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NORTH HERTFORDSHIRE DISTRICT COUNCIL

CABINET

MEETING HELD IN THE COMMITTEE ROOM 2, DISTRICT COUNCIL OFFICES, GERONON ROAD, LETCHWORTH, HERTS, SG6 3JF
ON TUESDAY, 25TH JUNE, 2024 AT 7.30 PM

MINUTES

Present: *Councillors: Daniel Allen (Chair), Val Bryant (Vice-Chair), Ian Albert, Amy Allen, Chris Hinchliff, Mick Debenham and Dave Winstanley.*

In Attendance: *Isabelle Alajooz (Legal Manager and Deputy Monitoring Officer), Ian Couper (Service Director - Resources), Sarah Kingsley (Service Director - Place), Susan Le Dain (Committee, Member and Scrutiny Officer), James Lovegrove (Committee, Member and Scrutiny Manager), Louise Randall (Leisure and Active Communities Manager) and Anthony Roche (Managing Director).*

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

Councillor Sean Nolan and Councillor Matt Barnes were in attendance as Chair of Finance, Audit and Risk Committee and Overview and Scrutiny Committee respectively.

14 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 49 seconds

Apologies for absence were received from Councillor Tamsin Thomas.

15 MINUTES - 19 MARCH 2024

Audio Recording – 1 minute 59 seconds

The Chair advised that the Minutes of the previous meeting could be moved and seconded by members who were not present at that meeting, although it is preferable that those who were not present should abstain from voting and commenting on the motion.

Councillor Daniel Allen, as Chair, proposed and Councillor Amy Allen seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 19 March 2024 be approved as a true record of the proceedings and be signed by the Chair.

16 NOTIFICATION OF OTHER BUSINESS

Audio recording – 3 minutes and 8 seconds

There was no other business notified.

17 CHAIR'S ANNOUNCEMENTS

Audio recording – 3 minutes 15 seconds

- (1) The Chair advised that, in accordance with Council Policy, the meeting would be recorded.
- (2) The Chair reminded Members that the Council had declared both a Climate Emergency and an Ecological Emergency. These are serious decisions, and mean that, as this was an emergency, all of us, Officers and Members had that in mind as we carried out our various roles and tasks for the benefit of our District.
- (3) 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.
- (4) The Chair advised for the purposes of clarification that 4.8.23(a) of the Constitution did not apply to this meeting.

18 PUBLIC PARTICIPATION

Audio recording – 4 minutes 20 seconds

There was no public participation at the meeting.

19 ITEMS REFERRED FROM OTHER COMMITTEES

Audio recording – 4 minutes 24 seconds

The Chair advised that the items referred from the Overview and Scrutiny Committee and the Finance, Audit and Risk Committee, would be taken with their respective items on the agenda.

20 COUNCIL DELIVERY PLAN 2023-24 (END OF YEAR)

Audio recording – 5 minutes 42 seconds

The Chair invited Councillor Matt Barnes, Chair of the Overview and Scrutiny Committee, to present the referral on this item. Councillor Barnes advised that there had been discussion around:

- Interest in projects in the Enterprise directorate and to bring this item to a future meeting of the Overview and Scrutiny Committee.
- Associated risks with the Waste Contract mobilisation which were on the Agenda for the Extraordinary meeting of the Overview and Scrutiny Committee meeting to be held on 2 July 2024.
- The mechanisms used to review the Council Delivery Plan going forward.

Councillor Ian Albert, as Executive Member for Finance and IT, presented the report entitled 'Council Delivery Plan 2023-24 (End of Year)' and advised that:

- This report detailed the position of projects on the Council Delivery Plan at the end of the year.
- The proposed changes to projects this quarter were detailed in paragraph 8.4.
- Details of the completed projects this quarter were listed in paragraph 8.5.
- A more focused set of projects for 2024/25 had been agreed in March and these would be reviewed after the setting of a new Council Plan.
- The Delivery Plan was reviewed on a quarterly basis where any comments from the Overview and Scrutiny Committee would be taken into account.

- Details of individual projects could be viewed in Ideagen (previously known as Pentana) as explained in paragraph 8.8.

