



EAST
CAMBRIDGESHIRE
DISTRICT COUNCIL

AGENDA ITEM NO.

SHAREHOLDER COMMITTEE

Minutes of the meeting of the Shareholder Committee held in the Council Chamber, The Grange, Nutholt Lane, Ely on 1st October 2018 commencing at 4:00pm.

PRESENT

Councillor Mike Bradley (Chairman)
Councillor David Chaplin
Councillor David Brown
Councillor Steve Cheetham
Councillor Richard Hobbs
Councillor Alan Sharp

ALSO PRESENT

Councillor Peter Cresswell
Councillor Charles Roberts
Maggie Camp – Legal Services Manager and Monitoring Officer
John Hill – Chief Executive & Managing Director, East Cambs Trading Company & East Cambs Street Scene
Adrian Scaites-Stokes – Democratic Services Officer
Ian Smith – Finance Manager
Paul Remington – Chairman, East Cambs Trading Company & East Cambs Street Scene
Emma Grima – Commercial Director & Company Secretary, East Cambs Trading Company
Phil Rose – Director, Property Services, East Cambs Trading Company
Paul Cullen – Price Bailey

11. **PUBLIC QUESTION TIME**

There were no public questions.

12. **APOLOGIES AND SUBSTITUTIONS**

Apologies were received from Councillor Lorna Dupre.
Apologies were also given on behalf of Jo Brooks, the Director Operations, East Cambs Street Scene.

13. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

14. **MINUTES**

It was resolved:

That the minutes of the Shareholder Committee meeting held on 28th June 2018 be confirmed as a correct record and be signed by the Chairman.

15. **CHAIRMAN'S ANNOUNCEMENTS**

There were no announcements.

16. **EAST CAMBS TRADING COMPANY DRAFT STATEMENT OF ACCOUNTS 2017/18**

The Committee considered a report, reference T114, previously circulated, that detailed the Directors' Report and Financial Statements.

Mr Cullen introduced himself as an Audit Partner and advised the Committee that when conducting the review of the financial accounts it was checked that they were a true and fair assessment, that they had been properly prepared and had been prepared in accordance with the relevant Companies Act requirements.

Councillor Alan Sharp joined the meeting at this point, 4:03pm.

A lot of time had been spent checking the work-in-progress as well as costs and their recoverability.

Councillor Charles Roberts joined the meeting at this point, 4:04pm.

There were no issues with the ongoing projects and it was expected that the Barton Road site was likely to be delivered this year.

The Directors were responsible for proper housekeeping and the financial statements and had filed the minimum information required. The profit-and-loss accounts were different this year compared to last and included around £2million revenue. This showed an accumulated loss, which was no surprise due to the costs for the projects being developed. The Company's income now included for parks and open spaces, Palace Green Homes and the markets this year. The Balance Sheet showed over £3million as inventories, two thirds of which related to the Barton Road site with a few other smaller projects. The debt figure of £1.2million referred primarily to trade liabilities. The District Council loan had been offered over 5 years and up to £3million for this year had been accepted, with a plan to pay back some of this sum during this year.

There were no substantial changes to accounting standards that would materially impact the financial statements, though the 16 leases would have an impact from 1st January 2019. Other policy changes would not be particularly different so should not impact significantly. The modus operandi of the Company meant that it took capital from the District Council for use on projects

to be delivered to gain profits. The proceeds from those projects would aid the recovery of costs.

Employee costs would increase due to the transfer of the Parks and Open Spaces service, whilst no corporation tax had been forthcoming due to the tax losses. There was nothing risky or expendable about the financial instruments. Most transactions with the Council were not disclosed.

Councillor Mike Bradley asked after the figure relating to the Council's £3.1million loan. The Committee needed to know how much the Company had borrowed and this should be obvious, rather than it being hidden in the figures. There was also no indication about the viability of the projects being undertaken. With reference to the car park projects, why had an extra £100K had been transferred over for this project? How was work-in-progress accounted for?

In response, the Committee was informed that £600K had been paid back on the loan and had been included as a trade sum. The report disclosed the total of borrowing undertaken. Part of the car park contracts had an additional 10% cost included for the contract price plus design fees. This would be charged back to the Council with a premium to cover the risks. The contract had gone out to tender and the cheapest price had been selected.

Councillor David Chaplin did not think the 10% extra was unreasonable. He considered the work-in-progress as the most important matter and would like to see this reviewed and receive updates on how the projects were turning out. Project-by-project based reporting would give confidence.

The Chief Executive could report back about the Soham project, if appropriate, and this could be used as a future template for similar reports. The Barton Road project had been delayed for some further consultation and the trading climate was being more difficult. Lessons would be learnt from this and it would be worth holding a special Committee meeting just to discuss that project.

