

22 November 2022

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Title	Colchester Commercial Holdings Limited Annual Report for 2021/22		
Wards affected	All		

1. Executive Summary

- 1.1 This report sets out the performance summary and activities of the Council's wholly owned commercial companies during the fiscal year for 2021/22. The Annual Report is attached in Appendix A.
- 1.2 It was another challenging year, being affected from the continuing global pandemic of Covid, the transition to post-Covid living, the new issue of supply chains affected by the Ukraine conflict and impacts seen across all trading areas. However, with prudent and agile planning, the commercial companies were able to deliver on their revised dividend target to the Council, returning £172,000 dividend payment alongside their other income to the Council, whilst re-establishing the roots of growth and delivering some more significant milestone achievements with social and environmental benefits.

2. Recommended Decision

- 2.1 The Governance and Audit Committee is invited to review the performance of Colchester Commercial Holdings Limited (CCHL) and its subsidiaries during 2021/22 as provided in the Annual Report.
- 2.2 The Committee is also invited to make any recommendations to Cabinet on Colchester Commercial Holdings Limited for 2022/23 and/or beyond.

3. Reason for Recommended Decision

- 3.1 Colchester Commercial Holdings Limited (CCHL) is a wholly owned company of the Council and has a key role to play in contributing to the achievement of the Council's strategic objectives. The Governance and Audit Committee has the responsibility to act as the shareholder committee for the Council-owned CCHL and Amphora subsidiary companies. As part of this role the Committee is required to:
 - Consider and review the activities and performance of Colchester Commercial (Holdings) Limited and its subsidiary companies;
 - Monitor, challenge and make recommendations to Cabinet regarding Colchester Commercial (Holdings) Limited and its subsidiary companies; and
 - Make recommendations to Cabinet on how it should exercise the functions flowing from its ownership of shares in Colchester Commercial (Holdings) Limited and its subsidiary companies.

4. Alternative Options

- 4.1 Not to review the performance of the Council's companies: However, this would not satisfy the duties and requirements of the Governance & Audit Committee in its role as the Shareholder Committee.

5. Background Information

5.1 Governance of the Companies

- 5.1.1 The Localism Act 2011 enabled Local Authorities to undertake discretionary service and other activities to make a profit, but only if delivered via a commercial trading company structure. Using these powers, the Council established wholly owned companies that were incorporated under the Companies Act 2006 on 1 June 2017 and began operating from 1 April 2018.
- 5.1.2 Colchester Commercial Holdings Limited (CCHL) is a private holding company limited by shares, with the Council being the sole shareholder. The Council therefore retains full control over the direction of the companies. Good governance, accountability and transparency are essential to Council activities and a cornerstone to improving public services. In auditing their activities, the Committee can ensure that this applies equally to its commercial companies and can ensure the Council has made proper arrangements for the governance of its companies.
- 5.1.3 The Council signed a 12-year Management Agreement with CCHL in March 2018. The Management Agreement between the Council and CCHL sets out how the company will provide a range of services to the Council, as well as managing some budgets and services on behalf of the Council. The Company then manages its budget within the overall management fee and through income that the companies generate from their activities. Profit surpluses are returned to the Council as shareholder, via a dividend, to reinvest in public services.
- 5.1.4 CCHL has 3 subsidiary companies:
- Colchester Amphora Energy Ltd (CAEL);
 - Colchester Amphora Homes Limited (CAHL); and
 - Colchester Amphora Trading limited (CATL)
- 5.1.5 As the Council is the sole shareholder, the Board of CCHL consists of four Councillors and the Group Managing Director. The representation on the Board allows the Council to offer direction to the holding company (and its subsidiaries). Business Plans are also agreed annually by the Cabinet (in March), following recommendations to them by the Governance & Audit Committee (in January)
- 5.1.4 The CCHL Board has overall legal responsibility for ensuring compliance with the Shareholder Agreement. The Directors hold the responsibility for making decisions, providing leadership, and monitoring the performance of the company. Directors are also responsible for obtaining appropriate legal, financial and tax advice to enable them to make informed decisions about the running of the company, as well as maintaining and regularly reviewing a robust risk management framework.
- 5.1.5 The Management Agreement referred to above also sets out these audit requirements and all of the companies are subject to any audit and inspection requirements of the Council. External audit remains an essential element in accounting for public money and makes an important contribution to the stewardship of the Council's public resources.

The Company also undertakes all internal and external audit to comply with the law. Similar requirements also exist for complaints, enquiries and legal procedures.

