



Agenda

- Meeting:** Shareholder Committee
- Members:** Councillors Carl Les (Chairman), Gareth Dadd and Derek Bastiman.
- Date:** Tuesday, 17th October 2023
- Time:** 12.30 pm
- Venue:** Room 3, County Hall, Northallerton

Members of the public are entitled to attend this meeting as observers for all those items taken in open session. Please contact the Democratic Services Officer whose contact details are below if you would like to find out more.

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

Business

1. **Apologies for Absence**
2. **Minutes of the meeting held on 21 March 2023** (Pages 3 - 6)
3. **Declarations of Interest**

All Members are invited to declare at this point any interests they have in items appearing on this agenda, including the nature of those interests.
4. **Public Participation**

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 12 October 2023, 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 Chair who will instruct anyone who may be taking a recording to cease while you speak.

5. **Brierley Group Quarter 1 2023/24 Performance Report** (Pages 7 - 24)
Recommendations:
- i) To note the report and the Brierley Group Q1 Financial Performance for the 2023/24 year.
 - ii) To endorse the proposal to review and agree the future direction of the Brierley Group, and its component entities; noting that the outcome of the review will be reported back through the Shareholder Committee at a later date.
6. **Leeds City Region Revolving Investment Fund Update** (Pages 25 - 28)
Recommendation:
To note the decision taken by the Shareholder Representative on 28 July 2023 and confirm the Shareholder Committee's approval of the decision.
7. **Work Programme** (Pages 29 - 30)
Purpose of the Report: To consider and develop the Work Programme for the Shareholder Committee
8. **Other business which the Chair agrees should be considered as a matter of urgency because of special circumstances**
9. **Date of Next Meeting - 19 March 2024**

Members are reminded that in order to expedite business at the meeting and enable Officers to adapt their presentations to address areas causing difficulty, they are encouraged to contact Officers prior to the meeting with questions on technical issues in reports.

Contact Details

Enquiries relating to this agenda please contact Melanie Carr Tel: 01609 533849 or e-mail: Melanie.carr1@northyorks.gov.uk
Website: www.northyorks.gov.uk

Barry Khan
Assistant Chief Executive
(Legal and Democratic Services)

County Hall
Northallerton

9 October 2023

North Yorkshire County Council

Shareholder Committee

Minutes of the meeting held on Tuesday, 21st March 2023 commencing at 1.00 pm.

County Councillor Carl Les in the Chair. plus County Councillors Derek Bastiman and Gareth Dadd.

In attendance: County Councillors Michelle Donohue-Moncrieff, Bryn Griffiths, George Jabbour, David Ireton, Subash Sharma Kevin Foster, Yvonne Peacock and Richard Foster

Officers present: Richard Flinton, Gary Fielding, Barry Khan, Vicki Dixon and Melanie Carr

Copies of all documents considered are in the Minute Book

17 Minutes of the meeting held on 14 February 2023

Resolved –

That the Minutes of the meeting held on 14 February 2023, having been printed and circulated, be confirmed as read and signed by the Chair as a correct record.

18 Declarations of interest

There were no declarations of interest.

19 Public Questions & Statements

There were no questions or statements from the public.

20 Exclusion of the public from the meeting during consideration of each of the items of business listed in Column 1 of the following table on the grounds that they each involve the likely disclosure of exempt information as defined in the paragraph(s) specified in column 2 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 –

Given that no discussion was required in relation to the exempt information contained within Appendices 1 & 2 of agenda item 6 – Border to Coast Governance Arrangements, it was agreed the Shareholder Committee would not enter into private session for that agenda item.

21 Brierley Group Quarter 3 2022/23 Performance Report

Considered - A report of the Assistant Director for Strategic Resources, providing a Quarter 3 financial and performance update for 2022/23 for the companies that make up the Brierley Group.

Vicki Dixon, Assistant Director for Strategic Resources introduced the report, providing an overview of performance and highlighting the third quarter achievements and challenges for the individual companies. She highlighted the strong shareholder value of £10.42m in 2022/23, drew members' attention to the outturn financial position detailed in the table at paragraph 4.1 of the report, and the ongoing issues around recruitment and retention, and cost control.

Richard Flinton confirmed:

- The challenges in recruitment and the difficult training environments were as a result of Covid-19;
- Funding for schools had been tight for some time – work was ongoing to encourage the uptake of school meals and free school meals
- House prices were steadily increasing

Specifically in regard to Brierley Homes, Vicki Dixon confirmed:

- The operating model was based on the use of land owned by the Authority;
- A positive position was expected in year two with two new sites due to start;
- There had already been a number of off-plan reservations;
- An exact start date for the Stokesley site would be confirmed after the meeting;
- Build costs were in reasonably good order given the inflationary rises;
- The profitability of the company was out performing the business case.

Members thanked officers for the update, and it was

Resolved – That the Brierley Group Quarter 3 financial and performance update for 2022/23 be noted.

22 Border to Coast Governance Arrangements

Considered – A report of the Corporate Director – Strategic Resources describing the background of the Council's part-ownership of Border to Coast Pensions Partnership Limited, a company created to manage the investments of the North Yorkshire Pension Fund, and seeking approval of the updated governance documents for the company in Appendices 1 to 3.

Gary Fielding, Corporate Director – Strategic Resources introduced the report and provided an overview of the steps taken to review the shareholder governance documents. He confirmed there were no issues arising from that review, and that the number of shareholders had been reduced from 12 to 11.

Finally, he noted that the Authority's existing shareholder representative would no longer be a Councillor as from 1st April 2023 and therefore a new representative needed nominating.

