



EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

East Cambs
Trading CO. Ltd

ECTC BUSINESS PLAN

1. INTRODUCTION

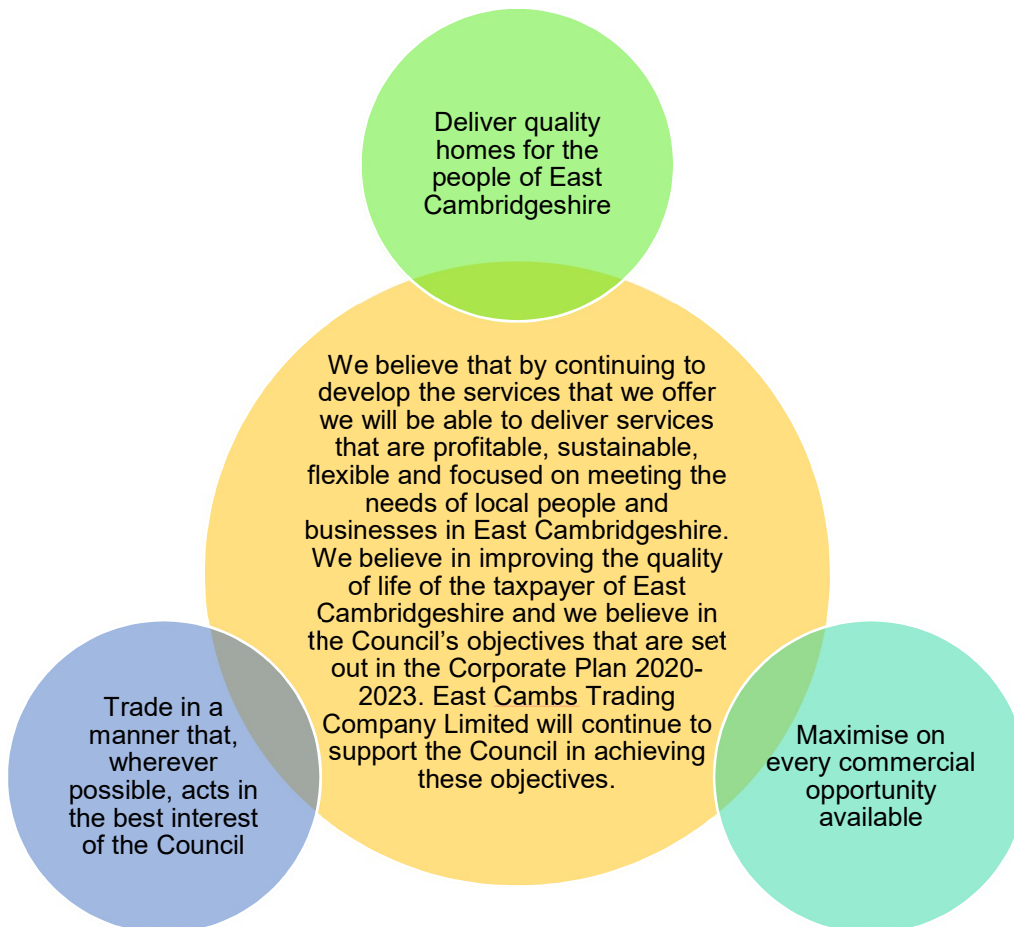
This Business Plan is designed to provide an overview and detail of the:

- ❖ Governance structure
- ❖ Financial overview
- ❖ Risk Management
- ❖ Board and Management Structure
- ❖ Commercial Services
- ❖ Property

East Cambs Trading Company (ECTC) is a private company limited by shares that is wholly owned by East Cambridgeshire District Council (ECDC). ECTC operates at 'arm's length' from ECDC with an independent board for operational decision making.

Working with ECDC the following drivers were established:

- ❖ Balance the Budget
- ❖ Improve Services
- ❖ Build New Homes
- ❖ Maximise Devolution Opportunities
- ❖ Promote Open for Business and 'Can Do' Attitude



2. BACKGROUND

ECTC was established as a 'tool' to enable ECDC to do more than it already does. Whilst ECTC is a legal entity in its own right, and should be free to operate commercially to generate the maximum returns, it is important to remember that it is a company that is wholly owned by ECDC.

As the sole shareholder ECDC has an interest to ensure, wherever practicably possible, that ECTC is profitable. Profit for ECTC will ultimately benefit ECDC as sole shareholder as the only body capable of receiving a dividend. Profit will either be reinvested in ECTC to achieve service improvements and greater profits or will be paid to ECDC, as a dividend, to enable it to achieve the aims of the MTFs and the Corporate Priorities.

2.1 Key Business

ECTC has two key business areas; the first is Commercial Services, which currently delivers Ely Markets and Grounds Maintenance and, the second is Property Development.

Both areas of the business carry out business on behalf of ECDC as well as other customers.

ECTC will continually look for new opportunities to enter new markets or expand in existing markets. Where necessary individual business plans will be developed for approval by the board.

3. PROCESS

3.1 Service Level Agreements

ECDC will continue to provide support services to ECTC through Service Level Agreements (SLA). ECTC will negotiate individual SLAs with each ECDC support service to reflect the needs of ECTC. Each SLA will include measurable performance indicators, break clauses and remedies for non-performance. There will be an annual review process whereby SLAs are refined to more accurately reflect the support required by ECTC.

Support services from ECDC for 2021/22 include:

- ❖ HR Support, including recruitment and training,
- ❖ Payroll,
- ❖ Customer Services- Phone answering service and taking telephone payments,
- ❖ Insurance provision (buildings, vehicles, employers and public liability),
- ❖ Legal Support- as and when required, and
- ❖ IT

3.2 Property and Assets

The Head Office of ECTC is The Grange, Nutholt Lane, Ely, Cambridgeshire, CB7 4EE. Wherever possible, ECTC seeks to operate from premises within the ECDC Estate.

Ely Markets currently occupy The Grange, Ely.

Grounds Maintenance currently occupy The Grange, Ely and The Depot, Portley Hill, Littleport.

Property Development occupy 5 Fordham House Court, Newmarket Road, Fordham. The Fordham property is occupied under a 6 year lease that has an option to break after 3 years. The lease is assignable and sub-letting is allowed. An initial review of property requirements was carried out and ECTC is due to report to the Council's Finance & Assets Committee by 31 May 2021.

3.3 Policies and Procedures

ECTC continue to use all relevant ECDC policies and procedures.

3.4 Data Protection

ECTC comply with the relevant legislation and guidance concerning Data Protection.

3.5 Freedom of Information

ECTC is subject to requests for the disclosure of information under the Freedom of Information Act 2000 in its own right. As such, ECTC maintain a record management system that complies with the relevant guidance concerning the maintenance and management of records. ECTC will liaise with ECDC as appropriate to ensure consistency in answering FOI requests and provide such information to ECDC as it may require to answer questions it has received.

4. GOVERNANCE AND MANAGEMENT

This Business Plan will be delivered in full compliance with the governance arrangements set out by ECDC. ECTC will seek to maintain and enhance ECDCs reputation and brand for high standards.

ECTC continues to maintain an effective service and will deliver financial performance management reporting systems to the Board and ECDC Shareholder Committee which is the ECDC Finance & Assets Committee (F&A).

4.1 Structure

Board of Directors

The Board of Directors comprises:

The Independent Chairman
2 ECDC Senior Officers; the Chief Executive and the Director, Commercial

The quorum for board meetings shall be two.

At board meetings each director shall have one vote.

Board meetings shall be held at least quarterly on such dates as they may agree (where there is failure to reach an agreement a decision will be made by the Chairman).

An agenda for the meeting will be prepared and distributed not less than 5 business days prior to the meeting.

