

Public Document Pack

NORTH HERTFORDSHIRE DISTRICT COUNCIL

CABINET

TUESDAY, 25TH JUNE, 2024

SUPPLEMENTARY AGENDA

Please find attached supplementary papers relating to the above meeting, as follows:

Agenda No Item

6. **ITEMS REFERRED FROM OTHER COMMITTEES (Pages 3 - 20)**

Any Items referred from other committees will be circulated as soon as they are available.

6B) Finance, Audit and Risk Committee – 2023/24 Year End Report on Risk Management Governance – **to be considered with Item 8.**

6C) Finance, Audit and Risk Committee – Revenue Budget Outturn 2023/24 – **to be considered with Item 9.**

6D) Finance, Audit and Risk Committee – Investment Strategy (Capital and Treasury) End of Year Review 2023/24 – **to be considered with Item 10.**

6G) Finance, Audit and Risk Committee – Leisure Investment Options – Part 2 – **to be considered with Item 14.**

6I) Finance, Audit and Risk Committee – Leisure Investment Options – Part 1 – **to be considered with Item 15.**

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Item No	Referred from:	FINANCE, AUDIT AND RISK COMMITTEE
6B	Date:	19 JUNE 2024
	Title of item:	ANNUAL REPORT ON RISK MANAGEMENT
To be considered alongside agenda item:		AGENDA ITEM 8

The report considered by Finance, Audit and Risk Committee at the meeting held on 19 June 2024 can be viewed here [Agenda for Finance, Audit and Risk Committee on Wednesday, 19th June, 2024, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](#)

RECOMMENDATION TO CABINET: That Cabinet notes and provides comments to Council on this report.

REASONS FOR RECOMMENDATION:

- (1) The responsibility for ensuring the management of risks is that of Cabinet.
- (2) This Committee has responsibility to monitor the effective development and operation of Risk Management.

Audio recording – 1 hour 29 minutes 8 seconds

The Service Director – Resources presented the report entitled ‘Annual Report on Risk Management’ and highlighted that:

- The Committee received two reports on risk management, a mid-year and an end of year report.
- Risk was an important part of governance, the report aimed to give the Committee an oversight of how risk management was operating in the Council.
- There was a risk management framework, with the definitions of likelihood and impact and this was detailed at 8.2.4 of the report.
- The corporate risks matrix for the year-end 2023-24 Council Delivery Plan, was shown at 8.2.5 of the report.
- There were 3 overarching risks that had effect on the delivery of any project namely, the financial sustainability of the Council, resourcing and cyber security.
- The resourcing risk related to staff recruitment and retention, and work was ongoing to make roles more attractive.
- Cyber security related to cyber-attacks and the potential impact of a successful attack and the significant effect this would have on the operation of the Council.
- The details of the year-end services risks could be found at 8.2.6 of the report.
- The details relating to how risks were reviewed were stated in 8.3 of the report, all risks had mitigation in place and the scores were reviewed on a regular basis.
- A horizon scanning project had been undertaken to look at future risks and opportunities as detailed at 8.5.3 of the report.
- There were details of the insurance arrangements of the Council in paragraph 9 of the report.
- The report discussed Business Continuity and the processes in place.

- Health and safety was a known risk, keeping people safe reduced their risks and those of the Council and this improved the potential of the Council to achieve the required outcomes.
- The risk management action plan for 2023-24 was detailed in paragraph 12 of the report with proposed actions for 2024-25 highlighted in paragraph 13.

The following Members asked questions:

- Councillor Daniel Wright-Mason
- Councillor Vijaiya Poopalasingham
- Councillor Paul Ward

In response to questions, the Service Director – Resources stated that:

- There had been risks associated with the Baldock fire, the recovery work, time and cost to make the area safe and these had been included within the report. It was noted that there was still a risk of fires happening in the district but as this was a remote possibility, the risk was not included in the register.
- Horizon scanning and post Brexit legislation details would be provided outside of this meeting.
- The current risk scores and their mitigation were shown at 8.25 of the report, more in-depth information could be supplied to future meetings in an appendix.

