

Extract from the minutes of the Governance and Audit Committee meeting of 22 November 2022

336. Colchester Commercial Holdings Limited Annual Report for 2021/2022

Councillor Smith, Chair of the Committee, indicated that it was his intention to deal with this item first, and not in the order published in the agenda, to the unanimous agreement of the Committee. Accordingly, the Committee considered a report setting out the performance summary and activities of the Council's wholly owned commercial companies during the fiscal year for 2021/22.

Pam Donnelly, Chief Executive of Colchester Borough Council (the Council), attended the meeting and addressed the Committee. She wished to make sure that the Committee was aware that Paul Smith, the Managing Director of Colchester Commercial Holdings Limited (CCHL), had decided to retire, and would be leaving his role towards the end of February 2023. There were potential risks associated with any senior member of staff leaving a commercial organisation and, with the support of Cabinet, a risk assessment would accordingly be prepared to identify any areas which needed to be addressed. Additionally, the recent Peer Review had recommended that a full independent and external review of the operation of the Council's wholly owned commercial companies be undertaken, and accordingly an external company had been appointed to carry out this work. It was anticipated that further a further update would be able to be provided to the Committee after January 2023.

Councillor Warnes, Chair of the Board of Colchester Commercial Holdings Limited (CCHL) attended the meeting and addressed the Committee. The Committee was invited to review the performance of CCHL and its subsidiaries as shown in the annual report which was presented to it. The Committee was also invited to make any recommendations to Cabinet in respect of CCHL for the financial year 2022/2023 or beyond. Over the past year, the dividend figure achieved by CCHL had been £172,000, although the continued impact of the Coronavirus pandemic, and issues with construction industry supply chains and the war in Ukraine had also affected this figure. In addition to this dividend, CCHL generated other income for the Council in the form of rents for office space and other services as defined by the various Service Level Agreements (SLA)s in place. CCHL was able to access funding streams which were not available to public sector organisations, and work in partnership with the Council on projects which benefited from combined funding streams. Risk assessments for CCHL and its subsidiary companies were maintained and regularly reviewed by the Board, and it was considered that a key risk was that attached to the delivery of income targets, both capital and revenue, and management costs. These risks would be actively managed through monitoring and reporting through the governance arrangements which were in place.

It was considered that CCHL had delivered many successes over the past 12 months, including:

- completed delivery of a full fibre broadband network in support of the Council's 2017/2022 Digital Strategy, together with the establishment of Colchester Fibre to provide and operate an ambitious commercial broadband programme across the borough
- Support for the Council's green agenda, including the appointment of a contractor for the design and build of the proposed low carbon district heat network. Additionally, feasibility work had been completed for development of a microgrid to provide electricity generated from a proposed 4.5 megawatt PV solar farm, and the Helpline service had taken delivery of a new fleet of hybrid electric vehicles
- there had been a full upgrade and extension of the town's high definition digital closed circuit television (CCTV) system, increasing the coverage and clarity of footage
- improvements to the public realm, including the new Stanway Community Centre, and the creation of a new and accessible public square at Balkerne Gate
- Amphora Events had put on over 500 events, attracting over 125,000 visitors, and Colchester Weddings had seen increased demand for its services, buoyed by the relaxation of lockdown restrictions
- The Estates Team had continued to identify and secure assets management initiatives and negotiate land and property disposals and acquisitions to bring in substantial total capital receipts to the Council. The team was also advising on Touchstone Estates new £65m commercial leisure development on the Northern Gateway site, the largest leisure development of its kind currently being built in the country.

The Committee was assured that CCHL would participate fully in the forthcoming independent review of its services, to help the Council assess whether the companies were realising the benefits they were established to deliver.

Alistair Wilson, Senior Commercial Manager Colchester Commercial Holdings Ltd, attended the meeting and provided the Committee with a presentation containing a review of the activities of CCHL for the financial year 2021/2022, together with an overview of the current financial year 2022/2023. Future business plans were being finalised, but would be subject to the outcome of the external review of CCHL which was to be carried out.

The key achievements of the Amphora Group were highlighted in the Annual Report which had been presented to the Committee, and the Committee's attention was drawn to the wider benefits of the Amphora Group which were not necessarily reflected in the dividend which had been provided, but could be seen, for example, in the large number of people from outside the borough who had been drawn to events that had been provided. Additionally, there had been a 65% uplift in arrests made due to the increased quality of the CCTV footage now available to the police, together

with 23% more incidents detected in the town centre, serving to make the town centre a safer place to visit.

Michael Woods, Energy Manager, Colchester Amphora Energy, attended the meeting and addressed the Committee. The Committee heard that Colchester Amphora Energy company was set up to develop the heat network as part of the Northern Gateway development. A long tender process to appoint a company to deliver this project had been completed, and additional work was being undertaken to develop a microgrid with battery and solar storage.

