LOCAL PARTNERSHIPS

JOINTLY OWNED BY

HM Treasury

Local Government Association

Llywodraeth Cymru
Welsh Government

Bolsover District Council

Review of Dragonfly Companies

9 July 2025

Background

Bolsover District Council (the Council) has two Companies:

Dragonfly Development undertakes property development, including the Council's social housing build programme.

Dragonfly Management provides services back to the Council comprising property service, consultancy, housing repairs, estate services, facilities management, economic development and tourism.

The creation of the Companies in their current form was the response to the termination of a previous joint venture (JV) two years ago, that was outside the Council's control. The original JV had the purpose of delivering social and affordable housing across a number of agreed sites. Whilst the JV was a separate delivery vehicle, Council control was via Council officers and the JV reported into the Council's normal governance and decision-making structures. At the point of termination, the Council took over the residual elements of the JV and swiftly set up Dragonfly Development at the same time with the purpose of completing the existing housing sites and then continuing to develop a pipeline of sites set out in the business case prepared by the Council.

Summary of findings and recommendations

Notwithstanding the progress made in challenging circumstances, including some objectives being met, Dragonfly has not delivered all the objectives originally envisaged, including the number of sites. Therefore, the Council is considering the costs of running the Companies compared with the outcomes achieved. It has commissioned Local Partnerships to undertake a review of governance. This has referred to the Local Partnerships Good Practice Guidance which is endorsed by sector leaders including Max Caller. The review has identified several significant issues which relate to the following two areas:

Building blocks of good governance. There is a lack of a clarity of purpose which causes confusion and conflict between Council and Companies. This is the foundation for all other issues. These include the lack of an up-to-date, comprehensive business plan, following on from the business case, which clearly defines how the Companies will deliver the Council's requirements and which the Council could use as a basis for monitoring performance. There are also issues concerning the governance framework both on the Council and Company side

The working relationships between the Companies and Council which have arisen because of the failings relating to the above points, despite both having the same objective of wanting the Companies to be a success. These difficulties are deflecting focus from this shared objective

Summary of findings and recommendations

In combination, these matters create risks that are potentially significant enough to pose a threat to the Council in terms of governance, finance and reputation; the Council is unable to gain assurance that the Companies are delivering Council objectives, value for money (VfM) and meeting the expectations of funders and regulators. These risks to the Council are compounded by the following:

- The Companies support key Council services where the responsibility will always rest with the Council, but delivery of important aspects of the service is with the Companies
- The Companies also manage third party funding on behalf of the Council. In these cases, responsibility for this funding rests with the Council but spend and delivery with the Companies. This is managed through a commissioning board which has been set up relatively recently
- The Council is often unsighted on the Companies’ corporate and operating risks
- The perceptions of external stakeholders including community stakeholders have highlighted concerns relating to governance, conflict of interest and ability to demonstrate VfM

Summary of findings and recommendations (cont.)

To address these issues, the Council should revisit the business case, which will determine whether there remains a need for the Companies.

If it does, the Council should implement the recommendations as set out in the report. The key conditions that need to be met if the Companies remain:

- The Council should ensure that it has the necessary management resource and clienting capability
- The Companies should ensure that there is sufficient resource including a dedicated finance function
- Clarity of purpose as set out in a refreshed and more comprehensive business plan for the Companies
- Creation of a working group to re-set the relationship between Companies and Council, underpinned by an operating agreement to which both parties sign up
- Changes to board memberships are implemented
- Adherence to all Company rules including reserved matters are assured
- A more robust framework in place around meetings including a regular meeting of senior management of both Companies and Council to underpin an improved working relationship

Summary of findings and recommendations (cont.)

If the business case review suggests that there is no role for the Companies, the Council should take steps to bring the services back in house.

The key conditions that need to be met if the Companies are dissolved:

- There is capacity to support a working group to lead the transition
- There is capability (or plans to acquire it) to deliver the services in house
- The ambition for any continued development does not exceed the Council's own limits
- Finance resource is sufficient to cover TUPE implications and other staffing implications
- There is resource and due diligence relating to the transfer of contracts from Company to Council
- A clear stakeholder and staff plan is needed
- Any adverse financial implications are understood

Summary of findings and recommendations (cont.)

The detailed recommendations relate to the following areas:

- Purpose of the Companies, including the need for a business case and business plan
- Changes to the shareholder Board including making it a committee
- Reserved matters – making sure that control through reserved matters is actioned
- Conflicts of interest – for Members and officers and having mitigations in place
- Company Board – ensuring it has directors that collectively have the necessary capacity and experience
- Clienting – ensuring that the Council develops or retains the necessary clienting skills

Future options for delivery

The following have been identified as possible options to take forward in the short term:

- Retain both Companies and improve the governance
- Retain Dragonfly Development only and bring Dragonfly Management back in house
- Bring both Companies back in house
- Dissolve both and enter into a JV with another party for both or just Dragonfly Management
- Dissolve the company and enter into an existing JV i.e. Alliance Norse for both or just Dragonfly Management
- Outsource to a commercial third party

Shared services is not included as an option because this would not be feasible given Local Government Reorganisation (LGR) but may be in future as a result of it. Although it is possible to have variations of the above options it is felt that with the exception of shared services the full range of possible options has been considered.

