

## **CYC SHAREHOLDER SCRUTINY COMMITTEE**

### **City of York Trading Ltd Update**

#### **Content**

The Committee has before it City of York Trading Ltd's annual audited accounts for 2019/20, together with a report containing the Company's business plan for 2020/21, the Company's Annual Budget for 2020/21 and performance information for 2020/21 to date, on which Karen Bull, Operations Director and Interim Managing Director will address the Committee.

In addition, the Committee has a further report from the Company's Remuneration Committee and recommendations around Executive Director appointment, on which Cllr Ian Cuthbertson, Chairman of the Company's Board and Remuneration Committee will address the Committee.

#### **Business Reporting Cycle**

The City of York Trading Ltd business cycle has the following key elements:-

1. Annual Budget – approved by the City of York Trading Ltd Board of Directors on 27<sup>th</sup> March 2020 and submitted to the Shareholder. This contains commercially sensitive information and is not for general circulation
2. Annual Business Plan 2020/21 – a summary of objectives approved by the City of York Trading Ltd Board of Directors and submitted to the Shareholders for approval. This contains commercially sensitive information and is not for general circulation.
3. Annual external accounts audit – signed audited accounts for 2019/20 approved by the City of York Trading Ltd Board of Directors on 28<sup>th</sup> August 2020.

It is anticipated that in future, the Annual Budget will be presented to the CYC shareholder committee each March and the Business Plan Update will be presented each October.

## **Business Plan – Executive Summary**

City of York Trading Ltd (trading as WorkwithYork, WorkwithSchools and WorkwithYorkshire) was formed in 2011 with the intention of supplying temporary staff to CYC, to schools (in and around the York area) and to other outside organisations.

Through City of York Trading Ltd, the reductions in cost to CYC and the return of the profit achieved are designed to assist CYC's financial position. If CYC had to source staff in the open market, the cost would be substantially higher than current rates paid to the Company.

CYC receive an annual dividend payment based on the annual profits of City of York Trading Ltd and this will increase as the Company is able to build on its success to date and to grow further.

### **Key Company Matters 2020/21:-**

#### **The Board of Directors**

##### **Current**

- The Board of Directors of the Company currently comprises Karen Bull (Operations Director and Interim Managing Director – Executive Director) with Non-Executive Directors Cllr Ian Cuthbertson (Chair), Cllr Kallum Taylor, Cllr Simon Daubeney, John Dobson and Oliver Wright.

#### **Background**

- *Early 2019 - restoring order to the Board*  
During the period January and February 2019, the then Managing Director of the Company (who had in 2018 completed the TUPE process for a number of CYC staff who had been seconded to CYT Ltd) restructured the Company as approved by the Shareholder Committee to ensure that all staff members would now have CYT job descriptions and were working on the same terms and conditions instead of having separate conditions for two different sections of the workforce.

- Following the subsequent resignation of the Company's then Chairman in late February 2019, it became necessary to find a replacement Council Non-Executive Director; to adjust the numbers further, a third Council Non-Executive Director was added at this point. Two new Council Non-Executive Directors (Rawlings, Cuthbertson) were then appointed to join the remaining one (Funnell) bringing the quota of Council Non-Executive Directors back up to that in the Shareholder Agreement. However, replacements were also needed for two Non-Executive Directors who had resigned and the then Managing Director (Executive Director) was due to finish his contract at end-March after being given an extension to that date.
- To replace the two external Non-Executive Directors who had resigned in November 2018, the then Managing Director had set in hand an exercise to recruit replacements. By the March 2019 Board meeting one prospective external Non-Executive Director candidate was awaiting interview.
- *Succession Plan for the MD*  
At the March 2019 Board meeting, an initial Managing Director succession plan was put forward by the then Chairman; the proposal was that the Operations Director would take over the joint role for an interim period and it was accepted, Karen Bull (Operations Director) agreeing to take on the interim role. A previous paper about the Managing Director succession plan, which had been prepared by former members of the Company's Remuneration Committee, was not discussed by the Board at this point. However, the Board would be missing an Executive Director once the then Managing Director had finished his contract.
- *Changes arising from the 2019 Local Election*  
After the April 2019 Board meeting, one of the Council Non-Executive Directors (Funnell) stood down as a councillor and the other (Rawlings) failed to gain re-election. By this time, Council Non-Executive Directors Rawlings and Cuthbertson had both met the prospective external Non-

Executive Director candidate and had felt he would be a suitable addition to the Board. A new Council Non-Executive Director (K Taylor) was appointed but for some reason no appointment was made to the third Council Non-Executive Director post, which remained unfilled.

