



Brierley Group Annual Report 2017-18

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Executive Summary

Brierley Group as an overall proposition is in an early phase of development with each individual company at a different stage of maturity. Whilst there is variety to the service offering across the Group there is a heavy reliance on the market of North Yorkshire. 2017-18 was a year of change with a number of notable developments:

- The creation of the Brierley Group as a set of companies working in a more collegiate fashion to achieve overall shareholder value. It is worth noting that as this is newly established there are no prior year comparatives at a Group level. In addition to this North Yorkshire County Council established the Shareholder Committee putting improved governance arrangements around its commercial activities in place.
- Appointment of Managing Directors at North Yorkshire Education Services, Stacey Burlet, and Yorwaste, Sandy Boyle; leading both organisations into new long term business plans.
- Completion of the Todd's acquisition by Yorwaste and successful integration and no noteworthy disruptions to either business, marking a step change in thinking for the company and Group.
- Completion of Solicitors Regulation Authority by First North Law and a subsequent successful launch of the business.
- By achieving planning consent at the Thorpe Willoughby pilot site, Brierley Homes reached a milestone in the company's development.

In terms of financial performance the whole Group attracted £99m revenue resulting in profit after tax of just under £1.9m¹, the indicative shareholder value created from this is in excess of £3m.

¹ Figures are quoted before final external audit opinion and are subject to change.

2017/18 Performance and Highlights

Brierley Group

Year Ended March-18 (£k)	Total NYCC (% share)²
Revenue	89,447
Costs	(87,233)
Operating Profit	2,214
Finance Income	-
Profit before Interest & Tax	2,214
Interest Paid	(315)
Tax (Expense)/Surplus	(137)
Profit after Tax	1,762
Target	1,811
Variance	(49)

NYCC's share of the Group generated profit after tax for the year ended March 2018 is £1.76m against a target of £1.81m³, this includes interest payments back to North Yorkshire County Council of over £300k. Overall this represents good performance against the backdrop of change noted above and is a solid platform as the Group expands outside of the county.

North Yorkshire Education Services

The year was a notable period of change for NYES including a rebrand from SmartSolutions; appointment of a new Managing Director, Stacey Burlet; and a step change in thinking by focusing efforts on out of county business development – historically the significant proportion of revenue was generated from schools in North Yorkshire.

Additionally, the County Council has built a series of challenging, incremental profit targets from NYES into its MTFs over the three year period from April 2017: £100k in 17/18, £500k in 18/19 and £1,000k in 19/20 (total of £1.6m recurring). Other key highlights affecting the financial performance include:

- Reduction in Dedicated Schools Grant (DSG) funding of approximately £700k in the year, directly impacting the profit of two services as they were unable to reflect this reduction in their prices in year. This has now been picked up in pricing for 2018/19.
- A number of fundamental changes to some services have either taken place or are planned shortly. For example the Catering Service is moving to a 'Fixed

² Figures quoted here represent North Yorkshire County Council's share of Brierley Group.

³ No Group level prior year comparative is available.

Meal Price' (FMP) basis for all schools, whilst this is in line with the rest of the market there has been some mixed feedback from existing schools.

- A significant challenge remains in respect of schools converting to academy status and the risk associated with NYES losing business.
- The priority for the company year is to embed the new operating model allowing new and existing staff scope to integrate and deliver the plan for out of county expansion. In addition to this is the development of a robust long term business plan for NYES which will help identify further opportunity areas and return on investment.

NYnet

NYnet delivered a strong performance in the year with profit in excess resulting mainly from impact of unbudgeted BT Deemed Consent service credit. Overall performance of the company also remains strong as uptake of the network has exceeded initial expectations and as a result Overage is outperforming BT's original projections. Other highlights for the year include:

- Award of the £15.1m Local Full Fibre Network (LFFN) wave 2 bid to NYnet, in conjunction with NYCC, which will improve the quality of broadband connections across North Yorkshire.
- Successful tender to the Health and Social Care Network (HSCN) and to the North & South Tees network. The value of these two awards is significant as it continues to demonstrate credibility in the Health sector where historically the focus has been on schools and corporate.

First North Law

The company marked a clear milestone when it completed its compliance with Solicitors Regulatory Authority (SRA) enabling the company to launch for new business. The financial performance is a reflection of that with only a small amount of income offsetting the start-up costs in the year ended March 2018.

