

**NORTH HERTFORDSHIRE DISTRICT COUNCIL**



20 November 2024

Our Ref Cabinet Sub-Committee (Local Authority  
Trading Companies' Shareholder) 28  
November 2024  
Contact. Committee Services  
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To: Members of the Committee: Councillors Ian Albert, Val Bryant and Tamsin Thomas

**NOTICE IS HEREBY GIVEN OF A**

**MEETING OF THE CABINET SUB-COMMITTEE (LOCAL  
AUTHORITY TRADING COMPANIES' SHAREHOLDER)**

to be held in

**ROOM 2, COUNCIL OFFICES, GERNON ROAD, LETCHWORTH  
GARDEN CITY, SG6 3JF**

On

**THURSDAY, 28TH NOVEMBER, 2024 AT 5.30 PM**

Yours sincerely,

Jeanette Thompson  
Service Director – Legal and Community

**\*\*MEMBERS PLEASE ENSURE THAT YOU DOWNLOAD ALL AGENDAS AND REPORTS VIA THE MOD.GOV APPLICATION ON YOUR TABLET BEFORE ATTENDING THE MEETING\*\***

## **Agenda Part I**

<b>Item</b>	<b>Page</b>
<b>1. ELECTION OF A CHAIR</b> To elect a Chair of the Sub-Committee for the 2024/25 Civic Year.	
<b>2. APOLOGIES FOR ABSENCE</b>	
<b>3. MINUTES - 19 MARCH 2024</b> To take as read and approve as a true record the minutes of the meeting of the Committee held on the 19 March 2024.	(Pages 5 - 8)
<b>4. NOTIFICATION OF OTHER BUSINESS</b> Members should notify the Chair of other business which they wish to be discussed at the end of either Part I or Part II business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency.  The Chair will decide whether any item(s) raised will be considered.	
<b>5. CHAIR'S ANNOUNCEMENTS</b> Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chair of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wishing to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.	
<b>6. PUBLIC PARTICIPATION</b> To receive petitions, comments and questions from the public.	
<b>7. ANNUAL REVIEW OF NORTH HERTS TRADING COMPANIES - BUILDING CONTROL</b> REPORT OF THE SERVICE DIRECTOR – REGULATORY  To provide the Sub-Committee with the first annual report of the Local Authority Trading Companies (LATCos) in which North Herts Council has a role, to enable the Sub-Committee to fulfil its role as shareholder. The LATCos in this report cover the area of building control in which the Council is one of eight equal shareholders. The committee is also requested to consider what information they wish to be included in future reports.	(Pages 9 - 16)

8. **ANNUAL REVIEW OF NORTH HERTS TRADING COMPANIES - BROADWATER HUNDRED** - (Pages 17 - 20)  
REPORT OF THE SERVICE DIRECTOR – RESOURCES

To provide the Sub-Committee with the first annual report of the Local Authority Trading Companies (LATCos) in which North Herts Council has a role to enable the Sub-Committee to fulfil its role as shareholder. The LATCos in this report cover the areas of property management. The committee is also requested to consider what information they wish to be included in future reports.

9. **ANNUAL REVIEW OF NORTH HERTS TRADING COMPANIES - CCTV** (Pages 21 - 26)  
REPORT OF THE SERVICE DIRECTOR – RESOURCES

To provide the Sub-Committee with the first annual report of the Local Authority Trading Companies (LATCos) in which North Herts Council has a role to enable the Sub-Committee to fulfil its role as shareholder. The LATCo in this report covers the area of CCTV. The committee is also requested to consider what information they wish to be included in future reports.

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# Public Document Pack Agenda Item 3

## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### CABINET SUB-COMMITTEE (LOCAL AUTHORITY TRADING COMPANIES' SHAREHOLDER)

MEETING HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES, GERON ROAD,  
LETCWORTH GARDEN CITY, SG6 3JF  
ON TUESDAY, 19TH MARCH, 2024 AT 5.30 PM

#### MINUTES

**Present:** *Councillors: Ian Albert (Chair), Keith Hoskins and Alistair Willoughby.*

**In Attendance:** *Isabelle Alajooz (Legal Manager and Deputy Monitoring Officer), Ian Couper (Service Director - Resources), Steve Crowley (Service Director - Enterprise), Susan Le Dain (Committee, Member and Scrutiny Officer), Jo Dufficy (Service Director - Customers), Chloe Gray (Enterprise Manager), Sarah Kingsley (Service Director - Place) and James Lovegrove (Committee, Member and Scrutiny Manager).*

**Also Present:** *There were no members of public present.*

#### 42 APOLOGIES FOR ABSENCE

*Audio recording – 3 minutes 59 seconds*

No apologies for absence were received.

#### 43 MINUTES - 21 JULY 2023

*Audio Recording – 4 minutes 4 seconds*

Councillor Ian Albert proposed and Councillor Keith Hoskins seconded and, following a vote, it was:

**RESOLVED:** That the Minutes of the Meeting of the Committee held on 21 July 2023 be approved as a true record of the proceedings and be signed by the Chair.