Councillor Ian Albert proposed and Councillor Amy Allen seconded and, following a vote, it was:

RESOLVED: That Cabinet:

- (1) Noted the progress against Council projects as set out in the Council Delivery Plan (Appendix A) including new milestones and changes to milestone dates.
- (2) Noted the completion in Q4 of the projects detailed in paragraph 8.5.

REASON FOR DECISIONS: The Council Delivery Plan (CDP) monitoring reports provide Overview and Scrutiny, and Cabinet, with an opportunity to monitor progress against the key Council projects, and understand any new issues, risks, or opportunities.

21 ANNUAL REPORT ON RISK MANAGEMENT GOVERNANCE

Audio recording – 10 minutes 12 seconds

The Chair invited Councillor Sean Nolan, as Chair of the Finance, Audit and Risk Committee, to present the referral on this item. Councillor Nolan advised that there had been general discussion around:

- This new Civic Year, the Finance, Audit and Risk Committee had a few new Members who had a background in risk management which would be a strength to the Committee.
- Understanding the risk following the Baldock Fire and what this represented to the Council.
- Risk and legislation following post Brexit legislation changes from EU laws and any potential changes following the General Election.
- Understanding scoring systems and how risks were kept.

Councillor Ian Albert, as Executive Member for Finance and IT, presented the report entitled 'Annual Report on Risk Management Governance' and advised that:

- Risk management was a vital part of the work of the Council and ensured it was operating effectively.
- This report detailed the various aspects of work carried out on risk management over the year.
- Risk management also covered a range of link topics which were health and safety, insurance and business continuity.
- A visual risk profile of key Corporate Risks could be found in paragraph 8.2.5
- Details of the high scoring service level risks, which were also documented and which sat below corporate risks, could be found in paragraph 8.2.6.
- The Senior Management Group had carried out an exercise in relation to risks including cyber-attacks, which had resulted in the setting up of a new Cyber Board, as highlighted in paragraph 8.5.3.

Councillor Ian Albert proposed and Councillor Dave Winstanley seconded and, following a vote, it was:

RESOLVED: That Cabinet noted this report.

RECOMMEND TO COUNCIL: That Council note the report.

REASONS FOR DECISION:

- (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.

22 REVENUE BUDGET OUTTURN 2023/24

Audio recording – 15 minutes 41 seconds

The Chair invited Councillor Sean Nolan, as Chair of the Finance, Audit and Risk Committee, to present the referral on this item. Councillor Nolan advised that there had been general discussion around:

- The value of income from car parking fees for the Council.
- The Leisure Management Centres fees following the new contract and what impact this would have on income in future years.
- The variances in planning fees due to the size of developments.

Councillor Ian Albert, as Executive Member for Finance and IT, presented the report entitled 'Revenue Budget Outturn 2023/24' and advised that:

- The budget was reviewed each quarter to provide a revised estimate of spend in the year.
- This report reflected the end of year position for the Council.
- Explanation of significant changes from the last quarter following requests to carry forward balances for items not completed were detailed in Table 3.
- Significant variances and the extra work required by external auditors to meet new regulatory and compliance standards were set out in Table 2.
- A summary of the variances over the whole year was set out in Appendix A. There had been higher returns on cash investments due to higher interest rates.
- The key sources of income were detailed in Tables 5 and 6.

Councillor Ian Albert proposed and Councillor Amy Allen seconded and, following a vote, it was:

RESOLVED: That Cabinet:

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

RECOMMENDED TO COUNCIL: To approve the net transfer to earmarked reserves, as identified in table 9, of £2.028million.

REASONS FOR DECISIONS:

- (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.

23 INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2023/24

Audio recording – 21 minutes 52 seconds

The Chair invited Councillor Sean Nolan, as Chair of the Finance, Audit and Risk Committee, to present the referral on this item. Councillor Nolan advised that there had been general discussion around:

- Helping the new Members of the Committee to understand the financial situation of the Council over the last couple of years.
- The new Lloyds bank Call Account which offered a higher interest rate of 5% for savings and which would help to support the finances of the Council going forward.
- That higher interest rates would not last much longer and how the capital reserves were disappearing, so extra borrowing would need to be considered in the future.

