

North Yorkshire Council

Shareholder Committee

21st October 2025

Brierley Group 2025/26 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 the draft Q1 position for the Brierley Group for financial year 2025-26.
- 1.2 To provide shareholder approval for the payment of a £1 million dividend to North Yorkshire Council by Align Property Partners Limited, reflecting the continued strong trading performance of the company during the year.
- 1.3 To provide shareholder approval to allow North Yorkshire Highways to expand its operations to include property works.

2.0 SUMMARY – BRIERLEY GROUP HEADLINES

- 2.1 Based on Q1 performance for 2025-26, the forecast outturn for the Brierley Group indicates a **pre-tax profit of £4.416m**, which is broadly in line with the budget set for the year. The group also continues to deliver significant additional value for the Council, with a full year forecast **Shareholder Value of c£13.3m**.
- 2.2 **Align Property Partners and Align Property Services** performance at Q1 indicates that the strong trading position seen in recent years will be sustained, with the full year forecast indicating a profit before tax of £1.9m. As a result, a further £1m dividend is proposed to be paid to North Yorkshire Council (para 5.5).
- 2.3 **Brierley Homes** are reporting a projected forecast outturn of £348k profit as at Q1, on the basis of all predicted sales being received in year. If there are further delays to the timing of sales, there is likely to be an impact on in year profitability. The position will be updated at Q2 reporting.
- 2.4 **Yorwaste, NYNet and NYES** continue to deliver strong returns, with NYC's share of outturn profits forecast at £510k, £565k and £564k respectively.
- 2.5 **NY Highways** are forecasting a full year net profit of £133k compared to a budget of £85k, due to an increase in budgeted profit margin. A shareholder value of £2.0m is forecast for the year, £1.1m of which comprises efficiencies derived by NYC from works undertaken by NY Highways.

3. Current Challenges

- 3.1 **Brierley Homes** was established in 2016, by the then North Yorkshire County Council, to deliver homes for market sale with the profits to be reinvested into frontline services. The company generates broader shareholder value for the Council, primarily through loan arrangements between the two parties - with the loans carrying interest rates above base rate to reflect the commercial nature of the company's operations. Following Local Government Reorganisation Brierley Homes' objectives have evolved, largely due to the new Council's role in increasing the supply of affordable housing units across the region.
- 3.3 Following a move to direct contracting as the main delivery method for Brierley Homes, the model is now being used for all sites presently under active construction. Combined with the expansion of the current development pipeline to six active sites and a further ten in the extended pipeline, this brings several challenges across a range of areas. These include the commissioning and active management of multiple sub-contractors as well as enhanced responsibilities around CIS, coupled with a substantial increase to transaction volumes. Additional resources have been brought in with the appropriate skill sets to support the future development.
- 3.4 Another area that has become increasingly more challenging for Brierley Homes is predicting income and managing receipt dates. The company is moving towards monthly contracted works where possible to combat the current market and ensure a robust funded pipeline. Due to a number of expected sales not being received in mid-July, an urgent decision was made by the Executive Member for Finance to grant an additional loan of £1.4m to the Company in order to ensure suppliers could be paid on time. This was reported to Executive on 19 August 2025.
- 3.5 In recognition of the issues faced by Brierley Homes an independent, external review of the company was requested by Brierley Group. The findings of that review were presented to the Executive in September 2025. At the meeting Executive noted the conclusions and recommendations of the review and approved additional loan facility headroom to Brierley Homes of £2m to ensure Brierley Homes has appropriate cashflow over the short term.
- 3.6 Other challenges within the Brierley Group relate to resourcing, recruitment and retention of professional staff, and inflationary cost pressures. The labour market continues to be very difficult in all sectors, limiting a lot of businesses ability to expand, with a significant rise in the number of economically inactive people, leading to vacancies across the portfolio. Apprentices are increasingly being appointed to mitigate these challenges, with NY Highways committing to maintaining a 5% or greater apprenticeship rate against total number of staff employed.
- 3.7 General inflation (RPI) was 4.8% in July 2025 down from highs of 14% in November 2022. Inflation continues to have substantial impacts across all companies with particularly impacts on loan interest, utilities, and overheads.
- 3.8 Customer attrition due to academisation and Multi Academy Trust (MAT) mergers pose a significant long-term threat to the business model of some **NYES** services, with a number schools joining MATs that already have their own provisions for professional support services. While bidding for and winning such MAT contracts presents a growth opportunity, accommodating the typical size of these contracts may require extra service capacity building and further development of our own bidding and contract management expertise.

