



EAST CAMBRIDGESHIRE DISTRICT COUNCIL

THE GRANGE, NUTHOLT LANE,
ELY, CAMBRIDGESHIRE CB7 4EE
Telephone: 01353 665555

MEETING: **SHAREHOLDER COMMITTEE**

TIME: 4:00pm

DATE: 1st October 2018

VENUE: Council Chamber, Nutholt Lane, Ely

ENQUIRIES REGARDING THIS AGENDA: Adrian Scaites-Stokes

DIRECT DIAL:(01353) 616456 EMAIL: adrian.scaites-stokes@eastcambs.gov.uk

Membership:

Conservative Members

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

Substitutes

Cllr Lis Every
Cllr Chris Morris
Cllr Mathew Shuter

Lead Officer:

Maggie Camp, Monitoring Officer

Quorum: 3 Members

Liberal Democrat Member

Cllr Lorna Dupré
(Spokesperson)

Substitute

Cllr Sue Austen
Cllr Christine Whelan

A G E N D A

- 1. Public Question Time**
- the meeting will commence with up to 15 minutes public question time
- 2. Apologies and Substitutions**
- 3. Declarations of Interest**
To receive declarations of interest from Members for any items on the Agenda in accordance with the Members Code of Conduct.

4. Minutes

Minutes of the Committee meeting held 28th June 2018

5. Chairman's Announcements

6. East Cambs Trading Company Draft Statement of Accounts 2017/18

7. Strategic Risk Assessment Update – East Cambs Trading Company (ECTC) and East Cambs Street Scene (ECSS)

8. EXCLUSION OF THE PUBLIC INCLUDING REPRESENTATIVES OF THE PRESS

That the press and public be excluded during the consideration of the remaining item no. 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 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).

9. Exempt Minutes

Exempt Minutes of the Committee meeting held 28th June 2018

NOTES:

1. The maximum capacity for meetings in the Council Chamber has been set by the Fire Officer at 100 persons.
Allowing for Member/Officer attendance and room layout constraints, this will normally give **a capacity for public attendance of 60 people**.
Admittance to the Council Chamber is on a “**first come, first served**” basis and public access will be from 30 minutes before the start time of the meeting.
2. Fire instructions for meetings:
 - If the fire alarm sounds please make your way out of the building by the nearest available exit - i.e. the back staircase or the fire escape in the chamber. Do not to use the lifts.
 - The fire assembly point is in the front staff car park by the exit barrier.
 - This building has an auto-call system to the fire services, so there is no need for anyone to call the fire services.
 - The Democratic Services Officer will sweep the area to ensure that everyone is out of this area.
3. Reports are attached for each agenda item unless marked “oral”.
4. If required all items on the agenda can be provided in different formats (e.g. large type, Braille or audio tape, or translated into other languages), on request, by calling Main Reception on (01353) 665555 or e-mail: translate@eastcambs.gov.uk
5. If the Committee wishes to exclude the public and press from the meeting, a resolution in the following terms will need to be passed:
“That the press and public be excluded during the consideration of the remaining item no(s). X 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 Category X of Part I Schedule 12A to the Local Government Act 1972 (as amended).”



EAST
CAMBRIDGESHIRE
DISTRICT COUNCIL

SHAREHOLDER COMMITTEE

Minutes of the meeting of the Shareholder Committee held in the Council Chamber, The Grange, Nutholt Lane, Ely on Thursday 28th June 2018 commencing at 4:00pm.

PRESENT

Councillor Mike Bradley (Chairman)
Councillor David Chaplin
Councillor Steve Cheetham
Councillor Lorna Dupré
Councillor Lis Every (as Substitute)
Councillor Chris Morris (as Substitute)
Councillor Alan Sharp

ALSO PRESENT

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
Jo Brooks – Director Operations, East Cambs Street Scene
Emma Grima – Commercial Director & Company Secretary, East Cambs Trading Company
Phil Rose – Director, Property Services, East Cambs Trading Company

3. PUBLIC QUESTION TIME

The Democratic Services Officer advised the Committee that a set of questions had been received prior to the meeting, which had allowed officers to prepare answers. The Monitoring Officer then read out the questions and answers:

Questions received from Soames Springthorpe

- Q 1. Is it correct that only 1 company was asked by ECDC to value the piece of land subsequently sold to and used for the Kings Row housing by the ECTC. (i) Why was that? and (ii) who is/was that company ? Please explain fully.
- A1. Residentially Chartered Surveyors are experienced valuers with a sound knowledge of the local market. It is normal practice to seek one valuation.