Alistair Wilson advised the Committee that the major achievement of Colchester Amphora Homes during the financial year 2021/2022 had been the completion of work at the Council's Creffield Villa site, delivering 6 apartments, including 2 which were affordable rent. Redevelopment of property at Military Road had also been progressed to deliver 6, 1 and 2 bedroom apartments and 2 new 2 bedroom houses for social housing. The development of a number of garage sites had also been progressed, and further sites had been proposed which would yield a total of 16, 2 and 3 bedroom homes.

The key achievement of Colchester Amphora Trading had been the beginning of the construction of a £65m leisure park at the Northern Gateway development, which was due to be completed in September 2023, and this was supported by additional significant infrastructure work on the development. Of critical importance for the forthcoming year was the continuation of infrastructure development, and the obtaining of outline planning approval for all proposed uses of the Northern Gateway site.

Other achievements had included the management of the overhaul of Rowan House, the completion of phase 1 of new public space at Balmerne Gate to complement the redevelopment of the Mercury Theatre, and the commencement of the construction of the Stanway Lakelands Community Centre.

Elizabeth Simpson, Head of Estates, Amphora Trading – Estates, attended the meeting remotely and addressed the Committee. The Committee heard that over the preceding year, the main focus of the Estates Team had been to ensure that the Council had received rental income which was owed to it via its property portfolio, together with identifying asset management initiatives which had generated capital income for the Council. In the forthcoming year, priorities would include continuing to limit the loss of rental income as well as the delivery of expert lease and management advice on Turnstone's Colchester Northern Gateway Leisure Park. Work would continue to secure asset management initiatives to increase Council income, to include finalising the letting of office space at Rowan House.

With regard to Colchester Events, Alistair Wilson advised the Committee that there had been a very strong recovery from the Coronavirus pandemic which had limited its activities in previous years. A number of developments had taken place including moving to cashless operations at events and the launch of a digital magazine called 'The Ticket' which was aimed at raising awareness of events and boosting ticket sales. Ticket sales for events at Charter Hall now averaged 700 per event, as

opposed to approximately 400 tickets per event before the pandemic. Events had also been delivered for other local authorities in Essex, and negotiations were ongoing to deliver more events in the future.

The Helpline service had continued to offer 24 hour a day support to its customers, and a full monitoring and response service had been maintained. In addition to this, over 350 new customers had been attracted to the service, with 1 in 7 customers now located outside Colchester. Work was ongoing within the wider healthcare sector including the East of England Ambulance service, and waiting times for a visit from helpline were currently approximately 45 minutes. Priorities for the forthcoming year included the digital upgrade of the Helpline operating system and the further development of the partnership with healthcare services to assist customers who had fallen but who were not injured. Additionally, joint ventures with other local authorities were being considered to extend the reach of the service across north Essex.

A local full fibre broadband network, funded by a grant from the Department of Culture Media and Sport, had been deployed and completed by the Amphora Trading team. Colchester Fibre had then established as a trading brand to be not only the wholesale provider of fibre broadband, but also the service provider. Significant external investment had been attracted to the scheme and as a result of the combined investment, full fibre broadband would be available to 15,000 properties.

A Committee member was pleased to note the excellent achievements of CCHL over the previous few years, despite the fact that they had initial reservations about the formation of the companies. Although the content of the report was appreciated, it was suggested that far more financial detail was required in future to enable the Committee to properly consider the activities of CCHL, and the statement of accounts should be provided in the future. It was further noted that the people pictured in the annual report document were not representative of the diverse population of Colchester, and this should be addressed.

In response to questioning from the Committee, Alistair Wilson confirmed that the fibre broadband network was owned by Colchester Borough Council, and that Colchester Amphora Trading, operating as Colchester Fibre, had been appointed to operate the network and to commercialise it on behalf of the Council. Negotiations were ongoing as to the fee which would be paid to the Council for the rights to commercialise the network, with the ongoing operating costs being covered within the revenue of Colchester Fibre. A Committee member required specific additional information in relation to the location of the capital expenditure and operational expenditure budgets in relation to the required continued maintenance of the fibre network, noting that such maintenance would not be accounted for via revenue accounts but would be a capital cost. The Committee heard that the cost of maintenance for the area of the network which the Council owned had been provided for within the projected expenditure costs of the company. The Committee remained concerned that a large sum of money had been invested in the network, with a lack of clarity in relation to the income to be generated over the life of the network, and

who was responsible for its maintenance, and the cost of such maintenance. It was suggested that a recommendation be made to Cabinet that more information be provided in relation to the issues which had been raised.

