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

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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)**

CNCDL 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.