- Q2. Why was said piece of land not offered for sale on the open market to achieve best/maximum bid price for the rate payers of ECDC? Please explain.
- A2. The land at Barton Road was identified as property that would be developed by ECTC in the first company business plan that was approved by Council on 7 January 2016.
- Q3. How can the rate-payers of ECDC be absolutely sure that the price ECTC paid, some £715,000 was the best price achievable without doubt? Please explain.
- A3. The price paid for the land was based on an independent valuation (as 1 above) and by selling the land to ECTC the Council was able to retain developer profit which otherwise would have been lost to the Council.
- Q4. The idea that ECDC, LATC and ECTC are one and the same entity is plain wrong, they are not and never will be. ECDC (rate-payers) do not pay tax on proceeds derived from the sale or disposal of assets. However, as a commercial concern, if ECTC buys 'cheap' land and maximises profit, it will pay tax at some point in the future. Therefore the ratepayers lose out twice don't they? Please clarify.
- A4. ECDC is the sole shareholder of ECTC and as such is the only body capable of receiving a dividend. ECDC is not able to develop housing for profit and as such any profit, even after tax, is money that would not otherwise have been realised and of benefit to the Council.
- Q5. I am also led to believe that ECDC has not yet been paid in full for the land...only a mere £25k deposit has been paid, is this correct? Meaning that the rate-payers of ECDC are owed some £690,000, and according to the minutes of your board meeting on 25th September 2017 this outstanding monies would be paid in full by March 2018....has this been done? Please explain all aspects of this question fully.
- A5. The loan agreement between ECDC and ECTC allows for payments for land acquired from ECDC to be deferred until sale receipts for completed new properties are received by ECTC. The deferred land payment for Barton Road is now scheduled to be made to ECDC in September 2018.
- Q6. If the balance of £690k owed has not been paid in full by March 2018, have the rate-payers of ECDC been enjoying a return on this short-term unsecured commercial loan; such as, B of E BR + 5% as one would expect to pay if the ECTC was being ran as a bonafide commercial concern and if not, please explain why the rate payers are missing out?

- A6. Under the terms of the loan agreement, any deferred land payments will attract interest at 5.22% per annum applied from the date of the transfer to the date of the payment.
- Q7. Given that ECDC's aim was/is to achieve 30% affordable housing for CLT projects, why does Kings Row fall woefully short? 2 out of 11 = approx. 18.5% affordable houses....I think? Please explain why you fell so short.
- A7. The project at Barton Road could have been designed for 10 units (rather than 11) which would have avoided the requirement for affordable housing altogether. However, prior to submission of the planning application, a decision was taken to ensure that the full policy requirement should be provided by the project. The section 106 agreement for the project at Barton Road stipulates that 2 of the 3 affordable homes required will be delivered on-site, and a financial contribution (£67,423) will be paid to ECDC for provision of a 3rd affordable homes elsewhere in the District.
- Q8. Why does the ECTC not produce monthly management accounts and publish them? This would focus minds and ensure all rate-payers and employees could monitor the performance of the ECTC in an open and transparent manner and hold the board accountable. Please explain your thinking.
- A8. Monthly accounts are produced by ECTC, but in line with most other private sector companies, these are not released into the public domain for commercial reasons. The Shareholder Committee receives budget updates.
- Q9. If reports are to be believed, the ECTC's budget will soon be some £45m. How can the board convince rate-payers that the ECTC has the commercial and financial skills to manage effectively a budget of this size given that they can't even hold regular board meetings. Please explain.
- A9. Board meetings are held monthly. ECTC currently manages a turnover of £9.5m. ECTC has adequate skills in place to undertake its activities.
- Q10. Why did the ECTC see fit not to make all the 11 house CLT properties? This way, the ratepayers would have retained the assets, which could have been sold at a greater price, in the future if needs be. Whilst enjoying a continual income stream albeit through this ECTC.(a far better commercial proposition) Call it 'build to let'Please explain your reasoning.
- A10 The development of residential property to hold as an investment was not part of the business strategy for Barton Road. ECTC may well retain build for rent in the future on other sites.

