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PUBLIC

To: Members of the Derbyshire County Council Trading Committee

Wednesday, 6 July 2022

Dear Councillor

Please attend a meeting of the **Derbyshire County Council Trading Committee** to be held at **3.00 pm** on **Thursday, 14 July 2022** in the **Council Chamber, County Hall, Matlock**, the agenda for which is set out below.

Yours faithfully

A handwritten signature in black ink that reads 'Helen E. Barrington'.

Helen Barrington
Director of Legal & Democratic Services

AGENDA

1. Appointment of Chairman
2. Appointment of Vice-Chairman
3. To receive apologies for absence
4. To receive declarations of interest (if any)
5. Corporate Property Annual Report & Business Plan (Pages 1 - 24)

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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

DERBYSHIRE COUNTY COUNCIL TRADING COMMITTEE

THURSDAY, 14 JULY 2022

Report of the Assistant Director (Asset Management)

Corporate Property's Annual Review of its Joint Ventures

1. Purpose

- 1.1 The report is the annual review for the financial year 2021/22 in respect of the three joint ventures, Concertus Derbyshire Limited, Vertas Derbyshire Limited and Develop Renew. Members will also receive a detailed presentation at the meeting on the activities of Concertus and Vertas with further information on Develop Renew following at a future meeting.

2. Information and Analysis

- 2.1 The Derbyshire County Council Trading Committee (**'Trading Committee'**) was established by Council in March 2021, to oversee on behalf of the Council, the performance of Concertus (Derbyshire) Limited (**'CDL'**), Vertas (Derbyshire) Limited (**'VDL'**) and PSP (Derbyshire) LLP and provide approval on reserved matters as set out in the shareholder/members agreements for these organisations. PSP (Derbyshire) Limited operates under the trading name of Develop Renew.
- 2.2 The rationale for establishing the three joint ventures as strategic partners to the Council is to allow the Council to concentrate on its core activity of asset management rather than service delivery, and, for CDL and VDL who also provide services to increasingly cost-conscious customers, the ability to trade competitively to the benefit of the Council.

2.3 Strategic Partners – Concertus Derbyshire Limited and Vertas Derbyshire Limited.

Separate reports are to be presented by CDL and VDL to the Trading Committee on the performance of the companies during 2021/22. This report therefore considers the Council's position as shareholder and customer to the joint ventures and is complementary to the specific reports from each joint venture company.

By way of background, both CDL and VDL are Limited Companies. The Council has a 49% shareholding in each company, it has four executive directors, two from each shareholder, which means decision making is 50/50, notwithstanding the 51/49 ownership split. The four executive directors and non-executive chairman are the same in each company.

- Duncan Johnson – Non-Executive Chairman
- Dave Massingham – Director of Corporate Property, DCC
- Paul Stone – Interim Director of Finance & ICT, DCC
- Keith Buet – Chief Operating Officer, Vertas Group Limited
- Matthew Self – Managing Director, Concertus Design & Property Consultants Limited

This is the first full year of trading for both companies, having been established in September 2020. For the period prior to April 2021, the focus was primarily on transitioning the staff and services into the new companies. From April 2021 the focus has been on business improvement.

For the financial year 2021/22 both joint ventures will need to determine whether to declare a dividend if they are able to. This is a decision for the directors of the companies. Whilst the directors are not minded to declare a dividend, they have asked the shareholders for their view. As this is in effect the first full year of operation, it is often normal for a company not to declare a dividend, but rather to retain the earnings to aid cashflow, for subsequent reinvestment or mitigate the need for future borrowings. In April 2022, Cabinet approved as normal business practice making available a loan as shareholder to both companies. To date no loan has been granted. Accordingly, the recommendation is that both the Council and its shareholder partners do not take a dividend for this financial year to allow both businesses to develop further and potentially avoid the need for a shareholder loan.

From 1 April 2022, the joint venture partners have changed the organisation structure. Vertas Group Limited and Concertus Design

and Property Consultants Limited will now work under one leadership structure, whilst keeping their individual brands and identity. Although this has no direct implication for the joint ventures with the Council, it has been implemented to encourage group working and identify combined group growth opportunities. These improvements will benefit the joint ventures with the Council, for example as the Vertas Group pursues its group objectives such as Carbon Net-Zero and Social Value Creation.

