

## Notice of a public meeting of

### Shareholder Committee

**To:** Councillors: Ayre (Chair) and D'Agorne

**Date:** Thursday, 5 November 2020

**Time:** 4.30 pm

**Venue:** Remote Meeting

### AGENDA

#### 1. **Declarations of Interest**

At this point in the meeting Members are asked to declare:

- any personal interests not included on the Register of Interests
- any prejudicial interests or
- any disclosable pecuniary interests

which they may have in respect of business on this agenda.

#### 2. **Minutes** (Pages 1 - 6)

To approve and sign the minutes of the last meeting of the Committee held on 17 December 2019.

#### 3. **Exclusion of Press and Public**

To consider excluding the public and press from the meeting during consideration of the following items:

- (i) Agenda item 5, Veritau Limited Business Update:
  - Annex A - 2019-20 Veritau Group Annual Report
  - Annex B - Veritau Business Plan 2020-23

- (ii) Agenda item 6, City of York Trading Ltd Update
  - Annex A: City Of York Trading Ltd Business Plan 2020/21
  - Annex B: City Of York Trading Ltd - Remuneration Committee Report
  
- (iii) Agenda Item 7, Yorwaste Trading Update and Reporting that SJB Recycling has Ceased Trading
  
- (iv) Agenda Item 8, Make It York Managing Director's Report
  - Annex A: Analysis of Make It York's current financial position
  - A range of forecasts for the coming five years.

On the grounds that these reports and annexes contain information relating to the financial or business affairs of any particular person (including the authority holding that information). This information is classed as exempt under Paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to information) (Variation) Order 2006.

#### **4. Public Participation**

At this point in the meeting members of the public who have registered to speak can do so. Members of the public may speak on agenda items or on matters within the remit of the committee.

**Please note that our registration deadlines have changed to 2 working days before the meeting, in order to facilitate the management of public participation at remote meetings. The deadline for registering at this meeting is 5:00pm on Tuesday, 3 November 2020.**

To register to speak please visit [www.york.gov.uk/AttendCouncilMeetings](http://www.york.gov.uk/AttendCouncilMeetings) to fill out an online registration form. If you have any questions about the registration form or the meeting, please contact the relevant Democracy Officer, on the details at the foot of the agenda.

## **Webcasting of Remote Public Meetings**

Please note that, subject to available resources, this remote public meeting will be webcast including any registered public speakers who have given their permission. The remote public meeting can be viewed live and on demand at [www.york.gov.uk/webcasts](http://www.york.gov.uk/webcasts).

During coronavirus, we've made some changes to how we're running council meetings. See our coronavirus updates ([www.york.gov.uk/COVIDDemocracy](http://www.york.gov.uk/COVIDDemocracy)) for more information on meetings and decisions.

- 5. Veritau Limited Business Update** (Pages 7 - 36)  
Shareholder Committee Members will receive a business update from Veritau Limited and are asked to note the company's performance in 2019/20 and the 2020/23 business plan.

- 6. City of York Trading Ltd Update** (Pages 37 - 80)

The Shareholder Committee will receive a report outlining the 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.

**7. Yorwaste Trading Update and Reporting** (Pages 81 - 90)  
**that SJB Recycling has Ceased Trading**

The Managing Director will be in attendance to present a trading update report for Yorwaste which will include a performance review for the financial year ending 31 March 2020, as well as a current year update. It is also reported that SJB Recycling has ceased trading.

**8. Make It York Managing Director's Report** (Pages 91 - 122)

The Shareholder Committee will receive a report which sets out the performance of the company over the first six months of the financial year. The Committee are asked to note this report and to agree an approach to the Council for financial support, to be submitted to the Executive at its meeting in December.

**9. Urgent Business**

Any other business which the Chair considers urgent under the Local Government Act 1972.

Democracy Officer:

Name – Michelle Bennett

Telephone – 01904 551573

E-mail – michelle.bennett@york.gov.uk

For more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting:

- Business of the meeting
- Any special arrangements
- Copies of reports and
- For receiving reports in other formats

Contact details are set out above.

**This information can be provided in your own language.**

**我們也用您們的語言提供這個信息 (Cantonese)**

এই তথ্য আপনার নিজের ভাষায় দেয়া যেতে পারে। (Bengali)

Ta informacja może być dostarczona w twoim (Polish)  
własnym języku.