4 **Current and future areas of development**

- 4.1 **Yorwaste** are progressing their strategy to maximise the control of asset maintenance and servicing to maximise uptime and therefore minimise disruption and minimise costs. Vehicle maintenance continues to be a key focus, and the new ownership strategy is facilitating improvement in control and costs
- 4.2 **NY Highways** are working with the property service to expand their offering and deliver responsive repairs for NYC once the current third party contract comes to an end.
- 4.3 **Align** have recently recruited a new head of sustainability, this presents an exciting opportunity to explore new workstreams as well as enhancing offerings on existing relationships.
- 4.4 Many companies are undertaking initiatives to drive cost efficiencies and address recruitment issues as well as develop their future sales pipelines.

5 2025/26 Q1 Brierley Group Financial Summary

- 5.1 The following tables set out the 2025/26 Q1 position and variance to budget 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	Q1 Budget	Q1 Variance	Full Year Forecast	Full Year Budget	Full Year Variance
	£000	£000	£000	£000	£000	£000
Revenue	34,470	34,905	(435)	203,153	197,799	5,354
Cost of Sale/Service	(29,549)	(29,702)	152	(175,250)	(169,435)	(5,815)
Gross Profit	4,921	5,203	(283)	27,903	28,364	(461)
Overheads & Other Costs	(3,846)	(3,969)	123	(19,563)	(19,817)	254
Other Trading Income/(Loss)	153	12	141	188	47	141
Other Gains/(Losses)	-	-	-	-	-	-
Operating Profit	1,228	1,246	(19)	8,529	8,594	(66)
Finance Income	45	31	14	141	128	13
Profit before Interest & Tax	1,273	1,277	(5)	8,669	8,722	(53)
Interest Paid	(729)	(766)	37	(4,253)	(4,278)	25
Profit before Tax (NYC% Shareholding)	543	511	32	4,416	4,444	(28)

Table 2 – Forecast Variance to Budget by organisation

Company	Q1 Performance 2025/26	Q1 Budget 2025/26	Q1 Variance	Full Year Forecast 2025/26	Full Year Budget 2025/26	Full Year Variance
	£000	£000	£000	£000	£000	£000
NYnet	133	124	9	565	565	-
First North Law	27	12	15	62	50	12
Brierley Homes	(525)	(486)	(39)	348	704	(356)
Align PP	357	486	(129)	1,941	1,947	(6)
Yorwaste	213	203	10	510	466	44
Veritau	(20)	13	(33)	50	50	-
NY Highways	25	15	10	133	85	48
Bracewell Homes	192	19	173	243	77	166
Total (NYC % Shareholding) External companies	402	386	16	3,852	3,944	(92)
NYES	141	125	16	564	500	64
Total (NYC % Shareholding) all	543	511	32	4,416	4,444	(28)

Table 3 – Brierley Group Shareholder Value

Projected Shareholder Value	Trading Entities	General Fund Entities	TOTAL NYC
Financial Year:	25-26	25-26	25-26
Value	£000	£000	£000
Profit / (Loss) before Tax	3,852	564	4,416
NYC Support Service Contracts	328	97	425
NYC Loan Financing Interest	2,519	-	2,519
Other Deliverable Shareholder Value	5,968	-	5,968
Total	12,667	661	13,328

5.2 Tables 1 and 2 above highlight a 2025/26 full year forecast outturn pre-tax profit of £4,416k for the Brierley Group entities (£3,852k excluding performance on General Fund related operations). This is against a budget of £4,444k (£3,944k excluding General Fund related operations). Further narrative by entity can be found in **Appendix A**.

5.3 All entities are forecast to end the 2025/26 financial year with a profit.

5.4 A total Shareholder Value of £13,328k is forecast for the 2025/26 financial year. This is categorised by group profitability, margins on support service contracts and loan financing arrangements, along with other Shareholder Value in the form of financial benefits and cost savings which the Council derives from the trading and operational arrangements that are in place with the Brierley Board entities.

