

Agenda

Meeting: Shareholder Committee

Venue: Meeting Room 3, No.3 Racecourse Lane, Northallerton DL7 8QZ

Date: Tuesday 10 September 2019 at 1pm

Recording is allowed at County Council, committee and sub-committee meetings which are open to the public, please give due regard to the Council's protocol on audio/visual recording and photography at public meetings, a copy of which is available to download below. Anyone wishing to record is asked to contact, prior to the start of the meeting, the Officer whose details are at the foot of the first page of the Agenda. We ask that any recording is clearly visible to anyone at the meeting and that it is non-disruptive. <http://democracy.northyorks.gov.uk>

PLEASE NOTE: The Brierley Building (main County Hall building) is closed now until July 2020. All Committee meetings will be held in either No. 1 or No. 3 Racecourse Lane, Northallerton, DL7 8QZ. Please note the venue above for the location of this meeting. Please report to main reception which is located in No. 3 Racecourse Lane.

Business

1. Minutes of the meeting held on 28 May 2019 (Pages 4 to 6)
2. Declarations of Interest
3. Exclusion of the public from the meeting during consideration of each of the Item 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 the paragraph(s) specified 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
6 (Appendix)	3

Enquiries relating to this agenda please contact Patrick Duffy Tel: 01609 534546, or e-mail: Patrick.Duffy@northyorks.gov.uk
 Website: www.northyorks.gov.uk

4. Public Questions or Statements.

Members of the public may ask questions or make statements at this meeting if they have given notice to Patrick Duffy of Democratic and Scrutiny Services and supplied the text (*contact details below*) by midday on Wednesday 4 September 2019, 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. **Brierley Group Annual Report 2018/19** - Report of the Director of Strategic Resources **(Pages 7 to 15)**

Recommendation: That the Shareholder Committee notes the 2018/19 performance and the key challenges for 2019/20.

6. **Brierley Group Quarter 1 Performance Report 2019/20** - Report of the Director of Strategic Resources **(Pages 16 to 24)**

Recommendation: That the Shareholder Committee notes the update.

7. **Work Programme 2019/20** **(Page 25)**

Purpose of report: To consider and develop the Work Programme for the Shareholder Committee.

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
2 September 2019

NOTES:

Emergency Procedures for Meetings:

Fire

Details are provided at the venue.

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 Committee

Minutes of the meeting held on 28 May 2019 commencing at 12.30 p.m. at County Hall, Northallerton.

Present:-

Members:-

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

Officers:-

Richard Flinton (Chief Executive), Michael Leah (Assistant Director, Strategic Resources), Max Veritau (Director, Veritau Ltd), Stacey Bulet (Commercial Director, NYES), Scott Walters (Director, NYnet Ltd) and Melanie Carr (Democratic Services)

Also In attendance: County Councillor Andrew Lee

Copies of all documents considered are in the Minute Book

23. Minutes

Resolved -

That the Minutes of the meeting held on 23 April 2019, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

24. Declarations of Interest

The following interests were declared at the meeting:

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

25. Exclusion of the Public and Press

Resolved -

That the public and press be excluded from the meeting during consideration of Minute No 27, Review and Decision on Brierley Group Business Plans 2019/20 - Appendices A & B, on the grounds that they 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.

26. Public Questions or Statements

There were no questions or statements from the public.

Appendices A & B in respect of the following were considered in private and the public have no right of access. Minute No. 27 provides details of the public aspect of the reports and a public summary of the business conducted in private.

27. Review and decision on Brierley Group Business Plans 2019/20

Considered -

The report of the Assistant Director, Strategic Resources providing an annual update and summarising the 2019/20 business plans for the following companies:

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

The report articulated the aspirations of the companies to continue to increase their financial turnover, net margin and geographical reach, whilst considering their prime purpose to return margin to their shareholder North Yorkshire County Council. In support of that, it provided detailed Business Plans for 2019/20 for Veritau Ltd & NYnet Ltd attached as confidential appendices to the report.

A representative from each of the companies introduced their section of the report, as follows:

Veritau Ltd

The report detailed achievements during 2018/19 and presented an overview of the 2019/20 Business Plan provided at confidential Appendix A of the report.

Members noted the report and Councillor Dadd as a Director of the company confirmed his view that the Company was strong and stable, with a culture appropriately balanced between professionalism and commercialism.

As Members had no comments or questions relating specifically to confidential Appendix A they did not to move into private session.