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

یہ معلومات آپ کی اپنی زبان (بولی) میں بھی مہیا کی جاسکتی ہیں۔ (Urdu)

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City of York Council

Committee Minutes

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Meeting	Shareholder Committee
Date	17 December 2019
Present	Councillors D'Agorne and Smalley
Apologies	

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### **32. Declarations of Interest**

At this point, Members were asked to declare any personal interests not included on the Register of Interests, prejudicial interest or any disclosable pecuniary interests which they may have in respect of business on the agenda. None were declared.

### **33. Minutes**

Resolved: That the minutes of the last meeting held on 19 November 2019 were approved and signed by the Chair as an accurate record.

### **34. Exclusion of Press and Public**

Members considered the exclusion of the press and public from the meeting for discussion and decision for the exempt agenda Item 8 on the grounds that it contained information relating to the financial or business affairs of any particular person (including the authority holding that information).

Resolved:

- i. That the press and public be excluded from the meeting during consideration of Annexes 1,2, and 4 to agenda item 8 (City of York Trading Business Update), on the grounds that these annexes contained information related to the financial or business affairs of particular persons (including the authority holding that information). This information is classed as exempt under Paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to information) (Variation) Order 2006.
- ii. That the press and public be excluded from the meeting during consideration of Annex 3 to agenda item 8 (City of York Trading Business Update), on the grounds that this annex

contained information relating to an individual. This information is classed as exempt under Paragraph 1 of Schedule 12A to Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to information) (Variation) Order 2006.

### **35. Public Participation**

It was reported that there had been one registration to speak at the meeting under the Council's Public Participation Scheme.

Gwen Swinburn raised several questions regarding the governance processes of the Shareholders Committee and the democratic oversight of the companies the Council was a shareholder of. They also requested that the Committee consider bringing some services back 'in house' where they questioned the performance of these companies that were delivering services.

### **36. Make It York: Appointment of Head of Commercial and Revenue Generation**

Members considered a report that proposed the levels for both the salary and bonuses for the new post of Head of Commercial and Revenue Generation within Make It York (MIY). Members were informed of the objective behind the creation of the post and the problems with recruitment to the post at its current approved level for salaries amounting to £50,000. It was noted that should the Committee agree to MIY offering a salary of £60k and a self-funding bonus scheme up to a value of £20k, it is then anticipated that it will be possible for MIY to conduct a successful recruitment process.

The managing Director of MIY outlined that the role would still have the same six month probation period and be assessed using internal checks and targets. He noted that the meeting of targets would determine the amount of bonus the post holder would earn.

Resolved:

- i. The Committee agreed to Make It York offering a salary of £60k and a self-funding bonus scheme up to a value of £20k in respect of the appointment to the post of Head of Commercial and Revenue Generation on this occasion, as opposed to



being a level increase with wider application for other future Make It York appointments.

Reason: To facilitate successful recruitment to the post whilst complying with the Council's constitution and the Make It York's Articles of Association.

### **37. Make It York - Managing Director's Report**

Members considered a report that included the financial performance of MIY 2019/20 year to date and early views on the key areas of focus for a revised SLA and MIY business Plan. The Managing Director of MIY outlined some of the work undertaken by MIY throughout the year, as well as, noting the positive impact the new structure was having at MIY and the potential for MIY once all the new posts were filled with people in post.

Members noted their approval for the setup of a working group with market traders to tackle challenges around the Christmas Market. They enquired about planning for next year's Christmas Market, Members agreed with the Managing Director of MIY about the potential to have Christmas Market activities spread out across the city centre, to avoid the 'crush' that could be experienced on Parliament Street. Members also enquired about having zero single use plastics being in contracts for next year's Christmas Market.

The Committee highlighted that the Narrative Project should clearly display what benefits are available to being a resident in the city.

Resolved:

- i. That the information provided be noted.

Reason: To ensure that the Committee are content with the financial performance figures for Make it York and the early views outlined on the key areas of focus for a revised SLA and MIY Business Plan.

