

North Yorkshire County Council

Shareholder Committee

29 September 2020

**Quarter 4 2019/20 Brierley Group Report
and Summary of Brierley Group Business Plans**

Appendix C 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:

- a) Brierley Group Financial Update 2019/2020 Q2 report – Appendix A
- b) Brierley Group Plan 2020 – 2023 – Appendix B
- c) Brierley Group business plans – Appendix C
 - 1 North Yorkshire Education Services
 - 2 NYnet
 - 3 Brierley Homes
 - 4 Align Property Partners
 - 5 Yorwaste
 - 6 Veritau

1.2 The Business Plans attached at Appendices C to this report articulate the aspiration 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.

3.0 Recommendation

3.1 It is recommended that the Shareholder Committee note the reports in Appendix C.

MICHAEL LEAH
Assistant Director
Strategic Resources

17 September 2020

Shareholders Committee

Brierley Group Financial Update

2019-20: Quarter 4, Trading Year and Future Outlook

Brierley Group Headlines

The performance of the Brierley Group through the second half of the 2019/20 financial year has continued in a similar way to the first half and the 2018/19 financial year with a mixed performance across the Group. Overall the Group delivered a profit after tax in 2019/20 of £651k compared to a budgeted profit of £1,746k, an underachievement of £1,095k. Total revenue generated was under-budget which was not fully offset by the reduction in the associated cost of sales. The main factors driving this performance are set out in the paragraphs below with the details of the implications of the outbreak of the Covid-19 pandemic at the end of the 2019/20 financial year described in the next section:

In the Education sector there remains a significant squeeze not only on the Group's ability to attract new sales but increasingly the ability to retain business. This is due to schools coming under growing financial pressure and therefore reducing their non-frontline spend, which is the predominance of Brierley Group's offer and also the continued trend for schools to convert to academy status and then consider joining a MAT (multi-academy trust). The impact is that those chains tend to bring services 'in house' and therefore reduce spend with third parties. Therefore, the market remains congested with the resultant squeeze on margins.

Legal Services have been identified by NYES as having significant out-of-county sales potential and both First North Law and NYES are targeting the acquisition of commercial contracts in the Academy and MAT sector outside of North Yorkshire. 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 and will help First North Law to grow and move to a profitable position in the future following the small loss made this year.

NYnet continues to develop a plan to address market competition, working closely with customers and its shareholder to make sure the proposition remains relevant and attractive. The profit delivered for the year reflects continued sales growth and savings made.

For Brierley Homes, the annual trading results are broadly in line with expectations and previous forecasts, reflecting the successful delivery and sale of all homes at the pilot scheme in Holly Grove, Thorpe Willoughby. There is an increasing sense of optimism amongst the profession following the general election result in December 2019 and this stability provides a good platform from which to build over the next five-year business plan period.

Profit outperformance against budget delivered by Align Property Partners was driven by increased External Professional fee income while NYCC Property related trading fell back. This result delivered the growth built into the business plan for the Company for 2019/20. The expectation is for this increased reliance upon generation of external client business to continue into 2020/21.

For Yorwaste, the underlying performance of continuing business during quarter 4 and throughout 2019/20 has been positive and ahead of budget, however the impact from legacy contracts and uncontrollable events resulted in a reported full year loss. SJB ceased trading at the end of March 2020, posting a net loss, as the company was unable to secure a commercially viable contract with Leeds and Bradford Councils following changes in EA regulations.

Veritau Group again made a profit for the year driven by an increase in external fee income across the group. The company seeks to maintain its position, and ideally grow in size and profitability by seeking out new opportunities and the company's client-base now includes councils, national park authorities, police and fire services, council owned companies, schools, housing associations and a national sports body.

Item 4 Appendix A

To counter the issues described above, as noted previously, 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.

Following the April 2019 decision by NYCC's Executive to migrate the existing Highways operation from Ringway into a wholly owned company, work continues in order to meet the required implementation date of June 2021. The project is continuing at pace, with the new Managing Director of NY Highways now appointed, while managing the issues of ensuring service continuity through the change and ensuring regular and appropriate staff communication and engagement continues to take place. It is anticipated this company will sit within the Brierley Group and may build on the benefits of synergies in the group highlighted above.