#### 44 NOTIFICATION OF OTHER BUSINESS

*Audio recording – 4 minutes 41 seconds*

There was no other business notified.

#### 45 CHAIR'S ANNOUNCEMENTS

*Audio recording – 4 minutes 47 seconds*

- (1) The Chair advised that, in accordance with Council Policy, the meeting would be recorded.
- (2) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.

**46 PUBLIC PARTICIPATION**

*Audio recording – 5 minutes 7 seconds*

There was no public participation.

**47 APPOINTMENT OF DIRECTORS TO BROADWATER HUNDRED LIMITED**

*Audio recording – 5 minutes 50 seconds*

The Service Director – Enterprise presented the report entitled ‘Appointment of Directors to Broadwater Hundred Limited’ and advised that:

- The Service Director – Enterprise was currently the only director of Broadwater Hundred Limited.
- This report was seeking approval to appoint the Service Director – Housing and Environmental Health as a second director.
- The signed notice of willingness of appointment as a director could be found in Appendix A, included within the supplementary pack.
- The aim was to eventually have three directors of the company to enable meetings to be held and to provide better resilience within the role of the holding company.
- There was an error in Appendix A and ‘Officers’ should read ‘Officer’.

In response to questions from Councillor Ian Albert, the Service Director – Enterprise advised that:

- Training for the new director had taken place at the same time as the training for the directors of the property management company which had already been arranged.
- The Council were still looking to appoint an Officer from NHC as a third company director.

Councillor Alistair Willoughby proposed and Councillor Keith Hoskins seconded and, following a vote, it was:

**RESOLVED:** That the Sub-Committee approved the appointment of the named officers provided in appendix A as a company director for Broadwater Hundred Ltd.

**REASON FOR DECISION:** To ensure that the Councils company is complying with the company’s Articles of Association.

**48 EXCLUSION OF PRESS AND PUBLIC**

*Audio recording – 11 minutes 7 seconds*

Councillor Ian Albert proposed and Councillor Keith Hoskins seconded and, following a vote, it was:

**RESOLVED:** That under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the said Act (as amended).

49 TRADING COMPANY UPDATE - PART 2

*N.B. This item was considered in restricted session and therefore no recordings were available.*

The Service Director – Enterprise presented the report entitled ‘Trading Company Update – Part 2’.

Councillor Alistair Willoughby proposed and Councillor Keith Hoskins seconded and, following a vote, it was:

**RESOLVED:** That the Cabinet Sub-Committee (Local Authority Trading Companies Shareholder) noted the content of the part 2 report before consideration of the part 1 recommendations.

**REASON FOR DECISION:** To enable the Council companies to trade and provide more commercial opportunities which will benefit the Council.

50 TRADING COMPANY UPDATE - PART 1

*Audio recording – 28 minutes 52 seconds*

The Service Director – Enterprise presented the report entitled ‘Trading Company Update – Part 1’ and advised that:

- This report was to update Members of the current position with the business case of Broadwater Hundred Ltd and Broadwater Hundred Property Management Ltd which had originally been approved in November 2021, but due to delays in completing Harkness Court the companies had not commenced trading.
- The Council would lease Harkness Court to Broadwater Hundred Limited as the holding company who would then lease the property to Broadwater Hundred Property Management Limited to lease the flats to tenants.
- As this business case had taken longer than anticipated, a new business case and updated financial projections had been required and these were detailed in Part 2 of the report.
- Key legal documents and the Articles of Association needed to put in place before the company would be ready to trade.
- The financial implications and details of responsibility for leasing the flats in Harkness Court was outlined in Section 10 of the report.
- Broadwater Hundred Property Management Limited required a loan to enable them to have enough funds in place to commence leasing the flats.

In response to a question from Councillor Ian Albert, the Service Director – Enterprise advised that the timeline of approximately eight weeks from now would enable enough time for everything to be in place for the company to commence trading.

Councillor Keith Hoskins proposed and Councillor Alistair Willoughby seconded and, following a vote, it was:

**RESOLVED:** That the Cabinet Sub-Committee (Local Authority Trading Companies Shareholder):

- (1) Approved the updated financial projections of the business case and commence trading of Broadwater Hundred Property Management Limited and Broadwater Hundred Limited.

**Tuesday, 19th March, 2024**

(2) Delegated authority to the Service Director – Resources (as Client Lead Officer for the Company), in consultation with the Chair of this Committee to:

- Agree a loan and a loan amount that will be loaned to either Broadwater Hundred Ltd or Broadwater Hundred Property Management Limited by the Council.
- If required, agree an onward loan to Broadwater Hundred Property Management Limited.
- Agree that the loans will be governed through a loan agreement, which may give flexibility to each Company to draw-down funds as they are required.

**REASON FOR DECISIONS:** To enable the Council companies to trade and provide more commercial opportunities which will benefit the Council.

