distance of comparable LA calibration units</li> <li>Association with Trading Standards and local authorities</li> <li>Connections with Regional Notified Bodies and Notified Body Status (MID) for Tanker Bay and Legal Verification</li> <li>Association and influences at a national level with industry and government bodies.</li> <li>Breadth of knowledge and experience of staff.</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>Slow/subdued economic growth, change in government, continued austerity</li> <li>Squeezing profits and challenges for suppliers to the supermarket chains</li> <li>Demands on cheaper methods of mail and shipping sectors</li> <li>Large number of fragmented sectors requiring calibration resulting in weak distribution channels 'all things to all people'</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>Change in government, increased infrastructure projects resulting in heightened activity in construction, bulk</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>Changes in associated legislation for W&amp;M or scope that WYCS can cover, any deregulation by changes in government</li> </ul>

<ul style="list-style-type: none"> <li>haulage etc.</li> <li>Increased forward orders for tankers in bulk fuel.</li> <li>Acquisition activity within customer base, opportunity to explore chemical and food tankers</li> <li>Innovation in supermarkets in self checkout systems</li> <li>Innovation in petrol forecourts 'pay at pump' service</li> <li>National research e.g. milk collections</li> <li>Advances in technology could provide new areas of work, i.e. On-board weight systems</li> <li>Other changes in legislation in indirect industries e.g. SOLAS.</li> </ul>	<p>policy around W&amp;M</p> <ul style="list-style-type: none"> <li>Customers with global operations at risk of changes in UK and European subsidiaries</li> <li>Mild winters reducing demand for home fuel and oil.</li> <li>Increasing/decreasing fuel prices, PWC reports the number of HGV on the roads is declining</li> <li>Any changes on legislation in indirect industries</li> <li>Brexit and impact on EU Regulation and enforcement remit.</li> </ul>
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### 3.3 PEST ANALYSIS

As in most cases completing a pest analysis has identified key areas in the macro environment that may impact on business decisions, and sets out market attractiveness:

<p><b>Political</b></p> <ul style="list-style-type: none"> <li>Government policy around budget strategies impacting local authorities and therefore the requirements of WYJS and committee members;</li> <li>Freedom to trade under a subsidiary would elevate any current trading restrictions, however may result in taxation issues;</li> <li>Changes in current legislation relating to: MID – This directive was replaced in April 2015 with a new Directive 2014/32/EU impacting on how a range of equipment types are tested; Non-Automatic Weighing Instruments Directive was replaced in April 2016 with the new Directive 2014/31/EU</li> <li>Political moves regarding the review of enforcement around weights and measures.</li> </ul>	<p><b>Economical</b></p> <ul style="list-style-type: none"> <li>Known economic challenges and pressures resulting in some organisations reviewing budgets and minimising testing if possible;</li> <li>Industry cycles are experienced due to the recurring testing/certification which are time bound but are more related to the date of original calibration or install rather than seasonal aspects such as weather forces;</li> <li>However, particularly harsh or mild winters do affect the customers operating in the gas and oil sectors, in turn impacting on the tanker calibration bay in either increasing or decreasing demand of new tanker orders;</li> <li>Economic issues around interest rates and borrowing are relatively low level due to the nature of funding and/or prudential borrowing from the authorities.</li> </ul>
<p><b>Social</b></p> <ul style="list-style-type: none"> <li>Demographics of consumers do not have a direct impact on the service in general terms. However, some changes in buying behavior's may impact eventually. E.g. demand for self service weighing machines increasing orders from WYCS customers who operate in the retail weighing machine sector.</li> </ul>	<p><b>Technological</b></p> <ul style="list-style-type: none"> <li>Though equipment in this sector is technologically advanced, WYCS do not generally experience challenges in innovation;</li> <li>Developments in calibration equipment by scale manufacturers as result of market forces require new test methods to be</li> </ul>

