

Minutes of a meeting of the Asset Development (Shareholder) Committee
held in the Council Chamber, The Grange, Nutholt Lane, Ely
on 27th March 2017 at 4:00pm

P R E S E N T

Councillor Bill Hunt (Chairman)
Councillor David Chaplin
Councillor Steve Cheetham
Councillor Lorna Dupré
Councillor Coralie Green
Councillor Mathew Shuter
Councillor Lisa Stubbs

O T H E R S

Jo Brooks – Director, Operations
Maggie Camp – Legal Services Officer
Spencer Clark – Open Spaces & Facilities Manager
Adrian Scaites-Stokes – Democratic Services Officer
John Hill – Managing Director, East Cambs. Trading Company
Paul Remington – Chairman, East Cambs. Trading Company
Phil Rose – Director, Property Services, East Cambs. Trading Company

18. **PUBLIC QUESTION TIME**

There were no public questions.

19. **APOLOGIES AND SUBSTITUTIONS**

No apologies were received or substitutions made.

20. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

21. **MINUTES**

It was resolved:

That the minutes of the meeting held on 12th December 2016 be agreed
as a correct record and be signed by the Chairman.

22. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman made no announcements.

23. **EAST CAMBRIDGESHIRE TRADING COMPANY ANNUAL BUSINESS PLAN**

The Committee considered a report, R230 previously circulated, on the East Cambs Trading Company Annual Business Plan.

The Managing Director advised the Committee that the Business Plan, of which there were 3 documents, reflected the feedback received from the Shareholder Committee. The Committee was reminded that the Trading Company was only formed last year and this was the first opportunity to look forward. The Company currently had 2 arms but it would be considering its governance structure, as it might need to change.

The Business Plan had been a useful exercise in that it had allowed the Company to place itself alongside the Council and consider its contribution. The first issue related to helping balance the budget. This was achieved by doing things differently and operating in other areas, so as to contribute via the commercial arm. It also provided opportunities to avoid a reduction in priority services.

Councillor Mathew Shuter joined the meeting at this point, 4:09pm.

The Company would repay the loan from the Council and this commitment was taken very seriously. The decision by Council to award the waste contract to the Company would give opportunities for service improvement and strategic interventions.

The Company was looking to build homes via Community Land Trusts, as well as market homes, and was in a position to begin building its first homes. Local concerns about that had been responded to with improved communications to local stakeholders.

One of the most important issues related to Devolution. The Company would put the Council in a good position to deliver its services and build up its reputation. Homelessness in East Cambs was a success story and was great for the Council's commercial reputation.

The overall Business Plan was shown in the report. On page 3, under paragraph 1.3, the total figures for expenditure appeared incorrect and would be checked. Overall the Company continued to work at a loss, but was expected to be able to pay dividends from 2019/20. On page 13 was a visual representation of the connections between the Council and the Company. The Council would be taking a decision on whether to create a stand-alone shareholder committee, which could deliver terms-of-reference to scrutinise and support the Council-Company relationship.

The main Council commercial work done via the Company was the markets. Businesses needed vibrant markets to draw people in. Markets played an important role in stimulating economic growth and some market traders became shop owners. Consideration of the markets would be undertaken to gain an understanding of their impact on business. Significant enhancements

would be implemented on the Market Place, such as the provision of electrics which would encourage an increase in the number of street food traders. The Company was happy to invest in the enhancements but would request a 10-year lease, so improvements could be undertaken to help develop business.

A later agenda report would provide information about the status of some commuter car parks and how the procurement and project management could be delivered by the Company, as this would provide flexibility. Whether services should be delivered by the Council or the Company should be tested to gauge which would best provide genuine opportunities to be more commercial and increase business, help the teckal test, give a key competitive edge and generate opportunities to obtain external staff expertise and/or develop existing staff.

One major area to be transferred in 2017/18 would be grounds maintenance. 70% of the work generating income was outside the boundaries of the Council. This included Sustainable Drainage Systems work, where there were opportunities to increase this type of work. The waste service would also transfer over from 2018.

