



Business Plan

2019 - 2020

NG2

BUSINESS PLAN

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 NG2

BUSINESS SNAPSHOT

Snapshot info:

- » 2019 Turnover - £3,413,396
- » 2020 Turnover - £3,256,331
- » Repayment of all outstanding loan balances by September 2019
- » Employees: 95 Staff
- » Net profit at 31.03.19 before tax £122,892
- » Projected net profit at 31.03.20 before tax £143,965
- » Single shareholder is North Glasgow Housing Association

INTRODUCTION

ng2 is an established social enterprise offering facilities management services in the North of Glasgow. It exists to support the regeneration of the North of Glasgow and to provide high quality services to North Glasgow Homes which is the single shareholder in the business.

The business was set up by North Glasgow Homes an established social landlord with 5,000+ housing units in the North of Glasgow. ng2's commercial operations cover specific aspects of facilities management - a growing industry sector across the UK. Since launch in 2010 ng2 has grown rapidly. In this period ng2 has supported over eighty previously unemployed people to gain qualifications and work experience and employed over sixty of them directly in ng2. ng2 is a 100% owned subsidiary of ng homes.

Drivers for setting up ng2:

- Second stage housing transfer – Glasgow Housing Association transferred assets across the city. ng homes's housing stock increased from 2,376 to 5,400 overnight.
- The need to deliver a quality facilities management service to ng homes
- The need to ensure value for money of such services (regulatory).
- The creation of local job opportunities (economic regeneration)

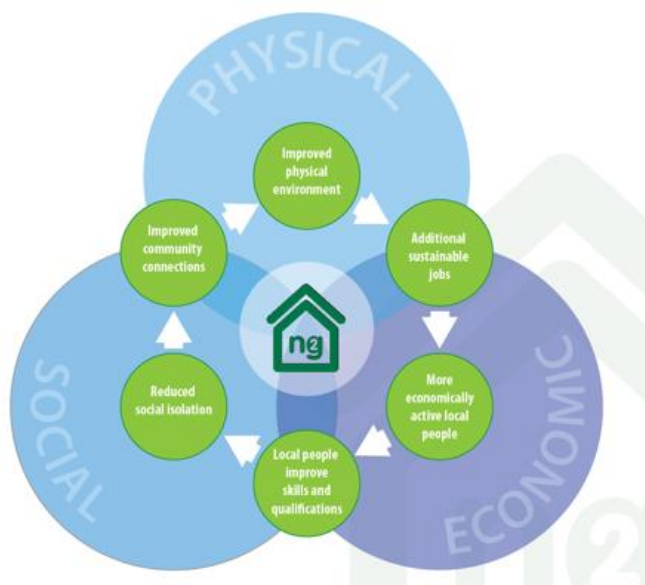
ng homes remains ng2's main client with ng2 undertaking a number of facilities management services for ng homes related to their housing stock.

ng2 has gained a reputation for quality of delivery and can evidence significant social impact in North Glasgow, as well as having a financial track record and trading history. ng2 thus has a solid foundation as a business, an embedded position in the local community as a driver of regeneration and the support of the parent company ng homes. These

circumstances provide the foundation for ng2 to launch into a further period of development, consolidating all of our learning and expertise to date.

ng2 has **‘One Vision – A New North Glasgow’**. This links to ng homes’s strategic vision of North Glasgow as a ‘great place to live, learn, work, visit and invest’

ng2 Aims



- To improve the quality of life of the people of North Glasgow, by providing facilities and resources for improved employment, educational, volunteering opportunities and training in skills related to and assisting in the provision of employment and employment readiness, and in social interaction
- To improve the physical environment in ways which contribute to a cleaner, safer, healthier and more secure locality
- To promote educational, training & volunteering opportunities which lead to sustainable employment for local people
 - To build strong and sustainable partnerships with relevant agencies in pursuit of these aims