Members noted the report and its Appendices, and it was

Resolved – That:

- i. The following documents be approved:
 - The updated Border to Coast Pensions Partnership Limited governance documents, being the Inter-Authority Agreement;
 - The Shareholder Agreement and the Articles of Association;
- ii. The Council entering into the two agreements be delegated to the Assistant Chief

Executive (Legal and Democratic Services);

- iii. Nomination of an appropriate shareholder representative be delegated to the Council's Chief Executive Officer;

23 Work Programme

Members considered and endorsed the work programme for the Committee for the remainder of 2022/23.

The meeting concluded at 1.31 pm.

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North Yorkshire Council

Shareholder Committee

17 October 2023

Brierley Group 2023/24 Quarter 1 Financial Performance report.

Report of the Assistant Director – Commercial, Property and Procurement

1.0 Purpose of the Report

1.1 To provide Shareholder Committee with:

- an overview of the entities forming the Brierley Group (Appendix A), and
- an update on the Brierley Group's Q1 Financial Performance (Appendix B).

2.0 RECOMMENDATION

2.1 For the Shareholder Committee to note the report and the Brierley Group Q1 Financial Performance for the 2023/24 year.

2.2 For the Shareholder Committee to endorse the proposal to review and agree the future direction of the Brierley Group, and its component entities; noting that the outcome of the review will be reported back through the Shareholder Committee at a later date.

APPENDICES:

Appendix A – Overview of Brierley Group Entities

Appendix B – Brierley Group Financial Performance Update Q1 2023/24

Kerry Metcalfe
Assistant Director, Commercial, Property and Procurement
Corporate Director - Resources

10 October 2023

Presenter of Report – Kerry Metcalfe - Assistant Director (kerry.metcalfe@northyorks.gov.uk)

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

Shareholder Committee

Brierley Group

Overview of Brierley Group Entities

1.0 Introduction

1.1 The Brierley Group historically consisted of commercial entities in which North Yorkshire County Council (NYCC) had a controlling interest. The Group is not an economic or legal entity in its own right but is intended to provide the Council with the means of setting the overarching commercial and strategic direction, oversight and governance around its commercial entities and operations.

1.2 Post vesting day the Brierley Group now incorporates a number of additional companies, which were inherited from District and Borough Councils, and now consists of:

- Commercial Entities inherited from NYCC
 - North Yorkshire Education Service
 - NYnet
 - First North Law
 - Brierley Homes
 - Align Property Partners
 - Yorwaste
 - Veritau
 - North Yorkshire Highways

- Commercial Entities inherited from District and Borough Councils
 - Bracewell Homes
 - Maple Park
 - Brimhams Active
 - Central Northallerton Development Company

1.3 High level overviews of each of the Brierley Group entities are provided in Section 2 below.

2.0 Overview of the Brierley Group entities

2.1 Entities inherited from North Yorkshire County Council

2.1.1 North Yorkshire Education Service

North Yorkshire Education Service (NYES) is not a legal entity in its own right but is delivered through the Council's General Fund. The service utilises in-house Council resources to sell on services to educational establishments.

Despite the service being managed through the General Fund NYES has historically been incorporated within the Brierley Group reporting due to the commercial nature of its operation.

A large proportion of NYES income is derived from school catering provision. This aspect of the business has suffered significant challenges in recent years due to the impact of Covid and reduced margins arising from inflationary cost pressures on fuel, staffing and food prices. The service is therefore under close review.

2.1.2 NYnet

NYnet is a wholly owned trading company of NYC. Nynet's vision is to drive North Yorkshire's digital future with a state-of-the-art business class fibre network, owned and managed locally, delivering best value services across the public and private sectors.

2.1.3 **First North Law**

First North Law is a wholly owned trading company of NYC. The firm provides commercial services to Brierley Group companies and those education providers not maintained by North Yorkshire County Council (NYCC). First North Law's work mainly relates to contract and property-based matters.

2.1.4 **Brierley Homes**

Brierley Homes is a wholly owned trading company of NYC. The Company operates as a housing company and undertakes residential development activities. Those development activities generate shareholder value for NYC, which the Council then uses to support essential front-line services. The geographical focus of Brierley Homes is Yorkshire and the Humber, with a specific focus on York and North Yorkshire.

2.1.5 **Align Property Partners**

Align Property Partners (APP) is a wholly owned Teckal company of NYC. APP are a multi-disciplinary building design company, who since November 2016, have been delivering Architectural, Building Surveying, Engineering and Quantity Surveying services to North Yorkshire County Council, other County and District Councils, Public Sector bodies (NYP, NYFRS, NYMNPA etc.) as well as private sector companies. In 2019 APP added Estates/Valuation services and Highways design to its portfolio of services.

2.1.6 **Yorwaste**

Yorwaste is a Teckal company, which delivers waste services, and is jointly owned by NYC and the City of York Council. NYC holds 77.7% of Yorwaste's shares so is the majority shareholder.

2.1.7 **Veritau Limited**

Veritau Limited was formed in 2009 and is jointly owned (50/50) by NYC and the City of York Council. In February 2012, the company established a joint venture company called Veritau North Yorkshire Limited (VNY). Until local government reorganisation in North Yorkshire, the company was owned by Veritau Limited and a number of the district / borough councils. The Company is currently not trading but may be re-purposed.

