

East Cambs Trading Company Ltd - Property Division

De-risking Community Land Trust projects.

Delivering more successful CLT projects, more quickly.

Business Plan

Prepared March 2017

Contact Information

Phil Rose

phil.rose@palacegreenhomes.co.uk

01353 668985

www.palacegreenhomes.co.uk www.clteast.org

The Grange, Nutholt Lane

Ely, Cambs CB7 4EE, United Kingdom

Property Division Business Plan

Table of Contents

Executive Summary	1
Opportunity	1
Expectations	3
Company	4
Overview	4
Opportunity	6
Problem & Solution.....	6
Target Market	8
Competition	11
Execution.....	13
Marketing & Sales	13
Team.....	17
Partners and suppliers	19
Milestones & Metrics	20
Financing	21
Current Funding	21
New Finance Options	21

Executive Summary

Opportunity

Problem

Demand for specialist Community Land Trust (CLT) advice and support services is growing quickly but there are still very few providers in the region with the experience and skills required to set up a CLT.

Once established, CLTs need experienced, professional development partners to help bring a project to fruition. Without the right support, CLT projects can be slow to progress, potentially leading to a loss of confidence in the CLT model.

Solution

CLT East and Palace Green Homes can be the catalyst to CLT activity, de-risking and accelerating CLT projects. We have more specialist experience of working with CLTs than any other organisation in the East of England. The National CLT Network recognises CLT East as the leading provider of support and assistance in the East of England.

In Palace Green Homes, local communities have a strong, trusted, local development partner that is able to apply its specialist land, property and development management skills and experience, and directly invest risk capital funding into CLT projects.

Market

- Established and emerging CLTs in active communities in East Cambridgeshire and beyond;
- East Cambridgeshire District Council, local authorities and other public bodies that support Community led housing initiatives in the East of England;
- Landowners in East Cambridgeshire seeking community support for a development proposal;
- Homebuyers and Tenants seeking well designed, well built and well managed homes in great locations.

Competition

There are very few providers of high quality CLT advice and support services in the country; and especially in the East of England. Rarely is there a 'one stop shop' that CLTs or local authorities can turn to who can address most, if not all of the issues and challenges that affect the sector.

Existing housing developers in East Cambridgeshire tend to produce a very similar generic product that does not always meet customer expectations. Very few local developers take the 'design-led' approach of Palace Green Homes, and have the right blend of skills, finance and support mechanisms in place to engage successfully in the development of CLT schemes.

Team

We have the specialist knowledge and skill to

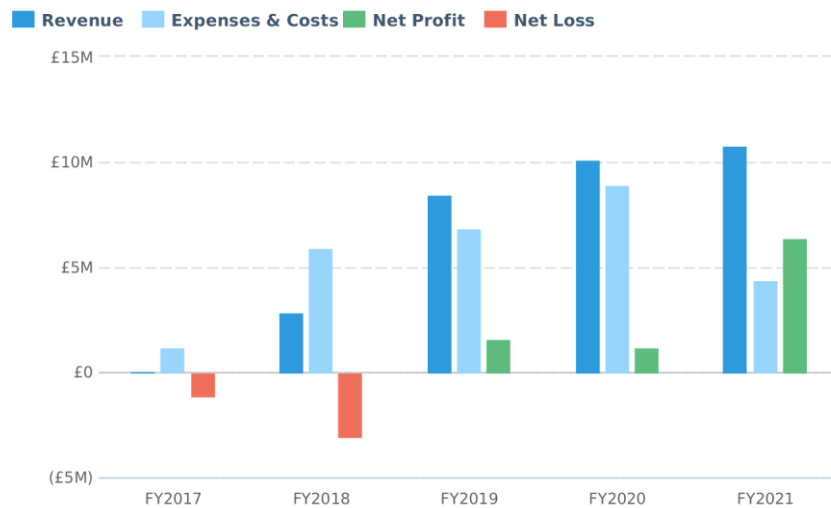
- bring together CLTs, Landowners and their agents,
- build local support for new development where previously there was none,
- de-risk CLT schemes
- deliver more CLT homes, more quickly,
- enhance land values in ways that other developers can not.