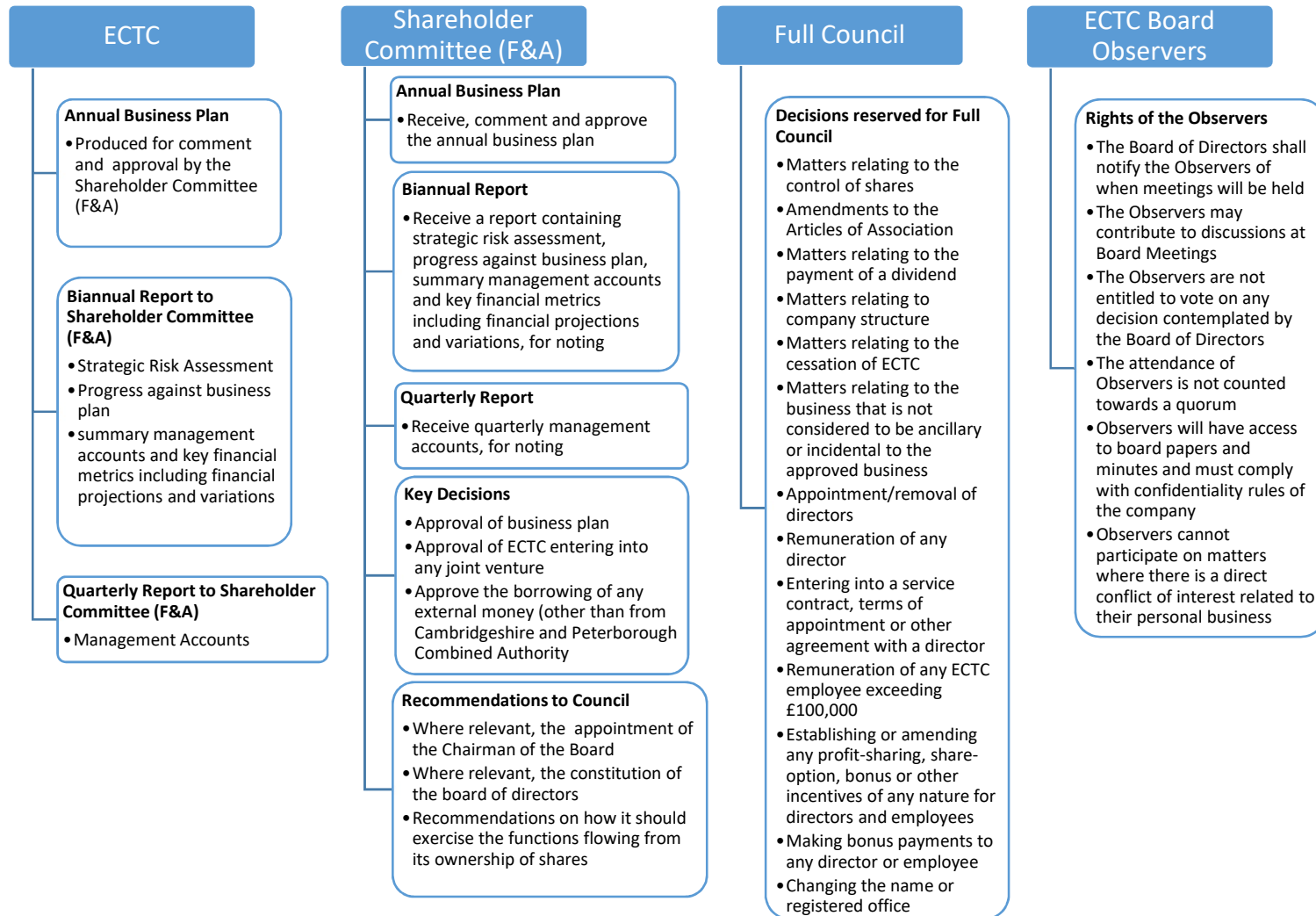
Except where the information is commercially sensitive, approved minutes of Board meetings will be provided to the Shareholder Committee (Finance & Assets) for noting.

Managing Director and Company Secretary

The Managing Director of ECTC is the Chief Executive of ECDC. The Managing Director acts as the key conduit between ECTC and ECDC and has overall responsibility for ensuring compliance with the Shareholder Agreement.

The Company Secretary of ECTC is ECDC's Director Commercial.

4.2 ECTC’s relationship with ECDC



5. FINANCIAL INFORMATION

5.1 Budget

The table below provides a summary of turnover and cost up to July 23.

	2020/21	2021/22	2022/23	Apr-Jul 2023
Turnover				
Commercial	980,934	1,079,032	1,099,428	373,406
Property	3,780,533	14,303,422	38,965,955	4,395,588
Total	4,761,467	15,382,454	40,065,383	4,768,994
Cost				
Corporate	230,261	242,296	246,987	83,923
Commercial	950,408	1,032,361	1,050,356	356,228
Property	3,974,522	14,045,919	36,154,882	3,808,970
Total	5,155,191	15,320,576	37,452,226	4,249,122
EBITDA	(393,724)	61,878	2,613,158	519,872
Interest cost	149,807	517,211	858,420	65,401
Profit before tax	(543,530)	(455,333)	1,754,737	454,471

The balance sheet and cashflow statement are provided as EXEMPT Appendix 1.

5.2 Financial benefit to ECDC

The table below shows the receipts that ECDC has received from ECTC as a result of its activities:

	2016/17 Actual	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	Apr-Jul 23 Forecast	Total
Profit after tax from Trading Company	(405,810)	(305,803)	663,922	(556,384)	(543,530)	(455,332)	1,754,737	454,470	606,270
Financial Benefits From Property Development	-	-	943,224	109,745	564,171	634,892	229,551	21,036	2,502,619
Charges Incurred From ECDC	93,799	233,187	388,334	372,918	390,560	309,614	327,920	75,472	2,191,804
Reduction in Parks Contract	-	-	-	-	100,000	100,000	100,000	33,333	333,333
Total Financial Benefit From Company	(312,011)	(72,616)	1,995,480	(73,721)	511,201	589,174	2,412,208	584,311	5,634,026
Cumulative	(312,011)	(384,627)	1,610,853	1,537,132	2,048,333	2,637,507	5,049,715	5,634,026	

6. RISK MANAGEMENT

SECTION A - RISK MANAGEMENT (GENERAL)				
1. LEGISLATIVE/POLICY				
Identified Risk	Management of Risk	Risk Score		Risk Owner
<p>Changes in legislation could place restrictions on the Council's powers to trade in a commercial manner.</p> <p>Changes in legislation could impact on ECTC's ability to borrow (or conversely ECTC's power to lend) to fund future projects</p>	<p>Continuous monitoring of changes to legislation and government guidance through liaison with MP's, ebulletins, consultations, LGA KnowledgeHub and other publications.</p> <p>Any significant changes in legislation that may realise this risk should be addressed immediately by the Managing Director and reported to the Board of Directors. An amended Business Plan or Exit Strategy may need to be approved by the Board of Directors and submitted to the Council.</p> <p>The Council's S151 Officer to attend all Board Meetings and advises on all relevant financial and governance matters.</p>	Likelihood	1	Managing Director
	<p>Monitoring</p> <p>This is a medium to long term risk and no significant changes in legislation are anticipated that will affect the company during 2021/22. This risk is continually reviewed through publications and regular liaison with Grant Thornton.</p>			
<p>The United Kingdom's exit from the European Union could have a financial and/or operational impact on ECTC.</p>	<p>Continuous monitoring of the impact of Brexit on market conditions. The Board of Directors will inform the Council of any significant changes/decisions that need to be made. Advice will be sought from the relevant professional body when appropriate.</p>	Likelihood	3	Board of Directors
	<p>Monitoring</p>			
		Risk	9	

