



**Report Reference Number:** A/20/25

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**To:** Audit and Governance Committee  
**Date:** 27 January 2021  
**Status:** Non-Key Decision  
**Ward(s) Affected:** All  
**Author:** Karen Iveson, Chief Finance Officer  
**Lead Executive Member:** Councillor Cliff Lunn  
**Lead Officer:** Karen Iveson, Chief Finance Officer

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**Title:** Veritau North Yorkshire Contract Extension 2021

**Summary:**

The current contract for assurance services<sup>1</sup> between the council and Veritau North Yorkshire Limited (VNY) was agreed in 2012. The contract was initially for seven years from 1 April 2012 to 31 March 2019. The contract includes options to extend for three years and then a further two years. In 2018, the council agreed to extend the contract for three years from April 2019. This extension is due to expire on 31 March 2022. A decision is now required about whether to enter into a further extension of two years. Under the terms of the contract, the council is required to notify VNY of its intention in respect of extending the contract by 31 March 2021.

It is proposed to agree a further two-year extension of the contract with VNY. The extension will allow the council to consider its requirements for assurance services in the longer term, once the results of the Government's decision on Local Government Reorganisation is known.

The purpose of this paper is to seek the committee's view on whether to enter into a further contract extension with VNY, in advance of a decision by the Executive. A decision to extend would be in accordance with the council's contract procedure rules and within the terms of the original contract agreed with VNY.

**Recommendations:**

**That, subject to the views of the Committee, it is recommended to the Executive that Veritau North Yorkshire contract for Internal Audit, Counter Fraud, Risk Management and Information Governance services be extended for a further 2 years to 31 March 2024.**

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<sup>1</sup> Assurance services includes internal audit, counter fraud, risk management and information governance.

## **Reasons for recommendation:**

To secure internal audit and associated services in accordance with the Council's Procurement procedure Rules and current contract.

### **1. Introduction and background**

1.1 Veritau North Yorkshire Limited was formed in 2012 by the council, in partnership with other district councils in North Yorkshire, and Veritau Limited (owned by North Yorkshire County Council and City of York Council). The council is a shareholder in the company, which was formed to provide assurance services to the North Yorkshire districts as part of a desire to form a genuine partnership which would deliver benefits to the council as a member. The company was formed in accordance with Teckal<sup>2</sup> principles allowing the partners to maintain control over the company and place work with it without competitive tendering.

### **2. The Report**

2.1 The company provides economies of scale across a range of areas. A number of examples are set out below.:

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- A low ratio of management and administration overheads to direct costs compared to smaller in-house teams.
- A common framework for the delivery of services, including management systems, in use across all clients.
- Unified procedures are in place for the delivery of services as far as possible. This means that employees can undertake work interchangeably at all sites. It also means that changes in practice can be managed centrally - for example updates required to reflect changes in legislation and professional standards.
- Common work programmes are used across clients where possible, which makes delivery of work more efficient.
- As a large provider, VNY is able to invest in and employ specialists (for example IT audit expertise).

2.2 The economies of scale mean that the council receives a far higher level of service than could be achieved for the same cost, if services were delivered in-house. The arrangement also brings other benefits. For example auditors that have developed knowledge and expertise in specific service areas at one site are used to undertake work more effectively at other clients. And Veritau is also able to support the sharing of knowledge and good practice across clients where appropriate.

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<sup>2</sup> The principles are reflected in legislation as part of the Public Contracts Regulations 2015.

## **Value for Money**

- 2.3 The principle benefits to the council are financial. Service charges are based on a day rate (which is standard industry practice). Rates charged to the council, as a member of VNY, have remained competitive throughout the duration of the contract; and are far lower than we would expect to pay if procuring the service through open tendering. Total costs are also lower than the council would expect to pay for equivalent services, if delivered in-house because of the economies of scale that working with VNY delivers. The current day rate charged to the council is £262 per day.
- 2.4 There are a range of other benefits for the council. It exercises control over the operations of VNY through client management arrangements and through appointment of a director to the board of the company. As a shareholder, the council has a say in any significant changes to the company, and can veto any such changes, which require unanimous shareholder agreement. Profits made by VNY are retained within the business and are used for the future development of services, to the benefit of the council. The council is also entitled to its share of any future distribution of profits.

## **Benefits of Contract Extension**

- 2.5 The Government is expected to announce its decision on local government reorganisation in Spring/Summer 2021. Extension of the contract by a further two years would therefore mean that we will have certainty about future requirements for assurance services for the council, before making any decision about longer term arrangements. It would also allow us to prepare and complete any required transfer of the council's interest in VNY to a successor authority, depending on the outcome of the LGR decision.
- 2.6 Agreeing a contract extension by 31 March 2021 will also give VNY the security it needs to continue to operate for the next two years. And will allow VNY to assure their auditors that they remain a going concern.

## **3. Alternative Options Considered**

Given the uncertainty over Local Government reorganisation in North Yorkshire an extension under the terms of the current contract is considered the most practicable and no other alternative is proposed at this time.

## **4. Implications**

### **4.1 Legal Implications**

As set out in the report

## **4.2 Financial Implications**

There are no proposed changes to the contract sums as a result of this approach and the proposals are within the existing budget envelope.

## **4.3 Policy and Risk Implications**

Internal Audit and associated services provide assurance that governance processes and procedures are working effectively. There are no specific implications as a result of this report.

## **4.4 Corporate Plan Implications**

Assurance services underpin all of the Council's priorities.

## **4.5 Resource Implications**

None as a result of this report.

## **4.6 Other Implications**

None as a result of this report

## **4.7 Equalities Impact Assessment**

There are no equalities implications as a result of this report.

## **5. Conclusion**

- 5.1** This section should be used to highlight the conclusion to your report re stating any key arguments. This should cross reference with the Reasons for the Recommendation.

## **6. Background Documents**

None.

## **7. Appendices**

None.

### **Contact Officer:**

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