6 Shareholder Financial returns

As stated in previous financial reports, Align Property Partners has enjoyed strong financial performance in recent years and the company's board of directors have resolved to pay a dividend to the Council as shareholder. The payment of dividends is a reserved matter for the Shareholder Committee under the Shareholder Committee's Terms of Reference (paragraph 13) and the Shareholder Committee is therefore requested to consider and approve the attached Written Resolution at **Appendix B**. Once approved, the Written Resolution must be signed on behalf of the Council.

7 North Yorkshire Highways Ltd expansion of duties

- 7.1 North Yorkshire Council currently outsources its property compliance and maintenance works to a private contractor. That contract is due to expire in January 2026. The council's Teckal company, NY Highways Limited (NYH), delivers highway maintenance works across North Yorkshire. It is proposed that property compliance and maintenance is added to the portfolio of works already undertaken by NYH as well as larger corporate or other capital schemes.
- 7.2 The contract will be a JCT Measured Term contract and is estimated to be for a period of ten years with a break option and rolling extensions. The pricing model will be the same as the existing contract for highways operations. To deliver this work NYH will recruit multi trades and engage property maintenance contractors through its dynamic purchasing system, which offers a flexible route to market.
- 7.3 To enter into this contract with the council NYH will need to expand its business to include more general property compliance, maintenance and repair works as well as general capital building schemes. In addition to seeking approval to enter this contract with the council, approval is also therefore sought from the Shareholder Committee to make the necessary amendments to NYH's governance documents to include more general property compliance, repair and building works and capital schemes.

8 Recommendations

- 8.1 The Shareholder Committee are requested to:
- i) note the report and the Brierley Group Q1 Financial Performance for the 2025/26 year.
 - ii) approve the Written Resolution at **Appendix B** for the payment of a dividend of £1 million to The North Yorkshire Council by Align Property Partners Limited.
 - iii) authorise the Chief Executive (as Shareholder Representative) to sign the Written Resolution and any other relevant shareholder resolutions relating to this dividend.
 - iv) provide approval to make the necessary changes to NY Highways Ltd's governance documents to include general property compliance, repair and maintenance works as well as larger capital schemes.
 - v) provide approval for NYH to enter into contract with the council to deliver its general property compliance, repair and buildings works as well as larger capital schemes.

Kerry Metcalfe

Assistant Director, Commercial, Property and Procurement

Corporate Director - Resources

Date: 07/10/2025

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.

APPENDICES:

Appendix A – Detailed Company by Company Update

Appendix B – Written Resolution of Align Property Partners Limited

North Yorkshire Education Services (NYES)

NYES is projected to realise a net surplus of £564k in 2025-26 (after allowing for hub costs and centrally allocated overheads of £1.93m), which exceeds the budgeted net profit by £64k.

Multiple services have reported a higher than expected profit, including the Financial Management Service (FMS) who achieved savings driven by management restructure, and expanded support to existing contracts. The HR Advisory service achieved secondment savings, and the Cleaning service have staff vacancies covered by the less expensive mobile cleaning team as well as a lower than budgeted pay award.

The Catering service reported a profit slightly lower than expected due to a loss of 14 school contracts including 4 secondary schools. Management and staff structure are being reviewed to mitigate this loss.

Customer attrition due to academisation and Multi Academy Trust (MAT) mergers pose a significant long-term threat to the business model of some NYES services. Increasingly, MATs are merging into larger 'super MATs', and schools are joining MATs that already have their own provisions for professional support services. While bidding for and winning such MAT contracts presents a growth opportunity, accommodating the typical size of these MAT contracts may require extra service capacity building and further development of our own bidding and contract management expertise.

NYNet

NYNet reported a net profit of £133k for Q1, exceeding the budgeted figure of £124k. This positive variance reflects strong operational performance, with connectivity continuing to serve as the primary revenue contributor.

A new revenue stream contributing to this quarter's results was the successful delivery of the North Yorkshire Police contract, secured in the previous financial year. The project was completed in a record seven months, concluding in May 2025.

Revenue from NYNet's diversified portfolio has shown continued growth. The company is continuing to expand its product offering through third party partnerships, as well as investing in reseller agreements to support financial resilience.

The broadband sector continues to face decreasing price strategies, posing a challenge to future profitability. In response, NYNet is actively investing in product diversification to mitigate these risks.

First North Law

The Q1 position for First North Law shows a profit before tax of £27k, against a budget of £12k, with projected shareholder value for the year sitting at £71k.