2.4 Concertus Derbyshire Limited

Although the focus this year has been improving how capital projects are managed and designed since the service was transferred in September 2020, there are number of other performance measures that are of interest to the Council.

Performance Measures	
Governance	The joint venture board receive reports every month on the performance of the joint venture company and meets quarterly to review progress against the Business Plan.
Financial	The company is required to submit its financial accounts to Companies House by December 2022. The unaudited financial position for 2021/22 is a Turnover of £3.25m and Margin £260k. Both above budget and considered reasonable for the business.
Staff	<ul style="list-style-type: none"> • 41 staff transferred from the Council. Current establishment 54 including 15 vacancies. • Investors in People Gold Accreditation. • Investors in People Wellbeing Silver Accreditation.
Business Development	New clients, include councils and academies across the East Midlands. Appointed to 6 national frameworks.
Business Improvement	<ul style="list-style-type: none"> • Adoption of Concertus Group standardised design i.e., Education Building – aligning with the DfE Processes. • Adoption of PRINCE2 / RICS Programme Management/ Project Management Best Practice. • Institute of Customer Service (ICS) client and employee satisfaction surveys. CDL scored above the UK average. • Certification for ISO 14001 Environmental Management Systems, ISO 45001 Occupational Health and Safety Management Systems and ISO 9001 Quality Management Systems. • Certification for ISO 19650 Building Information Modelling (BIM).

Performance Measures	
Sustainability	Certified with Carbon Charter - Bronze certification. "Ten Steps to Net Zero".

For any capital project the challenge is to manage the relationship between the triple constraint of 'time-cost-scope'. In February 2022, the Council transferred 'project management' responsibility to CDL. This has allowed the company to forge closer relationships with departmental clients, and in time this will speed up project delivery and secure improved project briefs. The reason for this is that the 'client' department can shape the project brief without relying on Corporate Property as simply a 'postbox'. This translates into reduced project costs. In 2022/23, the Council will wish to see further development of this collaborative working.

One of the reasons for establishing CDL was to improve the quality of the design services. For example, Concertus has invested in BIM (Building Information Modelling), which is the creation and use of digital models to support collaborative design in the construction of buildings. Although BIM is a requirement for Government funded projects, it was not available to the Council prior to transfer. BIM is now used on all relevant Council projects through CDL.

The level of staff turnover in the first year of the business is higher than industry comparators, however understandable having regard to the age and profile of the TUPE transferees. The Council would expect to see this reduce in future years.

In 2022/23, the Council working with CDL will seek to introduce further changes to improve project delivery and reduce project costs. For example, a greater use of Frameworks to appoint contractors to speed up the procurement process is proposed.

2.5 Vertas Derbyshire Limited

A significant difference between CDL and VDL is the volume of third-party contracts to schools, academies and district councils. Accordingly, the focus this financial year has been in transitioning the organisation to be more customer focused, thus safeguarding jobs which were under threat prior to VDL being established. There are however, a number of other performance measures that are of interest to the Council.

Performance Measures	
Governance	The joint venture board receive reports every month on the performance of the joint venture company and meets quarterly to review progress against the Business Plans
Financial	The company is required to submit its financial accounts to Companies House by December 2022. The unaudited financial position is a Turnover of £13.50m and Profit £400k. Both above target, and considered reasonable for the business.
Staff	<ul style="list-style-type: none"> • 945 staff transferred from the Council. Current establishment 815 (more staff are undertaking more hours by choice). • Staff training & compliance, consistently above target. • VDL staff successful in national Vertas Group 'Making the Difference Awards 2021',
Business Retention & Development	<ul style="list-style-type: none"> • 96% of cleaning contracts and 98% of grounds maintenance contracts renewing. • Significant new business from multi-academy trusts. • Quality of staff and quality of service are the positives from the customer survey. • Challenge is recruitment which is a national issue, see below.
Business Improvement	<ul style="list-style-type: none"> • Increase in the number of area managers and supervisor roles, to support customers and staff. • New systems to support staff – On-line training, absence management, time & attendance, and HSQE. • New customer surveys introduced. • Investment in new plant and equipment.
Sustainability	<ul style="list-style-type: none"> • Environmental Strategy to achieve net Zero by 2030. • Sustainable Procurement Policy launched.