	<p>The United Kingdom has now left the European Union but there are still potential implications that could arise from the post-BREXIT trade deal. Short and medium term risks could include inflationary pressures on construction material prices, skills shortages within the construction industry, and constraints on market for new homes due to economic uncertainty.</p> <p>ECTC will manage cost risks through its tendering process and will ensure that as much flexibility as possible is retained when entering into land or development agreements. The Head of Development will address the key risks relevant to each project in the business case when seeking project approvals from the Board of Directors.</p>			
<p>Future Local Government Reform could impact on the Company's activities.</p>	<p>The Cambridgeshire and Peterborough Combined Authority Mayor has announced a review for local government reform. Details and scope of the review are not yet defined, but such a review is capable of having both a positive and / or a negative impact on ECTC.</p> <p>This is a medium term risk. Negative impacts for ECTC are not expected in 2021/22 as the review is unlikely to conclude during the financial year.</p> <hr/> <p>Monitoring The Director Commercial shall monitor the proposals as they progress and shall advise the Board as soon as is practical of any opportunities / threats that may arise.</p>	<p>Likelihood Impact Risk</p>	<p>2 2 4</p>	<p>Director Commercial (ECDC)</p>
<p>Changes in Planning and Housing Policies could have an impact of the Property Division,</p>	<p>The Government published revised National Planning Policy Framework (July 2018). The revised definition of affordable rented housing restricts delivery to registered providers. CLTs will be unable</p>	<p>Likelihood Impact Risk</p>	<p>3 2 6</p>	<p>Director Commercial (ECDC)</p>

<p>for example, changes to Affordable Housing, Starter Homes, and Self-build could impact the profitability of a particular development.</p>	<p>to deliver new affordable rented housing unless they become, or work with, a registered provider.</p> <hr/> <p>Monitoring The Council is addressing this issue by setting up a company to become a not for profit Registered Provider (RP). The Council owned RP could act as a partner for local, unregistered CLTs. Stage 1 Regulator approval has already been obtained and an application for Stage 2 (final) consent is due to be submitted in 2021.</p> <p>This is a medium term risk. There will be no impact on the Company’s current construction projects, but projects where planning permission has been, or will be, approved since the change will be affected. The Head of Development and Director Commercial (ECDC) shall continue to monitor progress with the establishment of the RP.</p>			<p>Head of Development</p>
<p>If the Council cannot demonstrate a five year land supply the company’s ability to partner with local CLTs to deliver community-led developments in East Cambridgeshire could be undermined.</p>	<p>In 2019 the Council could not demonstrate a five year housing land supply, but in a document published in December 2020, the Council was able to evidence a land supply in excess of six years. This position will continue to adjust over time.</p> <hr/> <p>Monitoring This is a medium-term risk. Currently, as a five year housing land supply exists, CLTs are still able to bring forward new development opportunities outside a development envelope using the Community-led development policy in the local plan.</p> <p>That said, ECTC’s business activities are no longer wholly reliant on CLT schemes and the company has not yet experienced a negative</p>	<p>Likelihood Impact Risk</p>	<p>2 2 4</p>	<p>Director, Commercial Services (ECDC)</p> <p>Head of Development</p>

	impact from the changing land supply issue. The Head of Development will continue to monitor the situation in 2021/22.			
2. GOVERNANCE				
Identified Risk	Management of Risk	Risk Score		Risk Owner
Inadequate governance arrangements and lack of clarity on roles of the Council and ECTC could lead to poor decision making that undermines the operation of ECTC.	<p>In 2019/20 Council approved governance changes to the Articles of Association and the Shareholder Agreement. Changes included the removal of elected Members from the ECTC Board of Directors. Elected Members now serve as Observers to the Board of Directors. The rights and rules of Observers are set out in the Shareholder Agreement.</p> <hr/> <p>Monitoring The Council and ECTC will continue to monitor the practicalities of the Shareholder Agreement to ensure that it is fit-for-purpose. Any necessary changes will need to be approved by the Council. The Managing Director will provide a report to the Council detailing any proposed changes and why these changes would be necessary.</p>	Likelihood Impact Risk	3 4 12	Managing Director
<p>ECTC is wholly owned by ECDC so is subject to the controls and decision-making process for matters that are outside of the Business Plan.</p> <p>The speed of the decision-making process may have an impact on ECTC's ability to operate effectively.</p>	<p>The Shareholder Agreement sets out the decision-making abilities of ECTC and ECDC. Any changes to the Shareholder Agreement would need to be approved by the Council which may take some time to achieve.</p> <p>The Shareholder Agreement provides for the ability of extraordinary meetings of the Shareholder Committee to be called to consider urgent business and where necessary make recommendations to Full Council.</p> <hr/> <p>Monitoring</p>	Likelihood Impact Risk	3 4 12	Managing Director

	In accordance with the Council's Constitution a Full Council meeting can be convened to deal with any urgent business.			
3. ECONOMIC				
Identified Risk	Management of Risk	Risk Score	Risk Owner	
<p>ECDC provided a loan to ECTC of £5,000,000, to be drawn down and repaid in accordance with the loan agreement. In the event of an economic slowdown, there may be a risk that the company cannot meet the repayment schedule.</p> <p>ECDC provided a loan to ECTC of up to £1,500,000, to be drawn down and repaid in accordance with the loan agreement. In the event of an economic slowdown, there may be a risk that the company cannot meet the repayment schedule.</p>	<p>Under the terms of the original loan facility agreement, ECTC is required to repay in full at March 2021 any balance outstanding on the original £5m loan. It was recognised early in 2020/21 financial year that this may not be possible due to the impact of Covid19 and so a new loan facility of £3.6m was agreed with ECDC. This new facility will be available in March 2021 and will be used to repay any outstanding balance on the original facility and will continue to fund the Company for the next two years. The new loan is due for repayment in July 2023.</p> <p>ECDC granted a £1.5m facility in December 2018 for the specific purpose of refurbishing the 88 empty properties in Ely, adjacent to the Princess of Wales Hospital. The loan is due for repayment in March 2021. It was recognised early in 2020/21 financial year that repayment of this loan would not be possible due to the impact of Covid19 and so a new loan facility of £1.3m was agreed with ECDC. This new facility will be available in March 2021 and will be used to repay any outstanding balance on the original loan and will continue to fund the refurbishments at MOD. The new loan is due for repayment in March 2023.</p> <hr/> <p>Monitoring</p> <p>The ability of ECTC to repay any outstanding loan to ECDC is dependent on commercial activities of ECTC particularly with reference to property development.</p>	<p>Likelihood 2 Impact 5 Risk 10</p>	Finance Manager	

	<p>The repayment schedule is on track and regular financial updates are provided to the Board and S151 Officer at ECDC</p>			
<p>With the exception of new loans from the Combined Authority, ECTC cannot increase its indebtedness without the consent of the Shareholder Committee; loans could be provided by the Council (subject to Full Council approval of the Business Case for the loan).</p> <p>If the Council’s MTFS is not successfully implemented the availability of loan finance to ECTC could be reduced. This may lead to ECTC being forced to borrow from the ‘market’. In such circumstances, ECTC’s profitability and cash flow could be affected as ECTC would be unlikely to benefit from the same loan terms and conditions if it went to the market for such a loan.</p>	<p>The Section 151 Officer will ensure that the Council can provide the required funding to ECTC in accordance with the loan agreement. In the event that loan advances cannot be made the Section 151 Officer shall notify the Managing Director as soon as is practicably possible.</p> <p>This matter concerns the medium to long term future of ECTC, however, effective business planning requires continuous consideration of financing arrangements. When considering an application for a loan from the Council ECTC shall engage with the Section 151 Officer as early as practicably possible to ensure that the Council has time to assess its financial position and make a decision as to whether such a loan could be provided. The Council shall make a decision on whether to provide ECTC with a loan as early as practicably possible; if it is not possible this will enable ECTC to consider alternative options for financing.</p> <p>All parties shall have regard to the Council’s decision making processes. ECTC shall, wherever possible, adhere to the deadline requirements of the Council’s Committee and Council meetings.</p> <hr/> <p>Monitoring ECTC and the Council’s S151 Officer continually keep this matter under review, and to date, ECTC has not experienced any difficulty accessing the finance that has been agreed from the Council to progress its current projects.</p>	<p>Likelihood Impact Risk</p>	<p>2 5 10</p>	<p>Section 151 Officer Managing Director Head of Development Director, Commercial (ECTC)</p>

