

Agenda

Meeting: Shareholder Committee

**Venue: The Beech Room, County Hall,
Northallerton DL7 8AD**

Date: Tuesday, 4 September 2018 at 1pm

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Business

1. Minutes of the meeting held on 24 April 2018 (Pages 5 to 8)
2. Declarations of Interest
3. Exclusion of the public from the meeting during consideration of each of the items of business listed in Column 1 of the following table on the grounds that they each involve 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:-

Item number on the agenda	Paragraph/Appendix Number
7	Appendix A

4. Public Questions or Statements.

Members of the public may ask questions or make statements at this meeting if they have given notice to Stephen Loach of Democratic and Scrutiny Services and supplied the text (*contact details below*) by midday on Thursday 30 August 2018, three working days before the day of the meeting. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

- at this point in the meeting if their questions/statements relate to matters which are not otherwise on the Agenda (subject to an overall time limit of 30 minutes);
- when the relevant Agenda item is being considered if they wish to speak on a matter which is on the Agenda for this meeting.

If you are exercising your right to speak at this meeting, but do not wish to be recorded, please inform the Chairman who will instruct anyone who may be taking a recording to cease while you speak.

5. **Education Sector Market Update** - Report of the Assistant Director – Strategic Resources **(Pages 9 to 18)**

Purpose of Report: To provide an update on the market position of the education sector. It provides information on the trading environment with particular emphasis on increased competitor activity and reducing school budgets. The report also details what impact this has on services offered by Brierley Group and the risks and opportunities that exist.

6. **Work Programme** **(Pages 19 to 20)**

Purpose: To provide a draft Work Programme for the Shareholder Committee to consider, develop and adopt.

7. **Brierley Group Quarter 1 Report** – Report of the Assistant Director – Strategic Resources **(Pages 21 to 27)**

Purpose of report: To provide an update on the quarter 1 financial and performance position of the Brierley Group.

8. **Other business which the Chair agrees should be considered as a matter of urgency because of special circumstances**

Barry Khan
Assistant Chief Executive
(Legal and Democratic Services)
County Hall, Northallerton
Date: 16 April 2018

Notes:

Emergency Procedures for Meetings

Fire

The fire evacuation alarm is a continuous Klaxon. On hearing this you should leave the building by the nearest safe fire exit. If the main stairway is unsafe use either of the staircases at the end of the corridor. Once outside the building please proceed to the fire assembly point outside the main entrance.

Persons should not re-enter the building until authorised to do so by the Fire and Rescue Service or the Emergency Co-ordinator.

An intermittent alarm indicates an emergency in nearby building. It is not necessary to evacuate the building but you should be ready for instructions from the Fire Warden.

Accident or Illness

First Aid treatment can be obtained by telephoning Extension 7575.

Shareholder Committee

Membership

County Councillors (3)		
	<i>Councillors Names</i>	<i>Political Party</i>
1	LES, Carl	Conservative
2	DADD, Gareth	Conservative
3	MACKENZIE, Don	Conservative

North Yorkshire County Council

Shareholder Area Committee

Minutes of the meeting held on 24 April 2018 commencing at 1.00 p.m. at County Hall, Northallerton.

Present:-

Members:-

County Councillors Gareth Dadd, Carl Les and Don Mackenzie

Officers:-

Gary Fielding (Corporate Director, Strategic Services), Barry Khan (Assistant Chief Executive, Legal and Democratic Services), Michael Leah (Assistant Director, Strategic Resources) and Patrick Duffy (Democratic Services)

In attendance:

County Councillors Andrew Lee and Greg White

Copies of all documents considered are in the Minute Book

1. Confirmation of Appointment of Chair

Resolved -

That Councillor Carl Les be appointed Chair of the Committee.

Councillor Les in the Chair

2. Confirmation of Appointment of Vice-Chair

Resolved -

That Councillor Gareth Dadd be appointed Vice-Chair of the Committee.

3. Declarations of Interest

The following interests were declared in respect of the reports on the Agenda concerning *Review and Note Performance of Brierley Group*; and *Review and Decision on Brierley Group Business Plans*

- Councillor Dadd declared an interest in matters relating to Veritau, as a Director of the Company.
- Councillor Les declared an interest in matters relating to NYnet, as a Director of the Company

- Councillor Mackenzie declared an interest in matters relating to NYnet, as a Director of the Company
- The Corporate Director of Strategic Resources declared an interest in matters relating to Veritau, as a Director of the Company.
- The Assistant Chief Executive (Legal and Democratic Services) declared an interest in matters relating to First North Law, as a Director of the Company.

