



EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

East Cambs
Trading CO. Ltd

ECTC BUSINESS PLAN

1. INTRODUCTION

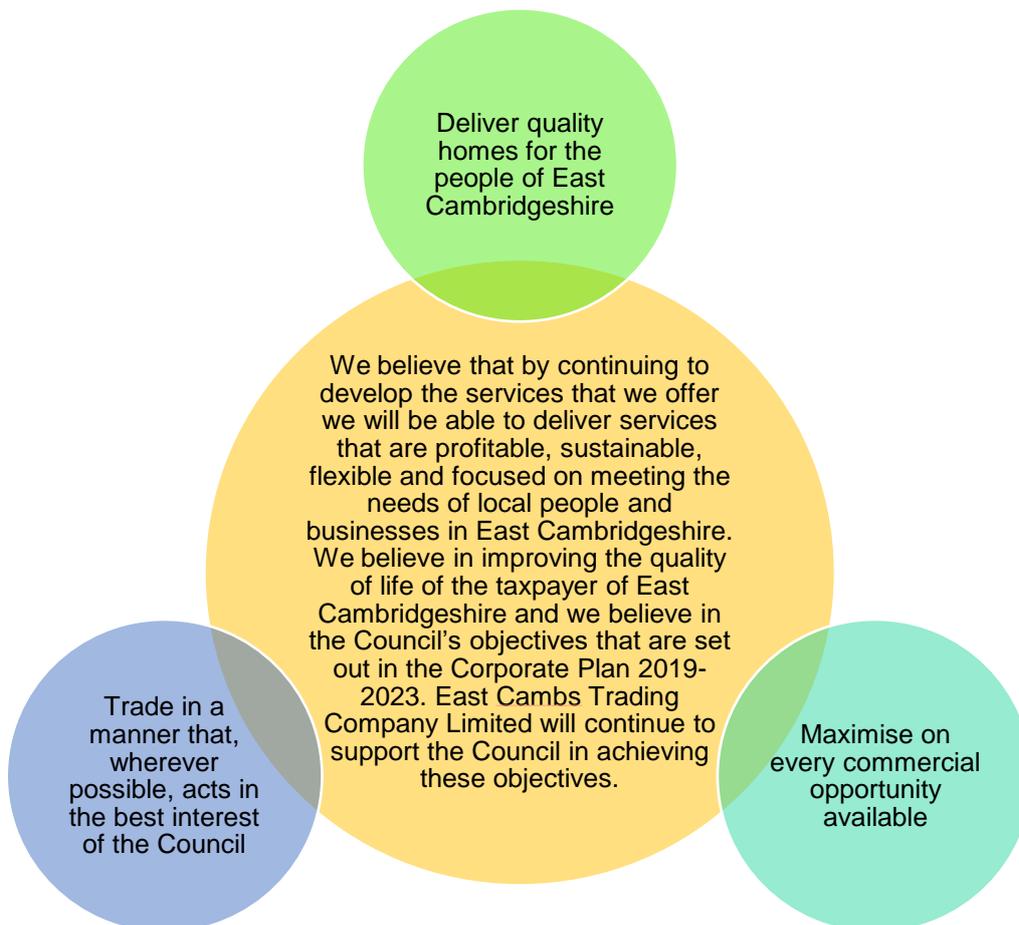
This Business Plan is designed to provide an overview and detail of the:

- ❖ 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 the Council 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 2020/21 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. A formal review of the office requirements of Property and Community Housing will be carried out prior to December 2020.

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.

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.

