



EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

East Cambs
Trading CO. Ltd

ECTC BUSINESS PLAN
(REVISED)

1. INTRODUCTION

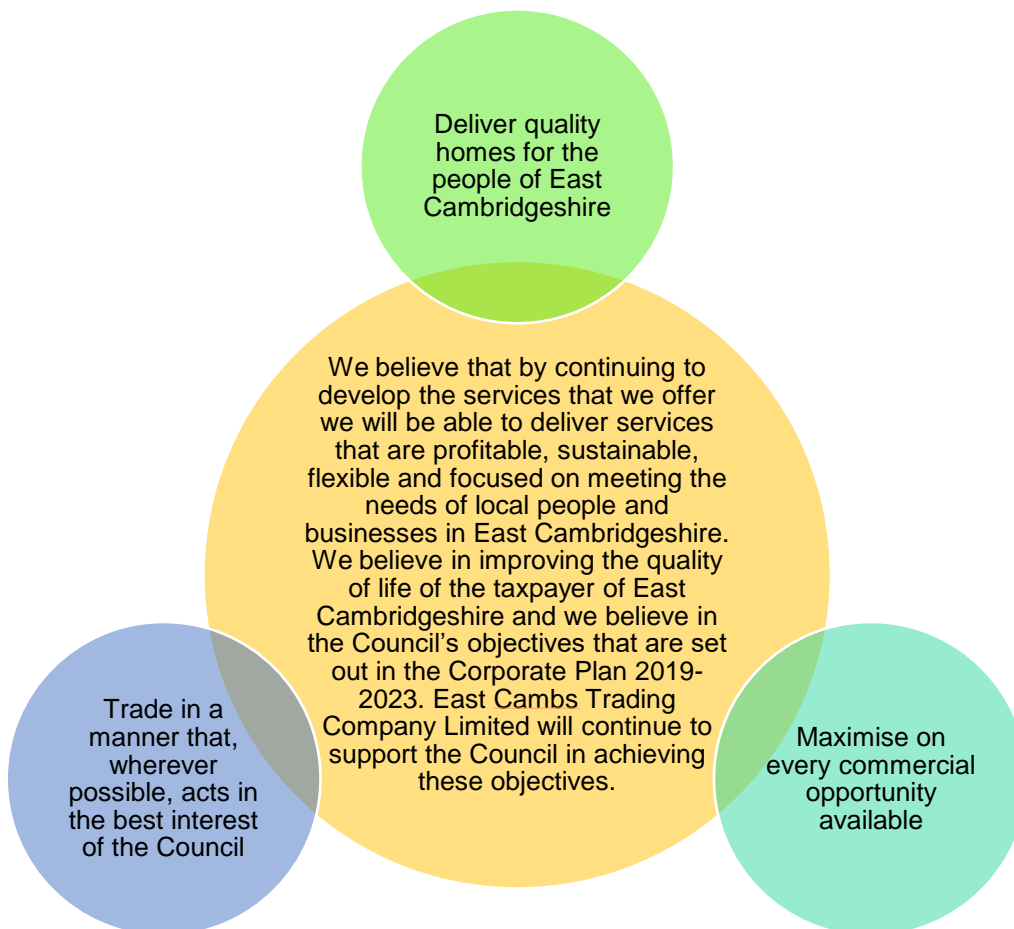
This Business Plan is designed to provide an overview and detail of the:

- ❖ 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 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 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.