Councillor Ian Albert, as Executive Member for Finance and IT, presented the report entitled 'Investment Strategy (Capital and Treasury) End of Year Review 2023/24' and advised that:

- The first part of the report related to the capital spend and the second part detailed how surplus cash had been invested in line with the Investment Strategy.
- The changes in the last quarter and the reasons for these changes were detailed in Tables 2 and 3.
- Explanation of how the capital programme was funded could be found in Table 4.
- The revenue costs of capital would put a strain on the revenue budget in the coming years.
- There would be a full review of capital spend to make sure it is achievable and deliverable within the 2025/26 budget setting process.
- The Council had complied with all legislative and regulatory requirements throughout the year.
- Most investments were Local Authority loans and building society loans and the Investment Strategy would continue to be studied throughout the year.

Councillor Ian Albert proposed and Councillor Mick Debenham seconded and, following a vote, it was:

RESOLVED: That Cabinet:

- (1) Noted expenditure of £2.409million in 2023/24 on the capital programme, paragraph 8.3 refers.
- (2) Approved 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) Noted 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) Approved the application of £1.313million of capital receipts/set aside towards the 2023/24 capital programme, paragraph 8.7 refers.
- (5) Noted the position of Treasury Management activity as at the end of March 2024.

RECOMMENDED TO COUNCIL:

- (1) To approve the actual 2023/24 prudential and treasury indicators.
- (2) To note the annual Treasury Report for 2023/24.

- (3) To 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 DECISIONS:

- (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.

24 KEY PERFORMANCE INDICATORS 2024/25

Audio recording 29 minutes 12 seconds

The Chair invited Councillor Sean Nolan, as Chair of the Finance, Audit and Risk Committee, to present the referral on this item. Councillor Nolan advised that there had been discussion around:

- The introduction of the new Key Performance Indicators and of the benefits they would bring.
- The addition of two extra Key Performance Indicator Recommendations added to the report to ensure visibility of results to all Councillors.

Councillor Ian Albert, as Executive Member for Finance and IT, presented the report entitled 'Key Performance Indicators' and advised that:

- The two new Recommendations from Overview and Scrutiny Committee were welcomed and that he agreed how important it was for the Council to be seen as being visible and transparent.
- The purpose the report was to ensure there was an insight into how the Council was performing.
- The principles were detailed in paragraph 8.2 and details of the proposed indicators was set out in paragraph 8.3
- There would be quarterly Key Performance Indicator updates published in the Members Information Service (MIS) to improve visibility and transparency going forward.

Councillor Ian Albert proposed and Councillor Val Bryant seconded and, following a vote, it was:

RESOLVED:

- (1) That Cabinet adopted the performance indicators set out in paragraph 8.3 for 2024/25.
- (2) Considered adding Key Performance Indicators regarding performance of third party suppliers and staff satisfaction.
- (3) Agreed that Key Performance Indicators were published to the Members Information Service when provided to Cabinet.

REASON FOR DECISIONS: North Herts District Council had tried to move towards having indicators that were focused on key projects of the Council. However it had been found that these do not generally give the level of Council oversight that the Council would want. Therefore these performance indicators are proposed to give that view of overall performance.

25 EXCLUSION OF PRESS AND PUBLIC

Audio recording – 33 minutes 40 seconds

Councillor Daniel Allen, as Chair, proposed and Councillor Mick Debenham 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).

26 PART 2 MINUTES - 12 DECEMBER 2023

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

The Chair advised that the Minutes of the previous meeting could be moved and seconded by members who were not present at that meeting, although it is preferable that those who were not present should abstain from voting and commenting on the motion.

Councillor Daniel Allen, as Chair, proposed and Councillor Amy Allen seconded and, following a vote, it was:

RESOLVED: That the Part 2 Minutes of the Meetings of the Committee held on 12 December 2023 be approved as a true record of the proceedings and be signed by the Chair.