The business continues to grow, with turnover increasing by 30% in 2024-25 in line with the business plan, and profit increasing to £50k for the year. Contracts have been agreed with several public sector clients making this growth achievable. Growth brings challenges associated with increased workload and staffing, although plans are in place to continue to build additional capacity. First North Law is keen to ensure the client portfolio is as diverse as possible to avoid becoming client dependent.

Brierley Homes

Brierley Homes is tracking £39k behind budget as at Q1 due to delays in receiving sales income. The full year net profit forecast stands at £0.35m, reflecting a shortfall of £0.36m compared to the budgeted profit of £0.7m. This is predominantly due to planning not being achieved at one site in the timescales expected when the budget was set, and the contracted income now not expected to be received in 25/26 in its entirety.

Shareholder value for financial year 2025/26 is projected to be a positive £1.9m.

Following a move to direct contracting as the main delivery method, the model is now being used for all sites presently under active construction. Combined with the expansion of the current development pipeline to six active sites and a further ten in the extended pipeline, this brings several challenges across a range of areas. These include the commissioning and active management of multiple sub-contractors as well as enhanced responsibilities around CIS, coupled with a substantial increase to transaction volumes. Additional resources have been brought in with the appropriate skill sets to support the future development of Brierley Homes.

Another area that has become increasingly more challenging is predicting income and managing receipt dates; Brierley Homes are moving towards monthly contracted works where possible to combat the current market and ensure a robust funded pipeline. Due to a number of expected sales not being received in mid-July, in order to ensure suppliers could be paid on time, an urgent decision was made by the Executive Member for Finance to grant an additional loan of £1.4m to the Company. This was reported to Executive on 19 August 2025. This loan to deliver affordable housing is at base rate of interest to reflect the social benefit to support the delivery of affordable homes.

In addition, the independent external review of the company, as requested by Brierley Group, has now been carried out with Tony Dodds submitting his review to the Shareholder which was presented to the Executive in September 2025. At this meeting Executive noted the conclusions and recommendations of the review and approved additional loan facility headroom to Brierley Homes of £2m at the usual commercial rate of interest to be reviewed after 6 months to ensure Brierley Homes has appropriate cashflow over the short term.

Align Property Partners / Align Property Services

The combined Q1 position for Align Property Partners and Align Property Services shows a profit of £357k, against a budget of £486k, representing a shortfall of £129k. This position is however expected to improve in the remainder of the year, with a full year profit projection of £1.9m, which is broadly in line with the budget. The shareholder value forecast for the year currently sits at £2.0m. A £1.0m dividend is planned to be paid in October 2025, in recognition of Align's recent strong financial performance.

The discrepancy between forecast and actual revenue is largely down to the commencement of several significant projects for which time/money has been spent but the projects are not yet at a position where they can be invoiced.

A number of apprentices are due to start in the next few months to mitigate the issue of recruitment and retention of appropriately skilled staff in a competitive marketplace. The company are also appointing a member of NYC's recruitment team on a full-time, secondment basis.

Align have recently recruited a new head of sustainability, this presents an exciting opportunity to explore new workstreams as well as enhancing offerings on existing relationships.

Yorwaste

Yorwaste had a pre-tax profit of £274k in Q1, being £111k behind last year. Net revenue was ahead of budget, driven by commercial activities with third party tipping up and the retention of third-party recycle processing, partly offset by higher disposal costs.

Costs overall in Q1 were slightly ahead of budget. Tight staff cost controls continue, however the company incurred additional temporary agency costs at Household Waste Recycling Centres (HWRC's). Asset management continues to be strong, with additional costs mainly due to timing issues, and more spend in Q1 on Materials Recycling Facilities maintenance. The current year continues to benefit from year-on-year lower vehicle costs as Yorwaste transition from leased to owned vehicles.

Following the recent radio advertising campaign to raise awareness about the upcoming regulatory changes related to Simpler Recycling, Yorwaste experienced a strong first quarter, with both existing and new customers reaching out for recycling solutions. New business was realised in the quarter from local business as well as a number of prospects being developed in the month.

The company continues to develop its sales team to mitigate attrition and drive growth and is actively pursuing tenders and larger contracts. Progress is being made, but market conditions remain highly competitive, and this is not expected to change in the near future.

Yorwaste are progressing their strategy to maximise the control of asset maintenance and servicing to maximise uptime and therefore minimise disruption and minimise costs. Vehicle maintenance continues to be a key focus, and the new ownership strategy is facilitating improvement in control and costs.