Impact of Covid-19

At the end of 2019/20 moving into 2020/21, the Brierley Group was obviously dealing with the emergence of Covid-19 and the subsequent lockdown and changes to trading arrangements.

Align has seen a dramatic reduction in new commissions during Q1, a short term reduction to income and a consequential effect on APP's 20/21 Profit and Loss account. The key issue and challenge for APP is to rebuild its workload via its existing and new clients, whilst operating in an increasingly competitive market place as competitors aggressively chase reduced market opportunities. APP has reviewed financial scenarios to further develop a strategy with the aim of achieving a break-even financial position for 2020/21 although, given the current climate, this is likely to be challenging.

Yorwaste has significantly mitigated impacts of the downturn in available commercial business by taking early action on mitigating costs.

The catering service within North Yorkshire Education Services has also seen reduced income in the summer term but has managed to offset this with reduced costs. Assuming the present situation is limited to the summer term, with the majority of schools reopening in September the Catering Service is projecting a net nil financial impact with anticipated full-year operating profit for 2020/21 in line with Budget.

NYNET, Brierley Homes, First North Law and Veritau are not currently experiencing a negative impact due to Covid-19 although this situation is being kept under review as time moves on and more information becomes available.

Current Challenges

The fundamental challenge for NYES during 2020/21 is the effective sale and delivery of services to Schools both during the period of temporary closure as a result of Covid-19 control measures as well as within the new operational environment following the re-opening of sites in September 2020. While the closure of schools, academies and EY settings is likely to impact consolidated NYES performance, the vast majority of NYES Traded Services plan to maintain levels of provision in line with standard SLA's as far as is possible. Aside from the challenges associated with Covid-19 as described above, for NYES, as the service is school-focussed, a significant challenge remains in respect of school academisation and the associated sales risk to the current NYES contract portfolio. Additional challenges are presented by the pressure on individual school budgets.

Item 4 Appendix A

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. It is anticipated that revenue will continue to increase in the future as income generating services start to come on-stream and additional employees are recruited. The Local Authority element of the First North Law customer-base continue to work and trade throughout the Covid-19 period and there is no associated income risk in this area. The other main client-base is schools, and income will be dependent upon how many schools opt to enter into new contracts amidst the disruption to their normal operation.

For Brierley Homes, the availability of suitable land assets for development against an identified need and providing a sufficient number of development options to avoid standstill periods will be vital to the long term success of the business. The key sectoral issue over the business plan period will be the impact of Covid-19 on the wider economy and consumer confidence and behaviours to support major financial commitments like house purchases. This is allied to the remaining uncertainty around the future trading relations with the EU in 2021 and potential impacts on job security for households.

Key challenges for Align are to maintain its position in the market and attract new business. The Covid-19 pandemic has resulted in an unprecedented 40% reduction of construction activity in the UK and the temporary closure of the majority of construction sites. This has led to a dramatic reduction in new commissions during Q1 which will therefore reduce profitability. The key issue and challenge for APP is to rebuild its workload via its existing and new clients, whilst operating in an increasingly competitive market place as competitors aggressively chase reduced marked opportunities.

Challenges for Yorwaste, following the closure of the Seamer materials recovery facility (MRF), are the continued focus on cost effective operation, effective asset utilisation, staff optimisation and business costs.

The key issue for Veritau is maintaining the required client-base and income streams in a competitive market, while continuing to provide the full suite of professional audit and assurance services through the Covid-19 disruption.

Future areas of development

The NYES business plan looks to address the challenges faced and focus on cross-border strategies in order to significantly expand and diversify the current customer base by selling key NYES services into out-of-county schools and academy markets. As noted above both First North Law and NYES are targeting the acquisition of commercial contracts in the Academy and MAT sector outside of North Yorkshire. Material financial impacts of Covid-19 stem mainly from Facilities packages and primarily the Catering Service, where take-up of school meals largely dictates trading performance. Any continuing closures or partial re-opening beyond the School Summer holidays would act to extend this impact period. All other Services are operating remote working/service delivery arrangements and are currently projecting a nil or immaterial impact upon either delivery or financial performance.