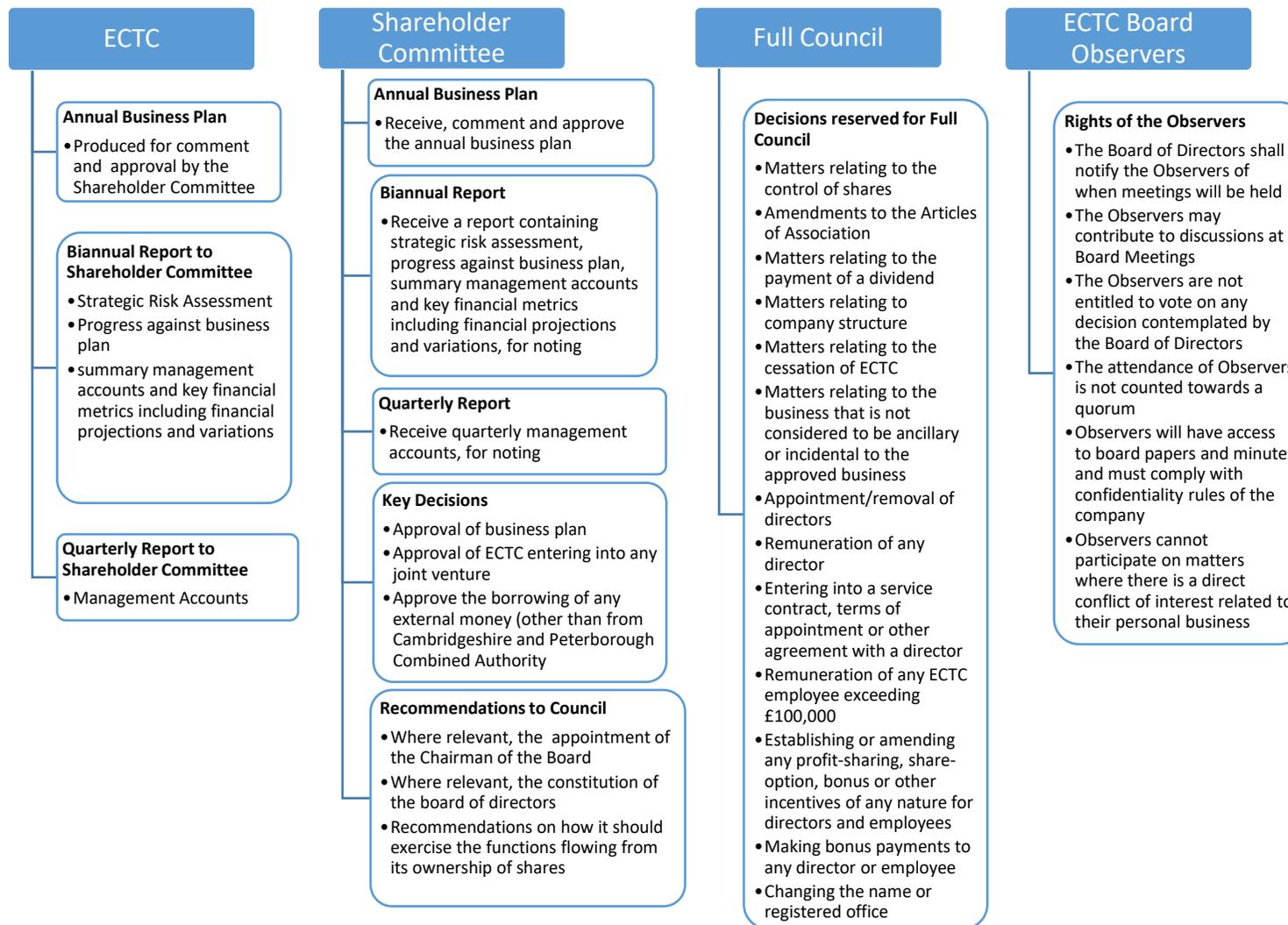
Except where the information is commercially sensitive, approved minutes of Board meetings will be provided to the Shareholder Committee for noting.

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 2021/22.

	2019/20	2020/21	2021/22
Turnover			
Commercial	1,125,117	1,024,001	1,032,712
Property	6,779,506	24,363,539	25,564,041
Total	7,904,623	25,387,540	26,596,753
Cost			
Corporate	185,338	188,060	191,663
Commercial	889,427	971,089	987,774
Property	6,251,252	23,625,825	23,928,974
Total	7,326,017	24,784,975	25,108,411
EBITDA	578,606	602,565	1,488,342
Interest cost	205,917	673,858	506,934
Profit before tax	372,688	(71,293)	981,408
Tax	61,750	-	154,720
Profit after tax	310,939	(71,293)	826,689

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

Although an overall loss for the business is far from ideal, it has been known for some time that a loss would be made. Below is an extract from the approved 2019/20 business plan detailing the planned post-tax profits (losses) at that point:

	2019/20	2020/21
Profit after tax	248,615	(221,817)

As can be seen, profits in 2019/20 are predicted to be higher than planned and the losses for 2020/21 have been reduced. This, in part, is as a result of a reorganisation of the staff structure carried out in Q3 2019/20.

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 Nov 19 + Forecast	2020/21 Forecast	2021/22 Forecast	Total
Profit after tax from Trading Company	(405,810)	(305,803)	663,922	319,262	(71,293)	821,788	1,022,065
Financial Benefits From Property Development	-	-	943,224	127,244	429,170	686,559	2,186,198
Charges Incurred From ECDC	93,800	233,188	401,334	393,038	334,907	165,320	1,620,586
Reduction in Parks Contract	-	-	-	-	100,000	100,000	200,000
Total Financial Benefit From Company	(312,010)	(72,615)	2,008,481	838,544	792,784	1,773,666	5,028,849

6. RISK MANAGEMENT

LEGISLATIVE/POLICY				
Identified Risk	Management of Risk	Risk Score		Risk Owner
<p>Changes in legislation which 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 ECDC's power to lend) to fund future projects</p>	<p>This is outside the control of ECTC.</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 which realise this risk should be addressed immediately by the Managing Director to the Board of Directors.</p> <p>An amended Business Plan or Exit Strategy will need to be approved by the Board of Directors and submitted to the Council.</p> <p>The Council's S151 Officer attends all Board Meetings and advises on all relevant financial and governance matters.</p> <hr/> <p>Monitoring</p> <p>There have been no significant changes in legislation. This risk is continually reviewed through publications and regular liaison with Grant Thornton.</p>	<p>Likelihood</p> <p>Impact</p> <p>Risk</p>	<p>1</p> <p>5</p> <p>5</p>	<p>Managing Director</p>
<p>The June 2016 Referendum result for the United Kingdom to leave the European Union could have a financial and/or operational impact on ECTC.</p>	<p>The Board of Directors shall continuously monitor the perceptions and actual impacts on market conditions and inform the Council of any changes/decisions that need to be made.</p> <p>Advice will be sought from the relevant professional body when appropriate.</p> <hr/> <p>Monitoring</p>	<p>Likelihood</p> <p>Impact</p> <p>Risk</p>	<p>3</p> <p>4</p> <p>12</p>	<p>Board of Directors</p> <p>Section 151 Officer & Director Commercial (ECDC)</p>

