

Public Document Pack



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PUBLIC

To: Members of Derbyshire County Council Trading Committee

Wednesday, 19 July 2023

Dear Councillor

Please attend a meeting of the **Derbyshire County Council Trading Committee** to be held at **2.30 pm or the rise of Cabinet, whichever is the sooner** on **Thursday, 27 July 2023** in **Committee Room 1, 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. Apologies for absence
2. Declarations of interest (if any)
3. To confirm the minutes of the meeting held on 14 July 2022 (Pages 1 - 2)
4. Corporate Property's Annual Review of its Joint Ventures (Pages 3 - 30)

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PUBLIC

MINUTES of a meeting of **DERBYSHIRE COUNTY COUNCIL TRADING COMMITTEE** held on Thursday, 14 July 2022 in the Council Chamber, County Hall, Matlock.

PRESENT

Councillors K S Athwal, R George, G Hickton, C Renwick and S Spencer.

Apologies for absence were submitted for Councillor A Dale.

Officers present: E Alexander, H Barrington, D Massingham and P Stone.

1 APPOINTMENT OF CHAIRMAN

Councillor Spencer was elected as Chairman for the ensuing year.

Councillor S Spencer (in the Chair)

2 APPOINTMENT OF VICE-CHAIRMAN

Councillor Athwal was elected as Vice-Chairman for the ensuing year.

3 TO RECEIVE APOLOGIES FOR ABSENCE

Councillor Hickton attended as substitute for Councillor Dale.

4 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

Paul Stone (Assistant Director of Finance and ICT) and Dave Massingham (Director of Property) declared personal interests in item 5 as Employed Officers of Derbyshire County Council that were members of the Boards of Concertus and Vertas.

5 CORPORATE PROPERTY ANNUAL REPORT & BUSINESS PLAN

Members welcomed Keith Buet and Liam Swift, on behalf of Vertas, and Matthew Self, on behalf of Concertus, to deliver presentations outlining key aspects of the work that they had been carrying out over the past year.

Councillor George joined the meeting at 3:12 pm.

RESOLVED to:

- 1) Note the information in the report and given in the presentations;
and
- 2) Recommend 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.

The meeting finished at 4.00pm.



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

DERBYSHIRE COUNTY COUNCIL TRADING COMMITTEE

THURSDAY, 27 JULY 2023

Report of the Executive Director - Corporate Services and Transformation

Corporate Property's Annual Review of its Joint Ventures

1. Purpose

- 1.1 The report is the annual review for the financial year 2022/23 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, Vertas and Develop Renew.

2. Information and Analysis

- 2.1 The Derbyshire County Council Payments and 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 the ability to trade competitively to the benefit of the Council.

- 2.3 Strategic Partners – Concertus Derbyshire Limited and Vertas Derbyshire Limited.
- 2.4 Separate reports are to be presented by CDL and VDL to the Trading Committee on the performance of the companies during 2022/23. 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.
- 2.5 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
 - Chris Henning – Director of Place, DCC
 - Paul Stone – Assistant Director of Finance, DCC
 - Keith Buet – Chief Operating Officer, Vertas Group Limited
 - Matthew Self – Managing Director, Concertus Design & Property Consultants Limited
- 2.6 The 2022/23 year represents a period of change for both the Council and the Joint Ventures. A new senior management team within Corporate Property has been formed and there was recognition that the Director of Property had a dual role with the Joint Ventures; as a board member and as the voice of the customer. An adjustment has been made and the Director of Place has replaced the Director of Property on the Joint Venture board. This adjustment will allow the Director of Property to focus on being the voice of the Council and the customer.
- 2.7 Concertus Derbyshire Limited 2022/23

Performance Measures	
Financial	The company is required to submit its financial accounts to Companies House by December 2023. The unaudited financial position for 2022/23 is a Turnover of £5.01m and Margin £963k.
People	38 employees at the start of the year vs 38 end of year 2022/23 The annual rolling staff turnover 13.1% vs industry metric of 16% Investors in People Gold Accreditation. Investors in People Wellbeing Silver Accreditation