RESOLVED: That the Finance, Audit and Risk Committee noted and provided comments to Cabinet on this report

RECOMMENDATION TO CABINET: That Cabinet notes and provides comments to Council on this report.

REASONS FOR RECOMMENDATION:

- (1) The responsibility for ensuring the management of risks is that of Cabinet.
- (2) This Committee has responsibility to monitor the effective development and operation of Risk Management

Item No	Referred from:	FINANCE, AUDIT AND RISK COMMITTEE
6C	Date:	19 JUNE 2024
	Title of item:	REVENUE BUDGET OUTTURN 2023-24
To be considered alongside agenda item:		AGENDA ITEM 9

The report considered by Finance, Audit and Risk Committee at the meeting held on 19 June 2024 can be viewed here [Agenda for Finance, Audit and Risk Committee on Wednesday, 19th June, 2024, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](#)

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet note this report.
- (2) That Cabinet approves a decrease of £194k in the 2023/24 net General Fund expenditure, as identified in section 8 of the report, to a total of £16.494million.
- (3) That Cabinet approves the adjustments to the 2024/25 General Fund budget, as identified in table 4 and paragraph 8.3 of the report, a total £634k increase in net expenditure.

That Cabinet recommends to Council.

- (4) That Council approves the net transfer to earmarked reserves, as identified in table 9 of the report, of £2.028million.

REASONS FOR RECOMMENDATIONS:

Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.

- (1) Changes to the Council's balances are monitored and approved.

Audio recording – 57 minutes 9 seconds

The Service Director – Resources presented the report entitled 'Revenue Budget Outturn 2023/24 and highlighted that:

- The report highlighted the year end 2023-24 position of the Revenue Budget however, the data was subject to audit and there may be some amendments as a result of the audit process.
- Table 4 of the report highlights the budget areas with significant variances to the forecasted position at year end, again these figures were subject to audit changes.
- The third item on table 3 related to the External Audit Fees, with a value for the additional audit fees and an estimated ongoing impact of these fees.
- The key sources of income were highlighted in table 5 of the report on page 129, these sources were monitored throughout the year and are linked to performance indicators and

usage.

- Table 6 highlighted the areas that had not achieved the expected budget income.
- There was an assumption made at the beginning of 2023/24 that the interest rate would drop, as they rate remained stable at 5% there had been an increase in the General Fund balance as stated on page 131 of the report.
- The appendix on page 135 detailed the significant revenue budget variances.
- The report was to be referred to Cabinet and Council to agree the transfers to the General Fund and the earmarked reserves.
- There were reserves set aside to purchase new waste vehicles for the new waste contract in May 2025.
- The DLUHC Grant Reserves related to compensation received from policy decision on Business Rates and any surplus gains from pooling Business Rates. This helped to mitigate any timing impacts risks.
- Overtime any surplus reserve funds were released into the General Fund and this helped to balance the uncertainty of the Business rates income.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Daniel Wright-Mason
- Councillor Sean Nolan

In response to questions, the Service Director – Resources stated that:

- The treasury management budget was included in Managing Director total.
- In April 2024 there was a new contract for the Leisure Management Centre fees, and this alleviated any concerns going into 2024-25.
- The budget going forward for Car parking fees had been lowered (for 24/25 onwards) after the impact of post Covid changes and therefore next year this area was expected to be met.
- Planning application fees varied according to the size of the development, it was not currently considered as a concerning item.
- There had been some changes to Commercial waste, bin numbers were stable and overall, this was a small variance to monitor compared with the budgeted income.
- The thresholds for material concerns in relation to income could be changed, if this was agreed by the Finance, Audit and Risk Committee and Cabinet.
- The Car Parking Fee were the only item to receive new baselining.