The meeting closed at 6.09 pm

Chair



**CABINET SUB-COMMITTEE  
(Local Authority Trading Companies' Shareholder)**

**28 November 2024**

**PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: ANNUAL REVIEW OF NORTH HERTS TRADING COMPANIES – BUILDING CONTROL**

REPORT OF: IAN FULLSTONE SERVICE DIRECTOR REGULATORY

EXECUTIVE MEMBER: CLLR DANIEL ALLEN, INTERIM EXECUTIVE MEMBER FOR PLANNING & TRANSPORT

COUNCIL PRIORITY: THRIVING COMMUNITIES / ACCESSIBLE SERVICES / RESPONSIBLE GROWTH / SUSTAINABILITY

**1. EXECUTIVE SUMMARY**

To provide the Sub-Committee with the first annual report of the Local Authority Trading Companies (LATCos) in which North Herts Council has a role, to enable the Sub-Committee to fulfil its role as shareholder. The LATCos in this report cover the area of building control in which the Council is one of eight equal shareholders. The committee is also requested to consider what information they wish to be included in future reports.

**2. RECOMMENDATIONS**

- 2.1. That the Cabinet Sub-Committee note the report.
- 2.2. That the Cabinet Sub-Committee make recommendations on the content of future reports and annual reviews.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1. To enable the Cabinet Sub-Committee to fulfil its role and responsibilities as shareholder in the local authority trading companies for building control.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1. No alternative options are considered as an annual report is considered best practise. Training on this was delivered to Cabinet members on 21 October 2024 by Local Partnerships an in-house public sector consultancy jointly owned by HM Treasury, The Local Government Association and the Welsh Government.

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1. As required by the Council's Constitution and the Shareholders Agreement, the Cabinet Sub-Committee are presented reports for Shareholder decisions. Executive Members

(and where appropriate Shadow Executive Members and Deputies) are briefed on the performance and key aspects of the trading companies.

## **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

## **7. BACKGROUND**

- 7.1. This annual report will follow the guidance within the Local Partnerships publication 'Local Authority Company Review Guidance 2023 Edition'. The guidance states that it is important to ensure that all councils who own such companies maintain a watching brief on them and make any necessary adjustments.
- 7.2 The Council currently is one of eight shareholders of a group of companies, described below, covering the statutory function of building control.
- 7.3 Local Authorities (LAs) have a statutory duty to provide a Building Control service. This means that if an application is submitted to the authority, it has a duty to ensure that the works comply with building regulations. Originally LAs were the sole supplier of this service. However, in 1984 the Building Act established the legal framework for private building control bodies or Approved Inspectors (AIs). The first AI to be approved and registered was the NHBC in 1985. Since 1997 the Approved Inspector Regulations have enabled additional AIs to be registered. This competitive environment for all fee earning aspects of the building control service meant that it was and is more difficult for LAs to retain their market share and grow new commercial and domestic work to offset costs. Along with the difficulty of recruiting and retaining staff these factors led to the consideration of an alternative delivery solution in 2013.
- 7.4 Although offered to all 10 Hertfordshire boroughs and districts in 2013, the initial collaboration was of seven Hertfordshire local authority building control services: Stevenage, Hertsmere, Three Rivers, North Herts, East Herts, Welwyn Hatfield and Broxbourne. Reports were presented to Cabinet and the Finance Audit and Risk Committees at the time (2014, 2015 and 2017) along with a Business Case prepared on behalf of the seven authorities by the now Service Director Regulatory as Project Manager. Following support from all seven authorities the function of building control was resolved to be delivered through a wholly owned local authority series of companies
- 7.5 The statutory building control function being delivered through a single trading company known as Hertfordshire Building Control Limited (HBC). The Building Control Company (Hertfordshire) Limited (TBCC) was also established which then sought to deliver the commercial aspect of the building control service. These two companies being subsidiaries of the holding company Broste Rivers Limited. All three companies were incorporated on 4 February 2016.
- 7.6 In September 2019 the Cabinet Sub-Committee considered a report and resolved to support Dacorum Council joining the collaboration as an eighth equal shareholder.
- 7.7 In December 2021 the Sub-Committee considered a report to acquire further companies. Whilst the original building control business case outlined to Cabinet in August 2014 was a resilience model, with each of the local authorities recognising and seeking to

overcome numerous issues such as recruitment and retention, within their own small building control services by forming a collaboration to deliver the statutory service. It was also recognised as work progressed that the resulting collaborative venture would also allow for commercial opportunities with regard the delivery of building control services to other local authorities and the private sector outside of the administrative boundaries of the shareholders own authorities. These commercial opportunities were originally to be delivered through The Building Control (Hertfordshire) Company Limited which was envisaged to achieve Approved Inspector status. When an opportunity arose to acquire an established local authority owned Approved Inspector, this was considered and supported. As such, Build Insight Ventures Limited and its subsidiary companies, Build Insight Limited (a registered approved inspector) and Build Insight Consulting Ltd were acquired. In December 2023 Build Insight Ventures Limited and Build Insight Consulting Limited were dissolved.