The Chairman thanked Mr Springthorpe for his questions and for sending them in writing. Public questions should be encouraged, as this would help the public understand the need for the Council to have a trading arm to enable the securing of maximum profit for the benefit of the rate payers.

4. **APOLOGIES AND SUBSTITUTIONS**

Apologies were received from Councillors David Brown and Richard Hobbs. Councillors Lis Every and Chris Morris acted as Substitute Members for this meeting.

5. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

6. **MINUTES**

It was resolved:

That the minutes of the Shareholder Committee meetings held on 8th February 2018 and 24th May 2018 be confirmed as correct records and be signed by the Chairman.

7. **CHAIRMAN'S ANNOUNCEMENTS**

There were no announcements.

8. **FUTURE ROLE OF THE SHAREHOLDER COMMITTEE**

The Committee considered a report, reference T40, previously circulated, that detailed proposed revisions to the roles and terms of reference of the Shareholder Committee.

The Chief Executive advised the Committee that the intention of the report was to obtain a recommendation from the Committee to full Council. The role of the Shareholder Committee had changed for a number of reasons. The Trading Company had been established in 2016, but since then there had been some significant developments, including its own operation and the subsequent establishment of another company. This had been needed to ensure a teckal compliant company could take on the waste service, as the work of the Trading Company had expanded. This had been more than expected, particularly the work related to Community Land Trusts (CLTs). The Council needed to be flexible to take advantage of commercial opportunities. It was looking for loans to enable its work to take place, with wider loans from the Cambridgeshire and Peterborough Combined Authority part of its plan. The Trading Company's work delivering key schemes had started to attract interest, both from within the district and beyond.

It was fair to say that the current arrangements with the Committee were not entirely satisfactory. This was not a surprise, given the new Committee and the fast moving agenda. Consideration would be given on how relevant information could be presented to the Committee. The current arrangements were overly

prescriptive, did not allow for a focus on the work being done nor the strategic risks and were not fit-for-purpose. This placed constraints on the companies where flexibility to operate was essential.

Therefore there was a requirement to revise the Committee's terms of reference and Appendix 1 set out proposals for that. The Shareholder Agreements also needed updating and this were set out in Appendix 2. Thanks were offered to the Legal Services Manager for her assistance in drawing up those documents.

For the first time a Modus Operandi was proposed, as set out in Appendix 3, to make clear the principles of how the arrangements would work. An amendment to Appendix 3 was recommended, to highlight that lessons learnt from completed projects and appropriate recommendations could be made for the future.

Councillor Mike Bradley thought it appropriate that a review be considered as the Committee was a year old. Some Members had been unhappy with how the Committee was working. The recommendations would allow the Committee to act more like an overview and scrutiny committee. The Combined Authority had lent some money for the Haddenham CLT, but some Combined Authority Members had concerns about that funding. These are issues that the Committee should look at before the event and therefore become more pro-active. This would result in the Committee being able to go to Council with relevant recommendations. Appendix 3 set out the principles of how the Committee would work.

Councillor Bradley asked that there be some consistency with the documents when using acronyms of the companies involved.

Councillor Alan Sharp thought that the Committee had focussed too much on operational matters in the past, but should be considering risk managements and be a 'critical friend'. The Committee had to fill two roles on behalf of Council, by looking in detail and putting forward helpful suggestions plus it was also important to review projects.

Councillor Lorna Dupré was hearing different descriptions of the Committee and stated it was not an overview and scrutiny committee, as it could not call in any decision made by the companies. If it was a project team then it was not clear how the Committee was that way involved. It was also not the role of the Committee to champion the Trading Company. Therefore Appendix 3 did not give a clear indication what the Committee's role should be.

