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## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### CABINET

**MEETING HELD IN THE COUNCIL CHAMBER - DISTRICT COUNCIL OFFICES, GERON ROAD, LETCHWORTH, SG6 3JF ON TUESDAY, 22ND SEPTEMBER, 2026 AT 7.30 PM**

### MINUTES

**Present:** *Councillors Val Bryant (Chair), Sean Nolan (Vice-Chair), Ian Albert, Amy Allen, Mick Debenham, Tamsin Thomas, Donna Wright and Daniel Allen*

**In Attendance:** *Isabelle Alajooz (Director - Governance and Monitoring Officer), Ian Couper (Director - Resources), Robert Filby (Committee, Member and Scrutiny Officer), Martin Lawrence (Strategic Housing Manager), James Lovegrove (Committee, Member and Scrutiny Manager), Anthony Roche (Chief Executive)*

#### **44     KEYSTAGE AND THE TREATMENT OF HOUSING BENEFIT**

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

The Director – Resources presented the report entitled 'Keystage and the Treatment of Housing Benefit' and highlighted that:

- The history of the Lord Lister Hotel site was outlined in Section 7 of the report.
- In May 2023, Keystage provided evidence that they should be eligible for a higher level of Housing Benefit payment. The Council started paying the higher rate on that basis. However, there were still matters that were pending.
- The Council stopped payment of Housing Benefit in March 2025, as the matters of eligibility had still not been resolved. At that time there was hope that these matters could be resolved and allow the back-payment of the higher level of Housing Benefit. By June 2026, it became apparent that Keystage would not be able to meet the requirements for Housing Benefit payment.
- In August 2026, it was advised that OneYMCA were looking to take over the Keystage services, not just in Hitchin but the whole company, including over 200 units in Luton.
- OneYMCA were made aware of the Housing Benefit overpayment situation and the three options as outlined in paragraph 8.3 of the report were discussed.
- The third option, to pause and wait, appeared to be the best approach at this point. This balanced a decision that the Cabinet may be prepared to make without blocking the takeover from happening.
- It was made clear through discussions that OneYMCA would be looking to place protections in the takeover so they did not assume any debts of Keystage.
- There was some, limited protection offered in the lease on the property between Keystage and O'Grady Investments Limited and the £200k funding provided by the Council. If the lease was transferred within the period outlined, the Council would be eligible to get a portion of this £200k back, as outlined in paragraph 8.5 of the report.
- During the publication of this agenda, most of the Executive Summary was published on the website in error and was therefore publicly available. Keystage noticed this and subsequently notified OneYMCA,. Keystage notified the Council of this on Thursday 17 August. The confidential information had been removed from the website by late on Friday 18 August.
- Following this, OneYMCA advised they would need to liaise with their trustees regarding this, as the information had not previously been raised with board members.

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- A meeting was held with OneYMCA, who were not aware of the recommendations within the Part 2 report, and it was outlined that all options were being considered, but that a pause would be recommended and that this pause would be until January.
- OneYMCA had subsequently written to request the write off of the debt due to increased risk and the takeover being made more difficult. A meeting with trustees was arranged for Wednesday 23 September to discuss ways forward. No commitment had been made on this by Officers. The recommendation from Officers was still to pause. However, there would be benefit to providing a delegation in case an alternative approach became necessary.
- Therefore, an amendment should be considered to recommendation 2.5, which would remove the final sentence 'Any such proposal must be considered under the appropriate delegation or referred back to Cabinet' and replace with the following 'Although Cabinet notes that there may be an urgent need for these to be considered to ensure that a takeover proceeds, and delegates any urgent decision on any write-off, waiver, release or compromise of any Housing Benefit debt, grant repayment obligation, personal guarantee or property restriction to be taken by the Directors of Resources and Regulatory, in consultation with the Executive Members for Resources and Regulatory, the Chief Executive and the Leader of the Council'.
- A further minor amendment should be considered to recommendation 2.2 to remove 'independently of the proposed takeover'.
- OneYMCA have confirmed that no assets remain within Keystage and that Keystage believe they could fight the repayment of the overpayment, if that was proceeded with.
- It was important for the Council to conduct due diligence on all options available before making a decision. Therefore, the pause and wait option was recommended.
- There was potential to reclaim 40% of the difference between the higher rate and lower rate of payment from the Department for Work and Pensions (DWP), which would leave a net cost to the Council of around £600k. Details of this were included in paragraphs 8.9 and 8.10 of the report.
- Overall the services provided had been performing well and had delivered good outcomes for the service users, as outlined in paragraph 8.11 onwards of the report.
- If Keystage had been eligible for Housing Benefit, then it would still have been the same level of spend, but this would have been through the DWP, not the Council. If the provision had been required to close at an earlier point, then the Council probably would have had the costs of housing the residents elsewhere, such as in hotel accommodation. This would have come with a cost and less good outcomes for service users.