	<p>The United Kingdom is due to leave the European Union on 31 January 2020.</p> <p>At present there are still many unknown implications that could arise from BREXIT.</p> <p>The key risks identified so far relate to inflationary pressures on construction products and material prices, potential for skills shortages within the construction industry, and constraints on market for new homes due to economic uncertainty.</p> <p>ECTC seek to manage these risks through its tendering process and ensures that as much flexibility as possible is retained when entering into land agreements.</p> <p>The Head of Development has addressed the key risks in the individual project business plans.</p>			
Local Government Reform	<p>The Cambridgeshire and Peterborough Combined Authority Mayor has announced a review for local government reform. Details and scope of the review are not defined at present, such a review is capable of having both a positive and a negative impact on ECTC, depending on the outcomes of the review.</p> <p>It is unlikely that there will be negative impact for ECTC in 2020/21 as the review is likely to take a significant amount of time to conclude.</p> <p>The Director Commercial shall monitor the proposals as they progress.</p> <p>The Director Commercial shall inform the Board as soon as is practicably possible of any opportunities and threats that arise.</p>	<p>Likelihood Impact Risk</p>	<p>2 2 4</p>	<p>Director Commercial</p>
Changes in Planning and Housing Policies could have an impact of the Property Division,	<p>The Government has published revised National Planning Policy Framework (July 2018). The revised definition of affordable rented housing restricts delivery to registered providers. This will restrict CLTs</p>	<p>Likelihood Impact Risk</p>	<p>3 3 9</p>	<p>Director Commercial</p>

<p>for example, changes to Affordable Housing, Starter Homes, and Self-build could impact the profitability of a particular development.</p>	<p>ability to deliver affordable rented housing unless they become, or work with, a registered provider.</p> <hr/> <p>Monitoring</p> <p>The Regulator has approved Stage 1 consent for the Council setting up a company to become a Registered Provider. Work is underway to complete the Stage 2 application.</p> <p>There will be no impact on the Haddenham Development or the MOD, Ely Phase 1 development as the Section 106 Agreement for the former was completed prior to the changes and there is no Section 106 Agreement for the latter.</p> <p>The Head of Property shall continue to monitor progress.</p>			<p>Head of Property Development</p>
<p>The Council cannot demonstrate a five year land supply.</p> <p>This has a potential to undermine the ability to deliver CLT development in East Cambridgeshire.</p>	<p>In February 2019 ECDC took the decision to withdraw the emerging local plan and has reverted to the 2015 adopted local plan. The Council cannot demonstrate a five year land supply from now until April 2020 (once the adopted plan is five years old).</p> <p>This situation provides landowners the potential of an additional option for development outside the development envelope other than CLT's or rural exception sites. This could undermine the negotiating ability of local CLT's.</p> <hr/> <p>Monitoring</p> <p>ECTC has not experienced a negative impact from the Council's lack of five year land supply. The Head of Development shall continue to monitor the situation closely in 2020/21.</p>	<p>Likelihood Impact Risk</p>	<p>5 4 20</p>	<p>Director, Commercial Services</p> <p>Head of Property Development</p>

GOVERNANCE				
<p>Inadequate governance arrangements and lack of clarity on roles of the Council and ECTC could lead to poor decision making which could undermine the operation of ECTC</p>	<p>In 2019/20 Council approved governance changes to the Articles of Association and the Shareholder Agreement. Such 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> <p>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 be brought to the attention of the Council.</p> <p>Any changes to the Shareholder Agreement 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>	<p>Likelihood Impact Risk</p>	<p>3 4 12</p>	<p>Managing Director</p>
<p>As ECTC is wholly owned by ECDC, ECTC is subjected to the controls and decision making process for matters that lay outside of the Business Plan.</p>	<p>The Shareholder Agreement sets out the decision making abilities of the ECTC and ECDC. 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>	<p>Likelihood Impact Risk</p>	<p>3 4 12</p>	<p>Managing Director</p>
<p>The speed of the decision making process may have an impact on ECTC's ability to operate effectively.</p>	<p>In accordance with the Council's Constitution a Full Council meeting can be convened to deal with any urgent business.</p>			
ECONOMIC				
<p>ECDC has provided a loan to ECTC of £5,000,000, to be drawn down in accordance with the loan agreement.</p>	<p>ECTC is required to repay in full at March 2021 any loan outstanding from the £5m facility agreed by Council at the inception of the company.</p>	<p>Likelihood Impact Risk</p>	<p>4 4 16</p>	<p>Finance Manager</p>

<p>ECDC has provided a loan to ECTC of up to £1,500,000, to be drawn down in accordance with the loan agreement.</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>The repayment schedule is on track but is dependent on £2m receipt from the Kennett development, most probably facilitated with the transfer of the site to a special delivery vehicle wholly owned by ECTC or joint venture with third party funder. This is of course, dependent on the availability of finance.</p> <p>Monitoring</p> <p>In December 2019 ECTC made an early payment of £1.7m to the Council.</p> <p>The £2m assured receipt or a substantial part of this figure will be required to meet ECTC obligations to the Council.</p> <p>An award of funding from the Combined Authority should enable the transfer of the site to a special delivery vehicle and retain the development rights for ECTC and any JV partners (if applicable).</p> <p>The Head of Development is exploring alternative commercial opportunities to ensure that ECTC can meet its obligations to repay the loan and will report progress to the board in due course.</p> <p>The Head of Development will complete a full risk assessment before ECTC commit further finance (beyond that already agreed to achieve outline planning permission) for the Kennett development.</p> <p>ECTC is required to repay in full at March 2021 any loan outstanding from the £1.5m facility agreed by Council.</p> <p>The ability of ECTC to repay any outstanding loan to ECDC is dependent on achieving the sales revenues from the MoD site in Ely.</p>			
---	--	--	--	--

