



## Agenda

- Meeting:** Shareholder Committee
- To:** Councillors Carl Les (Chair), Gareth Dadd and Don Mackenzie.
- Date:** Tuesday, 14th September, 2021
- Time:** 12noon
- Venue:** Remote Meeting via Microsoft Teams

Under his delegated decision making powers in the Officers' Delegation Scheme in the Council's Constitution, the Chief Executive Officer has power, in cases of emergency, to take any decision which could be taken by the Council, the Executive or a committee. Following on from the expiry of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, which allowed for committee meetings to be held remotely, the County Council resolved at its meeting on 5 May 2021 that, for the present time, in light of the continuing Covid-19 pandemic circumstances, remote live-broadcast committee meetings should continue, with any formal decisions required being taken by the Chief Executive Officer under his emergency decision making powers and after consultation with other Officers and Members as appropriate and after taking into account any views of the relevant Committee Members. This approach will be reviewed in September 2021.

The meeting will be available to view once the meeting commences, via the following link - [www.northyorks.gov.uk/livemeetings](http://www.northyorks.gov.uk/livemeetings). Recording of previous live broadcast meetings are also available there.

### Business

1. **Minutes of the meeting held on 25 May 2021** (Pages 3 - 8)

2. **Declarations of interest**

3. **Public Questions & Statements**

Members of the public may ask questions or make statements at this meeting if they have given notice to Melanie Carr of Democratic and Scrutiny Services and supplied the text (*contact details below*) by midday on Thursday 9 September 2021, 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.

**4. Brierley Group Annual Report and Brierley Group Business Plan, (Pages 9 - 22) including Quarter 1 2021/22 Financial Performance and LGR update**

This report was previously marked to follow.

Recommendation: That the Shareholder Committee notes the update.

**5. Work Programme (Pages 23 - 24)**

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

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

**Contact Details**

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Barry Khan  
Assistant Chief Executive  
(Legal and Democratic Services)

County Hall  
Northallerton

Monday, 6 September 2021

## North Yorkshire County Council

### Shareholder Committee

Minutes of the remote meeting held on Tuesday, 25th May, 2021 commencing at 1.00 pm.

County Councillor Carl Les in the Chair. plus County Councillors Gareth Dadd and Don Mackenzie.

In attendance: County Councillors Derek Bastiman, Margaret Atkinson, Mike Jordan and Annabel Wilkinson.

Officers present: Richard Flinton (Chief Executive Officer); Gary Fielding (Corporate Director for Strategic Resources); Barry Khan (Assistant Chief Executive), Melanie Carr (Principal Democratic Services & Scrutiny Officer).

Apologies: None

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**Copies of all documents considered are in the Minute Book**

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#### **51 Minutes of the meeting held on 29 September 2020**

Having considered the draft Minutes of the formal Shareholder Committee meeting held on 29 September 2020, which had been printed and circulated, members of the Shareholder Committee recommended to the Chief Executive that he confirm them as a correct record.

#### **Resolved –**

The Chief Executive considered the views of the Shareholder Committee members provided at the meeting and decided to use his emergency powers to implement their recommendation.

#### **52 Declarations of interest**

In regards to Agenda Item 5, County Councillor Gareth Dadd as a Director of the Veritau, declared a non-pecuniary interest in matters relating to the Company. In addition, County Councillors Don Mackenzie and Carl Les as Directors of NYNet, both declared a non-pecuniary interest in matters relating to the Company.

#### **53 Exclusion of the public from the meeting during consideration of Appendix C to Agenda item 5, on the grounds that it will involve the likely disclosure of exempt information as defined in the 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:-**

Exclusion of the public from the meeting during consideration of Appendix C to agenda item 5 on the grounds that it involved the likely disclosure of exempt information as defined in the paragraphs 1, 3 & 5 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to information)(Variation) Order 2006.

## **Resolved –**

That the Committee would not need to go into private session to discuss in detail Appendix C to Agenda item 5, as there were no substantive questions or debate required in relation to the content of the report.

## **54 Public Questions & Statements**

There were no questions or statements from the public.

## **55 Brierley Group Annual Report 2020/21 & Brierley Group Business Plans**

Considered –

The report of the Assistant Director for Strategic Resources, providing an annual financial and performance report for 2020/21 for the companies that make up the Brierley Group, together with their individual Business Plans.

Michael Leah, Assistant Director for Strategic Resources introduced the report, providing an overview of performance and highlighting the achievements and challenges for the individual companies over the last year. He drew members' attention specifically to the profit before interest as detailed in the report, which was less than expected for the year, but noted that profit was not the sole objective of the Brierley Group and that benefit had been derived in other forms such as interest on the loans made to the individual companies.

The negative impact of Covid on the Group was acknowledged. In particular, the drop in revenue for NYES due to limited trade with schools throughout the lockdowns, and the impact on Align Property Partners as a Teckal company who did a majority of its trading with public bodies and schools.

However, it was noted the Group overall had shown a reassuring level of resilience throughout the pandemic and had held up well. Whilst 25% of the Groups employees had been on furlough in 2020/21, the quality of service provided had not been affected.