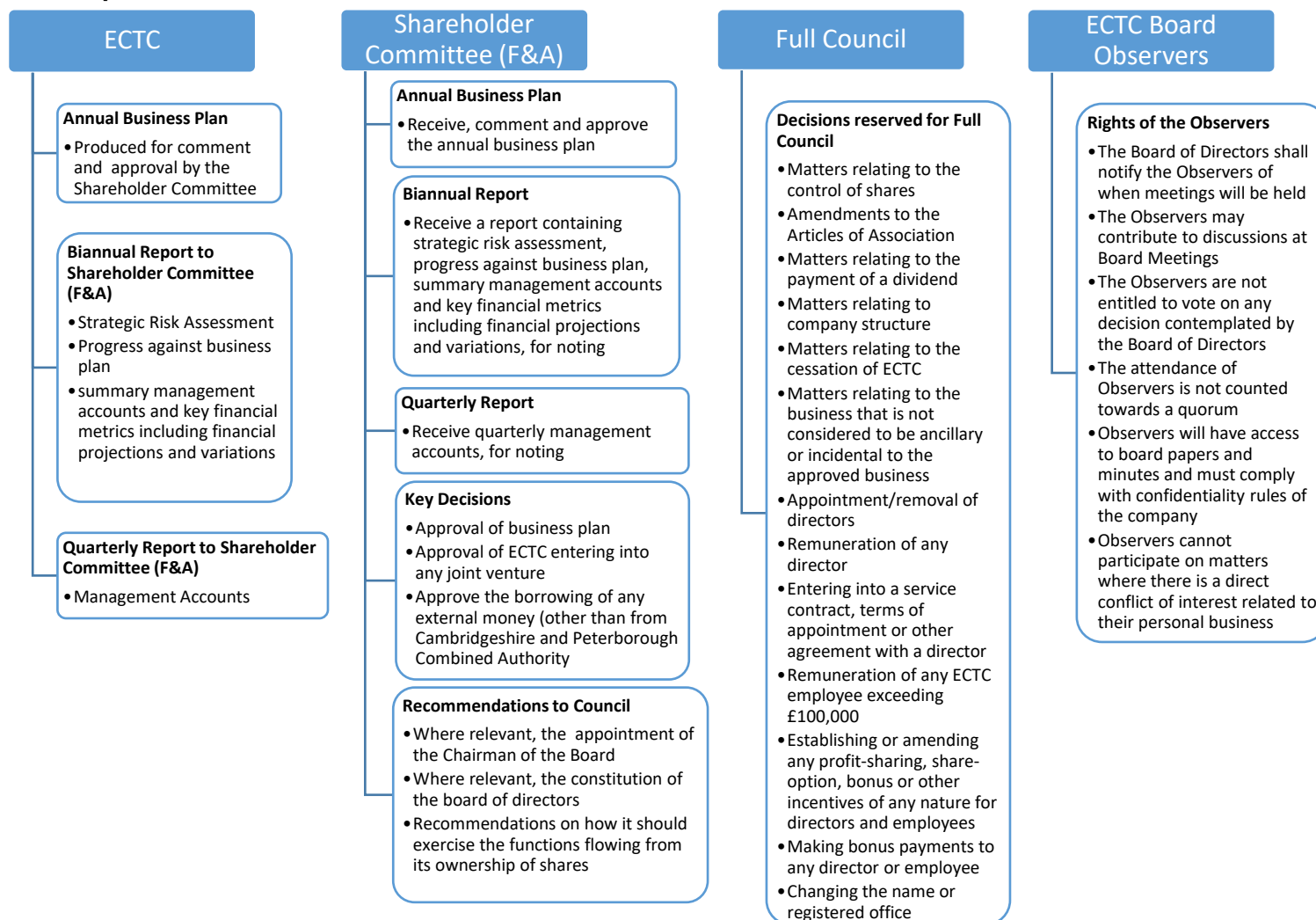
Except where the information is commercially sensitive, approved minutes of Board meetings will be provided to the Shareholder Committee (Finance & Assets) for noting.

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 2022/23.

	2019/20	2020/21	2021/22	2022/23
Turnover				
Commercial	1,122,507	982,208	1,040,704	1,056,218
Property	2,269,892	6,105,604	16,777,200	37,327,085
Total	3,392,399	7,087,812	17,817,904	38,383,303
Cost				
Corporate	232,878	227,058	232,542	237,521
Commercial	891,529	956,791	990,339	1,007,133
Property	2,684,229	5,662,760	16,281,454	34,925,220
Total	3,808,636	6,846,610	17,504,336	36,169,875
EBITDA	(416,237)	241,202	313,568	2,213,428
Interest cost	140,147	319,795	576,280	981,260
Profit before tax	(556,384)	(78,592)	(262,711)	1,232,168
Tax				54,490
Profit after tax	(556,384)	(78,592)	(262,711)	1,177,678

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

The original business plan for 2020/21 had a loss of £71k followed by a post-tax profit of £827k in 2021/22. Unfortunately due to the delays attributable to the Covid-19 pandemic, it will now be the 2022/23 financial year when the majority of the profits from the property developments will be realised.

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	Total
Profit after tax from Trading Company	(405,810)	(305,803)	663,922	(556,384)	(78,592)	(262,711)	1,177,678	232,299
Financial Benefits From Property Development	-	-	943,224	234,769	444,269	566,559	21,037	2,209,859
Charges Incurred From ECDC	93,800	233,188	388,334	372,919	345,443	246,549	229,220	1,909,452
Reduction in Parks Contract	-	-	-	-	100,000	100,000	100,000	300,000
Total Financial Benefit From Company	(312,010)	(72,615)	1,995,481	51,304	811,120	650,397	1,529,782	4,651,610
Cumulative	(312,010)	(384,625)	1,610,855	1,662,159	2,473,279	3,123,676	4,651,610	