27 LEISURE INVESTMENT OPTIONS - PART 2

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

The Executive Member for Environment and Leisure presented the report entitled 'Leisure Investment Options – Part 2'.

Councillor Mick Debenham proposed and Councillor Ian Albert seconded and, following a vote, it was:

RESOLVED: That the Part 2 report was considered when the decisions detailed in Part 1 were reached.

REASONS FOR DECISION: As detailed in the Part 1 report.

28 LEISURE INVESTMENT OPTIONS - PART 1

Audio recording – 44 minutes 28 seconds

The Chair invited Councillor Matt Barnes, as Chair of the Overview and Scrutiny Committee, to present the referral on this item. Councillor Barnes advised:

- The grant from Centrica must be used by March 2026 as there was penalty clause in the contract.
- There was no objection to the gym extension at Royston Leisure Centre and section 106 funding had been applied to this.
- The business case for the learner pool at Royston Leisure Centre was unfavourable on a financial basis.

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- Swimming lessons were oversubscribed at Royston Leisure Centre and the Council should be mindful of their motion on health initiatives.
- The construction of a learner pool at Royston should not be removed from budget and the Council should continue to explore alternative areas of funding to make the business case more favourable.

In response to a question from Councillor Chris Hinchliff, the Service Director – Place, advised that the amount of s106 funding to be applied to the gym extension at Royston Leisure Centre was roughly £170K.

The Chair invited Councillor Sean Nolan, as Chair of the Finance, Audit and Risk Committee, to present the referral on this item. Councillor Nolan advised that:

- The penalty charge associated with the contract with Centrica was a risk to finances.
- A decision must be reached now on spending the grant otherwise the opportunity would be lost.
- The cancellation fee should not be the reason to stop the whole programme going ahead and therefore was not a good reason to remove this from the budget.

The Executive Member for Environment and Leisure presented the report entitled 'Leisure Investment Options – Part 1' and advised:

- In February 2024 the Council advised that the Public Sector Decarbonisation Scheme had been successful and the Council was awarded over £7.7 million in grant funding.
- Emissions from leisure centres accounted for 45% of the total emissions of the Council.
- After decarbonisation at leisure centres the carbon savings would be over 50% as detailed in paragraph 8.1.
- Upon confirmation of the grant, Wilmot Dixon were commissioned to carry out a feasibility study for the works. This feasibility study identified some technical issues which led to cost increases as detailed in paragraph 8.6.
- The cost increases for the gym extension and learner pool to ensure they were built to net zero carbon standards were tabled in paragraph 8.15. There was an error in the table where the cost increase for the learner pool is shown as £200K rather than the correct figure of £220K. However, the total figure of £470k was correct.
- There were strict conditions in the Salix Grant that all funds must be spent in the relevant year of the project with no flexibility in this. For 2024/25 the grant was around £6.2 million and for 2025/2026 was around £1.6 million.

Councillor Daniel Allen thanked Officers for their pro-active work on this and reported how this would assist the Council in achieving the aim to be zero carbon by 2030.

Councillor Ian Albert advised that there would be a full review of the capital programme and that it was an aspiration to achieve a learner pool at Royston Leisure Centre. Councillor Albert added that within the report it recommended to bring in external expertise from a Quantity Surveyor to oversee the interests of the Council.

Councillor Mick Debenham proposed and Councillor Ian Albert seconded and, following a vote, it was:

RESOLVED: That Cabinet:

- (1) Agreed 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) Expressed 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.
- (3) Did not approve the business case for Royston Leisure Centre Learner Pool at this time due to matters identified in the Part 2 report.
- (4) Agreed that the Project Board would review the business case for the Royston Learner Pool, after further work had taken place to explore any other funding options that were realistically available. That review would then feed into the planned review of the Council's capital programme, as part of the 2025/26 budget setting process.

RECOMMENDED TO COUNCIL:

- (1) 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) 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.
- (3) 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. To take this Part 2 report into consideration when reaching the decisions detailed in Part 1.

REASONS FOR DECISIONS:

- (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.

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- (5) The business case for the learner pool has not yet been agreed and is included in the Part 2 report.

The meeting closed at 8.34 pm

Chair