

CABINET

21 April 2020

Title: Barking and Dagenham Trading Partnership Business Plan 2020-23	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report with Exempt Appendix 1 (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972)	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Strategic Director: Claire Symonds, Chief Operating Officer	
Summary <p>This report seeks Cabinet approval of the 2020-23 Business Plan for the Barking and Dagenham Trading Partnership (BDTP) in line with the requirements of their Shareholder Agreement. This Business Plan has been scrutinised by the Shareholder Panel, the advisory body created to monitor and to report to Cabinet on the performance of Companies that the Council has a shareholding interest in.</p> <p>It must be noted that the Business Plan has been developed prior to the recent pandemic and it is not yet possible to determine the extent of the impact this will have on the Company's ability to deliver the outcomes outlined in the report however this will be monitored through the Shareholder Panel.</p> <p>The substantive Business Plan is contained within Appendix 1 which is in the exempt section of the agenda as it contains commercially confidential information (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Approve the Barking and Dagenham Trading Partnership Business Plan 2020-2023 at Appendix 1 to the report; and(ii) Approve Barking and Dagenham Trading Partnership to enter into any procurement related agreement or commitment required to enable the delivery of the Business Plan subject to:<ul style="list-style-type: none">a). compliance with relevant procurement regulationb). compliance with relevant procurement lawc). BDTP's compliance with its own scheme of delegation	

- d). Compliance with state aid rules, and
- e). Any other relevant approvals by the Council which may be relevant or required for the specific project

Reason(s)

To assist the Council with delivering value for money for taxpayers and delivering a well-run organisation. This proposal is in line with Recommendation 8 of the independent Growth Commission's report published in February 2016 and is therefore aligned to both the 'Growing the Borough' and 'Well run organisation' objectives.

1. Introduction and Background

- 1.1 In line with the Shareholder Agreement for BDTP, this Business Plan has been produced for Cabinet approval as outlined in the recommendations.
- 1.2 The Business Plan was approved by BDTP's Board in March 2020; Corporate Strategy Group in February 2020 and has been scrutinised by the Shareholder Panel on the 23 March and recommended for approval to Cabinet.
- 1.3 This report highlights the key objectives to be delivered and the period by which the returns, both financial or social are expected with the detail behind the assumptions being shown in the exempt Appendix

2. Company performance highlights in 2019/20

- 2.1 Since the company was launched in 2018 it has introduced new management processes, invested in new systems to increase efficiencies and launched a company-wide transformation programme which is still ongoing. It has made changes to the way services are delivered, with the aim to make them more customer focused and commercially minded. There are still challenges in achieving a truly customer focused culture across the different subsidiaries of this company, however the business plan indicates this trajectory will improve in future years with increased focus through the Company's transformation programme.
- 2.2 Despite in year revenue being less than projected, the Company is still predicting to deliver a larger dividend return to the Council than was forecast in the 2019-22 plan. In-year 2019/20 financial performance shows that in some parts of the business, income levels have exceeded business plan targets and that greater savings to the Housing Revenue Account (HRA) have been achieved than was forecast. This has been achieved through the company securing additional work streams not originally included in the 2019/22, plan such as compliance works covering services such as PAT testing and by reducing expenditure.
- 2.3 In line with its original business case objective to invest in its workforce through 2019, the Company has been working with the Barking and Dagenham College to develop a programme to offer level 2 qualifications for Literacy, English as a second language and Numeracy to its employees. The content of the programme will be developed with the College in line with their existing community learning courses and it will be an entirely voluntary programme delivered at locations that are

convenient and appropriate for staff. Although primarily intended for colleagues working within its schools' operations, BDTP are looking to incentivise staff to take up this offer and it is envisaged that each course will be 4 hours per week for 18 weeks. In addition, the Company continues to pay the London Living Wage

- 2.4 LEUK, the former Sanofi site which was bought by the Company in January 2019 is performing well and attracting a range of exciting new organisations. Already supporting 47 individual businesses, BDTP are planning to invest further in the site which is fast becoming a major hub for Universities seeking new facilities. Part of University College London, the PEARL (Person-Environment-Activity Research Laboratory) has just secured planning permission on the site for a building comprising an open laboratory space of 3,600sqm, workshops, meeting rooms, a sound laboratory, a 'maker space' (where teams can collaborate to make models and smaller articles), for cutting-edge of research into the movement of people through global transportation networks