When VDL was established over 900 staff transferred to the new company. Prior to transfer there was considerable uncertainty as to the future employment of these individuals. This was because many schools who convert to academy status were terminating their contracts with the Council, which adversely affected the central overhead and staffing for the cleaning service. In addition, the Council was also reviewing its own portfolio and reducing the number of buildings that required a cleaning, caretaking or grounds maintenance service. VDL has managed this risk. It has targeted initiatives to increase the retention of contracts, offering greater flexibility in service provision. It has also successfully secured new contracts with multi-academy trusts.

Nationally, the Covid pandemic has adversely affected the recruitment of in particular, caretaking and cleaning staff. The age profile of the staff who transferred impacting this further in Derbyshire. In 2022/23 the Council would wish to see further improvement in staff recruitment to enable service provision to continue for the Council and schools.

Prior to transfer the level of engagement between the service and customers, including schools was weak. VDL has introduced new customer engagement initiatives, and this has resulted in some schools reviewing a service that had largely been 'forgotten' prompting some adverse comment on the quality of the service. In 2022/23, the Council is keen to see an improvement in customer feedback, commensurate with the positive level of contract retention.

A further reason for establishing the joint venture was to allow Corporate Property to concentrate on Asset Management. This includes Asset Optimisation, which is centralising responsibility for all property assets, decision making and budgets. This will enable Corporate Property to tailor the services that are provided to individual properties. In 2021/22, VDL and Corporate Property have begun to review the grounds maintenance service for every property. This will enable further site by site revision to reduce cost. In 2022/23, this forensic analysis will be extended to cover caretaking and cleaning.

2.6 Develop Renew

Develop Renew is the trading name of PSP (Derbyshire) LLP. A joint venture established as a limited liability partnership between the Council and PSP Facilitating Limited. The Council has a 50% share in the joint venture and equal decision-making authority. The reason this joint venture has a trading name, is that it is a public facing commercial entirety and seeks to engage with the wider developer, investor and landowner markets.

The pipeline of potential development projects arises primarily out of the asset review and challenge process undertaken by Corporate Property. This generates sites which are no longer essential for service delivery, and which could be potentially redeveloped to deliver other corporate strategies.

This pipeline of projects is expected to increase as the review process progresses and more sites are identified. Develop Renew, reports separately to the Council on its work programme which includes:

- The rationalisation and improved management of the Council's Industrial Portfolio.

- Bringing forward development sites for housing.
- Reviewing the Council's corporate depot portfolio in order to generate revenue savings and operational efficiencies.

3. Consultation

- 3.1 The Council's strategic partners CDL, VDL and Develop Renew have been consulted with in preparing this report. No additional public consultation is required.

4. Alternative Options Considered

- 4.1 Alternative Option 1: Do Nothing and not report progress to the Trading Committee. It would be possible to rely on existing arrangements as set out in the Council's Constitution which ensure efficiency, transparency and accountability in how the Council operates, as well as corporate law that regulates companies and LLPs. However, this is not recommended. In a 2019 report by law firm, Trowers & Hamblins, identified the importance of good governance in local government, noting that the desire to get a company up and running could mean that in some instances, good governance could take second place, resulting in unmanaged risk and lower than expected returns.

- 4.2 Alternative Option 2: Do something different. The arrangement the Council has put in place with the Trading Committee provides a governance framework and it would be possible for officers of the Council to report the progress of the joint ventures. However, this is not recommended. The Trading Committee represents the Council as shareholder and the Financial Reporting Council (FRC) which is the body responsible for promoting high quality corporate governance in companies recommends a dialogue between the company and the shareholders.

