

North Yorkshire County Council

Shareholder Committee

28 May 2019

Review and decision on Brierley Group Business Plans

Appendices A & B of this report contain information of the type defined in paragraph 3 of Part 1 of Schedule 12A Local Government Act 1972 as amended by the Local Government (Access to information) (Variation) Order 2006.

Report of the Assistant Director Strategic Resources

1.0 Purpose of the Report

1.1 For the Shareholder Committee's consideration, this report presents an annual update and summary business plan for 2019/20, for the following companies:

- a) Veritau
- b) NYES
- c) NYnet Ltd

1.2 The confidential Business Plans attached at Appendices A & B articulate the aspirations of Veritau and NYnet Ltd, to continue to increase their financial turnover, net margin and geographical reach, whilst always considering their prime purpose to return margin to its shareholder North Yorkshire County Council.

2.0 Recommendation

2.1 It is recommended that the Shareholder Committee accept the updates and Business Plans Provided

Michael Leah
Assistant Director – Strategic Resources
County Hall
Northallerton
8 May 2019

VERITAU LIMITED

Annual Update & Business Plan – Executive Summary

1.0 Introduction

- 1.1 Veritau Limited was established in January 2009, and is jointly owned by North Yorkshire County Council (NYCC) and the City of York Council (CYC). The company has a subsidiary, Veritau North Yorkshire Limited (VNY), which was established in February 2012. VNY is jointly owned with four North Yorkshire district councils. Both companies were established as Teckal companies. The two companies operate as a single business and together form the Veritau group.
- 1.2 Veritau provides services to its member councils and other customers in four related areas – internal audit, counter fraud, information governance and risk management. The group's clients include national park authorities, council owned companies, housing associations, town councils, academy schools and multi academy trusts.

2.0 2018/19 Performance

- 2.1 2018/19 was a successful year for the company and the wider group. The group achieved an operating profit of approximately £90k compared to a budgeted profit of £52k. The group met the majority of the performance targets set by our member councils. Customer satisfaction also remained high across all service areas.

3.0 2018/19 Business Developments

- 3.1 The focus last year was the development and roll-out of a full Data Protection Officer service for schools and other public bodies. The offer proved attractive to schools across Northern England. Working closely with NYES we signed up approximately 500 schools, councils and other organisations. To support the delivery of the service we had to recruit additional specialist staff and invest in new technologies.
- 3.2 We also completed ad-hoc audit assignments for a number of councils, completed a number of risk management projects, provided data protection support to the Harrogate and Rural District CCG, and delivered GDPR training to the West Yorkshire Community Pharmacies.
- 3.3 Our bid to participate in the NFI business rates pilot organised by the Cabinet Office was successful. Competition to participate was very strong and only 7 groups were chosen nationally. In addition to our member councils we were joined in the bid by Harrogate Borough Council, Leeds City Council, Doncaster MBC, Kirklees MDC, and Barnsley MBC.

3.4 Other achievements have included:

- Submitting a successful tender to provide internal audit services to the Peak District National Park Authority for a further 3 years.
- North Yorkshire Fire and Rescue Service extending its contract for internal audit and Data Protection Officer services for a further 12 months.
- Doncaster Children's Services Trust extending its contract for internal audit services for a further 12 months.
- Being shortlisted in two categories for the annual Institute of Revenues, Rating and Valuation (IRRV) counter fraud awards.
- Being shortlisted for Information Governance team of the year by the Information and Records Management Society (IRMS).
- Retaining our IIP accreditation (Veritau has been IIP accredited since 2011).
- Receiving a positive report from SWAP following the Public Sector Internal Audit Standards (PSIAS) external assessment of our audit working practices. It is a mandatory requirement for an external assessment to be undertaken once every 5 years, in order to demonstrate that the service conforms to relevant professional standards.
- Implementing our new financial system, Xero.
- Launching a new updated website.
- Introducing a new defined contribution pension scheme to offer increased choice to our employees. The scheme will run in parallel to the existing Local Government Pension Scheme.