NYES

Members received a presentation detailing performance and business development during 2018/19 and the key issues to be addressed during 2019/20.

Members noted that work was ongoing to finalise a Business Plan for the period through to 2024-25 and having noted the report, expressed their satisfaction at the level of ambition being targeted.

NYnet Ltd

Members received an overview of the company's current position and the 2019/20 Business Plan provided at confidential Appendix B, and noted the key targets and priorities. As there were no specific questions on the confidential information provided, Members chose not to move into private session.

Resolved -

That the Committee accepted the updates and business plans provided and thanked officers for their updates.

28. Work Programme

Members considered the Work Programme for the Committee for 2018/19 and agreed to receive the Brierley Group 2018/19 Outturn report at the next meeting on 10 September 2019.

The meeting concluded at 1.03 pm

MLC

North Yorkshire County Council

Shareholder Committee

10 September 2019

Brierley Group 2018/19 Outturn Annual Report

Report of the Assistant Director Strategic Resources

1.0 Purpose of the Report

1.1 For the Shareholder Committee's consideration, this report presents the Brierley Group Annual Report for 2018/19 (Appended)

2.0 Recommendation

2.1 It is recommended that the Shareholder Committee notes the appended report.

Michael Leah
Assistant Director – Strategic Resources
County Hall
Northallerton
21 August 2019



brierley
group

Brierley Group

2018-19 Annual Report

Brierley Group Headlines

The performance of the Brierley Group through the financial year 2018/19 was mixed. Overall the Group delivered a net profit (before interest and tax) of over £1.6m, however this fell £1m short of the target of £2.6m. The main factors driving this performance were:

In the Education sector there is a significant squeeze not only on the Group's ability to attract new sales but increasingly the ability to retain business. There are two key drivers of this:

1. Schools coming under growing financial pressure and therefore reducing their non-frontline spend, which is the predominance of Brierley Group's offer.
2. The trend for schools to convert to academy status and then join a MAT (multi-academy trust) has continued. The impact is that those chains tend to bring services 'in house' and therefore reduce spend with third parties. In addition, MATs also consolidate together to undertake a larger procurement exercise which not only increases competition but also increases the cost to sell through having to undertake a bid process.

This double squeeze has served to congest the market in terms of competitors vying for a reducing volume of business. The knock on is that margins are squeezed across the board.

Yorwaste – a combination of factors has resulted in a challenging financial year for the company, notably the recyclate market, commercial competition and increased costs of maintaining assets:

3. Recyclate market – after China banned the import of certain recyclate/waste at the start of 2018, several Asian countries have now followed suit in order to get a grip on the flood of plastics waste. Export to China and Hong Kong, Vietnam, Malaysia, India and Indonesia – previously important destinations – has dropped by 40% compared with 2017.
4. There is continuing price pressure across locations in North Yorkshire.
5. Given the age of some assets across the business, a number of them are costing more to repair, and now require investment. The plan for 2019 is to begin a staggered investment programme to bring the estate up to the required standard.

Following the implementation of Allerton Waste Recovery Park (AWRP) in February 2018, a few operational challenges presented themselves – which is normal following mobilisation for this type of project. Specifically, Yorwaste have been facing increased, unbudgeted queue times attempting to deliver waste to the plant through the year. There is now a resolution to the issue, however in 2018/19 it meant that Yorwaste carried additional transport cost although most of that cost has now been recovered.

To counter the issues described above, the Group continues to explore areas where there are benefits of scale through synergy. Examples include shared sales and marketing, where First North Law and North Yorkshire Education Services have jointly delivered sales in the Teesside region; and non-operational overheads, where Finance, HR and other support functions are delivered across the Group. There is importance in the Group leveraging its scale to generate further efficiencies and remain cost competitive.

Notable successes in the year

Growth out of county:

1. North Yorkshire Education Service (NYES) – the sales plan to deliver out of county sales is gaining traction, through 2018/19 the lead conversion rate has been enviable and generated significant new business.
2. Veritau – through the GDPR product, 2018-19 was a highly successful year for the company. The roll out of a full Data Protection Officer service for schools has proved to be attractive. Working closely with NYES the company signed approximately 500 schools, council and other organisations up to the service.
3. Align Property Partners (APP) has continued to perform well and has opened desk space in Selby to complement their existing offices in Penrith and Northallerton. In addition to the Cumbria County Council framework, APP have been successful across a number of areas and clients. Notable examples include Hambleton District Council, Teesside University, Cleveland County Police, West Yorkshire Combined Authority and a number of larger academies.
4. First North Law has built momentum through 2018/19 having now been awarded over 40 new contracts with schools.