A second joint venture company, Veritau Tees Valley Limited (VTV), was formed in December 2019. Ownership of the Company is:

| | | | |
|---|------------------------------------|---|-----|
| ○ | Middlesbrough Council | - | 25% |
| ○ | Redcar & Cleveland Borough Council | - | 25% |
| ○ | Veritau Limited | - | 50% |

2.1.8 **North Yorkshire Highways (NYH)**

NYH is a wholly owned Teckal company of NYC and provides highways maintenance services. The Company commenced trading in 2021.

2.2 Entities inherited from North Yorkshire Districts

2.2.1 Bracewell Homes

Bracewell Homes is a wholly owned company of NYC and was inherited from Harrogate Borough Council. Currently the Company's key business is to provide shared ownership housing in the former Harrogate Borough and Craven Districts.

2.2.2 Maple Park LLP / Hambleton District Holdings

Maple Park and Hambleton District Holdings were established by Hambleton District Council for the operation of Maple Park Crematorium. The entities were established following professional tax advice relating to the construction of the Maple Park crematorium and were largely needed in order to mitigate partial exemption VAT issues relating to the construction and ongoing operation of the facility.

Maple Park is a Limited Liability partnership with two members: NYC and Hambleton District Holdings. 99% of the profits generated from the LLP are received by NYC and the remaining 1% is received by Hambleton District Holdings Limited.

The Maple Park crematorium site is leased from the Council to the LLP and a Service Level Agreement exists between the Council and LLP to provide staff for the daily operation of the facility and support services.

As NYC is a much larger organisation than Hambleton District Council the VAT issues, which drove the need for the Maple Park LLP, may no longer be of concern therefore options are currently being reviewed to determine whether the operation can be brought in-house.

2.2.3 Brimhams Active

Brimhams Active is a wholly owned, not for profit company and was inherited from Harrogate Borough Council (HBC). Brimhams was established to operate HBC's leisure facilities.

The key drivers for the establishment of Brimhams were to obtain financial benefits from Business Rates relief, to mitigate partial exemption VAT issues on the construction, refurbishment and operation of leisure facilities, and increase income through a more commercial operating approach.

The facilities operated by Brimhams are leased from the Council on a peppercorn rent and a Leisure Operator Contract exists between NYC and the Company to determine the service levels, performance measures and contract sums due for the operation of the facilities. A Service Level Agreement exists between the Council and Brimhams to provide support services for the Company.

The contracts currently in place provide that NYC is responsible for funding some costs outside of the operating contract (eg. building repairs, utilities etc.)

2.2.4 Central Northallerton Development Company (CNDCL)

CNDCL is a joint venture (JV) company, which was established to deliver the Treadmills Development (former prison site) in Northallerton. The JV was inherited from Hambleton District Council and is jointly owned (50/50) by NYC and Wykeland Property.

The JV holds a lease for Crosby Road Car Park (adjacent to Treadmills).

The redevelopment works are now complete and there are no longer any significant trading activity or risks associated with the JV. The JV has no employees and the only income and assets now held within the Company relate to the aforementioned car park.

In the next 12 months, the focus of CNDCL will be to let the remaining units on the Treadmills site, manage any defects on site and continue to operate Crosby Road car park.

3.0 Future Direction for the Brierley Group

- 3.1 Local Government Reorganisation has changed the new Unitary Council's remit when compared against the needs and priorities of individual predecessor councils. This will impact on the future aspirations, opportunities, and potentially need, for each of the Brierley Group organisations.
- 3.2 Pre vesting day LGR work on the Council's commercial entities was directed towards safe and legal activity, but there is now a need to consider the future direction of travel for the Brierley Group and each of its component entities.
- 3.3 In the coming months officers will work with the Shareholder Committee members to consider the longer term aims and aspirations for the Brierley Group organisations, and Group as a whole. This work will include in-depth reviews on each organisation, the identification of synergies and rationalisation opportunities, along with exploring ways to maximise efficiency and growth opportunities arising from LGR.

Shareholder Committee

Brierley Group Financial Update

2023/24 Quarter 1 Financial Performance Report

1 Brierley Group Headlines

- 1.1 The Q1 performance across the Brierley Group shows strong performance, with all organisations projecting pre-tax profits for the year with the exception of Brimhams Active. Overall, the 2023/24 group outturn projection shows a **pre-tax profit of £4.187m** against a budget of £3.779m; representing a £408k out-performance.
- 1.2 All entities, barring NYES, are meeting or exceeding budget at Q1, with NYES showing a small deficit against budget of £3k.
- 1.3 The projected year-end loss for Brimhams Active stands at £330k and is due to exceptional one-off trading shortfalls arising from the delayed opening of two facilities (Harrogate Leisure and Wellness Centre and Knaresborough Leisure and Wellness Centre), which have arisen due to construction delays on the facilities, as opposed to trading difficulties within the Company. It is hoped that the financial performance at the new / refurbished facilities will exceed budget expectation in the remainder of the financial year, therefore the projected shortfall may reduce in future quarterly updates.
- 1.4 Revenue income for the Brierley Group is ahead of budget at Q1, and this position is expected to improve further in the remainder of the year, with a projected year-end revenue surplus of £3.135m. This surplus is predominantly driven by Yorwaste and North Yorkshire Highways (NYH), with Yorwaste's performance relating to exceptional power generation rates, and NYH's surpluses relating to increased levels of capital works and routine and reactive maintenance works undertaken by the Company. NYH's revenue forecast surplus is largely offset by increased cost of sales, which reflects the additional costs associated with undertaking those works.
- 1.5 NYES, NYnet and First North Law anticipate that profits generated within the year will be lower than budget, resulting in a projected shortfall of £40k against budget across the three organisations. Despite these shortfalls it should be noted that the organisations are still projecting a profitable year-end outturn position.
- 1.6 Brierley Homes, Align Property Partners (APP), Yorwaste and Bracewell Homes are showing strong financial performance and are set to deliver significant pre-tax profits within the Group.
- 1.7 Brierley Homes has achieved further sales completions at the Company's Yew Tree Farm (Marton cum Grafton) development and the final unit at Millwright Park (Pateley Bridge), as well as the receipt of deposits placed on plots at new developments The Paddocks (Great Ouseburn) and Whorlton Meadows (Swainby). Financial performance of all active and completed sites is currently projected to meet or exceed Outline Business Case financials, and the Company is projecting a healthy pre-tax profit of £959k for the year.
- 1.8 APP continue to build client reputation, win new business and are once again on track to deliver another significant return into the Brierley Group; with a forecasted pre-tax profit of £700k for the financial year. It is hoped that the actual outturn surplus will exceed the currently reported forecast and could be in excess of £1m at year end. Synergies with NY Highways continue to deliver additional workflows into the Company.
- 1.9 Further increases in electricity and gas prices are driving additional power generation revenue for Yorwaste. Tight cost control and vacancy savings have also helped to drive financial performance for the business.
- 1.10 The projected profit before tax for Bracewell homes stands at £1.52m for the year; driven through the sale of shared ownership properties within the Company's ownership, and the receipt of rental income on the share retained within the Company.