6. RISK MANAGEMENT

LEGISLATIVE/POLICY				
Identified Risk	Management of Risk	Risk Score		Risk Owner
<p>Changes in legislation which could place restrictions on ECDC'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 ECDC.</p> <p>ECDC'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 ECDC 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 left the European Union on 31 January 2020.</p> <p>At present there are still 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>			
<p>Local Government Reform</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 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>A government White Paper has also been announced that may have implications on local government reform. The Director Commercial will continue to monitor any implications for ECTC and seek advice at the relevant time. It is unlikely this will have an impact on ECTC in 2020/21. 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 (ECDC)</p>

<p>Changes in Planning and Housing Policies could have an impact of the Property Division, for example, changes to Affordable Housing, Starter Homes, and Self-build could impact the profitability of a particular development.</p>	<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 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 ECDC 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 Development shall continue to monitor progress.</p>	<p>Likelihood Impact Risk</p>	<p>3 3 9</p>	<p>Director Commercial (ECDC)</p> <p>Head of Development</p>
<p>Proposed changes in approach to planning policy have been set out in recent White Paper (Aug 20).</p> <p>It is possible that these proposals may impact on community-led development and ECTC's operations in East Cambridgeshire.</p>	<p>Since April 2020, ECDC has been able to demonstrate a five year land supply so land outside a development envelope is only able to be promoted for housing development as a community-led development or a rural exception site.</p> <p>The government is considering changes to the production, scope and content of Local Plans, including the establishment of new land use designations (<i>Growth/Renewal/Protection</i>) that could impact on the operation of ECDC's existing planning policy framework</p> <hr/> <p>Monitoring</p> <p>The Head of Development shall continue to monitor the situation and advise the Board if the proposed changes will impact on ECTC business.</p>	<p>Likelihood Impact Risk</p>	<p>5 3 15</p>	<p>Director, Commercial (ECDC)</p> <p>Head of Development</p>

GOVERNANCE				
<p>Inadequate governance arrangements and lack of clarity on roles of ECDC and ECTC could lead to poor decision making which could undermine the operation of ECTC</p>	<p>In 2019/20 Full 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>ECDC 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 ECDC.</p> <p>Any changes to the Shareholder Agreement will need to be approved by ECTC. The Managing Director will provide a report to ECTC 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 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 the ECTC and ECDC. The Shareholder Agreement provides for the ability of extraordinary meetings of the Shareholder Committee (Finance & Assets Committee) to be called to consider urgent business and where necessary make recommendations to Full Council.</p> <p>In accordance with ECDC's Constitution a Full Council meeting can be convened to deal with any urgent business.</p>	<p>Likelihood Impact Risk</p>	<p>3 4 12</p>	<p>Managing Director</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>ECDC has agreed new loan facilities for ECTC and the original £5,000,000 loan must now be repaid by 31/07/23.</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>Monitoring</p> <p>ECTC has reassessed its post Covid19 business forecasts and this revision to the Business Plan sets out the financial projections for the period to 2023.</p> <p>The Board will continue to monitor progress against the Business plan and make any necessary decisions to ensure targets are achieved.</p> <p>The Head of Development will prepare a full business case for consideration by the board for any new projects before ECTC commit further finance (beyond that already agreed to achieve outline planning permissions).</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 for the MOD site in Ely, to be drawn down in accordance with the loan agreement.</p>	<p>ECDC has agreed new loan facilities for ECTC and the £1,500,000 loan for the MOD site in Ely must now be repaid by 31/03/23.</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>Monitoring</p> <p>ECTC has reassessed its post Covid19 business forecasts for the MOD Ely Project and this revision to the Business Plan sets out the financial projections to project completion.</p>			

	The Board will continue to monitor progress against the Business plan and make any necessary decisions to ensure project targets are achieved.			
<p>If ECDC's MTFS is not successfully implemented this will reduce the availability of loan finance to ECTC, thus undermining the cash flow and profitability.</p> <p>With the exception of new loans from the Combined Authority, ECTC cannot increase its indebtedness without the consent of the Shareholder Committee (Finance & Assets); loans could be provided by ECDC (subject to Full Council approval of the Business Case for the loan).</p> <p>If ECDC's MTFS is not successfully implemented this will reduce availability of loan finance to ECTC. This means ECTC would need to borrow from the 'market' and as such will undermine ECTC's profitability and cash flow as the ECTC would not be able to benefit from the same terms and conditions of a loan agreement if</p>	<p>The Section 151 Officer will ensure that ECDC can make the advances to ECTC in accordance with the loan agreements, in the event that 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 future of ECTC, however, effective business planning requires continuous consideration of financing in order to realise its success.</p> <p>The existing loan arrangements between ECDC / ECTC were reviewed and amended in July 2020 and the Section 151 Officer and ECTC Finance Manager shall monitor cash flow and progress against Business Plan targets.</p> <p>All parties shall have regard to ECDC's decision-making processes.</p> <p>ECTC shall, wherever possible, adhere to the deadline requirements of the ECDC's Committee and Full Council meetings.</p> <p>Monitoring</p> <p>ECTC has not experienced any issues with accessing the loan facility that has been agreed with ECDC.</p> <p>ECTC and ECDC's S151 Officer continue to keep this matter under review, firstly to ensure that the ECDC can continue to make this facility available and secondly to ensure ECTC continue to be in a position to make the repayments.</p>	Likelihood Impact Risk	3 4 12	<p>Section 151 Officer (ECDC)</p> <p>Managing Director</p> <p>Head of Development</p> <p>Finance Manager</p>