4 Terms of Reference

It was noted that, as a shareholder, the Council's role is not to manage the business of the companies on a day to day level. The Boards of the individual companies will be responsible for running the business and should be given sufficient freedom to deliver the strategic and operational priorities of the company. The Board should have Directors with the right skill to be able to manage the business of the company.

In order to strengthen the Council's governance arrangements over the ownership rights of the companies, the vast majority of formal decision making on behalf of the Council regarding the companies would be made by this Committee.

The full Terms of Reference of the Committee were approved by the Executive at its meeting on 17th October 2017 and can be accessed from the link below:-

<http://democracy.northyorks.gov.uk/Committees.aspx?commid=18&meetid=3595>

5. Exclusion of the public from the meeting during consideration of each of the items of business listed in Column 1 of the following table on the grounds that they each involve 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:-

Item number on the agenda	Paragraph Number
7 (Appendix)	3
8	3

6. Public Questions or Statements

No public questions or statements had been received.

The Committee felt that it was important to encourage Members of the Council to attend meetings of this Committee.

The Chair said that he would write to the other Political Group Leaders about this and include information about the Committee in his forthcoming Council Statement.

7. Review and Note Performance of Brierley Group

Considered -

The report of the Assistant Director for Strategic Resources which showed the financial performance of Brierley Group companies for the financial year, 2017/18. The Appendix to the report contained exempt information.

The Assistant Director highlighted that, overall, financial performance was strong with an expected outturn of just below target.

There had been a number of successes for each of the companies, which included:-

- Award of the Local Full Fibre Network bid to NYnet
- Successful tender on Cumbria's property design framework, giving Align Property Partners a platform to grow the business into that region.
- Completion of the Todd's acquisition by Yorwaste and successful integration and no noteworthy disruptions to either business.
- Yorwaste's mobilisation of York Council's & North Yorkshire County Council's HWRCs having taken over operations from Kier.
- Appointment of Commercial Director for NYES with renewed focus on developing the business outside of North Yorkshire.
- Planning consent and appointment of building contractor at Thorpe Willoughby
- Completion of Solicitors Regulation Authority by First North Law and opening for business.
- Veritau winning key work with a number of other Local Authorities

Looking ahead, the Brierley Group had the potential to move area in a number of areas.

There had been one or two disappointments, such as Align not having been successful in their bid for York City Council's Framework Contract. In response to a question from a Member as to the reason for this, the Assistant Director advised that feedback received was that the bid was strong on quality but not as strong on pricing.

The Corporate Director for Strategic Resources commented that the Group should be prepared to lose some bids and learn from this.

Resolved -

That the report be noted.

8. Review and Decision on Brierley Group Business Plans

Considered –

The report of the Assistant Director for Strategic Resources. The report, which contained exempt information, set out the Business plans for each of the Brierley Group Companies.

The Assistant Director took Members through the report, highlighting key aspects from each of the Business Plans.

With respect to the Business Plan for First North Law, the Assistant Chief Executive (Legal and Democratic Services) advised that the company was one of only a handful of Local Authority owned Solicitors' Firms. The company was now up and running and would be concentrating on selling its expertise – rather than seeking work in new fields.

Members raised the following points:-

- The profit figure for Veritau did not seem particularly high. The Corporate Director for Strategic Resources advised that he was comfortable with the figure, as it needed to be borne in mind that the work undertaken by the company leads to savings in other areas.
- Was the loan provided to Brierley Homes sufficient to fulfil its ambition and what would the process be if an additional amount was sought? The Corporate Director for Strategic Resources advised that that it was anticipated the loan would be sufficient. Any request for a future loan would require the approval of the Executive and would be based on a track record of delivery.
- Was there confidence that officers had the amount of time required to devote to Brierley Homes and that they were sufficiently incentivised? The Corporate Director for Strategic Resources responded that learning would be gained from the pilot project. The incentive was sufficient, given the consequences of not meeting the Business Case.
- Still on Brierley Homes, there seem to be a number of risks to contractors. The Assistant Chief Executive (Legal and Democratic Services) confirmed that some of the risk transfers from the company, but not all.
- Had consideration been given to First North Law linking up with Yorkshire Purchasing Organisation (YPO)? The Assistant Chief Executive (Legal and Democratic Services) responded that First North Law would be working with YPO on a new procurement.
- With regard to Yorwaste, does York City Council have the equivalent of a Shareholder Committee and, if so, do they share reports with the County Council? The Assistant Director for Strategic Resources confirmed that this was the case.
- Was there a risk that Align become over-reliant on one key client? The Corporate Director for Strategic Resources said this was a possibility and the company were seeking to mitigate this by diversifying.
- What happens to profits made? The Corporate Director Strategic Resources advised these would sit on the Balance Sheet and be distributed to Shareholders.

Resolved –

That the Brierley Group Business Plans be approved.