The team at CLT East has more experience of working with CLTs than any other organisation in the East of England, and the National CLT Network and BSHF recognise CLT East as the leading provider of support and assistance in the East of England.

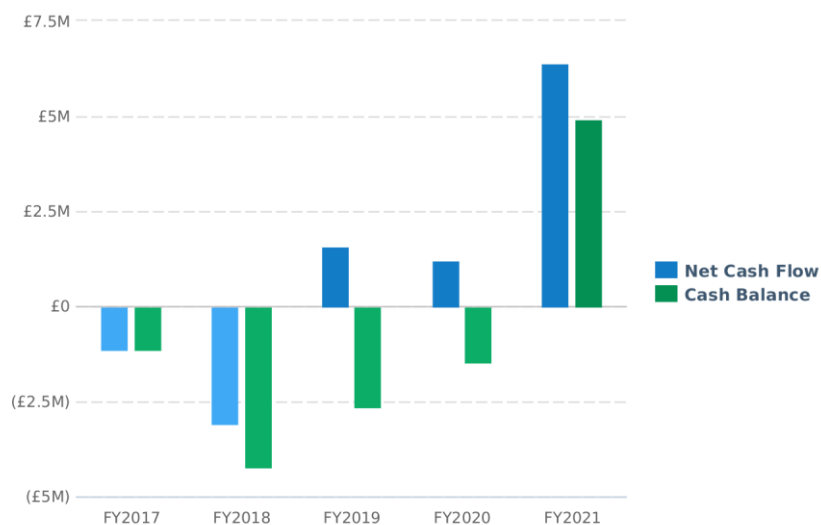
Palace Green Homes has a depth of commercial housing development knowledge and experience, extensive land, planning and surveying skills, with particular specialisms in participatory, community-led approaches to scheme design.

Expectations

Financial Highlights by Year



Cash Flow by Year



Company

Overview

Mission Statement

CLT East and Palace Green Homes harness community experience and local knowledge to accelerate Community Land Trust activity, and deliver successful, well-designed homes and developments and reinvest the profits we make back into District Council services and local infrastructure. This, in turn, directly benefits local people.

Legal Structure and Ownership

East Cambs Trading Company Ltd (ECTC) is a private company limited by shares that is wholly owned by East Cambridgeshire District Council. ECTC operates at 'arm's length' from the Council with an independent board for operational decisions making. The company delivers its Property and CLT Development Services by trading as Palace Green Homes and CLT East.

Company History

ECTC has been operational since 1st April 2016. In its first business plan (Dec 2015), two key areas were identified for the Property and CLT Development Division:

- Maximising asset return,
- Increasing the delivery of CLTs

Since 1st April 2016, the Property and CLT Development Division has made some historic major achievements and these are outlined below:

CLT East

1. New CLTs established in Fordham, Kennett and Haddenham;
2. Early stage support for communities in Swaffham Bulbeck;
3. Public meetings and community engagement exhibitions, workshops and planning weekend events held in Swaffham Bulbeck, Haddenham, Soham, Witchford, Fordham and Kennett;

4. New market opportunities have been identified outside the District boundaries;
5. Brand acquired and online presence enhanced.

Palace Green Homes

1. Planning permission achieved for the scheme at Barton Road, Ely;
2. Planning application achieved for the CLT scheme at The Shade, Soham;
3. Public meetings and community engagement exhibitions, workshops and planning weekend events held in Swaffham Bulbeck, Haddenham, Soham, Witchford, Fordham and Kennett;
4. A pipeline of additional CLT projects has been secured that could deliver more than 600 homes;
5. Brand and online presence established;
6. Land has been secured and planning applications submitted for two new Council owned commuter car parks in Ely and Littleport.