Attention was drawn to a number of highlights from the past year:

- In regard to Brierley Homes, it was noted that its pilot site at Thorpe Willoughby had been completed resulting in a 20% gross profit from the site, and that a further three pipeline sites were now underway, with a fourth having just received planning permission.
- In regard to Yorwaste, it was noted that the company had continued to manage and operate the household recycling centres through the various states of lockdown, whilst maintaining appropriate health and safety measures.
- Finally in regard to NYnet, it was noted the company had continued to deliver the 'local for fibre network' despite a number of potential issues through the year providing a platform for the company to grow from.
- It was confirmed that the governance arrangements of the Group had been reviewed, and had been found to be appropriate in respect to how it compared with both other councils' commercial operations and best practice guidance.
- The launch of NY Highways was scheduled for 1<sup>st</sup> June 2021

In response to some adverse press about preferential rates being given to the companies by the County Council, it was confirmed that this was not the case. All loans were on a commercial rate providing a greater return than leaving the cash in the bank. Michael Leah confirmed the rates were different for each company based on the level of risk and the

financial health of the company.

In response to a question from County Councillor Mike Jorden, Michael Leah confirmed that Brierley Homes was the main contributor to the 639k reported loss over the last year, in that it was currently in construction phase meaning expenditure was greater than revenue, which would change once the properties build were sold for profit. For other Companies, the Group was being as tax efficient as possible by offsetting at a group level any losses against the more profitable companies.

It was suggested that the profit and loss for the 2020/21 year needed to be considered in the context of the build-up of profit from previous years, as part of the rhythm of commercial activity.

It was also suggested the shareholder value from what the companies were delivering needed taking into consideration - the income stream from the commercial rates on the loans, the tonnage going into Allerton Park, which provided a more advantageous rate for the County Council etc. It was noted that shareholder value in 2020/21 was approximately £5.2m.

In the context of the pandemic, Richard Flinton, Chief Executive Officer confirmed the diversity of the Group had proved helpful, with the range of its trading activities placing the Council in a better position than many other Councils.

County Councillor Don Mackenzie confirmed he remained optimistic regardless of the difficult year. He noted the expertise being gathered in the companies and referenced NYNet, which helped the Council manage the Superfast North Yorkshire programme and the local full fibre network's gigabit system.

In regard to Brierley Homes, County Councillor Derek Bastiman drew attention to the significant rise in housing prices in North Yorkshire this year which would deliver a higher rate of profit in the longer term. It was suggested that Brierley Homes should be seen as a disruptor to the market by encouraging other building companies to move more quickly in developing land.

In regard to the general principles of governance, County Councillor Gareth Dadd noted how other Authorities had not been as open and transparent in their commercial dealings as perhaps they should have, and was therefore pleased to note the positive findings from the review of the Brierley Group's governance arrangements.

Michael Leah, Assistant Director for Strategic Resources went on to provide a summary of the Group's Business Plans noting they were contingent on how the lockdown measures continued to ease and the speed at which the country's economy recovered. He drew attention to the current market conditions and the indicators in the report giving some level of confidence. He also noted the substantial shift from physical sales to online sales, something the Brierley Group would need to learn from, and the additional funds being made available by the Government.

Across the 3-year plan period, he noted the focus on Health & Safety Protection and environmental performance. He confirmed the Group was aligning to the Shareholder's ambition of becoming carbon neutral by 2030, which would require some significant changes for some of the companies. He also drew attention to the last table in Appendix B showing the numbers that underpinned the consolidated position for the Group.

Finally, as it was a new company, Michael Leah provided a more detailed overview of the Business Plan for NY Highways, which included a focus on transition in the first year, to be used as a platform for quality improvements going forward.

Members also noted the changing market conditions arising from an increase in the number of

academies going forward and a rise in the number of teaching academies providing free school improvement services to some schools. It was confirmed that work was underway to develop an academy offer, and to expand NYES service delivery to beyond North Yorkshire.

Members of the Shareholder Committee thanked officers for the update. They noted the Brierley Group annual report in Appendix A and the Brierley Group Business Plan summary 2021-2023 in Appendix B, and agreed to recommend to the Chief Executive Officer that using his delegated powers, he accept and approve the Business Plans in Confidential Appendix C.

The Chief Executive Officer took all relevant information into account, including the views of the Shareholder Committee members and

**Resolved:** To accept and approve the Business Plans in Confidential Appendix C.

## **56 Align Property Partners - Articles of Association**

Considered – A report of the Assistant Chief Executive (Legal and Democratic Services) seeking shareholder approval for the revised Articles of Association of Align Property Partners Limited.

The report looked at the governance arrangements for Align Property Partners Limited and it was noted the proposed amendments to the Articles of Association were to ensure the document was up to date and appropriate for a Teckal company. Barry Khan - Assistant Chief Executive (Legal and Democratic Services), provided a brief description of a Teckal compliant company i.e. or procurement purposes only, used as an internal department of the Council removing the need for full procurement procedures.

It was noted that a Teckal Company was a separate company, wholly owned by the Council but treated as a separate company for tax purposes and the law that had to trade by the same rules as any other company.