Initially ng2 was set up as part of ng homes regeneration focus, by establishing a social enterprise locally the association was able to meet twin goals of supporting employability locally and thereby ensuring more money was circulating in the local economy; at the same time it ensured high quality facilities management service which was accountable to ng homes and to local residents. As ng2 was being established other regeneration activities around health and wellbeing, education, reducing social isolation and environmental sustainability were also being progressed through a mix of regeneration investment by ng homes and successful grant applications to a variety of funders. These community regeneration activities were established within the ng2 legal entity in order to minimise any potential risk to ng homes during the set up phase of this activity. Now that our community regeneration arm is established the Board took a decision to transfer all community regeneration activities to the parent company. This leaves ng2 to operate exclusively as a commercially driven social enterprise, creating social impact through supporting the employment of local people, many of whom have faced barriers to accessing and sustaining employment. ng2 also makes a contribution to ng homes overall efforts to address climate change and sustainable development through its core operations.

STRUCTURE

ng2 is a 100% owned subsidiary of ng homes which operates independently and autonomously of its parent, as governed by an Independence Agreement. ng2 both receives support services from ng homes and delivers services to ng homes. Support services received by ng2 include HR, governance and finance. These services are managed through a Service Level Agreement. Ultimate responsibility for all companies within the group lies with ng homes Chief Executive, Robert Tamburrini. ng2 is 100% owned by North Glasgow Housing Association (ng homes) a not-for-profit community-based Registered Social Landlord (RSL) operating in the G21 and G22 postcode areas. The Association is controlled by a voluntary Board of local residents and is regulated by the Scottish Housing Regulator.

The Association is a registered charity (SC030635).

RSLs are not for profit organisations whose primary purpose is to provide affordable housing. RSL's have an important role to play in developing the local, social economy in the communities they serve. Around 60% of RSLs are involved in Wider Role activities to provide community benefit.

As an RSL ng homes operates for the benefit of the local community and to assist people in need by providing good quality affordable rented housing. ng homes has grown into a substantial community business, through new-build and regeneration activity and successful stock transfers from Glasgow City Council, Scottish Homes and Glasgow Housing Association, it also operates a factoring service and retirement housing complexes.

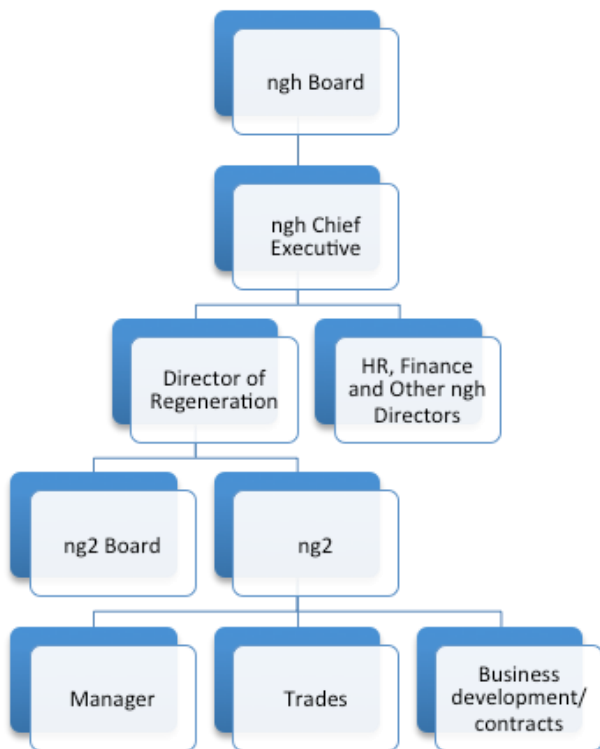
ng homes plays an active regeneration role in the local community, with a range of initiatives beyond housing. ng homes's vision, is "to create a new North Glasgow - a great place to live, visit, work and invest".