	<p>This is a medium term risk as the current loan facilities from ECDC are inadequate to fund all of the development activities that ECTC plans to undertake in this business plan. Individual project business cases will be required to secure additional loan financing for future projects that are not currently funded or under construction. ECTC will continue to ensure that the Council's S151 Officer is aware of the Company's development pipeline and future finance requirements.</p>			
<p>Changes in taxation, interest rates and build cost inflation could have an impact on the viability and profitability ECTC.</p>	<p>At present changes in taxation are not a known risk, however, ECTC should continue to monitor the potential impact of any changes that may be announced during 2021/22.</p> <p>Build cost inflation is a key short to medium term risk to the company; to minimise the impact, wherever possible, build contracts will be let on a fixed price basis with costs defined.</p> <hr/> <p>Monitoring The Finance Team, and where relevant the Head of Development will monitor changes and factor any changes into the business planning process.</p>	<p>Likelihood Impact Risk</p>	<p>3 3 9</p>	<p>Section 151 Officer/Finance Manager</p> <p>Head of Development</p> <p>Director, Commercial (ECTC)</p>
<p>Economic downturn could result in lower profits (or even possible losses) than are anticipated in the Business Plan</p>	<p>A full assessment of the market conditions is always carried out prior to any development commencing, however, once projects have commenced, the Company is at risk from market fluctuations. In the event that an economic downturn occurs once a development has commenced the Head of Development will appraise the Managing Director of the situation and propose a solution to mitigate any potential losses.</p> <hr/> <p>Monitoring</p>	<p>Likelihood Impact Risk</p>	<p>3 5 15</p>	<p>Head of Development</p> <p>Managing Director</p>

	<p>The Head of Development continually monitors the general economic conditions and housing market outlook and the financial forecasts contained in this business plan are based on cautious projections of the performance of the housing market during the coming year. The Managing Director shall inform the Council as soon as is practicably possible of any significant changes that may impact on the repayment of any of the company's loans.</p> <p>Where relevant the Managing Director shall present to the Council an amendment to the Business Plan or, if necessary, present an Exit Strategy, for approval.</p>			
<p>In order to prosper in a commercial environment, careful management of cash flow for ECTC is essential. Insufficient cash flow will result in ECTC being constrained in realising the objectives of the Business Plan.</p>	<p>The cash flow of ECTC is dependent on the loan facilities from ECDC/Combined Authority, commercial returns from non-property based activities, receipts from property sales and individual project cash flow.</p> <hr/> <p>Monitoring ECTC continuously monitors its cash flow to ensure it can meet its business plan objectives and creditor obligations to staff, contractors and suppliers.</p> <p>Should new business opportunities arise that are outside of the scope of the Business Plan ECTC shall liaise with the Council and prepare a revised Business Plan, at the earliest opportunity, which will include identifying loan funding (to be approved by Council) that would enable commercial opportunities to be realised.</p>	<p>Likelihood Impact Risk</p>	<p>3 5 15</p>	<p>Managing Director Head of Development Director Commercial Finance Manager</p>

4. OPERATIONAL				
Identified Risk	Management of Risk	Risk Score		Risk Owner
<p>Inadequate management of commercial build contracts can lead to delays, overspends and reduced profitability/cash flow for the company.</p> <p>This has the potential to undermine the ability to repay loans to the Council and the Combined Authority.</p>	<p>The Head of Development, in the business planning cycle, shall have regard to risks of changing market conditions and/or build cost inflation and put in place a robust project management and cost control plan.</p>	Likelihood	2	Managing Director
	<p>Monitoring</p> <p>The Head of Development and Finance manager continuously monitor project revenues, costs and programmes and report any significant variations to the Board of Directors.</p>	Impact	4	Head of Development
		Risk	8	
<p>Adequacy of organisational resources to deliver the required business outcomes.</p>	<p>The realisation of ECTC's Business Plan requires planned and continued investment in facilities, staff and training to ensure that the company has the resources that it needs to deliver the necessary outcomes.</p>	Likelihood	1	Managing Director
	<p>Monitoring</p> <p>The Head of Development and Managing Director keep organisational matters under regular review and make appropriate changes when they are considered necessary.</p>	Impact	3	Head of Development
		Risk	3	

SECTION B - RISK MANAGEMENT (CORONAVIRUS)				
LEGISLATIVE/POLICY				
Identified Risk	Management of Risk	Risk Score		Risk Owner
<p>New legislation arising from the Covid 19 pandemic could have operational impacts across the business</p>	<p>The health and safety of the Company’s employees and visitors to its sites and offices is of great importance and the government’s legislative response to the pandemic has already resulted in adjustments to the Company’s procedures. The Company has introduced new safe working restrictions that are intended to reduce the risk of viral transmission while continuing to conduct business in as ‘close to usual’ as is possible. Further emergency changes to legislation relating to Health and Safety, HR, housing Management may be introduced during 2021/22 with little warning and at short notice.</p> <hr/> <p>Monitoring This is a short to medium term risk that is expected to affect the company throughout 2021/22. The Director Commercial (ECTC) and Head of Development will continually monitor new legislation as it evolves and take appropriate, effective action to ensure compliance.</p>	Likelihood	3	Director Commercial (ECTC) Head of Development
		Impact Risk	3 9	
ECONOMIC				
Identified Risk	Management of Risk	Risk Score		Risk Owner
<p>Unemployment and economic uncertainty could increase as a consequence of the Covid 19 pandemic, leading to a fall in demand for the Company’s properties and a reduction in Revenues.</p>	<p>The government’s furlough scheme that is supporting many local businesses and keeping employees in work is currently scheduled to end in April 2021. There is a significant risk that this will lead to higher levels of unemployment in the second quarter of 2021 and a lull in the housing market (and possible price falls) before the economy improves again in the Autumn once the national vaccination programme has bene completed.</p>	Likelihood	3	Director Commercial (ECTC) Head of Development
		Impact Risk	5 15	

	<p>In view of the potential risk, the Company has taken a deliberately cautious approach to the revenue forecasts for 2021/22 that are contained in this business plan.</p> <hr/> <p>Monitoring This is a short to medium term risk that may affect the company throughout 2021/22. The Director Commercial (ECTC) and Head of Development will continually monitor the changing situation and will report to the Board as soon as is practicably possible of any significant impacts.</p>			
<p>Covid-19 safe working restrictions, shut-downs and sickness could create shortages of materials in the Company’s supply chain and reduce the supply of labour, leading to additional costs.</p>	<p>During 2020, shortages were noted in the supply of certain building materials when factories were forced to close due to the pandemic. Fortunately these were limited in their impact and the company was able to source new supplies. There is a continuing risk that this could occur again during the year.</p> <hr/> <p>Monitoring ECTC has reviewed opportunities for forward purchasing of building materials to protect itself against future shortages and where possible, orders have been placed. The Director Commercial (ECTC) and Head of Development will continually monitor the changing situation and will report to the Board as soon as is practicably possible of any significant impacts.</p>	<p>Likelihood Impact Risk</p>	<p>3 4 12</p>	<p>Director Commercial (ECTC) Head of Development</p>