NYnet has seen a surge of sales opportunity in March, primarily within the Health sector, due to the Coronavirus pandemic. Some value materialised in March with more to come in the following months. NYnet has identified strategic opportunities for public sector sales growth via geographic growth of the current product offer and the expansion of their product set with existing Customers and Brierley Group companies. These opportunities are set to be investigated further.

The position around sales into schools is currently being kept under review by First North Law, with a dedicated role in the company dependent upon this income stream. First North Law have a loan from the Council, which will ensure that they can continue to pay down any debts owing. In terms of growth, the existing client base is unlikely to provide the required sales progression and therefore the company will need to consider new legal markets and areas that arise once the Covid-19 consequences are better understood. The company

requires the appointment of a new Director in order to facilitate this market expansion and drive the business forward.

Brierley Homes now has more stability in its staffing which will help in long term planning and delivery. Housebuilding is by its nature speculative development, and whilst pricing is expected to soften in 2020 and 2021, this is mitigated by the projected delivery timeline of the next phase of Brierley Homes schemes with the first sales anticipated in the second half of 2021, as well as the locations of the pipeline developments which are in relatively affluent locations. Initial indications are for a relatively busy 2020 summer in house sales with agents currently experiencing robust demand. Emerging trends such as the desire for gardens, more rural locations and opportunities for home working are driving a wider marketplace for our product in North Yorkshire and will be a focus for future marketing campaigns on our schemes. The cost of mortgages also remains historically low.

The expectation for Align is for an increased reliance upon generation of external client business to continue into 2020/21. Potential implications of this income trend will stem from both Teckal requirements as well as Covid-19 disruption. In addition to the furloughing of staff following the drastic reduction to new commissions, Align are operating a just in time approach to projects. Additionally, Align is undertaking a review with clients around whether any of their planned works can be commissioned early as well as intensifying business development activities; targeting long term frameworks.

As noted above, Yorwaste has seen a number of significant challenges to its business over the last year. Looking ahead, the business is seeking a more stable platform to operate from whilst continuing to provide a return to its shareholders through the arrangement at Allerton Waste Recovery Park (AWRP).

New product development has been undertaken by Veritau to enhance services along with heavy investment in professional training and back office IT systems. This ongoing investment provides a firm foundation to both support future growth and maintain the pre-existing client base. As 2019/20 came to an end, Veritau had to respond to the emerging Covid-19 pandemic. All staff were set up to work from home and to deliver services remotely. The company also created a multi-disciplinary Covid Response Team to help coordinate the fraud prevention support provided to clients.

2019/20 Q4 Brierley Group Financial Summary

The following table sets out the 2019/20 financial position as at the year-end for North Yorkshire County Council's share of the Brierley Group.

Brierley Group	Actuals 2019/20	Budget 2019/20	Variance 2019/20
	£,000	£,000	£,000
Revenue	73,203	78,841	(5,638)
Cost of Sale/Service	(65,151)	(69,133)	3,982
Gross Profit	8,052	9,708	(1,656)
Overheads & Other Costs	(5,837)	(6,228)	392
Other Trading Income/(Loss)	(710)	(511)	(199)
Other Gains/(Losses)	(412)	(417)	5
Operating Profit	1,094	2,551	(1,458)
Finance Income	137	104	32
Profit before Interest & Tax	1,230	2,656	(1,425)
Interest Paid	(605)	(880)	274
Tax (Expense)/Surplus	26	(30)	57
Profit after Tax	651	1,746	(1,095)

* Consolidated figures based on NYCC Brierley Group shareholding. Company financials based on 100% of traded performance.

North Yorkshire Education Services

The full year trading performance for NYES saw a net contribution before corporate savings requirements. These results were broadly driven by performance in key service areas.

The fundamental challenge for NYES during 2020-21 is the effective sale and delivery of services to Schools both during the period of temporary closure as a result of Covid-19 control measures as well as within the new operational environment following the re-opening of sites in September 2020. While the closure of schools, academies and EY settings is likely to impact consolidated NYES performance, the vast majority of NYES Traded Services plan to maintain levels of provision in line with standard SLA's as far as is possible.

Details of projected impacts and mitigating actions are limited to those Services most adversely affected either financially or operationally by the School closures. All other Services are operating remote working/service delivery arrangements and are currently projecting a nil or immaterial impact upon either delivery or financial performance.