Members questioned how to be assured of best value for money, and it was noted that avoiding competition to achieve administrative convenience was not the purpose. Gary Fielding, Corporate Director for Strategic Resources confirmed the Authority's Teckal companies were expected to win contracts outside of the organisation in competition with other externally owned companies, and their successes or otherwise were a good indication of their ability to compete in the open market. Good benchmarking data was provided by constantly testing the market. In addition, there was internal challenge around value for money from open discussion around cutting costs.

Having considered the report provided, members of the Shareholder Committee agreed to recommend to the Chief Executive Officer that using his emergency delegated powers he approve the Articles of Association for Align Property Partners Limited and sign off the Written Resolution on behalf of the shareholder.

Having considered the views of the Shareholder Committee and the papers provided, the Chief Executive

**Resolved to:**

- (i) Approve the Articles of Association for Align Property Partners Limited; and
- (ii) Sign off the Written Resolution on behalf of the shareholder.

## **57 NYnet Ltd - Articles of Association**

Considered – A report of the Assistant Chief Executive (Legal and Democratic Services) seeking shareholder approval for the revised Articles of Association of NYnet Limited.

Again, the report looked at the governance arrangements for NYnet Limited and it was noted the proposed amendments to the Articles of Association were to ensure the document was up to date and appropriate for a Teckal compliant company i.e. used as an internal department of the Council removing the need for full procurement procedures.

Having considered the report provided, members of the Shareholder Committee agreed to recommend to the Chief Executive Officer that using his emergency delegated powers he approve the Articles of Association for NYnet Limited and sign off the Written Resolution on behalf of the shareholder.

Having considered the views of the Shareholder Committee and the papers provided, the Chief Executive

### **Resolved to:**

- (i) Approve the Articles of Association for NYnet Limited; and
- (ii) Sign off the Written Resolution on behalf of the shareholder.

## **58 Work Programme**

Members considered and endorsed the work programme for the Committee for the remainder of 2020/21.

## **59 Other business which the Chair agrees should be considered as a because of special circumstances**

The meeting concluded at 2.01 pm.

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## North Yorkshire County Council

### Shareholder Committee

14 September 2021

#### Brierley Group Annual Report and Brierley Group Business Plan

##### Report of the Assistant Director Strategic Resources

### 1.0 Purpose of the Report

1.1 For the Shareholder Committee's consideration, this report presents:

- Brierley Group Q1 Financial Performance report 2021-22 – Appendix A
- Brierley Group CLGR update – Appendix B

### 2.0 Recommendations

2.1 It is recommended that the Shareholder Committee note the Brierley Group Q1 Finance report in Appendix A.

2.2 It is recommended that the Shareholder Committee note the Brierley Group CLGR update report in Appendix B.

VICKI DIXON  
Assistant Director  
Strategic Resources BES/CS

September 2021

Shareholders Committee

Brierley Group Financial Update

2021-22: Quarter 1 and Future Outlook

## 1.0 Brierley Group Headlines

- 1.1 The trading performance of the Brierley Group through the first quarter of the 2021/22 financial year represents an overall improvement on 2020/21 as the complications arising from the Covid- 19 pandemic begin to wane. Overall the Group delivered an actual profit after tax for Q1 (3 months of the financial year to 30 June 2021) of £154k against a Budget profit of £53k with the forecast to the year-end being a full year profit after tax of £51k against a Budgeted loss of £180k. This represents a forecast favourable variance of £231k for the Brierley Group as a whole.
- 1.2 Total revenue generated is below Budget at Q1 and is forecast to continue to be under Budget at the end of the year. This reduction in revenue is fully offset by the reduction in the associated cost of sales, hence the positive overall variance projected for the end of the year. The main factors driving this performance are set out in the report. Covid-19 had a significant impact on the performance of Brierley Group during last year and the forecast for 2021/22 assumes Covid is still with us but as each of the organisations is adapting to the changes, the forecast reflects this.
- 1.3 Following the MHCLG decision of 21st July 2021, a structural reform of local government in North Yorkshire will see the county district and borough councils replaced by a single unitary authority from April 2023. City of York Council will remain as a separate smaller unitary. Councils are at a very early point in the re-organisational process, with several key details not yet established. As the unitary arrangements continue to take shape, the impact of these changes upon the activity and trading arrangements of the Brierley Group will be kept under active review at both an individual company and group level.
- 1.4 Covid-19 continues to influence decision making in schools and companies around the world. However, this has not detracted NYES and its traded services from the underlying business and adapting service delivery models where possible, to meet changing demands and challenges within the education sector.
- 1.5 The periods of April and May showed positive signs as schools continued to operate under the guidance, with cases under control and vaccinations increasing at pace. As the restrictions cautiously lifted there was a number of localised incidents due to the spread of the Delta Covid variant. This impacted on front line services such as catering, with meal uptake declining in a few areas towards the end of term. Cyclical and preventative repairs and maintenance activity is behind due to schools prioritising essential work only and limiting access to school grounds. Most other services continued to operate their delivery models in a remote manner which has shown to be cost effective in some areas.
- 1.6 The NYES cleaning service have recently been awarded the ISO9001 which is the international standard for quality management systems. The certification will allow the service to compete in an increasingly competitive market and gives confidence that we have Covid compliant processes in place and ensures that schools remain a clean and safe environment for pupils and staff. From the award NYES is hoping to share the knowledge and the improvement activity into adjacent services. NYES continues to monitor Government guidance around general school reopening and engage with schools to plan operations and assist in supporting them with their key priorities.