Auditors had also been appointed for the Company. The Company was aware of the pace it was moving, as it was important to be responsive to the need to accelerate if merited and of mutual benefit. It was clear that the Company had to get the Barton Road development right, as it was its first major development and a quality build was required. Lessons had already been learnt by going through the process and a report on progress would be given at the next meeting.

The Director, Property Services acknowledged that the Business Plan had a strong theme of house building, either through community land trusts (CLTs) or via Palace Green Homes, which went hand-in-hand. There were real opportunities of growth with a number of key events this year. This included the Barton Road site, which was expected to be handed over to the contractors before Easter. A rigorous procurement process had been completed, so there was confidence that the contractors understood the importance of that project. Land had been secured in Soham and work was progressing towards appointing a contractor with work on site expected to commence as soon as possible once the school summer holidays had started. It was anticipated that both schemes would this year achieve the first house sales for the Company.

Several other schemes were also progressing and had been included within the Plan. This included the sites at Haddenham and Kennett as well as one other unnamed site. All the schemes should help generate profits by 2018/19.

CLTs were part of the operation to continue to support developments where Palace Green Homes could not. There would be opportunities to increase commercial return through the Community Housing Fund. The Company would provide support and it was hoped that the consultancy provided could generate a new market to exploit. This could be also aided by the Devolution agenda.

The Company would deliver its current projects by working with the Council and these projects included the car parks, asset management and advice. The Company would keep a 'pipeline' to help deliver upcoming projects but had to take care how these were managed.

Councillor Lorna Dupré questioned when the revised income and expenditure figures would be available. The introduction to the Plan stated that what was good for the Company would be good for the Council. Members needed to be aware that there were differences in interests between the two and potential conflicts. That statement was simplistic and could help unravel the understanding between the two. The Company propounded its uniqueness but what was particularly unique about it?

Some parish councils had expressed concerns when contacted by the Company touting for ground maintenance works by suggesting the parish council's own financial rules could be disregarded. The advice given by the Company had been different to that provided by Cambridgeshire and Peterborough Association of Local Councils. An explanation of the legal grounds for the Company advice should be given.

What did 'de-risking' mean when relating to the Property Division and what were the Company doing to 'de-risk', as this was not clear?

The Managing Director, in response, stated that the Shareholder Committee should highlight areas of governance of the Company that were not right. It was believed that the Company was good for the Council and for the community, with the aim being mutual benefit. There were clear examples that if the Council operated effectively it would provide opportunities for the Company. The wording highlighted by Councillor Dupré would be looked at.

Although the Company was not universally unique it did have some unique features. It had financial strength, offered assistance to CLTs, provided consultancy and had a measure of competitive edge.

The correspondence to parish councils regarding grounds maintenance aimed to win their business by getting them to re-think how they provided that service. In all cases where work had been secured the parish councils had gone through their own processes. It was not for the Company to provide them with legal advice, as they should obtain their own.

The Director, Property Services explained that 'de-risking' referred to the complex procedures for property development and the Company sought to provide professional support for CLTs so their schemes did not stall.

Councillor Mathew Shuter noted the huge jump in the predicted profit figures and questioned how this dramatic uplift would happen. What assumptions had been made and should the predicted substantial fall in property prices been taken account of?

The Director, Property Services stated that the profit rise predicted had been based on the projects in the pipeline. The profiles of the build rate, planning

permission and sales rates had been used to calculate the figures but no inflation or deflation figures had been included. Property prices and costs had been based on current rates. The Company did not wish to get involved with projects that would not provide at least a 20% profit. So the figures included sensitive provisions to see what might happen should prices fall. The Company would take a series of decisions throughout the process as part of the robust scrutiny of the potential schemes.

Councillor Steve Cheetham queried the variation in the Business Plan figures and wanted the reasons for them included. He also thought the waste contract figures should be £100K more than shown on the financial projection. The grounds maintenance team would need some expertise brought in. The Managing Director would check those figures.

