

North Yorkshire County Council

Shareholder Committee

Minutes of the meeting held on 23 April 2019 commencing at 12.30 p.m. at County Hall, Northallerton.

Present:-

Members:-

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

Officers:-

David Bowe (Managing Director – Brierley Homes), Ron Walton (Managing Director - Align Property Partners Limited), Sandy Boyle (Managing Director - Yorwaste), Barry Khan (Managing Director - First North Law), Richard Flinton (Chief Executive), Michael Leah (Assistant Director, Strategic Resources) and Steve Loach (Democratic Services)

In attendance:

County Councillor Andrew Lee

Copies of all documents considered are in the Minute Book

17. Minutes

Resolved -

That the Minutes of the meeting held on 4 September 2018, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

18. Declarations of Interest

There were no declarations of interest.

19. Exclusion of the Public and Press

Resolved -

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

20. Public Questions or Statements

There were no questions or statements from the public.

Appendices A – D in respect of the following were considered in private and the public have no right of access. Minute No. 21 provides details of the public aspect of the reports and a public summary of the business conducted in private.

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

Considered -

The report of the Assistant Director, Strategic Resources providing 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.

The business plans for the companies were attached as private appendices to the report and 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 its shareholder North Yorkshire County Council.

The representatives of each of the companies presented details as follows:-

Align Property Partners

- ◆ Formed in November 2016 via the TUPE of 35 technical staff from Mouchel.
- ◆ Multi-disciplinary building design company delivering architectural, building surveying, engineering and quantity surveying services to North Yorkshire County Council and private companies in the near location.
- ◆ Aspiration to continue to increase financial turnover, net margin and geographical reach whilst considering prime purpose to return margin to shareholder North Yorkshire County Council.
- ◆ During 2018 opened a new office in Penrith to service its framework partner, Cumbria County Council.
- ◆ Further office 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 provided every year of the company's existence.
- ◆ Key areas of focus for the next three years:-
 - Ensuring high levels of health and safety and environmental performance.
 - Increased turnover from £2.7m in 2017/18 to £485.7m in 2019/22 with a corresponding increase in net profit.
 - Expand range of design services offered to clients.

- Increase geographical spread to areas adjacent to Yorkshire.
- Reduce internal cost to shareholder (NYCC) compared to previous NYCC service delivery company (Jacobs).
- Increase shareholder value.
- Change design platform from AutoCAD to Building Information Modelling (BIM).
- Lower company's average hourly cost to subsequently improve efficiency.

Following the initial presentation Members discussed the report and a number of issues and points were raised as follows:-

- ◆ It was asked whether Align Property Partners was in a position to be able to adopt the highways design/engineering contract when that was up for renewal. In response it was stated that this would be dependent upon the timing of the contract renewal, however, consideration would be given as to whether this contract could be accommodated as part of the business plan, going forward. It was considered that taking on this work would serve to enhance the reputation of the company and assist its position going forward.
- ◆ Members welcomed the positive performance of Align Property Partners Limited and the good performance indicated in the details provided.

First North Law

- ◆ Created following approval by Executive in November 2016.
- ◆ Intended to generate income for the Council by providing high quality, cost effective legal advice to the public and private sector.
- ◆ Solicitors Regulatory Authority approval received to operate as a distinct solicitors firm and provide legal advice to anybody within the UK, under the appropriate regulatory control.
- ◆ The firm has access to barristers, solicitors, legal executives and paralegal support.
- ◆ Initially concentrated on providing legal advice to the education sector and has secured a number of new clients in 2018.
- ◆ The company allows knowledge built up in relation to the education sector to be sold to other schools outside the area at a competitive rate.
- ◆ A subscription service for schools to buy in to has been developed allowing them access to a certain level of legal advice within that subscription cost, with an option to purchase further legal advice.
- ◆ The company's unique selling point was that it could provide access to a team of professional, pragmatic lawyers covering a full range of legal issues that could face an educational establishment, quickly at an extremely competitive price.

- ◆ The ethos of the company was 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 spent on legal work.
- ◆ A number of schools in the locality have bought into the service as well as clients from further afield with customers across York, Teesside, Wakefield, Lancashire and beyond.
- ◆ The company continues to look to expand its market reach to other areas outside of Yorkshire.
- ◆ The company has undertaken legal work in property, procurement, planning, state aid and construction sector and is looking to market these areas in future as potential growth areas.
- ◆ The company will look to concentrate on additional legal areas to market its services and provide training to new clients.

At the conclusion of the initial report Members discussed the issues raised and welcomed the positive and steady growth shown by the company.