- 1.11 Interest rate rises continue to impact on trading projections within the Group. This acts to increase the interest payable within a number of the loan-financed companies such as NY Highways and Brierley Homes. It is anticipated that £1.61m loan financing interest will be payable across the Group companies in the 23/24 year, which delivers shareholder value back to NYC in the Council's capacity as lender.
- 1.12 The Group continues to present strong shareholder value to NYCC, with £10.738m deliverable in 2023/24 through group profitability, surpluses achieved via Service Level Agreements, loan interest and the financial benefit of the Allerton Waste Recovery Park contractual agreement.
- 1.13 Further narrative on each organisation's trading performance is provided within Section 4 of the report.

2. Current Challenges

- 2.1 The main challenges within the Group relate to resourcing, recruitment and retention of professional staff, and inflationary cost pressures.
- 2.2 The labour market continues to be very difficult in all sectors, limiting a lot of businesses ability to expand. Unemployment is running at 4.2% with a significant rise in the number of economically inactive people, leading to vacancies across the portfolio.
- 2.3 Resourcing issues within the Brierley Group are exacerbated by the ongoing workload pressures arising from Local Government Reorganisation and a lack of capacity within the Council's professional support service teams to assist with the development of growth plans across the Group.
- 2.4 Yorwaste has continued its recent strong financial performance into Q1 of the 2023/24 year with an increase in revenue due to electricity and gas pricing levels. It is expected that prices will return to more "normal" levels in 2024/25 as electricity prices reduce, which will have a significant negative effect on future year revenue projections for the Company. This, along with the expiration of the present fixed rate energy arrangements, will result in a significant forward challenge for the Company from 2024/25 onwards.
- 2.5 Brierley Homes has adopted a flexible procurement approach that allows the business to manage construction costs and appoint best-fit contractors. Previous viability challenges presented by cost inflation in the Construction sector have been successfully mitigated by a move to a direct contracting model for the sites presently under active construction. The expansion of the current development pipeline to four active sites, with the potential for a further five, will bring its own challenges across a range of areas, including the commissioning and active management of multiple sub-contractors, coupled with a substantial increase in transaction volumes.
- 2.6 General inflation is expected to halve to around 5% by the end of 2023/24 but it is clear that Base Rate is already at the upper end of initial projections, and the consequential impact observed on mortgage rates continues to present a risk to the residential housing sector as a whole.

3 Current and future areas of development

- 3.1 NYHighways are supporting NYC to deliver their savings target for 23/24 by reviewing processes to drive efficiencies, by identifying alternative delivery methods and through contract management with third party sub-contractors. Progress to ISO certification for

Quality, Environment and Health and Safety continues with stage 1 certification audits scheduled for October 23 and final certification audits for December 23, which is in line with business plan commitments.

- 3.2 NY Highways have undertaken several small scale works for NYNet; delivering savings in comparison to an external contractor. Early engagement sessions have been held with NYC Highways and Transport, and Brierley Homes. It is hoped this will progress to NYH undertaking works that can deliver a saving when compared to external contractors delivering the works and ultimately result in profit for NYH.
- 3.3 Yorwaste continues to explore options to maximise current year landfill gas revenues through continued investment in well optimisation and to review the potential for investment in on site solar to mitigate the impact of the future increases in electricity costs. The Company's in-house sales team has been strengthened to mitigate attrition in the current challenging market conditions and also drive revenue growth.
- 3.4 NYnet continues to work with NYC to productise its Internet of Things (IoT) network through trials. The IoT gateway systems allow devices to exchange real time information with cloud databases. This will enable NYC, Brierley Group companies and other client organisations to work more efficiently with the faster and more dynamic exchange of operational / management information and data.

4 2023/24 Q1 Brierley Group Financial Summary

- 4.1 The following tables set out the 2023/24 outturn financial position for North Yorkshire Council's share of the Brierley Group, and the total value to NYC as shareholder of the Brierley Group companies.