- 1.7 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. NYnet has had a strong start to the year with the bandwidth increases as a result of COVID continuing.
- 1.8 Local Full Fibre Network (LFFN) migration issues have continued into Q1, but are on track to be resolved and all sites migrated by the end of Q2. NYnet is progressing with the delivery of public Wi-Fi and the Internet of Things (IoT) network, with the first towns having gone live, and the residual towns remaining on schedule.
- 1.9 The existing First North Law client base has been buoyed by improved performance and an agreement struck around monthly retainers. While a recruitment exercise for a part-time commercial solicitor was completed in Q1, a suitable candidate was not identified and plans are in place to recruit a Locum Solicitor on an interim basis. Paralegal and practice management support is being provided by the existing NYCC legal team. External recruitment remains a key requirement for First North Law in 2021/22 as the Company continues to expand the trading arrangements.
- 1.10 Brierley Homes annual trading forecasts are broadly in line with expectations. Key to the delivery of the business plan is the sales of the homes currently under construction, the ability to procure and/or secure residential planning consents to deliver homes at the required capacity as well as an effective Construction Procurement Model that delivers value for money and quality.
- 1.11 Construction work is well advanced on both Woodfield Square and Pateley Bridge sites with practical completion forecast for late 2021 and early 2022 respectively. Construction work has also started on site at Marton-cum-Grafton with practical completion forecast for June 2022.
- 1.12 Construction tender was launched in April for the site at Swainby in anticipation of a start on site later in 2021/22, subject to business case approval.
- 1.13 Align Property Partners are currently forecasting a return to profitability for the 2021/22 financial year following pandemic-related disruption in 2020/21. This is being driven by a general increase in enquiries, both from NYCC and external clients along with additional in-county Highways-related work. As a result, profit margins are expected to return to historical levels of around 8-10% of turnover in the year as the trading disruption tapers off. There remains an expectation going forward that there will be an increased reliance upon the generation of external client business.
- 1.14 Yorwaste services have performed well and the Tikal Company is trending ahead of their target. Positive profit variance was generated by higher net revenues at commercial and increased landfill gas revenues from the Landfill, Restoration and Aftercare segment (LRA). The Commercial segment performance was strong with trade collection customers returning at above expected levels, disposal tonnages being initially lower helped Q1 margins. The challenges in retaining and recruiting drivers due to the Brexit / Covid impacts have started to impact service delivery, and are currently a forward risk. The LRA segment had a strong above budget performance with gas volumes ahead (thanks to investment in additional bore holes at the end of last fiscal year) and price variances being strongly positive. Asset costs continue to be under control, however asset replacement is proving difficult due to the availability from manufacturers which may impact maintenance costs later in the year due to the age profile.

- 1.15 The Veritau Group are forecasting a profit for the year with a favourable variance to Budget, with both income and expenditure expected to marginally outperform Budget. Cost savings as a result of remote provision of services has combined with new product development in order to enhance the service offer.
  - 1.16 The ongoing investment in back-office IT and a professional training programme provides a firm foundation to both support future growth and maintain the pre-existing client base. The group is continuing to attract new clients with a number of academy schools and trusts signing up for services during 2021/22. Member councils are also requesting additional support, while overall client satisfaction and retention rates remain high.
  - 1.17 NY Highways went live on 1st June with existing Ringway staff transferring to NYH as expected. Ringway finance staff also successfully integrated with the existing NYCC Finance team.
  - 1.18 Induction week was well attended and delivered successfully given the amount of sites across the network.
  - 1.19 Some of the hired fleet was slightly delayed but this caused minimal disruption. As mobilisation of the contract continues, feedback suggests the public have not noticed any significant changes to the service delivery with 'business as usual' and NY Highways continue to make good progress with the delivery of operational highway services to NYCC.
  - 1.20 Delivering a customer focused service that will create new social value and drive value for money solutions is the main priority for NY Highways. The new model will enable the Company to make decisions that are responsive to the priorities of Clients and the residents of North Yorkshire. It is the Company's intention to provide added value in 2021/22 and beyond by delivering desirable outcomes for the Council. NY Highway will spend year-one analysing closely the actual cost of delivering services across the categories so that a new baseline can be set for achieving savings.
  - 1.21 The Brierley Group continues to explore areas of synergy from which benefits of scale and shareholder value can be derived. Examples of these synergies include shared sales and marketing functions as well as non-operational overheads, where packages of support for Finance, HR, Legal and other professional services are delivered across the Group. The leveraging of the group's scale is integral to generating further efficiencies and remaining cost competitive.
- 2.0 Current Challenges
  - 2.2 Last year the main focus for NYES was to ensure a continuity of service into schools and supporting them in following the guidance whilst pursuing commercial opportunities. As the current financial year progresses, it is crucial that service delivery and excellence remains high across the portfolio in order to deliver and drive consistent growth, cross selling opportunities and reduce the impact of retention and loss of business.

