

8 July 2020

Report of	Assistant Director Corporate and Improvement Services	Author	Richard Clifford ☎ 507832
Title	Recommendation from Governance and Audit Committee – Colchester Commerical Holdings Ltd Dividend		
Wards affected	None		

1. Executive Summary

1.1 Cabinet is invited to consider a recommendation from the Governance and Audit Committee meeting of 23 June 2020 in respect of the forecast dividend for Colchester Commercial Holdings Ltd for the 2020-2021 financial year.

2. Recommended Decision

2.1 To consider the following recommendation from the Governance and Audit Committee.

RECOMMENDED to Cabinet a revised forecasted dividend of £226,000 for the 20/21 financial year as an achievable dividend given the effects on the businesses as a result of the Covid 19 pandemic.

3. Reason for Recommended Decision

3.1 The detailed reasons for the proposed level of dividend are set out in the report to the Governance and Audit Committee attached as Appendix 1 to this report.

4. Alternative Options

4.1 No alternative options are proposed. However it is open to cabinet not to agree the recommendation from the Governance and Audit Committee.

5. Background Information

5.1 At its meeting on 23 June 2020 the Governance and Audit Committee received a report providing the Committee, in its role as Shareholder Committee, with performance information for the second year of trading activities by Colchester Commercial Holdings Ltd (CCHL) and the subsidiary companies; Colchester Amphora Energy Ltd (CAEL), Colchester Amphora Homes Ltd (CAHL), Colchester Amphora Trading Ltd (CATL). A copy of this report is attached as Appendix 1.

5.2 The Council's companies again met their dividend target for the past financial year and the Council received £394k as a dividend return for 2019/20 to reinvest in its services. However, one of the issues considered in the report was the target dividend for CCHL in the 2020/21 financial year. This is addressed at paragraphs 9.4 – 9.6 of the report to the Committee. After considering the report, the Governance and

Audit Committee agreed the proposal in the report that It recommend to Cabinet a revised forecast dividend of £226,000 for the 2020/21 financial year due to the unprecedented impacts of the unforeseeable pandemic.

6. Equality, Diversity and Human Rights implications and Standard References

6.1 These are all as set out in the report to the Governance and Audit Committee on 23 June 2020.

Appendix 1 – report to the Governance and Audit Committee, 23 June 2020

Appendix 1 Governance and Audit Committee

Item

25 June 2020

Report of	Assistant Director - Place and Client	Author	Geoff Beales ☎ 506514
Title	Colchester Commercial Holdings Performance Review 2019/20		
Wards affected	All Wards		

1. Executive Summary

- 1.1 The purpose of this report is to provide the Committee, in its role as Shareholder Committee, with performance information for the second year of trading activities by Colchester Commercial Holdings Ltd (CCHL) and the subsidiary companies; Colchester Amphora Energy Ltd (CAEL), Colchester Amphora Homes Ltd (CAHL), Colchester Amphora Trading Ltd (CATL).
- 1.2 The 2019/20 dashboard of performance information is provided in Appendix A. The dashboard shows how the companies performed and how, being solely owned by the Council, the companies achieved their profit target of £394k. This amount will be returned to the Council, as sole shareholder, as a dividend payment for reinvestment by the Council in their services.

2. Action Required

- 2.1 The Committee is invited to review the performance of CCHL (and its subsidiaries) during 2019/20, having regard to the performance information for the year provided in Appendix A.
- 2.2 The Committee is also invited to make any recommendations to the Portfolio Holder for Commercial Services on CCHL performance management arrangements for 2020/21 and the next three years for consideration in the next three-year business plans.
- 2.3 To recommend to the Portfolio Holder for Commercial Services and the CCHL Board to commence the review of the Service Level Agreements for services supplied to the companies by the Borough Council early in this financial year.
- 2.4 To recommend to Cabinet a revised forecasted dividend of £226,000 for the 20/21 financial year as an achievable dividend given the effects on the businesses as a result of the Covid 19 pandemic.

3. Reason for Review

- 3.1 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. CCHL is the holding company for three separate subsidiaries, providing numerous products, services, and opportunities that reflect the Council's strong public sector ethos as shareholder, but also see the companies operating in a commercial market.

- 3.2 The companies have a turnover of £4.2m and employ, with inclusion of casual employees, 135 people who help deliver projects that include (but are not exhaustive to):
- Development of the Colchester Northern Gateway, including the forthcoming £28m Sports Park, £6.7m Heat Network, The Walk, and “CNG South” site with mixed commercial, residential and leisure uses.
 - The delivery of over 500 high quality mixed-tenure housing, including 30% affordable homes in Colchester
 - Continuing, and increasing, delivery of many events, products and trading services that expand the brand of Colchester as a place to work, live and visit.
 - The development of a new sustainable Heat Network for the commercial premises and new housing at Colchester Northern Gateway.
 - Delivery of a Local Full Fibre Network across the Colchester urban area providing a one gigabit service per subscriber.
- 3.3 The Governance and Audit Committee has the responsibility to act as the shareholder committee for these companies. As part of this role the Committee is required to:
- Consider and review the activities and financial 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. Background Information