Table 1 – Brierley Group: Forecast Variance to Budget

| Brierley Group | Q1 Performance 2023/24 | Q1 Budget 2023/24 | Q1 Variance 2023/24 | Full Year Forecast 2023/24 | Full Year Budget 2023/24 | Full Year Variance 2023/24 |
|---------------------------------------|------------------------|-------------------|---------------------|----------------------------|--------------------------|----------------------------|
| | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 |
| Revenue | 40,051 | 37,215 | 2,835 | 167,501 | 164,366 | 3,135 |
| Cost of Sale/Service | (32,700) | (30,417) | (2,284) | (136,653) | (133,900) | (2,753) |
| Gross Profit | 7,350 | 6,799 | 551 | 30,848 | 30,467 | 381 |
| Overheads & Other Costs | (5,858) | (6,126) | 267 | (24,125) | (24,248) | 123 |
| Other Trading Income/(Loss) | (143) | (100) | (43) | 187 | 235 | (48) |
| Other Gains/(Losses) | (97) | (104) | 7 | 502 | 497 | 5 |
| Operating Profit | 1,252 | 469 | 783 | 7,412 | 6,951 | 461 |
| Finance Income | 5 | 3 | 2 | 14 | 12 | 2 |
| Profit before Interest & Tax | 1,257 | 472 | 784 | 7,425 | 6,963 | 462 |
| Interest Paid | (618) | (631) | 13 | (3,238) | (3,184) | (54) |
| Profit before Tax (NYC% Shareholding) | 639 | (159) | 797 | 4,187 | 3,779 | 408 |

Table 2 – Forecast Variance to Budget by organisation

| Company | Q1 Performance 2023/24 | Q1 Budget 2023/24 | Q1 Variance 2023/24 | Full Year Forecast 2023/24 | Full Year Budget 2023/24 | Full Year Variance 2023/24 |
|-----------------------------------|------------------------|-------------------|---------------------|----------------------------|--------------------------|----------------------------|
| | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 |
| NYES | 5 | 8 | (3) | 20 | 30 | (10) |
| NYnet | 116 | 93 | 23 | 347 | 376 | (29) |
| First North Law | 4 | 3 | 1 | 10 | 11 | (1) |
| Brierley Homes | (93) | (93) | - | 959 | 959 | - |
| Align PP | 376 | 60 | 316 | 700 | 700 | - |
| Yorwaste | 237 | 91 | 146 | 652 | 78 | 574 |
| Veritau | 40 | 4 | 36 | 51 | 15 | 36 |
| NY Highways | 10 | 5 | 5 | 26 | 19 | 7 |
| Bracewell Homes | (3) | (7) | 4 | 1,519 | 1,519 | - |
| Maple Park | 113 | 75 | 38 | 233 | 72 | 161 |
| Brimhams Active | (166) | (397) | 231 | (330) | - | (330) |
| Total (NYC % Shareholding) | 639 | (159) | 797 | 4,187 | 3,779 | 408 |

Table 3 – Brierley Group Shareholder Value

| Projected Shareholder Value | Total NYC |
|-------------------------------------|---------------|
| Financial Year: | 23-24 |
| Value | £000 |
| Profit / (Loss) before Tax | 4,187 |
| NYCC Support Service Contracts | 428 |
| NYCC Loan Financing Interest | 1,610 |
| Other Deliverable Shareholder Value | 4,513 |
| Total | 10,738 |

- 4.2 Tables 1 and 2 show a projected year-end trading profit before tax across the Group of £4.187m against a budget of £3.779m for the 2023/24 year; representing a £408k out-performance. All entities, bar NYES, are meeting or exceeding budget at Q1, with NYES showing a small deficit against budget of £3k.
- 4.3 Align has achieved a Q1 forecast against budget of £316k but are prudently projecting that the year-end outturn position will be in line with the budgeted pre-tax profit of £700k. This position will be reviewed in Q2 and it is hoped that, as a minimum, the surplus will be maintained within the remainder of the year, which will improve the forecast outturn surplus projection for the Group, and result in a projected pre-tax profit in excess of £1m.
- 4.4 All organisations are projecting pre-tax profits for the year except for Brimhams Active. The projected year-end loss, and equivalent projected budget shortfall, for Brimhams stands at £330k and is due to the aforementioned exceptional one-off trading shortfalls arising from the construction delays and delayed opening of two leisure facilities that are operated within their portfolio.
- 4.5 **North Yorkshire Education Services (NYES)**

NYES is forecasting a small trading profit for 2023/24 of £20k, after making allowance for a £840k contribution to the Council's central core overheads. Revenue is slightly ahead of

target as at Q1 and this position is expected to improve further in the remainder of the year. This surplus is however offset by projected overspend on budgeted costs, resulting in a net outturn overspend against budget of £10k for the year. Although this position is disappointing it does reflect a significant improvement against the prior year's trading results.

2022/23 was a particularly difficult trading year for NYES, with the year-end position showing a loss of £566k after making allowance for central core overheads. The majority of this loss related to the catering service. A catering re-pricing exercise was undertaken in Q3 to try to mitigate the disproportionate effects of inflationary cost pressures on the service, which primarily resulted from the NJC pay settlement. The re-pricing took effect in January 2023 and did have a positive effect on the outturn position, however was not sufficient to achieve the year end break even position that was projected at Q3. The legacy impact of Covid continued to impact the catering service in 2022/23 with a reduction in on-site students and the purchase of meals. The service is focussing on strategies and service improvements and are working with schools to revive meal numbers back to pre-covid figures.

The labour market continues to be very difficult in all sectors of NYES, limiting the businesses ability to expand. Many traded services continue to encounter issues with recruitment and retention, leading to the need to forego some business opportunities and issue some customer refunds. As a portfolio of services that rely on skilled and experienced staff, retention and staff development is a key challenge in delivering a high quality and viable proposition.

