

CITY OF YORK COUNCIL SHAREHOLDER COMMITTEE

13 March 2023

Veritau Limited Business Update

Introduction

- 1 Veritau Limited is a local authority shared service company jointly owned by the City of York Council (CYC) and North Yorkshire County Council (NYCC). The company was established in 2009. The company has two subsidiary companies, Veritau North Yorkshire Limited and Veritau Tees Valley Limited, which are part owned by other councils. Together the companies form the Veritau Group.
- 2 The wider Veritau Group currently has 9 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 approximately 80 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 Local government reorganisation in North Yorkshire will result in a number of changes for the business. The number of member councils will reduce to 4 from 1 April 2023, and Veritau North Yorkshire Limited will effectively cease trading. As a result, current VNY employees will transfer to Veritau Limited on 1 April. Staff currently providing internal audit and information governance services at Harrogate Borough Council and Craven District Council will also be transferring to Veritau Limited.
- 4 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

- 5 Since the last meeting of the Shareholder Committee on 31 October 2022, the Group has continued to gain contracts to provide internal audit and data protection services to schools and other public sector organisations. However, staff retention continues to be a problem and it is often difficult to fill vacant posts. This is limiting our ability to grow the business. To help mitigate the risk, we have recently recruited a further 5 graduate trainees. Additional recruitment of graduate trainees is planned over the next year.
- 6 We also continue to support our staff to gain professional qualifications and relevant experience, and to progress within the business. Since the last committee meeting, an 'aspiring manager' and a trainee information governance officer have both completed their professional qualifications and progressed. A further two Internal Auditors and a Senior Information Governance Officer have been promoted.
- 7 Staff sickness (for the group) is currently 5.2 days per FTE as at 31 January 2023 (2021/22 – 9.8 days).
- 8 TUPE consultation meetings are taking place with those members of staff currently employed by Harrogate Borough Council and Craven District Council who will be transferring to Veritau Limited. TUPE consultation meetings are also taking place with those employees who are transferring from Veritau North Yorkshire Limited to Veritau Limited.

2022/23 Management Accounts

- 9 The Veritau Limited and Group management accounts for the 10 months to 31 January 2023 are attached for information as confidential **appendix 1**. The management accounts include a forecast to the year end. A copy of the latest balance sheet for Veritau Limited is also attached as confidential **appendix 2** for information.
- 10 As previously reported, external income is projected to be higher than expected but the 2022/23 pay award was above budget (the average increase was 6.35% compared to the 3% we allowed in the

budget). The Group is therefore expected to only breakeven this year.

2023/24 Business Plan

- 11 The business plan sets out the strategic aims of the Veritau group for the next three years to 2026, and the service priorities for 2023/24. The business plan also includes details of the Group budget for 2023/24, as follows:

	2023/24	2022/23
	£ (k)	£ (k)
Turnover	3,724	2,990
Cost of sales	(3,410)	(2,694)
Gross profit	314	296
Other income	11	3
Overheads	(293)	(254)
Net profit before tax	32	45

- 12 Capital expenditure of £38k is planned in 2023/24 (2022/23 - £30k). This includes further upgrades to the website client portal, producing additional e-learning courses, and further investment in our core case management systems, data analytics and IT hardware.
- 13 The key business priorities for 2023/24 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 potential 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.
- 14 Support will continue to be provided to the new North Yorkshire Council as service transformation programmes are established and work to integrate systems and processes continues. We will also support those staff who have transferred directly to Veritau as part of the process.
- 15 In addition, the following service priorities have been identified for 2023/24:

- internal audit – to develop the use of new agile auditing techniques, to increase data analytics / IT audit capacity, to offer co-sourced services to other councils, and to promote services to academy schools
 - information governance – to be seen as the provider of first choice for member councils, to continue to promote DPO and information access services to schools and other clients, and to launch Veritau Learn (our eLearning platform for clients)
 - 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
- 16 Other specific service development / improvements priorities for 2023/24 are set out in the Business Plan.
- 17 A copy of the 2023/24 business plan is attached as **appendix 3**. The detailed Group budget for 2023/24 is also attached as **appendix 4** for information. The business plan and budget are confidential because they contain commercially sensitive information.