OPERATIONAL				
Identified Risk	Management of Risk	Risk Score		Risk Owner
<p>The Covid-19 pandemic creates a risk of ECTC having to temporarily close construction sites, with consequential delays to build programmes.</p> <p>There is a potential risk to staff mental health and well-being from prolonged periods of remote working.</p>	<p>At present, there remains a genuine risk that the company may need to shut down its construction sites if positive Covid cases are identified among the workforce. Requirements to comply with safe working practices on-site is also reducing build production form normal levels.</p>	Likelihood	3	Director
	<p>Office based staff have been forced to adapt to remote working and while this may suits some, it is not a satisfactory arrangement for all employees, particularly those that live alone or with young children.</p> <hr/> <p>Monitoring The company is also investigating the possibility of introducing a rapid testing regime on its construction sites to ensure that positive coronavirus cases do not result in future shutdowns.</p> <p>The Director Commercial (ECTC) and Head of Development will continually monitor the wellbeing of ECTC remote workers and ensure that appropriate practical or emotional support is provided as required.</p>	Impact	4	Commercial (ECDC)
		Risk	12	Head of Development

7. COMMERCIAL SERVICES

- 7.1 The Commercial Services of ECTC currently deliver Ely Markets on behalf of ECDC and Grounds Maintenance Services; both on behalf of ECDC and for other customers.
- 7.2 Commercial services, through the Grounds Maintenance Service has made a commitment to explore areas of income generation that will enable ECDC to continue to deliver good quality services to its residents, visitors and businesses.
- 7.3 The primary focus of Commercial Services for 2021/22 shall be to continue to develop Ely Markets, focusing on the community as its customer, and Grounds Maintenance Service focusing on new areas of income generation; ensuring that both continue to deliver high quality services that respond to the needs of their customers and seek to maximise opportunities that arise throughout the year.
- 7.4 Where opportunities arise that are outside of the scope of this business plan, individual business plans will be produced and submitted to the Board for approval.
- 7.5 The following table provides a cumulative budget to July 23.

	2020/21	2021/22	2022/23	Apr-Jul 2023
Turnover	980,934	1,079,032	1,099,428	373,406
Cost	950,408	1,032,361	1,050,356	356,228
EBITDA	30,526	46,671	49,072	17,178

ECTC has continued to make profits from grounds maintenance contracts and is able to maintain the reduced management fee to ECDC for the service that it provides. This is a positive business decision as it provides an immediate benefit to ECDC as the shareholder, i.e. ECDC is saving £100,000 in 2021/22.

ECTC will continue to seek to reduce the fee to ECDC whenever the opportunity arises. This demonstrates that ECDC can continue to receive an excellent service at a reduced price as the management fee reduction is being absorbed by the profits generated from other contracts in the Grounds Maintenance Service.

7.6 Ely Markets

ECTC manages and operates Ely Markets on behalf of ECDC. This has been secured by way of a ten year operations and management contract.

7.6.1 Service Objectives



7.6.2 Budget

The following table provides a summary of the budget to July 2023

Markets	2020/21	2021/22	2022/23	Apr-Jul 2023
Salaries	122,541	129,211	131,795	45,405
Premises	5,851	30,696	31,003	10,607
Transport	1,079	1,408	1,422	455
Supplies & Services	20,742	26,932	27,201	9,701
Turnover	142,711	202,241	206,283	70,136
Gross Profit	- 7,501	13,994	14,861	3,967

At the time of writing the business plan Ely Markets is showing a loss. This is as a direct result of the COVID-19 TIER 4 and National Lockdown Restrictions which prevent non-essential traders from operating.

COVID-19 restrictions will continue to have an impact of Ely Markets for the foreseeable future and some adjustment has been made to the revenue projections to accommodate this.

The projections assume that business rates will be payable in 2021/22 and beyond. If there is a decision from Government to grant relief this will have a positive impact on the budget.

7.7 Grounds Maintenance

ECTC currently carries out Grounds Maintenance services for a variety of different customers; ECDC, Cambridgeshire County Council, Parish Councils, Schools and other private clients. Grounds maintenance services include (but are not limited to); grass cutting, hedge trimming, SUDS maintenance, sports pitch line marking, tree services and sports pitch maintenance.

7.7.1 Service Objectives



ECTC’s main client is ECDC; generating an income of £640,560 in 2021/22 and rising with RPI in future years. Please note that the Sanctuary contract is incorporated into the management fee paid by ECDC as ECDC ‘sub-contract’ the Sanctuary contract to ECTC. The Sanctuary Contract has been secured for Grounds Maintenance services to March 2022.

7.7.5 Budget

The following table provides a summary of the budget to July 2023

Grounds Maintenance	2020/21	2021/22	2022/23	Apr-Jul 2023
Salaries	597,778	637,951	650,710	221,241
Premises	63,220	73,573	74,309	25,017
Transport	66,831	69,317	70,010	23,570
Supplies & Services	72,367	63,273	63,906	21,515
Turnover	838,223	876,791	893,146	303,270
EBITDA	38,027	32,677	34,211	11,926

ECTC has continued to make profits from grounds maintenance contracts and is able to maintain the reduced management fee to ECDC for the service that it provides. This is a positive business decision as it provides an immediate benefit to ECDC as the shareholder, i.e. ECDC is saving £100,000 in 2021/22.

ECTC will continue to seek to reduce the fee to ECDC whenever the opportunity arises. This demonstrates that ECDC can continue to receive an excellent service at a reduced price as the management fee reduction is being absorbed by the profits generated from other contracts in the Grounds Maintenance Service.

There has been no adverse impact to the Grounds Maintenance Service from COVID-19. The service has implemented safe working practices to protect the workforce and has agreed protocols with the different clients that it serves.

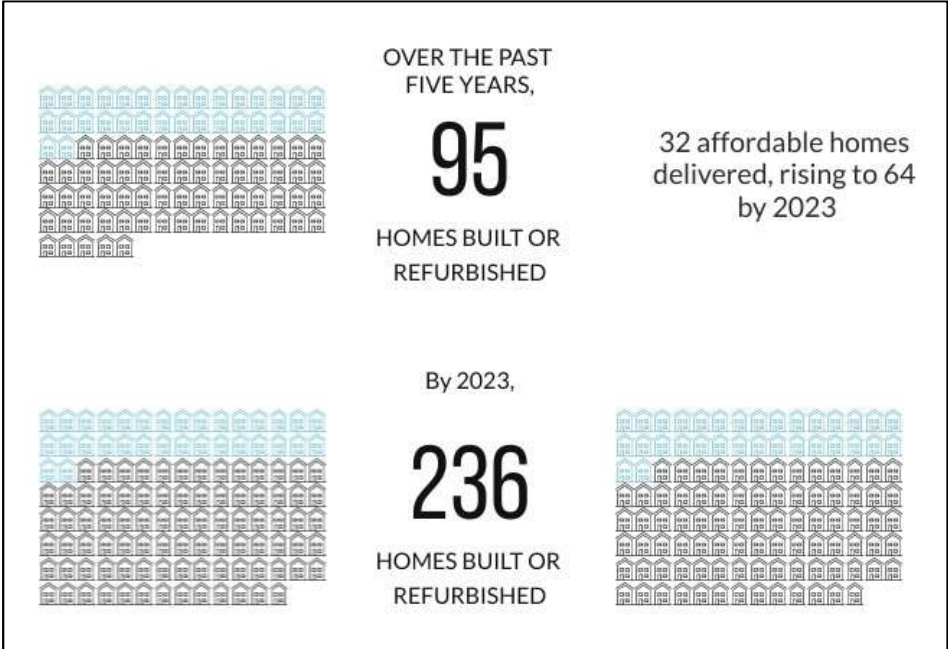
8.0 Property

ECTC's Property Team carry out a number of property related activities on behalf of EDC and other organisations across East Cambridgeshire. These activities include Asset Development Consultancy, Development Project Management, House building and Construction, Planning Promotion and Housing / Estate management.