For Brierley Homes, the pilot at Thorpe Willoughby has been a success – at least if the measure is by sales and expected return. This is a significant milestone for the company as it now seeks to develop a number of other sites in its pipeline. The next such site is at Marton-cum-Graton, where planning consent was received in November 2018.

Current challenges

As described in the previous section, the Education sector continues to be a challenging environment to operate in. Financial pressure on this key sector, in addition to changing buying habits, remains a hurdle for the Group and its ability to make progress.

Competition in the marketplace across all sectors whether from MATs pulling services ‘in house’, from third party providers or from new entrants, the pressure is on the Group to remain competitive and relevant. A current example of this is for NYnet where developments in ubiquitous next generation access allow competitors to enter the market in this region putting price pressure on the business.

To accommodate a number of recent changes in the composting sector, SJB has had to change its business model. Those factors are the cessation of co-disposal, the need for larger breaks between rows to comply with EA fire guidelines, an increase in maturation time required (for PAS 100 compliance) from 8 weeks to 12 weeks and a more robust maintenance and replacement plan for its heavy plant. The result of these changes has increased the cost to SJB in delivering the service.

Future areas of development

Following the April 2019 decision by NYCC's Executive to migrate the existing operation from Ringway into a wholly owned company, there is significant work required to meet the implementation date of April 2021 to create a Highways 'Teckal' Company. The project is in progress, however it is worth noting a couple of key issues that need managing:

1. Service continuity and transition through the period of change; making sure the service continues to deliver to a high standard by continuing to work closely with the contractors: Ringway and WSP.
2. Staff engagement and communication to ensure the workforce are kept informed and aware through the change, minimizing disruption and risk of an impact on the existing high performance of the teams.

This company will sit within the Brierley Group.

2018/19 Financial Summary

The following table is the draft 2018/19 financial position for North Yorkshire County Council's share of the Brierley Group:

Brierley Group	2018/19 Full year - draft	Full Year Budget	Full Year Variance
	£,000	£,000	£,000
Revenue	77,671	79,016	(1,345)
Cost of Sale/Service	(67,624)	(67,645)	21
Gross Profit	10,047	11,371	(1,324)
Overheads & Other Costs	(8,292)	(8,279)	(13)
Other Trading Income/(Loss)	274	-	274
Other Gains/(Losses)	(399)	(416)	17
Operating Profit	1,629	2,675	(1,046)
Finance Income	-	-	-
Profit before Interest & Tax	1,629	2,675	(1,046)
Interest Paid	(689)	(679)	(10)
Tax (Expense)/Surplus	8	(198)	206
Profit after Tax	948	1,798	(850)

North Yorkshire Education Services

NYES delivered its financial target for the year and contributed a return to the County Council. The performance by service unit was:

Property and Facilities Management

Overall the unit overachieved against its target for 2018/19, despite the challenge of business retention. One of the main factors for this performance was that overheads were less than budget. Looking ahead the unit is building a robust three year plan which aims to address the issue of retention.

Education and Skills

The unit concluded the year down against target; some of the services found the commercial environment particularly difficult to win business and generate sufficient income to cover service costs. In addition, new products launched in the year have not been as successful as anticipated. However there is room for some optimism though for the unit, as schools continue to see the value of the School Improvement offer and NYES brand is well placed.

Professional Support Services

A number of services overachieved within the Professional unit through generating new business outside of North Yorkshire. Whilst the sector is highly competitive, customers are still drawn to a value for money proposition and the unit has used this to achieve its financial target for 2018/19.

NYnet

NYnet have posted a net profit for 2018/19 slightly below budget, but better than previous forecast. In the face of increasing competition, this was a successful year for the business.

The “Schools Accord” is now signed. An extension to the accord is now being completed. The extension will return the commercial relationship with NYES to a more standard footing, reflecting the same principles as that of NYCC corporate.

The company is continuing to develop a plan to address market competition, working closely with customers and its shareholder to make sure the proposition remains relevant and attractive.

First North Law

The draft year end accounts for 2018/19 show the business is running ahead of its business development plan. This has been driven by the additional income from other Brierley Group entities and also from winning new customers out of county.