Councillor Paul Ward proposed and Councillor Daniel Wright-Mason seconded, and following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee provided comments and recommended to Cabinet the Revenue Budget Outturn 2023/24.

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet note this report.
- (2) That Cabinet approves a decrease of £194k in the 2023/24 net General Fund expenditure, as identified in section 8 of the report, to a total of £16.494million.
- (3) That Cabinet approves the adjustments to the 2024/25 General Fund budget, as identified in table 4 and paragraph 8.3 of the report, a total £634k increase in net expenditure.

That Cabinet recommends to Council.

- (4) That Council approves the net transfer to earmarked reserves, as identified in table 9 of the report, of £2.028million.

REASONS FOR RECOMMENDATIONS:

- (1) Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.
- (2) Changes to the Council's balances are monitored and approved.

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Item No	Referred from:	FINANCE, AUDIT AND RISK COMMITTEE
6D	Date:	19 JUNE 2024
	Title of item:	INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2023-24
To be considered alongside agenda item:		AGENDA ITEM 10

The report considered by Finance, Audit and Risk Committee at the meeting held on 19 June 2024 can be viewed here [Agenda for Finance, Audit and Risk Committee on Wednesday, 19th June, 2024, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](#)

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet notes expenditure of £2.409million in 2023/24 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approves the adjustments to the capital programme for 2024/25 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend by £2.655million and £0.193million in 2025/26.
- (3) That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.7 and the requirement to keep the capital programme under review for affordability.
- (4) That Cabinet approves the application of £1.313million of capital receipts/set aside towards the 2023/24 capital programme, paragraph 8.7 refers.
- (5) Cabinet is asked to note the position of Treasury Management activity as at the end of March 2024.
- (6) Cabinet is asked to recommend this report to Council and ask Council to:
 - 1) Approve the actual 2023/24 prudential and treasury indicators.
 - 2) Note the annual Treasury Report for 2023/24.
 - 3) Approve a change to the Investment Strategy allowing investments to be placed on Lloyds Call Account so the combined total of Current Account and Call Account is up to £5M.

REASONS FOR RECOMMENDATIONS:

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (2) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

Audio recording – 1 hour 11 minutes 24 seconds

N.B Councillor Paul Ward declared an interest and did not take part in the debate or vote on this item.

The Service Director – Resources presented the report entitled ‘Investment Strategy (Capital and Treasury) End of Year Review’ and highlighted that:

- The report monitored the spend on the capital programme and the investment of surplus cash.
- The movement of the capital programme over the last quarter was highlighted in Table 2 of the report.
- There were items that had not been completed or started as expected in the capital programme 2023 -24 and the Council were seeking approval to move these items into the capital programme 2024-25. The reasons for the delays were stated on page 141 of the report.
- In the last quarter there had been more cash to invest due to the delayed capital programme funds.
- Changes to the costs of the capital programme 2023-24 were detailed in table 3 of the report.
- Paragraph 8.6 of the report detailed the capital schemes completed in 2023-24.
- The funding details of the capital programme were stated at 8.7 of the report and included Section 106 money, reserves and grant funding.
- The Capital Reserves were running low and can only be used once. There was some land that could be sold, but this would generate only a small amount of reserves relative to the overall capital programme.
- It was anticipated that the Council would need to borrow fund in the next civic year and this was detailed in 8.9 of the report.
- The average return on investment over the year was 5.57%, new investment deals were now being offered at 5.34%, and all investments complied with the investment strategy.
- Lloyds bank, were offering a call account with a 5% interest rate and no fees, this was an improvement on the 2% currently received for amounts in the current account. The risks had been assessed with the view that this was a viable option.

In response to a question from Councillor Sean Nolan, the Service Director – Resources stated that the risks for the Lloyds Call account were the same as all of the institutions and these were highlighted on page 171 of the report.

RESOLVED: That the Finance, Audit and Risk Committee provided comments and recommended to Cabinet the Investment Strategy (Capital and Treasury) End of Year Review 2023-24.

