



## Cabinet

Item  
**8(i)**

13 March 2019

<b>Report of</b>	<b>Assistant Director Policy &amp; Corporate</b>	<b>Author</b>	<b>Andrew Tyrrell</b>
<b>Title</b>	<b>Updates to the Business Plans of the Council's Companies.</b>		
<b>Wards affected</b>	All Wards		

### 1. Executive Summary

- 1.1 In April 2018 the Council set up a wholly owned company, Colchester Commercial Holdings Ltd (CCHL), with three subsidiary trading companies; Colchester Amphora Energy Ltd (CAEL), Colchester Amphora Homes Ltd (CAHL) and Colchester Amphora Trading Ltd (CATL). Each of these companies had an agreed Business Plan for the period 2018-2021.
- 1.2 This Report includes draft versions, with updates to these Business Plans to reflect changes that have occurred over the last year of activities. The Business Plans are reviewed annually, with this being the first revision to reflect current trading activity.

### 2. Recommended Decision

- 2.1 To review, and agree, the refreshed draft Colchester Commercial (Holdings) Limited Business Plans and those for its 3 subsidiary companies.
- 2.2 To delegate, to the Assistant Director Policy & Corporate, in consultation with the Portfolio Holder for Commercial Services, authority to finalise any minor amendments to the wording, formatting etc.

### 3. Reason for Recommended Decision

- 3.1 The companies have undertaken a plethora of activities since they were formed. The Business Plans were agreed prior to the companies commencing those activities and, inevitably, need updating to reflect changes since their conception. The fundamental aims and objectives of the plans have not changed.

### 4. Alternative Options

- 4.1 The Cabinet could decide not to agree the Business Plans, but this would leave out of date plans in circulation that do not reflect the most up to date reflections on the companies planned activities.

## 5. Background Information

- 5.1 The Localism Act 2011 enabled local authorities to undertake activities designed to make a profit, but only if delivered within a company. The Council established wholly owned companies using these powers. The companies were incorporated under the Companies Act 2006 on 1 June 2017, and began operating from 1 April 2018. The aim was to enable the Council to operate its direct trading services and development functions within a more commercial culture, to address the challenges of ongoing budget pressures. A further 3 subsidiary companies, each with distinct areas of trading, were also formed:
- Colchester Amphora Energy Ltd (CAEL)
  - Colchester Amphora Homes Ltd (CAHL)
  - Colchester Amphora Trading Ltd (CATL)
- 5.2 CCHL is a private company limited by shares, with the Council being the sole shareholder. The Council consequently retains full control over the direction of the companies, manages the risks and receives the resulting financial benefits.
- 5.3 The Management Agreement between the Council and CCHL sets out how the company will provide a range of services to the Council. The Company and its subsidiaries are also managed and monitored in accordance with the target budgets and other Key Performance Indicators (KPI) agreed with the Council under its Management Agreement.
- 5.4 The Company manages, on behalf of the Council, the following budgets:
- Sports and Leisure Services
  - Corporate asset management
  - Commercial and investment properties
  - Helpline
  - CCTV
  - Capital budgets related to project in the Revolving Investment Fund (RIF).
- 5.5 Similarly, it was agreed that CCHL and its subsidiaries will “buy” services from the Council and these services are outlined in a Service Level Agreement (SLA). The Companies pay CBC a fee for the provision of these services. The current SLA runs from 1 April 2018 to 31 March 2021 and forms the basis of the partnership between the Councils companies and the services provided by the Council.
- 5.6 There are then Business Plans for each company. CCHL, as the overarching strategic company, ensures that the three subsidiary companies deliver against their individual Business Plan targets. The 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.
- 5.7 In addition, although CCHL is a holding company, it does undertake some trading activities. For example, it provides the senior management service and strategic direction to the Council’s Sport and Leisure function. Each of the subsidiaries has its own Business Plan as detailed below.
- 5.8 The refreshed CCHL Business Plan remains broadly similar to the 2018 version. Except that it starts to identify some growth objectives which, together with its subsidiaries, will be a focus for the remainder of the plan period (alongside delivery of the management agreement services for the Council). The Plan sets out aims to:
- Continue to deliver against set targets
  - Develop second programme of sites for CAHL
  - Develop phase 3 garage sites for the Council

- Continue to develop a pipeline of development projects for the Council
- Invest in Digital Technology in both Helpline and CCTV Service
- Explore new opportunities to develop low carbon projects in Colchester
- Continue to explore market for CCHL products and services

