

REDCAR AND CLEVELAND BOROUGH COUNCIL SHAREHOLDER COMMITTEE

7 May 2024

Veritau Tees Valley Limited - Finance and Performance Update

Introduction

- 1 Veritau Tees Valley Limited (VTV) is a shared service company which was established in December 2019. The company is jointly owned by Redcar & Cleveland Borough Council, Middlesbrough Council and Veritau Limited. Veritau Limited is jointly owned by City of York Council and North Yorkshire Council, and the company was established in 2009. Together the companies form the Veritau Group.
- 2 In addition to the 4 member councils, the Veritau Group also provides services to a large number of multi-academy trusts and schools, housing associations and other public sector organisations. VTV employs 4 members of staff but the wider group has 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 provided 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 – the costs to each member council would be much higher for an equivalent quality of service if delivered in-house or if the service was fully outsourced
 - 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) which would not otherwise 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 opportunities offered for career

progression and development also make it easier to recruit and retain staff compared to smaller in-house teams

- 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. This improves the quality of the services being provided.

2022/23 Financial Statements

- 4 The operating results for the Group (excluding accounting and pension adjustments and before tax) were:

	<u>2022/23</u>	<u>2021/22</u>
<u>Group Company</u>	<u>Turnover (£k)</u>	<u>Operating Profit (£k)</u>
Veritau Limited	2,098	24.5
Veritau North Yorkshire Limited	669	1.4
Veritau Tees Valley Limited	431	3.2
Total	<u>3,198</u>	<u>29.1</u>

A copy of the 2023/24 audited financial statements for VTV are attached as confidential **appendix 1** for information.

- 5 Fee income increased by 11.2% (2022 - 8.8%) with the areas of strongest growth being internal audit and information governance. The group operating profit was £29.1k compared to the target of £45.2k. This reflected the higher than expected national pay award for local government which resulted in reduced margins.

Finance and Performance Update (2023/24)

- 6 During the year, the Group continued to promote its internal audit and data protection services to schools and other public sector organisations. New clients gained during the year included:

Eden Learning Trust (8 schools in Durham)
 North East Learning Trust (11 schools across the North East)
 Galileo Trust (10 schools in Redcar)

Prince Regent Street Trust (4 schools in Stockton)
 Ironstone Academy Trust (6 schools in Middlesbrough / Redcar)
 Horizons Specialist Academy Trust (7 schools in Stockton)
 Melrose Learning Trust (7 schools in Teesside)

- 7 Services were also provided to a number of local authorities and council owned organisations including Sunderland City Council, the London Borough of Newham, Mid Kent Audit Partnership, Hertfordshire County Council and Birmingham Children's Trust. In addition, ad-hoc data protection consultancy services were provided to Betsi Cadwaladr University Health Board (in North Wales) and Basketball England.
- 8 During the year, 4 trainees completed their professional qualifications and progressed to be officers. In addition, we recruited a further 5 trainees.
- 9 Our internal audit practices were subject to an external quality assessment (EQA) by the Chartered Institute of Internal Auditors. The results of the review were reported in September 2023. The outcome of the review was very positive, and the overall opinion was that our internal audit function 'generally conforms' to the Public Sector Internal Audit Standards (PSIAS) and IIA standards. A copy of the report was shared with all our member councils.
- 10 We completed the implementation of our new audit management system, K10 Vision. This was a significant project which involved a number of changes to working practices. We also launched a new eLearning platform for school clients called Veritau Learn.
- 11 We are now a living wage accredited employer, and our Good Business Charter accreditation was renewed for a further year. During the year we also gained Cyber Essentials accreditation, confirmed our commitment to be a Disability Confident employer and signed up to the Prompt Payment Code (PPC). The Code is administered by the Office of the Small Business Commissioner and signatories commit to paying their suppliers in time. We also reviewed and updated our Corporate Social Responsibility statement.
- 12 The results of the annual staff and client satisfaction surveys show that overall satisfaction levels remained high, as follows:

	2024	2023
Staff satisfaction (very satisfied/satisfied)	84.6%	80.4%
Client satisfaction (excellent/good)	96.7%	95.1%
Client satisfaction – school DPO service	96.0%	94.1%

2023/24 Management Accounts

- 13 The management accounts for the year show that VTV and the Group are both on target to achieve their budgeted profits. The external auditors, BHP are due to start their audit fieldwork on 22 May 2024. Preparations for the audit are underway and copies of the draft accounts will be shared with each member council once these are ready.

2024/25 Business Plan (Group)

- 14 The business plan sets out the strategic aims of the Veritau group for the next three years to 2027, and the service priorities for 2024/25. The business plan also includes details of the Group budget for 2024/25, as follows:

	2024/25	2023/24
	£ (k)	£ (k)
Turnover	3,813	3,724
Cost of sales	(3,462)	(3,410)
Gross profit	351	314
Other income	24	11
Overheads	(338)	(293)
Net profit before tax	37	32

- 15 Capital expenditure of £42k is planned in 2024/25 (2023/24 - £38k). This includes further upgrades to the website client portal and investment in a helpdesk management system and new redaction software. There will also be continuing investment in data analytics and IT hardware.
- 16 The key business priorities for 2024/25 include the continued expansion of the customer base and a focus on developing the quality and scope of the service offering. Expanding the customer base includes the expected admission of new member councils and the provision of services across a wider geographical area. Using technology to support more effective and agile working will also remain a priority.
- 17 In addition, the following service priorities have been identified for 2024/25:

- internal audit – to use the new K10 Vision audit management system to improve efficiency and client communications, further develop the use of agile auditing techniques, increase data analytics / IT audit capacity and promote our services to academy schools. We will also look to develop the use of AI to support service delivery.
 - information governance – to continue to promote data protection and information access services to schools and other clients, and to implement new redaction software and a helpdesk management system
 - counter fraud – to promote counter fraud services to councils, housing associations and schools, to increase the use of data analytics, and to develop a range of eLearning courses
 - risk management – to be seen as the provider of first choice for member councils and other clients, and to promote risk management products and services for academy schools
- 18 Other specific service development / improvement priorities for 2024/25 are set out in the Business Plan.
- 19 A copy of the 2024/25 business plan is attached as **appendix 2**. The VTV budget for 2024/25 is also attached as **appendix 3** for information. The business plan and budget are confidential because they contain commercially sensitive information.

Recommendations

- 20 That the shareholder committee notes the:
- a) 2022/23 financial statements for VTV
 - b) Group's performance in 2023/24
 - c) 2024/25 Group business plan and VTV budget

Appendices (Confidential)

Note: Whilst this is a public report, the information contained within Appendix 1, 2 and 3 is considered to be exempt from disclosure under Paragraph 3 of Part 1, Schedule 12A, Local Government Act 1972 (Information relating to the financial or business affairs of any particular person (including the authority holding that information))

Appendix 1 – 2022/23 financial statements for VTV
 Appendix 2 – 2024/25 Veritau Group business plan
 Appendix 3 – 2024/25 VTV budget

Further Information

Contact: Max Thomas – Chief Executive max.thomas@veritau.co.uk