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet notes expenditure of £2.409million in 2023/24 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approves the adjustments to the capital programme for 2024/25 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend by £2.655million and £0.193million in 2025/26.
- (3) That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.7 of the report and the requirement to keep the capital programme under review for affordability.

- (4) That Cabinet approves the application of £1.313million of capital receipts/set aside towards the 2023/24 capital programme, paragraph 8.7 refers.
- (5) Cabinet is asked to note the position of Treasury Management activity as at the end of March 2024.
- (6) Cabinet is asked to recommend this report to Council and ask Council to:
 - 1) Approve the actual 2023/24 prudential and treasury indicators.
 - 2) Note the annual Treasury Report for 2023/24.
 - 3) Approve a change to the Investment Strategy allowing investments to be placed on Lloyds Call Account so the combined total of Current Account and Call Account is up to £5M.

REASONS FOR RECOMMENDATIONS:

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (2) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

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Item No	Referred from:	FINANCE, AUDIT AND RISK COMMITTEE
61	Date:	19 JUNE 2024
	Title of item:	LEISURE INVESTMENT OPTIONS – PART 1
To be considered alongside agenda item:		AGENDA ITEM 15

The report considered by Finance, Audit and Risk Committee at the meeting held on 19 June 2024 can be viewed here [Agenda for Finance, Audit and Risk Committee on Wednesday, 19th June, 2024, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](#)

RECOMMENDATIONS TO CABINET:

That Cabinet takes into account the matters set out in the Part 2 report when reaching the following decisions:

2.1 That Cabinet agree in principle to terminate the Combined Heat and Power Centrica contracts at North Herts Leisure Centre (NHLC) and Hitchin Swimming and Fitness Centre (HSFC) at the appropriate time during the PSDS project and recommend to Council as per recommendation 2.6 below regarding the termination fee.

2.2 That Cabinet expresses its profound disappointment at the position taken by Centrica over the cost of the CHP contract termination, given the company's stated position as "Energising a greener, fairer future" and requests that the Council continues to raise, and seek solutions to, the issue of long-term inflexible agreements for gas CHPs with Salix and Government, which will inevitably prevent many public sector organisations from achieving their net zero ambitions.

2.3 That Cabinet does not approve the business case for Royston Leisure Centre Learner Pool and the capital budget is removed from the capital programme, due to the matters identified in the Part 2 report.

That Cabinet recommends to Council:

2.4 An increase in capital expenditure of £2.4m into the capital programme for the decarbonisation work to the three leisure centres. The overall budget will be profiled across 2024/25 and 2025/26.

2.5 An increase in the capital budget of £250k for the Royston Leisure Centre (RLC) gym extension, to ensure the extension is built to net zero carbon standards.

2.6 Approval of revenue expenditure of up to £757k for termination and removal fees of the gas CHPs at North Herts Leisure Centre and Hitchin Fitness and Swimming Centre. This would be funded from General Fund reserves.

REASONS FOR RECOMMENDATIONS:

- (1) North Herts Council passed a climate emergency motion in May 2019. This declaration asserted the council's commitment toward climate action beyond current government targets and international agreements. This is currently pursued through the North Herts Climate Change Strategy 2022-2027 which sets out what the council will aim to do to reduce its own carbon emissions to achieve Carbon Neutrality for the Council's own operations by 2030 and a Net Zero Carbon district by 2040.
- (2) Gas use from our leisure centres is a significant contributor towards the Council's own emissions. In 2022-23, gas use across the three leisure centres accounted for 1,428 tonnes CO₂e. This equates to 45% of the Council's Scope 1-3 emissions. Taking action to replace gas heating for our leisure centres with low carbon alternatives is the single most effective action we can take towards meeting our target of being carbon neutral by 2030.
- (3) There is currently a capital allocation in the 2024/25 budget to build a gym extension and learner pool (subject to business case) at Royston Leisure Centre.
- (4) During the procurement for the leisure and active communities contract, the Council committed to deliver the gym extension project which is incorporated in to the contractual management fee. The initial tender stage returns showed that extension would generate additional income of at least £150k per year, and subject to inflationary increases. The latest estimate is that the capital costs will be £1.25m. This is an increase from the initial estimate of £1m and includes making the extension net-zero. The income generated will still exceed the revenue cost of capital (at around £90k per year), but in line with the financial regulation the increased capital spend needs to be approved by Cabinet.
- (5) The business case for the learner pool has not yet been agreed and is included in the Part 2 report.

