

North Yorkshire County Council

Shareholder Committee

23 April 2019

Review and Decision on Brierley Group Business Plans

Appendices A - D 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 introductory summary and business plan for 2019/20, for the following companies:
- a) Align Property Partners
 - b) First North Law
 - c) Yorwaste
 - d) Brierley Homes
- 1.2 The Business Plans attached at Appendices A - D articulate the aspirations of the companies listed above, 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
11 April 2019

ALIGN PROPERTY PARTNERS LTD , BUSINESS PLAN - EXECUTIVE SUMMARY

Align Property Partners Ltd (APP) was formed in November 2016 via the TUPE of 35 technical staff from Mouchel. APP are a multi-disciplinary building design company, who since November 2016, have been delivering Architectural, Building Surveying, Engineering and Quantity Surveying services to North Yorkshire County Council and private companies in the near location.

In 2018 APP have opened a new office in Penrith to service its framework partner, Cumbria County Council, and a further office is being opened in Selby in April 2019 to service the nearby conurbations.

Since its inception, the financial performance of the business has been good, with a Net Profit expected in in 2019/2020.

As detailed in the 2018/19 Business Plan at Appendix A, the key areas of focus in the next 3 years remain the same and a brief narrative of progress against these key areas is given underneath:

- Ensuring high levels of health and safety and environmental performance
 - *No reportable incidents since inception, member of "safety schemes in procurement"*
- Expand its range of design services offered to clients
 - *Civil Engineering Design and Estates services now provided. First tentative steps into highways design undertaken.*
- Increase geographical spread to areas adjacent to Yorkshire
 - *New office opened in Cumbria with further office to be opened in Selby in April 2019*
- Reduce internal costs to shareholder (NYCC) compared to previous NYCC service delivery company (Jacobs)
 - *Hourly "charge out" rates to NYCC held at 2016 level with no increase since APP inception*
- Increase shareholder value
 - *abated and capped fees provided on several projects e.g. Harrogate care Village inception*
- Change design platform from AutoCAD to Building Information Modelling (BIM)
 - *All major commissions now designed in BIM, ongoing training being carried out via external provider*
- Lower companies average hourly cost to subsequently improve efficiency
 - *Apprentice programme progressing with 7 no employed thus lowering average hourly company cost and improving financial efficiency*

Report Provided by;
 Ron Walton - Managing Director
 Align Property Partners
 1 April 2019

FIRST NORTH LAW SOLICITORS, BUSINESS PLAN - EXECUTIVE SUMMARY

On 15th November 2016, the Executive gave approval for the County Council to create a wholly owned Solicitors Company to provide legal services to external clients.

First North Law Ltd was therefore created to generate income for the Council by providing high quality, cost effective legal advice to the public and private sector. The Company has received Solicitors Regulatory Authority approval to operate as a distinct Solicitor's firm and can provide legal advice to anybody within the UK under the appropriate regulatory control. This firm currently has access to barrister, solicitors, legal executive and paralegal support, which can advise, on a number of different areas of law.

As a new company entering into a highly competitive legal market, the Company has initially concentrated on providing legal advice to the Education Sector and has secured a number of new clients in 2018. The County Council has historically run a successful legal helpline for schools for a number of years within the boundaries of the County Council and has built up a high degree of knowledge and experience in this sector. The creation of First North Law allows this knowledge to be sold to other schools outside our area at a competitive rate. The Company has developed a subscription service for which Schools can buy into which allows them access to a certain level of legal advice within that subscription cost and they can then choose to purchase further legal advice. Due to the experience of staff and economies of scale, the Company can provide this subscription service at a very competitive rate, which schools have appreciated. The Company's unique selling point is that it can provide access to a team of professional, pragmatic lawyers that cover the full range of legal issues that could face an educational establishment over the phone with a quick turnaround time and at an extremely competitive price. The ethos of the Company is to make long term relationships with Schools and Multi-academy Trusts by encouraging a model that does not seek to charge clients for every minute of time that is spent on legal work but by having as much work as possible covered by the subscription service and developing longer term contracts. Whilst the Council's reputation for legal work has assisted in selling services to Schools closer to our location, the Company has successfully attracted clients from much further afield with customers across York, Teesside, Wakefield, Lancashire and beyond. The Company continues to look to expand its market reach to areas outside of Yorkshire.