<ul style="list-style-type: none"> <li>• In the main, consumers who are the end beneficiaries of the W&amp;M Act are not always aware of finer detail around legislation but act if they feel goods are not being weighed or measured correctly, particularly where it impacts on pricing.</li> <li>• Retailers, self verifiers, other calibrators and those who buy and sell in weight, volume and measure are more likely to be aware of legislation, and any changes could change their buying patterns</li> <li>• Similar to WYMTS other demographics such as lifestyle choices and age are not generally of concern.</li> </ul>	<p>established.</p> <ul style="list-style-type: none"> <li>• Advancements in industry and alternative uses to existing equipment influence how the service would be able to test and verify certain pieces of equipment.</li> <li>• Short of diversifying into other areas of specialist calibration (e.g LPG tankers, pressure gauges), and test methods are established technological advances are slow in the main.</li> </ul>
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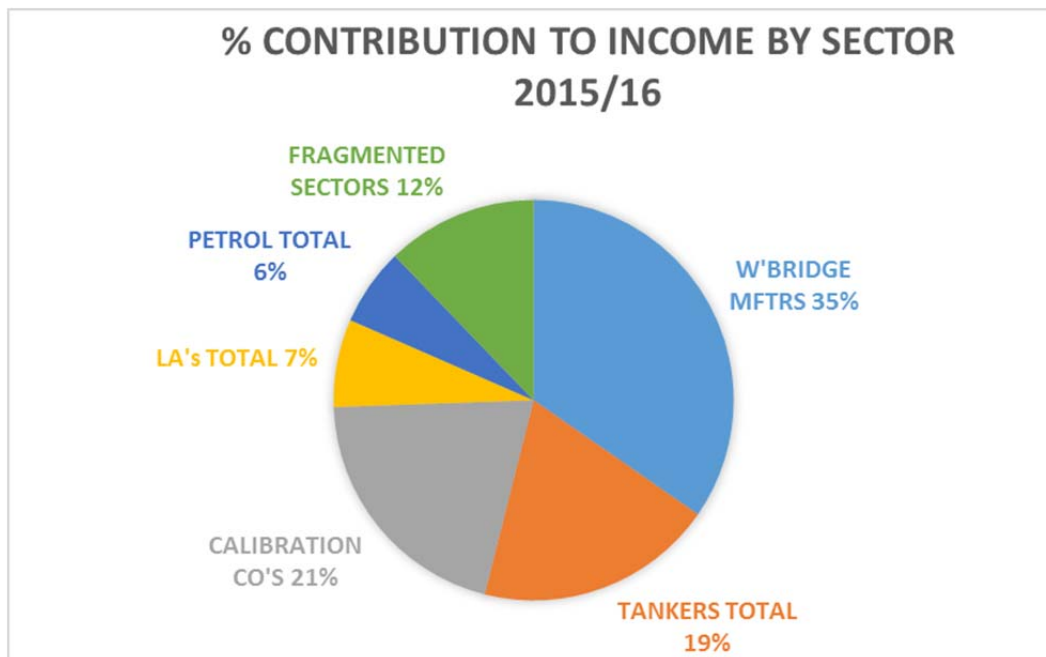
### 3.3.1 Measures to manage SWOT and PEST

The introduction of self-verifiers some years ago has been the greatest threat in recent times. WYCS customers also have a high regard for the level of experience and expertise of staff. Increasing capacity is an area high on the agenda in terms of developing the business from a weakness to an opportunity and then strength. Some of the challenges in capacity are linked to customer demand, however others relate to manual methods in internal processes. Plans are being developed to implement a service database to remove duplication and bottlenecks and generally improve the performance by providing accurate and timely management information.

The service has adapted to the Measuring Instruments Directive (MID) that came into force in April 2016 it affects how a range of equipment is tested and the status of the notified body that WYCS operates under. The Service Manager sits on the UK expert panel of weights and measures who's role it is to deal with any technical issues for local authorities providing guidance and advice on matter arising. In addition, the panel is at the forefront of reviewing implications of any forthcoming changes in legislation or standards that could affect the testing of weighing and measuring equipment.

### 3.3.2 Target market and competitor analysis

Business analysis has identified that most of the weights and measures that pass through the laboratories are from other organisations or private companies who also operate in the calibration sector, therefore classifying WYCS as a servicer to the calibration trade and an enforcer of the Weights and Measures Act 1985 through legal verification work. This has remained consistent over the past five years.



Competition in the calibration sector varies depending on the area of metrological work being examined. Equally, as the current customer base is made up of other calibration firms, the direct competition narrows somewhat. As one of the main customer requirements is a UKAS accredited lab associated with the local enforcer of the Weights and Measures Act, a sample of direct competitors has been identified and analysed for each of the sub groups. This includes a number of local authority trading standards services and a small group of private businesses used as a comparison to WYCS.

Within the calibration laboratory the largest area of work is the calibration of weights of varying accuracy and size. Competitor analysis showed that the National Measurement Office (NMO) is the only lab whose UKAS scope exceeds that of WYCS. Kent, Tyne & Wear and Norfolk have some scope for M1, E2 and E1 weights, however, these mass values are not considered to be of any significant value and demand for these is low. In comparison to the number of working standards laboratories (LA's for mass and volume) WYCS is well placed for scope and has an advantage over many of the competitors.

Some private companies have limited scope and, with the exception of high mass, only European Instruments holds the same scope as WYCS.

Only Kent and NMO are UKAS accredited for high mass calibrations the same as WYCS. It is understood that WYCS are the only facility whereby a full set of high mass weights (typically the weighbridge test unit) can be stored within the test laboratory facilitating a faster turn around time.

The business analysis process has identified several areas where WYCS has gained competitive advantage in a number of sub group areas, as listed below:

- The breadth of scope as a UKAS accredited laboratory
- The customer added value of being integral to Trading Standards
- Notified Body Approval for Yorkshire and Humber (MID)
- Only LA with authorised personal to undertake initial MID verification in bulk fuel measuring systems for the Yorkshire & Humber Notified Body.
- Geographical location for both the tanker bay and WBTU.
- The ability to provide a one stop shop and initial verification service for all makes and models of tankers

### 3.3.3 Charging Policy

For some years WYCS has had a pricing strategy that is a) an incremental annual price increase (generally 2%) and b) arrived at by using recommended rates that were historically taken from the LACORS (Local Authority Coordinating Body for Regulatory Services) guide, which has now been superseded by the Association of Chief Trading Standards Officers guide, based on an hourly rate.

In terms of price setting for the industry this appears to be driven by individual operators rather than market forces and that is to be expected in low value commodities or where high levels of competition exist. WYCS seeks to adopt a pricing strategy that is built on a value proposition.

