

CABINET

13 July 2021

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| Title: BDTP Business Plan 2021-26 | |
| Report of the Cabinet Member for Finance, Performance and Core Services | |
| Open Report with Exempt Appendix A (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972) | For Decision |
| Wards Affected: All | Key Decision: Yes |
| Report Author: Hilary Morris, Commercial Director | Contact Details: Tel: 020 8227 3017 E-mail: hilary.morris@lbbd.gov.uk |
| Accountable Strategic Director: Claire Symonds, Managing Director | |
| Summary <p>This report seeks Cabinet approval of the Barking and Dagenham Trading Partnership (BDTP) Interim 2021-24 Business Plan, 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>Importantly, this Business Plan has been developed while still operating in a COVID-19 environment and it is possible that there are further impacts on the Company's ability to deliver business plan outcomes which are not known at this stage. Performance against this plan will be monitored through the Shareholder Panel. Approval of the plan is subject to certain conditions which are set out in the Recommendations below.</p> <p>Given the current operating conditions it is imperative that BDTP develop robust plans to increase their ability to win new work to ensure long term sustainability. Within the period of this interim business plan they will need to ensure they are able to demonstrate a focused delivery plan which is sustainable and deliverable despite working in a post covid-19 environment.</p> <p>The substantive Business Plan is contained within Appendix A 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> <p>(i) Approve the BDTP Business Plan 2021-26 at Appendix A to the report, subject to the conditions set out below; and:</p> | |

- (ii) Authorise the Council's Managing Director, in consultation with the Shareholder Panel, to:
- (a) Approve the outcome of the Service Improvement Plan, including the approval of any contractual variations required as a result of that programme;
 - (b) Approve the request for the Council to issue up to £5m for working capital loan and agree all loan documentation or any documentation required to approve the utilisation of funds from the realisation of profit at LEUK, subject to due diligence and ensuring there is no breach of subsidy;
 - (c) Approve expenditure of £1.6m to remove any backlog repairs works and allocate the remainder of the £3.5m business improvement investment;
 - (d) Take all necessary action to enable BDTP to carry out its proposals as set out within the Business Plan, except those reserved by these recommendations, and to agree any variations to the business plan.

Reason(s)

To assist the Council with delivering the Inclusive Growth Strategy 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 the Council's 'Inclusive Growth' priorities.

1. Introduction and Background

- 1.1 The approval of the BDTP business plan is reserved to the Council as shareholder under a shareholder agreement entered into with BDTP in 2018. This is an executive function exercised by the Cabinet on behalf of the Council as shareholder. In line with that agreement this Business Plan has been produced for Cabinet approval as outlined in the recommendations.
- 1.2 The Business Plans were approved by BDTP Board, Corporate Strategy Group on 17 June 2021 and has been scrutinised by the Shareholder Panel on 21 June 2021 and recommended for approval to Cabinet following several revisions, subject to the conditions listed in the recommendations section of this Cabinet report.
- 1.3 This report highlights the key objectives to be delivered and the period by which the returns are expected in the exempt Appendices.

2. BDTP Performance Summary 2020/21

- 2.1 As was the case for many organisations, 2020 was very challenging for BDTP. There has been a downward trend in the financial position as the commissioned work and revenue was lower than forecasted - a large proportion resulting from the Covid-19 pandemic. The report therefore sets out a deterioration in the financial position overall and is showing a projected Operating Net Loss in 2021/22 of £0.815m rather than the forecasted £2.1m surplus.
- 2.2 As noted, the BD Managed Services area of the business was restricted to providing emergency repairs only for the majority of the past financial year resulting in a backlog of works. Part of this Business Plan outlines an intention to invest £1.6m to remove the backlog over the coming year. The effect on the financial and

operational performance of the business in 2020/21 as set out above has been substantial.

- 2.3 In addition to the challenges presented by the pandemic, it became clear during 2020/21 that there were performance issues within BD Management Services which were having an impact on the Companies contractual performance to the Council under its Services Management Agreement. During the third quarter of 2020/21 the Company undertook to develop a detailed Service Improvement Plan (appended within the plan), recognising that some of the issues identified across the organisation related to organisational culture as well as weaknesses in the core infrastructure within the Company. Delivery of the Service Improvement Plan is the main focus of the BD Management Services subsidiary during the period of this business plan.
- 2.4 The Business Plan is not forecasting to return to profit until 2022/23 and no payment of a dividend to the Council until 2023/24 at the earliest, with that assessment dependent on achieving ambitious growth targets for the next two successive years.