### **38. Veritau Ltd - Creation of a subsidiary company**

Members considered a report that sought approval for the expansion of Veritau through the creation of a subsidiary company. The proposed new company, Veritau Tees Valley Limited (VTV) would be jointly owned by Redcar and Cleveland Borough Council, Middlesbrough Council and Veritau Limited. Similarly, Members were informed of the outline agreement

reached with Scarborough Borough Council (SBC) for internal audit and fraud services to be transferred to Veritau. This would be achieved by the council being re-admitted to Veritau North Yorkshire Limited.

Members enquired about the £40k investment that would be made from Veritau's reserves, the Director and Head of Internal Audit Veritau Limited informed Members that the company had a reserve of approximately 500k and the investment was considered as being a safe investment to make. He also noted that North Yorkshire County Council had already given their approval to the proposal.

Resolved:

- i. That the Committee approved the creation of a new subsidiary company, Veritau Tees Valley Limited, to enable the expansion of the Veritau group.

Reason: To facilitate the expansion of the Veritau group whilst complying with the council's constitution.

### **39. City of York Trading Ltd Business Update**

Members received a business update from the Operations Director and Interim Managing Director of City of York Trading Ltd, including accounts for 2018/19, and performance information for 2019/20 to date.

Resolved:

- i. That the Committee noted the information provided and approved the City of York Trading Ltd's business plan.

Reason: To confirm that the Committee were content with the for City of York Trading Ltd performance information for 2019/20 and accounts for 2018/19.

### **40. Yorwaste and SJB Recycling Trading Update**

Members received a report that provided them with a business update for Yorwaste and SJB Recycling Trading. The Managing Director Yorwaste Limited & SJB Recycling Limited introduced the report and responded to several questions regarding Yorwaste and SJB Recycling Trading performance.

The Managing Director Yorwaste Limited & SJB Recycling Limited noted the challenge the company would face in the region in relation to composting, with more competitors and as evidenced by losing out on the York Bid. He noted that this greater competition would likely lead to lower costs and/or a higher quality offer from companies. Members also discussed the Governments Waste Strategy, but it was noted that not enough information was currently available on plans around food waste collection.

Resolved:

- i. That the information provided be noted.

Reason: To ensure that the Committee were content with the for City of York Trading Ltd, including accounts for 2018/19, and performance information for 2019/20.

#### **41. Shareholder Committee Forward Plan to December 2021**

Members considered the future plan of reports expected to be presented to the Committee during the forthcoming year to December 2020.

Members noted the comments made during public participation (item 35 above) and asked officers to consideration whether anything raised should inform what was currently on the forward plan.

Resolved:

- i. The Committee's forward plan for the period up to December 2020 be noted.

Reason: To ensure the Committee receives regular reports in accordance with the functions of an effective Shareholder committee.

Cllr A D'Agorne, Chair

[The meeting started at 4.35 pm and finished at 5.42 pm].

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**CITY OF YORK COUNCIL SHAREHOLDER COMMITTEE****5 NOVEMBER 2020****Veritau Limited Business Update****Introduction**

Veritau Limited is a local authority shared service company jointly owned by the City of York Council and North Yorkshire County Council. 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.

The wider Veritau Group 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 70 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 delivered to organisations in the Yorkshire region although the group has clients across the United Kingdom.

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

## 2019/20 Finance and Performance

Veritau Limited celebrated its 10<sup>th</sup> anniversary at the start of the year. Since 2009, the company has achieved a period of sustained growth despite the financial pressures on the public sector. The number of member councils has increased and we've significantly expanded our client base. We've also developed our customer offer so that we now provide a range of complementary assurance services.

This growth continued in 2019/20 with the addition of three new member councils to the group – Middlesbrough Council, Redcar & Cleveland Borough Council and Scarborough Borough Council, and the creation of a new group company. We also gained a number of other new clients.

As the year came to an end, the group had to respond to the emerging Covid-19 pandemic. All staff were set up to work from home and to deliver services remotely. We also created a multi-disciplinary Covid-19 Response Team to help coordinate the fraud prevention support we were able to provide to our council clients.