3. Business Plan Commitments 2020-23

- 3.1 The 20/23 plan includes a commitment to deliver a total return to the council of £2.8m. This commitment is made up of a revenue dividend, loan and interest payments and savings to the Housing Revenue Account.
- 3.2 A like for like comparison of the anticipated return in this Business Plan against the forecasted revenue in the 19/22 plan shows a drop of £8m in forecast revenue for 20/21 (down from £59m to £51m), which in part is a reflection of the competitive environment the company is operating and expectations that some schools will choose not to continue to buy services from BDTP. The revenue is also dependant on the commissioning and delivery of the Council's capital programme.
- 3.3 The lower forecast for revenue growth this year has not resulted in a drop in Earnings Before Interest and Tax (EBIT) which remains consistent with last year at 4%. This indicates the company is maintaining operational efficiency despite the anticipated loss in revenue. Part of this operational efficiency will be achieved by continued focus on stock control and agency spend.
- 3.4 The plan includes a commitment to recruit 60 new operatives in the BD Services Delivery subsidiary if there is a committed longer-term programme of works. This will assist in reducing reliance on sub-contracted services and thus improving the financial return to the Council. Furthermore, this should provide increased employment opportunities for local people.
- 3.5 The plan sets out the company's strategy to move to a more independent arm's length arrangement with the Council, to include their own support services functions which include internal HR, Procurement, Finance and Accounts Payable. This will be a significant change for the Company as well as providing an opportunity for more focused, company-specific functions which should support the company's growth agenda.

4. Consultation

- 4.1 The Business Plan has undergone the following consultations

- Approved by the BDTP Board on 18th March 2020
- Endorsed subject by Corporate Strategy Group on the 20th February 2020
- Endorsed by the Shareholder Panel on 23rd March 2020

5. Financial Implications

Implications completed by: Philip Gregory, Finance Director

- 5.1 The company structure allows post-tax profits to be paid to the Council as dividends. The business plan sets out how the company will deliver returns back to the Council which is made up of a revenue dividend, loan and interest payments and savings to the Housing Revenue Account. The business plan estimates that dividends returned to the Council are up to £2.8m in 2020-21, £3.4m in 2021-22 and £3.8m in 2022-23. These updated estimates will be reflected in the Council's Medium Term Financial Strategy in the next update.
- 5.2 It is important to note that the company is also delivering savings to the Council HRA through the continued improvement in their operational delivery as well as delivering dividend returns.

6. Legal Implications

Implications completed by: Ian Chisnell, Major Projects Solicitor

- 6.1 Cabinet is requested to approve a Business Plans for BDTP a company wholly owned by the Council and is therefore a Regulated Company under the Local Government and Housing Act 1989.
- 6.2 This decision is taken by the Council as shareholder in the company.
- 6.3 The Council has a number of relevant powers regarding its involvement in such companies. Section 1 of the Localism Act 2011, the general power of competence ("GPC") empowers local authorities to do anything that an individual can lawfully do provided that the activity is not expressly prohibited by other legislation. Activities authorised by the GPC can include investment, trading or charging decisions which may be undertaken through commercial (corporate) vehicles with the primary aim of benefiting the authority, its financial management, its area or its local communities. The power is wide and provided that the specific activity is not expressly restricted or proscribed by other legislative provisions, approval will be within the parameters of the GPC power.
- 6.4 Under s4 of the Localism Act 2011, if the Council is trading services then this must be done through a company.
- 6,5 In terms of procurement, If BDTP falls with in Regulation 12 of the Public Contracts Regulations, the company can contract with the Council and vice versa without the need to tender contracts over the threshold in those Regulations, However if it is not and it is carrying out Council functions then it will need to comply with those Regulations.
- 6.6 As a public body, the Council cannot provide state resources or other forms of support on a selective basis to any organisations or body in a manner that could

potentially distort competition and trade in the European Union. This principle is binding in law on the Council.

7. Other Implications

- 7.1 **Support Services** - the Business Plans outlines the company's strategy for creating its own internal support services provision. The financial impact is being worked through with the Council.
- 7.2 **Contractual Issues** - Development of Business Plan's is a contractual commitment for all of the Companies and is designed to set the framework by which the strategic direction of each Company is considered and approved or endorsed by the Council as either a major or minor Shareholder
- 7.3 **Staffing Issues** – Some elements of the plan will require the Company to employ a greater number of staff and potential transfers of staff between LBB and BDTP as support service provision is revised at which point TUPE may apply.
- 7.4 **Corporate Policy and Customer Impact** – The outcomes noted within the Business Plan are expected to have a positive impact on residents, either by supporting the Council's aim to become self-sustainable as well as improving service outcomes and educational attainment for residents and children.
- 7.5 **Health Issues** - The proposed Business Plans will have a positive impact on the local community in terms of improvements to the Repairs and Maintenance service as well as more local employment,
- 7.6 **Property / Asset Issues** – The company anticipates relocating its offices from Pondfield House to the LEUK site in Dagenham East in Spring 2020. BDTP and the Council have been working collaboratively to ensure any resulted staffing or asset management implications are considered holistically.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- Appendix 1: Barking and Dagenham Trading Partnership Business Plan 2020-2023 (exempt document)