- 5.1.6 Under a Service Level Agreement (SLA), the Companies also pay the Council a fee for the provision of a number of services, such as Human Resources and I.T. The current SLA runs from 1 April 2021 to 31 March 2024 and sets out the respective roles and responsibilities of each party in the provision of the services.

5.2 Financial Performance

- 5.2.1 In 2019/20, prior to Covid, the companies delivered their forecast dividend of £394,000 which was reinvested in public services by the Council. With anticipated growth in 2020/21, the Covid pandemic then affecting all activities and a revised dividend target of £226,000 was recommended by the Governance and Audit Committee, agreed by Cabinet (in June 2020) and then met for 2020/21.
- 5.2.2 This past year, 2021/22, the dividend figure achieved was £172,000. The impacts of Covid continued further into this year than first expected and were then compounded by issues related to the construction industry, supply chains and the conflict in Ukraine.
- 5.2.3 Aside from the dividend, the companies also generate other income for the Council. The companies pay rent for use of the Council office space that they occupy, they also pay for the services they receive from the Council under the SLAs, as well as paying for use of the Council's venues in order to deliver the commercial events programme. These income streams were not affected by Covid and remained consistent in 2021/22 with previous years.
- 5.2.4 A concession fee for use of the Council-owned and company operated Ultrafast Broadband network will also add to this for future years from 2022/23 (but not the past year reported herein). The existence of commercial companies also allows the Council to access funding streams that are not available to the public sector, and for funding to be combined in projects where the Council and its companies form a partnership (each accessing their own grant or funding).

5.3 Activities and Project Delivery Performance

- 5.3.1 The Annual Report details a number of activities that were completed in 2021/22 and that can be shared publicly as their commercial sensitivity phases have passed. Other activities may not be at a stage that passes the need for temporary commercial confidentiality despite being progressed in the year (due to the private market competition). The Annual Report should be read in full and is included in Appendix A.
- 5.3.2 Without repeating the Annual Report itself (which should be read in full, see Appendix A), a few key highlights are included herein. Advice provided by the Amphora Estates and Projects Teams, the first of these is the £65m Northern Gateway Leisure Park ("Turnstone") which started construction on site in early 2022 and is now visibly progressing at speed. Across the A12 from the now opened £28.8m Northern Gateway Sports Park, the forthcoming multiplex of leisure and commercial development will add to Colchester's offer for residents and visitors alike. The Council-owned 10-acre site will provide:
- a twelve-screen cinema including a Super Screen and 4DX;
 - up to seven restaurant units and two drive-thru food units;
 - a ninety-bed hotel;
 - three indoor active leisure units;

- a high quality landscaped “piazza”.

- 5.3.3 Another highlight was the completion of construction, then the commencement of operating the Local Full Fibre Network (LFFN) Ultrafast Broadband across the Colchester urban area and Wivenhoe (with other areas to follow). Now that Colchester’s digital infrastructure (and CCTV system) have been completely overhauled, CATL has completed one of the largest digital infrastructure projects of its type that was undertaken by a Local Authority in the UK. More than 75km of new fibre optic network was delivered across Colchester with a new direct link to the UK’s main internet exchange at Telehouse (London). Acting on behalf of CBC, CATL delivered this using £3.35m of funding secured from DCMS and this has brought in a significant further multi-million pound foreign investment in Colchester, by the Swedish digital infrastructure specialist, VX Fiber.
- 5.3.4 A final highlight drawn out specifically in this covering report is that of events. Arguably the hardest hit activities for the Council’s companies, the hospitality sector and events have bounced back based on reputation earned by past performance, resilience, and confidence in our team from outside promoters. The events company within CATL, has worked very hard to help with a very interrupted weddings programme by supporting couples affected by the uncertainty and manage this flexibly. They have also managed to rebuild a regular (over 500 events) and strong line-up of well-known comedy and musical events, including the return of the Castle Park summer concerts that saw Alfie Boe and Michael Ball, Simply Red, and Westlife perform to Colchester audiences.
- 5.3.5 An “Events” highlight of the year was also the hosting of the Grand Depart first stage of the Women’s Tour of Britain that was televised internationally and promoted Colchester (from the new Sports Park and through the historic town centre) around the world. The Tour is calculated to have produced a £1.5m economic boost.

6. Equality, Diversity and Human Rights implications

- 6.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to:
- eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 6.2 The performance reported herein will have no disproportionate impact on, nor disadvantage, any protected group. A number of the projects and activities delivered by the companies directly attempt to improve lives of vulnerable users, bridge inequalities, and provide greater opportunities for all.
- 6.3 As a few specific examples, Helpline provides a service that has helped vulnerable residents throughout lockdown, who were reassured by knowing that their safety was being monitored and that they had support. In the Sports Park, there are features, activities and facilities providing for equality such as “Wheels for All”, adapted bikes available, and a Changing Places toilet. The Broadband delivery is also facilitating improved speeds for less affluent areas that would not be provided for by usual market operators, helping disadvantaged communities work from home or operate their small businesses more easily.