- 7.8 In March 2023 the Sub-Committee considered a report concerning the Governance of decision making. The Building Act 1984 is the primary legislation governing building control. The Act identifies certain decisions that cannot be delegated by a local authority such as the issuing of statutory decisions, contract management and audit functions. Previously these non-delegable functions were undertaken on North Herts behalf, initially by Three Rivers and then East Herts. As none of the eight authorities wished to undertake this role going forward, following an options appraisal a secondment model was supported. Whereby named Hertfordshire Building Control Officers were formally seconded to each local authority for the discharge of non-delegable functions. As a result of this decision the Inter Authority Agreement between the eight shareholder local authorities was amended to reflect the change. In addition, the Sub Committee agreed to the Service Agreement through which building control services are contracted from HBC being changed from a fixed term services contract (which was due to expire) to a rolling contract for the provision of Building Control services. This showed the confidence that the shareholder authorities had in the delivery of services.
- 7.9 In July 2023 the Sub-Committee considered a further report and supported proposed amendments to the Shareholder Agreement. The Shareholder Agreement was the final document to be reviewed following those reviewed in the March 2023 report. The review sought to ensure that following the operation of the companies into a steady state that they had sufficient autonomy to operate whilst the shareholders were able to demonstrate robust decision making. The primarily changes included amendments to *Unanimous Shareholder Decisions* and *75% Shareholder Decisions*, together with new *Simple Majority Shareholder Decisions* and *Board Decisions* and a new *Reserved Matters protocol*.
- 7.10 As can be seen there have been numerous reports presented to Cabinet and its Sub-Committee over the period since the establishment of the wholly owned building control companies. The Council is currently represented by the Service Director: Regulatory as the Shareholder representative (previously acting as a Director). The Service Director: Enterprise is the North Herts Director of the companies.

## **8. RELEVANT CONSIDERATIONS**

- 8.1. As stated in paragraph 7.1 following the training session this annual report will follow the Local Partnerships publication 'Local Authority Company Review Guidance 2023 Edition' (link at 18.1). Members may wish to consider in advance of future such reviews that the officer shareholder representative or another independent officer undertake the review

following the format within the guidance, including Sections 6 (Standard Documents Required for a Review) and 7 (Guidance Checklist for Elected Members). It will also be useful to incorporate the views of the Sub-Committee into any such review.

- 8.2. As can be seen from the section 7 above, the Governance arrangements have been reviewed since inception to ensure that the company has sufficient freedoms to achieve its objectives. In addition, the legal agreements have also been reviewed not only for the benefit of the company but also to ensure the Council is retaining sufficient control as can be seen from the recent review of the Shareholder Agreement. It is important that the Council retains control over the companies, as this is a measure to demonstrate we are compliant with Teckal rules (in relation to procurement). The two keys test are control and functional.
- 8.3. The relevance of the adopted delivery model has also been reviewed, as can be seen by the move to the secondment arrangement and a rolling services contract as detailed above in paragraph 7.8.
- 8.4. Business planning is a key aspect and the companies' Senior Management Team and all Directors are part of the business planning process, as part of this the Chief Executive Officer holds an away day where they discuss and develop the business plan and agree the financial target for the following year.
- 8.5. In recent years, the Directors of the company have undertaken appropriate training which includes 'the role of a director' and 'financial management of a company.'
- 8.6. The companies Chief Executive Officer and the Finance Director meet with the Council Chief Finance Officers at least annually. If there are any matters of concern then the meetings have been more frequent.
- 8.7. The Chief Executive Officer for Herts Building Control has been liaising with our Shared Internal Audit Service and the aim is to undertake two audits next year, these will cover governance and cyber security.
- 8.8. Regular Shareholder meetings are held, these also include Directors and Chief Financial Officers where appropriate. The Shareholder Representative and the Director are attending an AGM post the publication of this report and will provide an update at the Sub-Committee meeting.