The following Members asked questions:

- Councillor Sean Nolan
- Councillor Mick Debenham
- Councillor Ian Albert
- Councillor Daniel Allen

In response to questions, the Director – Resources advised that:

- The protection included in the lease was separate to the potential to reclaim an amount of Housing Benefit. It was understood that this amount would be payable in any transfer of the lease.
- The current advice from the Benefits Manager was that the lease would need to be transferred to OneYMCA as part of the takeover to ensure eligibility for Housing Benefit at the higher rate.
- Both Keystage and OneYMCA should be aware of the lease agreement.
- The protection prevented the transfer of the lease and had been included in order to protect the service provision in Hitchin.
- Any outstanding debts would in general pass over to any successor authority, but it was expected that this would be resolved before any new authority was in place.

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- The current proposal was for One YMCA to take over the Keystage company, therefore any existing staff would be retained. It would ultimately be up to OneYMCA as to how future operations were managed once the takeover was complete.
- Financially it was likely that the Council would be in the same position whether it sought repayment now or paused. The benefit of the pause was that it would allow the retention of services at the Lord Lister.

In response to questions, the Monitoring Officer advised that the restriction was on the title register. Therefore, the Land Registry would write to North Herts when a transfer request was received to confirm acceptance. The Council could still accept the transfer and follow up on reclaiming the £120k.

Councillor Ian Albert proposed to approve the recommendations with amendments to recommendations 2.2 and 2.5, and this was seconded by Councillor Mick Debenham.

The following Members took part in the debate:

- Councillor Val Bryant
- Councillor Ian Albert
- Councillor Daniel Allen
- Councillor Donna Wright
- Councillor Sean Nolan

The following points were made as part of the debate:

- It should not be forgotten that these are businesses, which were making purely financial and business decisions.
- The progress made on service delivery on site should be applauded.
- It was important to continue to explore what money could be recovered from either Keystage or the DWP.
- The Council had been consciously misled throughout this process, with the Council putting in more effort it would appear than other parties involved.
- Keystage had provided a good service at the site, notwithstanding the management shortcomings. They had provided services to the most vulnerable in society.
- There had been opposition early on in the process of using the Lord Lister Hotel for this purpose.
- The worst fears of using the Lord Lister Hotel for this use had not been realised and a good service had been delivered.
- It would either be the Council or DWP who would pay for the service, but either way it needed to be provided, and it is positive that delivery had been of a good standard.
- Options should be explored as to recover any money, but there was a need to be realistic about what would be achievable.

Having been proposed and seconded and following a vote, it was:

**RESOLVED:** That Cabinet:

- (1) Supported priority being given to the ongoing delivery of the Supported Accommodation provision at the former Lord Lister hotel site in Hitchin.
- (2) Noted that decisions concerning Housing Benefit entitlement, the calculation and classification of any overpayment, its legal recoverability and the persons from whom it is recoverable will be made by appropriately authorised officers in accordance with the applicable legislation and evidence, independently of the proposed takeover.

- (3) Delegated authority to the Director: Resources in conjunction with the Executive Member for Resources approval to agree a time-limited standstill on the enforcement of any recoverable Housing Benefit overpayment until 20th January 2027.
- (4) Agreed that any standstill must:
  - a) relate only to enforcement and must not delay or restrict statutory Housing Benefit decisions, notifications or subsidy accounting;
  - b) be considered likely to protect or enhance the Council's overall financial position and support continuity of service provision;
  - c) preserve the Council's rights in respect of the Housing Benefit overpayment, the Grant Agreement, the property restriction and the personal guarantee;
  - d) contain appropriate information, reporting, asset-protection and reservation-of-rights provisions; and
  - e) comply with the Council's Constitution, Financial Regulations, Best Value duty and subsidy control obligations.
- (5) Agreed that no write-off, waiver, release or compromise of any Housing Benefit debt, rent repayment obligation, personal guarantee or property restriction is authorised by this decision. Although Cabinet notes that there may be an urgent need for these to be considered to ensure that a takeover proceeds, and delegates any urgent decision on any write-off, waiver, release or compromise of any Housing Benefit debt, grant repayment obligation, personal guarantee or property restriction to be taken by the Directors of Resources and Regulatory, in consultation with the Executive Members for Resources and Regulatory, the Chief Executive and the Leader of the Council.
- (6) Agreed that, before any standstill or related consent is concluded, officers must be satisfied as to the identity of the proposed acquirer, the structure and consideration for the transaction, the liabilities being assumed, the financial position and creditor rating of Keystage CIC, the treatment of its assets and leasehold interests and the arrangements for continuity of provision for existing residents.
- (7) Requested that the Director - Resources reports the outcome to Cabinet, when known, including the final Housing Benefit and subsidy position and any further decisions required.
- (8) Supported the principle of recovering funding where possible, subject to the prioritisation of recommendation 2.1 above.

***REASONS FOR DECISIONS:***

- (1) Previous decisions by Cabinet (in November 2025 and June 2026) have prioritised the continued delivery of supported accommodation at the former Lord Lister site, especially noting that the Housing Benefit overpayment is unlikely to be recoverable from Keystage. These recommendations reflect a continuation of that approach.
- (2) The recommendations seek to preserve continuity of supported accommodation while ensuring that statutory Housing Benefit decisions are made lawfully and independently, that public money and the Council's contractual rights are protected and that any temporary pause in enforcement is expressly limited and subject to appropriate safeguards.

The meeting closed at 10.28 pm

Chair