Audio Recording – 2 hours 12 minutes and 26 seconds

The Executive Member for Finance and IT presented the report 'Leisure Investments and Decarbonisation Project Part 1' and advised that:

- Funding of £7.7M had been secured from the Public Sector Decarbonisation Scheme in February 2024 for the decarbonisation of our leisure centres.
- The Council had previously agreed £3.06M of match funding.
- There would be a reduction of over 60% on carbon dioxide emissions for the three leisure centres, assisting the Council in meeting its target of being carbon neutral by 2030.
- Willmott Dixon had been commissioned to carry out feasibility studies as detailed in paragraph 8.6 of the report.
- There was a termination fee for the Combined Heat and Power (CHP) units as highlighted in paragraph 8.10.
- Willmott Dixon also considered the feasibility of the Royston Gym extension and the Learner Pool, with both being built to net zero carbon standards, and this was detailed in paragraph 8.15 of the report.
- There was a positive business case for the Royston Gym extension.
- There were strict conditions attached to the decarbonisation funding, £6.165M had to be spent in the civic year 2024-25 and the remaining balance in 2025-26, there was no flexibility to change this.

- The funding was front loaded to enable the purchase of the heat pumps and PV panels
- A decision was required from Council on 11 July 2024 to enable a preconstruction service agreement with Willmott Dixon to commence.
- An external Quantity Surveyor was proposed to be appointed to oversee the project with the aim that they will drive down the project costs which would in turn cover the costs of employing a Quantity Surveyor.
- The Overview and Scrutiny Committee had amended recommendation 2.3 and added an additional recommendation during their meeting of the 18 June 2024.
- There were already lessons available at Royston Leisure Centre for children to learn to swim.
- Should the Learner Pool project be agreed then savings would need to be found in the future.

The following Members asked questions:

- Councillor Vijaiya Poopalasingham
- Councillor Paul Ward
- Independent Person John Cannon

In response to questions, the Service Director – Place stated that:

- Centrica defined end of life for the CHP's as units over 10 years old. The boilers in our leisure centres were currently all over this age and funding had been allocated in the capital programme to replace them.
- The grant funding had a requirement to spend the funds by March 2026, with the majority of the funding being used to purchase heat pumps and panels by March 2025.
- Under the terms and condition of Centrica their units would need to operate for 19 hours per day, so using for less than that time would be in breach of the funding agreement.
- There was a taper on the termination fees and the actual figure may be lower depending on the changeover timing.
- A 15 year contract with Centrica was a standard in these situations, and common practice in the public sector.
- When the climate emergency was called in 2020 the technology and cost of heat pumps was not as advanced as now.
- It was not possible under the current contract to create and export power from the CHP's.

In response to questions, the Executive Member for Finance and IT stated that:

- There was no guarantee of any grant funding being available should the Council wait another 12 months to reduce the termination fees.
- It was not viable to export any power back to the grid.

The following Members took part in debate:

- Councillor Paul Ward
- Councillor Sean Nolan
- Councillor Vijaiya Poopalasingham
- Councillor Daniel Wright-Mason
- Independent Person John Cannon

Points raised in debate include that:

- There were reservations regarding the termination costs.
- There would be higher costs to continue with Centrica.
- Could Centrica supply the heat pumps in exchange for a reduction in the termination fees.
- Would this type of funding be available at a later date.
- The termination fee was significant.
- The learner pool would benefit the residents.