9. Future Meetings

Resolved –

That meetings of the Committee be held every four months, initially.

PD



Shareholder Committee Market Update – Education Sector 4 September 2018

1.0 Purpose of Report

- 1.1 The purpose of this report is to provide an update to the Shareholder Committee on the market position of the education sector. It covers information on the trading environment with particular emphasis on increased competitor activity and reducing school budgets. The report also details what impact this has on the Brierley Group and what risks and opportunities exist.
- 1.2 The academies agenda, along with maintained schools becoming more autonomous has led to schools becoming more discerning in the services they purchase. This report will specifically cover two aspects of the education sector, namely increasing financial pressure in the system and also the agenda around conversion to academy status.

2.0 Pressure on School Budgets

- 2.1 The changing school environment has occurred during a period of increased pressure on school budgets. Funding to schools in recent years has been static whilst staffing rates of pay has increased.
- 2.2 Examining the financial impact of the annual one per cent pay settlement for school staff, for all state-funded mainstream schools (including local authority maintained, academies, free schools, etc.) a report by Kreeston Reeves (February 2018) found nationally that:
 - i) Funding allocated by the government through its new National Funding Formula for schools (NFF), fails to meet pressures on schools budgets produced by this cost alone. This is despite the announcement of an extra £1.3 billion in funding for schools by the government in July 2017.
 - ii) As many as 40 per cent (around 7,500 schools) are unlikely to receive enough additional government funding in 2018-19 to meet these pay pressures alone. For 2019-20, this proportion rises to nearly half of state-funded mainstream schools in England (around 9,000 schools).
 - iii) Schools are facing a variety of cost pressures, yet this analysis shows how many schools are struggling just from this staffing cost alone. In addition, our assumption of one per cent staff pay increase over the next two years is cautious – with the government having signalled that future rises in teachers' pay may be higher than the current one per cent cap over the next few years.
- 2.3 Closer to home, in this financial year, the new national funding formula has been implemented which on the whole should benefit schools in North Yorkshire. However, the level of gains for North Yorkshire schools are relatively small and are generally in line with inflation. However there are also a number of schools who are losers in the new formula and for these schools the level of losses are much greater than the increases benefiting the schools which are gaining in the new formula. This is particularly impacting on smaller secondary schools.

- 2.4 As well as changes in the funding formula, our rural schools are seeing reducing pupil numbers. As pupil numbers are the key drive for funding this will have a detrimental impact on their income. Analysis by North Yorkshire County Council suggests that should current funding arrangements and budget limitations continue maintained schools in North Yorkshire are increasingly likely to be in a deficit position. Without changes to schools the current projection forecasts that in 3 years 60% of schools in North Yorkshire are expected to be in a deficit position.