In addition to work for the Education sector, the Company has undertaken legal work in the property, procurement, planning, state aid and construction sectors and will look at marketing these areas in the future as a potential growth area. In accordance with the business plan, the Company will look to concentrate on additional legal areas to market its services and provide training to new clients.

It has been pleasing to see new customers sign up to the Company and to note the company is growing in accordance with the projected Business Plan, it will focus the next 12 months on additional online and traditional marketing and seeking to ensure that the First North Brand is promoted within the target client areas.

Report Provided by;

Barry Khan
Assistant Chief Executive (Legal and Democratic Services)
North Yorkshire County Council and
Managing Director First North Law

Yorwaste

Recent Developments

The 31 March 2019 saw the conclusion of the two-year transition period from a business focused on landfill operations to one focused on transfer and recycling operation with a commercial collection business (which offsets a significant portion of Yorwaste's operating cost). This period saw the acquisition and integration of Todd Waste Management, the closure of the Harewood Whin Landfill, and the ramp-up of the Allerton Waste Recovery Park, which collectively represented a fundamental change to the Yorwaste business model.

In addition to the internal challenges, the wider waste management industry has also seen significant change. The widely discussed "Blue Planet" effect resulted in higher quality thresholds for recyclate material being demanded from the supply chain and heavily influenced the recent Government Waste Strategy, which in turn detailed the need for further investment and innovation in the industry.

Closer to home, the Regional waste market saw a "race for waste" as competitors sought to increase volumes, resulting in flat-to-declining average real commercial rates.

Achievements of 2018/2019

To respond to the ever-changing market Yorwaste has to be more customer focused, more efficient operationally, and more forward thinking in innovation and investment. Yorwaste always needs to prioritise safety in an industry widely acknowledged as one of the most dangerous in the UK.

To meet these challenges Yorwaste has over the past year:

- Set a target of achieving ISO 45001 this year supported by the rollout of behavioural-based Health & Safety.
- Streamlined and refocused the management team to increase accountability and improve decision-making.
- Increased management training for senior and middle management, and implemented management succession planning.
- Invested in information systems to support real-time tracking of vehicles and route optimisation.
- Upgraded the Harewood Whin based Materials Recycling Facility (MRF) to improve recovery rates and meet modern quality thresholds.
- Standardised employment terms and conditions to reduce administration overheads; promote operational flexibility and fairness; and simplify staff rostering.

Whilst significant progress has been made, the Company has been negatively impacted by market pressure on recyclate quality and commercial collections, costs arising from the transition to supplying AWRP and the need to modernise plant and equipment to improve operational delivery and reliability.

Looking forward to 2019/2020

As detailed in the Business Plan at Appendix C, the priority for Yorwaste is to consolidate, optimise, and prepare.

Consolidate: Following a review of existing operations a number of processes were identified which are low margin or loss making. These are now subject to a managed exit to streamline operational delivery. The next step is to review the commercial offering and ensure that we have the right customers, with the right waste, at the right price.

Optimise: The new transport management system will enable route optimisation and customer profitability management. The system will also allow the monitoring and management of driving behaviour (e.g. excessive breaking, engine idling, and cornering) to improve safety, fuel efficiency, reduce carbon footprint, and reduce maintenance costs. Management training and increased accountability will further drive improvements in frontline staff safety and efficiency.

Prepare: The Government Waste Strategy identifies a number of options that are currently subject to further consultation. The potential for separate food collections present a challenge and opportunity for Yorwaste, as does the possibility of standardised recycle collection methods. Yorwaste is working closely with local authorities to develop, cost, and deliver solutions to these proposals if, and when, they are implemented.