8.1 Service Objectives



8.2 Overview



Since the company was established in 2016, the company will have built and refurbished 95 homes, including 32 affordable homes. In addition, East

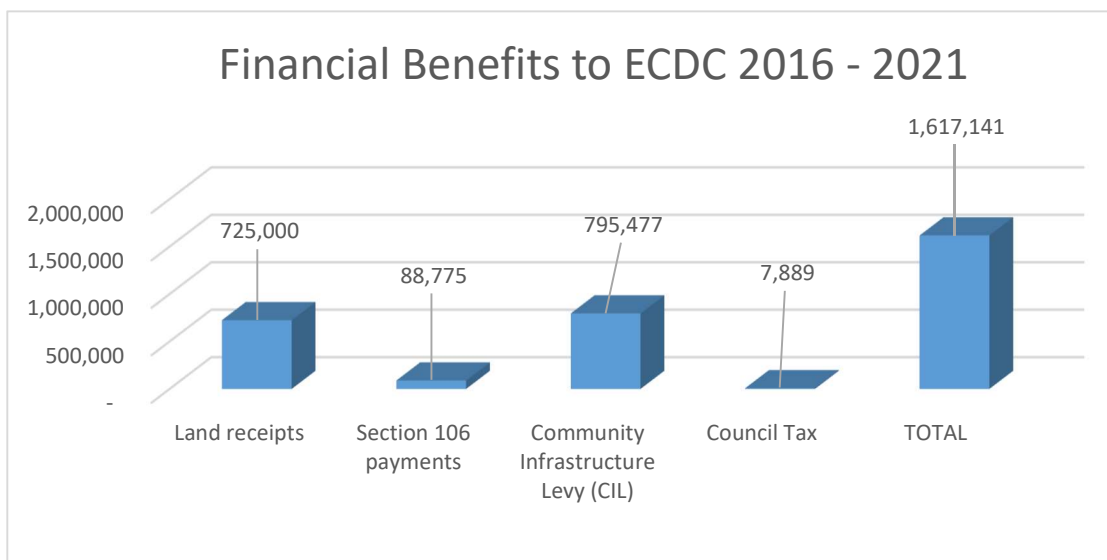
Cambridgeshire District Council (ECDC) has already benefitted by over £1.6m from the property activities of East Cambs Trading Company.

The above has been achieved despite periods of significant economic uncertainty due to Brexit and disruption to business operations caused by the Coronavirus pandemic. These issues are expected to continue to affect the company and its operations during the life of this business plan.

8.3 Financial benefits to ECDC from ECTC Property



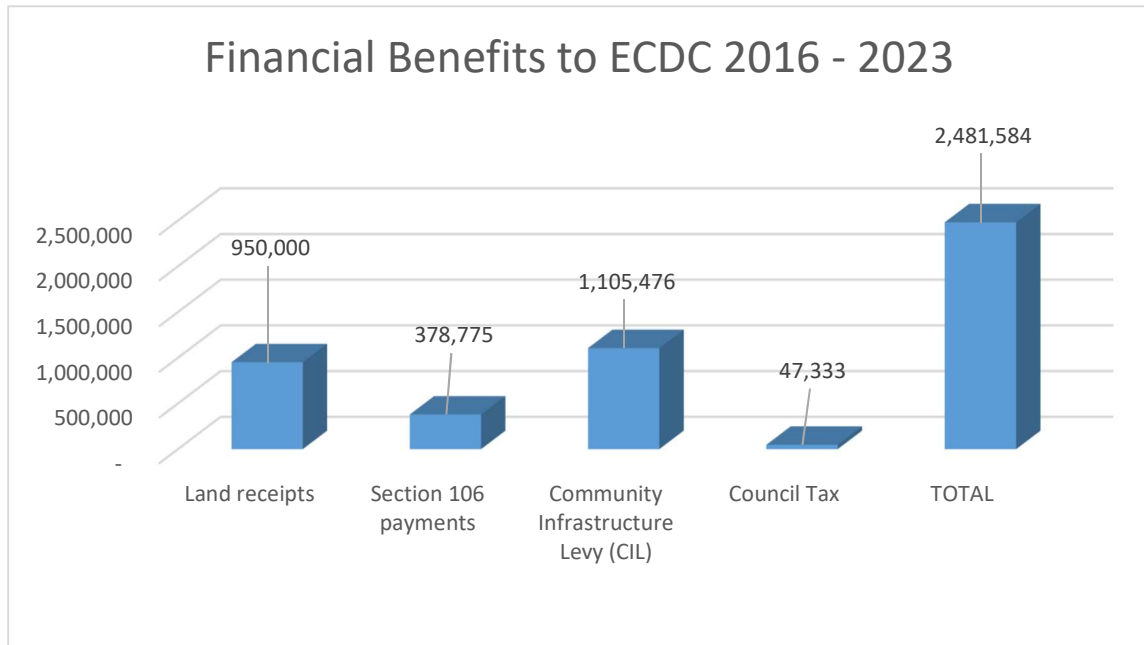
To date, due to the activities of ECTC (Property), ECDC has already benefited by £1,617,141 in the form of land receipts, section 106 payments, CIL payments and Council tax receipts from newly built properties¹. The breakdown of these payments is illustrated on the chart below.



In the coming years, the financial benefits from ECTC activities are expected to grow. By March 2023 the total financial benefits that will accrue to the Council from the

¹ Figure correct at 30/11/20

company's property activities is expected to increase to just over to £2.48 million, illustrated in detail on the chart below. It should be noted that this figure excludes any future dividends that may be paid to the Council out of profits.



8.4 Targets for 2021/22

During the financial year 2021/22, ECTC will:

- ❖ Build a further 16 new homes at West End Gardens, Haddenham, bringing the total number of homes completed in the project to 37.
- ❖ Refurbish a further 26 empty homes at MOD Ely, bringing the total number of homes completed and brought back into use to 76.
- ❖ Work with ECDC to establish the most appropriate way to deliver 13 new homes on the Paradise Pool Site, Ely and commence development on site during the year if approvals / funding are obtained.
- ❖ Commence development of 53 new build homes at MOD, Ely if approvals and funding are obtained.
- ❖ Commence development of key infrastructure for the 500 home Kennett Garden Village project if approvals and funding are obtained.

8.5 Build and sale completion forecasts

In 2020 the company was able to negotiate amended loan terms with its lenders and funding has been secured to ensure continued delivery of the current projects at MOD Ely, and Haddenham.

Future new build projects at MOD Ely, Paradise Pool Site, Ely and Kennett Garden Village are expected to further enhance the development pipeline over the period to 2023, but these are still at pre-development stage and full business cases have yet to be approved. Taken together, the current and future projects will deliver 236 homes, 64 of which will be affordable.

The company’s forecasts for cumulative build and sales completions to 2023 are set out in the table below.