Since launching the company has invested in sales and marketing receiving positive feedback from clients, other Local Authorities and others in the industry. This is a really healthy start for the company and already prospects are encouraging with sales in York and Lancashire during April 2018.

Now that the company is fully established it is developing its sales plan and the resources required to support that. This is a key action in early 2018-19 to make sure it capitalises on the positive start with its marketing.

Brierley Homes

Brierley Homes has made good progression on its pilot development site at Thorpe Willoughby through the year and was able to secure land title transfer on 19 April 2018. This has enabled the company to move ahead with the construction through 2018-19 and is planning to start marketing for sales in September. To date the project has performed well and working alongside Align Property Partners and consultants Spawforths has enabled the team to develop their understanding from the pilot. The figures to the year ending March 2018 reflect progress at that point in time, notably only the preliminary costs had been incurred with land transfer and construction costs to come through this year.

The second site to be developed has been agreed as Marton-Cum-Grafton and planning permission has been submitted for review. A further five sites have been identified to work up next. The challenge for the coming year is to balance focus on successful delivery of the two existing sites whilst progressing the next five.

Align Property Partners

Align Property Partners (APP) has delivered strong performance from the first full year of operations having migrated from the previous contract with Kier. The challenge for 2017-18 was to diversify its client base as it had a heavy reliance on North Yorkshire County Council. This has been achieved with the following notable successes:

- Winning a tender for Cumbria County Council's design framework contract
- Delivering design work to Hambleton District
- Working with Redcar & Cleveland
- Expanding in the Health sector through work on the NHS – North framework.

These business development successes mark a step change for the company, significantly the expansion into Cumbria, in growing its presence outside of North Yorkshire.

Additional to the above, APP has also started to diversify its offering by working with Brierley Homes and consultant partner Spawforths to develop skillset in housing. This presents a good opportunity for APP to build its client footprint within the geography of North Yorkshire.

The greatest challenge for 2018/19 will be to maintain current performance with its key client, NYCC, whilst impressing in those new areas. To aid this, the company is planning to identify a secondary base of operations near Penrith which will act as a platform to support and grow in Cumbria, whilst being a reasonable distance to support to and from North Yorkshire.

Yorwaste/SJB

The year started with the acquisition Todds Waste Management and subsequent integration, as a result the focus of effort was on ensuring stability of both businesses, including staff; retaining performance and customers but also reaping benefits of sharing best practice. Overall the integration has been a success predominantly with the best aspects of both companies being adopted.

Another milestone for both Yorwaste and NYCC was the go-live opening of Allerton Waste Recovery Park (AWRP) which raised the practical implications of hitting the optimum waste tonnage threshold ('T-Band 2') through the 'Teckal' model. After some initial issues with waste composition – notably oversized material, the company is forecasting to hit that sweet spot for 2018-19.

In April 2018, the company mobilised City of York Council's & North Yorkshire County Council's HWRCs having taken over operations from Kier. The first year of operation presented a learning curve for the company and some issues were experienced, including the unplanned closure of one site. However the team, working closely with the client, has improved performance overall.

In terms of financial performance for the year ended March 2018, the company delivered overall shareholder value however slightly underachieved against its target. One of the factors behind this is a result of the ongoing repair costs at the Seamer Carr materials recovery facility (MRF). The company is currently developing a longer term business plan and is considering the strategic importance of co-mingled recycle, pending a decision the company is working on a "make do" basis for Seamer Carr.

Veritau

The 'GDPR effect' has had a positive impact on revenue generated by Veritau through 2017-18 as customers were gearing up to the implementation date in May 2018. Coupled with this is winning additional work with a number of other Local Authorities: Sheffield City Council, Gloucestershire County Council, Leicestershire County Council and Cheshire East Council during the year. The value of this work has partly been offset by the costs associated with hiring additional staff to manage the increased volume.

The main challenge for Veritau continues to be recruiting and retaining skilled staff, this puts pressure on existing employees but also costs through needing temporary staff to cover. To address this, the company is developing talent from within through dedicated training packages.

2018-19 Brierley Group Key Issues & Challenges

Whilst progress has been made in respect of building working practice across the Brierley Group, this remains an areas of development for the coming year. A specific example is a more joined up approach to business planning whereby opportunities across the Group are flagged and taken.

Coupled with the above is the need to appropriately resource to support the aspirations of the Group to ensure North Yorkshire County Council generates the shareholder value needed over the long term. This includes, but is not limited to, shared working between companies and the Council where best practice can be shared and adopted.