

Shareholders Committee

Brierley Group Plan

2021-24

Brierley Group Plan Summary

Introduction

The phrase 'exceptional circumstances' would seem trite and overused by now however it is a fair description of the year gone and, in particular, for the Brierley Group paints a mixed picture of performance. With reported profit before interest & tax of £117k vs a budget of £558k (variance of -£441k), the year can be considered to be relatively successful given the context. Within that detail, there are a number of notable successes:

- General responsiveness of the Group to both changing circumstances (working remotely) and volatility in demand, ensuring costs were mitigated as far as possible through use of the furlough scheme or otherwise via close management. This was particularly important for those companies trading within the Education sector with schools being closed during lockdown periods. At its peak 670 staff were on furlough representing 25% of the total workforce.
- Continued roll out of Local Full Fibre Network (LFFN) by NYnet, creating the platform for future business growth.
- Yorwaste enabled vital continuity of service at household waste recycling centres (HWRCs) through use of COVID-19 safety measures.
- Planning consent given for four Brierley Homes sites: Woodfield Square (19 units), Pateley Bridge (20 units), Marton-cum-Grafton (22 units) and Swainby (9 units) with construction now underway at three of those sites (all except Swainby). This marks a step up for the company moving from its pilot phase into delivery.

The full extent of the challenge to the Brierley Group through the year can be best demonstrated by considering that during periods of lockdown, e.g. schools closures, the ability to trade was severely restricted. Given there were two periods of national lockdown as well as local measures in-between, a total of approximately four trading months were lost in the year. It is therefore to be expected that a number of the constituent bodies within the Brierley Group have faced particular challenges and underachieved against their pre-COVID-19 business plans. North Yorkshire Education Services stands out amongst those given its nature of trading into the education sector with sales of £34.8m vs plan of £39.1m (c11% drop in earning).

Consideration also needs to be given towards the Brierley Group's supply chain, who themselves have not been immune to the market issues. In addition to COVID-19, Brexit has thrown a further level of complication and potential risk into the Group's ability to draw in the supplies and services it requires to provide customers with the end product.

- Catering – it comes as no surprise that the catering sector, and more broadly, the hospitality industry has suffered significantly through the pandemic. Whilst the service has supported free school meals through school closures and holidays; there has been a significant drop in meals for 'mainstream' pupils during those closures. Despite the County Council providing a level of financial aid to its suppliers, there is a continued risk that lower demand exposes that supply chain.
- IT components – global shortage in semi-conductors driven both by reduced supply (due to the pandemic) and increase in demand (due to changing habits). The impact is both in terms of services provided to customers (e.g. Schools ICT as part of NYES) as well as directly to the Group's IT functions.
- Vehicle procurements – ahead of go-live NY Highways has experienced difficulties in sourcing vehicles from the EU in particular in a reliable and timely manner. Again, this is due in part to reduced supply and increase in demand, e.g. additional vehicles required for supermarket home deliveries.

And finally, the County Council took a decision on 16 February 2021¹ to ‘wind-up’ SJB Recycling Ltd, the company has been a trading body in the Brierley Group since its inception and therefore a notable change.

Current Market Conditions

Uncertainty is the watchword for the national, and to a greater extent the international, picture of trading over the near-term horizon. As the UK recovers from the economic & humanitarian shock of 2020, there are causes for optimism on what the future looks like, with associated opportunity within. Figure 1 below shows the extent of that shock and where the economy sits now relative to its pre-covid levels.