Location

The Property Division of the business operates from offices at The Grange in Ely. In the coming financial year, the Property and CLT Development team will move to an alternative office within the District.

Opportunity

Problem & Solution

Community Benefits

We do more than just build homes for a profit. We firmly believe that involving local people in the planing and design of local developments can bring real social and economic benefits to local communities. This 'community-led' development gives residents the chance to shape their neighbourhood. It can strengthen the sense of belonging and encourage friendly, thriving communities where people aspire to live and work.

And reflecting our commitment to create better places to live, work and play for generations to come, we particularly offer specialist expertise in the Community Land Trust (CLT) model, the perfect partner for a community-led development. By working in partnership with CLTs, we will develop community-owned assets, such as affordable homes, that have significant income streams that can be reinvested back into the local community for generations to come.

Well managed and resourced local CLTs can help to make the communities more resilient, and able to adapt to change. And local people on local wages can continue to live close to work, stay close to their loved ones, and reduce the need to travel.

Market Needs

Demand for specialist Community Land Trust (CLT) advice and support services is growing quickly but there are still very few providers in the region with the experience and skills required to set up a CLT. Once established, CLTs need experienced, professional development partners to help bring a project to fruition. Property (housing) development is a complex, time consuming business that requires the commitment of significant levels of risk capital funding and commercial land, property and development management experience. Very few volunteer run community based organisations such as CLTs, have access to these resources within their local community. Without the right support, CLT projects can be slow to progress, potentially leading to a loss of confidence in the CLT model.

The team at CLT East and Palace Green Homes can be the catalyst to CLT activity, de-risking and accelerating housing delivery. We have more specialist experience of

working with CLTs than any other organisation in the East of England. The National CLT Network recognises CLT East as the leading provider of support and assistance in the East of England, and with Palace Green Homes communities have a strong, trusted, local development partner.

Products and Services

The Property division of the business offers the following core products and services:-

- Specialist Community Land Trust (CLT) Support Services;
- Asset Management and Development Services;
- Residential Development;
- Housing Sales

What Does the Company Offer Key Customers?

For Community Land Trust (CLTs)

- Speeds up the CLT 'journey', allowing more successful CLT projects to establish and develop more quickly;
- Provide the interface between CLTs, Local Authorities and Development Partner during the planning and development process;
- Helps local CLTs take on their role of landlord of affordable homes and custodian of community assets.
- A trusted, well-resourced, experienced, professional development partner that shares its local focus;
- Deliver high quality CLT developments by investing capital, managing construction, completing affordable homes and selling completed market homes;
- Take away the financial risks that are associated with CLT projects and deliver the CLT project more quickly,

For ECDC and other Local Authorities

- Develop strategies to deliver more Community Led Housing and CLTs;
- Identify new CLT opportunities, willing landowners and supportive development partners within the district;
- Support local CLTs to de-risk projects, developing robust development proposals and reducing reputational risk for the local authority.

- Increase local housing supply by delivering design-led developments and high-quality homes of all tenures;
- Create profits that can be reinvested back into District Council services;
- Optimise financial return and community benefit from Council owned land and assets.

For Landowners

- Independent advice about how to engage with CLTs and develop interest in new development proposals.
- Enhance land values.
- Build support for development.

For Homebuyers and tenants

- Excellent housing management service;
- Quality, well designed homes;
- Successful new housing developments where people aspire to live and invest.

Target Market

Market Trends

In East Cambridgeshire alone, CLT East has already established seven CLTs with more to follow. All of these CLTs have clear ambitions to develop community owned housing, but, as volunteer led organisations, for the duration of this business plan they are expected to continue to be heavily reliant on professional support from CLT East to help achieve their goals.

The proposed establishment of a district-wide 'umbrella' CLT in 2017 will mean that, for the first time, there will be a charitable legal entity that can help to bring forward CLT projects in locations where there are insufficient local volunteers with the capacity or time to establish and manage their own local CLT. This operative model is already working well in Cornwall and it is likely to mean that more CLT projects can be established, and realised, more quickly in East Cambridgeshire.

