

CITY OF YORK COUNCIL SHAREHOLDER COMMITTEE

19 March 2024

Veritau Limited Business Update

Introduction

- 1 Veritau Limited is a local authority shared service company jointly owned by City of York Council (CYC) and North Yorkshire Council (NYC). The company was established in 2009. The company has one active subsidiary company, Veritau Tees Valley Limited. Together the companies form the Veritau Group.
- 2 The Veritau Group currently has 4 member councils but also provides services to a large number of multi-academy trusts and schools, housing associations and other public sector organisations. The group employs over 90 professional staff and offers a range of assurance services, including internal audit, counter fraud, risk management, and information governance. The majority of these services are provided to organisations in the Yorkshire and Teesside regions although the group has clients across the United Kingdom.
- 3 Veritau delivers shareholder value to its member councils through:
 - economies of scale resulting in lower unit costs
 - increased efficiencies and flexibility – standard working practices ensure there is less duplication of effort and best practice is more easily shared
 - improved access to specialist resources (for example data analytics, risk management and counter fraud specialists) that would otherwise not be available to a small in-house team
 - increased resilience and the ability to accommodate changes in workload because of the larger pool of staff available
 - improved service continuity and less reliance on key members of staff for service delivery
 - the ability to invest in new technologies and working practices

Finance and Performance Update

- 4 Since the last meeting of the Shareholder Committee on 23 October 2023, the Group has continued to promote its internal audit and data protection services to schools and other public sector organisations. New clients gained in the period include Pathfinder MAT, the Galileo Trust, Nexus MAT, Share MAT, Prince Regent Street Trust, Ironstone

Academy Trust, Centurion Multi-Academy Trust, Horizons Specialist Academy Trust and Owlcotes MAT.

- 5 During the period three trainees have completed their professional qualifications and progressed to be officers. In addition, we have recruited a further four trainees.
- 6 The implementation of our new audit management system, K10 Vision is underway. This is a significant project which will also involve changes to working practices. The initial configuration stages and user training have been completed. The system needs to be operational by 1 April 2024, so we are working to tight timescales.
- 7 We have also gained Cyber Essentials accreditation, confirmed our commitment to be a Disability Confident employer and signed up to the Prompt Payment Code (PPC). The Code is administered by the Office of the Small Business Commissioner and signatories commit to paying their suppliers in time. We have also reviewed and updated our Corporate Social Responsibility statement.

2023/24 Management Accounts

- 8 The management accounts for the 10 months trading to 31 January 2024 show that the Group is on target to achieve its budgeted profit, as follows:

	2023/24 YTD budget £ (k)	2023/24 YTD actual £ (k)
Turnover	3,103	3,181
Cost of sales	(2,842)	(2,879)
Gross profit	261	302
Other income	9	24
Overheads	(244)	(298)
Net profit before tax	26	28

2024/25 Business Plan

- 9 The business plan sets out the strategic aims of the Veritau group for the next three years to 2027, and the service priorities for 2024/25. The business plan also includes details of the Group budget for 2024/25, as follows:

	2024/25	2023/24
	£ (k)	£ (k)
Turnover	3,813	3,724
Cost of sales	(3,462)	(3,410)
Gross profit	351	314
Other income	24	11
Overheads	(338)	(293)
Net profit before tax	37	32

- 10 Capital expenditure of £42k is planned in 2024/25 (2023/24 - £38k). This includes further upgrades to the website client portal and investment in a helpdesk management system and new redaction software. There will also be continuing investment in data analytics and IT hardware.
- 11 The key business priorities for 2024/25 include the continued expansion of the customer base and a focus on developing the quality and scope of the service offering. Expanding the customer base includes the expected admission of new member councils and the provision of services across a wider geographical area. Using technology to support more effective and agile working will also remain a priority.
- 12 In addition, the following service priorities have been identified for 2024/25:
- internal audit – to use the new K10 Vision audit management system to improve efficiency and client communications, further develop the use of agile auditing techniques, increase data analytics / IT audit capacity and promote our services to academy schools. We will also look to develop the use of AI to support service delivery.
 - information governance – to continue to promote data protection and information access services to schools and other clients, and to implement new redaction software and a helpdesk management system
 - counter fraud – to promote counter fraud services to councils, housing associations and schools, to increase the use of data analytics, and to develop a range of eLearning courses
 - risk management – to be seen as the provider of first choice for member councils and other clients, and to promote risk management products and services for academy schools

- 13 Other specific service development / improvement priorities for 2024/25 are set out in the Business Plan.
- 14 A copy of the 2024/25 business plan is attached as **appendix 1**. The detailed Group budget for 2024/25 is also attached as **appendix 2** for information. The business plan and budget are confidential because they contain commercially sensitive information.

Future expansion

- 15 As noted in paragraph 11 above, discussions have been taking place with a number of councils over the last two years about the possibility of joining Veritau. Two of those councils have now formally requested to join next year. The proposed admission of these councils will require some changes to the existing structure of Veritau. A preferred operating model has been identified and legal advice obtained on whether it will satisfy the Teckal principles. Approval for the proposed changes will be required from both NYC and CYC. It is important that the new structure supports the continued growth of the business, protects the interests of the member councils and is Teckal compliant.
- 16 A further report will be brought to this committee with details of the proposed changes.

Recommendations

- 17 That the shareholder committee:
- a) notes the Group's performance since the last business update report in October 2023
 - b) approves the 2024/25 business plan
 - c) notes the proposed expansion of Veritau

Implications

- 18 ***Legal Implications***
- a) With regards to the approval of the 2024/25 Business Plan, under Article 12.4.1 of the CYC Constitution, the Shareholder Committee has been delegated authority to approve this document.
 - b) The 2024/25 Business Plan can be exempt under Section 100I and paragraphs 3 and 4 of Schedule 12A of the 1972 Local Government Act due to commercial sensitivities.

- c) Regarding the expansion proposals, it is noted that a further report will be brought to the shareholder committee in due course. Any such proposals however will require the advice and input of the Council's Legal Services team to ensure compliance with:
- a. Regulation 12(1) of the Public Contract Regulations 2015 (and from 1st October 2024, Schedule 2, Part 1, Paragraph 2 of the Procurement Act 2023);
 - b. the CYC Constitution (specifically, but not limited to, Article 12); and
 - c. the Company's Articles of Association.

19 ***Other Implications***

There are no financial, HR, equalities, crime and disorder, information technology, property or other implications arising from this report.

Appendices (Confidential)

Appendix 1 – 2024/25 Veritau Group business plan
Appendix 2 – 2024/24 Veritau Group budget

Further Information

Contact: Max Thomas – Chief Executive max.thomas@veritau.co.uk