Turnover and operating profits before tax and pension adjustments for each group company were as follows:

	<u>2019/20</u>	<u>2018/19</u>	
<u>Group Company</u>	<u>Turnover</u> <u>(£k)</u>	<u>Operating</u> <u>Profit (£k)</u>	<u>Operating</u> <u>Profit (£k)</u>
Veritau Limited	1,665 <sup>1</sup>	22.5	49.5
Veritau North Yorkshire Limited	489	12.5	25.5
Veritau Tees Valley Limited (3 months trading)	86	23.1	0
<b>Total</b>	2,240	58.1	75.0

External fee income increased by 7.8% in 2019/20 compared to the previous year. The group has also continued to develop new products to enhance our service to customers and to invest in our professional

<sup>1</sup> Excludes management fees charged to group companies.

training programmes and back office IT systems. This ongoing investment provides a firm foundation to support the group's future growth.

The average number of people employed across the group increased from 53 to 62 FTEs in 2019/20.

The Veritau Limited and Veritau North Yorkshire Limited boards of directors each met three times during the year. The Veritau Tees Valley Limited board of directors met once during the period.

Councillor Nigel Ayre replaced Councillor Ian Gilles as a director of Veritau Limited in June 2019.

Other service developments and achievements during the year have included:

- being shortlisted in two categories of the inaugural Tackling Economic Crime awards (TECA) and for the fourth year running by the Institute of Revenues, Rating and Valuation (IRRV) for their annual Excellence in Counter Fraud award
- maintaining high levels of savings from counter fraud work. Cashable savings for all clients totalled £410k (2018/19 - £602k) with a further £128k (2018/19 - £73k) achieved in notional savings
- supporting City of York Council to achieve its first prosecution for adult social care fraud and Selby District Council its first prosecution for housing tenancy fraud
- preparing a formalised support and development programme for new graduate trainees
- creating a new Marketing and Communications Officer role to improve both client and internal communications
- publishing our new Corporate Social Responsibility statement
- developing a suite of data protection e-learning courses for schools
- adopting a new group governance and decision making framework
- implementing Xero financials across all group companies
- developing a new data analytics strategy and investing further in IT audit capability

A copy of the full 2019/20 annual report is attached as **appendix A**. The report is confidential because it contains commercially sensitive information. At the time of writing, the 2019/20 accounts for both Veritau Limited and Veritau North Yorkshire limited have been approved and audited. However, we are waiting for them to be signed off by our external auditors.

### **2020/23 Business Plan**

The business plan sets out the strategic aims of the Veritau group for the next three years to 2023, and the service priorities for 2020/21. The business plan also includes details of the group budget for 2020/21. The key priorities for 2020/21 are to consolidate the customer base and to focus on developing the quality and scope of the current service offering. The specific service priorities are:

- Internal Audit – to strengthen the IT audit offering and to ensure working arrangements at the new member councils are fully established
- Information Governance – to complete the implementation of the new Workpro Customer Management System, expand the existing DPO client base and develop a new information security offering
- Counter Fraud – to promote fraud services to housing associations and academy schools
- Risk Management – to be seen as the provider of first choice for existing member councils and other clients

A copy of the 2020/23 business plan is attached as **appendix B**. The business plan is confidential because it contains commercially sensitive information.

### **Recommendations**

That the shareholder committee notes the company's performance in 2019/20 and the 2020/23 business plan.



## **Appendices**

Appendix A – 2019/20 Veritau Group annual report (confidential)

Appendix B – 2020/23 Veritau Group business plan (confidential)

## **Further Information**

Contact: Max Thomas – Chief Executive [max.thomas@veritau.co.uk](mailto:max.thomas@veritau.co.uk)

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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**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**

Company Registration No. 07852072 (England and Wales)

**CITY OF YORK TRADING LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**  
**PAGES FOR FILING WITH REGISTRAR**

**CITY OF YORK TRADING LIMITED**

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## CITY OF YORK TRADING LIMITED

## BALANCE SHEET

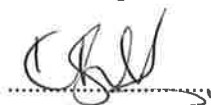
AS AT 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	3		15,302		26,104
Tangible assets	4		9,900		21,906
			<u>25,202</u>		<u>48,010</u>
<b>Current assets</b>					
Debtors	5	730,756		713,941	
Cash at bank and in hand		1,442,793		1,571,653	
		<u>2,173,549</u>		<u>2,285,594</u>	
<b>Creditors: amounts falling due within one year</b>	6	<u>(927,493)</u>		<u>(1,292,928)</u>	
<b>Net current assets</b>			<u>1,246,056</u>		<u>992,666</u>
<b>Total assets less current liabilities</b>			<u>1,271,258</u>		<u>1,040,676</u>
<b>Provisions for liabilities</b>			<u>(1,143)</u>		<u>(2,678)</u>
<b>Net assets</b>			<u>1,270,115</u>		<u>1,037,998</u>
<b>Capital and reserves</b>					
Called up share capital	7		1		1
Profit and loss reserves			1,270,114		1,037,997
<b>Total equity</b>			<u>1,270,115</u>		<u>1,037,998</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 31/08/2020 and are signed on its behalf by:



Ms K Bull  
Director

Company Registration No. 07852072

## CITY OF YORK TRADING LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 1 April 2018</b>		1	789,916	789,917
<b>Year ended 31 March 2019:</b>				
Profit and total comprehensive income for the year		-	338,081	338,081
Dividends		-	(90,000)	(90,000)
<b>Balance at 31 March 2019</b>		1	1,037,997	1,037,998
<b>Year ended 31 March 2020:</b>				
Profit and total comprehensive income for the year		-	332,117	332,117
Dividends		-	(100,000)	(100,000)
<b>Balance at 31 March 2020</b>		1	1,270,114	1,270,115



## CITY OF YORK TRADING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 MARCH 2020**

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#### **1 Accounting policies**

##### **Company information**

City of York Trading Limited is a private company limited by shares incorporated in England and Wales. The registered office is West Offices, Station Rise, York, North Yorkshire, YO1 6GA.

##### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

##### **1.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

##### **1.3 Turnover**

The turnover shown in the profit and loss account represents amounts due for services performed during the period, exclusive of Value Added Tax.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

##### **1.4 Intangible fixed assets - goodwill**

Goodwill represents the excess of the cost of acquisition of business combinations over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 3 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

##### **1.5 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

## CITY OF YORK TRADING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 MARCH 2020

#### 1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	33% straight line
--------------------------------	-------------------

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.8 Financial instruments

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**CITY OF YORK TRADING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2020**

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**1 Accounting policies****(Continued)*****Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**1.9 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**1.10 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

***Deferred tax***

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

**1.11 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**1.12 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

## CITY OF YORK TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2020

**1 Accounting policies****(Continued)****1.13 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

**2 Employees**

The average monthly number of persons (including directors) employed by the company during the year was:

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Total	16	15

The above figures do not include staff on a temporary payroll.

**3 Intangible fixed assets**

	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 April 2019 and 31 March 2020	32,405
<b>Amortisation and impairment</b>	
At 1 April 2019	6,301
Amortisation charged for the year	10,802
At 31 March 2020	17,103
<b>Carrying amount</b>	
At 31 March 2020	15,302
At 31 March 2019	26,104

## CITY OF YORK TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2020

## 4 Tangible fixed assets

	Plant and machinery etc £
<b>Cost</b>	
At 1 April 2019	69,518
Additions	345
At 31 March 2020	<u>69,863</u>
<b>Depreciation and impairment</b>	
At 1 April 2019	47,612
Depreciation charged in the year	12,351
At 31 March 2020	<u>59,963</u>
<b>Carrying amount</b>	
At 31 March 2020	<u>9,900</u>
At 31 March 2019	<u><u>21,906</u></u>

## 5 Debtors

	2020 £	2019 £
<b>Amounts falling due within one year:</b>		
Trade debtors	46,076	51,716
Other debtors	684,680	662,225
	<u>730,756</u>	<u>713,941</u>

## 6 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	145,611	103,972
Corporation tax	83,108	81,403
Other taxation and social security	415,759	885,237
Other creditors	283,015	222,316
	<u>927,493</u>	<u>1,292,928</u>

## CITY OF YORK TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

**7 Called up share capital**

	2020	2019
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
1 Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

**8 Audit report information**

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was Daniel Sowden.

The auditor was BHP LLP.

**9 Operating lease commitments**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2020	2019
	£	£
	4,250	26,880
	<u>4,250</u>	<u>26,880</u>

**10 Events after the reporting date**

As part of their assessment of the going concern basis of preparation, the directors have considered the impact of the COVID-19 pandemic on the company's trade, workforce, supply chain and the wider economies in which it operates. It is the view of the directors that the events which have significantly impacted the company are the direct result of Government and international policy in response to the pandemic (for example restrictions on travel, trade and personal interactions) and such policy only arose after the balance sheet date. The directors therefore consider the impact of the COVID-19 on the business to be an adjusting post-balance sheet event.