<p>it went to the market for such a loan.</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 of 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, where possible, contracts will be let on a fixed price basis with costs defined.</p> <p>The Finance Team, and where relevant the Head of 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 (ECDC)</p> <p>Finance Manager</p> <p>Head of Development</p>
<p>Economic downturn could impact on the viability and profitability of ECTC.</p>	<p>In August 2020 the UK economy has entered a recession and it is difficult to predict the length or severity of the downturn. Sales forecasts and turnover from its existing projects (Ely MOD and Haddenham) have been reassessed and the revised financial information has been included in this update to the Business Plan.</p> <p>Prior to commencement of development on any new projects commencing during the term of this Business Plan, a full assessment of the prevailing market conditions will be carried out and a full Business Case will be presented to the Board for consideration.</p> <p>Monitoring</p> <p>In the event that the economic downturn worsens during the term of this Business Plan the Head of Property Development will appraise the Managing Director of the situation and propose a solution to mitigate any potential losses.</p>	<p>Likelihood Impact Risk</p>	<p>4 4 16</p>	<p>Managing Director</p> <p>Head of Development</p> <p>Finance Manager</p>

	<p>The Managing Director shall inform ECDC as soon as is practicably possible of any significant changes that may impact on the repayment of any ECTC loans.</p> <p>Where relevant the Managing Director shall present to ECDC 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, cash 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>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>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 ECDC and prepare a revised Business Plan, at the earliest opportunity, which will include identifying loan funding (to be approved by ECDC) that would enable commercial opportunities to be realised.</p>	<p>Likelihood Impact Risk</p>	<p>3 4 12</p>	<p>Managing Director</p> <p>Head of Development</p> <p>Director Commercial (ECDC)</p> <p>Finance Manager</p>
OPERATIONAL				
<p>Inadequate cost controls on commercial build contracts can lead to delays, overspends and</p>	<p>The Head of 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>Likelihood Impact Risk</p>	<p>2 3 6</p>	<p>Managing Director</p>

<p>reduced profitability/cash flow for the company.</p> <p>This has the potential to undermine the ability to repay loans to ECDC and the Combined Authority.</p>	<p>The Head of Development shall monitor the impacts of Brexit and report any implications to the Board of Directors.</p>			<p>Head of Development</p> <p>Finance Manager</p>
<p>Operational impact of Coronavirus (Covid19)</p>	<p>ECTC is not immune to the effects of the recent global pandemic and the threat that it presents to the Business remains a significant challenge at the time of publication of this Business Plan.</p> <p>Monitoring</p> <p>The company has already taken steps to ensure safe working procedures are being followed for all aspects of its operations, to ensure the safety of its customers, staff and suppliers. Management will continue to keep these procedures under review as the situation evolves and government guidance changes.</p>	<p>Likelihood Impact Risk</p>	<p>5 3 15</p>	<p>Managing Director</p> <p>Head of Development</p>
<p>Adequacy of resources to deal with change and upheaval.</p>	<p>The realisation of ECTC ambitions to deliver over 700 homes requires investment into ECTC to ensure that the company has the human resources it needs to deliver the necessary outcomes.</p> <p>Monitoring</p> <p>The Head of Development and Managing Director shall keep the organisational structure under review during the term of the Business Plan to ensure that it properly reflects the needs of the company in the business cycle.</p>	<p>Likelihood Impact Risk</p>	<p>1 3 3</p>	<p>Managing Director</p> <p>Head of Development</p>

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 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 2022/23

	2019/20	2020/21	2021/22	2022/23
Turnover	1,122,507	982,208	1,040,704	1,056,218
Cost	891,529	956,791	990,339	1,007,133
EBITDA	230,978	25,416	50,365	49,085

It is important to note that the main difference in profitability relates to ECTC reducing its management fee for the ECDC'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. ECDC is saving £100,000 in 2020/21.