The Committee queried the plans which had been referenced for a solar farm, considering that the Council had not taken any decisions recently which would indicate a site large enough to support a 4.5 megawatt solar farm had been identified. Michael Woods indicated that feasibility work was in progress, and the appropriate land was available to host the proposed solar farm. The feasibility report would be circulated to the Committee once it had been received.

In response to a number of questions from a Committee member, Alistair Wilson confirmed that the fibre network which had been constructed had been terminated at strategic points, and at these points commercial enterprises were able to connect to the network and build it onwards themselves. No further information was available at this point as to which commercial operators would be involved in the future. Limited printed copies of 'The Ticket' were still available and distributed through key partners, however, this number would be reduced year on year. Information in respect of the Council's proposed continued development of its garage sites would be provided to the Committee after the meeting.

The Committee requested further details of when the draft accounts for CCHL would be available for inspection, considering that these formed an essential part of the overview process of the Shareholder Committee, and it was confirmed that draft accounts were with the Companies' accountant and were expected to be presented as final accounts in the coming weeks. The date for this presentation would be confirmed to the Committee.

A Committee member voiced strong concern that with the larger projects that were being managed by CCHL, where the council was potentially at risk, there was a lack of clarity as to where the responsibility for these projects lay. The capacity in which CCHL acted was questioned, and it was considered that profits which had been realised from some very significant investments had been very modest. It was noted that there were some very large projects, and it was not clear on whose balance sheet they rested. It was not possible to consider the operation of CCHL without this essential information, and there was concern that the primary risk associated with larger projects rested finally with the Council. The Committee needed to be able to consider the risks and rewards associated specifically with the Turnstone development.

Councillor King, the Leader of the Council, attended the meeting and, with the permission of the Chair, addressed the Committee. Thanks was offered to the officers of CCHL for their hard work during the preceding difficult years, and for following the remit set by the Council which was to be ambitious and deliver income. He acknowledged the questions which had been raised by the Committee, and considered that it was appropriate that full and considered responses be given to these. Pam Donnelley explained to the Committee that the initial risk assessment which had been commissioned would quickly give an overall feel of the position in relation to issues which had been raised during the meeting.

Summarising the debate that had taken place, the Chair of the Committee identified the key areas on which the Committee would make recommendations to Cabinet:

1. Greater details be provided with regard to the maintenance of the fibre broadband network,
2. Detailed projections be provided in relation to the proposed solar panel site at the Northern Gateway development,
3. An explanation be provided for the delays in the production of accounts, and confirmation that the accounts would be referred back to the Committee to review,
4. More information be provided in respect of the potential risks and rewards associated with the Turnstone development
5. Details with regard to the level of investment and expected returns associated with the fibre network itself be provided.

A Committee member suggested that greater attention should be given to the use which was made of housing land, and questioned why the Council was building housing itself, when a private developer could do this. Additionally, appraisals were needed for each and every element of the Northern Gateway heat network project, to provide assurance that it was understood what the investment required was, and what the returns were likely to be. The Committee did acknowledge that the role of the Amphora companies had a social element as well as a commercial one, and that the levels of provision of social housing which were required by the Council were unlikely to be met by a private developer.

The Committee indicated that it would be happy to scrutinise the business cases of projects brought forward by CCHL and offer appropriate advice, if this was the wish of Cabinet, although it would be careful not to usurp the position of the CCHL Board, which also included elected Members.

Andrew Weavers, Monitoring Officer, confirmed to the Committee that its Terms of Reference when acting as the Shareholder Committee for CCHL and its subsidiary companies were:

1. Consider and review the activities and financial performance of CCHL and its subsidiary companies, Colchester Amphora Housing, Colchester Amphora Energy, and Colchester Amphora Trading,
2. Receive, review and recommend to cabinet CCHL business plans, including its subsidiary companies, annually, and to review performance including the delivery of the dividend,
3. Monitor, challenge and make recommendations to Cabinet regarding CCHL and its subsidiary companies,
4. Make recommendations to cabinet on how it should exercise its functions flowing from its ownership of shares in CCHL and its subsidiary companies.

RESOLVED that: The Governance and Audit Committee had reviewed the performance of Colchester Commercial Holdings Limited (CCHL) and its subsidiaries during 2021/22 as provided in the Annual Report.

RECOMMENDED to CABINET:

1. Greater details be provided to the Governance and Audit Committee with regard to the maintenance of the fibre broadband network,
2. Detailed projections be provided to the Governance and Audit Committee in relation to the proposed solar panel site at the Northern Gateway development,
3. An explanation be provided for the delays in the production of accounts, and confirmation that the accounts would be referred back to the Governance and Audit Committee to review,
4. More information be provided to the Governance and Audit Committee in respect of the potential risks and rewards associated with the Turnstone development
5. Details with regard to the level of investment and expected returns associated with the fibre network itself be provided to the Governance and Audit Committee.