4.0 2019/20 Business Plan

4.1 A copy of the 2019/20 Business Plan is attached at Appendix A. The priorities for the group are:

- Internal Audit – to strengthen the IT audit offering and to incorporate any new members who wish to join Veritau
- Information Governance – to implement the new Workpro Customer Management System and to retain the existing DPO client base
- Counter Fraud – to promote fraud services to housing associations and academy schools
- Risk Management – to be seen as the provider of first choice for existing member councils and other clients

North Yorkshire Education Services

Annual Update and Business Plan Executive Summary

Introduction

North Yorkshire Education Services (NYES) continues to build on its strong local presence through growth out of county whilst retaining existing business with North Yorkshire. It is a challenging environment as schools come under increasing budget pressure. The trend is that they become more discerning in their purchasing habits and also look for economies of scale through multi academy trusts.

The NYES model is to provide a range of services to the education market and offer improved value through increased buying power and access to the highest quality professional expertise. These services are integrated with North Yorkshire County Council (NYCC) – rather than a standalone company – offering additional benefits through integrated working.

2018/19 Performance

The 2018/19 target for NYES was £600k. This was over-achieved with an outturn position at £320.6k net profit is ahead of both budget (nil) and Q3 forecast (-£291.8k). The £600k was an agreed contribution to the County Council's MTFS target.

The results have been driven by reduced support recharges and overhead costs (£460k) and the income generated being above the expected level (£175k). To achieve this level of performance, £438k was invested in the central NYES team during the financial year. This investment supported key areas of the business including sales, marketing and product development.

2018/19 Business Development

A dedicated sales team within NYES have focused their efforts on out of area growth during 2018/19. In particular they have had success in Redcar and Cleveland (Cleaning Service), Cumbria (Payroll), Wakefield (School Improvement Service), Doncaster (Health & Safety and Clerking Service) and other areas in the North East.

During that period the team generated significantly more leads than previously with an improved conversion rate of 38%, i.e. taking a lead through to a sale. In summary this led to 109 new contracts across a range of areas and services including a number of new customers.

2019/20 Key Issues

Financial target and MTFS contribution

After a successful 2018/19 and a financial contribution to NYCC, the target for 2019/20 is £1,200k against an overall Brierley Group target of £1,600k. Through the business planning and budget setting process, a plan has been developed which aims to deliver this target, and

exceed it in future years. However it remains a challenging prospect and significant work is currently taking place to finalise a Business Plan that has the appropriate checks and balances in place to ensure that any proposed returns on investment are achieved.

Business Planning & Vision

The Business Plan will set out the vision for North Yorkshire Education Services (NYES) for the period through to 2024-25 so that it establishes itself as a UK-wide supplier in the education market and generates a sustainable, high value income stream to support NYCC to maintain frontline services for its communities.

The Plan will detail the opportunities for growth and business development during this time. It will also outline the investment required during this period to achieve this growth. .

NYES is well placed to grow as a well-established organisation providing a unique range of traded services in the education sector. It has a good reputation, and much on which to build, given its commitment to supporting the sector to achieve its goals. But, it must change substantially over the medium term to successfully navigate and take advantage of the fragmenting nature of this market. And any investment requested must be proportionate the level of anticipated return.

While the Business Plan is being prepared, the organisation is taking action to transform its business model in a number of service areas and consolidating its relationship with a range of other organisations operating within the Brierley Group (Veritau, Align Property Services, NYNet and First North Law), particularly where they also provide key business support services to schools.

Retention

The market conditions for the education sector continue to be challenging. Whilst the Business Plan seeks to grow NYES out of county, it is important to reflect on the nature of the business. As schools come under increasing budgetary pressure, their spending habits change. It is understandable that NYES customers now seek to generate further value for money through improved purchasing. This is a particular pressure for more transactional services where cost is a primary factor in decision making. For these types of services, NYES has experienced retention issues where annual loss of contract rates are up to 9%.

Retention falls into 3 main themes:

1. Affordability – The highest level of notices from customers come from those services which are high cost.
2. Academy Conversions - The ‘academisation’ of schools previously within the NYES customer base has to date resulted in over one third of all the notices received. The Academy agenda is still progressing, and schools are converting more regularly now; this is a worrying trend.
3. Established Multi Academy Trusts – Over the last couple of years, we have had a rise in MATs forming in or around North Yorkshire. When these are in their infancy the individual schools tend to continue to purchase the majority of their services through NYES; however as multi academy trusts mature they start to review all their

services meaning there has been a trend to move away from NYES for larger contracts on behalf of all the schools in the MAT. The loss of service contracts is a frequent characteristic of large Academy or MAT conversions who take services in house, or re-procure a cheaper option.