Councillor David Chaplin reckoned that the Committee's two roles were to represent and protect the Council and also to act as a critical friend to the companies. These two responsibilities had to be kept separate, which would be difficult. The Committee should not have to delve into details but needed to know the processes in place and how matters were dealt with. The Committee's work principles needed to be looked at and any potential conflict dealt with.

There was no surety that the report could be recommended to Council as it stood. For example, there were concerns relating to section 6.1.18 in reference to borrowing powers. This was a challenge for the Committee as both its roles were crucial. He also proposed a rewording of Appendix 3.

The Chief Executive acknowledged that Members had expressed fundamental changes to Appendix 3. All Members would have a chance to look at this again when it was presented to full Council. The other two recommendations could be made and exclude Appendix 3. An alternative could be drafted, in consultation with the Committee Chairman, and brought to Council. The Committee were content with that suggestion.

Councillor Lorna Dupré expressed concern that it appeared clear that the role of the Committee was being closed down. It appeared odd that the Shareholder Committee could sign off the business plan but not for any amendments to it. The proposed terms of reference withdrew whole areas of discussion including review of future service developments, entering into outside business arrangements or loans. The proposed annual shareholder meeting gave no details on the information that would be provided or any suggestion on what business would be discussed by full Council. It seemed that only risk assessments would be discussed. It was assumed that members of the companies' boards would be excluded from that meeting, due to a conflict of interest.

The Chief Executive explained that the annual meeting was intended to reflect how the commercial operation of the companies was working. All Members would be given details of the business operations and would allow them to be fully briefed. It would also assist Members to appreciate the risk assessments. The annual meeting would provide relevant information and more details could be presented to this Committee if required.

Councillor Mike Bradley thought the annual meeting could allow consideration of business opportunities and set out what the companies aimed to achieve. Information would also be given to Members on what was happening.

Councillor David Chaplin considered it nonsense that the Committee could veto proposed business plans but not any amendments to them. Steps should be in place to ensure that the Shareholder Agreements were adhered to. The Agreements were the mechanism the Committee used to carry out its work. There was also a duplication in work, as the Constitution should not copy the information of the Agreements.

The Chief Executive stated that he had been over-cautious and acknowledged that it did replicate the Shareholder Agreements. This could be changed in accordance with Councillor Chaplin's suggestion.

Councillor Alan Sharp asked how Members could delve into the accounts, as only a summary would be provided. Could this be accomplished during a Committee meeting or could information be set out afterwards? The companies completed their accounts on a monthly basis, so they should be presented to the Committee quarterly. The Committee was not there to

manage the finances of the companies but should be given quarterly information.

Councillor Mike Bradley did not believe that this would limit what the Committee could do, as it could look at the accounts. The Committee was reminded that it received copies of the Boards' minutes, so nothing was hidden. The Committee should not get lost in the details but Members could raise issues.

In response to Councillor Lorna Dupré's queries, the Legal Services Manager confirmed that the Boards could not make any decisions on matters reserved for full Council but the removal of certain matters meant that the Boards make decisions on those issues. Councillor Dupré thought that consequently the Committee had no right to discuss some matters but would only be given information on progress against the business plan and a summary of accounts. Seeking to investigate these matters further would be ultra vires, as the decisions were entirely the responsibility of the Boards.

The Chief Executive reminded the Committee that it would still receive reports and the proposed Agreements were much wider ranging. Paragraph 3.3 allowed the Committee to bring the companies to account, as set out in the Agreements.

Councillor Lorna Dupré, in reference to the Agreements paragraph 2.2, questioned the wording "in line with the coming financial year" relating to the circulation of the companies' business plans. The document needed to be more specific and give a reasonable timescale. Paragraph 3.4, did the reference to the Shareholder Committee Members mean corporately or individually? The words "Members of" should be removed to clarify the intention. Paragraph 5.7, it was noted that the requirement to supply board agendas and papers had been deleted. Councillor Dupré could not recall ever having received such papers. There was some surprise that this had been taken out and this should be re-instated, to give the Committee a view of what was going on. The Committee had a clear right to access these and needed to know when the board meetings were being held.