In response to points raised in debate, the Service Director – Place stated that there had been some negotiations with Centrica regarding the supply of heat pumps in exchange for termination fees, however having sought advice from Willmott Dixon, a commercial decision was made that the heat pumps and panel could be purchased for a better price elsewhere. Attempts would continue to try and reduce the termination costs.

In response to points raised in debate, the Service Director – Resources stated in referring the report to Cabinet the concerns from the Finance, Audit and Risk Committee could be presented.

Councillor Stewart Willoughby proposed and Councillor Daniel Wright-Mason seconded and, following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee provided comments and recommended to Cabinet the Leisure Investment Options – Part 1.

RECOMMENDATIONS TO CABINET:

That Cabinet takes into account the matters set out in the Part 2 report when reaching the following decisions:

- 2.1 That Cabinet agree in principle to terminate the Combined Heat and Power Centrica contracts at North Herts Leisure Centre (NHLC) and Hitchin Swimming and Fitness Centre (HSFC) at the appropriate time during the PSDS project and recommend to Council as per 2.6 below regarding the termination fee.
- 2.2 That Cabinet expresses its profound disappointment at the position taken by Centrica over the cost of the CHP contract termination, given the company's stated position as "Energising a greener, fairer future" and requests that the Council continues to raise, and seek solutions to, the issue of long-term inflexible agreements for gas CHPs with Salix and Government, which will inevitably prevent many public sector organisations from achieving their net zero ambitions.
- 2.3 That Cabinet does not approve the business case for Royston Leisure Centre Learner Pool and the capital budget is removed from the capital programme, due to the matters identified in the Part 2 report.

That Cabinet recommends to Council:

- 2.4 An increase in capital expenditure of £2.4m into the capital programme for the decarbonisation work to the three leisure centres. The overall budget will be profiled across 2024/25 and 2025/26.
- 2.5 An increase in the capital budget of £250k for the Royston Leisure Centre (RLC) gym extension, to ensure the extension is built to net zero carbon standards.

2.6 Approval of revenue expenditure of up to £757k for termination and removal fees of the gas CHPs at North Herts Leisure Centre and Hitchin Fitness and Swimming Centre. This would be funded from General Fund reserves.

REASONS FOR RECOMMENDATIONS:

- (1) North Herts Council passed a climate emergency motion in May 2019. This declaration asserted the council's commitment toward climate action beyond current government targets and international agreements. This is currently pursued through the North Herts Climate Change Strategy 2022-2027 which sets out what the council will aim to do to reduce its own carbon emissions to achieve Carbon Neutrality for the Council's own operations by 2030 and a Net Zero Carbon district by 2040.
- (2) Gas use from our leisure centres is a significant contributor towards the Council's own emissions. In 2022-23, gas use across the three leisure centres accounted for 1,428 tonnes CO₂e. This equates to 45% of the Council's Scope 1-3 emissions. Taking action to replace gas heating for our leisure centres with low carbon alternatives is the single most effective action we can take towards meeting our target of being carbon neutral by 2030.
- (3) There is currently a capital allocation in the 2024/25 budget to build a gym extension and learner pool (subject to business case) at Royston Leisure Centre.
- (4) During the procurement for the leisure and active communities contract, the Council committed to deliver the gym extension project which is incorporated in to the contractual management fee. The initial tender stage returns showed that extension would generate additional income of at least £150k per year, and subject to inflationary increases. The latest estimate is that the capital costs will be £1.25m. This is an increase from the initial estimate of £1m and includes making the extension net-zero. The income generated will still exceed the revenue cost of capital (at around £90k per year), but in line with the financial regulation the increased capital spend needs to be approved by Cabinet.
- (5) The business case for the learner pool has not yet been agreed and is included in the Part 2 report.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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