To help achieve this, ng homes aims:

- To provide affordable high quality homes and services for local people
- To work with the local community and other partners to deliver regeneration across the North Glasgow area.

ng2's strategic direction is overseen by ng homes, with ng2 playing a pivotal role in helping ng homes to realise its strategic aims and objectives, and its wider role remit. In turn ng2 benefits from the wider support infrastructure ng homes can provide such as HR, Finance and Marketing, the highly experienced and skilled ng homes senior management team, as well as the security ng homes as an established and substantial community business can provide

Structure Chart



Support services such as HR, Communications, Governance and Finance are provided by ng homes as parent company.

ng homes delivers regeneration initiatives in the local community; ng2’s core operations sit alongside these community regeneration efforts adding value and enhancing impact particularly around the physical regeneration of the local area through g2’s direct service delivery (cleaning communal areas, improving and repairing buildings) and recycling and energy efficiency.

Core operational areas

Trades		Non-Trades			
Electrical	Painting	Joinery	Jetting	Environmental	Other
<ul style="list-style-type: none"> - Door entry - Stair lighting - LED replacement 	<ul style="list-style-type: none"> - Residential - Commercial 	<ul style="list-style-type: none"> - Residential - Commercial 	<ul style="list-style-type: none"> Close cleaning Jet washing Concierge 	<ul style="list-style-type: none"> - Hit Squad - Garden Maintenance - Voids - Grass cutting & gardening 	<ul style="list-style-type: none"> Admin

THE MARKET

The total value of the repair and maintenance market in the UK is over £44 billion, with public housing worth over £7 billion.

The facilities management market in the social housing sector has changed significantly in recent years, social housing providers are now looking for less risk, greater stability and control over operations. There appears to have been a shift in the types of contracts placed, with smaller bundled packages being placed and often involving more than one contractor.

The Social Housing Sector

The social housing sector in which ng2 operates has undergone a series of changes in recent years. In Glasgow 100% of all social housing is owned by Housing Associations.

Some key characteristics:

- A drive and pressure towards achieving ‘best value for money’ are impacting on facilities services provision within the social housing sector.
- Changes in supply chain following the demise of some service providers, leading to social housing landlords looking for less risk, greater stability and control over operations.
- The majority of Local Authorities and Housing Associations retain the overall management of the housing stocks but sub-contract at least some of the work to external contractors.
- Individual contracts continue to be the main type of contract placed.
- ‘Bundled’ contracts are placed, there appears to be a shift towards the placement of smaller ‘bundled’ packages as well as multiple contractors.
- Work activities that are often bundled include responsive repairs and planned maintenance.
- The social housing sector is arguably one of the least mature in terms of Facilities Management outsourcing.
- Current expenditure (routine and planned maintenance) accounts for the largest expenditure on social housing.

The social housing market for repair and maintenance continues to rise year-on-year. This can be in part attributed to the comparatively low levels of new buildings in social housing, resulting in the need to upgrade, repair and future proof existing housing stock.

Private sector housing still continues to be the biggest market for repairs and maintenance. The findings and recommendations of the Glasgow Factoring Commission are that there has been significant underinvestment in the management, maintenance and repair of private residential properties in Glasgow. There is need for greater openness, transparency and value for money from factoring services.

PRIORITIES AND GROWTH

Over the next year, ng2 aims to expand its contracts base, gaining additional contracts from the main client – ng homes; and through growing the client base. By gaining contracts ng2 can secure and sustain the enterprise and employment it has created and develop to employ even more local people, contributing to the local economy. Public and private sector drivers around social enterprise and the need to evidence corporate social responsibility provide opportunity for a business like ng2, particularly as a sub-contractor.

ng2's core service delivery contributes to the regeneration of North Glasgow by maintaining and improving the physical environment in North Glasgow and supporting economic activity as a local business and employer. There is opportunity to more closely align the work undertaken by ng2 commercially with the community regeneration focus of ng homes, particularly around environmental projects, recycling and energy usage.