## **9. LEGAL IMPLICATIONS**

- 9.1. Under 5.12 of the Council's Constitution the roles and functions of the Cabinet Sub-Committee (Local Authority Trading Companies' Shareholder) are listed including: (a) To represent the Council's interests as shareholder in wholly owned and other companies.
- 9.2. Under 14.6.11 (b) (i) of the Council's Constitution the Service Director – Regulatory has delegated powers with regard Building Control including client-side Building Control company operational matters as required under any agreements, in addition to all activities relating to discharge of the Council's function as the Local Building Regulation Authority.
- 9.3. Expert external legal advice has been sought with regard legal agreements and the initial setting up of the companies.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The Building Control group of companies had seen a gradual rise in gross income up until 2022/23 (with a small downward blip post Covid-19 in 2020/21). Over that time the net asset position of the company (before defined benefit pension position) had also gradually improved. The group income reduced in 2023/24 and resulted in the group going back to a net loss (before pension adjustments). The Directors have put in place plans to improve the trading position, and this is having a positive effect. As at 31 March 2024, the company had reserves of £937k, although these are significantly impacted by the defined benefit pension position (i.e. employees that have retained Local Government pensions) which is currently in surplus.
- 10.2 The Councils support the company with a loan of £107k each, which the Company pays interest on (set at a market rate when the loan was granted). The Councils also support the Going Concern position of the Companies by confirming that they will not withdraw the loan unless the Companies have determined that they can afford to repay it.
- 10.3 The Councils all pay the company to provide statutory services on their behalf. For 2024/25 this charge will be around £30k. This is significantly less than the net cost of running the whole service directly. The Council pays other costs to the company, but these are ones for which a local authority would be responsible. For example, applications for works that benefit a disabled person(s) are exempt from a fee under the regulations, as such, this cost is reimbursed to HBC. A 24/7 dangerous structure service is provided for North Herts and where possible associated costs are claimed back but, in the case, where a call-out occurs and there is no danger requiring action the costs of the call out are covered.
- 10.4 The original business case projected a cost to the General Fund if the Council did not join the consortium of circa £1.34m between 2017/18 and 2020/21. A projection to 2025/26 indicates that the additional cost to the Council compared to the current budget of not joining would be circa £2.76m (over £400k increase in 24/25).
- 10.5 The Company pays a contribution to each of the Councils to contribute towards the reimbursement of the Directors' time in running the company.

## **11. RISK IMPLICATIONS**

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 There is always risk in operating in a commercial environment. The Directors of the company are expected to make decisions to manage those risks and react to trading conditions. Where decisions require shareholder approval then these will be reported to the sub-committee for a decision. These additional annual reviews/ update reports provide the sub-committee with an awareness of the opportunities and risks that are facing the companies.

- 11.3 The most significant risks facing the Council in relation to any Company failure would be:
- Reputational impacts.
  - Financial losses from any unpaid loans (although the values are not very significant).
  - The requirement to deliver statutory Building Control services.
  - The economic climate that relates to construction, both the domestic and larger scale markets.

11.4 The Building Control companies are subject to external audit. This helps provide assurance (alongside Council oversight) of their financial position.

## **12. EQUALITIES IMPLICATIONS**

12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2. There are no equalities implications arising from this report.

## **13. SOCIAL VALUE IMPLICATIONS**

13.1. The Social Value Act and “go local” requirements do not apply to this report.

## **14. ENVIRONMENTAL IMPLICATIONS**

14.1. There are no known Environmental impacts or requirements that directly apply to this report.

## **15. HUMAN RESOURCE IMPLICATIONS**

15.1 There are no direct HR implications arising from this report.

## **16. APPENDICES**

16.1 None.

## **17. CONTACT OFFICERS**

17.1 Ian Fullstone, Service Director Regulatory [ian.fullstone@north-herts.gov.uk](mailto:ian.fullstone@north-herts.gov.uk); ext 4480

17.2 Ian Couper, Service Director Resources [ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk); ext 4243

17.3 Steve Crowley, Service Director Enterprise [steve.crowley@north-herts.gov.uk](mailto:steve.crowley@north-herts.gov.uk); ext 4211

17.4 Reuben Ayavoo, Policy and Communities Manager, [reuben.ayavoo@north-herts.gov.uk](mailto:reuben.ayavoo@north-herts.gov.uk); ext 4212

17.6 Isabelle Alajooz, Legal Manager, [Isabelle.alajooz@north-herts.gov.uk](mailto:Isabelle.alajooz@north-herts.gov.uk); ext 4346

17.7 Jodie Penfold, Group Accountant, [jodie.penfold@north-herts.gov.uk](mailto:jodie.penfold@north-herts.gov.uk); ext 4332

## 18. BACKGROUND PAPERS

18.1 Local Authority Company Review Guidance 2023 Edition [LATCo guidance 2023 edition - Local Partnerships](#)

18.2 Previous Cabinet / Sub Committee reports:

- August 2014 item 35: [Meeting of Cabinet on Tuesday, 5th August, 2014, 7.30 pm | North Herts Council](#)
- March 2015 items 126 & 128: [Meeting of Cabinet on Tuesday, 24th March, 2015, 7.30 pm | North Herts Council](#)
- December 2015 item 81: [Meeting of Cabinet on Tuesday, 15th December, 2015, 7.30 pm | North Herts Council](#)
- November 2017 item 60 & 62: [Agenda for Cabinet on Tuesday, 21st November, 2017, 7.30 pm | North Herts Council](#)
- September 2019: [Agenda for Cabinet Sub-Committee \(Local Authority Trading Companies' Shareholder\) on Friday, 20th September, 2019, 3.00 pm | North Herts Council](#)
- December 2021: [Agenda for Cabinet Sub-Committee \(Local Authority Trading Companies' Shareholder\) on Tuesday, 21st December, 2021, 9.00 am | North Herts Council](#)
- March 2023: [Agenda for Cabinet Sub-Committee \(Local Authority Trading Companies' Shareholder\) on Wednesday, 1st March, 2023, 10.00 am | North Herts Council](#)
- July 2023: [Agenda for Cabinet Sub-Committee \(Local Authority Trading Companies' Shareholder\) on Friday, 21st July, 2023, 10.00 am | North Herts Council](#)