- 2.3 The relaxation of social distancing measures and confidence in the vaccination programme has allowed NYES to plan ahead, capitalise on the benefits and agility of remote working and look at a continuation of a wholly remote or hybrid offer. NYES will continue to monitor the situation following the new academic year and review the impact on the current year's financial targets and wider commercial goals relevant to each service.
- 2.4 The other main area of focus will be in reviewing the NYES academy trust offer and developing a portfolio and strategy to service the governments drive towards wider acadamisation. The process can involve insourcing many of the services NYES provide and disrupt long-standing relationships with schools. The challenge is in providing excellent, cost effective and innovative services which are consistent across the group and also to develop additional bespoke top-up offers to provide support and expertise to insourced teams.
- 2.5 FNL operates in a challenging market but the company has now started submitting formal tenders for work. These are initially smaller tenders in line with present capacity as well as barriers such as the current PII insurance; both areas will continue to be reviewed as the company grows.
- 2.6 A primary concern for Brierley Homes remains Construction cost inflation introducing viability pressures into future schemes. The most pressing issue in the construction industry at present is the availability of materials and labour to complete committed projects to time, cost and quality.
- 2.7 This risk is mitigated on projects currently under construction by the fixed price nature of Brierley Homes contracts and professional supervision of the contractor to maintain quality. However, inflated pricing for future jobs has been noted and future procurement and purchasing decisions in the design and construction disciplines will be vital to the long term success of the Company.
- 2.8 Maintaining a competitive tension with trusted supplier bases in order to drive value for money whilst maintaining quality as a core focus in the business plan period will be key mitigations for Brierley Homes.
- 2.9 A main issue and challenge for Align Property Partners is to re-establish and maintain its position in the market and attract new business following the Covid-19 related disruption. Rebuilding its workload via an existing and new client-base is dependent upon securing more external client income as NYCC-related revenues are likely to reduce in future years. Another key issue facing APP in the coming months is the retention of its staff and the recruitment of new staff in what is currently a very buoyant market.
- 2.10 NYnet has made significant progress with the delivery of the Local Full Fibre Networks project, which suffered delays in obtaining wayleaves and access to sites. While good progress has been made, many previous hurdles with the NHS remain. Due to wayleave issues and subsequent delays in migrating sites to LFFN, the drive for new sales onto LFFN has been pushed back so that resources are not withdrawn from the main task of migrating sites. The roll out of public Wi-Fi and Internet of Things (IoT) network will increase pressure on the NYnet technical resources but this has been anticipated in the funding of the later projects.

- 2.11 Yorwaste has seen a continued return of customers as restrictions eased, with growing volumes in Q1. Businesses, however, will continue to find trading challenging over coming months with lower demand than normal coupled with staffing challenges due to the pandemic and wider impacts of Covid. The Company may see the permanent closure of some more customers, at this stage the situation is fluid, however the sales team is continuing to sign new business helped by Yorwaste's customer care approach during lockdown.
- 2.12 The driver position is a forward risk, and there are signs of a bidding war for qualified HGV drivers. Yorwaste are benefiting from a core of drivers who have been with the Company for several years.
- 2.13 The main issue for Veritau is staff recruitment and retention. Staff turnover is increasing as the economy returns to normal. Pay rates for qualified staff are higher elsewhere and the loss of key staff is causing some ongoing pressures in the delivery of services to existing clients. A further challenge for the Company is to embed the efficiency gains achieved by remote working.
- 2.14 The NY Highways implementation of new accounting software has brought many challenges both for the finance team and operationally. New ways of working and implementing new policies and procedures across the organisation will require time for employees to adapt to the changes, but considering the complexities of the organisation, significant progress has already been made and will continue as all teams work collaboratively.
- 2.15 The Job costing system is operational with Labour costs assigned to Jobs but owned plant and hired plant costing currently under review for implementation. Recruitment of winter drivers is a concern which is an industry wide issue with huge shortages of drivers across the network. Due to the shortfall and delays in delivery of new vehicles additional hired fleet is in place to overcome the issues until NYH take delivery of the new vehicles.

### **3.0 Current and future areas of development**

- 3.1 In line with strategic objectives, NYES are continually looking to develop commercial activity, through product development and service evolution. Through collaboration with colleagues internally and reputable partners nationally, NYES are working on a number of new traded and development opportunities, identified through research and analysis of sector knowledge and market demand, with work-streams designed to bring new and developed traded services to market as swiftly as possible.
- 3.2 Recent challenges within the sector present numerous opportunities for NYES to meet new and increasing demand in various key areas, particularly with regards to: - Digitalisation and accreditation of training, providing a quality, scalable and efficient offer to wider audiences - Education technology, through NYES Digital, working with expert partners to support the use of technology within teaching and learning - Health and Wellbeing, ensuring that a holistic package of support is available and the needs of the whole school community are met. One particular area of significant focus is that of work with the Inclusion Team.