These figures indicate that First North Law is starting to move towards profitability, though the year end position is still forecast as a small loss, stemming primarily from the set up costs of the Company. The expectation is that First North Law will move towards profitability as it further establishes itself in the marketplace as a commercial provider of legal services.

Additional staff have now been recruited and revenue has increased during Q4 2018/19 with income generating services coming on-stream. This will enable the Company to recover initial investment costs and move to profitability during 2019/20.

First North Law is currently servicing a contract with Brierley Homes. Legal Services have also been identified by NYES as having significant out-of-county sales potential. Any proactive sales approach will need to be factored in to forward planning accordingly. Both areas of work provide an indication of effective synergies across the Brierley Group of companies.

The key issues and risks for First North Law remain its ability to both win and resource the necessary level of future work within timescales that ensure the Company grows in a timely and stable way.

Brierley Homes

The company experienced a financial loss in 2018/19 which was driven by the running costs of the company including staffing, management and financial and legal costs which have been incurred prior to the sale of any homes. The initial development costs of the site at Eshton Road site have also been taken to the P&L account as this site is no longer progressing.

Key activity during the year has included advance of design and planning works at Marton-cum-Grafton, together with preparatory design and pre-application engagement on further pipeline sites. It is anticipated that the Thorpe Willoughby construction phase of development will complete in August 2019. Sales commenced in Q1 2019/20.

The forecast expenditure relating to the land purchase for the Marton cum Grafton development has been put back to Q1 2019/20 and therefore total expenditure within the 2018/19 financial year has been reduced. Tender analysis is underway and works on site are anticipated to commence during the 2019/20 financial year, with income expectations for the site realised during the 2020/21 - 22 financial years.

Woodfield Square, Harrogate was submitted for planning in May 2019, and land acquisition is forecast in the winter of 2019. Other sites are also being actively explored.

Align Property Partners

The company has had a successful year with total income and profit for 2018/19 ahead of target; this was mainly due to increased external sales as income from NYCC was below expectation. Also a positive note was that there were no accidents, incidents or RIDDOR reportable events through the year and that all APP staff undertook the UKATA Enhanced Asbestos Awareness e-learning course. APP have also recently retained their prestigious Association for Project Safety Corporate Office status.

Looking ahead, the business is seeking to further expand its operations out of County.

Yorwaste/SJB

Recent Developments

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 has now concluded. 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 behavioral-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. These combined elements contributed to a loss in the 2018/19 financial year.

SJB has had a difficult year with its composting operation due to a very wet Q1 and very dry summer and autumn, with the impact of these issues partially offset by a one off project generating additional revenue.

Veritau

2018/19 was a successful year for the company and the wider group. The group achieved an operating profit ahead of target. The main focus was on 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, the company signed up approximately 500 schools, councils and other organisations. To support the delivery of the service additional specialist staff had to be recruited and investments made in new technologies.

The company retained its Investors in People accreditation and was shortlisted for a number of awards. The company also received a positive assessment report following an external review of its internal audit working practices.

The Appendix to 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.

North Yorkshire County Council

Shareholder Committee

10 September 2019

Brierley Group Q1 2019/20 Report

Report of the Assistant Director Strategic Resources

1.0 Purpose of the Report

1.1 For the Shareholder Committee's consideration, this report presents the Quarter One Report 2019/20 for the Brierley Group.

2.0 Recommendation

2.1 It is recommended that the Shareholder Committee notes the appended report

Michael Leah
Assistant Director – Strategic Resources
County Hall
Northallerton
21 August 2019

Shareholder Committee Work Programme

Meeting Date	Items of Business
23 April 2019	<ol style="list-style-type: none"> 1. Company Updates & 2019/20 Business Plans for the following companies: <ul style="list-style-type: none"> • Align Property Partners • First North Law • Yorwaste • Brierley Homes 2. Work Programme 2018/19
28 May 2019	<ol style="list-style-type: none"> 1. Company Updates & 2019/20 Business Plans for the following companies: <ul style="list-style-type: none"> • Veritau • NYES • NYnet 2. Work Programme 2019/20
10 September 2019	<ol style="list-style-type: none"> 1. Brierley Group 2018/19 Outturn Reports 2. Brierley Group Q1 2019/20 Performance Report 3. Work Programme 2019/20
21 January 2020	<ol style="list-style-type: none"> 1. Brierley Group Q2 2019/20 Performance Report 2. Draft Work Programme 2020/21

To be considered at a future meeting: NYES Business Plan.