CLT East has identified a pipeline of potential CLT projects that could deliver over 1000 homes within East Cambridgeshire over the next 10 years, many of these coming forward during the life of this business plan. Most, if not all of these projects

(shown in the Table below) will need the support of CLT East and Palace Green to help to make them happen.

Location	Total units	CLT homes	Location	Total units	CLT homes
Fordham CLT scheme 1	21	6	Soham CLT scheme 2	50	15
Fordham CLT scheme 2	30	9	Stretham CLT scheme 1	75	23
Haddenham CLT scheme 1	54	16	Stretham CLT scheme 2	15	5
Haddenham CLT scheme 2	40	12	Swaffham Bulbeck	40	12
Kennett CLT	500	150	Wilburton CLT	50	15
Littleport	100	30	Witchford CLT	30	9
Soham CLT scheme 1	13	8	TOTALS	1018	310

During the term of this business plan, Palace Green Homes has secured and will develop housing projects that could deliver over 600 new homes.

- **Barton Road, Ely** – A development of 6 high quality townhouses and 5 apartments on Council owned land in the historic centre of Ely. Status: Planning permission approved. Working drawings complete. Timeline: Commence development 2016/17 (Q4). Completion 2017/18 (Q4)
- **The Shade, Soham** – A CLT development of 9 apartments and 4 houses, adjacent to The Shade Primary School. Status: Planning permission approved 2016 / 17 (Q4). Timeline: Commence development 2017/18 (Q2). Completion 2018/19 (Q2).
- **West End, Haddenham** – A CLT development of 54 new homes, close to the centre of the village. Status: Planning permission anticipated 2017/18 (Q3). Timeline: Commence development 2018/19 (Q1). Completion 2020/21 (Q4).
- **Identified site** – A CLT development of around 30 new homes on land that has been identified but not yet secured. Status: Planning permission

anticipated 2018/19 (Q1). Timeline: Commence development 2018/19 (Q3). Completion 2019/20 (Q4).

- **Kennett Garden Village** – A major mixed use CLT development of around 500 new homes, with associated infrastructure, new school buildings and community facilities. Status: Planning permission anticipated 2018/19 (Q4). Timeline: Commence development 2019/20 (Q3). Completion 2026/27 (Q4).

It is envisaged that as the company builds up its working capital, Palace Green Homes will seek to progress further development opportunities that are, as yet, unidentified. By the end of the life of this business plan, it is expected that Palace Green Homes will be able to develop around 50 new homes per annum within East Cambridgeshire.

As CLT East expands its activities outside the district boundaries, it is expected that further development opportunities may arise across Cambridgeshire and beyond, where emerging CLTs are seeking a well-funded, trustworthy and experienced development partner to deliver their project.

Future Markets

Many of the financial, policy and political barriers that have previously inhibited growth of the CLTs and the Community Housing sector are now falling away, and there are real opportunities for further growth of the sector across the East of England. CLT East is in a unique position to take advantage of new commercial opportunities that are developing.

Community Housing Fund

The government's recent announcement of a new Fund to encourage local authorities to promote and support CLT and other forms of Community Housing could bring a step change in activity and turnover growth for CLT East. Nearly £9 million is being shared by a relatively small number of local authorities in the East of England, particularly those in coastal areas where there is an imbalance between housing affordability and second home ownership.

CLT East is aggressively targeting these potential new clients and is uniquely placed to offer support and guidance where currently there is none, or very little, available.

Devolution

Closer to home, CLT East is already aware of a number of communities in Cambridgeshire (beyond the boundaries of East Cambs) where local CLTs are emerging that could bring forward development opportunities if only the funding, policy and political environment was more supportive. Devolution and the establishment of a Combined Authority could help to bring about the necessary changes to allow the CLT sector to thrive across the County and a proposal is currently being prepared by CLT East to offer CLT support services to other local authorities in Cambridgeshire through the Combined Authority.