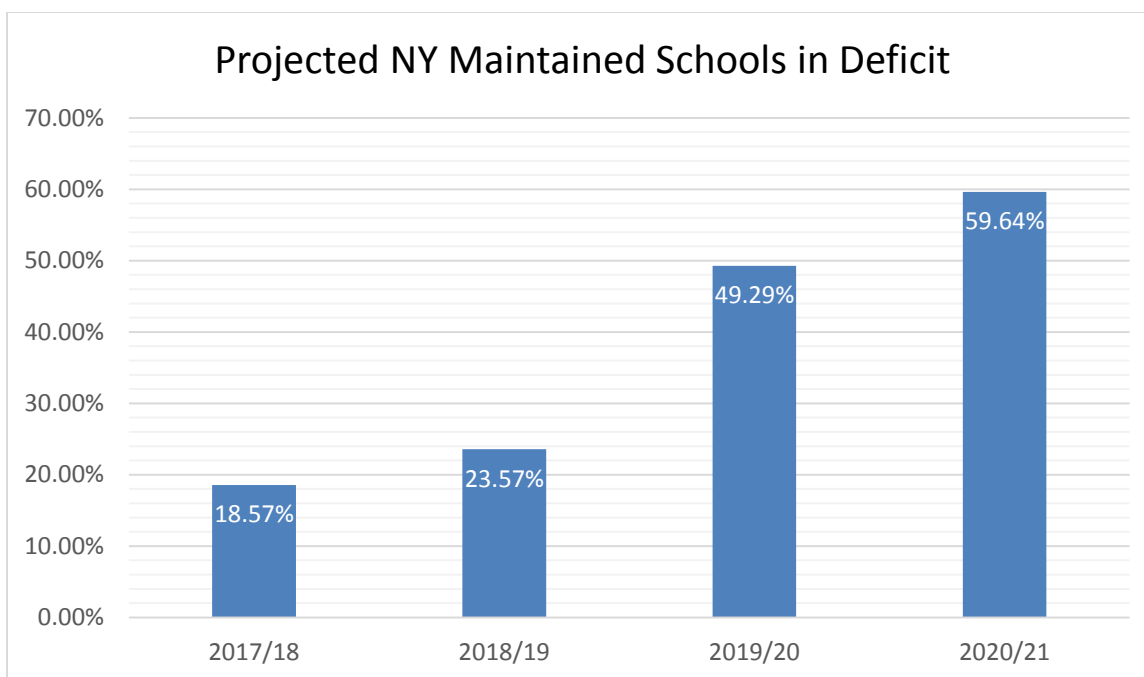


Chart 1, source: NYCC Financial Management Service

- 2.5 This projected deficit position in North Yorkshire reflects a trend which has occurred across England in recent years. In the period of four years up until 2016-17, the proportion of local authority secondary schools in deficit nearly trebled, expanding to over a quarter of all such schools.
- 2.6 The number of local authority maintained primary schools in deficit has also risen. In 2010-11, 5.2 per cent of local authority primary schools were in deficit; in 2016-17, the proportion of primary schools in deficit increased significantly, to 7.1 per cent. The average primary school deficit also noticeably increased, from £72,042 in 2010-11, to £107,962 in 2016-17.
- 2.7 A conclusion to draw here is that not only are the number of schools in deficit increasing but also the extent to which they are in deficit is rising. Whilst the above information is only for maintained schools, it is a similar picture across the whole sector.
- 2.8 Schools are already taking steps to address these issues, as it is not a sustainable position in the long term – something has to give. Analysis conducted by the Education Policy Institute (EPI) in March 2018 shows that approximately two thirds of local authority maintained secondary school spend is directly on

teaching staff, supply teachers and education support, as shown in chart 2. Assuming there will be no additional funding available, a conclusion can be drawn that schools will be required to reduce spend in two areas: direct education and/or support services (the remaining sections of the chart).