5. Implications

- 5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

6. Background Papers

- 6.1 None

7. Appendices

- 7.1 Appendix 1 – Implications

7.2 Appendix 2 - Presentation slides from Concertus and Vertas Derbyshire Limited

8. Recommendation(s)

8.1 That the Trading Committee:

- a) Notes and comments on, as appropriate, presentations on the activities of Concertus Derbyshire Limited and Vertas Derbyshire Limited
- b) Recommends to the Directors of Concertus Derbyshire Limited and Vertas Derbyshire Limited that the companies do not pay a dividend to the shareholders in respect of the financial year 2021/22, but rather retain the earnings to invest in the businesses.

9. Reasons for Recommendation(s)

9.1 Good governance provides that there is a dialogue between a company and LLP and its shareholders/members.

9.2 Whilst the Trading Committee recognises that the decision whether to declare a dividend or not is for the directors of the companies, as CDL and VDL are still in their infancy, it is recommended that any retained earnings are kept within the companies to aid cashflow, for subsequent reinvestment or mitigate the need for future borrowings.

Report Author: Stuart Knight, Interim Change Programme Director

Contact details: stuart.knight@derbyshire.gov.uk

Implications

Financial

- 1.1 Regular dialogue between the finance teams of both VDL and CDL takes place with finance officers of the Council. This includes monitoring the cashflow position of each JV to act as an early warning sign of any potential issues. The current expectation is that neither JV will require financial assistance from the shareholders going forwards.
- 1.2 Future decisions on dividend payments will be taken by the Directors of the Companies, with input from the Shareholders.

Legal

- 2.1 Legal services works closely with the client property department to consider any legal implications arising from each of the JVs; Any future legal advice on each JV will be provided as required, with external legal support engaged where appropriate.

Human Resources

- 3.1 None

Information Technology

- 4.1 None

Equalities Impact

- 5.1 None

Corporate objectives and priorities for change

- 6.1 The joint ventures support the Council's Enterprising Council strategy and with market-based charges the key priority relating to value for money.

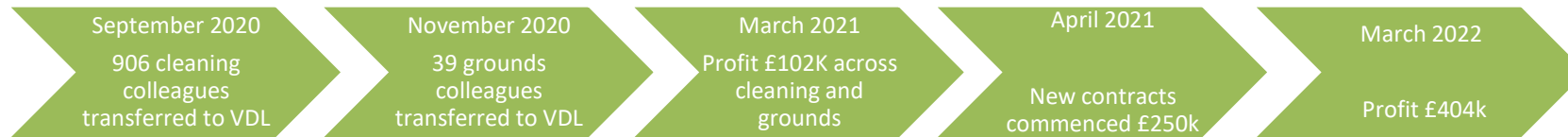
Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

- 7.1 CDL and VDL are private limited companies and required to comply with company law in particular the Companies Act 2006. Develop Renew is a limited liability partnership formed under the Limited Liability

Partnerships Act 2000 and many provisions of the Companies Act 2006 also apply. As corporate bodies they have responsibilities and obligations under Health & Safety, Risk Management, Sustainability, etc.

- 7.2 The joint ventures support Corporate Property in the delivery of the Council's Asset Management Framework.





2020 - 945 colleagues transferred to Vertas Derbyshire Limited, more than 430 customer locations

Restructure of management team – increased the number of area managers, new admin. and supervisor roles.

Introduction of new systems to support our colleagues – On-line training system, absence management, time & attendance, robust HSQE policies and procedures, recruitment processes.

Investment - £300k in new equipment, plant and vehicles.