- 4.1 CCHL is a private company limited by shares, with the Council being the sole shareholder. The Council therefore retains full control over the direction of the companies, whilst the Directors hold the responsibility for making decisions, providing leadership and monitoring the performance of the company. The 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.
- 4.2 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.
- 4.3 The Board of CCHL consists of four Councillors and the Managing Director. The Managing Director of CCHL is the Chief Executive of the Council. This role has overall responsibility for ensuring compliance with the Shareholder Agreement.
- 4.4 The representation on the Board allows the Council to offer direction to the holding company (and its subsidiaries), whilst providing it with the ability to operate in a commercial marketplace to drive forward delivery as outlined in the agreed Business Plans.
- 4.5 The performance is also monitored by the Council in liaison meetings that include officers from both the Client Team and Finance Team; as set out within the Liaison Protocol appended to the Management Agreement. Both financial and non-financial KPIs are monitored, whilst a range of related matters are also discussed to ensure suitable governance is in place.
- 4.6 All of the companies are subject to any audit and inspection requirements of the Council. The Management Agreement referred to above also sets out these audit requirements. External audit remains an essential element in accounting for public money and makes an important contribution to the stewardship of the Councils public resources. It also supports local democracy by helping to ensure that members and officers are accountable to the communities they serve and by providing assurance that the public money they manage has been properly spent.
- 4.7 Copies of audited accounts must be provided to the Council as soon as reasonably practicable after external audits. The Company also undertakes all internal and external audit to comply with the law. Similar requirements also exist for complaints, enquiries and legal proceedings related to any services provided by the companies.
- 4.8 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, IT and Customer Services. The current SLA runs from 1 April 2018 to 31 March 2021 and sets out the respective roles and responsibilities of each party in the provision of the services. The annual fees for the services provided by the Council are also detailed. The SLA needs to be reviewed during this year and a new SLA agreed between CCHL and the relevant Council Service Areas to commence in April 2021.
- 4.9 The partnership Agreements help CCHL ensure that it, and the subsidiary companies, deliver against their individual Business Plan targets. The overarching Business Plan for CCHL sets out that the holding company provides the strategic direction, financial

performance monitoring and senior management capacity for the subsidiary companies. In addition, although CCHL is a holding company, it does undertake some trading activities (eg senior management of the Council's Sport and Leisure function).

5. Strategic Plan References

5.1 The services and projects delivered by CCHL contribute directly to the Strategic Plan 2018-2021 priority areas:

GROWTH... Ensuring all residents benefit from the growth of the borough

- Help make sure Colchester is a welcoming place for all residents and visitors
- Ensure residents benefit from Colchester's economic growth with skills, jobs and improving infrastructure
- Promote inward investment to the borough
- Develop jobs, homes, infrastructure and communities to meet the borough's future needs by creating new Garden Communities
- Work with partners to create a shared vision for a vibrant town centre.

RESPONSIBILITY... Encouraging everyone to do their bit to making our borough even better

- Promote responsible citizenship by encouraging residents to get involved in their communities and to identify solutions to local issues
- Increase the supply of good quality homes by using legal powers to reduce the number of empty homes and improve standards in the private rented sector
- Create new routes for walking or cycling and work with partners to make the borough more pedestrian-friendly.

OPPORTUNITY... Promoting and improving Colchester and its environment

- Promote and enhance Colchester borough's heritage and visitor attractions to increase visitor numbers and to support job creation
- Help business to flourish by supporting infrastructure for start-up businesses and facilitating a Business Improvement District.

WELLBEING... Making Colchester an even better place to live and supporting those who need most help

- Work with Essex Police and partners in the Safer Colchester Partnership to make Colchester an even safer place
- Create new social housing by building Council homes and supporting Registered Providers
- Help residents adopt healthier lifestyles by enabling the provision of excellent leisure facilities and beautiful green spaces, countryside and beaches.

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.

7. Consultation

- 7.1 There is no specific consultation requirement generated in relation to this report.

8. Publicity Considerations

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

9. Financial implications

- 9.1 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.
- 9.2 In terms of the financial assumptions and dividend targets, when the companies were set up the financial targets and estimated dividend for 2019/20 was broadly based on existing budget assumptions when services were operating within the Council.
- 9.3 Funding for the company (and certain CATL services) 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.
- 9.4 The performance in the second year shows that CCHL delivered against its target dividend for 2019/20 of £394,000. Further details can be found in the report within Appendix A.
- 9.5 Looking ahead to 2020/21 (pre Covid-19), the target dividend set out in the CCHL business plan and council budgets assumes an increase in income for the Council of £135k to £529k. The Business Plan for CCHL would set out how it is expecting to deliver this increased dividend for the Council, however, the CCHL Board have advised that following on from the Covid-19 outbreak and subsequent lockdown they are expecting that the dividend for this financial year will be lower and the current forecast is a dividend of £226k.
- 9.6 Work is ongoing to maximise the dividend to the Council by reviewing the weekly Government updates on the easing of the Covid-19 lockdown and updating the Amphora Business Recovery Plan. As further updates to the Business Recovery Plan and forecast dividend are available CCHL will update the Governance and Audit Committee.

10. Health, Wellbeing and Community Safety Implications

- 10.1 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. Projects such as the CNG Sports Hub are designed to improve health and wellbeing, as are trading operations such as Helpline.

11. Health and Safety Implications

- 11.1 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.

12. Risk Management Implications

- 12.1 CCHL has a risk register that is actively managed. 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.

Appendices

Appendix A – 2019/20 CCHL Dashboard