Future Products and Services

As more CLT developments are completed across the district, it is expected that Trustees of local CLTs will want to continue to be involved in the decisions relating to new allocations of CLT homes, but may not want to carry out the day-to-day functions of housing and estate management. There will be opportunities for the business to develop these services and grow revenue streams from these activities during the term of this business plan.

Competition

Current Alternatives

There are very few providers of high quality CLT advice and support services in the country, and especially so in the East of England. Generally advice is provided in an uncoordinated way by a multitude of independent practitioners, or housing professionals within not for profit organisations.

Existing housing developers in East Cambridgeshire comprise a mix of National and Regional housebuilders, and local property development companies. Many of these produce a very similar generic product that does not always meet customer expectations. Notable exceptions include Hill Residential and Laragh Homes.

A few housing association, such as Hastoe, will work with CLTs, but they have had limited impact on the sector in the East of England.

Our Advantages

Rarely is there a 'one stop shop' that CLTs or local authorities can turn to that can address most, if not all of the issues and challenges that are inherent in the sector. Other parts of the country also have 'umbrella' organisation providing these services but very few are as advanced in their thinking, and as successful in their delivery as CLT East. As the government seeks to kick start the Community Housing sector with a significant injection of grant funding, CLT East is well placed to take advantage of the opportunity.

Very few local developers take the 'design-led' approach of Palace Green Homes, and this should ensure that the high quality houses that Palace Green Homes develop will be extremely attractive in the market. There are also very few local developers that have the experience, the will, or the finance available to engage in the development of CLT schemes.

To those with little understanding of the market, CLT schemes can appear to be high risk, and time consuming, with little opportunity to generate profit. However, with the right blend of skills, finance and support mechanisms in place, this need not be the case, as CLT East and Palace Green Homes are proving.

Execution

Marketing & Sales

Marketing and Sales Plan

The Property and CLT Development Division of the business has established two independent, but complementary brands, **CLT East** and **Palace Green Homes**.



CLT East is the leading provider of Community Land Trust Support Services in the East of England.



Palace Green Homes is the Development Services arm of East Cambridgeshire District Council.

Marketing of the two brands together creates new commercial opportunities and brings other benefits to the business, most notably reducing operational risk.

CLT East	Palace Green Homes
Create new business opportunities for sister brand Palace Green Homes.	Work with CLT East help to identify and securing suitable sites for new CLT projects.
Facilitate effective and positive communications between Palace Green Homes and community / CLT.	Plan, fund and manage community engagement events, technical investigations, surveys, scheme designs and planning applications for CLT projects.
Reduce the operational risk to Palace Green Homes that is inherent in partnering with local volunteer-run community organisations.	Help to deliver CLT proposals that are widely supported by the local community, building confidence in the CLT model and in CLT East.

Our USP

With our two independent and complementary brands, CLT East and Palace Green Homes, the business has a very powerful offer that is proving very attractive to customers in the market.

We have the specialist expertise, knowledge and skill to bring together CLTs, Landowners and their agents, to build local support for new development where previously there was none, deliver more CLT schemes, more quickly, and enhance land values in ways that other developers can not.

Positioning

“For CLTs, local authorities, and landowners seeking to make projects happen in the CLT sector, CLT East and Palace Green Homes provide an effective, linked-up solution that produces well-designed, well thought out and financially robust propositions that are aligned with customer’s needs and expectations – not proposals that seek to maximise profit at the expense of local communities”

We will be seen as not expensive but giving good value for the location, size, quality and design of scheme and be known as trustworthy and true to our word

Pricing

For advice and support services to CLTs and local authorities CLT East and Palace Green Homes uses a “costs plus pricing” strategy. This market is extremely price sensitive and openness and transparency in cost pricing is essential to ensure credibility and secure contracts. Generally, a margin of around 20% is applied to our costs when calculating the prices charged to these customers. This means our advice and support services are charged at a rate that is line with our competitors and market expectations. The commercial advantage that CLT East and Palace Green Homes hold is undoubtedly in our unique blend of specialist skills and experience in the CLT sector. This is usually sufficient to ensure customers will purchase our products and services, without a need to cut costs.