	<p>The current loan facility from ECDC is inadequate to fund all of the development activities that ECTC plans to undertake in this business plan</p> <p>Business Plans will be produced to secure additional loan financing for projects that are not currently funded in development stage.</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 is not a known risk, however, ECTC should have regard to the impact of any such changes.</p> <p>Building cost inflation is a key risk; to minimise the impact of this contracts will be let on a fixed price basis with costs defined.</p> <p>The Finance Team, and where relevant the Head of Property Development will monitor changes and factor any changes in the business planning process.</p>	<p>Likelihood Impact Risk</p>	<p>1 3 3</p>	<p>Section 151 Officer/Finance Manager</p> <p>Head of Property Development</p> <p>Director, Commercial Services (ECTC)</p>
<p>Economic downturn could result in less than anticipated (or even losses) assumed in the Business Plan</p>	<p>A full assessment of the market conditions will be carried out prior to any development commencing. In the event that an economic downturn occurs once a development has commenced the Head of Property Development will appraise the Managing Director of the situation and propose a solution to mitigate any potential losses.</p> <p>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>Likelihood Impact Risk</p>	<p>3 4 12</p>	<p>Head of Property Development</p> <p>Managing Director</p>
<p>In order to prosper in a commercial environment, cash</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 project cash flow.</p>	<p>Likelihood Impact Risk</p>	<p>3 4 12</p>	<p>Managing Director</p>

<p>flow for the ECTC will be essential.</p> <p>Insufficient cash flow will result in ECTC being constrained in realising the objectives of the Business Plan.</p>	<p>Monitoring</p> <p>ECTC continues to monitor its cash flow to ensure it meets its creditor obligations to staff and contractors.</p> <p>Should 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>Head of Development</p> <p>Director Commercial</p> <p>Finance Manager</p>
<p>OPERATIONAL</p>				
<p>Inadequate cost controls on 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 Property Development, in the business planning cycle, shall have regard to market conditions, build cost inflation and put in place a robust project management and cost control plan.</p> <p>The Head of Development shall monitor the impacts of Brexit and report any implications to the Board of Directors.</p>	<p>Likelihood Impact Risk</p>	<p>2 3 6</p>	<p>Managing Director</p> <p>Head of Property Development</p>
<p>Adequacy of resources to deal with change and upheaval.</p>	<p>The realisation of ECTC ambitions to build 1850 homes (including Kennett) requires investment into ECTC particularly on the development side to ensure that the company has the human resources it needs to deliver the necessary outcomes.</p> <p>Monitoring</p> <p>In 2019/20 the Head of Property and Managing Director carried out a review to ensure that the staff structure reflected the needs of the company.</p>	<p>Likelihood Impact Risk</p>	<p>1 3 3</p>	<p>Managing Director</p> <p>Head of Property</p>

7. COMMERCIAL SERVICES

- 7.1 The Commercial Services of ECTC currently delivery Ely Markets on behalf of ECDC and Grounds Maintenance Services; both on behalf of ECTC 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 2020/21 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 2021/22.

	2019/20	2020/21	2021/22
Turnover	1,125,117	1,024,001	1,032,712
Cost	919,427	971,089	987,774
EBITDA	205,690	52,912	44,938

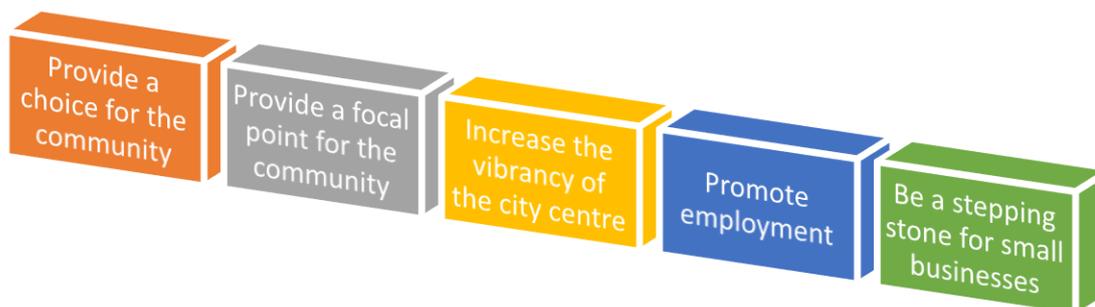
It is important to note that the main difference in profitability relates to ECTC reducing its management fee for the Council's Grounds Maintenance contract by £100,000. This is a positive business decision as it provides an immediate benefit to ECDC as the shareholder, i.e. the Council is saving £100,000 in 2020/21.

ECTC will continue to seek to reduce the fee to the Council whenever the opportunity arises. This demonstrates that the Council 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 2021/22.