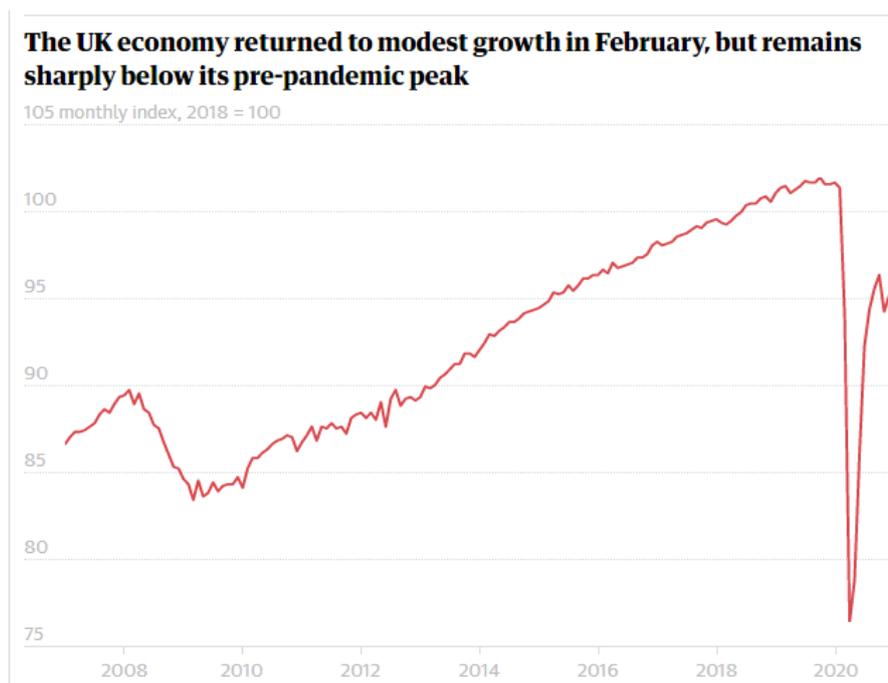


Figure 1 - Source ONS (via Guardian)

Closer to home, the Brierley Group is once again actively trading with each company now relatively unfettered, i.e. current lockdown measures are not prohibitive; a good indicator of this is that only 14 employees are currently on full time furlough compared to the peak of 670.

Government’s “Roadmap out of lockdown” sets a series of clear steps moving towards full recovery with dates of 17 May (most businesses in all but the highest risk sectors) and 21 June (remove all legal limits on social contact) being key. Uncoupling the impact of Brexit from easing of lockdown measures is difficult, however indicators are that the UK economy is starting to rebound:

1. Bank of England – interest rates held at 0.1% with positive sentiment that economy is expected to grow 7.25% in 2021².
2. Unemployment – with the furlough scheme extended to September 2021, it is difficult to say with certainty or accuracy how UK unemployment will fare through the remainder of the year, however the current measure shows it has fallen to 4.9% in the three months to February 2021 (compared to c 4% pre-covid)
3. Retail sales have returned close to pre-pandemic levels although there has been a shift to online.

¹ Decision record can be found: <https://edemocracy.northyorks.gov.uk/documents/s2630/Winding-up%20of%20SJB%20Recycling%20Ltd.pdf>

² Source: Bank of England 6 May 2021: <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2021/may-2021>

Putting this together gives some cause for optimism for the prospects of the Group over the next twelve month's trading.

Longer term, it is clear there is a structural challenge to reinvigorate the economy. The Government have announced a series of funding initiatives, e.g. Levelling Up Fund, Community Renewal Fund, National Bus Strategy funding, etc... which all intend to promote growth nationally. This has been backed through the Queen's speech on 11 May 2021, where the overriding message was, through investment, deliver national recovery. Notwithstanding, the question remains on whether this will achieve the desired result as it is fair to assume there will be more turbulence ahead.

Group Business Plan Summary

Given that context, it is important the Group sets a level of ambition to match those opportunities yet similarly account for threats & shocks over the three-year plan period.

The areas of focus are:

- Continue to ensure high levels of health and safety and environment performance.
- In recovering from COVID-19 and lockdown measures, help support and develop our existing customers with a particular focus on the education, health and other public sector bodies.
- Develop products and services that meet the needs of both new and existing customers and are fit for the future.
- Seek sustainability improvements and at least match the shareholder's ambition of becoming net carbon neutral by, or as close as possible to, 2030.
- Increase shareholder value (see financial section).