Work is ongoing to ensure that the pricing structure reflects the actual cost of testing including overheads and market conditions.

### 3.4 FINANCIAL PROJECTIONS

Individual financial forecasts have been compiled within the business plan for WYCS which was drafted in 2015/16. A review of all growth targets has recently taken place resulting in the latest forecasts for the current and following three years:

<b>Calibration Services</b>	2014/15	2015/16	2016/17		2017/18	2018/19	2019/20
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>		<i>Budget</i>	<i>Budget</i>	<i>Budget</i>
	£,000	£,000	£,000		£,000	£,000	£,000
Total Expenditure	526,817	516,629	605,015		576,311	543,474	543,642
Total Income	432,841	454,744	549,009		523,100	524,123	525,167
Contribution to/(from) reserves	-	-	-		-	-	-
<b>Year End Deficit/(Surplus)</b>	<b>93,976</b>	<b>61,885</b>	<b>56,006</b>		<b>53,211</b>	<b>19,351</b>	<b>18,475</b>

Until recently WYCS was a subset of the West Yorkshire Trading Standards Service and as such a separate cost centre analysis is not provided for years previous to 2014/15. Income levels have been reasonably static over a number of years and in



preparing future forecasts much work has been done around the level of resources required to service the income. Financial performance in the current year is encouraging and the latest information is available in monitoring reports to the Joint Committee.

It should be noted that the financial figures above exclude the district funding (currently £65k) received to offset expenditure in relation to statutory duties including legal verification services.

Cash flow projections have been compiled and for WYCS there is a maximum working capital requirement of £185k, (including shared set up costs of £33k).

### **3.4.1 Growth Projections**

The growth forecasts for WYCS are supported by a tactical implementation plan that sets out the background to the markets and the strategies that will be employed to realise the growth potential including a detailed action plan that will be reviewed regularly to monitor progress.

### **3.4.2 Risk rating**

However, as with Materials Testing, the anticipated levels of growth have been assessed against risk criteria based on:

- Level of control
- Further work required for proof of concept on the PAC schemes
- Is the expansion in known or new markets
- Level of investment required
- Time and route to market
- Any existing offerings and competition in the sector

## **3.5 RESOURCE REQUIREMENT & INVESTMENT**

Business cases have been approved for the acquisition of a new WBTU trailer and 2 mass comparators to replace aged and failing existing equipment. Although there are no other imminent areas of significant investment, the WYJS capital programme has highlighted a number of other ageing pieces of equipment that may require replacement in the medium term. As with the other services the exact nature of any investment transactions would depend upon cash flow requirements and the tax position.

### 3.6 RISK REGISTER

Risk	Controls	Actions Required	Current Risk Assessment			Risk owner
			Probability	Impact	Overall Risk Score	
Reliance in some areas on a few main customers	Responsive and flexible to our customers' requirements	Ongoing conversations with customers, regular meetings, review existing terms and consider longer term agreements and added value to tie customers in.	Med	Med	Med	Metrology Manager
Changes to legislation can impact disproportionately on income and in the longer term there are likely to be some reforms as a result of Brexit.	Participate in national forums to ensure we are aware of changes in advance	Review the market and any further legislative changes.	Med	Med	Med	SLT and Metrology Manager
Equipment in some cases is very expensive eg WBTU	Capital programme is in place.	Review existing assets and utilisation rates. Prepare a list of what requires replacing linked to business cases and resourcing through reserves and prudential borrowing.	Med	High	High	Metrology Manager

Areas identified for growth are largely private sector and not ones where we have much experience	Business plan and tactical implementation plan are now in place showing areas where we need to grow.	A marketing and communications manager post will provide some support and expertise to penetrate new markets.	Med	High	High	Metrology Manager & SLT
Current review of TS nationally could lead to changes around delivery responsibility for metrology services	Senior officers are discussing implications with relevant government departments.	Ongoing consultation and ensuring that we are aware of developments.	High	Med	High	SLT and Metrology Manager
Inefficiencies and duplication of effort due to the manual system for booking jobs.	Minimal at present.	Procurement of a CRM system to be considered as part of the ICT strategy.	High	Med	High	SLT and Metrology Manager
A new qualification framework is under consideration which could impact on the ease in which the service can recruit. train qualified officers in the future	Ensure that we are fully aware of the proposed changes and engage with any opportunities to influence the outcome	Continue to monitor and engage with CTSI during the consultation and implementation of the new qualification framework	Med	Med	Med	SLT and Metrology Manager

### **3.7 SUMMARY**

This service grew out of statutory legal metrology but the business plan shows that the private sector values the services provided by WYCS and the connection with the regulatory service. The added value of WYCS is the range of services it provides, its physical location and the expertise of the staff involved. The range of services and expertise must be protected through careful monitoring of budgets, staff training, monitoring of markets and close working relationships with customers. If this is achieved, then there is exciting potential to deliver growth.

The financial projections are based on ambitious growth plans underpinned with a stable primary level of income derived from historical revenue streams. Last financial year (15/16) the service was reviewed and a new organisational structure was implemented. This has proved successful to date as the service has seen an improvement in operational management, attracted some new clients and reviewed others in terms of service level agreements.