	2019/20	2020/21	2021/22
Salaries	131,083	130,156	132,759
Premises	18,698	23,971	24,029
Transport	762	762	770
Supplies & Services	23,434	26,777	27,045
Turnover	225,896	225,710	225,710
Gross Profit	51,920	44,045	41,108

The service has been able to maintain previous profitability levels and make investments in improving the service. An example of investment will be that in 2020/21 the Markets Service will install a water refill station on the Market Place. This shows that Ely Markets is a self-sustaining element of the business and relies on its own income to keep improving. The Markets Service will continue to look for opportunities to reinvest its surplus to deliver more for the community.

The difference in premises cost relates to the planned investment for the water refill station.

7.7 Grounds Maintenance

ECTC currently carries out Grounds Maintenance services for a variety of different customers; ECDC, Cambridgeshire County Council, Parish Council's, 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 £720,675 in 2019/20 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 is due to end in March 2020. Positive discussions are ongoing with Sanctuary Officers for an extension to this contact.

7.7.5 Budget

The following table provides a summary of the budget to 2021/22.

	2019/20	2020/21	2021/22
Salaries	535,898	585,373	597,080
Premises	66,678	66,640	67,306
Transport	71,698	71,697	72,414
Supplies & Services	41,177	65,714	66,371
Turnover	899,220	798,291	807,002
EBITDA	183,770	8,867	3,830

The difference in staff costs is due to vacancies that arose during different periods of 2019/20. The service was able to absorb the vacancies during the year by offering

additional hours (either through overtime or time off in lieu). In addition, the results of Job Evaluation and NJC have been reflected.

It is important to note that the main difference in profitability relates to ECTC reducing its management fee for the Council's Grounds Maintenance contract by £100,000. This is a positive business decision as it provides an immediate benefit to ECDC as the shareholder, i.e. the Council is saving £100,000 in 2020/21.

ECTC will continue to seek to reduce the fee to the Council whenever the opportunity arises. This demonstrates that the Council 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.

The Grounds Maintenance Team consists of 21 members of staff; 1 Open Spaces & Facilities Manager, 1 Parks & Open Spaces Team Leader, 1 Open Spaces & Facilities Support Officer, 1 Open Spaces & Facilities Administrative Officer, 2 Gardeners, 13 Grounds Maintenance Operatives (1 vacancy), 2 Grounds Maintenance Operatives (Seasonal) and 1 Apprentice Grounds Maintenance Operative (vacant).

At the time of preparing this business plan ECTC is actively recruiting to fill the vacancy identified above.

This staffing structure represents the level of staff needed to accommodate the existing contracts in place. If further contract opportunities arise then there may be a need to recruit additional staff to service the contracts. A case will be made to the Managing Director as and when appropriate to secure additional resource.

8 Property

8.1 Service Objectives



8.2 Overview

Since the company was established in 2016, East Cambridgeshire District Council (ECDC) has already benefitted by £1,073,788 from the property activities of East Cambs Trading Company. In addition, 24 high quality new homes have been delivered, including 10 CLT owned affordable homes that will be available for local people in perpetuity and will generate cash surpluses for re-investment in the local communities.

The company has moved quickly to take advantage of new business opportunities and has secured land that, subject to planning permission, will expand the development pipeline to over 700 homes; at least 210 of these are expected to be affordable homes. The projects at Haddenham and Ely will bring forward new homes that are additional to the existing local plan, support the further development of CLTs and bring homes back into use that have been empty for years.

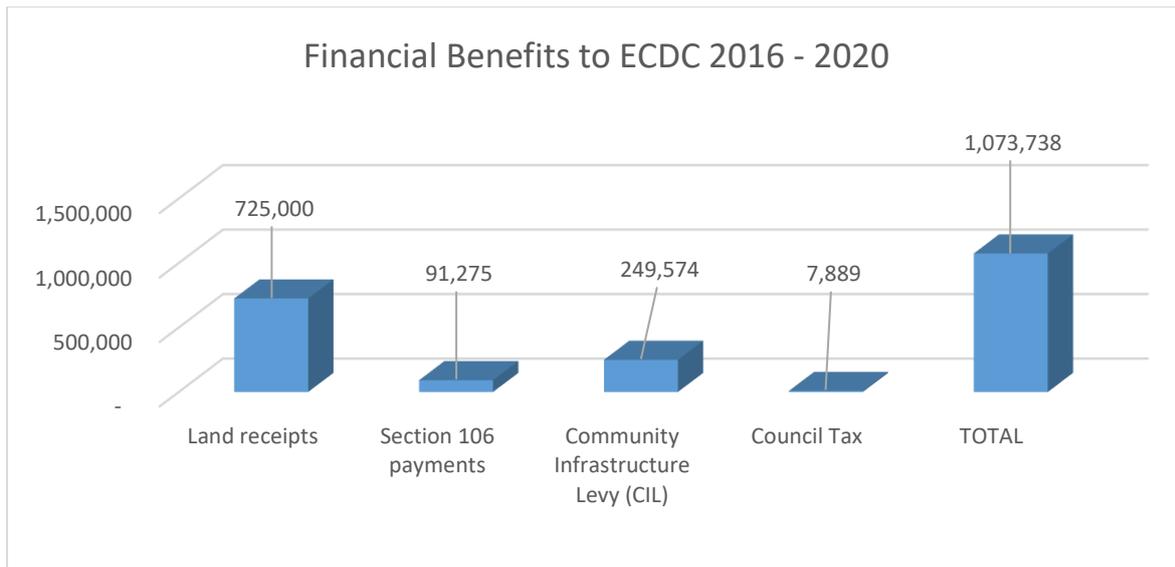
ECTC has been able to progress these projects using existing finance facilities from ECDC and new development loans from the Cambridgeshire and Peterborough Combined Authority (CPCA). Unlike a normal public sector grant fund, the repayable loan and profit share arrangements that have been agreed will allow CPCA to recycle the funds into more new housing projects across Cambridgeshire beyond 2021.