	29% of employees on Professional Chartership Programmes New Leadership and Management Structure
Business Development	New Works Won £1.33m Marketing and Business Development strategy to support Sector Client Diversification into District and Borough Councils; Multi Academy Trusts and One Public Estate
Business Improvement	Revised procurement strategy with DCC to align with industry best practice utilising construction frameworks. Successful implementation of Phase 2 Business Process Re-engineering to ensure improved ways of working; efficiency and added value Institute of Customer Service (ICS) client and employee satisfaction surveys. ISO 44001 Collaborative Business Relationships Re accreditation for ISO 14001 Environmental Management System, ISO 45001 Occupational Health and Safety Management, ISO 9001 Quality Management System and ISO 19650 Building Information Modelling Social Value Strategy and Social Value Policy
Sustainability	Obtaining Accreditation for ISO 50001 Energy Management Net Zero + Planet Mark certification creating a roadmap to achieving our net zero aspirations by 2030

2.8 This year has seen a period of consolidation since the establishment of the Joint venture in 2020. A series of business improvements meetings and subgroups were established in 2023 going into the 2023/24 financial year with senior managers both from the Joint Venture and Derbyshire County Council. These meetings continue the momentum from previous years to enable evolution of existing processes to optimise the CDL Joint Venture this includes:

- A strategic view on how work is commissioned, when it is commissioned and what each party can do to enable the appropriate strategies to be deployed to effectively engage with the supply chain early to maximise efficiencies and outcomes.
- A review of the current fee structure and its alignment with the scale, volume and typology of work being passed to the Joint Venture

- Consolidating lessons learned from both parties since the Joint Venture was established to use such lessons inform good and best practice for the future
- Horizon scanning of the potential demand in anticipation of a changing morphology as the Council seeks to work differently

2.9 In conjunction with the above activity, additional resource is being sought by the Council to provide 'scaffolding' to assist in the implementation of the arising improvements throughout 2023/24.

2.10 While the Joint venture had had a focus on projects and design previously, 2022/2023 saw CDL being commissioned to complement existing internal resources in carrying out detailed option appraisals on parts of the Council's estate coupled with ongoing portfolio meetings between the parties.

2.11 During 2022/23 CDL have committed to the future of Social Value by implementing the Social Value Portal, with the intention of being able to report on the Themes, Outcomes and Measures (TOMs) for 2023/24 year. This allows for consistent reporting in line with best practice and the national TOMs. In addition to the existing accreditations that the joint venture already hold they have been preparing to meet the Audit requirements of ISO 50001 for the 2023/2024 year.

2.12 In May a new Operations Director was appointed while an associate director and associate joined the business during year, additionally internal promotion led to a further associate joining the management team.

2.13 There are vacancies for Building Surveyors, Quantity Surveyor and Structural Engineers.

2.14 Vertas Derbyshire Limited

Performance Measures	
Financial	The company is required to submit its financial accounts to Companies House by December 2023. The unaudited financial position is a Turnover of £12.34m and Profit £455k. This is lower than the previous financial year in part due to asset rationalisation within Derbyshire County Council
People	Robust Management Structure People Management Systems Employee Benefits

	Colleague survey Launch of Workvivo Commitment to Training and Development Making the Difference Awards
Business Retention & Development	Multi academy trusts – cleaning and grounds services Additional services to DCC such as security Additional services to non-DCC such as waste, washroom, specialist cleaning. Identify integrated FM opportunities in Derbyshire
Business Improvement	Customer first helpdesk – data reporting Customer Survey
Sustainability	Sustainability Partner Planet Mark to identify and agree scope 1,2 and 3 carbon measures

- 2.15 This year has seen the introduction of a customer helpline by VDL, which will support our sites with any queries, complaints or compliments they may have and give them a more direct access to VDL. It will also aid VDL in understanding any issues that occur so they can address and review processes and procedure accordingly.
- 2.16 This year has also seen the introduction of new schedules of work for grounds maintenance for most of our corporate estate, work continues reviewing and pricing works on our countryside sites. These new schedules of work give a clear standard of outcomes that VDL can work to and help to inform of what work should be expected.
- 2.17 For the countryside services sites this will bring about a more co-ordinated approach in the delivery of grounds maintenance with countryside colleagues actively involved in determining the provision of service required at these sites and Countryside Services have sourced additional funding to help with the implementation to new schedules of work for those sites.
- 2.18 There has, however, been some failings to service provision but VDL management have been quick to respond and address issues and the helpline may further improve Vertas' response to such failings in the future.
- 2.19 This year, as we have moved out of the restrictions of the COVID19 pandemic, has seen a more stable cleaning and caretaking service and allowed more consolidation and a return to normality within the provision of the service.