Trade Union – strong working relationships; monthly operational meetings, formal Quarterly union meetings. We have supported the recruitment of VDL Union representatives

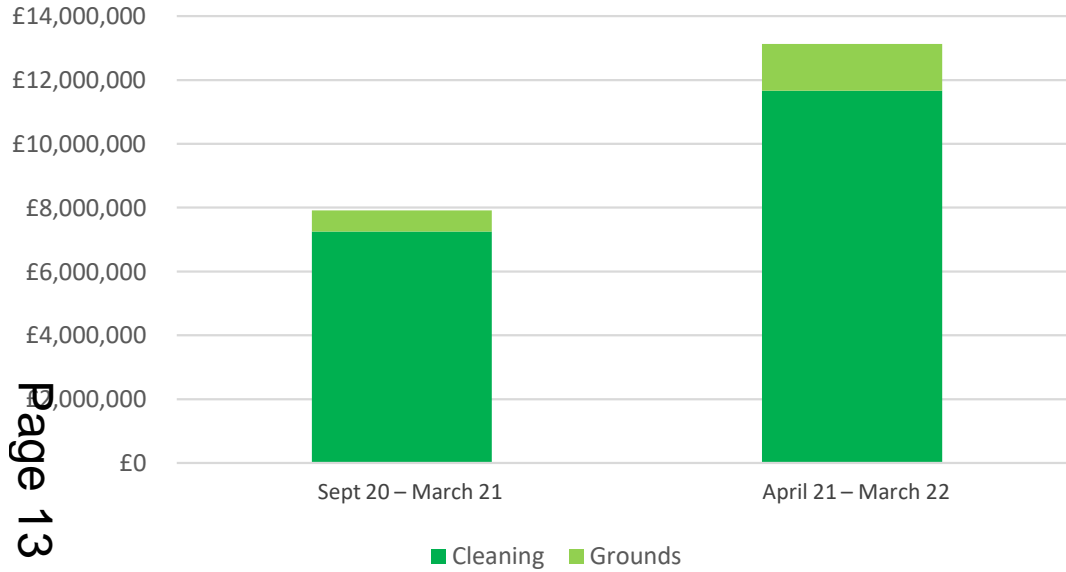
Financials – in excess of £500k profit in 19 months.

Retention – Extremely positive with 96% of cleaning contracts and 98% of grounds maintenance contracts renewing for 1 or 2 year contracts.

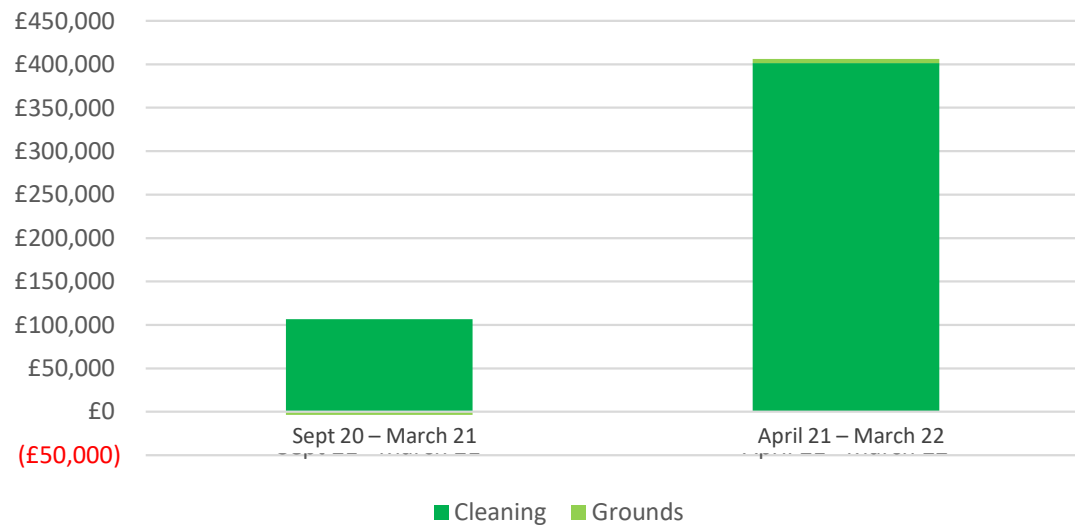
New business – Multi Academy Trusts in excess of £1.25million.

Visibility and comms much better – Regular communication with customers via site visits, email communication and visibility on DCC website/S4S system.