The housing and estate management service that was established by ECTC in 2018 has already produced revenue and this is expected to grow in the coming year as new projects progress. Housing management contracts have been agreed with three local CLTs and affordable homes are now being managed by the team in Soham and Ely.

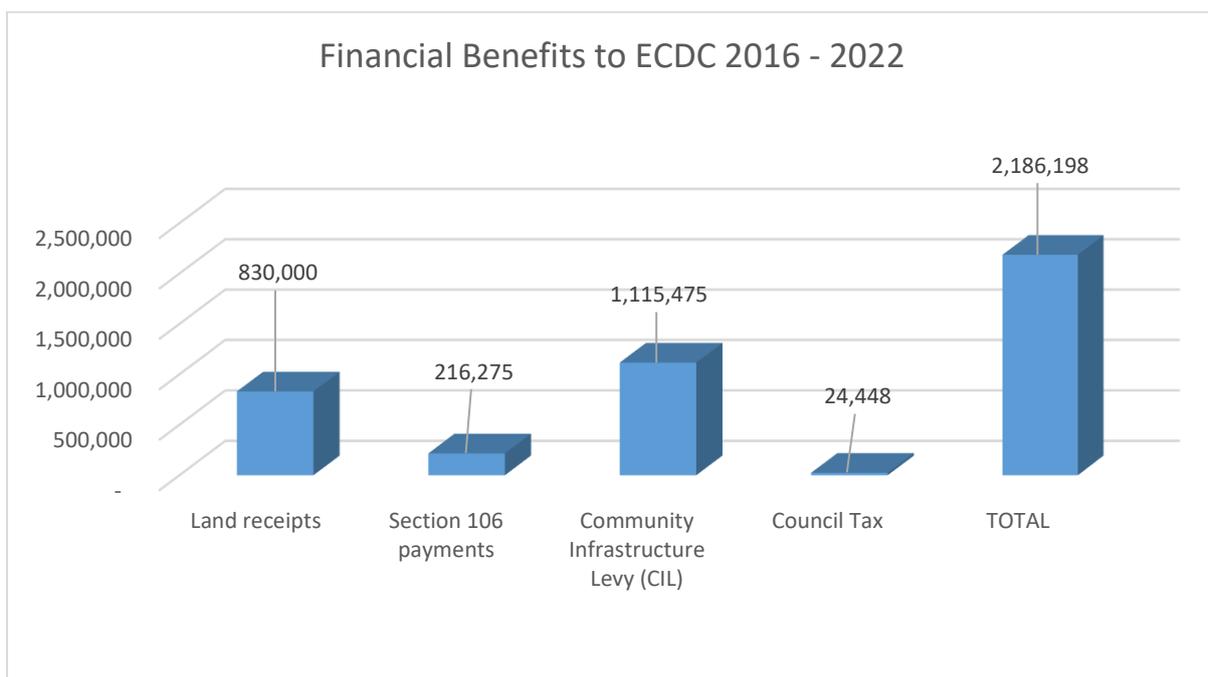
In December 2019, ECTC made its first repayment of £1.7m against the original £5.0m ECDC loan, and the company is on-track to being able to repay the ECDC loan in full in 2021 as planned.

8.3 Financial benefits to ECDC from ECTC Property

To date, due to the development activities of ECTC (Property and Community Housing), £1,073,738 in financial benefits have already been transferred to the Council in the form of land receipts, section 106 payments, CIL payments and Council tax receipts from newly built properties. The breakdown of these payments are illustrated on the chart below.



In the coming years, the financial benefits to ECDC are expected to grow. Based on the current development pipeline, by March 2022 the total financial benefits that will accrue to the Council from the company's development activities will be close to £2.2 million, illustrated in detail on the chart below. It should be noted that this figure excludes any dividends that may be paid to the Council out of profits generated by development activities.



8.4 Key Challenges for 2020/21

This business plan has been produced at a time of almost unprecedented uncertainty, with politics affecting the real economy as almost never before. The weakening global picture is continuing to depress UK growth and a large question mark hangs over any projections made for the economy in 2020.

Bank of England forecasts suggest economic growth of 1.3% in 2020. This is well below the long-term average, and growth is expected to remain subdued over the medium term. Inflation is at the 2% target, and the bank is suggesting that UK short-term interest rate rises should

be gradual and limited. Meanwhile, Oxford Economics has downgraded its long-term GDP forecast from 1.7% to 1.4% per year between 2020 and 2030. This shift is based on the expectation of a looser relationship with the EU and lower levels of trade, along with an ageing and less productive population. This lower GDP forecast will restrict household income growth, which in turn will limit long term house price growth.