2.20 Dividend

2.21 It is proposed that 30% of retained earnings are paid as dividend to leave capital in the joint ventures for working capital and investment. Broadly the dividend across the CDL and VDL joint ventures is £400k.

2.22 Develop Renew

2.23 Develop Renew is the trading name for 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 partnership which is a public facing commercial entity and seeks to engage with the wider developer, investor and landowner markets.

2.24 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 could be potentially redeveloped to deliver other strategies.

2.25 The Partnership has an option agreement for Cavendish Road which will allow the Partnership to sell the asset should they find a successful purchaser following a marketing period.

2.26 The Partnership has developed a scoring matrix to ensure the Council gets best value for money and development proposals are in line with the Council's vision and the chosen developers or owners have the relevant experience and financial credibility to deliver.

2.27 Chatsworth Hall is currently being marketed to ascertain if there is an economically sustainable commercial use for the asset. Should there be no potential users at the end of the marketing period the Partnership will look to market for alternative uses. The Council looks to continue to secure the asset with the aim of providing vacant possession within Q4 2023/24.

2.28 It has been agreed by the Partners that should there be any returns from the sale of Cavendish Road they will repay the liabilities incurred within the partnership.

3. Consultation

3.1 The Council's Strategic Partners CDL, VDL and Develop Renew have been consulted in preparing this report. No additional public consultation 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 report slides from Concertus, Vertas Derbyshire Limited

8. Recommendation(s)

That Committee:

- a) Notes and comments on, as appropriate, presentations on the activities of Concertus Derbyshire Limited and Vertas Derbyshire Limited

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 It is recognised that the Trading Committee does not take the decision whether to declare a dividend or not as this is for the directors of the companies. However, it is requested the Committee notes the proposed 30% dividend.

Report Author: Stephen Brown, Helen Forster
Contact details: Stephen.Brown@derbyshire.gov.uk, Helen.Forster@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 work 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

Page 9 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 Corporate Property Asset Management Strategy.

Derbyshire County Council Trading
Committee

Matthew Self

Thursday 27 July 2023



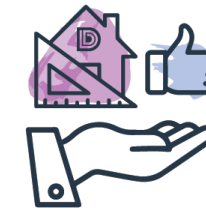
— A PARTNERSHIP | WORKING TOGETHER —



— 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

/ Performance for FY 2022/23 was as follows -

	FY 2022/23 Budget (%/£)	Rereforecast Q2 FY 2022/23 Budget (%/£)	FY 2022/23 Actual (%/£)
Turnover (£)	£3,500,000	£4,750,000	£5,006,094
Net Margin (%)	5%/ £175,000	5%/ £237,601	19.2%/ £962,911

N.B. These our draft proposals awaiting finalisation of Accounts; Audit and Tax

/ Improved performance = reduced overhead spend

/ Improved performance = CDL productivity and efficiency improved via new process/ policies, training and investment in technology (89% Efficiency Metric)

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

/ Successful Business Development Activity with National and Regional Frameworks, District Councils; Multi Academy Trusts and Principal Contractors through Design and Build appointments.

VDL & CDL Retained Earnings & Dividend

/ The following provides an overview of the current position for retained earnings and dividend for both joint ventures

	Vertas Derbyshire Ltd (£)	Concertus Derbyshire Limited (£)	Total (£)
Retained Earnings 2021/22 FY	£304,692	-£124,490	
Profit 2022/23 FY	£463,339	960,000	
Tax on Profit 2022/23 FY	-£88,034	-£182,400	
	£679,997	£653,110	£1,333,107

/ Above table sets out the retained earnings position subject to finalisation of accounts, tax and audit

/ Proposed that circa 30% of retained earnings are paid as dividend to leave Capital in the Joint Ventures for working capital and investment

/ This broadly equates to a dividend of £400k across the Joint Ventures

/ 38 employees start of year vs 38 end of year 2022/23

(including starters and leavers)

/ The annual rolling staff turnover is 13.1% versus industry metric of 16%.