The performance by service unit was:

Property and Facilities Management

MASS out-performed its target significantly in 2019/20. This was primarily attributable to improved monitoring and cost control throughout the traditionally volatile and costly winter period (January to March).

These results helped to partially offset under performance on Catering Services due to the March impact of Covid-19 combined with increased costs.

Assuming the present situation is limited to the summer term, with the majority of schools reopening in September and opting to pay the reduced charges for untaken FSM, the Catering Service is projecting a net nil financial impact with anticipated full-year operating profit in line with Budget.

Building Cleaning delivered a profit for the year under target. This profit target incorporated a significant stretch element predicated upon savings generated by vacancy management. These savings were not fully realized during the year and the under-performance resulted from this.

Education and Skills

The School Improvement service delivered a slight increase on profit for the year. There was some reduction in income but this was offset by reduced staffing costs. This service has been significantly affected by the lockdown and staff deployment has been required for the core COVID response. Specialist Career Service produced a loss in 2019/20. A higher income was achieved than previously forecast but still lower than target. Education Psychology made a small contribution by managing costs, although the service did see a reduction in traded income.

Professional Support Services

HR Advisory Services delivered a profit above target for 2019/20. Out-performance was driven by wider sales of additional and bespoke work and training packages.

Health and Safety also outperformed their target. This was achieved by maintaining contract work whilst controlling staffing costs.

Other services such as Employment Support Service, Financial Management Services, Schools' ICT and Health and Wellbeing Service also produced profits at or above target. In the main this has been due to a combination of management of costs and seeking new opportunities and contracts.

NYnet

NYnet delivered a retained profit for the year ahead of budget. This was driven by Sales growth and at the same time, savings have been achieved in the core network with a migration to Dark Fibre which will increase capabilities of the network once deployed in 2020/21.

Despite the outperformance in overall trading results, NYnet did not fully achieve additional sales targets. Sales growth will be a continued priority during 2020/21 with some sales prospects being rendered unviable due to the Covid-19 pandemic.

NYnet has identified strategic opportunities for public sector sales growth via geographic growth of the current product offer and the expansion of their product set with existing Customers and Brierley Group companies. These opportunities are set to be investigated further.

First North Law

First North Law made a small loss for the year, slightly ahead of budget. The income shortfall for the year was offset by a saving due to the delayed purchase of a new system and other underspends on both staffing and marketing. As the underspend on software will not recur in 2020/21 further action will be necessary to increase income levels to avoid a deficit in 2020/21.

The Local Authority element of the First North Law customer-base continue to work and trade throughout the Covid-19 period and there is no associated income risk in this area. The other main client-base is schools, and income will be dependent upon how many schools opt to enter into new contracts amidst the disruption to their normal operation.

In terms of growth, the existing client base is unlikely to provide the required sales progression and therefore the company will need to consider new legal markets and areas that arise once the Covid-19 consequences are better understood. The company requires the appointment of a new Director in order to facilitate this market expansion and drive the business forward.

Brierley Homes

The annual trading results are broadly in line with expectations and previous forecasts, reflecting the successful delivery and sale of all homes at the pilot scheme in Holly Grove, Thorpe Willoughby.

There is an increasing sense of optimism amongst the profession following the general election result in December 2019 and this stability provides a good platform from which to build over the next five-year business plan period. The key focus for the business is to meet market demand and deliver quality housing across North Yorkshire in a safe and timely manner, in turn delivering shareholder value.

The availability of suitable land assets for development against an identified need and providing a sufficient number of development options to avoid standstill periods will be vital to the long term success of the business. Planning and political challenges presented through planning applications to date has highlighted the need for a deeper land asset base to cope with delays experienced in securing planning consents.

At the delivery phase, our construction partners are now all operating normally, although with increased restrictions linked to the Covid-19 Safe Operating Procedures. These measures are introducing programme delays and cost inflation to all construction projects and will introduce inflationary cost pressures in the pipeline projects, placing downward pressure on margins. Sound professional advice and revenue forecasting, competitive construction

procurement and robust financial governance around key contract awards remain important controls for the business to mitigate financial exposures and deliver sustained shareholder value.