In the twelve months to Sep 19, house price growth in the East of England remained broadly flat (0.2% reported by Savills and 1.7% reported by Nationwide), however in the run up to the recent general election in the final quarter of 2019, housing sale transaction volumes in East Anglia fell by over 20% as sellers opted to 'wait and see' the outcome from events in Westminster. This had a negative effect on the local market, particularly for higher value properties as some sellers reacted by accepting offers at 5% - 10% below asking price in order to achieve sales.

The election result has provided a little more certainty about Brexit, and this is expected to have some positive effects on market sentiment and transaction volumes in 2020. That said, any 'Brexit bounce' is likely to be modest and housing sales activity during 2020 is likely to remain relatively subdued, with the danger of another political 'cliff edge' persisting until the end of the transition period in December 2020. Savills are forecasting house price growth in the East of England to remain flat for the whole of 2020, followed by modest growth of between 2.5% and 3.0% per annum in the years that follow¹.

ECTC will continue to closely monitor market conditions for any potential impact on local customer confidence in light of wider political and economic uncertainty. Certainty of future demand is absolutely key as the company looks to invest in its planning permissions, and get them to the point to where homes can actually be built.

Concerns also remain as to the impact Brexit will have on the local economy, and in particular on continued access to skilled foreign workers who provide around 7% of the UK construction workforce. To counter this, the company is investing in training for its own staff and has recently developed an in-house construction management capability which will be key to the company's ability to build out its sites expeditiously. ECTC is now less reliant on large principle contractors and more able to employ local workers, suppliers and contractors on its development projects.

Prices for many construction products and materials rose significantly following the falls in the value of sterling post EU referendum, and with about 15% of products used in UK construction coming from the EU, the basis of our future trading relationship could have a significant effect on cost pressures. To date ECTC has successfully managed to keep control of its construction costs to date by securing fixed price tender contracts with suppliers and contractors, and this is expected to continue for the projects currently under construction.

The company will continue to invest in the people, supply chain and new technologies that it needs to deliver the development pipeline. By further developing the company's own 'in house' capability, it should be possible to mitigate against some of these external risk factors, and give the company greater control of project delivery. Utilisation of modern methods of off-site construction on future projects should also help to ensure more homes can be built, more quickly, and with greater pricing certainty.

¹ Savills Dec 2019 – UK Housing Market Update

8.5 Targets for 2020/21

During the current financial year, ECTC will:

- ❖ Complete the construction of 29 homes at West End Gardens, Haddenham, including 16 affordable homes for transfer to Haddenham CLT.
- ❖ Complete the refurbishment of 60 homes on the Former MOD site in Ely, including 15 shared ownership affordable homes.
- ❖ Implement delivery arrangements for 500 new homes, including 150 affordable homes a new primary school and other village facilities at Kennett.
- ❖ Secure new planning permissions for additional new build housing to underwrite the development pipeline.
- ❖ Repay the original £5m loan to ECDC, and the £6.5m Haddenham loan to CPCA.

8.6 Projects

8.6.1 West End Gardens, Haddenham

This development, which commenced in late September 2019, is for 54 new homes in the village of Haddenham, with generous green space on 8 acres (3.24 hectares) of land that was acquired in April 2019. A close partnership formed back in 2016 between the landowner, ECTC (Palace Green Homes), Haddenham CLT, the Parish Council, and the local community looks sets to create a positive lasting legacy for the village.

19 of the new homes within the scheme will be affordable homes managed by Haddenham CLT that are available to people that live and/or work in the parish. These one, two and three bed properties will be assets that benefit the wider community for years to come. The first affordable homes, that include several bungalows, are expected to be ready for occupation in Summer 2020. 35 two, three and four bed homes will be available for sale on the open market, the first of are expected to be ready for occupation in Summer 2020.

In total, 29 of the 52 homes are expected to be completed during 2020. All of the homes within the scheme have been designed so that the affordable and the market homes blend together seamlessly to create a balanced community, close to the centre of Haddenham.

The project is being funded in part by a £6.5 million development loan from the Cambridgeshire and Peterborough Combined Authority. The balance of the project costs are being resourced from ECTC's own finances.

8.6.2 Former MOD Site, Kilkenny Avenue, Ely

In late July 2019 ECTC acquired 8.78 hectares (21.6 acres) of land in Ely. The land includes 88 existing houses and provides opportunities for further new-build development. The site is contiguous with adjoining existing housing estates, new development at Ely North and the Princess of Wales Hospital.

The estate was formerly used to accommodate US Air Force families, but some of the homes have stood empty for up to 5 years. The housing is at low density, and includes terraced, semi-

detached and detached houses. There are several hundred mature protected trees giving it a very attractive 'garden village' feel. Structurally the houses are generally in very good condition however, the refurbishment plans will bring them up to modern standards through the installation of replacement bathrooms, kitchen and floor coverings. Improvements to the streetscape and additional off-road parking will also be completed.

Through these improvements, it is possible to convert four houses into eight maisonettes, delivering 92 homes in total. These will be refurbished for occupation over a two year period with 77 sold to individual purchasers on the open market and 15 offered as shared ownership units. Refurbishment work has been underway since August 2019 and the first homes are now ready for occupation. The shared ownership homes are expected to be available for occupation in late Spring 2020. In total, 60 of the 92 homes are expected to be completed during 2020.

