



# Shareholder Committee 4 September 2018

Brierley Group Update

2018-19 Quarter 1

## **Brierley Group Update Quarter 1 2018/19**

### **1.0 North Yorkshire Education Services**

- 1.1 NYES is forecasting to generate a contribution of £435k through 2018/19, which compared to the stretch target (£710k) represents a current projected shortfall of £275k. It should be noted that the team are currently developing a robust long term business plan for NYES which will help identify further opportunity areas and return on investment. As part of that plan the team will be looking to invest into sales & marketing in order to extend the reach of services beyond North Yorkshire.
- 1.2 2018/19 is also the second year of MTFs incremental Commercial Challenge target which has increased from £100k in 17/18 to £600k in 18/19; this is included in the target above. It was acknowledged that these would be challenging and stretch targets for all traded services were introduced to bridge the gap between the contribution anticipated from service plans and the total target return from NYES.
- 1.3 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 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.
- 1.4 A significant challenge remains in respect of schools converting to academy status and the risk associated with NYES losing business.

### **2.0 NYnet**

- 2.1 NYnet are reporting £12k less profit than budget for June and year to date is £25k less, however the company are forecasting to bring back in line with budget by the end of year.
- 2.2 The overall NYnet loan (working capital) position with NYCC is £2,398k positive in NYnet's favour. This is £20k away from budget. This is a temporary position due to receipt of £1.8m overage at the end of May. (Note the 'true' loan position with NYCC remains at £5m payable).
- 2.3 In other aspects, the operational performance of NYnet is strong with no Major Network Incidents reported.

### **3.0 First North Law**

- 3.1 First North Law continues to grow organically and in line with the business plan presented in April. Following the launch of the company in March 2018, it has manage to secure business outside of North Yorkshire. As described in the

Enclosure 1 report to this meeting, the Education sector remains a challenging. So whilst the sales volumes are still low, relative to the rest of the Brierley Group, early signs are encouraging.

- 3.2 As part of the business growth plan, the company has taken on additional staff to generate fees; it is anticipated that revenue will increase from autumn 2018. This will enable the company to cover its costs in the future and, should the revenue continue, this should enable the company to become profitable in line with the business plan from 2019.

#### **4.0 Brierley Homes**

- 4.1 Development of the site at Thorpe Willoughby continues to make progress following its acquisition from North Yorkshire County Council earlier in the year. In June, the existing vacant property, Holly Grove, was demolished and construction on site commenced shortly after. It is planned to open the show home in December 2018 with home occupation beginning in summer 2019. As a result the cash flow forecast provided by the company does not anticipate any income in 2018 (with the exception of potential purchase deposits), however the cost of sales will have been incurred in the year.
- 4.2 In parallel to this, 6 further sites have been identified by the company for development and these are currently in various stages of the design and planning process prior to the construction work starting on site.
- 4.3 The loan available to Brierley Homes Ltd remains at £2.75M. As of June 2018 £1.2M of this had been drawn down.
- 4.4 Additionally, the company now has a website which you can access for more information at: <http://brierleyhomes.co.uk/>

#### **5.0 Align Property Partners**

- 5.1 The company reported a net profit for June 2018 £14k behind target, year to date net profit £11k behind target. However, the end of year forecast is to achieve £3k higher than the target.
- 5.2 In addition, Align continues to work with a number of district councils and 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.
- 5.3 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.

## **6.0 Yorwaste**

### **6.1 Health & Safety**

There were four incidents reported during the June period which resulted in injury to Yorwaste employees. One of these incidents resulted in lost time and one was RIDDOR reportable: on 28th June a HWRC Operative at Northallerton was assaulted by a member of the public. He was punched in the face following an exchange of words. A scuffle followed and as result two members of staff were injured. The first sustained a broken tooth and cut/abrasion to his elbow, the other chipped his tooth, and fractured bones in his hand which required surgery. The police were informed and the both injured employees have provided statements. A copy of the site CCTV has been provided to the Police. The nature of the injuries sustained (bone fracture) resulted in the incident being reported to the HSE under RIDDOR.

### **6.2 Finance**

Year to date profit is £266k ahead of target predominantly due to unbudgeted sludge disposal sales at Seamer Carr £160k and £100k landfill upside at Harewood. Delivering to T-Band 2 at AWRP remains challenging with a shortfall year to date of approximately 2,000 tonnes.

## **7.0 SJB**

### **7.1 Health & Safety**

There were no accidents reported during the quarter to SJB Recycling personnel. The last reported injury to an SJB employee was in November 2015.

### **7.2 Finance**

Year to date profit after tax is £9k behind target, this is a result of cost of redundancy for admin staff following a restructure. All other costs are broadly in line with budget.

## **8.0 Veritau**

8.1 Performance is on target for all clients. In addition, over 450 individual schools from across the North of England have signed up for the new Data Protection Officer Service. The demand for the service continues to be high so we have had to introduce a temporary freeze on new business whilst we support those schools who have already signed up. In addition, we have been supporting a number of GP practices and pharmacies to prepare for GDPR.

- 8.2 Our bid to participate in the NFI business rates pilot organised by the Cabinet Office has been successful. We understand that competition to participate was very strong and only 7 groups were chosen nationally. In addition to our member councils we were joined in the bid by Harrogate Borough Council, Leeds City Council, Doncaster MBC, Kirklees MDC, and Barnsley MBC. We have also been shortlisted in two categories for the annual Institute of Revenues, Rating and Valuation (IRRV) awards for fraud and innovation. The awards ceremony takes place in October.
- 8.3 To help promote the business, we have invested in a conference stand and exhibited at two recent public sector conferences (PPMA in Gateshead and the IRRV spring conference in Leeds). The plan is to also attend the IRRV conference in October and the ICO annual conference in the spring.
- 8.4 Finally, we are progressing a number of system developments including a new website and case management system (for the DPO service).

## **9.0 Key Issues & Challenges**

- 9.1 Additional information on the key issues and challenges is provided at Appendix A, which is exempt on the basis that it contains information of the type defined in paragraph 3 of Part 1 of Schedule 12A Local Government Act 1972 (as amended) i.e. information relating to individuals and to the financial or business affairs of any particular person (including the authority holding that information).

## **10.0 Recommendation**

- 10.1 The Shareholder Committee are asked to note the quarter 1 financial and performance position of the Brierley Group.

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