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<b>CABINET SUB-COMMITTEE (Local Authority Trading Companies' Shareholder)</b>
<b>28 November 2024</b>

<b>PART 1 – PUBLIC DOCUMENT</b>
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**TITLE OF REPORT: ANNUAL REVIEW OF NORTH HERTS TRADING COMPANIES –  
BROADWATER HUNDRED**

REPORT OF: IAN COUPER SERVICE DIRECTOR RESOURCES

EXECUTIVE MEMBER: CLLR IAN ALBERT EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

**1. EXECUTIVE SUMMARY**

To provide the Sub-Committee with the first annual report of the Local Authority Trading Companies (LATCos) in which North Herts Council has a role to enable the Sub-Committee to fulfil its role as shareholder. The LATCos in this report cover the areas of property management. The committee is also requested to consider what information they wish to be included in future reports.

**2. RECOMMENDATIONS**

- 2.1. That the Cabinet Sub-Committee note the report.
- 2.2. That the Cabinet Sub-Committee make recommendations on the contents of future reports and annual reviews.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1. To enable the Cabinet sub-committee to fulfil its role and responsibilities as shareholder of the local authority trading companies for property management.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1. No alternative options are considered as an annual report is considered best practise. Training on this was delivered to Cabinet members on 21 October 2024 by Local Partnerships an in-house public sector consultancy jointly owned by HM Treasury, The Local Government Association and the Welsh Government.

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1. As required by the Council's Constitution and the Shareholders Agreement, the Cabinet Sub-Committee are presented reports for Shareholder decisions. Executive Members (and where appropriate Shadow Executive Members and Deputies) are briefed on the performance and key aspects of the trading companies.

## **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

## **7. BACKGROUND**

- 7.1. This annual report will follow the guidance within the Local Partnerships publication 'Local Authority Company Review Guidance 2023 Edition'. The guidance states that it is important to ensure that all councils who own such companies maintain a watching brief on them and make any necessary adjustments.
- 7.2. The initial scope of the Council considering having a property company was broad, and considered whether there would be opportunities to buy or develop property for rental. The focus was on the North Herts area, and investigations concluded that there was not sufficient profitability in the local area. Also, following some other Councils over-investing in property, the rules around the Council funding of investment assets were significantly tightened.
- 7.3 It was established that there would be a viable business case for the Council to convert the Harkness Court property in Hitchin (formerly used as a Careline's office) in to 4 flats and let those through a company. The legal advice was that the structure should take the form of a holding company and a property management company. Broadwater Hundred Ltd (the holding company) was incorporated in May 2020, initially to provide a service delivery vehicle in case of contractor failure during the Covid-19 pandemic. It was never used for that purpose. The property management company (Broadwater Hundred Property Management Limited) was incorporated in October 2023. The Council is the only shareholders for these companies
- 7.4. The above history has been covered in previous Cabinet Sub-Committee reports.
- 7.5. The Harkness Court Offices were let by the Council to the holding company in late August 2024, with an onward let from the holding company to the property management company. The property management company then use a managing agent to let the properties to tenants. Each company makes a margin to cover costs and a reasonable level of profit.
- 7.6. The Companies will produce their first accounts for the period April 2024 to March 2025, however, this will not be a full year as explained above the property management company only took responsibility of the flat as of 27 August 2024.
- 7.7. The Council is currently represented by the Service Director: Resources as the Shareholder representative. The Directors of the holding company are the Service Director: Enterprise and the Service Director: Housing and Environmental Health. The Directors of the property management company are the Service Director: Customers, Service Director: Place and the Enterprise Manager.

## **8. RELEVANT CONSIDERATIONS**

- 8.1. As stated in paragraph 7.1 following the training session this annual report will follow the Local Partnerships publication 'Local Authority Company Review Guidance 2023

Edition'. Members may wish to consider in advance of future such reviews that the Officer shareholder representative or another independent officer undertake the review following the format within the guidance, specifically Sections 6 (Standard Documents Required for a Review) and 7 (Guidance Checklist for Elected Members). Given the date of the training and this meeting it was not possible to undertake this work for this meeting. It will also be useful to incorporate the views of the Sub-Committee into any such review.

- 8.2. The Council and Companies received legal advice on the company documents and governance arrangements. These were adopted in July, so there has not yet been a need to review.
- 8.3. The Companies have had regular contact with relevant Officers acting for the Council, including the Chief Finance Officer/ Shareholder representative. These arrangements will become more formalised as the Companies settle into trading. As set out in the constitution (paragraph 5.12.4 (g)) the reporting to the sub-committee for these companies will be much greater than is the case for the jointly owned companies. It is too early to comment much on performance against the Companies' Business Plans. All four flats are currently let, and the margin is greater than anticipated in the business case as the rental levels are higher than forecast. There will be a need to make sure that rent is being paid and managing cashflow.