**11 Related party transactions****Transactions with related parties**

The company was controlled by The City of York Council ("CYC") who owned 100% of the share capital throughout the period.

During the year the company made sales to, and purchases from CYC, the sole shareholder of the company. The sales to CYC in the year totalled £7,926,419 (2019: £7,602,315) with purchases of £64,936 (2019: £185,615). At the 31 March 2020 there is a balance owed to CYC of £9,816 (2019: £30,768) and a balance due from CYC of £592,057 (2019: £572,944).

During the year dividends of £100,000 (2019: £90,000) were paid to CYC.

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## **YORWASTE**

### **1. How Yorwaste delivers shareholder value.**

As a Teckal company, Yorwaste delivers shareholder value in a number of ways.

**Directly** through either a reduction in the cost of service provision to the shareholding authority or in the generation of profits which accrue to the shareholding authority. This value is enhanced by the operation of commercial activities which can offset operating costs to the authority or enhance the generation of profits.

**Indirectly** through the shareholders' investment in Allerton Waste Recovery Park by maximising their potential financial return from volume related contractual terms.

**Intangibly** in that, as a result of its shareholding ownership, additional ad-hoc services and assistance to the shareholding authority are provided at either cost or zero charge.

The challenge for Yorwaste is to balance the above factors to deliver a cost effective, tax efficient, value for money solution for the local taxpayer.

### **2. Review of performance for financial year ending 31<sup>st</sup> March 2020.**

The fiscal year to March 2020 saw the consolidation of Yorwaste's new operating model and whilst the full year reported a loss, this did not reflect the underlying improvements in Yorwaste core operations.

The reported loss before tax of £544k was the result of two main factors:

The first equates to losses arising from the final year of a seven-year contract at Seamer MRF and the subsequent closure of the facility. This loss-making contract had been problematic for many years and has now ended.

The second factor relates to waste transfer fires of which we had 3 in the same year. These resulted from the careless disposal of lithium ion batteries in general waste streams. Following the in-house development of a low cost, insurer approved fire deluge system, all our transfer stations will have fire suppression systems in place by the end of this year.

### **3. Current Year Update.**

#### **COVID Impact**

Current year trading has been significantly impacted by the COVID crisis. At the start of the lockdown commercial activity dropped to around a third of pre-covid levels. Yorwaste took the decision to allow a no-cost-no-penalty suspension of service to affected customers, a strategy that was welcomed by many local businesses, and then subsequently copied by competitors. Whilst we have seen a gradual recovery, at the half-year mark we are still around 10% down on pre-covid commercial activity.

In response to the crisis Yorwaste actively engaged with NYCC, CYC, and the districts to develop contingency plans. Yorwaste cross trained its drivers to increase our operational flexibility and as a Company was prepared to act as strategic reserve to ensure that general waste would continue to flow. In the end the local authority teams managed their resources well and did not require Yorwaste's assistance, however this scenario demonstrates one of the intangible benefits which the shareholders' investment in Yorwaste can offer.

Throughout the COVID crisis Yorwaste has operated its offices, sites, and HWRCs in compliance with the covid safe operating guidelines from WISH and HSE.

The impact of COVID also saw a significant decrease in residual waste in the first couple of months. This resulted in a shortfall in the volume run rate required to maximise the shareholders' investment in AWRP. Yorwaste was able to source additional material to make up the shortfall and is confident it can deliver the full volume requirement of the current contractual year at the target gate price.

In terms of York's recycling, whilst total recyclate tonnage for H1 was broadly in line with last year, the average market rates for recyclate fell by around 20% due to reduced market demand for resulting from covid's impact on the economy and the increase supply from the on-shoring of UK recyclate which previously had been exported to the far east.



## **H1 Financial Performance**

Despite the impact of covid, Yorwaste is trending ahead of budget at the half year point. This was due to quick and decisive cost management including accessing the government furlough scheme for commercial operations staff; off-hiring vehicles; delaying non-essential maintenance, and postponing capital investment. Whilst some of this positive variance may unwind over the remainder of the year as we catch-up on maintenance and investment we are still forecasting a full year profit position.