The Chief Executive stated that the circulation of the business plans happened at the end of December, whereas the new proposal meant that they could be provided at any time, which gave some flexibility. The reference to discussing matters meant corporately rather than individual Members.

Councillor Mike Bradley agreed that the request of board papers was reasonable but documents were received regularly. Extra information could be obtained if wanted.

The Chief Executive acknowledged that the terms of reference needed looking at again, to simplify them. The remit of the Shareholder Committee was wide and there had been no intention to reduce the information available to it. The aim would be to provide information on strategy risks prior to implementation, which the companies had to provide.

Councillor Mike Bradley stated that there was no intention of not providing information but had to accept that it would not be exhaustive. If Members

wanted specific information this could be obtained. However, he did not wish for Members to receive lots of information that they did not need, or want, to see. The right information had to go to the right people.

Councillor David Chaplin put a request in for information to be sent electronically. He had no wish to see monthly board papers and would be happy with a quarterly report. It was not the job of this Committee to run the companies and any attempt to so do would be a distraction for the boards. Other Members could receive additional papers if they so requested. There had to be some awareness should any joint venture with an outside body agreed by the trading company be a problem for the Council.

Councillor Lorna Dupré then requested to see all monthly papers and promised not to bombard the boards with queries. The Committee Members should resume the right to exercise due diligence. The Committee should focus on and scrutinise the bigger issues. However, some of these could come from smaller issues.

The Chief Executive agreed to add the wording “on request” to paragraph 5.7. The purpose of that clause was to focus more on risk assessments. This would be a new way of working and it would have to be seen how it worked out. The Committee was reminded that the Chairman could call an extraordinary meeting should any major concerns arise. This would also allow the boards to approach the Chairman for the same reason. It would be entirely appropriate for Members to raise issues should any joint ventures cause concerns.

The Chief Executive agreed to revise the terms of reference and agreements in line with comments and suggestions raised by the Committee. He amended the recommendations by including “Amended in consultation with the Chairman of the Shareholder Committee” and removing the word “endorse” from paragraph 2.1 (iii). This was duly proposed and seconded and, when put to the vote, was declared carried.

It was resolved to RECOMMEND TO FULL COUNCIL:

As amended in consultation with the Chairman of the Shareholder Committee:

- (i) The revision to the terms of reference of the Shareholder Committee detailed in Appendix 1;
- (ii) The revisions to the Shareholder Agreements detailed in Appendix 2;
- (iii) The ‘modus operandi’ detailed in Appendix 3.

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

It was resolved:

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

10. **EAST CAMBRIDGESHIRE TRADING COMPANY BOARD MINUTES**

(a) 12th APRIL 2018

(b) 17th May 2018

The Committee considered Exempt sets of minutes, previously circulated, of the East Cambridgeshire Trading Company Board meetings held on 12th April 2018 and 17th May 2018.

Councillor Lorna Dupré, with reference to the minutes of 17th May, asked a number of questions relating to Community Land Trusts and requested copies of the relevant papers. Responses were given by the Chairman of the Trading Company and Company Secretary.

The Committee noted the exempt minutes.

The meeting concluded at 5:30pm.

Registration No. 10061867

AGENDA ITEM NO. 6

T114

EAST CAMBS TRADING COMPANY LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2018

EAST CAMBS TRADING COMPANY LIMITED

COMPANY INFORMATION

Directors	J P Palmer (resigned 5 May 2017) P J Remington J Hill E L Grima C G J Roberts A M Bailey (appointed 15 June 2017)
Company number	10061867
Registered office	The Grange Nutholt Lane Ely Cambridgeshire CB7 4EE
Auditors	Price Bailey LLP Chartered Accountants & Statutory Auditors Tennyson House Cambridge Business Park Cambridge CB4 0WZ

EAST CAMBS TRADING COMPANY LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditor's report	3 - 4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Cash flow statement	8
Notes to the financial statements	9 - 15

EAST CAMBS TRADING COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the audited financial statements of the company for the year ended 31 March 2018.

Directors

The directors who served during the year were:

J P Palmer (resigned 5 May 2017)
P J Remington
J Hill
E L Grima
C G J Roberts
A M Bailey (appointed 15 June 2017)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Auditors

The auditors, Price Bailey LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

EAST CAMBS TRADING COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on _____ 2018 and signed on its behalf.

