



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

DERBYSHIRE COUNTY COUNCIL TRADING COMMITTEE

WEDNESDAY 8 MAY 2024

Report of the Director of Property

Quarterly Review of its Joint Ventures

1. Purpose

- 1.1 The report is the Director of Property as Council client's quarterly review of the joint ventures, Concertus Derbyshire Limited (CDL), Vertas Derbyshire Limited (VDL), and Develop Renew. Members will also receive a quarterly performance update from Concertus and Vertas at the meeting on their activities.

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 – Executive Director of Place, DCC
 - Julian Gould – Director of Highways, DCC
 - Keith Buet – Chief Operating Officer, Vertas Group Limited
 - Matthew Self – Managing Director, Concertus Design & Property Consultants Limited
- 2.6 Since the last Trading Committee a proposal for meeting the vacancy on the Board, for a second DCC director, has been made. Consideration of and potential approval of the appointment of Julian Gould, Director of Highways, will be given at the Board meeting on 29th April.
- 2.7 **Concertus Derbyshire Limited**

Performance Measures	
Financial	<p>The company accounts were circulated to Trading Committee attendees, following the last meeting. A new scale of fees has been negotiated and agreed, which reflects the different levels of complexity and scale of projects more accurately. Bench marking exercise around CDL charges, frameworks and other routes to market completed to help inform the above.</p> <p>Working with service areas and CDL to improve project budget reporting.</p> <p>The reducing capital programme is a challenge. Uncertainty over the pipeline, due to year by year budget setting prevents full realisation of some benefits of the partnership relationship.</p>

	Our cost saving measures have slowed down approvals and spend processes, which can have a knock on effect on projects and payments.
People	CDL being on site has had a positive impact on team dynamic and collaboration. Re-structured CDL team providing better client interface and more resilience in key areas. DCC has recruitment to AD positions and plans presented to improve the commissioning function, with new posts.
Business Development	CDL to report
Business Improvement	New structure to business improvement and collaboration meetings means that the right people are engaged at the right level. Tension still between our own internal processes and CDL processes. Progress being made, but cost control measures and staff turnover risks slowing this down.
Sustainability	DCC carbon reduction programme mostly on pause due to reduced capital programme.

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 made swift progress on performance issues and problems aligning processes but were beginning to get drawn in to the operational detail. A new structure for these meetings has been developed to ensure that progress continues to be made in all areas, including:

- Separate operational and strategic meetings, ensuring the right decision makers and doers are involved at the right level and at the right time, enabling progress on strategic matters and addressing performance and operation matters.
- The relationship between CDL and the service client is more direct and streamlined. This will remove some of the pressure of expectation on Property to continue 'managing' the relationship between CDL projects and programmes and the service area and allow Property to focus on strategic planning of the asset base. The Service Asset Management Plans will be used to inform discussions and avoid duplication of effort

- The strategic meetings will focus on performance measures, providing a stronger customer voice and business planning for the future, as well as ensuring that activities are aligned to Council priorities.
- Operational meetings will pick up process streamlining and improvements.
- There is still work to clarify responsibilities at all stages of projects and programmes.

2.9 As reported last time, due to budget pressures within DCC the additional resource that was to provide 'scaffolding' to assist the corporate client was paused. There are still weaknesses in the resilience of the internal client and the DCC commissioning processes. The organisation is still not set up as a commissioning body. Changes to the structure of the Property management team are being brought about to address that.

2.11 Procurement continues to cause challenges, with DCC processes not flexible enough to maximise the opportunities afforded by more direct routes to market.

2.12 Vertas Derbyshire Limited

Performance Measures	
Financial	<p>The accounts were circulated to the Trading Committee following the meeting.</p> <p>There is an obvious tension between the Council's strategic objective to reduce the size of its estate to an affordable level and the impact this has on VDL.</p> <p>Greater efficiencies through Corporate Landlord and consistent, centralised Property decisions based on SLAs will develop over time.</p> <p>Savings on specifications and reduction in service levels being looked at in order to meet ambitious savings targets.</p> <p>New charges for 24-25 agreed in line with inflation/contract.</p>

People	Relationships and liaison at all levels have continued to develop and improve, with regular progress meetings now in place. DCC Property team has had significant resilience issues in FM, which are being addressed, but remain a challenge.
Business Retention & Development	One output of the asset planning process will be greater certainty around retained assets, enabling future business planning. Opportunities to share details of VDL and CDL offering to asset purchasers are being looked at.
Business Improvement	KPI and SLA review across both services. Customer helpline monitoring. Reduced levels of service complaints and requests for escalation.
Sustainability	VDL to report

- 2.13 The customer helpline continues to be a very positive tool. Calls to the helpline are consistent. It's helpful to have the breakdown of type and time and response, highlighting (for example) an increase in calls regarding grass/grounds in summer, as you would expect. Of note is that there has been a noticeable reduction in complaints and concerns being routed through Property, easing pressure on our FM team.
- 2.14 When the work transferred to VDL, there was a noticeable lack of written information regarding specific site specifications. Work to review and price grounds maintenance works on our corporate sites and countryside sites in conjunction with Place colleagues, based on SLAs, is now complete. This ensures clarity and transparency both now and in the future. Costs are within anticipated levels.
- 2.15 All property budgets and decisions have been transferred and centralised in Property, under a Corporate Landlord model (barring schools and some countryside sites). This is enabling services to be considered strategically and consistently. The SLAs will assist and the centralised model should begin to enable greater efficiencies as existing contracts end.
- 2.16 Discussions are ongoing with VDL on how savings and efficiencies can be achieved through the joint venture. The intention is to identify an asset, or collection of assets by geography or nature, to enable a pilot demonstration of a full hard and soft FM service by VDL.

2.17 The accelerated programme to challenge the size of the Council's estate and reduce it where appropriate, has a significant impact on the VDL service team. The impact of redundancies is something that both partners are keen to avoid, both on a human level and a financial one. Efforts to share the outcome of asset planning and the pipeline of potential disposals, as early as possible is reaping benefits in that regard. Opportunities to move vacancies around and hold them against less critical assets have been discussed. This should ensure continuity of service on high risk assets such as schools and occasional reduction in service on administrative assets, avoiding the need for redundancies.

2.18 Opportunities exist at the end of the asset challenge and planning process, when we will be able to provide a list of assets that the Council is likely to retain, enabling future service planning to be carried out with greater certainty.

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. All marketing activity has been paused, as a result of the asset being listed as an asset of community value and a number of applications for easements, which are unresolved. The moratorium period on marketing the asset ends in July at which point there will be a review of the options.

2.24 No further assets have been put through the Partnership in the last quarter and there are no updates.

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.

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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.