

CITY OF YORK COUNCIL SHAREHOLDER COMMITTEE

3 February 2025

Veritau Business Update

Introduction

- 1 Veritau Limited is a local authority company jointly owned by City of York Council (CYC) and North Yorkshire Council (NYC). The company was established in 2009. The company currently has one active subsidiary company, Veritau Tees Valley Limited and one dormant subsidiary company, Veritau North Yorkshire Limited.
- 2 A new company, Veritau Public Sector Limited (VPS) was established in May 2024 and started trading on 1 August 2024. The company is limited by guarantee and currently has 5 member councils, CYC, NYC, Redcar & Cleveland Borough Council, Leicester City Council and Cherwell District Council. Middlesbrough Council is expected to join VPS in the next few months. VPS is a 'not for profit' Teckal company which provides assurance related services to its member councils. The member councils maintain control of the company through the articles and members' agreement with all key business decisions listed as reserved matters.
- 3 The Veritau Limited provides services on a commercial basis to a large number of multi-academy trusts and schools, housing associations, charities and other public sector organisations. The company has clients across the United Kingdom.
- 4 VPS delivers shareholder value to its member councils through:
 - economies of scale resulting in lower unit costs – the costs to each member council would be higher for an equivalent quality of service if delivered in-house or if the service was fully outsourced
 - increased efficiencies, resilience and flexibility – standard working practices ensure there is less duplication of effort and the larger workforce allows greater flexibility to manage demand
 - improved access to specialist resources (for example data analytics, risk management and counter fraud specialists) which would not otherwise be available to in-house teams or smaller shared services

- improved service continuity and less reliance on key members of staff for service delivery. The opportunities offered for career progression and development also make it easier to recruit and retain staff
 - the ability to invest in new technologies and working practices
 - greater depth of knowledge and expertise – staff have more insight due to the experience gained through working for multiple clients. We can also more easily support our staff to gain specialist qualifications and to become subject matter experts.
- 5 Once Middlesbrough Council has obtained the necessary approvals to join VPS then both of Veritau Limited's existing subsidiary companies will be wound-up.

Finance and Performance Update

- 6 Cherwell District Council formally joined VPS on 1 November 2024. Prior to this date, internal audit services to the Council were being provided by Veritau Limited.
- 7 Veritau Limited has continued to promote its services to schools and other public sector organisations. A number of schools and other public sector bodies have signed up for data protection officer and internal audit services in the period. A number of existing clients have also extended their current contracts.
- 8 The project to implement our new AI powered redaction software has been completed. The system allows the time spent on processing data subject access requests (DSARs) for our clients to be significantly reduced. We have also retained our Good Business Charter accreditation.

2024/25 Management accounts

- 9 The management accounts for both companies reflect the split of the business since 1 August 2024. There have been no exceptional items of expenditure to date in either company.
- 10 The management accounts for the 9-month period to 31 December 2024 show that Veritau Limited is on target to achieve a profit in line with expectations, as follows:

	2024/25 YTD actual (9 months) £ (k)	2024/25 Forecast outturn £ (k)
Turnover	1,444	1,785
Cost of sales	(1,252)	(1,572)
Gross profit	192	213
Other income	12	16
Overheads	(162)	(183)
Net profit before tax	42	46

- 11 The management accounts for VPS for the first 5 months of trading do not include a value for work in progress. Once this work is completed and invoiced then the company is expected to breakeven for the year, as follows:

	2024/25 YTD actual (5 months) £ (k)	2024/25 forecast outturn £ (k)
Turnover	1,222	1,979
Cost of sales	(1,280)	(1,863)
Gross profit	(58)	116
Other income	2	4
Overheads	(85)	(116)
Net profit/(loss) before tax	(141)	4

2025/26 Business Plans

- 12 Following the restructure, we have decided to prepare separate business plans for each company, to reflect their different purposes, aims and objectives.
- 13 The business plans set out the strategic aims of each company for the next three years to 2028, and the service priorities for 2025/26. Each business plan also includes details of the respective 2025/26 budgets, as follows:

	VPS Limited 2025/26	Veritau Limited 2025/26
	£ (k)	£ (k)
Turnover	3,418	950
Cost of sales	(3,121)	(784)
Gross profit	297	166
Other income	16	9
Overheads	(284)	(104)
Net profit before tax	29	71

- 14 Capital expenditure of £48k is planned by VPS in 2025/26. This includes further investment in IT hardware, data analytics and AI functionality.
- 15 The key business priorities for 2025/26 include the continued growth of the business and further developments in the quality and scope of the service offering. For VPS, growth will be achieved through the admission of new member organisations and the provision of more services to existing members. For Veritau Limited, this includes the provision of services across a wider geographical area. Transforming how we operate by using technology to support more efficient and agile working will also remain a priority.
- 16 In addition, the following service priorities have been identified for 2025/26:
- internal audit – to use the new K10 Vision audit management system to improve efficiency and client communications, further develop the use of modern and collaborative auditing approaches, and increase data analytics / IT audit capacity. We will also develop our knowledge of AI to ensure we are well placed to support our member councils and other clients to deliver transformational change
 - information governance – to continue to promote data protection and information access services to member councils, schools and other clients, and to migrate more users to our new case management system, DeskPro
 - counter fraud – to increase the use of data analytics, and to develop a range of eLearning courses
- 17 Other specific service development / improvement priorities for 2025/26 are set out in each company's Business Plan.

- 18 A copy of the VPS business plan (and budget) is attached as **appendix 1**. The Veritau Limited business plan (and budget) is attached as **appendix 2**. The business plans are confidential because they contain commercially sensitive information.

Recommendations

- 19 That the shareholder committee:
- a) notes performance since the last business update report in October 2024
 - b) approves the 2025/26 business plan for each company

Appendices (Confidential)

Appendix 1 – 2025/26 Veritau Public Sector Limited business plan
Appendix 2 – 2025/26 Veritau Limited business plan

Further Information

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