Councillor Lisa Stubbs questioned the figures shown for the Property Division, as there seemed to be a difference with related figures shown elsewhere. The supplies and services figures did not add up so needed clarification. How would the Health and Safety Compliance officer be involved with the Commercial Services staff roles? More clarification and details on how this would work were needed. What was the meaning of 'corporate'? There was also mention of the Company moving its location to alternative offices with a big jump in costs, so why was this included?

The Director, Property Services explained that 'corporate' related to the roles of the directors, the Company, insurance and interest charges. The Managing Director said that there were a number of issues concerning the Company's accommodation including the finite space it currently used and the need to increase the accommodation should staff levels increase. Palace Green Homes also needed an identity separate from the Council. The Company were looking at the Council's estate to see if there were any opportunities that could be used.

The Open Spaces and Facilities Manager said that the Health and Safety Officer had got additional administrative support and when the waste service was brought in-house it would be looked at.

Councillor Coralie Green noted that the markets had expanded but there was no suggestion tabled to involve the shop owners in the study, though they should be. The front page of the Business Plan was all about CLTs but should it not also refer to sole commercial developments? Although the Business Plan was fine it would be useful for the Committee to receive updates, particularly relating to the teckal exemption and financial matters. This should be included at the next Committee meeting, though it was not known when that would be.

The Managing Director thought that, although the Shareholder Agreement was quite inflexible, reports could be brought back with updates on the key performance indicators. Engagement with traders would be part of the discussions. While the intention was to share information with traders, the aim was to share any economical benefits with everyone.

Councillor David Chaplin thought the profit and loss figures presented might have slightly mixed cash flow numbers and costs. A lot of the amounts might be carried over, meaning the costs shown might not be so bad and the profits not so good. The format should be changed to show profit and loss. The Company needed to re-pay its loans before considering paying out dividends. With regard to the re-structure review, was this really necessary as it was not an issue, though advice could be taken.

The Director, Property Services contended that the Company was currently prohibited from undertaking joint ventures or borrowing externally due to the Shareholder Agreement. The Company's structure was a key element to its success. The Managing Director re-iterated the commitment of the Company to repay the loans and hoped to provide dividends as extras.

Councillor Bill Hunt wanted regular updates and the corrected figures to be presented to Council. He was concerned about the potential for the Company to move and suggested that this should be discussed by a quorum of the Committee consisting of the Chairman, Vice Chairman and one other. On being pointed out that this would not be allowed, a proposal was made that any decision for the Trading Company to move offices be brought to a quorate meeting of the Committee. This was agreed unanimously.

Councillor Lorna Dupré wanted it recorded that she would have voted against the suggestion of a quorum of three Members taking that decision.

It was resolved TO RECOMMEND TO COUNCIL:

- (i) That the ECTC Annual Business Plan be approved;
- (ii) That no decision be made on the Trading Company moving offices until the matter is brought back to a quorate meeting of the Committee.

24. **EXCLUSION OF THE PUBLIC INCLUDING REPRESENTATIVES OF THE PRESS**

It was resolved:

That the press and public be excluded during the consideration of the remaining item no. 8 because it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the items there would be disclosure to them of exempt information of Categories 1, 2 and 3 of Part I Schedule 12A to the Local Government Act 1972 (as amended).

25. **EAST CAMBRIDGESHIRE TRADING COMPANY BOARD MINUTES 2ND MARCH 2017**

The Committee considered the minutes of the Board meeting held on 2nd March, previously circulated.

Councillor Coralie Green asked about the Company Secretary and the Committee was informed that the Company were considering their options, including the Monitoring Officer

Councillor Lorna Dupré queried whether the Shareholder Committee would have the right to see commercially sensitive Company papers. The Committee was advised that clarity on that question would be sought but the Company would have to consider what information could be released, taking account of the specific companies that could be involved. The Committee could receive papers relating to some projects which were less sensitive.

The Company Chairman's view was that transparency was the key, as long as the debates were within the Committee as commercial matters had to be respected.

The Minutes of the Board meeting were noted.

The meeting concluded at 5:32pm.