

# **CITY OF YORK COUNCIL SHAREHOLDER COMMITTEE**

**23 October 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 Council (NYC). The company was established in 2009. The company has two subsidiary companies, Veritau North Yorkshire Limited and Veritau Tees Valley Limited. Together the companies form the Veritau Group.
- 2 The wider 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 delivered 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 19 June 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 the Melrose

Learning Trust, Brishaw Learning Partnership, Chester Diocesan Academies Trust and the North East Learning Trust. Ad-hoc work has also been requested by Birmingham Childrens Trust and Hertfordshire County Council.

- 5 During the period one trainee has completed their professional qualifications and progressed to become an Information Governance Officer. Two people have also been promoted to the post of Audit Manager as part of the aspiring manager programme. In addition, a campaign to recruit further trainee internal auditors and information governance officers has been completed.
- 6 To comply with the Public Sector Internal Audit Standards (PSIAS), an external quality assessment (EQA) of our internal audit working practices is required at least every 5 years. The last assessment was completed by the South West Audit Partnership (SWAP) in 2018. The Chartered Institute of Internal Auditors was therefore commissioned to undertake a further review this summer. The outcome of the review was very positive, and the overall opinion was that our internal audit function 'generally conforms' to the PSIAS and IIA standards. A copy of the report will be presented to the next meeting of the Audit and Governance Committee.
- 7 We are now a living wage accredited employer, and our Good Business Charter accreditation has been renewed for a further year.

#### 2022/23 Financial Statements

- 8 The audit of the 2022/23 accounts has now been completed. The operating results for the Group (excluding accounting and pension adjustments and before tax) were:

	<b>2022/23</b>	<b>2021/22</b>
	<b>£ (k)</b>	<b>£ (k)</b>
Turnover	3,148	2,830
Cost of sales	(2,840)	(2,472)
Gross profit	<u>308</u>	<u>358</u>
Other income	9	5
Overheads	(288)	(241)
Net profit/(loss) before tax	<u>29</u>	<u>122</u>

A copy of the 2022/23 draft financial statements for Veritau Limited are attached as confidential **appendix 1** for information.

## 2023/24 Management Accounts

- 9 The management accounts for the 5 months trading to 31 August 2023 show that the Group is on target to achieve its budgeted profit, as follows:

	<b>2022/23 YTD budget £ (k)</b>	<b>2022/23 YTD actual £ (k)</b>
Turnover	1,541	1,594
Cost of sales	(1,410)	(1,397)
Gross profit	131	197
Other income	4	7
Overheads	(122)	(125)
Net profit/(loss) before tax	13	79

### **Shareholder Agreement**

- 10 The shareholder agreement, dated 26 March 2009, governs the operation of the company with certain key decisions reserved to the shareholders. These decisions include admitting new shareholders, issuing new shares or restructuring the business. They require the unanimous consent of both existing shareholders, CYC and NYC. The shareholder agreement has not been reviewed or updated since Veritau Limited was established in 2009.
- 11 One of the decisions requiring shareholder consent is:
- Approving, amending or terminating any agreement in respect of a transaction or commitment with a value of more than £100,000 relating to the performance or functions of the Company.*
- 12 This requirement reflected the nature of the business when Veritau was first created as a shared service providing services mostly to the two councils. However, as written, it restricts the ability of the Group to operate on a commercial basis, for example, when submitting tenders for multi-year contracts. Subject to shareholder approval, it is therefore proposed to increase the limit for key financial decisions to £1m. As set out in the Group scheme of delegation, Board approval would still be required for the submission of tenders for contracts with a life-time value of £400k or above. The NYC shareholder committee would also need to agree to this change before it took effect.

## **Recommendations**

- 13 That the shareholder committee:
- a) notes the Group's performance since the last business update report in June 2023
  - b) approves the proposed change to the shareholder agreement as set out in paragraph 12.

## **Appendices (Confidential)**

Appendix 1 – 2022/23 Veritau Limited financial statements

## **Further Information**

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