Business Development

For 2019/20, the focus of the sales team is on those areas where we have already experienced success, for example Cumbria, Doncaster and the North East. The market is challenging, as school budgets contract, competition increases (demand reduces whilst supply is stable). However, despite this, the team already this year have won 8 contracts for Clerking Service, Education Psychology, Catering and Health & Safety.

The baseline target conversion rate for 2019/20 is 25%. Whilst this is less than 2018/19, it is important to note that a significant stretch target has been put in place for the team. This doubles the amount secured last year and needs to be achieved in a challenging environment.

Developing the NYES Proposition

The NYES team continues to seek customer feedback and review against the performance of the portfolio. This is a major strand of work for 2019/20 which covers two main areas:

1. Developing 'need' products and services – Where opportunities are identified, it is important that NYES capitalise on them. This includes working in partnership to deliver innovative solutions to solve the education sector's issues.
2. Improving the existing offer – A programme of continuous improvement of services to ensure NYES continues to deliver value for money to schools.

Governance

The Business Plan and transformation processes will be overseen by robust governance arrangements. NYES reports to this member Shareholder Committee, with strategic and tactical oversight being provided regularly by a Strategic Board. The Strategic Board is chaired by the NYCC Chief Executive.

Summary

Market conditions are challenging, however despite that, NYES achieved its financial objectives for 2018/19. As we look ahead, there is room for cautious optimism around what can be achieved. Through a number of work areas, there is the potential not only for NYES to provide a fantastic set of services to the education sector but also a significant level of return to the County Council in 2019/20 and beyond.



NYnet Ltd Overview (Public document)

15 May 2019

NYnet Limited, 80 Highstreet, Starbeck, Harrogate. HG2 7LW
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NYnet Overview

NYnet is a limited company owned by North Yorkshire County Council. It is Teckal compliant, which creates a 'pre-procured' status, enabling public sector customers the ability to directly award contracts without incurring the costs of a procurement process.

NYnet build, manage and supports its own infrastructure and fully manage its Wide Area Network (WAN) which currently connects around 750 public sector sites. NYnet's existing customer base of 40 plus customers includes 4 CCGs, 2 NHS Hospital Trusts, North Yorkshire County Council, Borough and District Councils, NYCC Schools, Fire and Rescue and Parks Authorities.

NYnet were one of the first organisations to become HSCN accredited and migrated over 190 HSCN sites from N3 to HSCN in 6 months. This represents a significant proportion of the migrations achieved nationally, and as such NYnet have been included within an NHS Digital case study for best practice in this area.

NYnet's approach is unlike many other providers who expect the customer to simply order the equivalent circuit without fully appreciating the requirements of the site. NYnet, being 'by the public sector, for the public sector', believe that the customers should only purchase a solution that reflects their actual traffic needs. We conduct detailed site level analysis which enables us to recommend a solution that is sized appropriate to the customers need, reflecting both short and likely mid-term changes. We also guarantee that a suitable upgrade path is available, thereby ensuring that the solution represents value for money.

We encourage sharing connectivity at sites where ever it is possible thereby introducing significant economies of scale. NYnet will liaise, coordinate, migrate and support any shared sites.

NYnet provides a best value commercial approach. If customer can purchase the same solution, operational service from an alternative provider on the same terms but at a lower price, NYnet will either match that price or the customer is entitled to cancel all or part of the solution, operational services provided by NYnet at no cost to the customer. In the event NYnet can match the best value price offered by the alternative provider, this price will be applied across the customer's estate.

NYnet is an operational company with a relatively small and geographically contained customer base of circa 750 sites. NYnet wishes to develop its customer base both within the region, particularly to the health and education sector (academies), and potentially beyond the county border into those adjoining areas of similar semi-rural geography and demographic as North Yorkshire.

Confidential Appendix B includes the SWOT analysis for NYnet and the 2019/20 business plan.