7. Strategic Plan References

- 7.1 The services and projects delivered by CCHL, and its subsidiaries contribute directly to the priority areas:
- Tackling the climate challenge and leading sustainability
 - Creating safe, healthy and active communities
 - Delivering homes for people who need them
 - Growing a better economy so everyone benefits
 - Celebrating our heritage and culture
- 7.2 As some specific individual examples, the Strategic Plan stated that in 2021/22 the Council would:
- Commence construction of the Northern Gateway Heat Network
 - Agree “Phase 2” sites for development by Amphora Homes and undertake feasibility and viability assessments
 - Deliver the first mixed tenure housing site built by the Council at Creffield Road
 - Deliver the Local Broadband Full Fibre Network project
 - Complete the Mercury Rising project
 - Work to deliver a scheme redevelopment for Vineyard Gate car park to showcase the Town Wall and provide a welcoming arrival point for visitors to the historic town with interpretation and on-site presentation of surviving archaeology and heritage assets
 - Seek grant funding and implement schemes to enhance Balcerne Square and St Nicholas Square as new public spaces to showcase the adjacent assets

8. Consultation

- 8.1 There is no specific consultation consideration in relation to this report.

9. Publicity Considerations

- 9.1 There is no specific publicity consideration in relation to this report. Many of the activities and projects mentioned have been publicised individually.

10. Financial implications

- 10.1 In terms of overall governance, the companies operate as separate organisations with financial regulations agreed by relevant company boards. Where the companies are spending money on behalf of the Council then all approvals are required to be in line with normal Council procedures.
- 10.2 In terms of the financial assumptions and dividend targets, when the companies were set up the financial targets and estimated dividend for 2018 to 2021 was broadly based on existing budget assumptions when services were operating within the Council. The original Business Plan period ran until 31 March 2021 and a new Business Plan period has now been entered into from 1 April 2022.
- 10.3 Funding for the company is via a Management Fee paid by the Council and through income that the companies generate. In addition, separate agreements will provide loan finance to the housing and energy subsidiaries. These have been subject to separate reports agreed by Cabinet and as such are not set out in detail within this report.

11. Health, Wellbeing and Community Safety Implications

- 11.1 Health and wellbeing is influenced by a number of factors, many of which fall under the responsibility of the Council. The Company activities span various aspects and assist the Council to do all it reasonably can to promote positive health benefits to our residents; whilst reducing, removing, or minimising any unintended consequences to health that may arise from services or decisions.

12. Health and Safety Implications

- 12.1 The matters herein do not result in harm to the health and safety of the general public or raise any specific health and safety issues related to this report.

13. Risk Management Implications

- 13.1 CCHL has a risk register that is actively managed and that should be monitored by its Board. Each of the subsidiary companies also have their own risk register. All of the companies have a Business Continuity Plan. A key risk associated with the companies concerns the financial risk attached to the delivery of income targets (capital and revenue) and management of costs. This is actively managed through regular monitoring and reporting on the financial position and the governance arrangements detailed within this report.
- 13.2 The recently completed Peer Review recommended that CBC commission an independent review of Colchester Commercial Holdings Ltd, and its subsidiaries, to assess whether the companies are realising the benefits they were established to deliver. CCHL will participate fully in this review and its conclusions will shape the future priorities of the companies.

14. Environmental and Sustainability Implications

- 14.1 The Council has declared a Climate Emergency and has committed to being carbon neutral for its operations by 2030. Many of the company activities are helping deliver projects that will contribute towards the achievement of sustainable development as defined in the National Planning Policy Framework. Achieving sustainable development means that the meeting three overarching objectives, which are interdependent and need to be pursued in mutually supportive ways. These are economic, social, and environmental objectives.
- 14.2 This report outlines some of the projects and the activities of the companies that will help meet the targets. Projects such as the delivery of homes, jobs and sports and leisure provision, contribute towards sustainable communities. Projects such as the Heat Network, an innovative low-carbon energy network, make positive contributions to reducing the impact of growth. Thus, in summary, activities undertaken by the Council through its companies has considered the Climate Emergency and the sustainable development objectives set out in the National Planning Policy Framework (NPPF).

Appendices

Appendix A – CCHL Annual Report 2021/22