SJB Recycling

SJB recycling was further impacted by the EA policy that ended co-composting as Yorkshire Water also ceased the practice. This has significantly changed the business model in that it no longer benefits from free disposal. Over the past year SJB has sought to mitigate this cost through securing higher margin sales of 10mm PAS 100 compost however whilst this has had some impact, it failed to return SJB to its previous profitability. SJB also investigated a number of alternate processing methods and technologies, again none were able to reduce costs sufficiently offset the free disposal.

Looking forward the next few months will see the majority of SJB contracts up for renewal and these are being tendered at a significantly increase price, which if successful, will restore profitability.

Report Provided by:

Sandy Boyle
Managing Director
Yorwaste
10 April 2019

Brierley Homes Business Plan

April - 2019



brierley
homes

APRIL 11

BRIERLEY HOMES LIMITED (Co. Reg 10492130)

Authored by: Mike Craddock MRICS

Senior Development Manager – Brierley Homes



Executive Summary (Public Report)

1. Brierley Homes was established in October 2016 and received Executive approvals in March 2018 to operate as a housing company and implement new schemes as the company sees fit.
2. The commercial focus for Brierley Homes is to build private houses for sale on the open market. Where local planning policy requires (and viability allows) it will also contribute affordable homes as part of a scheme.
3. Brierley Homes is seeking to establish itself as a small to medium sized housebuilder in the North Yorkshire region who is well regarded by both customers and delivery partners.
4. A number of surplus North Yorkshire County Council owned assets were identified in 2018 and are now actively being promoted for housing by Brierley Homes.
5. The UK Housing market as a whole remains relatively benign, albeit customer demand for new homes remains robust, supported by wide availability of attractive mortgage finance, low unemployment and government support.
6. The North Yorkshire housing market in which Brierley Homes operates is robust. Unemployment levels in North Yorkshire are below the national average and earnings are over 90% of the national average. ¹
7. Brierley Homes is registered with the UK Governments “Help to Buy” scheme and this is already supporting sales at the first scheme at Thorpe Willoughby.
8. The Brierley Homes business is now growing in line with previous forecasts.
9. Thorpe Willoughby is close to construction completion; marketing has been launched and the homes are receiving positive feedback from prospective purchasers in terms of design and quality. Sales reservations are currently exceeding business plan trading assumptions.
10. Grant of planning is forecast for spring 2019 at the second scheme in Marton-cum-Grafton. Tendering for construction is underway and there is evidence of interest from prospective purchasers which at this very early stage is encouraging.
11. In line with the growth plan the current budget forecasts are for Brierley Homes to make a net operating loss during 2019/20 and 2020/21 as capital commitments are made to purchase land and enter into construction contracts.

12. As outlined in the 2019/20 Business Plan at Appendix D, the key objectives in support of the growth of the business are:

No	Objective	Status
1	A Contractor Framework is established to ensure competitive delivery of our homes	Complete
2	House sales at Holly Grove, Thorpe Willoughby are commenced	Complete
3	Planning consent is achieved for a further c. 100 homes on surplus land assets owned by NYCC	Ongoing
4	External (non NYCC) sites are identified and purchased in the market	Ongoing
5	Further recruitment is undertaken to support the business growth	Ongoing

13. Brierley Homes growth plan is focused on the following benchmark performance indicators.

- a) Total Annual House Sales,
- b) Owned and Controlled Land Bank (Pipeline),
- c) Margin in line with industry benchmarks,
- d) Customer Satisfaction,
- e) Health and Safety,

14. Conclusion:

- a) Strong housing market fundamentals,
- b) Confidence in the Brierley Homes proposition in the marketplace,
- c) Positive Outlook

Sources:

¹Nomis Web - <https://www.nomisweb.co.uk/reports/lmp/la/contents.aspx>