3. BDTP Business Plan Commitments 2021-26

- 3.1 The company are forecasting the retention of current levels of revenue from schools following retention of catering contracts along with the growth of cleaning provision. BDTP have also provided an assessment of the potential growth of external business in multiple sectors for the subsequent two years which indicates BDTP would need to secure 5% of the external market share to achieve the revenue targets set out for external growth and achievement of these will be monitored through the financial year. The company are optimistic that this will be achieved but the drop in revenue forecasts for 2021/22 and the clear reliance on the Council to retain the Company's financial return highlights the importance of the Company's growth strategy to long term success. As a result, the Company has invested in a business development team to maximise the opportunities for growth, which is a critical part of the roadmap for this financial year.
- 3.2 The Business Plan addresses some of the weaknesses identified within the Company's core infrastructure by proposing the interim recruitment of and then subsequent permanent recruitment of a number of new roles within the business including into the Human Resources, business development, executive support and transformation functions. The funding of interim posts and recruitment of permanent posts is anticipated to cost the Company just over £1.4m in this financial year in addition to costs associated with clearing the growing backlog of works caused by the pandemic which are anticipated to require one off funding of £1.6m.
- 3.3 These costs are currently proposed to be funded partly from the capital receipt from the sale of Plot 3 at LEUK for the film studio development in addition to being funded via a working capital loan provided by the Council. Overall £8m is likely to be required to fund shortfalls in BDTP during 2020/21 and 2021/22 however the funding split between a working capital loan and utilisation of capital receipt for the 21/22 losses and investment is still to be agreed between the Council and the Company. The requirement for additional funding during 2021/22 – whether capital utilisation or working capital injection - is expected to be c£5m.

- 3.4 Although the sale of parts of the LEUK land have helped to fund the shortfalls during 2020/21 investment in, and revenue at, LEUK has suffered albeit a proportion of this will be due to the impact of COVID of rent sums. The Business Plan anticipates that new tenants are forecasted to be gradually taken on board at LEUK from September 2021 onwards and notes that two new tenants have been signed during April 2021 but a comprehensive strategy for the site at LEUK will need to be agreed between the Council and BDTP during the course of 2021/22. A masterplan has been commissioned by the Council to inform future decisions at this strategic site.
- 3.5 The Business Plan highlights some achievements made by BDTP towards supporting delivery of the Council's strategic priorities through the pandemic with some highlights including;
- Working in collaboration with LBBB Education and LBBB Community Solutions to support the delivery of 25,000 food hampers during the pandemic.
 - Created a central distribution hub to support LBBB Community Solutions deliver food / supplies to non-school locations.
 - Supporting LBBB's delivery of the Holiday Activity Fund, working alongside a wide variety of community focussed activity providers for instance Arts and Sports organisations.
- 3.6 The Business Plan also highlights some activities undertaken against its social capital objectives. Some of the activities undertaken include:
- BDTP held its first local recruitment day at LEUK on 8 June for catering and cleaning role and are currently considering whether this approach can be extended to support broader Borough recruitment priorities.
 - Through implementation of a revised approach to procurement and in collaboration with the LBBB Social Value Team, BDTP have created a fund to support LBBB in delivery of their social value themes (primarily employment theme at this stage) and BDTP are also supporting the creation of an employment pathway for disadvantaged and vulnerable adults in the Borough.
- 3.7 BDTP report limited success with it's voluntary literacy and numeracy programme which was developed in collaboration with B&D College and developing a clear strategy to progress this important commitment will need to be progressed during 21/22

4. Consultation

- 4.1 The BDTP Business Plan has undergone the following consultations:
- Endorsed by Corporate Strategy Group in June 2021
 - Endorsed by the Shareholder Panel on 21 and 24 June 2021

5. Financial Implications

Implications completed by: Philip Gregory, Chief Finance Officer

- 5.1 The structure was previously set up to allow post-tax profits to be paid to the Council as dividends. Given the pandemic impact, the plan has been updated to

ensure BDTP recovers and to explore certain options. The intention is still to deliver savings to the Housing Revenue Account over the next few years and to resume dividend payment as soon as practically possible. This 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, Interim 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 **Contractual Issues** - Development of Business Plans 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.

7.2 **Health Issues** - The proposed Business Plans will have a positive impact on the local community in terms of affordable housing to working households.

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

List of appendices:

- **Appendix A:** BDTP Business Plan 2021-2026 (exempt document)