Whilst the service is currently delivering a surplus, looking forward a positive financial return is heavily dependent on extra capacity being gained through various 'Business Process Re-engineering' improvements, some of which have already been undertaken and some of which still need to be implemented using IT to gain efficiencies.

It is also anticipated that in order to meet its growth plans over the three year period a further review of staffing resources will need to be considered. The nature of much of the work brings particular issues around statutory qualifications and accreditation in a market place where attracting the right people is becoming increasingly difficult. Serious consideration will need to be given in addressing this issue should the current increase in work continue

## SECTION 4

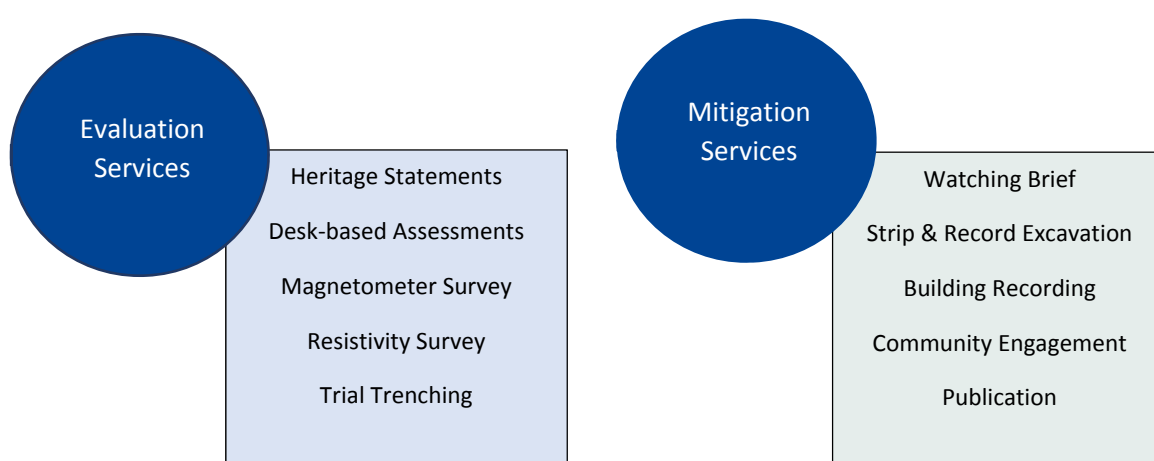
### ARCHAEOLOGICAL SERVICES

#### 4.1 BACKGROUND

As with the other services a comprehensive business plan has been developed for Archaeological Services (ASWYAS) and similarly is available to Members as a background paper. A summary of the key issues is provided here for the benefit of the overall business case to establish a LATC.

##### 4.1.1 Sector & Services provided

The service provides both pre and post-planning services, commonly known within commercial archaeology as Evaluation Services, and Mitigation Services, as detailed below. Evaluation services determine the presence or absence of archaeological remains within a specific area, the results of which are usually required before a planning authority determines the application. Mitigation Services, which typically occur in response to a Local Authority brief, are designed to satisfy an archaeological condition attached to planning approval. In some cases it may be necessary for developers to commission archaeological work before development to evaluate the site, or during development to mitigate archaeological conditions, in accordance with the government guidance on the National Planning Policy Framework. If evaluation services have been carried out and the results are included in planning applications, it demonstrates to the local authority curator that archaeology has been considered pre-planning.



When a client employs one of the services noted above, with the exception of desk-based assessments, there is usually some kind of field work whereby a member of staff would visit the site and in its simplest form would carry out a number of activities to record and gather data relating to for archaeological features and deposits. These data sets are assessed, analysed and interpreted back at the office. Information is

then compiled into a report which is typically the final product presented to the client. Desk-based assessments, an office-based assessment of existing written, graphic, photographic and electronic information already recorded by ASWYAS or other organisations, such as local Historic Environment Record offices, archives and local studies libraries, are again presented in a report format to a client.

As ASWYAS operates in a commercial arena, clients are mainly other businesses, publicly managed or charitable organisations. By definition these customer groups are seeking value for money through competitive pricing, products and services that comply with the planning condition or conditions and are delivered in a timely manner. The ultimate aim from a client's perspective is to have the condition signed off and the constraint lifted allowing the next stage of the development to commence.

## 4.2 SWOT ANALYSIS

The strengths, weaknesses, opportunities and threats of the business are summarised in the table below:

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Established long standing service with a well-regarded reputation.</li> <li>Specialist knowledge and skills.</li> <li>A wide range of services.</li> <li>Established contractor.</li> <li>Strong links and involvement in local sites (Kirkstall Abbey &amp; Pontefract Castle ).</li> <li>Flexible and adaptable service to clients.</li> <li>Flexible workforce with ability to reach most locations nationwide.</li> <li>Registered Organisation of Chartered Institute of Archaeologists.</li> <li>Contractors Health &amp; Safety Assessment (CHAS) accredited.</li> <li>Specialist equipment e.g. Cart Based Magnetometer.</li> <li>Growing public profile &amp; social media presence.</li> <li>Marketing plan and business development in place.</li> <li>Embracing new ways of doing things through BPR.</li> <li>Fast turnaround of post excavation analysis and reporting to clients.</li> <li>Willing staff able to cross skill to get the job done.</li> <li>Commended by our clients for prompt and timely communications.</li> </ul>	<ul style="list-style-type: none"> <li>Generally a low paid career with few opportunities for career progression.</li> <li>Recruitment from a small pool of professionals.</li> <li>Little knowledge of current operating position of competitors.</li> <li>Small customer base although work is ongoing to expand this.</li> <li>Lack of CRM system to facilitate customer analysis and client liaison.</li> <li>Insufficient scrutiny of profitability (related to data accessibility issues).</li> </ul>

