

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 10th 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>Group Company</u>	<u>2019/20</u>		<u>2018/19</u>
	<u>Turnover (£k)</u>	<u>Operating Profit (£k)</u>	<u>Operating Profit (£k)</u>
Veritau Limited	1,665 ¹	22.5	49.5
Veritau North Yorkshire Limited	489	12.5	25.5
Veritau Tees Valley Limited (3 months trading)	86	23.1	0
Total	<u>2,240</u>	<u>58.1</u>	<u>75.0</u>

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

¹ 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

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