

**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 –
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 31st 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 31st 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 31st 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 31st 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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18. BACKGROUND PAPERS

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