

Extract from the minutes of the Governance and Audit Committee meeting of 17 October 2023

384. Amphora Future Strategy

The Committee considered a report recommending that it consider the Proposed Future Strategy for Amphora which was set out in the Officer's report.

The Committee were advised that Chair of the Committee had decided to deal with items 9 and 10 on the agenda at the start of the meeting due to time pressures on the Officers involved in these items.

Richard Carr, Interim Managing Director Colchester Commercial (Holdings) Ltd (CCHL), attended the meeting to present the report and assist the Committee with its enquiries. He advised the Committee that for the purpose of clarity, he would refer to the Council's wholly owned commercial companies by the collective name of Amphora throughout the meeting. Although the changes which were being proposed to the Amphora Group of companies were significant in nature, these changes needed to be understood in the context of what the companies had achieved to date. The proposals were based on a recognition that the circumstances in which the Council, and therefore Amphora, was now operating were very different from those in which Amphora had been set up. It was therefore appropriate to review the strategy for CCHL, taking into account the circumstances that the Council was now facing and the Council's likely move towards a 'corporate landlord model' as part of its estate management function. The changes which were proposed by Amphora were in the context of the Council's Strategic Objectives and its current reduced appetite for risk.

It was suggested that the Council needed to be at the heart of decision making with regard to the Northern Gateway Project, although significant expertise was available within Amphora to support this. There had been a particular impact on one of the Amphora companies caused by the delays to the Northern Gateway Project, which was that the energy company, Colchester Amphora Energy Limited (CAEL) was in a position where it could not recover income until developments had taken place on the site in the form of new homes. The timescales for delivery of these homes were out of the control of CAEL and therefore the specific proposition for CAEL was that it should be placed into hibernation.

The increasing pressures on the Council to provide affordable housing had also been considered, and in the current circumstances it was suggested that it was not advisable to proceed with the original business model for Colchester Amphora Homes (CAHL). The reality was that the establishment of local authority housing companies across the country had not seen a significant increase in the supply of affordable housing, and it was therefore proposed to hibernate the CAHL. It was

considered that useful skills which were contained within the Amphora group should be deployed to help the Council in other ways.

The potential role of the Colchester Fibre element of CCHL had been noted, and it was proposed that a more detailed proposal for this aspect of the business was considered and presented to the Committee at a future date.

It was suggested that the 'corporate landlord model' which was a likely option for the Council in the future potentially represented a way to maintain the current arrangements by which some estate management functions were delivered within Amphora. Although this was perfectly reasonable option, on balance it was considered that there was probably greater value in bringing all these functions within the Council's direct control.

Amphora had been supporting the Council in the delivery of its Capital Programme. The current model involved CCHL being reimbursed for its support through the management fee, and also fees levied in relation to specific projects which had been worked on. In practice the team in Amphora had worked exclusively for the Council on its own projects, although they could in theory have worked for external parties too. It was considered necessary to encourage the use of the technical expertise which resided within CCHL for the delivery of the Capital Programme by removing the complicated charging arrangement which existed between CCHL and the Council.

The Committee heard that there was scope to move Amphora towards a much more simplified operation, focusing on those services and activities where it was genuinely trading – particularly around the events business, Helpline and CCTV activity, and this simplification was at the heart of what was being proposed. It would be wrong to consider the activities of CCHL purely in terms of the dividend it delivered, as the events company, for example, drew in large number of visitors to the area which carried a wider economic benefit to the city. More detailed proposals would be presented to the Committee in the future with regard to the proposal to hibernate CAHL and the potential development Colchester Fibre.

Councillor Warnes, Chair of CCHL, attended the meeting remotely and, at the invitation of the Chair, addressed the Committee. He offered his support to the Interim Managing Director and his team for the work which had gone into the proposals, and agreed that the suggested changes had been driven by changes in external factor. He supported the suggestions which had been made with regard to hibernating some trading companies and simplifying the operation of CCHL.

The Chair of the Committee reminded members of the public who may be watching the meeting that although as a matter of general principle all Council business was conducted in public wherever possible, some matters were of too commercially sensitive a nature to be discussed in public. He offered his assurance that the private session of the Committee from which members of the public and the press were excluded would be kept as short as possible.

Public session

The Interim Director of CCHL responded to questions from the Committee and confirmed that a lot of work had been put into the implementation of the transition planning which was proposed, and if the Committee did approve the recommendations then they would move forward quickly. If the Committee was minded to approve the recommendation for CAEL, then this process was almost complete, and in practice there were very few assets under the Amphora umbrella and these consisted primarily of the boreholes created by the energy company and a single property that CAHL owned. There would be costs associated with continued work in relation to the proposals, but these would be a few thousand pounds as opposed to anything more significant. It was necessary to take into account the consequences of not hibernating the companies when considering any costs associated with placing them into hibernation. Allowing the companies to continue as they currently were would require the Council to continue to stand by the liabilities which had been created with no realistic prospect of generating a return for the time being, and this position was not sustainable.

At the request of a Committee member, the Chair explained for the benefit of any members of the public who were viewing the meeting that the Committee was considering CCHL which was a private, 'arms length' company which had been set up 6 years ago by the Council and which had 3 trading arms which were referred to as Amphora trading arms. One of these as a company working on sustainable energy provision (CAEL), another was provision of housing (CAHL), and the third dealt with events, Helpline and CCTV activity (CATL). The Interim Managing Director of CCHL explained that hibernation entailed that the companies would be placed into a dormant state where they would not be trading but would still exist. The reasoning behind this as opposed to winding up the companies altogether was that there may come a time in the future when the companies were able to trade successfully again, and the companies could simply be re-activated if circumstances changed.

In discussion, the Committee noted that risks associated with the operation of the companies would not be removed by the proposals, but would be transferred back to the Council. The Interim Managing Director of CCHL confirmed that this was correct, but in practice this would not represent a substantial change in the position. In reality CAEL was not able to recover the costs it expended and the Council stood behind this position, meaning in practical terms the proposals did not represent a change in the Council's exposure to risk.

The Committee supported the proposals which had been made in relation to the hibernation of the companies, and considered that the future prospects of CAEL in particular were very encouraging, once the circumstances allowed it to trade successfully. It made financial sense to hibernate at this stage as had been suggested, rather than dissolve companies.

RECOMMENDED TO CABINET that:

- The Proposed Future Strategy for Amphora set out in the Officer's report at Appendix A, supported by the Board of Colchester Commercial (Holdings) Ltd, be approved.