Yorwaste

- ◆ Two year transition period at the end of March 2019 from a business focused on landfill operations to one focused on transfer and recycling operation with a commercial collection business.
- ◆ During that time - acquired and integrated Todd Waste Management, closed the Harewood Whin landfill and the ramp-up of Allerton Waste Recovery Park, representing a fundamental change to the Yorwaste business model.
- ◆ Significant changes to the wider waste management industry resulting in higher quality thresholds for recyclable material being demanded from the supply chain and heavily influenced via recent Government Waste Strategy.
- ◆ Regional waste markets were a “race for waste” as competitors sought to increase volumes, resulting in flat-to-declining average real commercial rates.
- ◆ Achievements of 2018/19:
 - Set a target of achieving ISO 45001 supported by the rollout of behavioural-based health and safety.
 - Streamlined and refocused 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 support real time tracking of vehicles and route optimisation.
 - Upgraded the Harewood Whin based materials recycling facility 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.

- ◆ Significant progress has been made, however, the company has been negatively impacted by market pressure on recyclable quality and commercial collections, costs arising from the transition to supplying the EWRP and the need to modernise plant and equipment to improve operational delivery and reliability.
- ◆ Details of the business plan for 2019/20 were outlined with a view to consolidating, optimising and preparing for the future.
- ◆ SJB Recycling - significant changes to the business model as it no longer benefits from free disposal. In the next few months the majority of SJB contracts were up for renewal and these were being tendered at a significant increased price which, if successful, would restore profitability.

Following the initial presentation, Members discussed the report and the following issues and points were raised:-

- ◆ It was asked whether the waste business had changed significantly due to the development of a number of energy from waste plants in the region. In response it was stated that there was a national move away from landfill and the area reflected that position Yorwaste was in a good position in terms of that, particularly with the Allerton Park plant having been developed. The development of additional energy from waste plants was positive and the impact that this was having on the market. It was emphasised that additional energy from waste plants ensured that transport costs, for waste, could be lowered and would assist the business. In relation to this it was noted that the gate prices were unlikely to vary significantly from current values and that the process was carefully managed by Yorwaste.
- ◆ A Member asked about health and safety issues, noting that the report specifically referred to those. In response it was noted that there had been a number of incidents in the previous year, however, the matter had been subsequently addressed through the use of external consultants and the company had been incident free over the last few months, as a result.
- ◆ In terms of the Government Waste Strategy identifying a number of options that were currently subject to further consultation it was expected that opportunities for Yorwaste would arise from the development of these. It was hoped that Yorwaste would be in a position to be able to respond to the challenges developed through the consultation.

Brierley Homes

- ◆ Established in October 2016 and received Executive approval in March 2018 to operate as a housing company and implement new schemes.
- ◆ The commercial focus was to build private houses for sale on the open market. Where local planning policy required it would contribute affordable homes as part of the scheme.
- ◆ Seeking to establish itself as a small to medium size house builder in the North Yorkshire region that is well regarded by both customers and delivery partners.
- ◆ A number of surplus County Council owned assets identified in 2018 are now being actively promoted for housing by Brierley Homes.
- ◆ UK housing market remains relatively benign, however, customer demand for new homes remains robust.

- ◆ Housing market in which Brierley Homes operates is robust.
- ◆ Brierley Homes registered with the UK Government's "help to buy" scheme and is already supporting sales at the first scheme, Thorpe Willoughby.
- ◆ Business is now growing in line with previous forecasts.
- ◆ Thorpe Willoughby close to construction completion, marketing has been launched and homes receiving positive feedback from prospective purchasers in terms of design and quality. Sales reservations currently exceed in business plan trading assumptions.
- ◆ Grant of planning forecast for spring 2019 at second scheme in Marton-cum-Grafton. Tendering for construction underway and evidence of interest from prospective purchasers.
- ◆ Currently budget forecasts 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.
- ◆ Key objectives of the 2019/20 business plan:
 - A contractor framework established to ensure competitive delivery of homes.
 - House sales at Holly Grove, Thorpe Willoughby commenced.
 - Planning consent achieved for a further 100 homes on surplus land assets owned by NYCC.
 - External sites identified and purchased in the market.
 - Further recruitment undertaken to support the business growth.

Following the initial presentation Members discussed the report and the following issues and points were raised:-

- ◆ Details of the sales of houses at Thorpe Willoughby were discussed in terms of meeting the initial contribution provided by the County Council to establish the business.
- ◆ The business model of being a small community site developer was seen as an attraction to buyers and was welcomed by Members.
- ◆ It was noted that the Marton-cum-Grafton site would be around 20 dwellings and details of the legal issues that were being currently considered with a view to signing off shortly, were outlined. It was noted that the Marton-cum-Grafton site was expected to raise more capital than the Thorpe Willoughby site.

Members discussed the general issues in relation to the Brierley Group business plans the separation of costs for the financial years 2018/19 and 2019/20. It was noted that for 2018/19 the Group was very near to meeting the set targets.

Resolved -

That the Committee accepts the updates and business plans provided.

The meeting returned to open session.

22. Work Programme

Members considered the Work Programme for the Committee for 2018/19.

It was noted that the next meeting on 28 May 2019 would continue with the company updates and 2019/20 business plans for the following companies:-

- ◆ Veritau.
- ◆ NYES.
- ◆ NYnet.

Following that meetings would be utilised to set a Work Programme for 2019/20 and 2020/21.

The meeting concluded at 1.25 pm

SL/JR