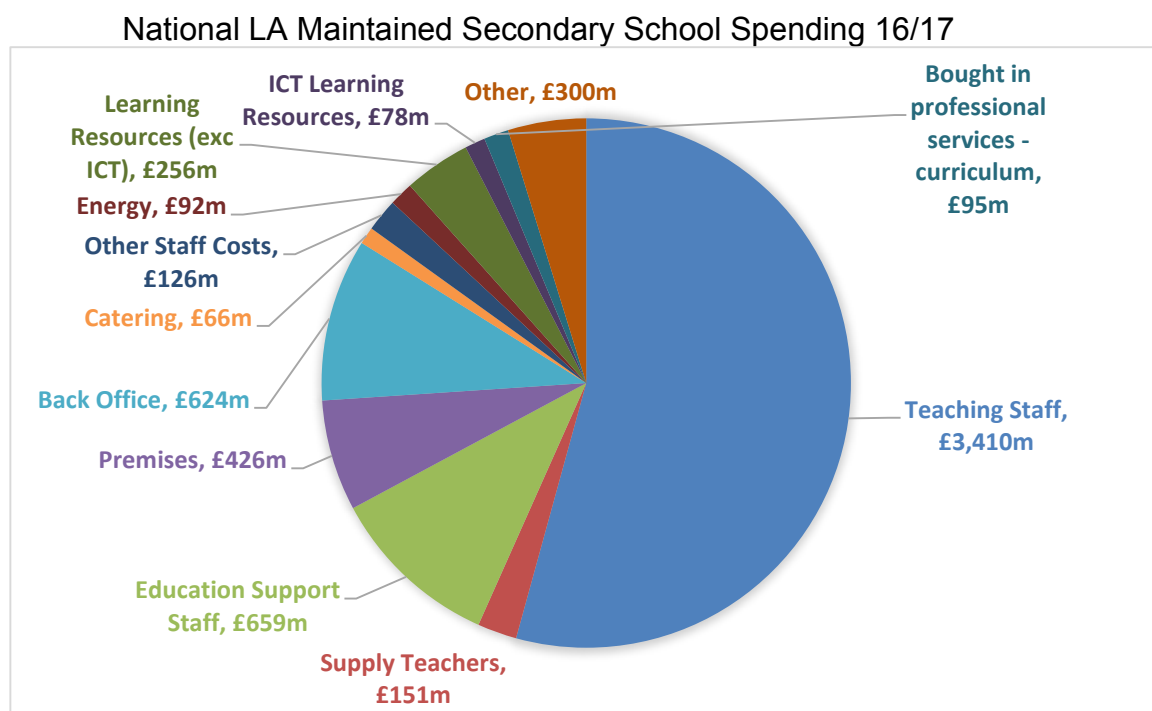


Chart 2, source: EPI March 2018

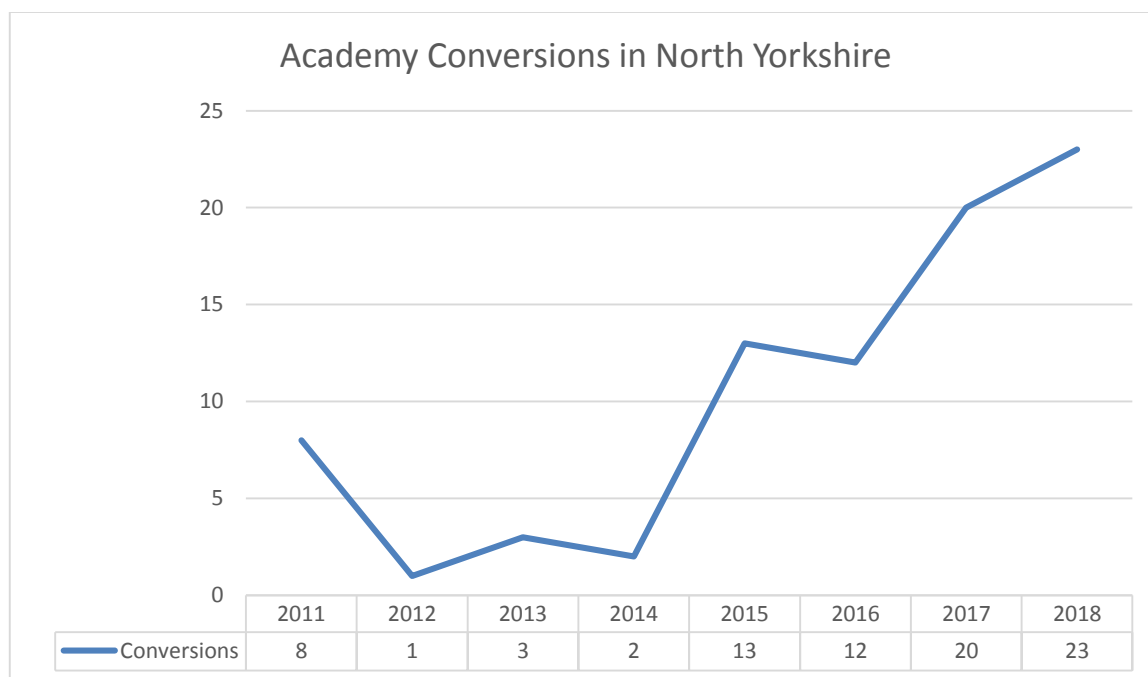
3.0 Academy Status in North Yorkshire

- 3.1 The following data obtained from the Department for Education shows a breakdown of maintained schools, single academies and multi trust academies in comparison with the City of York and National data. North Yorkshire currently has a larger percentage of maintained primary and secondary schools in comparison with York and All of England and considerable lower percentage of single academies.

	Maintained Schools			Single Academies			Multi-Academy Trusts		
	NYC C	York	All Eng.	NYC C	York	All Eng.	NYC C	York	All Eng.
% of Primary Schools	79%	56%	47%	8%	42%	22%	13%	2%	30%
% of Secondary Schools	56%	0%	47%	7%	34%	22%	37%	66%	31%

Table 1, source: DfE 2018

- 3.2 The following graph shows the number of conversions within North Yorkshire since 2011. The trend has seen an increase since 2015; whilst it is difficult to predict an exact forecast of conversion rates, a reasonable conclusion is that we can expect more conversion in the coming years, with six primary and two secondary schools indicating conversion in the next six months.



- 3.3 Statics obtained from the Education Policy Institute show less expenditure on professional services for converted academies than maintained schools, however this is 2015-16 data, and it is expected that 2016-17 data may show a reduction in the amount MATs are spending on professional services as they become more established:

2015-16 All England Expenditure for Bought In Professional Services (% of total budget)	
Primary Maintained Schools	2.10%
Primary Single Academies	0.80%
Primary Multi Academies	1.20%
Secondary Maintained Schools	1.50%
Secondary Single Academies	0.61%
Secondary Multi Academies	0.80%

A recent report issued by the Education Policy Institute titled

“School Funding Pressures in England states that “another approach to increasing efficiency which the government may continue to promote is for more schools to joint MATs. In some circumstances, joining or establishing a MAT may enable schools to find economies of scale”.