## **9. LEGAL IMPLICATIONS**

- 9.1. Under 5.12 of the Council's Constitution the roles and functions of the Cabinet Sub-Committee (Local Authority Trading Companies' Shareholder) are listed.
- 9.2. Under 16.6.7 (a) (iv) of the Council's Constitution the Service Director – Enterprise has the delegated powers to act or nominate to act as Director to any wholly owned Local Authority company to which the Director is appointed (subject to the company's internal appointment processes and any legislative requirements).
- 9.3. Expert external legal advice has been sought with regard legal agreements and the initial setting up of the companies.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The Council provides a loan to the holding company to support the set-up costs and running costs whilst the companies get established. The holding company provides an onward loan to the property company. The loan to the holding company (which is currently £20k) is at a market rate and can be repaid when the company determines that it is affordable to do so.

## **11. RISK IMPLICATIONS**

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 There is always risk in operating in a commercial environment. The Directors of the company are expected to make decisions to manage those risks and react to trading conditions. Where decisions require shareholder approval then these will be reported to

the sub-committee for a decision. These additional annual reviews/ update reports provide the sub-committee with an awareness of the opportunities and risks that are facing the companies.

- 11.3 The most significant risks facing the Council in relation to any Company failure would be:
- Reputational impacts.
  - Financial losses from any unpaid loans (although the values are not very significant).

## **12. EQUALITIES IMPLICATIONS**

12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2. There are no equalities implications arising from this report.

## **13. SOCIAL VALUE IMPLICATIONS**

13.1. The Social Value Act and “go local” requirements do not apply to this report.

## **14. ENVIRONMENTAL IMPLICATIONS**

14.1. There are no known Environmental impacts or requirements that directly apply to this report.

## **15. HUMAN RESOURCE IMPLICATIONS**

15.1 There are no direct HR implications arising from this report.

## **16. APPENDICES**

16.1 None.

## **17. CONTACT OFFICERS**

17.1 Ian Couper, Service Director Resources [ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk); ext 4243

17.2 Steve Crowley, Service Director Enterprise [steve.crowley@north-herts.gov.uk](mailto:steve.crowley@north-herts.gov.uk); ext 4211

17.3 Reuben Ayavoo, Policy and Communities Manager, [reuben.ayavoo@north-herts.gov.uk](mailto:reuben.ayavoo@north-herts.gov.uk); ext 4212

17.5 Isabelle Alajooz, Legal Manager & Deputy Monitoring Officer, Isabelle Alajooz [Isabelle.Alajooz@north-herts.gov.uk](mailto:Isabelle.Alajooz@north-herts.gov.uk); ext 4346

## **18. BACKGROUND PAPERS**

18.1 Local Authority Company Review Guidance 2023 Edition [LATCo guidance 2023 edition - Local Partnerships](#)

<b>CABINET SUB-COMMITTEE (Local Authority Trading Companies' Shareholder)</b>
<b>28 November 2024</b>

<b>PART 1 – PUBLIC DOCUMENT</b>
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**TITLE OF REPORT: ANNUAL REVIEW OF NORTH HERTS TRADING COMPANIES – CCTV**

REPORT OF: IAN COUPER SERVICE DIRECTOR RESOURCES

EXECUTIVE MEMBER: CLLR IAN ALBERT EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

**1. EXECUTIVE SUMMARY**

To provide the Sub-Committee with the first annual report of the Local Authority Trading Companies (LATCos) in which North Herts Council has a role to enable the Sub-Committee to fulfil its role as shareholder. The LATCo in this report covers the area of CCTV. The committee is also requested to consider what information they wish to be included in future reports.

**2. RECOMMENDATIONS**

- 2.1. That the Cabinet Sub-Committee note the report.
- 2.2. That the Cabinet Sub-Committee make recommendations on the contents of future reports and annual reviews.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1. To enable the Cabinet sub-committee to fulfil its role and responsibilities as shareholder of the local authority trading companies for CCTV.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1. No alternative options are considered as an annual report is considered best practise. Training on this was delivered to Cabinet members on 21 October 2024 by Local Partnerships an in-house public sector consultancy jointly owned by HM Treasury, The Local Government Association and the Welsh Government.

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1. As required by the Council's Constitution and the Shareholders Agreement, the Cabinet Sub-Committee are presented reports for Shareholder decisions. Executive Members (and where appropriate Shadow Executive Members and Deputies) are briefed on the performance and key aspects of the trading companies.