NY Highways

The imminent launch of the company, NY Highways, on 1 June 2021 marks a significant milestone for both the County Council and the Brierley Group. Its significance is borne out of ambition at both scale and complexity for the change undertaken. The following extract from the company's business plan best describes the challenges being faced:

Our Vision, Mission and Objectives are the foundation to this Business Plan: they demonstrate our planned contribution to North Yorkshire by pursuing our vision to become a nationally recognised brand, famous for our progressive and innovative drive to continually adapt to a changing world.

Our values of Safety, Customer, Quality, Innovation, Agility and Ethics will shape the way we work while focusing on delivering efficient, effective and right-first-time highways services for the citizens of North Yorkshire; cementing North Yorkshire County Council's (NYCC) reputation as an innovative and forward-thinking Council. Central to our purpose is to provide commercial advantage to the Council and become service provider of choice for our peers and third-party clients. This Year One plan sets out our success criteria and plots a path to achieving our goals.

NY Highways is committed to making a meaningful, positive impact on our communities by contributing to resilience, safety, sustainable economic growth, and respecting and enhancing the environment in which we live. We will seek to actively reduce the carbon footprint of previous highways operations and aim to recycle 80% of waste materials created by the business.

It is our intention to provide added value in 2021/22 and beyond by delivering desirable outcomes for the Council: working with more North Yorkshire SMEs; contributing to North Yorkshire's economic growth by supporting people back into work; and enhancing skills in the workforce. For every £1 we spend, we will target £0.70 being re-invested back into the local economy. NY Highways values its people above all else and will invest in them to ensure that all our people are encouraged to maximise their potential, contribute to our future success as a business and add value to our communities in a socially responsible and sustainable way.

The mobilisation of any highway's maintenance contract is complex and challenging. Mobilisation coupled with the setting up of a new business entity requires significant investment of time and resources to ensure that services are delivered on day one without detriment to the customer. NYCC has delivered that investment and NY Highways is set to be the first Highways Teckal in the country to be formed after outsourcing delivery to the private sector. NYCC have delivered several high-quality Teckal businesses through the Brierley Group, but NY Highways represents the most significant challenge to date. Our first year will be a "baselining" year, going beyond the quantum of money it takes to run the business to gain an in-depth knowledge of the cost base to provide a foundation for the coming years. Our delivery programme for 2021/22 is outlined, together with our financial, operational, and cultural predictions for the year ahead and beyond.

To move the business forward beyond year one, we have an ambitious Business Development Plan linked to a buoyant highways market and aims to reduce revenue spending.

Brierley Group Plan Financial Summary

The following table sets out the 2020/21 financial position as at the year-end for North Yorkshire County Council's share of the Brierley Group.

Brierley Group	Actuals 2020/21	Budget 2020/21	Variance 2020/21
	£,000	£,000	£,000
Revenue	59,913	64,668	(4,756)
Cost of Sale/Service	(53,429)	(56,790)	3,361
Gross Profit	6,484	7,878	(1,395)
Overheads & Other Costs	(6,266)	(6,506)	240
Other Trading Income/(Loss)	(586)	(523)	(63)
Other Gains/(Losses)	454	(336)	790
Operating Profit	86	514	(428)
Finance Income	32	44	(13)
Profit before Interest & Tax	117	558	(441)
Interest Paid	(530)	(619)	89
Tax (Expense)/Surplus	(226)	(39)	(187)
Profit after Tax	(639)	(99)	(539)

* Consolidated figures based on NYCC Brierley Group shareholding.

The following table sets out the financial position for North Yorkshire County Council's share of the Brierley Group over the three-year period 2020-23:

Brierley Group	Budget 2020/21	Actual 2020/21	Plan 2021/22	Plan 2022/23
	£,000	£,000	£,000	£,000
Revenue	64,668	59,913	102,532	123,719
Profit before Tax	558	117	1,121	2,351

Note:

2021/22 excludes Brierley Homes however does include 10 months of trading for NY Highways after going live 1 June 2021.

2022/23 excludes Brierley Homes however does include a full year of trading for NY Highways.