We therefore need to understand the impact upon future sales targets and use data intelligence to predict which services are likely to lessen in demand as more conversions take place. It is important to note that there may be both opportunities and threats, depending on the nature and maturity of MATs. There are two types of MAT:

- Established Trusts – these are a threat to Brierley Group companies as they are an established group of schools which manage the services of the schools entering into them via a head office. They often have in-house staff to deliver the services we offer which means when a school joins they give notice to a lot of our packages, particularly the higher value ones.
- New Chains – these do not usually have arrangements already in place and are therefore more likely to be interested in Brierley services and retain business initially but leave as they grow.
- Whilst larger chains of MAT's have generally been seen as a threat to Brierley Group services, they can also represent a potential opportunity. Contracts for larger chains of MAT's are typically procured via a tendering process. Through the revised commercial governance procedure, we are now better equipped at responding to and making the most of these bidding opportunities.

4.0 Competitor Activity

4.1 Academy Conversion

As shown in section 3.3, when schools convert to academy status, on average, the level of bought in professional services reduces. Typically, this involves schools bringing services 'in-house' as part of a MAT, given perceived economies of scale. If this trend continues then this is one of the main competitor risks to the Brierley Group.

- 4.2 As a result MAT's can be seen as a form of threat to Brierley Group's customer base. Academy chains in North Yorkshire have, to varying degrees taken some level of service 'in-house'. This has affected a range of our services including; Financial Management Services; Facilities Management, Property & Design Services; HR; Payroll; ICT and School Improvement Services. Services which are less affected by this are Legal and Internal Audit given their more bespoke nature.

- 4.3 As an example in North Yorkshire, the following trusts significantly reduced their take up of NYES services:-

- Red Kite Academy Trust (7 schools in North Yorkshire)
- The Enquire Learning Trust (4 schools in North Yorkshire)
- Ebor Academy Trust (7 schools in North Yorkshire)
- Outwood Academy Trust (3 Schools in North Yorkshire)

- 4.3.1 To a lesser degree, The Dales Academy Trust (10) and The Hope Learning Trust (3) also reduced their service take up.

- 4.4 Whilst the above is a risk area, it is also important to understand that the size and form of MATs are not common. For example, the majority of academies in North Yorkshire are part of a smaller MATs. Retention levels at these smaller MATs has been relatively high. We have also had sales success with smaller MATs outside of North Yorkshire. The Regional Schools Commissioner expects that academies will move away from LA services and do their own.
- 4.5 Direct Competitors
In addition to this, and generally resulting from 'commercialisation' of the sector, there has been an increase in the number of private and third sector organisations promoting services to schools. This has particular prevalence in high volume, low margin services such as cleaning and catering. However, it is not limited to those services, with general market uptake in typically higher margin products and services, such as HR & Legal.
- 4.6 Competitor analysis across all products and services offered by the Brierley Group shows that the sector is crowded with no clear market leader locally or even nationally. Naturally this means it is a competitive environment and challenging to gain a share of 'market voice'. However, there is an opportunity if there is rationalisation of providers across the sector.
- 4.7 Comparing quality and cost between Brierley Group and competitors is not clear cut, there is a perception that the private sector has more flexibility when it comes to pay and pension. However, a good indicator of value for money is that the level of private sector involvement within North Yorkshire is still comparatively low when compared with bordering authorities, with the majority of schools in North Yorkshire retaining services offered by Brierley Group.
- 4.8 There are some specific examples of competitor activity in the region:
- i) One local company has assisted converting 119 schools across the North of England since 2011. They continue to work with a number of converted schools, particularly across the Tess Valley area to provide professional services.
 - ii) In addition, other private sector companies have been commissioned to provide services by the bordering local authorities for the maintained schools in their area. Examples of this would be in Middlesbrough and York where two large, private sector organisations have taken on services on behalf of the authority. However, it is worth noting that these particular contracts are no longer in place.
 - iii) More broadly following the collapse and liquidation of Carillion in January this year, there is a growing perception surrounding private sector outsourcing. Whilst Carillion, and other large providers, typically target larger clients than single schools; it should be noted that confidence in the industry as a whole has been impacted. It is difficult to estimate to what extend exactly at this stage, however there is anecdotal evidence that customers are tendering for smaller and shorter contracts as a result.

5.0 Impact on Brierley Group

- 5.1 As Brierley Group is predominantly providing support services to the education sector, it should be anticipated that its customers will be under significant

pressure to achieve increased value for money across all spend areas. This represents risks but also opportunities across the traded entities with the Group.

5.2 Risks:

- i) There is a clear risk that as a schools comes under increased financial pressure, they reduce all spending which will have a direct impact on the amount they buy in. This extends to all suppliers including Brierley Group services. An important point to understand here is not just the number of schools in deficit but the extent to which they are in deficit (as described in Section 2). Analysis from 2016/17 showed that on average schools in deficit in North Yorkshire had an average negative revenue balance of £78.7k. Nationally, the comparison figure for that year was £131.2k. So whilst the position is relatively healthier in North Yorkshire, the pressure still remains. Additionally, at a national level in 2016/17 maintained primary schools in total spent 112% of their net budgets, whilst equivalent maintained secondary schools spent 116% of their net budget.
- ii) As noted in section 4, as schools convert to academy status the overall trend is that more services are brought in-house. Exactly how this might impact on Brierley Group over the coming years is not clear, as the speed of both schools converting and when they choose to bring service in-house is not pre-determined. In other words, whilst the general trend is increasing number of Brierley Group customers converting to academy status, decision of bringing in-house will be determined by individual schools.