Veritau

Veritau are reporting a net loss of £39k for Q1, with the NYC share of this being £20k. Despite this, the full year forecast of a net profit before tax of £100k is still set to be achieved.

Q1 has seen steady growth in new clients and fee income. One aim has been to increase the number of charity clients, and this strategy is beginning to see results. There has also been a number of schools and MATs sign up for services, however an existing contract for internal audit was lost to a competitor when the contract was up for tender, with the competitor putting in a very low bid, presumably to secure the contract.

There were no significant variances and no unexpected costs incurred during the quarter. The main challenge has been recruitment and retention, with the company losing 6 members of staff during the quarter. The strategy continues to be to recruit trainees and support staff, and promote internally, but despite this, staff turnover is higher than it has been in the last 3 years.

Veritau is continuing to invest in updated systems and tools to support the delivery of services. Redaction software is now fully operational, with the service being offered to existing clients and demand increasing.

Customer satisfaction has remained high with 96% of respondents rating the services provided by Veritau as excellent or good, and a separate survey of school clients showing 100% rating data protection services as excellent or good. Client retention also remains strong with 99% of existing clients continuing to purchase services in 2025-26.

NY Highways Ltd

Actual year to date profit at Q1 is a profit of £25k (although it should be noted that actuals only reflect April and May due to report timing). Full year forecasted profit has increased to £133k.

NY Highways are forecasting an overall increase from budget revenue of £6m consisting of £6.4m for NYC work offset by a reduction of £392k preliminary income to recover overheads incurred. Cost of sales have increased in line with the increased revenue.

NY Highways is forecasting overall shareholder value of £2.0m for 2025/26.

Business financial performance is within expected parameters overall. Recruitment has started to take place to create a team that is sufficiently resourced to support delivery of property maintenance works for NYC. NYH has joined the 5% club as part of its commitment in demonstrating social value. This means they maintain a 5% or greater apprenticeship rate against total number of staff employed. NY Highways has also been engaging with local colleges and universities to recruit a year in industry placements and have successfully secured two placements in our commercial and buying team.

Bracewell Homes

Bracewell Homes is reporting a draft profit before tax for Q1 of £192k, against a budget of £19k. The forecast variance to budget is as a result of a lease holder purchasing an increased share in their property.

This is expected to be a relatively static year for Bracewell Homes as there are currently no properties on the open market and those in the pipeline are not expected to be delivered until 2026/27 and beyond.

Company number **10385861**

PRIVATE COMPANY LIMITED BY SHARES

WRITTEN RESOLUTION

of

ALIGN PROPERTY PARTNERS LIMITED (the '**Company**')

30 September 2025

Under Chapter 2 of Part 13 of the Companies Act 2006, the directors of the Company propose that the following resolution is passed as an ordinary resolution (the '**Resolution**').

WRITTEN RESOLUTION

1. To declare a dividend of £1,000,000 (one million pounds) to The North Yorkshire Council for the year ended 31 March 2025.

AGREEMENT

Please read the notes at the end of this document before signifying your agreement to the Resolution.

The undersigned, a person entitled to vote on the Resolution on 30 September 2025, hereby irrevocably agrees to the Resolution:

Signed by the Corporate Representative
of THE NORTH YORKSHIRE
COUNCIL:-

.....

Date:

.....

NOTES

1. If you agree with the Resolution, please indicate your agreement by signing and dating this document where indicated above and returning it to the Company using one of the following delivery methods:

- **By hand:** delivering the signed copy to: **Legal Services, County Hall, Northallerton, North Yorkshire, DL7 8AD.**

- **Post:** returning the signed copy by post to: **Legal Services, County Hall, Northallerton, North Yorkshire, DL7 8AD.**
- **Email:** by attaching a scanned copy of the signed document to an email and sending it to qingzi.bu@northyorks.gov.uk. Please type "**Written Resolution dated 30 September 2025**" in the email subject box.

If you do not agree to the Resolution, you do not need to do anything. You will not be deemed to agree if you fail to reply.

2. Once you have indicated your agreement to the Resolution, you may not revoke your agreement.

3. Unless by **28 October 2025**, sufficient agreement is received for the Resolution to pass, it will lapse. If you agree to the Resolution, please ensure that your agreement reaches us before or during this date.