### **4. Looking Forward.**

Internally, the company continues to build on recent investment in ICT and asset upgrades to further optimise front line operational service delivery.

Financially, the company has a medium-term challenge in funding the aftercare liabilities and reducing the current levels of debt funding. Whilst these should be manageable, they do limit the Company's ability to fund new strategic investments (e.g. solar & wind farms on closed landfills).

Commercially, Yorwaste continues to target sales growth in a highly competitive market. The recent investment in ICT systems has enabled improvements in our route profitability and we are currently rolling out our new CRM system which will improve the customer experience.

Strategically there are many challenges and opportunities arising from the planned Government Waste Strategy, as well as the potential outcome of the Unitary proposals. The combination of these will shape the future of front-line collections including potential for mandated separate food waste collections and standardised recycling streams. Yorwaste is engaging with the authorities in modelling potential scenarios and will work with the authorities to deliver their required solution.

Whilst there is considerable uncertainty facing the business over the next couple of years, the company is in a strong position to deal with the challenges.

### **SJB Recycling Ceased Trading**

Historically, SJB provided green waste disposal via a co-composting process for a small number of local authority contracts. Following a change in EA guidelines, which resulted in a loss-making business model, the Company ceased operation in March 2020.

The business model for SJB Recycling was originally based on “co-composting” where green waste would be mixed with sewerage solids and matured for 6 to 8 weeks to produce a high-nutrient material which was then used as fertiliser. This allowed the sewerage facility operators to dispose of their by-product in a cost-effective way and, as such, SJB was able to operate on their sites on a highly competitive ground rent.

The Environment Agency then changed the guidelines which essentially ended the co-composting practice. Therefore, SJB had to transition the production process to PAS100 compost, a longer and more costly process which takes 12 weeks maturation. As the sewerage facility operators could no longer use co-composting to dispose of their waste, they sought to renew site rents on a much higher rate, and for a significantly extended lease term.

The higher operating costs pushed SJB from a profitable operation to a loss making one. As existing contracts expired the customers were either not prepared to meet the higher operating costs or offer the volume guarantees required to cover the fixed costs. Being unable to agree acceptable commercial terms with existing customers, and absent any alternative customers within our locale, SJB ceased operations in March 2020.

Aside from its composting operations SJB had a small subsidiary operation, Toddpak, which was a PRN scheme compliance administrator. A by-product of the acquisition of the Todd Waste Management Group, this subsidiary whilst profitable, operated in a highly speculative commercial environment and was not a natural strategic fit for either Yorwaste or SJB. Following discussions and approval from the shareholder Toddpak was sold in early March 2020 at a small profit. The timing of the sale was fortuitous as COVID has seen a dramatic fall in PRN prices which, had we still been holding the company, would likely have resulted in a loss-making position.

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**Shareholder Committee**

5 November 2020

Report of the Assistant Director (Communities &amp; Culture)

**Make It York Managing Director's Report****Summary**

1. The Make It York Managing Director's report sets out the performance of the company over the first six months of the financial year.
2. The report provides Profit and Loss, Balance Sheets and Year-end cash forecasts setting out the company's financial position. They show a significant deficit in the current financial year which is entirely due to Covid-19. As a result of this the company will have a financial "ask" of the council in order to enable it to continue to operate and deliver its services and to allow the business the opportunity to return to a positive Balance Sheet position by the 2024/25 financial year.
3. The report is confidential due to its commercially sensitive nature; however, following the advice of this committee, a public report will be made to the council's Executive in December setting out any proposed financial support to the company.

**Recommendations**

4. The Shareholder Committee is asked to:
  - Note the company's performance
  - Note the company's financial position
  - Agree an approach to the Council for financial support to be submitted to the Executive at its meeting in December

Reason: To comply with the company's Articles of Association.

<b>Author:</b>	<b>Chief Officer responsible for the report:</b>			
Charlie Croft Assistant Director (Communities & Culture) <a href="mailto:charlie.croft@york.gov.uk">charlie.croft@york.gov.uk</a>	Amanda Hatton Corporate Director of Children, Education and Communities			
	Report Approved:	✓	Date:	28.10.20
Wards Affected:				All ✓

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