For property development projects, Palace Green Homes adopts a minimum development profit margin threshold equating to 20% return on our investment. This level of profit is lower than the profit expectations of most of our competitors in the residential development market. By adopting this lower than average margin, Palace Green Homes is able to ensure that quality and community benefit are not sacrificed in the pursuit of greater profits, and that our commercial interests are in balance with the interests our development partners.

Public Relations

CLT East and Palace Green have featured in local media on several occasions during the first year of trading and during the term of the project plan, positive public relations will continue to form part of the promotional strategy. Publicity for specific projects through timed press releases, case studies and interviews will continue, as well as some additional promotion of the company itself.

Social Media

In addition to their own websites, CLT East and Palace Green Homes both have social media presence on Facebook, Twitter and LinkedIn. These pages are actively monitored and updates are regularly shared.

As homes become available for sale, it is likely that the Palace Green Homes social media sites will be further developed to promote the sale of new homes.

SWOT Analysis

INTERNAL FACTORS	
STRENGTHS (+)	WEAKNESSES (-)
<ul style="list-style-type: none"> • Low Overhead Costs • Responsive and pro-active • Catalyst to development projects • Specialist knowledge of staff • Political support, with good understanding of corporate objectives • Corporate vision aligned with funders expectations • Local knowledge and strong local connections • Ethos sits well in the target market • Approach to community engagement reduces development / financial risk • Ability to manage relationships and resolve conflict wins support for development 	<ul style="list-style-type: none"> • Current office accommodation • Risk of skills shortage if required to scale up quickly? • Lack of support and understanding of objectives at ECDC officer level • Media and PR - Profile could be enhanced • Perceived bias / conflict of interest between company and council • Shortage of finance • Inflexibility of current financing options
EXTERNAL FACTORS	
OPPORTUNITIES (+)	THREATS (-)
<ul style="list-style-type: none"> • Few competitors • Devolution and the Combined Authority in Cambridgeshire • Community Housing Fund • Development consultancy on the back of CLT East initiatives • Growing community housing sector • New geographic markets • Housing and estate management services • Diminishing capacity in local authorities • Housing crisis high on political agenda / government funding • Partnerships / partnering opportunities 	<ul style="list-style-type: none"> • Competitors to CLT East - Locality • Competitors to Palace Green Homes - Hopkins, Hills, Housing associations • Right to buy / starter home legislation - potential threat to CLT model • Company governance / board changes • Increased scrutiny / potential backlash leading to loss of reputation? • Definition of community led housing under threat? • Loss of 'uniqueness' • Housing market fluctuations • Uncertainty from local plan review / 5 year land supply issues • Competition from other local authorities

SWOT MATRIX

Team

Team

Our team has a wealth of skills and experience. We aim to nurture and develop our talent as the business grows through a significant programme of personal development and training.

Current team members are as follows:-



CLT Development Manager – Debbie Wildridge. Debbie is leading the CLT work at Palace Green, and with a background of running the CLT East specialist support on behalf of the National CLT Network for several years, she gives in-depth technical advice to communities, local authorities and housing associations. She is a regular presenter on CLTs at regional and national events.



CLT Advisor – Emily Mulvaney. Emily completed a degree in Law and Economics in 2014 where she had a particular interest in Land Law. She spent a year volunteering as a Student Adviser in the University's pro-bono law clinic giving advice on housing matters to the local community. Emily is a member of the Chartered Institute of Housing and she is currently studying toward a further housing management qualification. Her work includes assisting CLTs with legal set up; community engagement and funding. .



Head of Development - Phil Rose. Phil has led land and planning teams for national, regional and local housebuilders, working on major strategic land and urban regeneration projects in London and East Anglia. He is Chartered Surveyor and a specialist in development appraisal, land acquisition, planning negotiation and community engagement. He was involved with the Stretham CLT project from start to finish.