LGR continues to impact on the internal services that fulfil core NYC duties as well as commercial functions. Combined with the difficulties in recruiting staff, resources are having to be diverted to supporting the ongoing transition to the new authority, and this is likely to continue for the next 12 to 18 months, which again inhibits business expansion opportunities within NYES.

The most significant element of NYES trading relates to Catering and Facilities Management. Inflationary cost pressures on pay, fuel, energy and food impact upon the supply chains and staffing costs for these areas; increasing costs and eroding associated margins within NYES. There are signs that inflation is starting to level off, with the Consumer Prices Index (CPI) rising to 7.9% in the 12 months up to June 2024 (which is down from its highest level of 11.1% seen in October 2022).

Given the volatile economic situation, combined with the additional work required for LGR, the NYES service will be focussing on keeping a tight control of costs (external and internal) and concentrating development on key areas where there is a strategic and/or financial advantage to the council.

4.6 **NYnet**

Connectivity remains the largest contributor to Revenue for NYnet, though diversification plans are now beginning to come to fruition with the Company seeing a steady increase in orders from private sector customers. Cost savings for the first quarter have contributed to a higher than budgeted gross profit margin in Q1 and similar cost saving avenues will be looked into for the remainder of the year, which will hopefully improve the outturn position and bring it in line with budgeted pre-tax profit figure of £376k.

NYnet continues to work on the diversification of its product offering to the private sector. It is a difficult and highly competitive market to capture, though the sales team continue to generate promising leads. Rising costs in line with inflation remain the most substantial challenge facing the Company.

4.7 **First North Law**

First North Law continues to operate on a secondment basis, which utilises any unused capacity within NYC's legal team. The available resource has been negatively impacted by both LGR and an increased number of vacancies. Given these pressures, FNL has faced a challenging first quarter, with turnover tracking behind budget. Despite this, at the conclusion of Q1, FNL recorded a net profit of £4k, and are projecting a £10k pre-tax profit for the year.

Staffing resource remains the key issue and challenge facing the Company.

4.8 **Brierley Homes**

Quarter 1 saw further sales completions at the Company's Yew Tree Farm (Marton cum Grafton) development as well as on the final unit at Millwright Park (Pateley Bridge). This, combined with deposits placed on plots at new developments The Paddocks (Great Ouseburn) and Whorlton Meadows (Swainby), helped to deliver £1.75m of Sales Revenue in the quarter. Facilitation and construction work got underway at both the Ouseburn and Swainby sites during the same period.

Further Sales Completions are expected in Q2 at both Marton cum Grafton as well as Great Ouseburn, where three self-build plots operate on a much shorter development and sale timescale. Financial performance of all active and completed sites is currently projected to meet or exceed Outline Business Case financials, and the Company is projecting a healthy pre-tax profit of £959k for the year.

Approval was obtained in Q2 for the purchase and development of two new sites at Kirkby Mazeard and an adjacent site in Great Ouseburn. It is anticipated that both sites will go into active facilitation and construction during the second half of 2023/24.

Previous viability challenges presented by cost inflation in the Construction sector have been successfully mitigated by a move to a direct contracting model for the sites presently under active construction. The expansion of the current development pipeline to four active sites, with the potential for a further five, will bring its own challenges across a range of areas. These will include the commissioning and active management of multiple sub-contractors, coupled with a substantial increase to transaction volumes.

General inflation is expected to halve to around 5% by the end of 2023/24 but it is clear that Base Rate is already at the upper end of initial projections, and the consequential impact observed on mortgage rates continues to present a risk to the residential housing sector as a whole. Further Base Rate increases have also acted to increase the Company's borrowing costs; while this results in higher interest payments received by NYC, it does introduce additional challenges to the development of viable business cases for the company.

4.9 **Align Property Partners (APP)**

APP continue to build client reputation, win new business and are once again on track to deliver another significant return into the Brierley Group; with a forecasted pre-tax profit of £700k for the financial year. Synergies with NY Highways continue to deliver additional workflows into the Company

APP has achieved a Q1 forecast against budget of £316k but are prudently projecting that the year-end outturn position will be in line with the budgeted pre-tax profit of £700k. This position will be reviewed in Q2 and it is hoped that at least a proportion of the Q1 surplus

will be maintained through within the remainder of the year, which will improve the forecast outturn surplus projection for the Group.

Recruitment and retention of appropriately skilled staff in a competitive marketplace continues to be a challenge for APP. Progress has been made in this area, with reduced utilisation of agency staff and external consultants in the first part of 2023/24 as the company continues to operate in newer markets.

The Teckal status of the company presents a further potential issue in respect of the ability to grow an external client-base in line with market demand and the wider trading aspirations of Align. Teckal provisions require that 80% of revenue be internally derived from the Council over a rolling 3 year period. Options are being appraised to address this constraint.

4.10 Yorwaste

Yorwaste financial performance is tracking ahead of budget, with NYC's share of pre-tax profit being projected at £652k for the year due to the increased revenues from power generation and commercial activity from disposal tonnages. Underlying costs were also favourable overall with tight equipment and staff cost controls and continuing challenges with recruitment and retention in some areas.

Annual targets require significant top up tonnage to meet the AWRP target for 2023-24 and future years, therefore a key commercial focus for the business is to obtain that tonnage, through the development of commercial initiatives.