/ Rolling year absence 1.6%

/ Employee productivity at 82% and efficiency 90%

/ 7% of Turnover invested in Employee Training of employees (excludes Apprenticeships/ Trainees/ Professional Chartership Programmes and Time)

/ Investors in People Gold Accreditation

/ Investors in People Wellbeing Silver Accreditation

/ 29% of employees on Professional Chartership Programmes and Professional Trainee Programmes

/ New Leadership and Management Structure

/ Launch of Workvivo – Colleague Engagement Platform

/ Medicash Employee Benefit

/ Colleague Pulse Surveys

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Concertus Design & Property Consultants posted an update. 4 days ago. Training & Development + 1 more

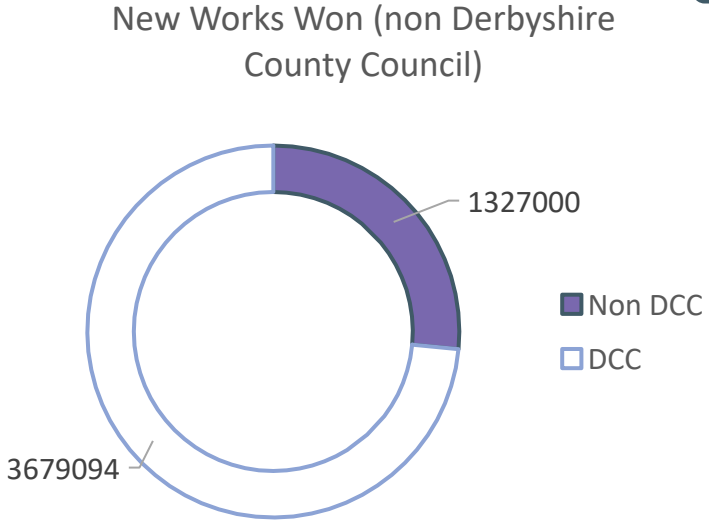
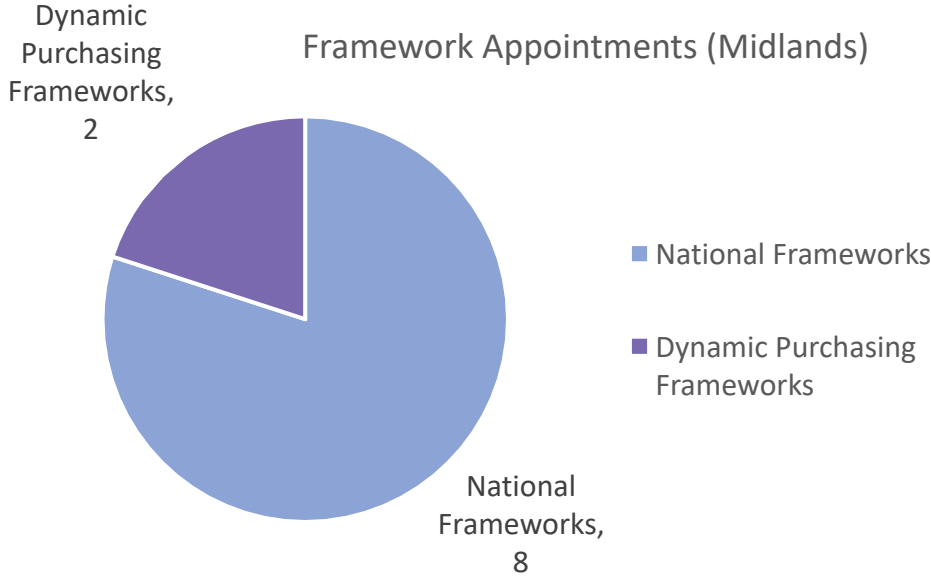
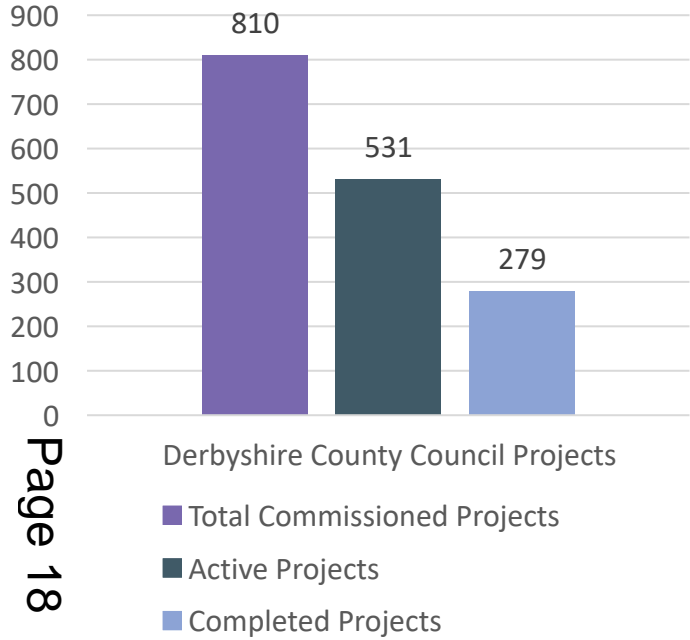
We recently sat down with **Macauley Simpson-Baker**, one of our Trainee Architectural Assistants, to talk about when he first became interested in Architecture and what his career goals are.