Land Manager - Kevin Francis. Kevin has worked in the residential house building industry for over 30 years with a number of house builders and housing associations in Suffolk, Norfolk, Cambridgeshire and Essex. Kevin is responsible for identifying, assessing and acquiring land development opportunities for Palace Green Homes and our partner CLTs.



Land Buyer - Maison Makoena. Maison joined Palace Green Homes after completing a graduate scheme with Linden Homes Midlands in Peterborough. He studied at The University of Sheffield and is currently working toward full membership of the Royal Town Planning Institute (RTPI). Maison's key responsibility is to identify and assess new land opportunities and help to take them through the planning process.

Key Planned Hires

The key appointments below will be needed to deliver the outputs of this Business Plan. However, if the company is able to capitalise on the opportunities arising from the Community Housing Fund and Devolution and secure further contracts, further appointments will need to be made, particularly within the CLT East team

CLT East

- CLT Administrator – TBA (From 2017/18 Q1)
- CLT Adviser - TBA (From 2017/18 Q1)

Palace Green Homes

- Project Manager – TBA (From 2017/18 Q1)
- Sales Manager – TBA (From 2018/19 Q3)
- Sales Administrator – TBA (2017/18 Q3)

Partners and suppliers

The company already procures goods and services locally where possible, however, more could be done.

CLT East works with a range of partners; often self-employed advisers and consultants. Much of the work is highly specialist, e.g. legal governance, financial, and as the local CLT market develops, more of this specialist advice should be available locally.

Palace Green Homes has established strong connections with a range of professionals and contractors operating in the local development market, e.g. architects, technical consultants, surveyors etc. As the pipeline of business grows, further formal partnerships will need to be established with other developers and investors, locally based where possible.

Milestones & Metrics

Milestones Table

Milestone	Due Date
Planning committee approval - Barton Road, Ely	Completed
Kennett Land Agreements Completed	Completed
Planning Committee Approval - The Shade, Soham	February 01, 2017
Commence Construction - Barton Road, Ely	February 27, 2017
Commence Construction - The Shade, Soham	July 24, 2017
1st Sales - Barton Road, Ely	December 18, 2017
1st Sales - The Shade, Soham	May 28, 2018

Key Metrics

The Metrics below are the numbers that we will be watching on a regular basis to judge the health of the business. They are the drivers of growth for the business model and the financial plan.

1. New CLTs established in line with, or exceeding, expectations;
2. New contracts with other local authorities in line with, or exceeding, expectations;
3. New development opportunities (sites) secured in line with, or exceeding, expectations;
4. Planning applications and permission dates in line with, or earlier, than programme;
5. Sales income in line with, or exceeding, budgets;
6. Overheads / expenses in line with, or lower, than budgets.

Financing

Current Funding

The Company has a £5,000,000 loan facility from its shareholder, the Council, that must be fully repaid by end March 2021. This is used to cover operating and project costs as the business scales up. The current business plan is funded entirely from the loan facility, and envisages the loan being repaid early in financial year 2020/21.

The existing Shareholder Agreement prevents the company is prevented from entering into alternative, or additional, financing arrangements or joint ventures without consent of the Council.

New Finance Options

The existing funding arrangements will limit the growth potential of the company. The business plan makes it clear that there are huge opportunities for the company from what it already does within East Cambridgeshire, and from new markets outside the district. To allow the company to fully capitalise on these opportunities, the terms of the Shareholder Agreement should be revisited.

Focussing solely on the contracts that have been secured to date, if further funding was available, significantly greater profit could be made. This is particularly the case for the project at Kennnett.

There are a number of financing options that the company should explore further. These include:

- Additional / extended loan facility from the Council;
- New funding arrangements with other public sector organisations;
- External borrowing from mainstream lenders;
- Project joint ventures with other development partners / investors