

North Yorkshire County Council

Shareholder Area Committee

Minutes of the meeting held on 4 September 2018 commencing at 1.00 p.m. at County Hall, Northallerton.

Present:-

Members:-

County Councillors Carl Les (Chairman), Gareth Dadd and Don Mackenzie

Officers:-

Gary Fielding (Corporate Director - Strategic Resources), Richard Flinton (Chief Executive), Barry Khan (Assistant Chief Executive (Legal and Democratic Services)), Michael Leah (Assistant Director, Strategic Resources) and Steve Loach (Democratic Services)

In attendance:

County Councillors David Goode and Geoff Webber

Copies of all documents considered are in the Minute Book

10. Minutes

Resolved -

That the Minutes of the meeting held on 24 April 2018, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

11. Declarations of Interest

There were no declarations of interest.

12. Exclusion of the Public and Press

Resolved -

That the public and press be excluded from the meeting during consideration of Minute No 16, Appendix A, on the grounds that this involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information)(Variation) Order 2006.

13. Public Questions or Statements

There were no questions or statements from the public.

14. Education Sector Market Update

Considered -

The report of the Assistant Director, Strategic Resources, providing an update on the market position of the education sector. The report provided information on the trading environment with particular emphasis on increased competitor activity and reducing school budgets. It also detailed what impact this had on services offered by Brierley Group and the risks and opportunities that exist.

The Chief Executive gave an initial introduction to the report highlighting how North Yorkshire Education Services (NYES) was reliant on business from schools and, due to the current budgetary position of most schools, was facing a turbulent market place.

The Assistant Director for Strategic Resources presented the report, highlighting the following:-

- ◆ He outlined the current pressures faced by schools in relation to budgets, noting that there was a trend for North Yorkshire schools to be operating under a deficit budget, with that position continuing to increase.
- ◆ The report detailed the national position regarding local authority maintained secondary schools' spending for 2016/17 and it was noted that NYES, and the Brierley Group, focused on the provision of support services.
- ◆ Details were provided in relation to the number of maintained schools, single academies and multi-academy trusts with comparisons to the City of York and national data. The position showed that North Yorkshire County Council continued to have a larger number of maintained schools than the comparators, however, this meant that there was a greater likelihood of conversions to academy status and it was expected that the trend towards academies would increase.
- ◆ Statistics show that converted academies spent less on professional services than maintained schools, however, it was expected that as multi-academy trusts became more established spending on professional services would diminish.
- ◆ In view of that, consideration was being given to determine what services were likely to be required in future so as to appropriately target future sales.
- ◆ Issues around the take up of NYES services by multi-academy trusts were highlighted. It was noted that there was some risk to the NYES provision to these facilities, however, the majority of academies in North Yorkshire were part of smaller MATs and retention levels of services had been higher with these.
- ◆ It was noted that the commercialisation of the sector had seen an increase in the number of private and third sector organisations promoting services to schools and details were outlined in respect of the competition this provided to NYES and the Brierley Group.
- ◆ Issues relating to the "Carillion effect" were detailed and it was noted that confidence in the larger scale private sector providers of services had diminished following Carillion's demise, which provided additional opportunities in terms of potential contractors.
- ◆ The report provided details of the potential risks and opportunities for the Brierley Group in terms of the development of NYES and the services it provided to the sector. Risks including the potential fall in spending power for schools and additional conversions to academy status increasing the trend to provide more services in-

house. Opportunities included providing support to aide schools through the academy conversion process, and providing services to develop relationships with authorities from further afield and provide services to them.

The following issues and points were raised during discussion of the report:-

- ◆ NYES continued to bid for work within the education sector and lessons had been learnt in terms of where bids had been unsuccessful. It was noted that targeted recruitment had taken place to ensure that NYES was in a beneficial position to bid for work throughout the sector and region.
- ◆ The difficulties faced by the education sector were recognised and it was emphasised that, above all, schools were seeking value for money in terms of the restricted finances available to them. In view of this it was suggested that NYES would offer appropriate levels of service, with the assurance that this was a public sector led organisation, to make the most of opportunities that would arise.
- ◆ It was recognised that a major challenge would be multi-academy trusts being able to deliver support services from within their own staffing structures. It was noted, however, that the financial difficulties being faced by MATs could be of benefit to NYES as they try to provide cost effective services with public sector reliance.
- ◆ It was emphasised that all possible opportunities would be explored to ensure that the profitability of NYES could be maximised.
- ◆ In view of the possible risks to the profitability of NYES it was stated that the service operated to a business model and, should it be necessary, consideration would be given to altering the model and downsizing.
- ◆ An issue relating to contact with a local MAT was discussed and it was clarified that there was good contact between NYES and all local MATs, however, this could sometimes be on an officer basis only.

Resolved -

That the report be noted.

15. Work Programme

Members considered the Work Programme for the Committee for 2018/19.

Resolved -

That the Work Programme be noted.