## **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

## **7. BACKGROUND**

- 7.1. This annual report will follow the guidance within the Local Partnerships publication 'Local Authority Company Review Guidance 2023 Edition'. The guidance states that it is important to ensure that all councils who own such companies maintain a watching brief on them and make any necessary adjustments.
- 7.2. A CCTV Partnership, comprising of Stevenage Borough Council, North Hertfordshire District Council and East Hertfordshire District Council was formed in 1996, with Hertsmere Borough Council joining the Partnership in 2010. The Partnership established a CCTV Control Room (hosted by Stevenage) to monitor partner cameras, with the prospect of selling monitoring services to make use of the available Control room capacity.
- 7.3. In 2012, the Partnership secured a large private contract for the Leisure Park in Stevenage and it was considered that the Partnership may be acting beyond its remit / permissible scope in taking on this contract. The CCTV Company was subsequently incorporated as a Private Limited Company on 4 November 2014 to facilitate business with private entities such as the Leisure Park. (The Leisure Park contract was subsequently lost at contract renewal). Each Council that was in the partnership became a shareholder in the company.
- 7.4. The company was initially successful in winning external contracts, and new cameras (beyond the initial core group of partner cameras) were also charged via the company. By 31<sup>st</sup> March 2019, the retained profits of the company had risen steadily to £127k.
- 7.5. The Partnership had a governance review carried out by the Shared Internal Audit Service in 2018. Part of this review resulted in a clarification of the charging arrangement to the company for the use of the control room. It also resulted in all the partner cameras being brought back into the partnership and not split between the partnership and the company.
- 7.6. The financial year up to 31<sup>st</sup> March 2020 started to see a decline in customers and the company made a small loss. This was followed by another loss in the year to 31<sup>st</sup> March 2021. A small amount of the income loss would have been due to moving the Partner cameras back to the Partnership, but overall, the Councils were in a better position as there were then no corporation tax losses.
- 7.7. Following the decline in income, the company employed a Business Development Manager to identify target customers and win new business. That has been successful in reversing the decline in profitability (retained profits as at 31<sup>st</sup> March 2024 were £152k). There will be a need for a re-investment in the monitoring equipment in the CCTV control room, and the company will need to pay a share of that cost. Business plan projections are that the level of 23/24 business (profit after tax of £46k) can be continued, before any exceptional costs.

- 7.8. There have not been any previous reports to the sub-committee as the company has not taken any decisions that require the sub-committee's approval.
- 7.9. The Council is currently represented by the Service Director: Resources as the Shareholder representative. The Service Director: Enterprise is one of the Directors of the companies.

## **8. RELEVANT CONSIDERATIONS**

- 8.1. As stated in paragraph 7.1 following the training session this annual report will follow the Local Partnerships publication 'Local Authority Company Review Guidance 2023 Edition'. Members may wish to consider in advance of future such reviews that the Officer shareholder representative or another independent officer undertake the review following the format within the guidance, specifically Sections 6 (Standard Documents Required for a Review) and 7 (Guidance Checklist for Elected Members). Given the date of the training and this meeting it was not possible to undertake this work for this meeting. It will also be useful to incorporate the views of the Sub-Committee into any such review.
- 8.2. Whilst there has not been a formal governance review of the Company, there were some improvements to the some of the documents (e.g. more clearly setting out the charging for cameras) and relationships (e.g. regular meetings between the Directors and the Officer Management Board) between the Partnership and Company that came out of the Partnership Governance review. There is also a Joint Executive for the Partnership and care is taken to ensure that decisions are taken appropriately.
- 8.3. The Company has 4 Directors, one from each shareholding Council.
- 8.4. When required the Chief Finance Officers of the Partners will meet to discuss any issues, but this is not required very often.
- 8.5. There is a shareholder meeting at least once per year where the company provide their Business Plan for the following year. This is due to take place after the publication of this report and before the sub-committee meeting. The Shareholder Representative and the Director will be attending, and an update will be provided at the sub-committee meeting.

## **9. LEGAL IMPLICATIONS**

- 9.1. Under 5.12 of the Council's Constitution the roles and functions of the Cabinet Sub-Committee (Local Authority Trading Companies' Shareholder) are listed.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The financial position of the company is summarised in section 7. The Company pay towards both the fixed and variable costs of running the CCTV control room. This is made up of a fixed fee and an amount per camera, plus a contribution to capital costs. The costs that are incurred by the company (and covered by the income that they generate help to reduce the cost of the CCTV control room for the partnership.
- 10.2 The Company pays a contribution to each of the Councils to contribute towards the reimbursement of the Directors' time in running the company.

## **11. RISK IMPLICATIONS**

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 There is always risk in operating in a commercial environment. The Directors of the company are expected to make decisions to manage those risks and react to trading conditions. Where decisions require shareholder approval then these will be reported to the sub-committee for a decision. These additional annual reviews/ update reports provide the sub-committee with an awareness of the opportunities and risks that are facing the companies.
- 11.3 The most significant risks facing the Council in relation to any Company failure would be:
- Reputational impacts.
  - Financial losses from any unpaid loans (although the values are not very significant).
  - Additional CCTV monitoring costs falling on to the Partnership.

## **12. EQUALITIES IMPLICATIONS**

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. There are no equalities implications arising from this report.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

## **14. ENVIRONMENTAL IMPLICATIONS**

- 14.1. There are no known Environmental impacts or requirements that directly apply to this report.

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 There are no direct HR implications arising from this report.

## **16. APPENDICES**

- 16.1 None.

## **17. CONTACT OFFICERS**

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