Strong political and planning officer relationships can help improve these timelines, but the need for a wider land asset base and more choice of projects to deliver has informed the Investment Strategy for the business over the business plan period to 2025, which is now actively being implemented.

Align Property Partners

An outperformance on profit against budget delivered by Align Property Partners was driven by increased External Professional fee income, while NYCC Property related trading fell back. The expectation is for this increased reliance upon generation of external client business to continue into 2020/21. Potential implications of this income trend will stem from both Teckal requirements as well as Covid-19 disruption.

The Covid-19 pandemic has resulted in an unprecedented 40% reduction of construction activity in the UK and the temporary closure of the majority of construction sites. This has led to a dramatic reduction in new commissions during Q1 from NYCC and APP's portfolio of non NYCC clients; a short term reduction to income and a consequential effect on APP's 20/21 Profit and Loss account. The key issue and challenge for APP is to rebuild its workload via its existing and new clients, whilst operating in an increasingly competitive market place as competitors aggressively chase reduced marked opportunities.

In addition to the furloughing of staff following the drastic reduction to new commissions, APP is operating a just in time approach to projects. The minimum amount of staff are retained to carry out immediately required works, thus maximising the use of the governments job retention scheme. Additionally, APP is undertaking a review with clients around whether any of their planned works can be commissioned early as well as intensifying business development activities; targeting long term frameworks; and awaiting the results of two "bids" for significant design frameworks. Financial scenarios are currently being reviewed to further develop a strategy with the initial aim of achieving a break-even financial position for 2020/21 although, given the current climate, this is likely to be challenging.

Yorwaste

Yorwaste has posted a Gross Profit for the year, moving to a loss once tax and interest liabilities are accounted for.

The underlying performance of continuing business during quarter 4 and throughout 2019/20 has been positive and ahead of budget, however the impact from legacy contracts and uncontrollable events resulted in the reported full year loss.

Yorwaste over delivered its Tier Band 2 target which compensated for a shortfall in Local Authority volumes arising, in part, due to Covid-19 and the closure of HWRCs.

The performance in the Transfer Segment has been strong with additional tonnage and improved gross margin, bulk haulage has also performed to budget which is a major improvement on the prior year. Harewood MRF has performed above budget, however performance at Harewood compost has been less favourable. HWRC activity has been broadly on budget and central costs have been tightly controlled. Commercial Transport has been performing well in a challenging market and is currently broadly on budget. This positive picture has been negated by the poor performance of the Seamer MRF in the final year of the contract.

The key actions to mitigate the underlying position are: Closure of the Seamer MRF, now completed; Implementation of fire deluge systems to prevent fires causing material damage to facilities and continued focus on cost effective operation, effective asset utilisation, staff optimisation and business costs.

Yorwaste has also significantly mitigated impacts of the downturn in available commercial business caused by Covid-19 by taking early action on mitigating costs. Measures undertaken include: the business has off hired all un-utilised commercial vehicles that were on short term arrangement; Non Teckal staff have been furloughed where appropriate and non-essential expenditure has been minimised.

SJB Recycling

SJB posted a Net Loss after trading significantly behind budget throughout the year due to a number of challenging circumstances impacting the company. SJB ceased trading at the end of March 2020 as the company was unable to secure a commercially viable contract with Leeds and Bradford Councils. This follows changes in EA regulations prohibiting co-composting as a treatment and disposal process, which consequently resulted in a significant increase in operating costs. These costs, combined with the requirement to lock in a new 10-year site lease, and contract terms which provided no guarantee of volume, left the Company with no alternative but to cease trading. There are no material costs or losses expected in 2020/21 as a result of SJB's closure.

Veritau

The Veritau Group's annual Operating Profit was in line with the consolidated budget and was made up of profits from Veritau Ltd, Veritau North Yorkshire, and Veritau Tees Valley. External fee income across the group increased by 7.8% in 2019/20 when compared to the prior year and the company's client-base now includes councils, national park authorities, police and fire services, council owned companies, schools, housing associations and a national sports body.

Customer satisfaction has remained high with 82% of respondents rating the services provided by Veritau as excellent or good (2018/19 – 72%). A separate survey of school clients showed 85% rated data protection services as excellent or good.