Councillor Mike Bradley acknowledged that the statutory figures were in the report but there was a requirement to focus on the projects and to understand how the Barton Road project had proceeded. Looking at the Soham project should be used as a template. The Committee also needed to see how the projects performed against the Business Plan as they should produce a profit. The Committee had a duty of care to ensure that money came back to the Council. Future projects should be ring-fenced and should require sustainable business cases.

Councillor Alan Sharp noted that there was a mixture of statutory accounting with management accounting. At this stage there was pressure on the work-in-progress, as the value of costs had to be balanced against the nett realisable values. How had the integrated purchase figures had been apportioned? Had the rent/operating leases values been included in the Council's accounts last year and now been transferred over? The Committee was advised that the rent figures related to the markets, which were now under the control of the Company.

Councillor David Chaplin queried whether the case with work-in-progress was that it was for high speculative expenditure and if the work was successful then would it be brought back into work-in-progress? The Audit Partner explained that the amount in the overheads was for speculative building work and could move up next year. Work-in-progress could be capitalised to show the true costs. Writing work-in-progress off would depend if the true costs were wanted for speculative builds. A discussion had been held and the amounts involved would be small.

Councillor David Brown asked that budget updates be given and Councillor Mike Bradley requested these be circulated. Councillor Brown asked whether there was anything to stop the Directors' Report including potential social benefits. The Chief Executive would check the Shareholder Agreement to see if that was possible and thought including possible benefits would not be a problem.

Councillor Peter Cresswell started by congratulating the success of the markets and then expressed his mystification about the management accounts on page 23. How much profit were the markets actually making and how did this relate to the profits made while under the control of the Council? Were they more profitable now? The costs and incomes should be disclosed, as they were not shown in these accounts. The Commercial Director explained that the figures shown were consolidated numbers but the figures for the markets could be checked.

The Chief Executive asked whether the Committee wanted to see the profit and loss of all aspects of the Company. The Chairman responded in the affirmative and also requested seeing the cash flow figures.

Councillor Charles Roberts, in looking at the accounts, noted the financial measures taken and the success of the Trading Company. Although it was good to see a healthy set of accounts the Council should not lose sight of the community benefits that could be achieved through the delivery of suitable projects.

Councillor David Chaplin accepted that profits from the markets could not go back to the Council until the Company's losses had been eroded. The public may judge the success of the Company based on the statutory accounts, but this did not account for any social or non-financial aspects. Segmental reporting could give greater transparency.

Councillor Alan Sharp issued a word of caution that providing transparency had to be tempered with not giving out too much information, due to the level of competition available. So a balance was needed.

Councillor Mike Bradley stated that there should have been a Shareholder's Annual General Meeting but this would happen next year. This year had been spent setting up the Companies and as a learning exercise.

17. **STRATEGIC RISK ASSESSMENT UPDATE – EAST CAMBS TRADING COMPANY (ECTC) AND EAST CAMBS STREET SCENE (ECSS)**

The Committee considered a report, reference T115, previously circulated, that gave an updated assessment of the strategic risks faced by ECTC and ECSS.

The Chief Executive reminded the Committee that a quarterly risk assessment was now required. The key risk for ECTC was the repayment of the Council loan. The loan was for a 5-year period and this would be used as 'seed' investment to get the Company up and running. The Kennett site would be crucial for repaying the loan. A number of options were being considered for this project, relating to how long it would remain as a Company project, as there might be some third party involvement. Planning permission had to be secured for the site before any consideration of selling it was considered. The Company intended to see the project through as far as possible and planned to deliver infrastructure first, which had garnered support from the community.

The Company had also secured funding from the Cambridgeshire and Peterborough Combined Authority (CPCA) for a site in Haddenham. This could be used as a template to secure more funding and the Council was leading on projects of this sort. Overall £40million had been allocated for projects, with a view to re-cycle this funding for future projects.

Council, CPCA and public sector funding were not the only options, as there was some discussion about obtaining private sector investment. This could offer greater opportunities but could cost more. The Company was also receiving some additional interest income.

Councillor David Chaplin thought that achieving the Council capital and third party loans had inherent risks, so some security should be sought. In the event of having to recoup the money, the Council had to ensure that other creditors did not get ahead in securing repayments.

Councillor David Brown asked for consistency in the format of the risk reports. If some risks were discharged then that should be noted in the report or those risks should be excluded. Councillor Alan Sharp suggested including a Red/Amber/Green status to help highlight any areas of concern.

Councillor Richard Hobbs left the meeting at this point, 5:09pm.

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

It was resolved:

That the press and public be excluded during the consideration of item 9 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 item(s) 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).

19. **EXEMPT MINUTES**

It was resolved:

That the Exempt minutes of the Shareholder Committee meeting held on 28th June 2018 be confirmed as a correct record and be signed by the Chairman.

The meeting concluded at 5:10pm.

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