CURRENT PROJECTS					
Forecast at 31/03/2021	Complete	Sold	Affordable	Rented	Available
Kings Row, Barton Road, Ely	11	9	2	0	0
Covell Corner, Soham	13	5	8	0	0
MOD, Ely (Refurb)	50	6	15	18	11
West End Gardens, Haddenham	21	1	7	0	13
	95	21	32	18	24
Forecast at 31/03/2022	Complete	Sold	Affordable	Rented	Available
Kings Row, Barton Road, Ely	11	9	2	0	0
Covell Corner, Soham	13	5	8	0	0
MOD, Ely (Refurb)	76	30	15	12	19
West End Gardens, Haddenham	37	12	14	0	11
	137	56	39	12	30
Forecast at 31/03/2023	Complete	Sold	Affordable	Rented	Available
Kings Row, Barton Road, Ely	11	9	2	0	0
Covell Corner, Soham	13	5	8	0	0
MOD, Ely (Refurb)	92	76	15	0	1
West End Gardens, Haddenham	54	35	19	0	0
	170	125	44	0	1
CURRENT AND FUTURE PROJECTS					
Forecast at 31/03/2023	Complete	Sold	Affordable	Rented	Available
Kings Row, Barton Road, Ely	11	9	2	0	0
Covell Corner, Soham	13	5	8	0	0
MOD, Ely (Refurb)	92	73	15	0	4
West End Gardens, Haddenham	54	35	19	0	0
MOD (Newbuild), Ely	53	28	16	0	9
Paradise Pool Site, Ely	13	9	4	0	0
	236	159	64	0	13
Notes					
1. Projects at Ely MOD scheduled for completion in July 2023.					
2. MOD, Ely (Newbuild) is the subject of a current planning application - not yet confirmed.					
3. MOD, Ely (Newbuild) figures based on 30% affordable, though ECTC will seek to increase the affordable provision above policy level if planning permission is approved.					
4. Transfer of Paradise Pool Site, Ely from ECDC not yet confirmed.					
5. Rented properties at Ely, MOD are held for up to 18 months before being sold.					

8.6 Key Challenges for 2021/22

With the continued uncertainty around Brexit and the restrictions on normal business operations created by the Covid-19 pandemic, 2020 was an extraordinary year. However, the company reacted quickly to the new circumstances, re-organised its financing arrangements and operations and the negative impact that was feared back in September 2020 has not been as great as expected. The Stamp Duty Land Tax holiday, introduced in the Chancellor's summer statement, had a positive impact on the housing market, alleviating to some extent the negative impacts of the pandemic.

That said, at the time of writing, a large question mark hangs over any projections made for the wider UK economy in 2020. The country has re-entered a period of national lockdown following the arrival of a new strain of the coronavirus and, although the economy is no longer in a technical recession, GDP still remains 8.5%² below the February 2020 (pre-Covid) level, and many economists are predicting a double-dip recession in the first quarter of 2021.

The housing market's view at the time of writing appears to be that 2021 will be a year of three parts. First, a rush to beat the Stamp Duty Land Tax deadline at the end of March, assuming it is not extended. Second, a lull in the middle part of the year, with the possibility of modest price falls given the economic hangover of Covid-19, coinciding with the end of the furlough scheme. Finally, a restored confidence in the latter part of the year as more sustained economic growth gains a foothold.

8.7 Projects

8.7.1 Current projects

West End Gardens, Haddenham

This development of 54 new homes in the village of Haddenham commenced in late 2019. 19 of the new homes being built in the scheme are affordable homes that will be managed by Haddenham Community Land Trust (HCLT). The HCLT homes will be available to people that live and/or work in the parish and will remain affordable in perpetuity, benefitting the wider community for years to come. The first of the affordable homes were completed and transferred to HCLT in January 2021. The remaining 35 homes on the site will be sold, with the first sale completions expected in May 2021.

In 2020, construction activity at Haddenham was stopped for 10 weeks between March and June due to the first Covid-19 lockdown. Since the site re-opened build progress has been better than first feared and the company has been able to recover some of the time lost. However, we are still some way from normal conditions and Covid-19 restrictions are expected to continue to impact on normal site working practices and material supplies throughout the first half of 2021/22.

² Source – ONS UK GDP monthly estimate, November 2020
<https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/november2020> (accessed at 29/01/21)



First residents taking possession of their new affordable home at West End Gardens, Haddenham (Source HCLT)

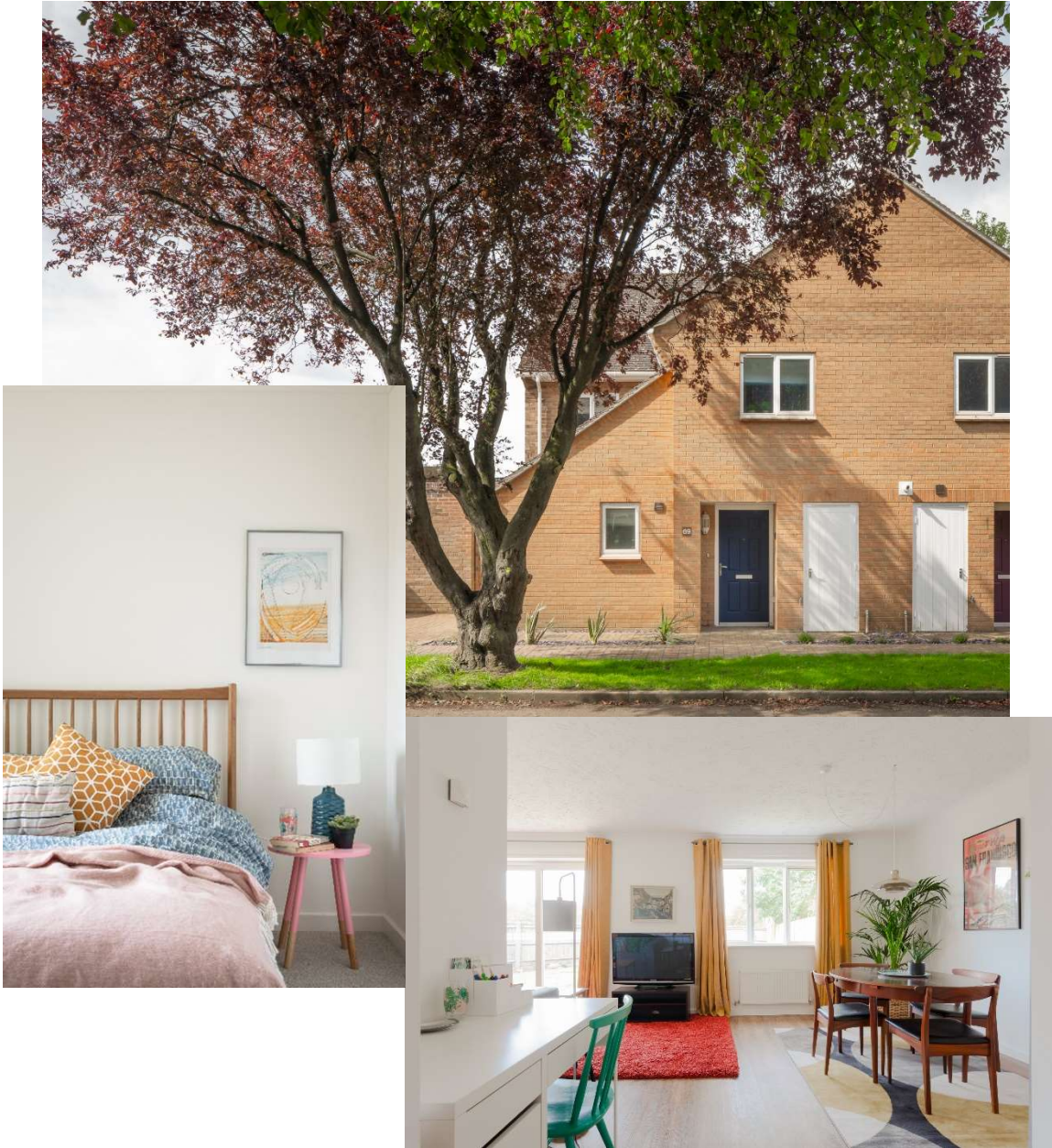
Forward sales at Haddenham are proceeding ahead of the projections in the most recent Business Plan with eight sales reservations now taken, representing 66% of the sales that are expected to be completed on this project by March 2022. Obviously this is welcome news, reflecting pent-up demand for high quality homes with generous gardens, but these results should be treated with a degree of caution as fewer sales transactions are expected in the second and third quarters of 2021/22.