5.3 Opportunities:

- i) Whilst schools are under financial pressure, it can be viewed that a simplistic response is to only reduce spending, however to date schools have various approaches when dealing with cost pressures. Some examples include increasing teachers' contract time, class sizes and the amount of teaching undertaken by senior staff, amongst others. The opportunity is for Brierley Group to provide value-add support to schools, notably financial advice, which can assist in addressing cost pressures without simply cutting budgets.
- ii) As the trend indicates the number of schools in North Yorkshire converting to academy status is rising, as such there is an opportunity to provide support to aid them through that process.
- iii) When considering the impact of Carillion, Brierley Group has an advantage when compared generally to the private sector. The motivation and drivers behind the entities within the Group, given its ownership structure, set it aside from some of its competitors.
- iv) Like schools, local authorities are also under increasing financial pressure, as a result a number have reduced or even retracted services offered to schools in their areas. This creates an opportunity for Brierley Group, working with North Yorkshire County council, to develop relationships with those authorities and help support schools in that geography. Some examples include Hartlepool BC reducing its Health & Safety and

Educational Visits Advisory Service; and City of York Council no longer providing cleaning and catering.

6.0 Recommendation

6.1 Members are asked to note the report.

Author:

Michael Leah
Assistant Director Strategic Resources
22 August 2018

ITEM 6

Shareholder Committee Work Programme 2018/19

Meeting Date	Items of Business
4 September 2018 @ 1pm	<ol style="list-style-type: none"> 1. Brierley Group Quarter 1 Report 2. Education Sector Market Update 3. Work Programme 2018/19
15 January 2019 @ 1pm	<ol style="list-style-type: none"> 1. Brierley Group Quarter 2 Report 2. Work Programme 2018/19
April 2019 (TBC)	<ol style="list-style-type: none"> 1. 2019/20 Business Plan Presentations 2. Brierley Group Quarter 3 Report 3. Work Programme 2018/19
May 2019 (TBC)	<ol style="list-style-type: none"> 3. 2019/20 Business Plan Presentations 4. Work Programme 2019/20



Shareholder Committee September 2018

Brierley Group Update

2018-19 Quarter 1

Brierley Group Update Quarter 1 2018/19

1.0 North Yorkshire Education Services

- 1.1 NYES is forecasting to generate a contribution of £435k through 2018/19 (this is in addition to the £1,39k contribution to corporate overheads), which compared to the stretch target (£710k) represents a current projected shortfall of £275k. Given this projected shortfall this will be a key area of discussion at the next NYES Board on 5 September. It should be noted that the team are currently developing a robust long-term business plan for NYES which will help identify further opportunity areas and return on investment. As part of that plan the team will be looking to invest into sales & marketing in order to extend the reach of services beyond North Yorkshire.
- 1.2 2018/19 is also the second year of MTFS incremental Commercial Challenge target which has increased from £100k in 17/18 to £600k in 18/19; this is included in the target above. It was acknowledged that these would be challenging and stretch targets for all traded services were introduced to bridge the gap between the contribution anticipated from service plans and the total target return from NYES.
- 1.3 A number of fundamental changes to some services have either taken place or are planned shortly. For example the Catering Service is moving to a 'Fixed Meal Price' (FMP) basis for all schools, whilst this is in line with the rest of the market there has been some mixed feedback from existing schools.
- 1.4 A significant challenge remains in respect of schools converting to academy status and the risk associated with NYES losing business.

2.0 NYnet

- 2.1 NYnet are reporting £12k less profit than budget for June and year to date is £25k less, however the company are forecasting to bring back in line with budget by the end of year.
- 2.2 The overall NYnet loan (working capital) position with NYCC is £2,398k positive in NYnet's favour. This is £20k away from budget. This is a temporary position due to receipt of £1.8m overage at the end of May. (Note the 'true' loan position with NYCC remains at £5m payable).
- 2.3 In other aspects, the operational performance of NYnet is strong with no Major Network Incidents reported.