Turnover



Profit

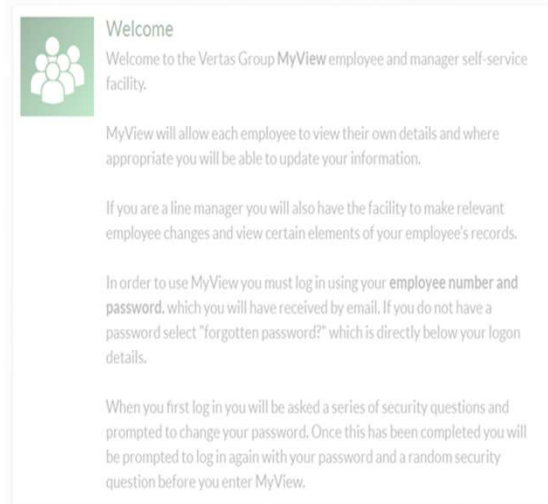


- 2020/21 Profit £103k (1.30%)
 - Set-up and mobilisation costs
- 2021/22 Profit £406k (3.08%)
 - Ahead of forecast by £7k

- Robust Management structure
 - Supported by Admin, HSQE and Finance
- People Management systems
 - Time and Attendance
 - Honeydew Health Absence management
 - My View
 - E-volve
- Continuous conversations
- Colleague Survey
- TUPE Transfers (160 colleagues transferred in to the business)
- Absence
 - Short & Medium term at levels comparable with Vertas group and the wider FM industry
 - Covid related absence higher than remainder of the country
 - Long Term absence in excess of 4%
 - Age of colleagues
 - Delays to treatment (Covid related)



MyView



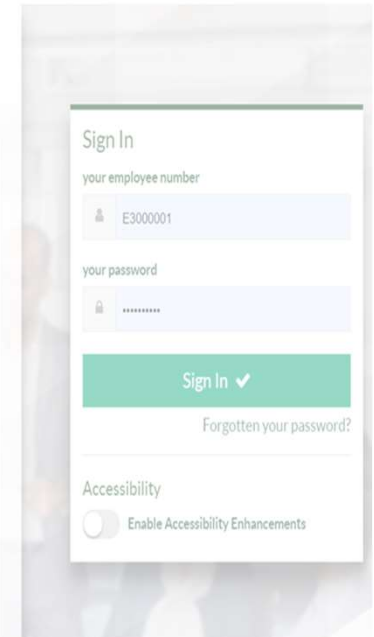
Welcome
Welcome to the Vertas Group MyView employee and manager self-service facility.

MyView will allow each employee to view their own details and where appropriate you will be able to update your information.

If you are a line manager you will also have the facility to make relevant employee changes and view certain elements of your employee's records.

In order to use MyView you must log in using your employee number and password, which you will have received by email. If you do not have a password select "forgotten password?" which is directly below your logon details.

When you first log in you will be asked a series of security questions and prompted to change your password. Once this has been completed you will be prompted to log in again with your password and a random security question before you enter MyView.



Sign In

your employee number
E3000001

your password

Sign In ✓

[Forgotten your password?](#)

Accessibility
 Enable Accessibility Enhancements




vertas

My View 2.0 Home

- Dashboard
- E-volve
- Reset Password
- Sign Out

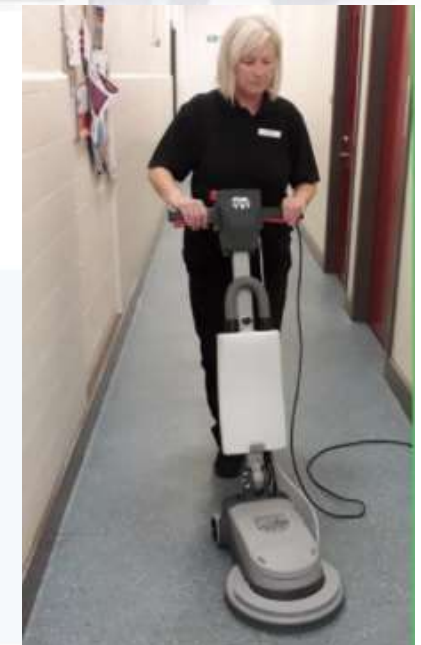
E-volve

Active Courses

Allergen Awareness 4026	Take Course
Allergenic Awareness 4027	Take Course

Passed Courses

There are no courses to display in this list.