- 3.3 The intention is to raise the profile of the NYCC Inclusion service through market exposure via the traded brand, NYES SEND and Inclusion, initially via 'free to attend' webinars around specific themes, such as hidden disabilities, inviting a range of service specialists to talk around topics such as dyslexia, ADHD, autism, hearing impairment and promoting associated training and support available.
- 3.4 A partnership has been formed with One Awards, who will be adding value to the NYES training offer through external, internationally recognised accreditation, as well as providing access to their state of the art eLearning platform, VLearn, giving NYES an edge in terms of digital and blended training delivery, in addition to access to their network of organisations globally.
- 3.5 A First North Law re-branding exercise is ongoing with a website refresh having launched in Q1 along with the release of marketing materials in the form of articles and blogs. Additional customer targeting via social media sites is being progressed to accompany the relaunch. First North Law is well positioned to deliver improved performance during 2021/22.
- 3.6 NYnet is working with NYCC to develop a number of opportunities that will strengthen NYnet and allow alternative delivery methods for NYCC. NYnet is in the process of obtaining a Market Economic Operators Principals (MEOP) approval to allow NYnet to leverage and market the LFFN network to the private sector. This should be in place for Q2. The Company is also developing the IoT gateways and backhaul capability that will allow NYCC, other Brierley Group companies, other public sector and private sector organisations to deploy IoT sensors that achieve efficiencies through real time data. The trials for IoT will be commencing in Q2. Via Govroam, NYnet now has technical relationships with a significant number of public sector organisations outside the County border and will be building on these to try and bring in further commercial opportunities.
- 3.7 Communications and PR is an increasing focus for Brierley Homes as it moves into the sales phase of the active schemes, and the NYCC communications are now leading the broader PR and communications strategy for the business to further enhance the Brierley Homes brand and reputation in the marketplace.
- 3.8 Align Property Partners continues to market to clients that can provide a consistency of work over a number of years and have been successful in establishing new framework agreements with North Lincolnshire and Wigan Council. APP is undertaking a review with all its clients around their immediate and long-term capital spend and whether any of their planned works can be commissioned early.
- 3.9 It is currently envisaged that APP will introduce a staff friendly policy of both office and home working to assist in staff retention and recruitment. Additionally, key staff are being identified and clear career pathways scoped for all vital personnel.
- 3.10 Yorwaste has continued to allow customers whose businesses were impacted by COVID to opt for a contract suspension without penalty, this approach has been well received. This is preferable to customer contract termination.



- 3.11 The Company has become adept at responding to AWRP's operating issues and can keep the waste flowing through out. In parallel the Company continues to work with the waste team in the development of a longer-term solution.
- 3.12 Strategies are being developed to mitigate the driver shortages including HGV qualified managers and planners taking occasional shifts.
- 3.13 Veritau is continuing to review its pay and rewards offer to help reduce the loss of qualified and experienced staff. The Group is also continuing to recruit graduate trainees and to promote the associated professional training programme. Further investment has been made into the company website and client portal as well as other back office IT systems. This ongoing investment helps to support future growth and maintain the existing client base.
- 3.14 All Veritau Group staff are set up to work from home and to deliver services remotely. The future operating model for the group will see staff continuing to work flexibly with an emphasis on remote working.
- 3.15 The NY Highways cultural vision is that of a resilient organisation. While there has been cultural differences and challenges between NYH employees moving from the private sector into the public sector, there are currently discussions ongoing to review cultural alignment between the two organisations so as to help support staff with the change.
- 3.16 As winter approaches, winter driving HGV training and recruitment of winter drivers is a priority to secure drivers during the winter period and to look at ways to mitigate driver shortages.

#### 4.0 2021/22 Q1 Brierley Group Financial Summary

- 4.1 The first table below sets out the 2021/22 financial position at Q1 and the forecast to the end of the 2021/22 financial year for North Yorkshire County Council's share of the Brierley Group. The second table shows the Shareholder Value for the Group for the full year ending 31 March 2022.

Brierley Group	Actuals Q1	Budget Q1	Variance Q1	Projection 2021/22	Budget 2021/22	Variance 2021/22
	£,000	£,000	£,000	£,000	£,000	£,000
Revenue	15,805	16,070	(264)	66,387	67,455	(1,069)
Cost of Sale/Service	(13,688)	(14,082)	394	(58,012)	(59,363)	1,351
Gross Profit	2,117	1,987	130	8,374	8,092	282
Overheads & Other Costs	(1,490)	(1,516)	26	(6,089)	(6,034)	(55)
Other Trading Income/(Loss)	(91)	(112)	20	(427)	(447)	20
Other Gains/(Losses)	(63)	(67)	4	(328)	(372)	44
Operating Profit	473	293	180	1,531	1,239	292
Finance Income	3	-	3	1	1	-
Profit before Interest & Tax	476	293	183	1,531	1,240	292
Interest Paid	(255)	(250)	(5)	(1,375)	(1,392)	17
Tax (Expense)/Surplus	(68)	10	(78)	(106)	(28)	(78)
Profit after Tax	154	53	101	51	(180)	231

*\* Consolidated figures based on NYCC Brierley Group shareholding. Company financials based on 100% of traded performance. Table excludes NY Highways as company only commenced trading on 1 June 2021.*

Shareholder Value	Total NYCC
<b>Financial Year:</b>	<b>21-22</b>
<b>Value</b>	<b>£000</b>
Profit before Interest and Tax	51
NYCC Support Service Contracts	1,257
NYCC Loan Financing Interest	534
Other Deliverable Shareholder Value	2,442
<b>Total</b>	<b>4,284</b>