The year to 31 March 2018 was a very successful year in terms of turnover and net profit achieved. It did highlight though the tightness of the market in obtaining and retaining good quality trades staff. The volume of work that was undertaken could not be sustained without a mix of good quality contractors and in house trade staff who can be called upon to undertake a mix of projects at short notice. The level of administrative support that is required to facilitate this work and to ensure it is fully invoiced at the proper value is also a factor that had to be recognized. In the year to 31 March 2019 this was recognized and various contracts including smoke detectors, rewiring, kitchens and bathrooms were taken back into the Association. So 2019 was a lower level of turnover at £3.4m but still a successful year with £122k profit before tax.

For 2019/20

ng2 has a responsibility to its clients to deliver value for money, high quality facilities management services. This demands that the organisation operates under the same commercial lines as its competitors in the private sector.

Opportunities for business

Analysis of ng2's last business plan period highlighted garden maintenance and door entry as growth areas. This proved to be the case with outcomes exceeding the expected figures in the business plan.

For 2019 -20 focus will include:

- Garden maintenance (for tenants and grass cutting of communal areas) projected income £830,000
- Replacement of door entry systems, projected income £250,000
- Returning to contract works once sufficient partnership arrangements have been obtained.

Drivers for growth

In planning for growth ng2's key driver is to sustain and maintain what has already been built in order to safeguard the employment created locally by ng2. In order to achieve this ng2 must grow in a way which does not significantly increase the overheads of the organisation, in a manner which is sustainable, and which allows ng2 to maintain its profitability in order to continue to contribute to the physical, social and economic regeneration of the North of Glasgow.

ng2 will achieve this through pursuing a business model which encompasses:

- i) the direct delivery of services to its clients;
- ii) the ongoing development of strategic partnerships and joint ventures; and
- iii) the use of outsourcing.

By utilising such flexible structures ng2 can respond to the seasonal nature of some of the services it delivers, as well as respond quickly to business opportunities and can maintain and grow its community programmes.

Underpinning all of this is a commitment to quality and customer satisfaction which will continue to drive our commercial decisions.

FINANCIAL PROJECTIONS

The financial projections have been prepared for the year to 31 March 2020. Turnover is projected to decrease from £3.4m in 2018/19 to £3.3m in 2019/20. The decrease is based on various activities being transferred back to the Association including Inspiring Scotland project, EPC's, EICR's and asbestos checks.

Areas such as door entry and sparkle cleans will contribute to the works still projected to be done. The garden and common areas maintenance programme has expanded significantly across the last three years and further growth is still expected.

The level of activities will help maintain the profitability of ng2. This will help support the continual upgrade of the vehicle fleet and other plant in use within the company. The investment in vehicles and plant will be a constant feature across any budget period.

The balance sheet position continues to improve with all loans repaid by September 2019 and an increased level of reserves. The cash flow position remains in a positive position with the drop in the investment programme after the substantial spend on new vehicles in 2018.

RISKS AND CRITICAL SUCCESS FACTORS

Risks

Seasonality: some aspects of ng2's operations are seasonal in nature. Financial analysis of trading has not shown this to have had any negative impact on the financial viability of ng2 however in growing the business an eye needs to be kept to the potential impact of seasonality on profitability and cash flow particular as seasonal services are targeted for growth e.g. garden maintenance.

Quality: monitoring of quality standards across all operations as the organisation grows will be critical to success and allow for speedy intervention should there be any quality issues. Plans to upgrade systems and processes for operational efficiency and contract monitoring will serve to mitigate this risk. An appropriate set of key performance indicators will further support the ongoing drive for high quality delivery.

Reputational: ng2 is a highly visible brand in the local area and ng homes is an established community organisation. Reputational risk is minimised through ensuring that the proposed business expansion of ng2 is in line with ng homes's strategic goals and growth options relate to expanding existing services which ng2 is experienced at delivering.

Financial: ng homes as the main client of ng2 operates a 14 day payment cycle which ensures a regular cash flow to ng2. In extending the client base of ng2 there is risk related to delayed payment and/or non payment. Robust credit control processes are needed to ensure this is managed and the wider support functions of ng homes are likely to be an advantage in this regard.