In addition to the refurbishment, subject to planning permission, there are opportunities for further new build development within the site. The terms of the deal to buy the site from the MOD include obligations on ECTC to submit planning applications to make optimum use of this well-located, urban, brown-field site. ECTC have already committed to deliver more than 30% of the homes as affordable housing. Planning applications are expected to be submitted in 2020.

The project is being funded by a £24.4 million development loan from the Cambridgeshire and Peterborough Combined Authority. The balance of the project costs will be funded by ECTC resources and an additional 'top-up' ring fenced loan of £1.5 million from ECDC.

8.6.3 Kennett Garden Village

Now in the advanced planning stage, Kennett Garden Village is set to be the fifth and largest community-led development in East Cambridgeshire. The proposals for Kennett Garden Village are the product of a genuine collaboration between the local community, the landowners, who live locally, and ECTC (Palace Green Homes).

Kennett Garden Village will offer 500 high-quality homes of all tenures and for all ages, create local employment opportunities and encourage healthy and sociable community living in a careful design that will further enhance this attractive village. 150 of the new homes will be affordable housing.

ECTC will build the new housing, and invest significantly in improvements to local highway infrastructure. In conjunction with Cambridgeshire County Council, the project will deliver new school buildings for Kennett Primary School with a dedicated sports pitch and an Early Years Centre. There will also be a new Village Green and Village Square, an enterprise park for new business, car parking for the adjacent railway station (connecting the development to Cambridge and Ipswich), and open spaces that local families, dog walkers, picnickers and joggers can enjoy.

The project has been designed as a sustainable, lower-density 'garden village' style mixed-use development that will not only be a great place to live, but is somewhere that has community ownership at its heart, including genuinely affordable homes and attractive open

spaces owned by Kennett Community Land Trust. The trust will own and manage community 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 approved by ECDC planning committee in April 2019 and ECTC will be implementing delivery arrangements during the course of 2020, with the intention of commencing development in 2021.

8.7 Financial projections – Property

Financial projections 2017 – 2022

	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
Turnover						
Market housing sales	£0.0m	£4.56m	£6.33m	£20.27m	£23.76m	£54.92m
Affordable (CLT) housing sales	£0.0m	£0.86m	£0.29m	£4.01m	£1.79m	£6.95m
Other income	£0.99m	£0.13m	£0.16m	£0.08m	£0.01m	£1.37m
Total Turnover	£0.99m	£5.55m	£6.78m	£24.36m	£25.56m	£63.24m
Cost of Sales						
Housing construction costs	£0.78m	£4.4m	£5.73m	£23.17m	£23.46m	£57.55m
Salaries	£0.37m	£0.42m	£0.39m	£0.34m	£0.35m	£1.88m
Premises	£0.0m	£0.01m	£0.05m	£0.05m	£0.05m	£0.16m
Transport			£0.0m	£0.0m	£0.0m	£0.0m
Supplies & services	£0.02m	£0.05m	£0.08m	£0.06m	£0.06m	£0.27m
Cost of Sales	£1.18m	£4.88m	£6.25m	£23.63m	£23.93m	£59.86m
Gross Profit / (Loss)	(£0.19m)	£0.67m	£0.53m	£0.74m	£1.64m	£3.38m
Overheads	£0.14m	£0.16m	£0.12m	£0.15m	£0.15m	£0.73m
EBITDA	(£0.33m)	£0.51m	£0.4m	£0.59m	£1.48m	£2.66m

8.8 SWOT Matrix

SWOT Matrix	
INTERNAL FACTORS	
STRENGTHS (+)	WEAKNESSES (-)
<ol style="list-style-type: none"> 1. Low overhead costs. 2. Responsive and pro-active; 'fleet of foot'. 3. Specialist knowledge of existing project teams. 4. Strong local connections with key stakeholders, contractors and suppliers. 5. Company ethos aligned with target market. 6. Intensive community engagement activity at planning stage reduces development risk. 	<ol style="list-style-type: none"> 1. Reliance on existing funders; potential difficulties securing private finance. 2. Build costs are higher than mainstream housebuilders. 3. Balance between financial benefit and community benefit / political priorities can sometimes become blurred. 4. Inability to compete with private sector remuneration can affect staff retention. 5. Media and Comms profile needs to be stronger. 6. Inaccurate public perceptions of bias / conflict of interest with council can have a negative effect on operations.
EXTERNAL FACTORS	
OPPORTUNITIES (+)	THREATS (-)
<ol style="list-style-type: none"> 1. ECTC objectives aligned with Council Corporate Plan. 2. Few local competitors, though number are growing. 3. Future public sector land disposal programmes. 4. Growing support for community-led development and council housebuilding activities across the region. 5. Housing crisis firmly on political agenda, though solutions are still thin on the ground 6. Partnerships / Joint ventures with commercial companies and public sector. 	<ol style="list-style-type: none"> 1. Low level of housing transactions continuing in 2020, negatively impacting on ECTC sales revenue. 2. Current development projects are based on low profit margins so sales risk and cost risks are higher. 3. Construction cost inflation after Brexit caused by could further erode profits. 4. Failure / delay in obtaining planning permissions could impact on development programme / financial projections. 5. Risk of loss of support from local community due to negative media coverage. 6. Adjustments to changing local political priorities can take time to implement.