Customer Relations

- Customer first helpdesk
- Robust escalation procedures
- Regular communication
- Compliments and complaint logging
- Transparency and engagement with customers
- Customer Survey
 - Excellent quality of staff
 - High quality of service



Wins, Losses and Retention

- £1.25m of new business won
- 96% cleaning and 98% grounds retention
- Re-costing and re-specification of contracts
- 81 contract losses (48 cleaning, 33 grounds)
- HPSM entered a JV with Norse
- Growth focused on multi academy trusts



St Ralph
Sherwin
Catholic Multi Academy Trust



People

- Over recruit to build holiday and absence cover
 - Job fairs, multi-site roles, colleges, apprenticeships, refer a friend
- Training and development to create our future leaders and enable growth.
- Continuous Conversations to assist people engagement.

Contracts

- Multi academy trusts; both services.
- Additional services with DCC Property such as security.
- Additional services to non-DCC customers; waste, washroom, specialist cleaning.

Finance

- Rolling 5 year business plan

Derbyshire County Council Trading Committee
Matthew Self
Thursday 14 July 2022



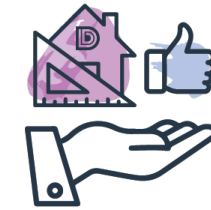
— A PARTNERSHIP | WORKING TOGETHER —



— A PARTNERSHIP | WORKING TOGETHER —



To transform the property delivery team



Deliver better projects for Derbyshire County Council clients



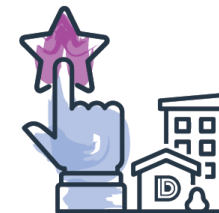
Bring innovation and best practice to the Council Property Services



Deliver savings (overall Project costs and Construction costs)



Deliver projects on time and to a good standard



Improve the reputation of Corporate Property and the Council in respect to Property



Help support the transformation of Property

/ For FY 2021/22 the Business Plan confirms a Turnover Target of £2.8m with a Net Margin performance of -6%

/ In FY 2021/22 Q2, the turnover target aspirations were re forecasted to a target of £3,100,000, a increase of 11% from the original budget as a result of successful Business Development Activity with District Councils; Academies and Contractors

/ Performance for FY 2021/22 was as follows –

	FY 2021/22 Budget (£)	FY 2021/22 Actual (%/£)
Turnover (£)	£2,800,000	£3,252,076
Net Margin (%)	-6%/ -£168,000	8%/ £260,166
* FY 2021/22 retained earnings -£92,231 due to loss of £352,397 in FY 2020/21		
* These our draft accounts awaiting completion of Audit		

/ Improved performance = reduced overhead spend

/ Improved performance = concluded projects originally transferred which had low/ incorrect fee values for required outputs

/ Improved performance = continuous improvement/ development of relationship management with DCC Directorates

/ Improved performance = CDL productivity and efficiency improved via new process/ policies and investment in technology

/ Improved performance = Successful Business Development Activity with non DCC clients with improved commercial terms

Employee Numbers	No. of People
How many people TUPE Transferred (01 September 2020) (Architecture; Landscape Architecture; Building Services Engineering; Building Surveying; Cost Consultancy)	34
How many people TUPE Transferred (01 February 2022) (Project Management; Cost Consultancy; CDMC)	7
Total No. of Staff TUPE Transferred	41
How many TUPE Transferred employees have left Concertus Derbyshire Ltd	11
Total No. of Staff TUPE Transferred remaining	29 (-12)
<i>Current No. of Concertus Derbyshire Ltd Employees</i>	39
<i>Current No. of Concertus Derbyshire Ltd Vacancies to support delivery of Business Plan</i>	15

/ The TUPE transfer into the joint venture of Project Managers/ Programme Managers/ Costs Consultants and CDMC professionals from the DCC projects team was successfully executed on the 1 February 2022

/ The annual rolling staff turnover is 26.3% versus industry metric of 16%.