Gas prices are at an all-time high this year, which has improved revenue generation within Q1. It is expected that prices will return to more "normal" levels in 2024/25 as electricity prices reduce. This will have a significant negative effect on future year revenue projections. Whilst rates will decrease on the income side, the costs of Yorwaste's own usage will be significantly higher due to the expiry of the Company's present fixed rate arrangements, giving a significant forward challenge from 2024/25 onwards, with most of the impact being felt in 2025/26. The company continues to review the potential for investment in on-site solar to mitigate the impact of the future increases in electricity costs.

The availability of parts and poor support from leasing companies continues to impact the uptime of equipment and keeping the required number of commercial collections vehicles on the road.

4.11 Veritau

Veritau's financial performance is tracking ahead of budget at Q1, with NYC's share of pre-tax profit being projected at £51k for the year. Veritau continues to attract new clients and gain contracts, with a particular area of growth being support provided to other local authority audit teams experiencing resourcing pressures.

Recruitment and retention of appropriately qualified and experienced staff continues to be a concern, in terms of the ability to deliver services. The resourcing pressures are being felt across the sector and represent an ongoing concern for the company.

4.12 North Yorkshire Highways (NYH)

Q1 is tracking slightly ahead of budget due to an increase in the capital schemes and routine and reactive maintenance works undertaken by the Company. This position is projected to continue in the remainder of the year, with a projected profit before interest and tax of £1.275m for the year.

NYH has undertaken several small scale works for NYNet; delivering savings in comparison to an external contractor and is forecast to deliver a solid shareholder return through profitability and interest payable to NYC on its borrowings.

4.13 **Bracewell Homes**

The projected profit before tax for Bracewell homes stands at £1.52m for the year. Profit within the Company is driven through the sale of shared ownership properties within its ownership, and the receipt of rental income on the proportion retained within the Company.

The main challenge for the Company relates to receiving accurate information from developers. Bracewell is due to complete on house purchases at two sites this financial year however neither developer has managed to achieve their initial forecast completion dates.

4.14 **Maple Park**

2023/24 will be Maple Park's second year of operation. Financial performance is tracking ahead of budget at Q1, with a healthy pre-tax profit of £233k being projected for the year.

The facility has received overwhelmingly positive feedback from its visitors and has established itself with families and funeral directors alike. The bereavement facility features an electric cremator making it a "green" facility; contributing towards the Council's net zero ambitions.

Q1 performances has shown the Maple Park facility to be performing better than expected financially and this is predominantly driven by lower than budgeted electricity costs. Energy price volatility may mean this benefit is not replicated in future periods.

Ancillary memorial sales are expected to increase as the site matures and more land is made suitable for memorialisation. There has also been an increase in cremation numbers from 2022/23, with Q1 demonstrating a consistent trend of cremation targets being exceeded.

Work is underway to explore different operating models; specifically the potential to operate Maple Park on an in-house basis.

4.15 **Brimhams Active**

Prior to the start of a financial year the Council and Brimhams agree a contract sum, which is payable by the Council for the operation of the facilities managed by Brimhams. This contract sum payable is equivalent to the level of subsidy needed to run the leisure facilities, based on the operating budget projections for the year. The contract sum does not make any allowance for profit or contingency, resulting in a budgeted break-even position for the Company.

As at Q1 the financial performance of Brimhams is tracking ahead of budget, largely due to salary cost savings arising from a combination of recruitment challenges and late application of the annual pay award, with the backdated award now being set to impact from July 2023.

The delayed opening of two facilities; Harrogate Leisure and Wellness and Knaresborough Leisure and Wellness has been brought about by construction delays and has negatively affected trading projections for the remainder of the year. It is anticipated that this will result in the loss of £476k of revenue against the original 2023/24 budget projection. This loss will be partially offset by cost savings and increased income arising from the bringing forward of planned increases to fees and charges; reducing the projected outturn net budget shortfall

to £330k. Should income overachieve against target upon opening the new facilities, then the adverse financial impact of the delays would be further mitigated.

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North Yorkshire Council

Shareholder Committee

17 October 2023

Update on Leeds City Region Revolving Investment Fund

Report of the Assistant Chief Executive Legal & Democratic Services

1.0 PURPOSE OF REPORT

- 1.1 To update Shareholder Committee on the decision taken in July 2023 to extend the partnership agreement for Leeds City Region Revolving Investment Fund.

2.0 BACKGROUND

- 2.1 The Leeds City Region Revolving Investment Fund Limited Partnership (the “RIF”) is a legal entity formed of various local authorities within the Leeds area to provide short term, commercial loans to support infrastructure and construction projects which help deliver economic growth within the Leeds City region.
- 2.2 Prior to local government reorganisation in April 2023 (“LGR”), Harrogate Borough Council were a party to the RIF. On 1st April 2023, Harrogate Borough Council’s interest in the RIF transferred to The North Yorkshire Council.
- 2.3 The partnership agreement for the RIF was due to expire in July 2023. However, the parties listed in paragraph 3.1 agreed to extend the partnership for a further 10 years, to July 2033. The Council was asked to enter into a variation agreement to extend the partnership and this was signed in July 2023.
- 2.4 Under the Shareholder Committee terms of reference, changes to company governance documents is listed as a decision which falls within the remit of the Shareholder Committee. However, due to the time constraints it was not possible to get Shareholder Committee approval. The Shareholder Representative approved the decision in accordance with his delegations under the Officer’s Delegation Scheme (paragraph 4.4) given the time constraints and this report is intended to inform the Shareholder Committee of the decision that has been taken.