Critical success factors

- Ongoing business development and focus on quality
- Continue to invest in systems and people
- Monitoring and evaluation of best value and social value

APPENDIX 1 – BUDGET PROJECTIONS YEAR TO MAR 20

Year to 31/03/19	NG 2 Profit and Loss - period to	31-Mar-20			
		Sales	Materials & contractors	Wages	Gross Profit
		£	£	£	£
212,482	Cleaning Services	651,628	33,180	386,695	231,753
	Maintenance and repair services				
48,433	- Joinery	500,000	325,000	120,000	55,000
26,122	- Electrical	390,000	330,000	40,000	20,000
34,041	- Painters	160,000	50,000	80,000	30,000
(99,395)	Management costs	8,000	-	90,000	(82,000)
70,822	Concierge services	330,000	-	270,000	60,000
234,049	Environmental activities	1,017,547	110,000	640,000	267,547
31,504	Other activities	199,156		180,000	19,156
558,058		3,256,331	848,180	1,806,695	601,456
-	Other income	-			-
558,058		3,256,331	848,180	1,806,695	601,456
	Overheads				
50,000	Management charges			60,000	
25,487	Rent and rates			26,000	
176,293	Motor expenses			170,000	
4,000	Telephone and IT support			4,000	
5,595	Printing, stationery and advertising			4,000	
16,854	Professional fees			15,000	
2,820	Container hire			2,400	
24,134	Uniforms, safety equipment and repairs			25,000	
10,533	Training			10,000	
4,000	Insurance			4,000	
109,185	Vehicle and plant depreciation			132,541	
3,154	Loan interest			600	
285	Bank charges			450	
2,825	General expenses			3,500	
435,165					457,491
122,893	Net profit				143,965
26,228	Corporation tax				33,250
96,665					110,715

2019	NG 2	31-Mar-20			
£	Balance sheet at		£	£	£
297,611	Fixed assets				265,070
	Current assets				
309,147	Debtors and stock			389,148	
256,566	Bank			329,474	
<u>565,713</u>				<u>718,622</u>	
	Current Liabilities				
136,331	Trade Creditors		166,331		
25,661	Loan account		-		
81,049	Other creditors		<u>86,362</u>		
<u>243,041</u>				<u>252,693</u>	
<u>322,672</u>					<u>465,929</u>
<u>620,283</u>					<u>730,998</u>
100	Share capital				100
620,183	Profit and Loss account				730,898
<u>620,283</u>					<u>730,998</u>

2019 £	NG2 CASHFLOW	31-Mar-20 £
	OPERATING ACTIVITIES	
96,664	Surplus for year	110,715
-	Interest Received	-
3,154	Loan Interest Paid	600
99,818	Operating surplus excluding interest & tax	111,315
112,285	Depreciation - vehicles and plant	132,541
253,494	Decrease/(Increase)in Debtors	(80,001)
218,803	(Decrease)/Increase in Creditors	35,313
246,794	Net Cash In/(Out)flow From Operating Activities	199,169
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
-	Interest Received	-
(3,154)	Less: Interest Paid	(600)
(3,154)	Net Cash In/(Out)flow from Returns on Investments and Servicing of Finance	(600)
	INVESTING ACTIVITIES	
(99,999)	Acquisition of Other Fixed Assets	(100,000)
0	Investment in Activities	-
(99,999)	Net Cash In/(Out)flow From Investing Activities	(100,000)
143,641		98,569
	FINANCING	
-	Loans Received	-
(41,795)	Less: Loans Repaid	(25,661)
-	Issue Of Share Capital	-
(41,795)	Net cash In/(Out)flow From Financing	(25,661)
101,846	Increase/(Decrease) in Cash and Cash Equivalents	72,908
101,846	Movement in Cash & Bank	72,908
101,846	Increase/(Decrease) in Cash and Cash Equivalents	72,908