Appendix A of the following report was considered in private and the public have no right of access. Minute No. 16 provides details of the public aspect of the report and a public summary of the business conducted in private in relation to Appendix A.

16. Brierley Group Quarter 1 Report

Considered -

The report of the Assistant Director - Strategic Resources providing an update on the Quarter 1 financial and performance position of the Brierley Group.

A number of issues and points were raised in respect of the following:-

North Yorkshire Education Services

A projected shortfall of £275k would be a key area of discussion at the next NYES Board. A robust long-term business plan for NYES was being developed and would help to identify further opportunity areas and return on investment. The result of the discussions at the NYES Board would be reported back to the Shareholder Committee subsequently.

It was noted that the move of catering services to a “fixed meal price” had led to around 20 schools moving away from using the service, however, this was better than had been originally anticipated. Dialogue would continue to be undertaken with these schools and it was expected that, when they had investigated the alternative provisions they could utilise, a number would move back to using catering services.

In terms of fundamental changes to services, such as the catering service, it was emphasised that lessons had been learnt in terms of entering into dialogue with schools at an earlier stage, in future.

Opportunities to deliver contractors in neighbouring areas were being targeted. Potential opportunities were being considered through an intelligence-led strategy, as indicated in the earlier report, and appropriate connections were being utilised to promote the service in neighbouring areas. The strategy for the delivery of services to other local authority areas would be provided to a subsequent meeting of the Shareholder Committee.

The potential for NYES was considerable and it was noted that the profitability of the other companies within the Brierley Group would be utilised to act as a safety net for NYES with a view to ensuring that it could become established across the region, which in turn would be of benefit to North Yorkshire County Council.

NYnet

There had been a slightly lower profit than expected in the first quarter, however, the forecast was for this to be back in line by the end of the year.

It was explained that the profitability of the company would not be a net profit for the County Council until the £10m loan was paid back, which was expected to be by 2023. Details of the current position regarding the payback of the loan were provided.

An explanation was provided in relation to the difference between Superfast North Yorkshire and NYnet.

First North Law

Continued to grow well and in line with the business plan. Business outside North Yorkshire had been secured and early signs were encouraging.

Over ten academies had obtained the services of First North Law.

A Barrister had been providing legal advice and recruitment had taken place.

It was expected that financial targets would be met by the year end.

Brierley Homes

The development at the Thorpe Willoughby site was progressing as planned. It was expected that the show home would be ready later in the year with home occupation beginning in summer 2019.

A further six sites had been identified by the company for development and were currently in various stages of the design and planning process.

The loan available to Brierley Homes Limited remained at £2.75m, with £1.2m having been drawn down currently. It was expected that this would increase as the Thorpe Willoughby development progressed.

A discussion took place in relation to Brierley Homes providing affordable housing within its developments and whether the provision of social housing would be considered. In response it was stated that Brierley Homes Limited would provide the required level of affordable housing within its developments. In terms of social housing it was unlikely that this venture would be undertaken, unless the developer was seeking that. It was noted that Brierley Homes Limited would be predominantly utilising smaller sites and, where appropriate, NYCC could gift the land to the developer. It was recognised that Brierley Homes Limited would be undertaking housing developments for profit, which would be put back into Council funds, and, as such, would undertake the appropriate level of affordable housing.

It was emphasised that the company was in its initial stages and would be developed and monitored accordingly, going forward.

Align Property Partners

The company reported a net profit slightly behind the target in Quarter 1 but expected to achieve £3k higher than the target by the end of the year.

Align continued to work with a number of District Councils and had started to diversify its offering by working with Brierley Homes and consultant partner Spawforths.

The development of a secondary base of operations near Penrith, Cumbria was a good breakthrough for the company and would assist in acting as a platform to support and grow the business in Cumbria.

Yorwaste and SJB

It was noted that Yorwaste was ahead of its profits target while SJB was slightly behind.

The difference between Yorwaste and SJB was explained, with SJB being a non-Teckal company. The Assistant Chief Executive (Legal and Democratic Services) provided a definition of Teckals.

It was noted that the operations at Allerton Park were slightly behind expectations, but it was expected that the position would be rectified as operations on the site developed.

It was noted that there had been a number of health and safety incidents, which were outlined in the report, with an assault on a staff member being detailed. In relation to this it was noted that such incidents were few and far between, however, it was important that a robust reporting framework was in place for health and safety matters and that these were monitored by the Committee, as a sign of good working practice by the company.

Veritau

Performance was on target for all clients. Veritau had been working closely with NYES in relation to GDPR for schools and the delivery of that through the new Data Protection Officer service.

The service had been successful in bidding to participate in the NFI business rates pilot.

It was noted that whilst relatively small Veritau continued to perform well.

2018/19 Brierley Group Key Issues and Challenges

The confidential details provided were noted.

Resolved -

That the Quarter 1 financial and performance position of the Brierley Group be noted.

The meeting concluded at 1.55 pm.

SL/JR