- 5.9 The CAEL Business Plan sets out the rationale for setting up the company, which was initially to focus on the Northern Gateway Heat Network. To be able to trade and supply heat the Council needed to set up a new company and it did so to demonstrate its commitment to the low carbon agenda and to provide leadership in the development of “infrastructure-first” energy provision. The resulting Northern Gateway Heat Network (NGHN) will provide an innovative ultralow-carbon heat solution to residents, businesses and other commercial users as part of the proposed growth planned in this part of the borough. The project will be the first of this scale in the UK, and was 1 of only 9 pilot projects that gained grant funding nationally.
- 5.10 In its refreshed Business Plan, CAEL now outlines the changes that have occurred in its first year of trading. The Northern Gateway Heat Project remains the main company focus, but the delivery mechanism for the project has changed with the Council taking on a lead role in the infrastructure of the scheme (as agreed at Cabinet in January). CAEL remain responsible for the heat plant and for supplying services to customers. The structure has been amended to reflect the CAEL ability to secure Renewable Heat incentive (RHI), which adds more financial sustainability into the project and grows the rate of return to the Council as shareholder. The Plan continues to highlight other emerging projects which will be developed in the next year of trading.
- 5.11 The Business Plan for CAHL reflects how the company was established to respond to the need for more high quality homes in the borough that are affordable for local people by creating a cross subsidy mechanism with sale of the private homes creating a surplus to invest in affordable homes. Development of new homes for private sale also provides income opportunities for the Council (by optimising existing assets in its ownership and recycling any profits from development for the Council to reinvest into core services).
- 5.12 The Business Plan for 2018 to 2021 sets out that the company will develop 4 sites, which were agreed by Cabinet in October 2018. The sites will deliver over 300 new homes and 30% of the new homes built will be affordable homes. The Business Plan also sets out that the company will be seeking to develop and secure terms for a second programme of sites for the Council.
- 5.13 The refreshed CAHL Business Plan 2019 highlights the same core objectives of the company (building quality affordable homes for local people, creating a commercial income stream for the Council, and building sustainable homes). However, a number of changes have occurred since the company was established in 2018 and these are highlighted in the refreshed plan; these include:
- Changes to the CBC HRA borrowing headroom thus enabling the completed affordable assets in CAHL to be purchased back by the Council rather than being retained and rented out by CAHL
  - Agreements to the site value and site purchase contracts exchanging for the land CAHL is buying from CBC
  - CBC putting equity into CAHL
  - New work taken on by the company to provide housing development management services to CBC for its own garage site new homes programme

- 5.14 The Business Plan for CATL sets out that the company offers a range of commercial trading businesses and services to customers which will generate new levels of income for the Council. CATL's offering has 2 main functions;
- Direct commercial trading services, including Helpline, Monitoring and CCTV and Events.
  - Professional property and business services, offered initially to the Council and then to external clients as the company grows. These services include estates management of the Council's assets, economic development and business support services and commercial development and regeneration project management.
- 5.15 The refreshed CATL Business Plan highlights the direction of travel for the new company as it approaches the end of its first year of trading. The Plan outlines new business opportunities as the Company becomes more established; for Events this focuses on growing the venues and introducing new markets, such as corporate functions. For Helpline, there are also new markets to be explored now that the business is trading effectively. For Development services more work is being picked up for other Council departments, such as Communities, although the Company plans to seek other public sector clients in 2019.
- 5.16 All of the Business Plans must be delivered in full compliance with the governance requirements set out by the Council. The Business Plans require the agreement of the Cabinet, with the revised draft Business Plans attached as Appendices.
- 5.17 All of the Business Plans are being considered by the Governance & Audit Committee on the 7<sup>th</sup> of March, as this Committee performs a shareholder role in relation to the companies. Any recommendations that originate from the meeting will be reported via the minutes, which will be available at the Cabinet meeting.

## **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 recommended decision will have no disproportionate impact on any protected group, whilst further Equality Impact Assessment information can be found [here](#).

## **7. Strategic Plan References**

- 7.1 The activities of the Council's companies contribute to the following Strategic plan References:

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

- 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

- 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

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
- Promote green technologies through initiatives such as SMART Cities
- Help business to flourish by supporting infrastructure for start-up businesses and facilitating a Business Improvement District
- Promote initiatives to help residents live healthier lives.

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

- Encourage belonging, involvement and responsibility in all the borough's communities
- 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
- Target support to the most disadvantaged residents and communities
- Help residents adopt healthier lifestyles by enabling the provision of excellent leisure facilities and beautiful green spaces, countryside and beaches.

## **8. Consultation**

- 8.1 There is no specific consultation requirement generated in relation to this Report.

## **9. Publicity Considerations**

- 9.1 There is no specific publicity consideration in relation to this Report.

## **10. Financial implications**

- 10.1 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, such as sport and leisure, capital budgets within the RIF, etc, then all approvals are required to be in line with normal Council procedures.
- 10.2 When the companies were set up the financial targets and estimated dividend for 2018/19 was broadly based on existing budget assumptions when services were operating within the Council. Some adjustments were made as part of the 2018/19 budget, such as a reduced income target from helpline and assumptions in respect of an agreed business plan for events. The latter reflected investment made by the Council in Charter Hall.

- 10.3. The dividend also reflected costs of the Council providing services to CCHL meaning that whilst this has provided an income for the Council it did not produce an actual budgetary saving as the management fee allowed for these costs.
- 10.4 The performance in the current year shows that it is expected that CCHL will deliver against its target dividend for 2018/19.
- 10.5 Looking ahead to 2019/20 the target / dividend set out in the CCHL business plan and council budgets assumes an increase in income for the Council of £107k. The business plan sets out how CCHL expect to deliver this increased dividend.
- 10.6 Funding for CCHL and certain CATL services is via a management fee paid by the Council. In addition separate agreements are being finalised to 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.

## **13. Risk Management Implications**

- 13.1 The key risks associated with the companies concern 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 the report.

## **Appendices**

### Public

Appendix 1: CCHL Business Plan

### Confidential

Appendix 2: Confidential CAEL Business Plan

Appendix 3: Confidential CAHL Business Plan

Appendix 4: Confidential CATL Business Plan