



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

DERBYSHIRE COUNTY COUNCIL TRADING COMMITTEE

THURSDAY, 14 NOVEMBER 2023

Report of the Director of Property

Quarterly Review of its Joint Ventures

1. Purpose

- 1.1 The report is the quarterly review of the joint ventures, Concertus Derbyshire Limited (CDL), Vertas Derbyshire Limited (VDL), including the final financial accounts for 2022/23, and Develop Renew. Members will also receive a quarterly performance update at the meeting on the activities of Concertus and Vertas.

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 non-core 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 since the last Trading Committee. 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 resigned – TBC DCC
 - Keith Buet – Chief Operating Officer, Vertas Group Limited
 - Matthew Self – Managing Director, Concertus Design & Property Consultants Limited
- 2.6 As previously reported the 2022/23 year represents a period of change for both the Council and the Joint Ventures. The Director of Property is no longer a director of the company and now acts as the voice of the customer only and this report is written from that view. An exercise is taking place to replace Paul Stone on the Board.

2.7 Concertus Derbyshire Limited

Performance Measures	
Financial	The company is required to submit its financial accounts to Companies House. CDL will provide the accounts for 2022/23 to the Trading Committee. The Board made the decision to take a dividend from the company from the financial year 2022-2023 of £407k, divided equally between both partners. Discussions are taking place regarding abortive costs incurred by DCC because of failed procurement exercises.
People	Recruitment has responded to gaps identified by the council as client, in terms of our needs. There are still some challenges in recruitment that can impact on the speed of delivery.

Business Development	New Works Won in Q2 over 50 projects with 43 being commissioned by DCC. Client Diversification into District and Borough Councils; Multi Academy Trusts and One Public Estate across the East Midlands
Business Improvement	Detailed below at 2.8.
Sustainability	Carbon Charter Silver Certification Awarded having previously awarded a bronze. The award was a result of changes resulting in a significant carbon emissions reduction. Concertus (including CDL) reduced emissions by 18.2%. Work commenced to assist key suppliers with their Journey to Net Zero by calculating their carbon footprint.

2.8 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 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.
 - CDL will take up writing project briefs, responding to a simple scoping conversation by reflecting back their understanding of the client requirements, rather than the other way around. They have the resource and expertise to do this and it will relieve significant pressure on DCC officers.
 - Officers are working with CDL to provide a multiyear programme to allow early engagement and resource planning which takes in to consideration the Council’s internal approval timelines.
- A review of the existing fee structure and its alignment with the scale, volume and typology of work being passed to the Joint Venture.
 - Since the previous Trading Committee a new fee structure has been agreed in principle subject to approval. The fees will now reflect the scale and complexity of a project, moving away from the straight percentage fee agreed at the outset of the JVs. A cabinet report will be produced to agree the new fee structure detailing the benefits to DCC.

- The fee scales will be reviewed at various gateways throughout the project to, taking account of whether the project has increased or reduced in size and complexity.
- Fees have been benchmarked against a number of frameworks.
- Consolidating lessons learned from both parties since the joint venture was established to inform good and best practice for the future.
 - Meetings are moving from business improvement to business as usual with the aim of agreeing best practice and bench marking with the wider industry.
 - Parties are in discussion to agree new and measurable KPIs in line with DCC Corporate objectives and benchmarked with the wider industry to drive best practice and improvement.
 - Officers have reviewed outstanding invoices with CDL identifying trends and initiating processes make the exercise more efficient.
 - Service Department Strategic Governance meetings have been relaunched with CDL attending to have a direct link with the customer and the Intelligent Client officer in attendance to ensure early sight of potential projects.
 - Proposal for an operational level 'get to know you' session with CDL to create positive working relationships and identify more areas that can be improved.
 - There have been issues with demolitions through CDL. Ambiguities were identified in procurement documents that are being rectified.

2.9 Due to budget pressures within DCC the additional resource that was to be to provide 'scaffolding' to assist in the implementation of the arising improvements will be paused. The above noted improvements and procedures assist in relieving the pressure on DCC resource to mitigate not having the proposed additional resource.

2.11 CDL will be moving from Chatsworth Hall to the County Hall complex at the end of this calendar with staff using the offices immediately in the new year. This move brings CDL closer to DCC and is a good move for building relationships.

2.12 Vertas Derbyshire Limited

Performance Measures	
Financial	The company is required to submit its financial accounts to Companies House. VDL will provide the accounts for 2022/23 to the Trading Committee.
People	Relationships and liaison at all levels have developed and improved, with regular progress meetings now in place. Vacancies and recruitment issues within VDL continue to create challenges and pressures, but there has been some improvement in this area. VDL are implementing a new structure, which will create much greater resilience for DCC as a client.
Business Retention & Development	VDL FM Services showcase location to demonstrate all services including security, waste services, cleaning, front desk, grounds, pest control – further site options being discussed.
Business Improvement	KPI and SLA review across both services
Sustainability	Review and implementation of battery powered machinery and electric vehicles to support Net Zero 2030

- 2.13 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. Further communication has been sent to our Service Departments with the help line details.
- 2.14 Work is continuing reviewing and pricing grounds maintenance works on our countryside sites in conjunction with Place colleagues, where new SLAs have now been proposed for the majority of sites.
- 2.15 There continue to be 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.

- 2.16 Discussions are commencing with VDL on how savings and efficiencies can be achieved through the joint venture with a three-year plan being developed over the next few months.
- 2.17 As the council is under financial pressure work has commenced on how VDL may be able to utilise Property grounds maintenance construction employees to assist in workloads rather than bringing in additional staff and contractors.
- 2.18 Dividend
- 2.19 It is agreed that 30% of retained earnings are paid as dividend to leave capital in the joint ventures for working capital and investment. The split between VDL and CDL is £0.256m and £0.151m respectively. The dividend combined across the CDL and VDL joint ventures is £0.407m which will be divided on a 50/50 basis.
- 2.20 Develop Renew
- 2.21 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.
- 2.22 The Partnership is used on an as and when basis where there is opportunity to deliver social returns from developing land or assets and where it is financially viable.
- 2.23 The Partnership has an option agreement over only one asset which is Cavendish Road.
- 2.24 No further assets have been put through the Partnership in the last quarter.

3. Consultation

- 3.1 No 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.

Report Janet Scholes
Author: Helen Forster
Steve Walters

Contact Janet.Scholes@derbyshire.gov.uk
details: Helen.Forster@derbyshire.gov.uk,
Steve.Walters@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.