

**ANGUS COUNCIL**

**9 MAY 2019**

**CESSATION OF MEMBERSHIP OF DOVETAIL ENTERPRISES (1993) LIMITED**

**REPORT BY MARK ARMSTRONG, DEPUTE CHIEF EXECUTIVE**

**ABSTRACT**

This report invites the Council to resign its membership of this enterprise company to enable the company to pursue a merger into a larger company group, the Shaw Trust Group, and obtain needed further investment.

**1. RECOMMENDATION(S)**

It is recommended that the Council:

- (i) agrees to resign its membership of Dovetail Enterprises (1993) Limited to enable the merger of the company into the Shaw Trust Group to be completed;
- (ii) notes that as a consequence Angus Council will no longer be entitled to be represented on the Board of Directors/Trustees, its current representative being Councillor Colin A W Brown; and
- (iii) for its interest agrees to the establishment of the Integration Group, and does not seek to be represented on the Integration Group.

**2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN**

This report contributes to the following local outcome(s) contained within the Angus Local Outcomes Improvement Plan and Locality Plans:

- (i) Attractive employment opportunities;
- (ii) More opportunity for people to achieve success; and
- (iii) A skilled and adaptable workforce.

**3. BACKGROUND**

Dovetail Enterprises (1993) Limited is a charitable enterprise company the principal objective of which is the provision of employment, industrial training, and assessment for blind, visually impaired and other disabled persons and has for many years worked to provide sustainable employment opportunities for disabled people predominantly through its core manufacturing business operated from its factory and office premises at Dunsinane Industrial Estate, Dundee.

It is a company limited by Guarantee and currently has eight members, five of whom are private individuals and the remaining three are representatives of Angus Council, Dundee City Council and Perth and Kinross Council.

Under the Articles of Association of the company the local authorities have 25% of the voting power, Dundee City Council (19%) Perth and Kinross Council (3%) and the Council (3%). The Articles also provide for a Board of fourteen Directors/Trustees comprising four appointed by Dundee City Council, one each by Perth and Kinross Council and the Council, one by the employees of the company, six elected Directors and a managing Director. The Council thus

has a minority interest in the company. As set out in the last annual report, the company has eleven Directors/Trustees.

The Council is represented on the Board by Councillor Colin A W Brown.

#### **4. CURRENT POSITION**

Although progress has been made in growing the business to increase sales turnover together with improving commercial margins and driving efficiencies through the implementation of lean manufacturing principles, the company has reached a position where it requires a level of investment not currently available to it to enable it to stabilise and develop its business.

The Board has therefore been considering how best this can be achieved. In furthering this objective, the company has been in discussions with the Shaw Trust, a national charity currently in the top 25 charities in the UK and with an annual group turnover in 2017 of £132.1million. The Shaw Trust helps people enter work, gain an education, develop their careers, improve their wellbeing and rebuild their lives.

The Shaw Trust has developed a national Enterprise Strategy and more recently a Devolved Nations Strategy for Scotland. In developing this Enterprise Strategy the Shaw Trust acquired a supported business in Edinburgh which was in financial difficulty and facing closure with the prospect of 60 jobs being lost, the majority of which were undertaken by disabled people.

The investment and transformation resulting from the involvement of the Shaw Trust has stabilised and grown that business thereby increasing the number of disabled employees and offering increased work experience for others. The Shaw Trust is therefore well placed and experienced to assist the Dovetail Enterprises to stabilise and grow its business through its investment and transformation strategy.

#### **5. PROPOSALS**

Following upon their successful acquisition, transformation and development of the Edinburgh business, Shaw Trust have adopted the same *Acquire, Hold, and Build* approach in their discussions and negotiations with Dovetail Enterprises and have established a number of fundamental requirements upon which their participation is conditional.

The ownership of the company requires to pass to Shaw Trust and the company will thereby become a wholly owned subsidiary of the Shaw Trust Group into which the company is to be merged. To achieve this the three local authorities and the other individual members require to give up their membership of the company and the various Directors/Trustees require to step down from their positions. The Shaw Trust would then become the sole member of the company and would have complete control of the company's Board of Directors/Trustees. The company's Articles of Association Article 50 (e) require that a Director (/Trustee) shall vacate office if he ceases to be a member of the company and therefore the Council's currently appointed Director/Trustee, Councillor Colin A W Brown, would require to resign that position upon the Council giving up its membership of the company.

The Shaw Trust believes that it can, not only stabilise and grow the company's core manufacturing business, but also develop an organisational model which will have a greater social impact and help transform the lives of a significant number of citizens across the Tay areas.

In addition to increasing significantly the creation of permanent jobs for disabled persons directly, and indirectly through its place and train model in partnership with public and private sectors, the Shaw Trust proposes to create an exemplar Skills Academy in Dundee using the company's existing Dunsinane Road site to produce significant apprenticeship opportunities with a related programme of work experience and work taster opportunities for those not taking up Apprenticeships.

Such is the Dovetail Enterprises' existing financial position that it does not have the surplus funds available to invest in additional and improved systems and equipment to establish the production capacity to accommodate increased sales and business expansion thereby maximising the growth potential that exists. The financial and transformational investment

proposed by the Shaw Trust will enable the company to stabilise its position in its existing markets, expand into additional markets and put itself on a sound and stronger financial base, with a view to its becoming a surplus generating high impact social enterprise.

The proposed merger was considered and approved by the Board of the Shaw Trust on 7 February 2019. At a Special Board Meeting of the company on 13 February 2019 the Directors/Trustees of the company agreed that the proposed merger with the Shaw Trust was in the best interests of the company and agreed to recommend to the members of the company that the existing members and directors/trustees of the company step down from their positions in favour of the company becoming a subsidiary company within the Shaw Trust Group. The existing Executive Chairman of the company (Ken Laing) would become the Managing Director of the merged company under existing contractual arrangements.

At its Special Meeting on 13 February 2019 the Dovetail Enterprises' Board agreed the formation of an "Integration Group" initially comprising three members from the Shaw Trust and the Executive Chairman and two other directors/trustees of the company. Having regard to the minority interest of the Council in the company it is considered that the Council do not seek to have a representative on the Integration Group.

## **6. FINANCIAL IMPLICATIONS**

This report and the proposals contained in it have no financial implications for the Council.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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