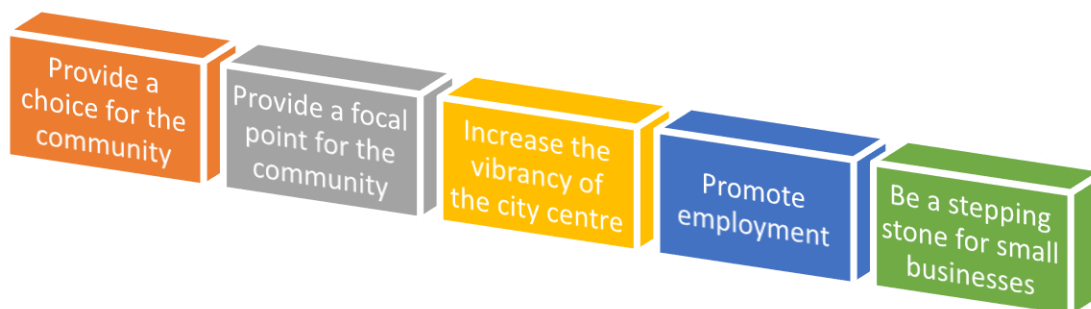
ECTC will continue to seek to reduce the fee to ECDC whenever the opportunity arises. This demonstrates that ECDC can continue to receive an excellent service at a reduced price as the management fee reduction is being absorbed by the profits generated from other contracts in the Grounds Maintenance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

It is further important to note that during Quarter 1 the Markets were not operational until 11 June 2020 therefore no income was generated during this period.

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 2022/23

Markets	2019/20	2020/21	2021/22	2022/23
Salaries	124,159	127,789	132,759	135,414
Premises	16,526	11,825	24,029	24,269
Transport	1,104	716	770	777
Supplies & Services	26,272	25,756	26,941	27,056
Turnover	202,155	179,458	225,710	230,224
Gross Profit	34,095	13,371	41,211	42,707

It was reported to board in June 2020 that the Markets Service would be posting a loss for 2020/21, however, it was identified that the figures used at the time were based on a lower assumption of traders returning to the market. It was identified that it was possible that Markets could break even during 2020/21.

The Markets recommenced on 11 June 2020 and occupancy levels are higher than originally projected which has had positive impact on the original projections. The Markets Team continue to work with the Finance Manager to manage the projections for the remainder of 2020/21 and forecasts for 2021/22.

Premises costs are substantially lower in 2020/21 as there will be not be a business rates liability for the Market Square (£12k) offset by a £5k budget for improvements on the Square.

Transport costs are higher in 2019/20 as some of these costs actually related to 2018/19.

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 £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 original business plan reported that the Sanctuary Contract was due to expire in March 2020. An agreement to extend the contract was agreed to March 2021. Discussions are due to commence to extend the contract further.

7.7.5 Budget

The following table provides a summary of the budget to 2022/23.

Grounds Maintenance	2019/20	2020/21	2021/22	2022/23
Salaries	563,622	582,214	597,080	609,022
Premises	58,634	69,709	67,306	67,979
Transport	65,791	70,016	72,414	73,138
Supplies & Services	35,422	68,766	69,040	69,477
Turnover	920,352	802,750	814,994	825,994
EBITDA	196,883	12,045	9,154	6,378

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 ECDC'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. ECDC is saving £100,000 in 2020/21.

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.

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 (1 vacancy), 13 Grounds Maintenance Operatives (2 vacancies), 2 Grounds Maintenance Operatives (Seasonal) and 1 Apprentice Grounds Maintenance Operative (vacant).

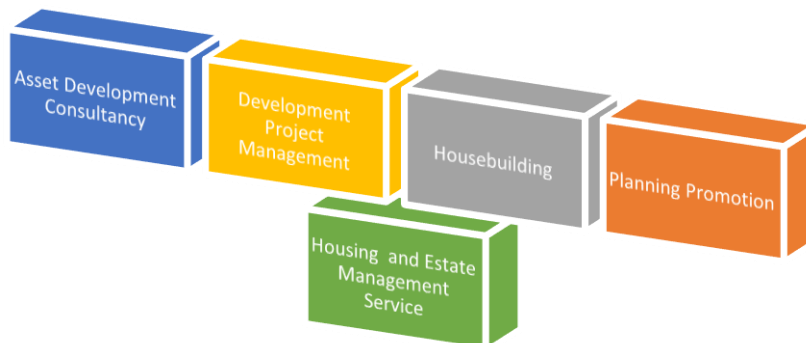
Interviews have now been carried out and positions offered for the Gardener and Grounds Maintenance Operative vacancies. It is anticipated that the new starters will commence during September 2020.

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.

The figure for 2019/20 supplies and services is artificially low as a number of costs were identified early in 2019/20 that should have been recharged back to ECDC.