<b>Opportunities</b> <ul style="list-style-type: none"> <li>• To expand public profile.</li> <li>• To establish a greater understanding of customer needs.</li> <li>• Market services in new areas.</li> <li>• To understand direct competitors and monitor where possible.</li> <li>• BPR, making use of technology.</li> <li>• Make use of social media as a PR tool.</li> <li>• Closer relationships with clients provide opportunities to procure work by making minor price adjustments, or reacting more quickly than our competitors.</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Sometimes undercut by competitors.</li> <li>• Economic/political uncertainties – Brexit.</li> <li>• Turnover of staff seeking better paid / better career prospects and an inability to recruit well-qualified replacements.</li> <li>• Tendering with no allowance for unforeseen circumstances.</li> <li>• Very physical job, puts pressure on staff.</li> <li>• HERs not having time to put constraints on planning conditions on every project that needs one due to shortage of staff (i.e. only applications of significance are reviewed).</li> <li>• Changes in any planning legislation.</li> </ul>
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### 4.3 PEST ANALYSIS

As in all cases completing a pest analysis has identified key areas in the macro environment that may impact on business decisions, and sets out market attractiveness:

<b>Political</b> <ul style="list-style-type: none"> <li>• May 2016 Queen's Speech "archaeology is responsible for unnecessary delays to housing development".</li> <li>• Affordable housing schemes and government funded help to buy schemes have been extended by another year.</li> <li>• The New Homes Bonus ends 2016/17.</li> <li>• Brexit uncertainty surrounding large infrastructure projects.</li> <li>• Propaganda around the HS2.</li> <li>• Deepening cuts in local authority budgets.</li> <li>• Changes in political leadership, affecting WYJS on a regional level.</li> </ul>	<b>Economical</b> <ul style="list-style-type: none"> <li>• UK economy grew by 2.2% in 2015, and the construction industry grew by 3%.</li> <li>• There are signs of economic improvement. Brexit has delayed only one of our projects to date.</li> <li>• Projected growth for 2017 of 3.4%</li> <li>• The housing, commercial and civil engineering sectors all showed signs of accelerating growth;</li> <li>• House prices have risen by an average of 9.5% in 2015/16, but are predicted to fall in 2017/18.</li> <li>• Lending to commercial and residential markets impacts on land development.</li> </ul>
<b>Social</b> <ul style="list-style-type: none"> <li>• Unemployment at an all time low, with construction industries struggling to recruit.</li> <li>• Increasing 'competition' for volunteers.</li> <li>• Wages increase by 2.9% 2015/16.</li> <li>• Ageing population and development of retirement villages predicted.</li> <li>• First time buyers were at record low in 2015, 8 out of 10 require financial assistance from family.</li> <li>• The housing demand and changes to</li> </ul>	<b>Technological</b> <ul style="list-style-type: none"> <li>• As the dependence upon IT increases so has the advances in technology not only from an industry perspective but from a heritage perspective.</li> <li>• The use of social media as a tool to reach sector professionals and heritage interest groups.</li> <li>• Video streams and cameras of live archaeological sites.</li> <li>• Equipment quickly being overtaken by advances in technology.</li> <li>• The use of new technology to reduce staff time.</li> </ul>

buying patterns. <ul style="list-style-type: none"> <li>Increased knowledge and understanding of heritage as a CSR tool, generating PR.</li> </ul>	
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### 4.3.1 Measures to manage SWOT and PEST

In the SWOT analysis, weakness are being addressed through operational changes as a result of a staffing restructure and a reduction in the office space used by ASWYAS. Turnaround times and staff morale have seen a significant improvement as a series of formal and informal training sessions continue to ensure that all staff have reporting expertise. Upskilling on software applications has taken place and generally a culture of being more proactive and being a forward thinking service is emerging.

Regular communications and one to one client meetings have taken place. Re-engaging with various client groups has helped in understanding their needs as well as gathering market intelligence. A monthly review of client communications has been established.

ASWYAS now have a social media presence with a growing number of followers. Training has been undertaken to help effective communication with clients and to aid recruitment.

In addition, links with Bradford University, Sheffield University, York and Leeds University are being formed to keep abreast of sector developments as well as forging relations with potential employees of the future. We have recruited casual or core staff from all four universities over the last year.

### 4.3.2 Target markets and competitor analysis

Competition in the commercial archaeology market is considered to be strong, with competitors selling at low price points. Some comment that this has a significant effect on the quality of the end product, while others would argue that this is a misnomer, as clients are generally looking for value for money. Developers in a commercial setting are forced into employing ASWYAS' services as a direct result of an archaeological condition and therefore price is their main driver, whereas other client groups such as consultants or curators have an interest in the quality of the field work and reports, yet they can be non-paying stakeholders.