Potential options

Model	Features/matters to consider	Advantages	Disadvantages
Continue with current model	Retain both DM and DD with an improvement plan	Retain arm's length oversight No significant change so few additional resource requirements	Current challenges need to be addressed. Will take time to see improvements
Retain DD and take DM back in house	Maintain development opportunities but dissolve DM and bring back in house	Have greater control over DM service and costs while still able to undertake development commercially	Council will have sole responsibility Future recruitment will have to be on Council Ts and Cs.
Bring both Companies back in house	Dissolve Companies and transfer staff and all operations in house. For DD this could involve continuing with a development function or the running down of the development function once current projects are completed.	Have greater cost and quality control over both development and management	Considerable effort required to undertake the transfer and thereafter management of both functions Removes opportunity for greater commercialism

Potential options

Model	Features/matters to consider	Advantages	Disadvantages
Transfer both to a new JV/shared service	Run the service directly as a shared service. Transfer staff across to new entity. Intelligent client needed	Shared risk and reward Opportunities for improvements and greater commercialisation	Would require dissolution of company and transfer back in house of staff Would take time and cost to identify partner and transfer
Transfer both to an existing JV	Join existing JV which is already established. Transfer staff across to JV Intelligent client needed	Shared risk and reward Faster opportunities for improvements	Market would not be tested Lose some control as the operation would be managed by Norse Mulit-partner JVs can be complex
Outsource	Procure a provider of services. Transfer staff to provider Intelligent client needed	Would allow focus on other services. May be lower cost than other options	Time consuming procurement exercise Would not be popular with workforce/politically Lose direct control

All options (including the retention of the Companies with improvement plans) will require a significant senior management / political input. The capacity of the senior leadership team is an important consideration particularly when considering the parallel LGR work that the Council is undertaking. This is taken into account in the ease / speed of implementation criterion. The options have been scored with equal weightings.

Options appraisal scores

The options have been assessed and scored by the shareholder board supported by officers and Local Partnerships as shown below:

Scoring	Description
1	Very low score –barely meets any of the requirements of the criterion
2	Low score – meets very few of the requirements of the criterion
3	Medium score – meets some of the requirements of the criterion
4	High score – meets most of the requirements of the criterion
5	Very high score – meets all requirements of the criterion

Options appraisal scores

The completed scoring matrix is shown below:

Option	Model	Risk Mitigation	Ability to continue commercial activity	Positive Impact on Finance /vfm	Ease/speed of implementation	Strategic Influence/ control	Total Score
1	Retain with improvements	2.5	4	3	2	1.5	13
2	Bring DM back in house with improvements	4	4	4	3	4	19
3	Bring both in house	4.5	2	4	4	5	19.5
4	Transfer to new JV	2	3.5	2.5	2	2	12
5	Transfer to Norse JV	3	4	3.5	3	2	15.5
6	Outsource	2	1	4	2	1	10

Matters raised in the options appraisal

Overall, it was noted that this is a challenging exercise, with many factors to consider and many unknowns which need to be borne in mind when considering the scoring at this stage:

- Option 1 –the as-is is not a viable option and that an improvement plan would be necessary which would take up valuable resource and may not achieve the desired goal
- Option 2 – if Dragonfly Management is brought back in house, it would impact Dragonfly Development and would still necessitate all of the governance required for a company including a board of directors
- Option 3 – this is the preferred option. It would enable the Council to directly control the operations while allowing some commercial activity. The Council has some statutory powers to provide some services commercially and can also charge for other discretionary services on a cost recovery basis. If work were to be carried out for external organisations it is most likely to be for other authorities and therefore this can equally be done by an in-house Dragonfly. If retained as a company, it would only be able to undertake 20% of work for external bodies so the worst case scenario is the loss of this potential commercial opportunity. There seems to be only a theoretical disadvantage in bringing it back in-house as there appears to be minimal potential external work on the horizon.

Matters raised in the options appraisal

- Option 4 –to create a new JV would be too complex and time-consuming and require significant resource
- Option 5 – this would require discussions with the parties involved in Alliance Norse to determine more decisively whether this would be a viable option and may not be politically acceptable
- Option 6 – politically this would not be acceptable, recognising that outsourcing is generally the most cost-effective method of delivery if procured effectively

All options involving the continuation of the Companies with some control by the Council will need a business case and business plan.

Conclusion and next steps

Having regard to the criteria against which various options have been assessed, the Options Appraisal exercise has identified that Option 3, bringing the Companies back in-house, scores the highest, closely followed by Option 2, bringing DM back in house (at least initially) and is therefore likely to bring most benefit to the Council.

While all options present a high degree of challenge and some risk, Option 3 maintains the cohesiveness of the operations of the current Companies, managed from within the Council, providing greater control and scrutiny of activity and finance.

The sensitive transfer into the Council of the whole body of Companies’ staff, while a significant task, will follow established procedures and does not split the current workforce.

In the light of Local Government Reorganisation across Derbyshire, the imperative and opportunity to attract commercial work is likely to be substantially lessened, with a renewed focus on delivering within a comparatively short timeframe and ensuring a legacy for the Council, to the benefit of residents.

Conclusion and next steps

Based on the conclusion of the Options Appraisal exercise and subject to agreement to proceed with a preferred option, the following initial steps will be needed to effect change:

- Secure a binding decision on the preferred option and way forward
- Task the Chief Executive to prepare a programme of project work for transitioning to the preferred model, including stablisation of the Companies, to a target timeframe and indicative budget
- The work programme should include, for instance, work relating to:
    - Staffing – changes to terms and conditions, management of process, capacity
    - Legal matters, including the novation of contracts
    - Financial considerations and implications
    - Stakeholder engagement, internal and external, including all Councillors
    - Communication
    - Governance, reporting and scrutiny, including establishing a Programme Board
    - The impact of LGR
    - Timing and phasing of activity.

Subject to the above work, a target date of 31st March 2026 should be established for completion.

LOCAL PARTNERSHIPS

Simon Bandy simon.bandy@localpartnerships.gov.uk
Vivien Holland vivien.holland@localpartnerships.gov.uk

LOCAL PARTNERSHIPS