8 Property

8.1 Service Objectives



8.2 Overview

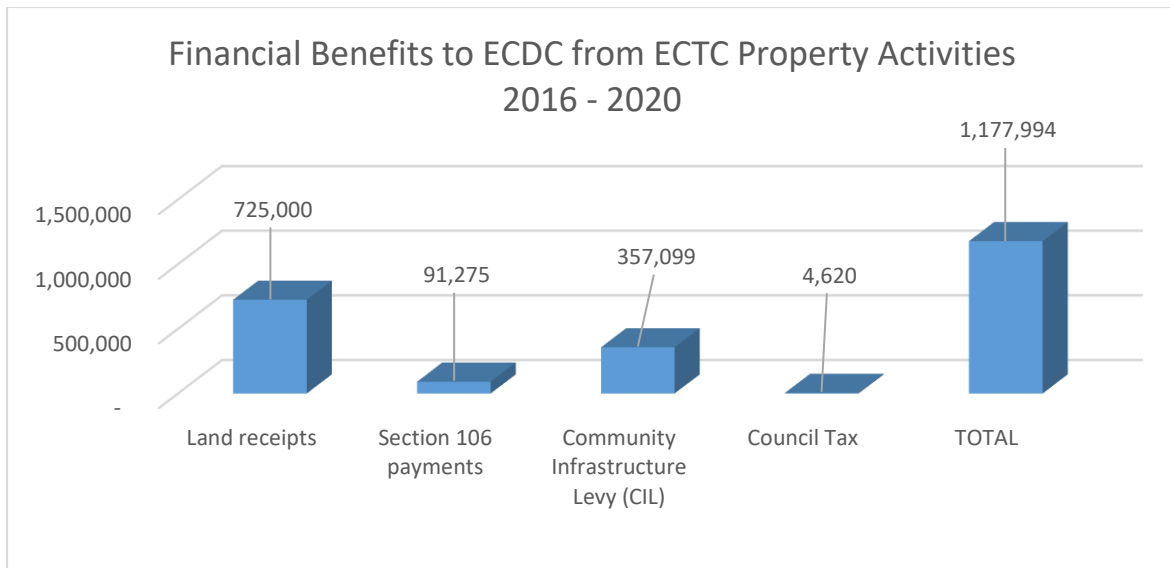
Since the company was established in 2016, East Cambridgeshire District Council (ECDC) has already benefitted by £1,177,993 from the property activities of East Cambs Trading Company. In addition, 50 homes have already been delivered, including 17 affordable homes.

The company has secured land that, subject to planning permission, will expand the development pipeline to over 700 homes; with at least 210 of these being affordable homes. Projects at Haddenham and Ely are currently underway, bringing 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.

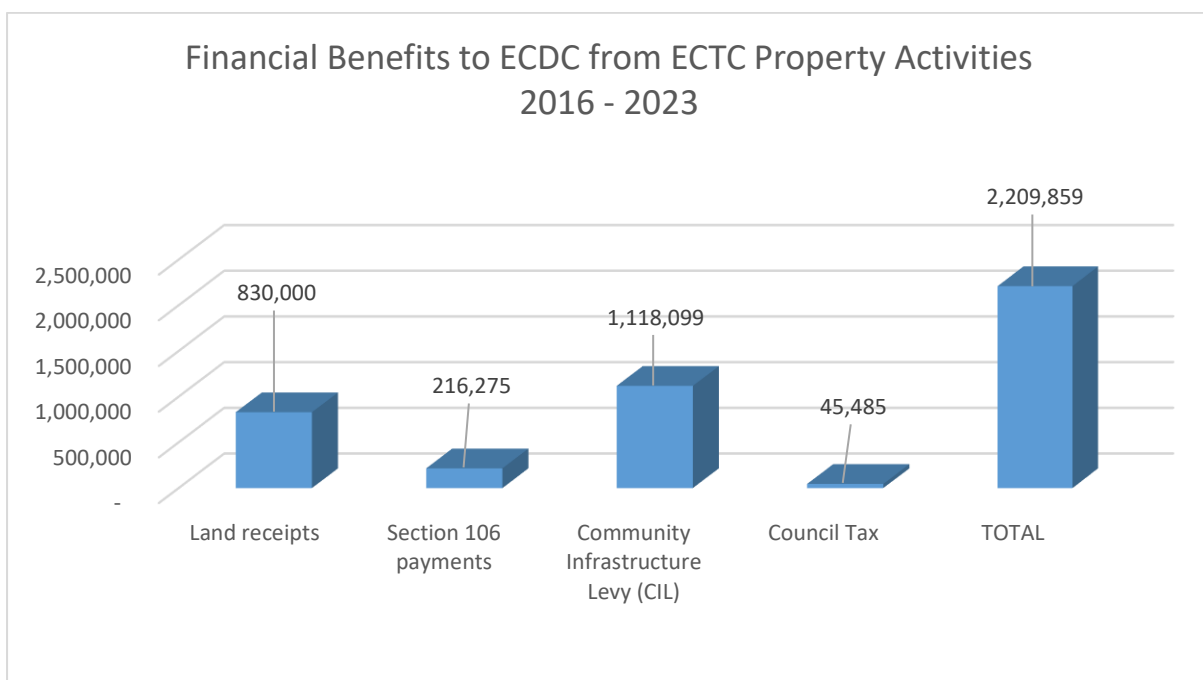
In December 2019, ECTC made its first repayment of £1.7m against the original £5.0m ECDC loan, and the company was on-track to being able to repay the ECDC loan in full in 2021 as planned. However, the subsequent impact of the Covid-19 pandemic on the company's finances created a requirement to renegotiate loan terms with its lenders during Q1 of the current financial year. These negotiations have now concluded and this version of the Business Plan (that was approved by ECDC in February 2020) reflects the revised position.