Internally ASWYAS has conducted market research compiling information on direct competitors with data gathered from the tender schedule and from conversations with the South Yorkshire & West Yorkshire curators, the Archaeology Data Service



website and online research. This suggests that there are three main competitors operating in this region all offering something a bit different to each other and to ASWYAS. The limited feedback received from customers and analysis of tenders won by ASWYAS shows there is not a lot of difference on prices and quality. Often a determining factor is the availability to start within tight timescales.

This is largely why the staffing structure has been developed into small teams, based on operational fieldwork, with staff who are able to move between geophysical and excavation services to maximise utilisation and be able to meet customer deadlines. As work increases, it will be relatively easy to replicate these modular teams to take on extra work at minimal cost as the overall management structure and overheads will remain largely unchanged.

### 4.3.3 Charging Policy

In terms of price setting, this is driven by market conditions and in response to tender submissions.

## 4.4 FINANCIAL PROJECTIONS

Financial forecasts for ASWYAS have also been compiled during the business planning process. In summary, the last 3 years revenue and expenditure, plus the next 3 projected are as follows:

<b>Archaeological Services</b>	2014/15	2015/16	2016/17		2017/18	2018/19	2019/20
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>		<i>Budget</i>	<i>Budget</i>	<i>Budget</i>
	£,000	£,000	£,000		£,000	£,000	£,000
Total Expenditure	1,275,004	792,220	871,272		915,900	908,114	1,009,276
Total Income	961,807	752,941	901,649		900,000	936,350	1,055,732
Contribution to/(from) reserves	(1,750)	(1,800)	(1,800)		(1,900)	(1,900)	(1,900)
<b>Year End Deficit(Surplus)</b>	<b>311,447</b>	<b>37,479</b>	<b>(32,177)</b>		<b>14,000</b>	<b>(30,137)</b>	<b>(48,356)</b>

Cash flow projections have been compiled and for ASWYAS there is a working capital requirement of £260k (including shared set up costs of £33k).

### 4.4.1 Growth Projections

The growth forecasts for ASWYAS are supported by a tactical implementation plan that sets out the background to the markets and the strategies that will be employed to realise the growth potential including a detailed action plan that will be reviewed regularly to monitor progress.

### 4.4.2 Risk rating

However, as with the other commercial areas, the anticipated levels of growth have been assessed against risk criteria based on:

- Level of control
- Is the expansion in known or new markets

- Level of investment required
- Level of competition in the sector

#### **4.5 RESOURCES REQUIRED AND INVESTMENT**

The service does use equipment which needs to be maintained and replaced. The business plan does allow for replacement of some equipment, particularly GPS as work levels increase, and , under current plans, these will be purchased by the Joint Committee and recharged either as a one-off cost or as part of the overhead on recharges over a set period. In relation to the growth plans, investment of £32k is required to support the plans in year 2018/19 (funded via prudential borrowing). Interest and repayment over three years is included in the financial forecasts.

The exact nature of any investment transactions will depend upon the timing (i.e. pre or post creation of LATC) and other considerations such as cash flow and the tax position. The capital programme allows for replacement of existing technology over the medium term.

#### 4.6 RISK REGISTER

Risk	Controls	Actions Required	Current Risk Assessment			Risk owner
			Probability	Impact	Overall Risk Score	
ASWYAS is heavily dependent on economic growth within the construction sector as it is currently the main source of work. Uncertainty has grown recently due to Brexit	Managers keep a close eye on the sector and monitor development and tender opportunities.	Ongoing review, participate in networking events, regular communication with the industry and other colleagues.	High	High	High	ASWYAS Manager
Reduction in staffing in many Councils in those managing the Historic Environment Record and monitoring planning applications – if this reduces further and less planning conditions are attached then it follows that work will reduce	To continue to review planning applications and investigate trends.	To monitor the position with other HERs and report to SLT when the information is available.	High	High	High	SLT and ASWYAS Manager
Loss of skilled and experienced staff and inability to replace them quickly.	Monitoring the market place and adapting accordingly.	Implementation of people strategy.	Med	High	High	SLT & ASWYAS Manager

## **4.7 SUMMARY**

This service will always be subject to market conditions which can be very volatile. However, the medium term future (3-5 years) is looking encouraging. There is confidence in the construction industry, particularly in house building and the construction of HS2 will provide many opportunities. There is a shortage in supply of archaeologically trained staff, so there should be work for all companies currently in the market.

This leads to other issues around staff recruitment and retention and managing workloads against staffing availability. The service manager has worked hard to develop a network of casual staff who, largely due to their personal circumstances, prefer to work on a casual basis. Effort is being made to keep them loyal to ASWYAS. Developing links to universities to work with soon to be graduates entering the job market is also on the services' agenda.

## SECTION 5

### THE BUSINESS HIVE

#### 5.1 BACKGROUND

Since the original business case was drafted, a further service has been considered for inclusion in the trading company set up – The Business Hive. This is essentially a project to utilise additional capacity on the WYJS site through the selling of training and meeting room facilities to the public and private sector. As a relatively new service the information contained within this business case is currently in summary format but will be developed and supported by a marketing strategy with growth targets in the same way as the other services. The current plan is to utilise the trading company to operate the Business Hive in advance of transferring in the other services to enable a period of time to fully understand how the trading company operates. This strategy will allow the trading company operation structure to be set up and tested in a lower risk environment prior to transferring in additional services.