Purchase of Veritau North Yorkshire Limited shares

- 18 Veritau North Yorkshire Limited (VNY) was incorporated in February 2012. The purpose of the company was to enable a number of the North Yorkshire district and borough councils to join Veritau and for Veritau to provide services to those councils. The creation of a separate company enabled the new councils to be brought into the group without any dilution of CYC and NYCC control. VNY started trading in April 2012.
- 19 Veritau Limited owns 50% of the shares in VNY with the remaining shares currently held by 5 of the North Yorkshire district and borough councils.
- 20 Since incorporation, VNY has traded successfully with its member councils and by 31 March 2023, is expected to have distributable reserves of approximately £180k.
- 21 As a result of local government reorganisation in North Yorkshire, the shares held by the 5 district and borough councils will transfer to the new North Yorkshire Council (NYC) on 1 April 2023. As a

result of the transfer, NYC will then effectively own 75% of VNY (50% of the shares directly and 25% of the shares indirectly through its ownership of Veritau limited).

- 22 Veritau Limited is proposing to purchase these shares from NYC shortly after the date of transfer for £90k (being 50% of VNY's distributable reserves). This will mean that VNY will then become a wholly owned subsidiary of Veritau Limited. The share purchase has a number of advantages, including:
- it restores the existing balance of control between NYC and CYC
 - given the possibility of new member councils joining Veritau in the future, VNY (renamed) would provide a suitable vehicle to allow this to happen. The onboarding process would therefore be easier
- 23 The respective value of each shareholder's interest in Veritau would not be affected by the share purchase. The purchase of the shares would be shown as an investment on Veritau Limited's balance sheet.
- 24 The purchase of shares is however a reserved matter in Veritau Limited's shareholder agreement and therefore requires the unanimous agreement of both NYC and CYC as shareholders in Veritau Limited. NYC will also need to agree to the sale of its interest in VNY.

Procurement

- 25 As previously reported, the majority of the Group's expenditure is employee related, and support services (for example, IT, legal, HR and payroll) are mostly provided by our member councils. Procurement activity is therefore limited. Any goods and services which are bought-in are procured in accordance with the Group's contract procedure rules.

Sustainability

- 26 As previously reported, the Group's business objectives include a specific commitment to ensure the business is delivered in an environmentally sustainable manner. This commitment is underpinned by our environment and sustainability policy.
- 27 The Group has also moved to a hybrid working model as a way to reduce travel and hence our carbon footprint. We have also recently obtained Good Business Charter accreditation. As part of

this we now need to set clear environmental objectives relevant to the organisation, including our approach to achieving net zero. We also need to identify relevant performance targets and encourage the development of good environmental practice by our employees, suppliers and clients.

- 28 We have also been doing more to raise awareness of the impact of climate change within the business. Staff now have access to an introduction to climate change eLearning course. Environmental issues are also a regular feature of internal training events. At a recent training event, we arranged for the Head of Carbon Reduction at CYC to give a presentation on the council's plans to achieve net zero. At previous events we have had the Energy and Carbon – Operations Manager from NYCC give a presentation on energy use / costs and energy efficiency, and the Head of the Local Enterprise Partnership give a presentation on how the devolution deal for North Yorkshire and York would help the region to achieve net zero.

Recommendations

- 29 That the shareholder committee:
- notes the Group's performance since the last business update report in October 2022
 - approves the 2023/24 Business Plan
 - approves the purchase by Veritau Limited of the shares in VNY, currently owned by the North Yorkshire district and borough councils, which are transferring to NYC on 1 April 2023

Appendices (Confidential)

Appendix 1 – 2022/23 Veritau Group management accounts (period to 31 January 2023)

Appendix 2 – Veritau Limited balance sheet as at 31 January 2023

Appendix 3 – 2023/24 Veritau Group business plan

Appendix 4 – 2023/24 Veritau Group budget

Further Information

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