- 4.1.1 As noted above, overall the Group delivered an actual profit after tax for Q1 (3 months of the financial year to 30 June 2021) of £154k against a Budget profit of £53k with the forecast to the year-end being a full year profit after tax of £51k against a Budgeted loss of £180k. This represents a forecast favourable variance of £231k for the Brierley Group as a whole.
- 4.1.2 The Shareholder Value table highlights the overall estimated benefit to NYCC as the Shareholder of Brierley Group in 2021/22 of £4.284m. Along with the profitability of each company, the value to the Shareholder is also made up of loan interest to NYCC, support service contracts delivered via Service level agreements and additional benefits from the Allerton Park waste facility.
- 4.2 North Yorkshire Education Services**  
The forecasted and consolidated trading performance for NYES is largely on track to meet the 2021/22 commercial challenge target.
- 4.3 The full year forecast position is based on assumptions that Covid-19 will still be impacting services for the foreseeable future in terms of face to face delivery and associated NYES sales and marketing activity. Throughout the pandemic, areas within the traded services relied on government grants which has significantly decreased this year. The furlough scheme is due to end in September with a gradual tapering off of support throughout Q2, the only impacted area is the catering team who are reviewing and adjusting variable hour contracts in line with demand following the commencement of the new academic year.
- 4.4 NYES has recently invested in its Customer Relationship Management (CRM) functionality to improve consistency of communication between schools and customer service teams, which has allowed it to build up knowledge and deal with any issues or concerns more effectively.
- 4.5 NYnet**  
NYnet has had a strong start to the year with bandwidth increases as a result of COVID continuing. Projected Gross Profit remains in line with Budget, while Profit before Interest and Tax is currently projected to outperform Budget and is attributable to a higher than anticipated LEP contribution.
- 4.6 First North Law**  
A projected out-performance against a break-even Budget is indicative of the continuing sales growth and revenue generation as the Company develops its commercial offer.

- 4.7 The monthly retainer arrangement has been used to offer the client base competitive rates, while also guaranteeing FNL an income stream to invest in additional services, employees and marketing to target external clients in 2021/22.
- 4.8 Brierley Homes**  
Brierley Homes has three sites under active development with minimal sales in year. The projected sales completion period for two of the sites commences in Q4 and completes in the first quarter of next year. The third site is scheduled to complete during 2022/23 as further sites are forecast to come on stream. As a result, Brierley Homes is forecast to generate a loss for this year of £712k before it provides a forecast profit in 2022/23 and beyond, estimated to be in the region of a total profit of £3.7m over the 5 years of the business plan.
- 4.9 As further sites come on stream in the future, the profitability of the company is forecast to grow.
- 4.10 Align Property Partners**  
Align Property Partners are forecasting a return to profitability in 2021/22. Q1 Profit Before Interest and Tax delivered a substantial Q1 outperformance against Budget but this is expected to correct in Q2 and the full-year financial projections therefore remain in line with Budget.
- 4.11 Profit margins are expected to return to historical levels of around 8-10% of turnover in 2021/22, following a calming of the trading disruption seen in the previous year.
- 4.12 Yorwaste**  
The positive Q1 performance saw Yorwaste deliver a profit before interest and tax significantly ahead of Budget. Teckal services have performed well with volumes being broadly at expected levels and the segment trading on budget. The Commercial segment performance was strong with trade collection customers returning at above expected levels, disposal tonnages being initially lower helped Q1 margins.
- 4.13 The Landfill, Restoration and Aftercare segment had a strong above budget performance with gas volumes ahead and price variances being strongly positive. Asset costs continue to be under control, however asset replacement is proving difficult due to the availability from manufacturers which may impact maintenance costs later in the year due to the age profile.
- 4.14 Veritau**  
Veritau is expecting to slightly exceed its budgeted profit for 2021/22 with both income and expenditure broadly in line with expectations.
- 4.15 The group is continuing to attract new clients with a number of academy schools and trusts signing up for services during 2021/22. Member councils are also requesting additional support, while overall client satisfaction and retention rates remain high.

# Brierley Group Consideration of North Yorkshire Local Government Reorganisation

## 1.0 Purpose of Report

- 1.1 To provide an initial brief update to Shareholder Committee Members on potential impact to Brierley Group as a result of Local Government Reorganisation in North Yorkshire.

## 2.0 Context

- 2.1 The Brierley Group is currently made up of the following 8 entities:
- Align Property Partners
  - Brierley Homes
  - First North Law
  - North Yorkshire Education Services
  - NY Highways
  - NYnet
  - Yorwaste
  - Veritau
- 2.2 The remit of the Group is, amongst other targets, to generate a financial return to its shareholders<sup>1</sup> whether through profit or inherent value. Each entity is required to produce a business plan for approval every year which demonstrates how it will deliver this value; against which its performance is then monitored and reported to the public meeting of the Shareholder Committee twice a year.
- 2.3 The Group generates in excess £120m revenue per annum from a variety of customers. Aside from North Yorkshire County Council itself as a customer, the Group has a significant customer base both within and without the County boundary. Its customers range from Public Sector clients through to SMEs and private individuals.
- 2.4 Following consultation, Government has announced a decision regarding Local Government Reorganisation (LGR) in North Yorkshire where the current two-tier structure will be replaced with a single council covering the County footprint by April 2023. Brierley Group recognises its status within Local Government and therefore must understand any likely impact from this change and plan accordingly.

