

Corporate Overview and Scrutiny Committee - Tuesday 25 October 2022

Entrust – Review of Changes

Recommendations

I recommend that the Committee:

- a. Note the decisions by cabinet in relation to the overall arrangements with Entrust
- b. Note the scope of services and contractual arrangements to apply from April 2023
- c. Make any recommendations regarding any future monitoring of the contractual arrangements.

Local Member Interest:

N/A

Report of Mark Deaville and Director for Corporate Services

Summary

The committee is asked to note the variation to the Service Delivery Agreement (SDA) with Entrust and the future contractual arrangements.

Report

Background

1. Entrust was established in 2013 in a joint venture agreement with Capita. The objectives of the arrangement, as outlined in the council's procurement exercise were
 - a. Delivery by the JV of a business that creates a sustainable, scalable organisation which is fit for purpose now and in the longer term
 - b. Delivery by the JV of a business that is a genuine collaboration in which the resources and experiences of both JV participants contribute to create a greater whole

- c. Delivery by the JV of a business that develops long term economic prosperity for Staffordshire and provides opportunities to develop skills in the existing and future Staffordshire workforce
 - d. Delivery by the JV of a business that delivers high quality products and services directly to SCC and other customers, including educational providers
 - e. Delivery by the JV of a business that maintains and improves education outcomes
2. The resultant arrangement was the creation of the Entrust limited company with 51% Capita ownership and 49% Staffordshire County Council.
3. The arrangement created initial benefits for the council
 - a. A £32m capital payment
 - b. Removal of risk around direct delivery of services to schools which was increasing as a consequence of the academisation process
4. The benefits to Capita were
 - a. A 9.5% management fee on cost of sales
 - b. The opportunity to utilise the existing circa £3m contribution previously received by the council to invest in service growth.
5. Joint benefit to shareholders were projected to be significant if optimistic growth forecasts were realised.
6. The reality was somewhat different to expectations. Significant out of county growth has not materialised and public sector spending has been challenged over the period. Turnover has declined over the first 9 years from circa £83m pa to £50m for the year to December 2021.
7. A significant proportion of the turnover relates to the delivery of services to the Council, as opposed to directly to schools. The SDA was £24m at inception but currently stands at £10m. This reduction has come about by a combination of academisation, specific funding reductions and MTFS savings.
8. The SDA has been a time consuming and challenging contract to manage. Entrust has been protective of the revenue stream as it is significantly more profitable than services to other clients – mainly schools. Where significant reductions have taken place, the council has met the majority of the cost of change which has been redundancies.

9. The savings have been delivered by a range of actions, from reduction in staff, transfer of service to academies and simple efficiencies and rationalisation of processes and activities.
10. The individual service lines and the changes in contract value and funding source is shown in Appendix 1.

Break Option Review

11. The SDA is a twenty-year contract, initially it was a fixed cost contract based around the budgets of the services immediately prior to creation of Entrust. The contract provides a break option for the council after 10 years, in April 2023.
12. Officers undertook a review in order for the council to make a decision on whether to exercise the break option.
13. The review comprised two main parts, governance of Entrust and the overall partnership and the Service Delivery Agreement. This report concentrates on the SDA aspects.
14. The various commissioners views on the future delivery mechanism of their services are shown in Appendix 1.
15. The full details of the deliberations are included in the cabinet report of 16th February 2022. In summary, a satisfactory arrangement could not be reached in relation to changes to both the individual services and the operation of Entrust in terms of decision making and financial rewards.
16. Cabinet therefore decided to exercise the break option on the SDA.

Individual Services Review

17. Part of implementing the cabinet decision was to review and implement alternative service delivery arrangements.
18. Early Years and Skills & Employability were identified in the cabinet report to be returned to operation in house.
19. There were however a number of services that have a significant connection with services to schools as well as back-office services that provide economies of scale for SCC.
20. On 15th June cabinet therefore decided to not break the SDA but instead to negotiate a variation to the agreement to continue some services on more typical commercial contract terms.

21. These services are

a. **Education Improvement** services are Dedicated Schools Grant funded and subject to schools forum sign off. They are school facing and reduce with academisation.

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| i. | Behaviour, Health, and Wellbeing | £201k pa |
| ii. | Minority Ethnic Achievement Service | £148k pa |
| iii. | Curriculum Development and Support | £176k pa |
| iv. | Governor Services | £33k pa |

b. **Corporate Services** are

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|------|-------------------------------------|-------|
| i. | HR Academy conversions | PAYG |
| ii. | Financial Services | £40k |
| iii. | SLA Online | nil |
| iv. | Finance System (Integra) | £160k |
| v. | Staffordshire Learning Technologies | £50k |

c. **Catering Cleaning and Grounds** is a wholly subcontracted service by Entrust to Compass group. The majority of the work is for schools and SCC benefits from economies of scale via joint arrangements.

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|------|-----------------|------------|
| i. | Cleaning | £1,854k pa |
| ii. | Catering | £65k pa |
| iii. | Grounds | £128k pa |

d. **Property Services** is the largest area of Entrusts business. It is made up of two main elements

- i. **Major Design** Circa £1.5m pa although can fluctuate significantly.

The SCC element is new schools and school expansion predominantly with some corporate project work. The work is fee based related to the value of the project, the same fees are proposed, and these compare reasonably with other authorities.

- ii. **Maintenance** Circa £3m pa for corporate and maintained schools

22. There are also the following **Back Office Services** we would wish to continue

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| a. | Health and Safety | Circa £900k |
| b. | Information Governance | Circa £50k |
| c. | Financial Services | Circa £50k |

23. These are services sold to schools by Entrust but delivered on basically a sub-contract basis by SCC. SCC benefits as it covers costs but gives us economies of scale and resilience for our needs.

Payment Arrangements

24. The payment arrangements have changed from an annual fixed charge with a true-up at the end of the year based on some variable items.

25. The new mechanisms are based on agreed service prices or fee percentages for property work.

26. This is except for education improvement which is funded wholly by delegated schools grant as a lump sum with volumes of service specified.

Contract Management

27. The contract management arrangements are expected to continue largely as per the existing arrangements. Briefly they comprise

- a. Strategic Partnership Group, comprising senior leadership team members from each organisation, meeting twice yearly.
- b. Joint contracts Group, comprising commercial and contract management representatives from each organisation, meeting monthly.
- c. Service Governance Groups, comprising service and delivery managers, meeting monthly or quarterly.

Performance Management

28. The specifications have been continually improved and updated over the life of the SDA. However, they have been further updated for this variation along with the performance indicators.

29. An example of the new indicators for the curriculum and support service area is included in Appendix 2.

30. The council has the freedom to use other suppliers if Entrust doesn't perform as a competent professional provider and in accordance with good industry practice.

Link to Other Overview and Scrutiny Activity

List of Background Documents/Appendices:

Cabinet Report – Entrust Service Delivery Agreement - 16 February 2022
– Part 2

Cabinet Report - Entrust Service Delivery Agreement - 15 June 2022 – Part
2

Appendix 1 – Current and Historical SDA Expenditure

Appendix 2 – Curriculum Development and Support Performance Indicators

Contact Details

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