##### 5.1.1 Sector & Services Provided

WYJS has had conference facilities on site for 15 years but these have largely been utilised internally or by partners and rarely offered or used on a commercial basis. The space has recently been renovated by Bradford Council utilising assets stripped from another Council site to make it fit for purpose.

The offices are close to large employment sites including Leeds 27 Industrial Park, Gildersome Spur and the Junction 27 Retail Park and is also well located in terms of motorway access with the M62 and M621 less than a mile from the site.

#### 5.2 SWOT ANALYSIS

<b>Strengths</b> <ul style="list-style-type: none"><li>• Close to motorway network</li><li>• Recent investment to modernise facilities</li><li>• Accommodation nearby</li><li>• Existing links with a range of public and private sector organisations due to the other services offered on site.</li><li>• New website</li><li>• New technology (smartboards)</li></ul>	<b>Weaknesses</b> <ul style="list-style-type: none"><li>• Poor public transport links.</li><li>• Little knowledge of competitors or the sector in general.</li><li>• Limited customer base.</li><li>• Lack of CRM system to facilitate customer analysis and client liaison.</li><li>• No on-line booking facility</li></ul>
<b>Opportunities</b> <ul style="list-style-type: none"><li>• To market the service to existing contacts.</li><li>• To market the service to local businesses and organisations that we do not currently</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>• Parking limitations.</li><li>• Impact on business support team.</li><li>• Security implications for site.</li></ul>

<p>have a relationship with.</p> <ul style="list-style-type: none"> <li>• To develop flexible working arrangements for staff.</li> <li>• To further develop existing training packages for business.</li> </ul>	
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### **5.2.1 Measures to manage SWOT**

In the SWOT analysis, the main weakness is that this is effectively a new service and new market meaning that it is not possible to use existing experience and knowledge of the sector to manage the risks. However, WYJS has recruited marketing expertise and increased capacity in this area to provide the greatest chance of success. WYJS also has the support of Bradford Council and their asset management team providing a wealth of knowledge and expertise in this area.

### **5.2.2 Target markets and competitors**

Again, the information here is limited as the service offered is new but a strategy is being developed to target two strands of customer:

- Existing service users – Using existing knowledge and contacts the service can be marketed to customers of the other service areas as well as partners of the statutory functions.
- Local business – Marketing material has been prepared to distribute to 3,700 local businesses and the website has recently been re-launched and now incorporates a sub section dedicated to the Business Hive.

### **5.2.3 Charging Policy**

A pricing structure has been drafted based around other prices offered locally for similar facilities. The pricing structure includes discounts for partners and multiple bookings as well as options for additional services such as catering. Each space is priced according to the number of delegates that can be accommodated and in the early stages of operating will be reviewed regularly to ensure they remain competitive and sufficient to cover costs.

## **5.3 FINANCIAL PROJECTIONS**

The forecasts for the Business Hive are based on an assessment by Bradford Council that initially income of £70k could be generated if only 25% of the available capacity is utilised. Relatively modest increases in income have been factored into future years and these will be reviewed periodically. Cash flow projections have been

compiled and for the Hive there is a maximum working capital requirement of £7k.

<b>Business Hive</b>	2016/17		2017/18	2018/19	2019/20
	<i>Actual</i>		<i>Budget</i>	<i>Budget</i>	<i>Budget</i>
	<i>£,000</i>		<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Total Expenditure	-		70,000	70,000	70,000
Total Income	-		75,000	80,000	85,000
Contribution to/(from) reserves	-		-	-	-
<b>Year End Deficit/(Surplus)</b>	-		<b>(5,000)</b>	<b>(10,000)</b>	<b>(15,000)</b>

### 5.3.1 Growth Projections

As noted above, the growth projections are relatively modest initially due to the limited knowledge of the sector. It is anticipated that these will be re-visited regularly as the service gains traction and more information on the potential demand for the service becomes available.

## 5.4 RESOURCES REQUIRED AND INVESTMENT

The Business Hive has benefited from a recent refurbishment which should mean significant investment is not required for some time. However, if successful, there will be a resource demand to manage and administer the service that is expected to grow over time. This will need to be monitored in the early stages to ensure that it works effectively, is cost efficient and encourages repeat custom.

## 5.5 RISK REGISTER

Risk	Controls	Actions Required	Current Risk Assessment			Risk owner
			Prob	Impact	Overall Risk Score	
Limited sector knowledge limiting the chance of success	Utilise expertise of Marketing Account Manager and Bradford MDC	Regular review of progress	Med	High	High	SLT
Insufficient staffing capacity	Additional support in place	Review as demand increases	Med	Med	Med	Res Mgr

## 5.7 SUMMARY

As a new service the Business Hive will be subject to regular review with a focus on pricing, demand and capacity. It is anticipated that the financial forecasts will be amended once there is a period of experience to draw on. Despite the lack of information around the financial performance, the inclusion of the Business Hive in this business case is a key element of mitigating the risk of failure of the trading company.