Client retention also remained strong with 98% of clients indicating that they would continue to purchase services in 2020/21. Doncaster Children's Services Trust was also retained as a client following a procurement exercise.

Other notable service developments and achievements during the year have included:

- shortlisted in two categories of the inaugural Tackling Economic Crime awards (TECA), and for the fourth year running by the Institute of Revenues, Rating and Valuation (IRRV) for their annual Excellence in Counter Fraud award.
- maintaining high levels of savings from counter fraud work.
- assisting City of York Council to achieve its first prosecution for adult social care fraud and Selby District Council in its first prosecution for housing tenancy fraud.
- preparing a formalised support and development programme for new graduate trainees.
- creating a new Marketing and Communications Officer role to improve both client and internal communications.
- publishing a new Corporate Social Responsibility statement.
- developing a suite of data protection e-learning courses for schools.
- adopting a new group governance and decision making framework.
- implementing Xero financials across all group companies.
- significantly increasing website hits and social media activity.
- developing a new data analytics strategy and investing further in IT audit capability.

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The main issue for Veritau is maintaining the required client-base and income streams in a competitive market, while continuing to provide the full suite of professional audit and assurance services through the Covid-19 disruption.

New product development has been undertaken to enhance services along with heavy investment in professional training and back office IT systems. This ongoing investment provides a firm foundation to both support future growth and maintain the pre-existing client base.

As 2019/20 came to an end, Veritau had to respond to the emerging COVID-19 pandemic. All staff were set up to work from home and to deliver services remotely. The company also created a multi-disciplinary Covid Response Team to help coordinate the fraud prevention support provided to clients.

With some initial operational issues overcome, Veritau are able to continue to provide services remotely and don't perceive any short term risk to either fee income or cost control. Some initial savings have been realised as a result of the switch to remote provision of service.

Shareholders Committee

Brierley Group Plan

2020-23

Brierley Group Plan Summary

Introduction

Whilst Brierley Group concluded 2019/20 in a reasonable financial position with optimistic notes for the future, the pandemic caused by COVID-19 not only impacted immediately but also created significant uncertainty when looking ahead. Given that backdrop, each company within the Group has been tasked with updating its own business plan to form an overall Brierley Group Plan. Individual business plans can be found in Appendix C to this report.

Current Market Conditions (2020/21)

The prevailing position is mixed across the Group whether through school closures impeding the ability to provide services for a number of Group companies or generally due to lockdown and the UK recession. A reasonable indicator to consider is effective utilisation of staff; at peak lockdown in June, a total of 670 staff were placed on furlough representing approximately 25% of the Group's workforce. A number of staff will continue to be on furlough curtailing in-line with Government's funding position. This helps illustrate the contracted nature of business since lockdown measures started earlier this year but also that the market has not immediately bounced back to previous levels. This is reflected in the financial forecast of the Group with an expected profit (before interest & tax) in 2020/21 of £74k against a target of £778k.

To understand present prospects of the Brierley Group, it is important to understand the status of its customers which can be grouped into 3 broad categories: education establishments, local authorities and private sector.

Education establishments

Since the closure of schools in March most of the companies within the Group have either been only able to provide limited service or no services at all. The response to that has been – where possible – to place staff on furlough, for example within the catering service in NYES where clearly school meals are not required. As the furlough scheme only offers reimbursement of 80% of salary costs, logically there is a 20% hit to profits on those services for those months where staff have been on furlough. Coupled with this, suppliers to the Brierley Group have had to contend with their own issues of a similar nature. That pressure therefore creates volatility at both ends of the spectrum – customers and suppliers. The County Council has responded well to providing support to suppliers, where necessary, and so that risk has been mitigated to some extent.

With schools reopening in September, the immediate outlook is that business will return to some form of stability. Whilst social distancing and/or other measures, e.g. class bubbles, remain in place, it is expected that schools will want to kick-on with their own plans and thus require products and services such as those offered across the Brierley Group. However, it is difficult to accurately predict exactly how much latent demand exists and therefore the extent to which profitability will recover; existing company forecasts assume that whilst lockdown measures are eased generally business will be in line with budget, that assumption means that any income lost during periods of lockdown is not recovered. And – as looking likely – if a second wave of COVID-19 occurs and further restrictions are imposed, it will likely increase the gap to budget.