The Haddenham project is being funded in part by a development loan from the Cambridgeshire and Peterborough Combined Authority. The balance of the project costs are being financed by ECTC. The company is currently on target to repay these loans by their due date.

Former MOD Site, Kilkenny Avenue, Ely - Refurbishment

In late July 2019 ECTC acquired 8.78 hectares (21.6 acres) of land in Ely from the Ministry of Defence (MoD). The land included 88 existing houses and provided opportunities for further new-build development. The houses were formerly used to accommodate US Air Force families, but some had stood empty for up to 5 years.

The company has been refurbishing these houses to bring them back into use. Improvements to the streetscape and provision of additional off-road parking have also been carried out. Through these improvements, it is also possible to convert four houses into eight flats, delivering 92 homes in total. 15 of the 92 homes will be shared ownership affordable units, the first of which are expected to be occupied in early 2021.



Photographs of the showhouse at MOD, Ely

Like the project at Haddenham, at Ely the company has managed to recover some of the 12 weeks lost during the first Covid-19 lockdown, but build progress is not yet at normal (pre-covid) levels. Covid-19 restrictions are expected to continue to impact on normal site working practices and material supplies throughout the first half of 2021/22.

Sale reservations rates since the site re-opened have been better than expected in the last update of the business plan but with so many very similar houses to sell, the market remains very price-sensitive, and the company has continued to take a cautious approach to its pricing.

At the time of writing, just under 45% of all of the properties in the project have been refurbished and these have either been sold, are under offer, or are let on short-term 18 month ASTs. The company will continue the refurbishment of the houses on Nigel Road and Heaton Close this year, before moving to Redman Close and finally Gunning Road in 2022. During the course of 2021 and into 2022, the properties that are currently let in Heaton Drive and Kilkenny Avenue will be vacated and released back to the sales market.

The refurbishment project is being funded by a development loan from the Cambridgeshire and Peterborough Combined Authority. The balance of the project costs are being funded by ECTC and an additional 'top-up' ring fenced loan from ECDC. The company is currently on target to repay these loans by their due date.

8.7.2 Future projects

Former MOD Site, Kilkenny Avenue, Ely – New build

In addition to the ongoing refurbishment project, there are opportunities for further new build development within the site at MOD, Ely. In line with our contractual obligations to the MOD, in July 2020 the company submitted an application for 53 new one, two and three bed homes.

The planning application is currently being considered by ECDC planners and, if planning permission is granted, the company will seek to increase the level of affordable housing above the 30% policy requirement through the application of affordable housing grant.

A full business case for the new build project will be developed if planning permission is approved and the company will seek to commence construction of the new homes during the course of the financial year.

Paradise Pool Site, Ely

Since February 2020 the company has been working on a planning application for re-development of the site of the former Paradise Swimming Pool. Planning approval was granted by committee in November for a 13 unit scheme, including 4 no. '£100k' affordable homes. The site is still owned by ECDC.

The company is now developing a business case for the project and, if approved, will commence construction of the new homes during the course of the financial year.

Kennett Garden Village

Now in the advanced planning stage, Kennett Garden Village will offer 500 high-quality homes of all tenures, create local employment opportunities deliver new school buildings for Kennett Primary School, as well as significant improvements to local highway infrastructure and provision of extensive areas of open space. There will also

AGENDA ITEM NO. 6 Appendix 1

be a retirement village / care home, an enterprise park for new business and additional car parking for the adjacent railway station.

The project has been designed with community ownership at its heart, including genuinely affordable homes owned by Kennett Community Land Trust. The trust will manage housing assets for the long-term, providing a significant and on-going income that can be reinvested back into the local community for generations to come.

Planning permission was issued by ECDC in 2020 and ECTC is now working with project stakeholders to establish delivery arrangements that would allow the commencement of key site infrastructure during the course of the financial year. The project is expected to continue to deliver profits for the company in future years beyond the life of this business plan.

8.8 Financial projections – Property

FINANCIAL PERFORMANCE 2017 - 2023									
	2017/18	2018/19	2019/20		2020/21	2021/22	2022/23	Apr-Jul 2023	TOTAL
Turnover									
Market housing sales	£0.00m	£4.56m	£2.19m		£1.56m	£12.37m	£35.93m	£4.39m	£61.00m
Affordable (CLT) housing sales	£0.00m	£0.86m	£0.00m		£2.10m	£1.92m	£3.02m	£0.00m	£7.90m
Other income	£0.99m	£0.13m	£0.08m		£0.12m	£0.01m	£0.01m	£0.00m	£1.34m
Total Turnover	£0.99m	£5.55m	£2.27m		£3.78m	£14.30m	£38.96m	£4.39m	£70.24m
Cost of Sales									
Housing construction costs	£0.78m	£4.40m	£2.19m		£3.47m	£13.61m	£35.71m	£3.97m	£64.13m
Salaries	£0.37m	£0.42m	£0.39m		£0.35m	£0.36m	£0.37m	£0.12m	£2.38m
Premises	£0.00m	£0.01m	£0.02m		£0.02m	£0.02m	£0.02m	£0.01m	£0.10m
Supplies & services	£0.02m	£0.05m	£0.08m		£0.13m	£0.06m	£0.06m	£0.02m	£0.42m
Total Cost of Sales	£1.17m	£4.88m	£2.68m		£3.97m	£14.05m	£36.16m	£4.12m	£67.03m
Gross Profit / (Loss)	-£0.18m	£0.67m	-£0.41m		-£0.19m	£0.25m	£2.80m	£0.27m	£3.21m
Overheads	£0.14m	£0.16m	£0.16m		£0.18m	£0.19m	£0.20m	£0.07m	£1.10m
EBITDA	-£0.32m	£0.51m	-£0.57m		-£0.37m	£0.06m	£2.60m	£0.20m	£2.11m
ENHANCED FINANCIAL PROJECTIONS IF KENNETT PROGRESSED IN 2021 / 22									
	2017/18	2018/19	2019/20		2020/21	2021/22	2022/23	Apr-Jul 2023	TOTAL
Turnover	£0.99m	£5.55m	£2.27m		£3.78m	£15.96m	£39.09m	£2.92m	£70.56m
Cost of Sales	£1.17m	£4.88m	£2.68m		£3.97m	£15.7m	£36.16m	£2.46m	£67.02m
Gross Profit / (Loss)	-£0.18m	£0.67m	-£0.41m		-£0.19m	£0.26m	£2.93m	£0.46m	£3.54m
Additional gross profit	-	-	-		-	£0.01m	£0.13m	£0.19m	£0.33m

Due to the cash-generative nature of Kennett at this stage, there would be an additional interest saving of £100k.

8.9 ECTC (Property) - SWOT Matrix

SWOT MATRIX	
INTERNAL FACTORS	
STRENGTHS (+)	WEAKNESSES (-)
<ol style="list-style-type: none"> 1. Low overhead costs. 2. Specialist knowledge of project and construction teams. 3. Strong local connections with key stakeholders, contractors and suppliers. 4. Company ethos aligned with development partners. 	<ol style="list-style-type: none"> 1. Reliance on existing public sector funders. 2. Build costs higher than volume house builders. 3. Balancing of financial priorities / community benefit inevitably becomes political.
EXTERNAL FACTORS	
OPPORTUNITIES (+)	THREATS (-)
<ol style="list-style-type: none"> 1. ECTC objectives aligned with Council Corporate Plan. 2. Public sector land disposal programmes. 3. Partnerships / Joint ventures with commercial companies and other public sector bodies. 	<ol style="list-style-type: none"> 1. Post Covid19 / Brexit housing market uncertainty until 2022. 2. Current projects show low profit margins to ensure community benefits but this puts company more at risk from market variations. 3. Changing Council priorities can take time to implement on complex long-term development projects.