- *Progress on the Interim Joint Operations Director/Managing Director role*  
Discussions about the role and reviews of progress with the postholder from April to August 2019 showed that the joint Operations Director and Managing Director role was quite feasible, although there would be some extra pressure on the postholder. It was felt that this could be relieved by appointing an office clerical support person who would operate very much as a PA/Co-ordinator. Alongside this, John Dobson was approved by the Shareholder as external Non-Executive Director on 3rd September 2019.
- *Second external non-Exec Director and Shareholder Committee meeting*  
By the end of September 2019, recruitment of a second external Non-Executive Director was underway and an outline programme of Shareholder Committee meetings was being planned, the first for mid-November 2019. Recruitment of the second external Non-Executive Director should be possible in time for approval at the Shareholder Committee meeting.
- The Shareholder Committee meeting was held on 17<sup>th</sup> December 2019, the Company's business plan was approved and the financial accounts were presented. Oliver Wright's appointment as the second external Non-Executive Director was formally approved.
- *Recruiting to the post of Managing Director*  
Between the Company's January 2020 and March 2020 Board meetings, the Remuneration Committee made the decision to move to a single Managing Director Executive Director arrangement and considered how this might be achieved. An HR consultant was engaged at an early stage. Taking a route based on an open advert was not ideal in the current lockdown situation and might incur risks. By contrast, taking an

assimilation approach would allow the Role Profiles for the two roles to be compared and, if successful, would allow the Company to get on with achieving its overall strategic aims rather than being locked into an external recruitment process for some months.

- Unfortunately, by the April and May 2020 meetings, Committee members were raising concerns about the lack of response from the HR consultant and it was then decided to employ different HR advisory company, who had assisted the previous MD with the earlier Company restructure. They were asked to prepare a Role Profile and to advise about a possible assimilation approach to transferring between the two roles. The new Managing Director Role Profile would need to have a similar format and layout to all others in the Company, including the joint Operations Director/Managing Director Role Profile in order to compare; alongside this, would come a report outlining the background to the process and an assimilation analysis, which should provide a means of comparing and matching the two Role Profiles.

### **Proposal**

- The Company's Remuneration Committee (comprising Non-Executive Directors only), assisted by these HR advisors, has now prepared a report containing recommendations to the Shareholder around this Executive Director Appointment, however this contains information relating to individuals and the financial affairs of particular persons and is not for general circulation.

### **Company Performance**

- The Company's Management Accountant prepares financial reports and the Operations Director and Interim Managing Director prepares performance reports both on a monthly basis, Board Meetings are held monthly to coincide with this.
- Overall, the performance of the Company financially year-to-date has been affected by Covid-19, however the Company remains profitable. The performance review information provided to the Shareholder within

the 2020/21 business plan contains commercially sensitive information and is not for general circulation.

- Key Performance Indicators are monitored on weekly and monthly basis.
- Marketing activities continue, including utilisation of the Company's websites and social media channels.
- In addition to the CYC and Schools business, the Company has expanded into commercial recruitment and this is planned to increase further. More details are contained in the 2020/21 business plan submitted to the Shareholder, however it contains commercially sensitive information and is not for general circulation.

### **Shareholder Approvals**

Shareholder approval is being sought for the following:-

- Approval of Annual Business Plan 2020-21
- Approval of the Company's Remuneration Committee report recommendations for Executive Director appointment.

### **Appendices**

1. City of York Trading Ltd Financial Statements year ending 31<sup>st</sup> March 2020

**The following documents are not for general circulation:-**

2. Business Plan 2020–21 (including annual budget summary 2020/21 and performance information for 2020/21 to date). **Commercially sensitive**
3. Remuneration Committee report and recommendations for Executive Director Appointment October 2020. **Information relating to individuals and the financial affairs of particular persons**