Local authorities and other public sector bodies

Due to the nature of 'teckal' compliance, a significant proportion of income into the Brierley Group is generated from North Yorkshire County Council, however the Group does have other key clients in the public sector. Much like NYCC, those bodies have experienced financial pressures in maintaining frontline services, as such elements of discretionary spend have been curtailed in the short term. Overall, this has affected Align Property Partners more so than other companies within the Group, other entities such as Veritau and NYnet have seen continued demand for their services throughout lockdown.

Private sector

The UK's gross domestic product (GDP), the broadest measure of economic prosperity, fell in the second quarter of 2020/21 by 20.4% compared with the previous three months – the biggest quarterly decline since comparable records began in 1955. And whilst the economy appears to have recovered since then, arguably government stimuli through the furlough scheme, 'help out to eat out', the stamp duty holiday and other cash measures have propped up the economic performance of the country. It is therefore difficult to describe with confidence on the underlying health of the UK economy and the extent to which the commercial sector will see a wholesale return to pre-COVID-19 levels of prosperity. Again, due the nature of 'teckal' compliance, the direct implications could be described as minimal, however the overall context of cash availability will impact on sales of services provided by the Brierley Group.

Potential second wave

It is looking more and more likely that a second wave of COVID-19 will occur with local lockdown measures already being imposed in parts of the country and potential requirement for further national intervention. Depending on the nature and duration of that intervention, there is likely to be additional hinderance on the Group's ability to achieve its short- and medium-term financial objectives. The important action at this stage is for the individual companies within the Group to be prepared for such an event, not least how it will support its customers (and by extension reputation) through that period.

Looking Further Ahead (2021/22 onwards)

A great deal of research exists on potential long-term impact on global and UK economic prospects, which presents a varied outlook. At this stage, there is little benefit in undertaking extensive analysis on what may occur, instead the focus of the Group is on the near horizon: maintaining a healthy financial status within the context of the circumstances and reacting to opportunities that present themselves whether through commercial endeavours or funding from government.

Devolution & Local Government reorganisation

The Brierley Group understands that there is continued work being undertaken both nationally and locally in seeking devolved powers and funding from government, coupled with exploring options for local government reorganisation. Whilst it is important to be vigilant for any opportunities arising from that activity, there is no direct impact on the Group at this stage.

NY Highways

Following a decision taken by North Yorkshire County Council to migrate their Highways & Transportation service from an outsourced provider to a 'teckal' company – NY Highways, action is taking place to facilitate that change. The operational go-live date is 1 June 2021 and subsequently NY Highways will supplement the Brierley Group. It is too soon for their financial forecasts to be included within the overall Group's Plan, instead that will be included from 2021/22 onwards.

Brierley Group Plan Financial Summary

The following table sets out the 2019/20 financial position as at the year-end for North Yorkshire County Council's share of the Brierley Group.

Brierley Group	Actuals 2019/20	Budget 2019/20	Variance 2019/20
	£,000	£,000	£,000
Revenue	73,203	78,841	(5,638)
Cost of Sale/Service	(65,151)	(69,133)	3,982
Gross Profit	8,052	9,708	(1,656)
Overheads & Other Costs	(5,837)	(6,228)	392
Other Trading Income/(Loss)	(710)	(511)	(199)
Other Gains/(Losses)	(412)	(417)	5
Operating Profit	1,094	2,551	(1,458)
Finance Income	137	104	32
Profit before Interest & Tax	1,230	2,656	(1,425)
Interest Paid	(605)	(880)	274
Tax (Expense)/Surplus	26	(30)	57
Profit after Tax	651	1,746	(1,095)

* Consolidated figures based on NYCC Brierley Group shareholding. Company financials based on 100% of traded performance.

The following table sets out the financial position for North Yorkshire County Council's share of the Brierley Group over the three-year period 2019-22¹:

Brierley Group	Actuals 2019/20	Budget 2020/21	Forecast 2020/21	Plan 2021/22
	£,000	£,000	£,000	£,000
Revenue	73,203	76,430	75,878	76,821
Profit before Interest & Tax	1,230	778	74	1,407

¹ Excludes Brierley Homes which distorts the figures given the nature of the business

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