## 3.0 Likely Impact

- 3.1 This report considers the impact of LGR on the Brierley Group across three main areas: its operating model, its governance framework and the extent to which it needs to plan for any commercial opportunities or threats.
1. Operating model – The Group itself is a collection of individual entities held under the brand of Brierley Group. This is therefore a loose arrangement as the Group is not a legal entity in its own right; instead NYCC acts as the parent company. What this means in practice is each company needs to stand alone in its own right – both in terms of performance and financial sustainability.

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<sup>1</sup> Yorwaste and Veritau are jointly owned by other Local Authorities

This means that the operating model of Group as a whole is unlikely to see any impact resulting from LGR. Any potential impact would occur at a company level. An example of this would be where there is any duplication of sales effort, i.e. sale of similar product or service to the same customer. Any such instances of that would need to be identified and worked through accordingly.

2. The governance model for the Brierley Group stands up to scrutiny – as demonstrated by a recent review and audit report. The framework is also able to flex as the Group gains new companies, e.g. NY Highways, or indeed ceases trading of others, e.g. SJB Recycling. This flexibility is a strength through a period of transition, as it provides assurance that if the Group were to change – whether in shape or size – as a result of LGR, the governance model would hold tight.

Therefore, there is no proposed change to governance at this stage.

3. What LGR does offer is an opportunity to reflect and review on Local Government traded activity across North Yorkshire. For example, a number of the entities within the Group trade with both the County Council and the District and Borough Councils, naturally therefore those arrangements will change in leading up to and beyond April 2023.

Other examples may present themselves whereby there are synergies in commercial services offered across the eight current organisations which under a unitary council there would be opportunity for greater economies of scale. It is important such opportunities are understood and accommodated.

Therefore, it is proposed that, as part of the change programme created to manage the transition to a unitary council, Brierley Group continues to engage with that process, monitor its own arrangements and react accordingly to any opportunities or risks that present during that time.

### **4.0 Next Steps**

- 4.1 Engagement with the Local Government Reorganisation transition process including stakeholder representation with the County Council and District and Borough Councils accordingly.
- 4.2 Engage & inform Brierley Group staff as appropriate on the change and any likely impact on roles over that time.

### **5.0 Recommendation**

- 5.1 Note contents of report

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## Shareholder Committee Work Programme

Meeting Date	Items of Business
23 April 2019	<ol style="list-style-type: none"> <li>1. Company Updates &amp; 2019/20 Business Plans for the following companies: Align Property Partners First North Law Yorwaste Brierley Homes</li> <li>2. Work Programme 2018/19</li> </ol>
28 May 2019	<ol style="list-style-type: none"> <li>1. Company Updates &amp; 2019/20 Business Plans for the following companies: Veritau NYES NYnet</li> <li>2. Work Programme 2019/20</li> </ol>
10 September 2019	<ol style="list-style-type: none"> <li>1. Brierley Group 2018/19 Outturn Reports</li> <li>2. Brierley Group Q1 2019/20 Performance Report</li> <li>3. Work Programme 2019/20</li> </ol>
6 November 2019	<ol style="list-style-type: none"> <li>1. Veritau Business Case for Expansion</li> <li>2. Work Programme 2019/20</li> </ol>
21 January 2020	<ol style="list-style-type: none"> <li>1. Brierley Group Q2 2019/20 Performance Report</li> <li>2. Work Programme 2020/21</li> </ol>
28 April 2020  <b>Meeting Cancelled</b>	<ol style="list-style-type: none"> <li>1. Brierley Group Q3 2019/20 Performance Report</li> <li>2. Company Updates &amp; 2020/21 Business Plans for the following companies: Brierley Homes First North Law Align Property Partners NYnet</li> </ol>
26 May 2020  <b>Meeting Cancelled</b>	<ol style="list-style-type: none"> <li>1. Company Updates &amp; 2020/21 Business Plans for the following companies: Yorwaste Veritau NYES</li> <li>2. Work Programme 2020/21</li> </ol>

29 September 2020	<ol style="list-style-type: none"> <li>1. Quarter 4 2019-2020 Brierley Group Report &amp; Summary of Brierley Group Business Plans</li> <li>2. Articles of Association for North Yorkshire Highways Ltd</li> <li>3. Work Programme 2020/21</li> </ol>
19 January 2021	Meeting Cancelled
27 April 2021	Meeting Cancelled
25 May 2021	<ol style="list-style-type: none"> <li>1. Brierley Group Annual Report 2020/21 &amp; Brierley Group Business Plans</li> <li>2. Align Property Partners – Articles of Association</li> <li>3. NYnet Ltd – Articles of Association</li> <li>4. Work Programme 2021/22</li> </ol>
<b>14 September 2021</b>	<ol style="list-style-type: none"> <li><b>1. Brierley Group Q1 2021/22 Performance Report</b></li> <li><b>2. Work Programme 2021/22</b></li> </ol>
<b>18 January 2022</b>	<ol style="list-style-type: none"> <li><b>1. Brierley Group Q2 2021/22 Performance Report</b></li> <li><b>2. Work Programme 2021/22</b></li> </ol>