Macauley said: "At this stage in my career, my goal is to

MACAULEY SIMPSON-BAKER

Q+A

powered by workvivo



ACCREDITATIONS + CERTIFICATION

/ Institute of Customer Service (ICS) client and employee satisfaction surveys. External survey we scored 81.2 which is above the UK average (77.4) and the average for service providers (75.4)

/ Obtaining Accreditation for ISO 50001 Energy Management and ISO 44001 Collaborative Business Relationships

/ Re accreditation for ISO 14001 Environmental Management System, ISO 45001 Occupational Health and Safety Management, ISO 9001 Quality Management System and ISO 19650 Building Information Modelling

/ Social Value Strategy and Social Value Policy
 / Net Zero + Planet Mark certification creating a roadmap to achieving our net zero aspirations by 2030

Processes

- / We are currently working on a revised procurement strategy with DCC to allow them to align with industry best practice utilising construction frameworks.
- / Successful implementation of Phase 2 Business Process Re-engineering to ensure improved ways of working; efficiency and added value

Growth

- / Insurance (Professional Indemnity) 'each and every' versus 'in the aggregate'
- / Requirement for Sector and Client diversification in consideration to reducing Public Sector funding

RISK MANAGEMENT

People

- / Retention and recruitment of staff, as well as national skill shortage in accordance with service plans to achieve in year business targets

Economy

- / Public Sector Austerity
- / Inflation and the availability of labour/ materials to support the delivery of projects to time and to budget.

Financial

- / Turnover £5m for the Financial Year 2023/24
- / Realignment of Overheads

Growth

- / Marketing and Business Development strategy to support Sector/ Client Diversification into District and Borough Councils; Multi Academy Trusts and One Public Estate

Infrastructure

- / New office – relocation from Chatsworth Hall, Block B to the County Hall Campus
- / Development of Partnership Supply Chain with SME's

People

- / Proactive recruitment and development of colleagues to facilitate Growth Strategy
- / Inspire to Aspire Development Programme



Thank you for
listening.
Any questions?

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Summary

Objectives of Joint Venture



Progress **Successes since last Committee Meeting 2022**

Investment - £365k invested in VDL plant, machinery and equipment by end financial year 23.

Trade Union – strong working relationships continue; monthly operational meetings, formal Quarterly union meetings.

Financials – VDL profit of £455k in Financial Year 22/23.

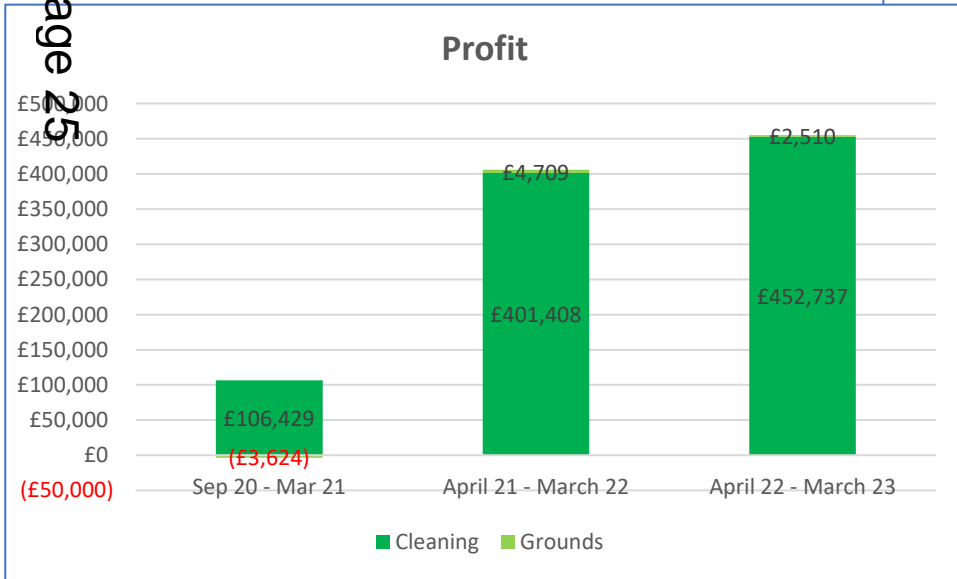
SLA and KPI's – Work continues to review SLA's and KPI's with our customers to ensure shared visibility and expectation with regards to performance of service delivery.