3.0 APPROVAL OF EXTENSION

- 3.1 Harrogate Borough Council were a party to the Limited Partnership Agreement set up in 2013 between a number of the councils in the region as below:
- Leeds City Council (as the lead partner)
 - City of Bradford Metropolitan District Council
 - The Council of the Borough of Kirklees
 - The Council of the City of Wakefield
 - The Council of the City of York
 - Borough Council of Calderdale

- 3.2 The purpose of the partnership was to “pool cash as a region and provide funding for all local authority areas” to provide loans to construction projects, residential houses, offices etc. and later expand the investment strategy to equity funding.
- 3.3 As part of LGR, the Council became a partner to the partnership agreement. The partnership agreement was originally for a term of 10 years, expiring 31 July 2023. The parties decided to extend the agreement for a further 10 years, to 31 July 2033.
- 3.4 Following internal discussions with Nic Harne (Corporate Director Community Development), David Caulfield (Assistant Director Economic Development, Regeneration, Tourism and Skills) and Trevor Watson (Assistant Director Planning) it was confirmed that the Council should continue with the Partnership Agreement as it stands whilst the Economic Development team considers options going forward (giving consideration to the Mayoral Combined Authority geography). Trevor Watson (Assistant Director Planning) was the board member representing Harrogate Borough Council and subsequently David Caulfield (Assistant Director Economic Development, Regeneration, Tourism and Skills) was appointed by the Council as its representative on the RIF board.

4.0 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Withdrawing from the partnership was considered. However, this was discounted as the RIF was considered to be beneficial for the short term whilst a plan was made to consider the options going forwards for the Council. It is still possible to withdraw from the partnership if the Council does not wish to continue by giving 3 months’ notice.

5.0 FINANCIAL IMPLICATIONS

- 5.1 As at September 2023, 17 loans had been made in total in the RIF region with 2016 being the year of the first loan. We understand that one loan has been provided directly in the Harrogate area for a housing development in Markington. Loans are made on commercial terms to local operators, and no loans have been defaulted upon since the inception of the RIF.
- 5.2 When the RIF was established, all partnership shares of the total capital investment were based on the population size of the different areas. Each party receives a share of returns based on their investment.
- 5.3 The Council’s capital commitment to the RIF is £320,000, with £269,000 already paid by Harrogate Borough Council and a further £51,000 available for the RIF to draw down. This amounts to 1.59% of the total fund. Should the Council wish to leave the RIF, the RIF would return the capital paid to the Council.
- 5.4 Harrogate Borough Council had received a total of £62,000 in interest and share of the partnership surplus (£34,000 interest, £ 28,000 surplus) since the inception of the RIF. This equates to an annualised rate of return of 3.3% on the investment.

6.0 LEGAL IMPLICATIONS

- 6.1 The variation agreement was reviewed and approved by Legal and Democratic Services.
- 6.2 If the Council wishes to withdraw from the RIF, it may do so on 3 months’ notice.

7.0 EQUALITIES IMPLICATIONS

- 11.1 None

8.0 CLIMATE CHANGE IMPLICATIONS

8.1 None

9.0 REASONS FOR RECOMMENDATIONS

9.1 The decision was taken by Richard Flinton, as Shareholder Representative, on 28 July 2023 to approve the variation

10.0 RECOMMENDATION(S)

- i) To note the decision taken by the Shareholder Representative on 28 July 2023 and confirm the Shareholder Committee's approval of the decision.

BACKGROUND DOCUMENTS:

*Deed of Variation
Partnership Agreement*

*Barry Khan
Assistant Chief Executive Legal and Democratic Services
County Hall
Northallerton
(Insert date)*

Report Author – *Bethany Bilby, Solicitor*
Presenter of Report – *Barry Khan, Assistant Chief Executive Legal and Democratic Services*

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

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Shareholder Committee Work Programme

| Meeting Date | Items of Business |
|----------------------------------|--|
| 25 May 2021 | <ol style="list-style-type: none"> 1. Brierley Group Annual Report 2020/21 & Brierley Group Business Plans 2. Align Property Partners – Articles of Association 3. NYnet Ltd – Articles of Association 4. Work Programme 2021/22 |
| 14 September 2021 | <ol style="list-style-type: none"> 1. Brierley Group Q1 2021/22 Performance Report 2. Work Programme 2021/22 |
| 18 January 2022 | <ol style="list-style-type: none"> 1. Brierley Group Q2 2021/22 Performance Report 2. Work Programme 2021/22 |
| 21 June 2022 @ 12:30pm | <ol style="list-style-type: none"> 1. Brierley Group Q3 2021/22 Performance Report 2. Work Programme 2021/22 |
| 18 October 2022 @ 12:30pm | <ol style="list-style-type: none"> 1. Brierley Group Q4 2021/22 Report & Summary of Brierley Group Business Plans 2. Work Programme 2022/23 |
| 14 February 2023 @ 1pm | <ol style="list-style-type: none"> 1. Transferal of Shares in District and Borough Companies to NYCC 2. Work Programme 2022/23 |
| 21 March 2023 @ 1pm | <ol style="list-style-type: none"> 1. Brierley Group Q2 2022/23 Performance Report 2. Border to Coast Governance Arrangements 3. Work Programme 2022/23 |
| 20 June 2023 @ 12:30pm | Meeting Cancelled |
| 17 October 2023 @ 12:30pm | <ol style="list-style-type: none"> 1. Brierley Group Q1 2023/24 Report 2. Leeds City Region Revolving Investment Fund Update 3. Work Programme 2023/24 |
| 20 March 2024 @ 12:30pm | <ol style="list-style-type: none"> 1. Brierley Group Q2 2023/24 Performance Report 2. Work Programme 2023/24 |

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