8.3 Financial benefits to ECDC from ECTC Property

To date, due to the development activities of ECTC (Property and Community Housing), £1,177,993 in financial benefits have already been transferred to ECDC 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 2023 the total financial benefits that will accrue to ECDC from the company's development activities will be just over 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 ECDC out of profits generated by development activities.



8.4 Key Challenges for 2020/21

The last business plan, produced in January 2020, was written after a period of almost unprecedented uncertainty, with politics affecting the real economy as almost never before. A weakening global picture was depressing UK growth and a large question mark hung over any projections made for the economy in 2020. However, the election result in Dec 2020 provided a little more certainty about Brexit, and this was expected to have some positive effects on market sentiment and transaction volumes in 2020/21.

However, when the global Covid19 pandemic hit the UK in March 2020, ECTC was not immune to its impact and the control measures put in place by the UK government caused significant business disruption. Construction sites closed for six weeks, house sales and lettings operations were effectively suspended for 10 weeks, and office staff moved quickly to remote working arrangements.

Since the construction sites reopened in mid May 2020 there has been considerable lag across the sector as material suppliers and contractors returned to work in a phased manner. As a consequence, this business plan assumes that until the end of September 2020, building work will proceed at 50% of the normal pace, leading to at least 6 months of disruption to the company's building programme in this current financial year.

In August 2020, the UK economy officially entered recession, contracting by a record 20.4% compared with the first three months of the year. When the government job retention scheme ends in October 2020, there is a significant risk that the economic position will get worse before it improves. If the recession endures, it is expected that the principle challenges to the housing market during the remainder of 2020/21 and forward into 2021/22 will be:

- General economic uncertainty will weigh on consumer sentiment leading to fewer active buyers in the market that are able to proceed with a transaction;
- Covid-19 restrictions on day-to-day business will continue to impede, and slow, normal estate agency, mortgage and conveyancing processes;
- A generally negative impact on earnings and employment (driven by economic recession and widespread redundancy programmes) that will make people feel less secure about their personal financial situation and affect their willingness to enter into new financial commitments;
- Mortgage lenders tightening their lending requirements, and expecting borrowers to have larger deposits to fund house purchases;

This revision to the company business plan takes the above into account. Purchasers are expected to be very cautious, and slow to return to the market, leading to a reduction in sale transactions and revenue during the current financial year. Even if the threat from Covid19 reduces as the year progresses, Brexit uncertainty may also continue to act as a drag on consumer and business confidence and dampen any recovery in house prices and transaction levels from the end of 2020.

8.5 Revised targets for 2020/21

During the current financial year, ECTC will:

- ❖ Complete the construction of the first 6 homes at West End Gardens, Haddenham, including 2 affordable homes for transfer to Haddenham CLT.
- ❖ Complete the refurbishment of a further 23 homes (additional to the 27 that were completed in 2019/20) on the Former MOD site in Ely. This will include the 15 shared ownership affordable homes.
- ❖ Establish delivery arrangements for Kennett Garden Village (500 new homes, including 150 affordable homes a new primary school and other village facilities).
- ❖ Seek to secure new planning permissions for additional new build housing to underwrite the development pipeline.

8.6 Revised build and sale completion forecasts at Ely and Haddenham

The company's revised forecasts for (post Covid19) build and sales completions from the sites currently under development are set out below.