3.0 First North Law

- 3.1 First North Law continues to grow organically and in line with the business plan presented in April. Following the launch of the company in March 2018, it has manage to secure business outside of North Yorkshire. As described in the Enclosure 1 report to this meeting, the Education sector remains a challenging. So whilst the sales volumes are still low, relative to the rest of the Brierley Group, early signs are encouraging.
- 3.2 As part of the business growth plan, the company has taken on additional staff to generate fees; it is anticipated that revenue will increase from autumn 2018. This will enable the company to cover its costs in the future and, should the revenue continue, this should enable the company to become profitable in line with the business plan from 2019.

4.0 Brierley Homes

- 4.1 Development of the site at Thorpe Willoughby continues to make progress following its acquisition from North Yorkshire County Council earlier in the year. In June, the existing vacant property, Holly Grove, was demolished and construction on site commenced shortly after. It is planned to open the show home in December 2018 with home occupation beginning in summer 2019. As a result the cash flow forecast provided by the company does not anticipate any income in 2018 (with the exception of potential purchase deposits), however the cost of sales will have been incurred in the year.
- 4.2 In parallel to this, 6 further sites have been identified by the company for development and these are currently in various stages of the design and planning process prior to the construction work starting on site.
- 4.3 The loan available to Brierley Homes Ltd remains at £2.75M. As of June 2018 £1.2M of this had been drawn down.
- 4.4 Additionally, the company now has a website which you can access for more information at: <http://brierleyhomes.co.uk/>

5.0 Align Property Partners

- 5.1 The company reported a net profit for June 2018 £14k behind target, year to date net profit £11k behind target. However, the end of year forecast is to achieve £3k higher than the target.
- 5.2 In addition, Align continues to work with a number of district councils and has also started to diversify its offering by working with Brierley Homes and consultant partner Spawforths to develop skillset in housing. This presents a good opportunity for APP to build its client footprint within the geography of North Yorkshire.

- 5.3 The greatest challenge for 2018/19 will be to maintain current performance with its key client, NYCC, whilst impressing in those new areas. To aid this, the company is planning to identify a secondary base of operations near Penrith which will act as a platform to support and grow in Cumbria, whilst being a reasonable distance to support to and from North Yorkshire.

6.0 Yorwaste

6.1 Health & Safety

There were four incidents reported during the June period which resulted in injury to Yorwaste employees. One of these incidents resulted in lost time and one was RIDDOR reportable: on 28th June a HWRC Operative at Northallerton was assaulted by a member of the public. He was punched in the face following an exchange of words. A scuffle followed and as result two members of staff were injured. The first sustained a broken tooth and cut/abrasion to his elbow, the other chipped his tooth, and fractured bones in his hand which required surgery. The police were informed and the both injured employees have provided statements. A copy of the site CCTV has been provided to the Police. The nature of the injuries sustained (bone fracture) resulted in the incident being reported to the HSE under RIDDOR.

6.2 Finance

Year to date profit is £266k ahead of target predominantly due to unbudgeted sludge disposal sales at Seamer Carr £160k and £100k landfill upside at Harewood. Delivering to T-Band 2 at AWRP remains challenging with a shortfall year to date of approximately 2,000 tonnes.

7.0 SJB

7.1 Health & Safety

There were no accidents reported during the quarter to SJB Recycling personnel. The last reported injury to an SJB employee was in November 2015.

7.2 Finance

Year to date profit after tax is £9k behind target, this is a result of cost of redundancy for admin staff following a restructure. All other costs are broadly in line with budget.

8.0 Veritau

- 8.1 Performance is on target for all clients. In addition, over 450 individual schools from across the North of England have signed up for the new Data Protection Officer Service. The demand for the service continues to be high so we have had to introduce a temporary freeze on new business whilst we support those schools who

have already signed up. In addition, we have been supporting a number of GP practices and pharmacies to prepare for GDPR.

- 8.2 Our bid to participate in the NFI business rates pilot organised by the Cabinet Office has been successful. We understand that 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. We have also been shortlisted in two categories for the annual Institute of Revenues, Rating and Valuation (IRRV) awards for fraud and innovation. The awards ceremony takes place in October.
- 8.3 To help promote the business, we have invested in a conference stand and exhibited at two recent public sector conferences (PPMA in Gateshead and the IRRV spring conference in Leeds). The plan is to also attend the IRRV conference in October and the ICO annual conference in the spring.
- 8.4 Finally, we are progressing a number of system developments including a new website and case management system (for the DPO service).

9.0 Key Issues & Challenges

- 9.1 Additional information on the key issues and challenges is provided at Appendix A, which is exempt on the basis that it contains information of the type defined in paragraph 3 of Part 1 of Schedule 12A Local Government Act 1972 (as amended) i.e. information relating to individuals and to the financial or business affairs of any particular person (including the authority holding that information).

10.0 Recommendation

- 10.1 The Shareholder Committee are asked to note the quarter 1 financial and performance position of the Brierley Group.

Author:

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