New business – Since the start of the JV, new business wins with Multi Academy Trusts in cleaning in excess of £1.25million and grounds in excess of £50k.

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

VDL Finance

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- Turnover has reduced from 21/22 to 22/23 due to DCC building closures as part of the asset rationalisation programme.

- Stabilising and re-costing grounds maintenance services to grow business and support improved position moving away from break even



People

Page 26

- **Robust Management structure**
 - Supported by HR, HSQE and Finance.
- **People Management systems**
 - Time and Attendance
 - Honeydew Health Absence management
 - My View
 - E-volve
- **Employee benefits**
 - Wagestream – Access to earned pay at any point of the month
 - Medicash – Opt in scheme for colleagues to be able to claim prescription costs, dental, eyecare costs back
- **Continuous conversations**
- **Colleague Survey**
- **Absence**
 - Short & Medium term at levels comparable with Vertas group and the wider FM industry
- **Launch of Workvivo**
 - Allows colleagues to receive live business updates
 - Allows access to business resources and benefits
 - Enables everyone to access content of colleagues across the business, delivering a great service & receiving recognition



Customer

Customer First

- Launch of new Customer first helpdesk
- Robust escalation procedures
- Regular communication
- Helpdesk data reporting
- Visibility of service trends
- Compliments and complaint logging
- Transparency and engagement with customers
- Customer Survey
 - Excellent quality of staff
 - High quality of service

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Vertas Derbyshire supporting
Derbyshire County Council



Customer First Helpline
Tel: 03330 342202
mail@vertas.co.uk

Across Vertas Group, we want to support Derbyshire County Council to ensure the cleaning and grounds for your properties operate exceptionally, and we deliver an outstanding service.

Our Customer First helpdesk offers support with any questions and issues, ensuring:

- ✔ We listen to what you need
- ✔ Log and track your questions
- ✔ Allocate your request to the best person to support
- ✔ Follow up to ensure you are satisfied with our delivery

Our helpdesk is open from 8:00am and until 5:00pm.



The Future

People

- Training and Development to create our future leaders and strengthen succession planning
- Continuous Conversations to assist people engagement.
- Recognition of talent through our Vertas finest initiative and Making the difference Awards

Sustainability

- Focussing on carbon net zero and social value.
- Working with our sustainability partner Planet Mark to identify and agree our scope 1,2 and 3 carbon measures.
- Alignment with DCC strategic sustainability requirements.

Contracts

- Multi academy trusts; both cleaning and grounds services.
- Additional services with DCC Property such as security.
- Additional services to non-DCC customers; waste, washroom, specialist cleaning.
- Identifying integrated FM opportunities in Derbyshire.

Finance

- Rolling 2-year business plan.

VDL & CDL Retained Earnings & Dividend

The following provides an overview of the current position for retained earnings and dividend for both joint ventures

Retained Earnings			
£	VDL	CDL	
Retained earnings @ 31.3.22	304,692	-124,490	
Profit for year to 31.3.23	463,339	960,000	
Tax on profit for year to 31.3.23	-88,034	-182,400	
	679,997	653,110	1,333,107

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- Above table sets out the retained earnings position subject to finalisation of accounts, tax and audit
- Proposed that circa 30% of retained earnings are paid as dividend to leave cash in the JV for working capital
- This broadly equates to a dividend of £400k across the JVs.

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