BUILD COMPLETIONS ELY MOD & HADDENHAM (POST COVID19)										
	2019/20		2020/21		2021/22		2022/23		TOTAL	
	Affordable	Market	Affordable	Market	Affordable	Market	Affordable	Market	Affordable	Market
Haddenham			2	4	12	11	5	20	19	35
Ely, MoD	7	20	8	15		26		16	15	77
FORECAST	7	20	10	19	12	37	5	36	34	112

SALE COMPLETIONS ELY MOD & HADDENHAM (POST COVID19)										
	2019/20		2020/21		2021/22		2022/23		TOTAL	
	Affordable	Market	Affordable	Market	Affordable	Market	Affordable	Market	Affordable	Market
Haddenham			2	0	12	11	5	24	19	35
Ely, MoD	0	2	15	8		35		32	15	77
FORECAST	0	2	17	8	12	46	5	56	34	112

8.7 Projects

8.7.1 West End Gardens, Haddenham

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

19 of the new homes within the scheme will be affordable homes to be managed by Haddenham CLT. These will be available to people that live and/or work in the parish and will benefit the wider community for years to come. The first affordable homes are expected to be ready for occupation in Feb 2021. The remaining 35 homes on the site will be sold, with the first sale completions expected in May 2021.

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 financed by ECTC.

8.7.2 Former MOD Site, Kilkenny Avenue, Ely

In late July 2019 ECTC acquired 8.78 hectares (21.6 acres) of land in Ely. The land included 88 existing houses and provided 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 set among several hundred mature protected trees.

The company is in the process of refurbishing the existing houses to bring them up to modern standards and back into use. Improvements to the streetscape and provision of additional off-road parking are also being 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 now ready for occupation.

In addition to the refurbishment, there are opportunities for further new build development within the site. In line with our contractual obligation to MoD, the company has submitted an application for 53 new one, two and three bed homes which is currently being considered by ECDC planners.

The current planning application submission includes the provision of 30% affordable housing on-site. If planning permission is achieved, the company will seek to increase this level of affordable housing, through the application of grant.

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 are being funded by ECTC and an additional 'top-up' ring fenced loan of £1.5 million from ECDC.

8.7.3 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. It 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. In addition to the new homes, Kennett Garden Village will 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 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 April 2020 and ECTC will be establishing delivery arrangements during the course of 2020, with the intention of commencing development in 2021.

8.8 Financial projections – Property

Financial projections 2017 – 2023

	2017/18	2018/19	2019/20		2020/21	2021/22	2022/23		TOTAL
Turnover									
Market housing sales	£0.0m	£4.56m	£2.19m		£4.89m	£15.4m	£32.58m		£59.61m
Affordable housing sales	£0.0m	£0.86m	£0.0m		£1.18m	£1.37m	£4.74m		£8.14m
Other income	£0.99m	£0.13m	£0.08m		£0.04m	£0.01m	£0.01m		£1.26m
Total Turnover	£0.99m	£5.55m	£2.27m		£6.11m	£16.78m	£37.33m		£69.02m
Cost of Sales									
Housing construction costs	£0.78m	£4.4m	£2.19m		£5.2m	£15.79m	£34.44m		£62.8m
Salaries	£0.37m	£0.42m	£0.39m		£0.36m	£0.38m	£0.39m		£2.32m
Premises	£0.0m	£0.01m	£0.02m		£0.02m	£0.03m	£0.03m		£0.1m
Supplies & services	£0.02m	£0.05m	£0.09m		£0.07m	£0.08m	£0.07m		£0.38m
Cost of Sales	£1.18m	£4.88m	£2.68m		£5.66m	£16.28m	£34.93m		£65.61m
Gross Profit / (Loss)	(£0.19m)	£0.67m	(£0.41m)		£0.44m	£0.5m	£2.4m		£3.41m
Overheads	£0.14m	£0.16m	£0.19m		£0.18m	£0.19m	£0.19m		£1.04m
EBITDA	(£0.33m)	£0.51m	(£0.6m)		£0.26m	£0.31m	£2.21m		£2.36m

8.9 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 project and construction 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; difficulties securing alternative private market finance. 2. Build costs higher than volume housebuilders. 3. Balancing of financial priorities / community benefit inevitably becomes political. 4. Media and Comms profile could be stronger as the company's activities are often in the public eye.
EXTERNAL FACTORS	
OPPORTUNITIES (+)	THREATS (-)
<ol style="list-style-type: none"> 1. ECTC objectives aligned with ECDC's Corporate Plan. 2. Future public sector land disposal programmes. 3. Housing has increased level of importance in national / local political agenda. 4. Partnerships / Joint ventures with commercial companies and other public sector bodies. 	<ol style="list-style-type: none"> 1. Post covid19 housing market to remain depressed throughout 2020/21 and into 2022, negatively impacting on ECTC sales revenue and company's ability to finance future projects. 2. Current active projects are based on low profit margins so sales risk and cost risks are greater. 3. Negative media coverage can damage customer / supplier relationships. 4. Changing ECDC priorities can take time to implement on complex long-term development projects.