## **SECTION 6**

### **6.1 CRITICAL SUCCESS FACTORS COMMON TO ALL AREAS**

A number of issues are critical to the success of all 3 areas which will establish trading companies - a practical action plan is required enabling management and the service manager to breakdown objectives, set gateways and milestones that recognise achievements and progress towards successful outcomes. Additionally if shared with staff, the full potential of these services is to be expected to be high as genuine income opportunities exist. In considering risk and critical success factors, a number of aspects already noted elsewhere in the business case are absolutely crucial to the successful implementation and growth. These can be headlined as:

- Continued support from Strategic Leadership Team and Senior Managers.
- Follow through implementation programme to the end.
- Achieve closer business relations with key customers, including those where sub groups are highly dependent.
- Effective and continued staff support by way of regular team briefing and knowledge sharing of organisational developments
- Timely and effective reporting of management information, ensuring reporting procedures are in place.
- Focus and pressure placed on a new system for managing the testing processes reducing paper based systems
- A robust action plan underpinning the growth models including tactical marketing activities.
- CRM system to facilitate client liaison and customer analysis within and across services.

### **6.2 REPORTING AND MONITORING**

The reporting and monitoring of the growth strategies in all the areas are structured on the following basis:

#### **Operational Level 1 – Daily Activities**

Daily activities focussed on output and achieving key milestones from the tactical Implementation Plan. These are reported on a regular basis to the Head of Commercial and Resources and SLT through 121's and internal team meetings.

## **Operational Level 2 – Income/Opportunities**

All quotations and tender opportunities logged by the Service Manager on a daily basis. Reviewed on a regular basis by the Head of Commercial and Resources and SLT through 121's and internal team meetings.

## **Operational Level 3 – Month End Reviews**

Last day of each month the Head of Commercial and Resources will meet with each Service Manager to review performance, income, dashboard information and consider period ahead.

## **Operational Level 4 – Submit to Resources**

Following OL3, any financial information will be submitted to Resources. The Resources Manager will prepare management accounts and liaise with human resources in preparation of the monthly business review. The Resources Manager will consolidate the packs for the monthly business review and issue two days prior to meetings which will be held on the 2<sup>nd</sup> Thursday of each month.

## **Operational Level 5 – Monthly Business Review**

The Service Manager, Marketing Account Manager and Resources Manager meet with SLT and go through the monthly business review information. Discussion and challenge takes place which focussed on the previous month and also opportunities and the forecast for the next month's activities.

## **Operational Level 6 – Report to Strategic Leadership Team**

The Resources Manager produces a consolidated income and expenditure statement for consideration by SLT and then to forward onto the board of Holdco.

## **Operational Level 7 – Quarterly Staff Meetings**

Engagement with all staff is seen as key to the success of each subsidiary company. Regular staff engagement will take place and on a quarterly basis formal staff meetings are held to consider performance in the previous quarter.

### 6.3 Approach to Marketing the Services

The marketing approach is similar across all of the services and a great deal of work has already taken place to modernise the way we work with marketing and client engagement now a key theme running through the organisation. The key areas are set out below:

#### **Retention**

**Gain % increase in revenue by retaining existing customer base and maximising income opportunities.**

Gain a fuller understanding of our current customer base, their buying behaviour and the value they bring to our business (in terms of Life Time profit). Use this data to identify opportunities to generate additional income by targeting the right customer at the most appropriate times in their lifecycle with the most relevant sell messages.

- Use database queries to analyse our entire customer base to identify:
  - our highest value customers based on high value, high frequency and high recency and also
  - opportunities to generate income by moving customers into the next RFV group.
- Overlay RFV data onto the known customer buying process – include seasonality and buying cycles to identify opportunities to retain customers by offering different products or services to meet their needs at each stage of the buying process. For example Desk-based assessment to geophysics to excavation.
- Run targeted monthly contact activity across three main customer segments – new customers, current customers and lapsed customers using a variety of marketing contact channels including face to face, telephone, email – supported by an underlying content marketing programme to build brand presence and awareness.

#### **Acquisition**

**Gain % increase in revenue by acquiring new customers**

**Identify potential customers** and build a prospect database by collecting prospect customer data via the website [www.wyjs.org.uk](http://www.wyjs.org.uk) and other points of customer contact such as visits by potential customers, construction and local business networking events, trading standards referrals and by monitoring social media traffic and engagement.

#### **Digital activity**

Test the use of search marketing including SEO and PPC to drive digital traffic to the website for further information with the goal of generating an enquiry.

#### **Content marketing - raise awareness**

#### **Content**

Build a customer persona for each main customer type such as consultant, builder, planner etc. and develop a content marketing strategy to engage with each customer type by producing and distributing high quality, interesting, relevant and interactive content.

**PR**

Promote WYJS as a leading and valuable source of expert knowledge. Launch a media relations strategy to communicate key messages about the services by gaining editorial coverage in the media (national, regional, trade print, broadcast and online).

Identify news stories from across the business on a monthly basis, developing a monthly PR / editorial plan, monitoring external news and events for opportunities to comment.

**Events**

Host events at WYJS to educate prospects and current customers on the services we offer.

Attend or speak at external events where we can add value and be associated with a wider circle of influencers.

**Increase conversion****Gain % increase in revenue by increasing current conversion levels**

Establish and record conversion funnels and goals including 'online visitor to completed online lead enquiry' and offline 'enquiry or tender to sale'.

Run ongoing test activity to include website design and content changes to maximise conversion rates at each set goal. And continue to monitor and adapt the website content to ensure maximum the website as an effective source of lead generation by tracking user experience.

Implement an improved process for capturing and following up quotes and indicative costs to ensure maximum conversion