/ Rolling year absence rate – average 2.96%. This included two individuals on long term sickness with 0% relating to COVID

/ Employee productivity at 71% and at efficiency 90%

(18% improvement from 2020/21FY - Target 80% for productivity versus Group performance of 82% - Target 90% for efficiency versus Group performance of 96%)

/ Investment in Hardware/ Software and Training to ensure professionals Services align with Industry Standards – Building Information Modelling/ Net Zero Design

/ Investors in People Gold Accreditation and Investors in People Wellbeing Silver Accreditation

/ 1% of Turnover invested in Employee Training of employees (excludes Apprenticeships/ Trainees/ Professional Chartership Programmes)

/ 5 employees on Professional Chartership Programmes and 6 employees on Professional Trainee Programmes

/ 4 Employees as STEM Ambassadors supporting local schools; colleagues; universities and Industry Bodies and Implemented Workexperience Programme with local school

- / Completed 237 projects for Derbyshire County Council
- / 449 active projects with Derbyshire County Council
- / £689k of new works won with non-Derbyshire County Council clients
- / Appointed to 6 National Frameworks for Multi-Disciplinary Services (Lot for East Midlands).
- / Implementation of a twelve month programme for Business Improvement and New Ways of Working with DCC. Including a review of the following –
 - Adoption of Concertus Group standardised design i.e. Education Building – aligning with the DfE Schedule of Accommodation and CEM Processes
 - Adoption of PRINCE2/ RICS Programme Management/ Project Management Best Practice for Project and Programme Reporting
 - Implementation of Relationship Management Processes and Policies with dedicated resource allocated to DCC Directorates – Key Account Management
 - DCC Commissioning Process
 - DCC Procurement Process
 - Delivery and simplification of SAI and IMP Programmes to improve efficiencies and cost savings
- / Certification for ISO 14001 Environmental Management Systems, ISO 45001 Occupational Health and Safety Management Systems and ISO 9001 Quality Management Systems
- / Certification for ISO 19650 Building Information Modelling (BIM). BIM Level 2 fully implemented on all DCC projects circa construction value £750k+.
- / Our first Institute of Customer Service (ICS) client and employee satisfaction surveys were launched. For our external survey we scored 80.0 which is above the UK average (78.4) and the average for service providers (77.4)
- / Certified with Carbon Charter - Bronze certification. "Ten Steps to Net Zero" document was sent internally to all employees in February

/ **People** - retention and or recruitment of staff in accordance with service plans to achieve in year business targets thus impacting financial targets and strategic business plan performance

/ **Procurement and impact to project delivery** - We are currently working on a revised procurement strategy with DCC to allow them to align with industry best practice utilising construction frameworks. We do note however whilst this strategy is progressing, we are seeing delays in the existing procurement of construction works

/ **Industry Awareness** – impact of 20% increase in construction costs and the availability of labour/ materials to support the delivery of projects to time and to budget. Along with the impact of the Ukraine War

/ **Financial** – continuity and transparency of pipeline from Derbyshire County Council to facilitate management of resource; investment and financial targets

/ **Processes** – successful implementation of CDL and DCC Business Process Re-engineering to ensure improved ways of working; efficiency and added value

/ **Growth** – requirement for sector and client diversification in consideration to reducing Public Sector funding

Financial

- / Turnover aspiration in the order of £5m for the financial year 2022/23
- / Further work and interrogation required for invoice profiling
- / Development of the five-year rolling Business Plan

Growth

- / Crystallise a clear marketing and business development strategy and increase our focus on delivering new work for 2022/2023
- / Potential opportunities for Vertas Group to be reviewed
- / Our marketing work with the DfE CIF campaign will continue to build upon our success

Infrastructure

- / Invest in training and development for our staff so we are fit for purpose and can offer a quality service that is attractive in the marketplace

People

- / Proactive recruitment and development of staff to facilitate growth strategy remains a critical item to deliver our turnover
- / Training and Development Programmes for Apprenticeships/ Graduates/ Post Graduates and Professional Chartership Pathways
- / Increase productivity and efficiency metric
- / Concertus Group Social Value Management Plan in the East Midlands



Thank you for listening.
Any questions?