J Hill
Director

EAST CAMBS TRADING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EAST CAMBS TRADING COMPANY LIMITED

Opinion

We have audited the financial statements of East Cambs Trading Company Limited for the year ended 31 March 2018 on pages 5 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of the loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

EAST CAMBS TRADING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF EAST CAMBS TRADING COMPANY LIMITED

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Director's Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemptions in preparing the Director's Report and from the requirement to prepare a Strategic Report.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page xxx, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Paul Cullen FCCA (Senior Statutory Auditor)
for and on behalf of Price Bailey LLP
Chartered Accountants & Statutory Auditors
Tennyson House
Cambridge Business Park
Cambridge
CB4 0WZ

Date:

EAST CAMBS TRADING COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
CONTINUING OPERATIONS			
Revenue from services		1,077,268	294,126
Revenue from construction contracts		842,411	-
		<u>1,919,679</u>	<u>294,126</u>
Cost of sales		(1,409,091)	(148,703)
Gross profit		<u>510,588</u>	<u>145,423</u>
Administrative expenses		(677,762)	(527,971)
Operating profit		<u>(167,174)</u>	<u>(382,548)</u>
Finance costs	5	(138,156)	(23,262)
Loss before taxation		<u>(305,330)</u>	<u>(405,810)</u>
Tax on profit	6	-	-
Loss and total comprehensive income for the year		<u><u>(305,330)</u></u>	<u><u>(405,810)</u></u>

There were no recognised gains and losses from 2018 or 2017 other than those included in the statement of comprehensive income.

The notes on pages 9 - 20 form part of these financial statements.

EAST CAMBS TRADING COMPANY LIMITED

REGISTERED NUMBER: 10061867

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018 £	2017 £
Current assets			
Inventories	7	3,348,472	1,340,832
Trade and other receivables	8	330,460	153,378
Cash at bank and in hand	9	34,187	50
		<u>3,713,119</u>	<u>1,494,260</u>
Current Liabilities			
Trade and other payables	10	(1,279,258)	(855,069)
		<u>2,433,861</u>	<u>639,191</u>
Total assets less current liabilities			
Non Current Liabilities			
Financial Liabilities – borrowings	10	(3,145,000)	(1,045,000)
		<u>(711,139)</u>	<u>(405,809)</u>
Net liabilities			
Equity			
Called up share capital	12	1	1
Retained earnings		(711,140)	(405,810)
		<u>(711,139)</u>	<u>(405,809)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

J Hill

Director

Date: _____ 2018

The notes on pages 9 to 20 form part of these financial statements.

EAST CAMBS TRADING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Share Capital £	Retained earnings £	Total equity £
Balance as at 14 March 2016	-	-	-
Transactions with owners			
Shares issued	1	-	1
Total transactions with owners	<u>1</u>	<u>-</u>	<u>1</u>
Comprehensive income			
Loss for the year	-	(405,810)	(405,810)
Total comprehensive income	<u>-</u>	<u>(405,810)</u>	<u>(405,810)</u>
Balance as at 31 March 2017	<u>1</u>	<u>(405,810)</u>	<u>(405,809)</u>
Comprehensive income			
Loss for the year	-	(305,330)	(305,330)
Total comprehensive income	<u>-</u>	<u>(305,330)</u>	<u>(305,330)</u>
Balance as at 31 March 2018	<u>1</u>	<u>(711,140)</u>	<u>(711,139)</u>

EAST CAMBS TRADING COMPANY LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

		2018		2017	
	Notes	£	£	£	£
Cash flows from operating activities					
Net cash outflow from operating activities	16	<u>(1,885,233)</u>	<u>(1,754,212)</u>		
Net cash inflow from operating activities		(1,885,233)	(1,754,212)		
Cash flows from financing activities					
Interest paid		(138,156)	(23,262)		
Loans advanced		<u>2,075,000</u>	<u>1,760,000</u>		
Net cash from financing activities		<u>(1,936,844)</u>	<u>(1,736,738)</u>		
Net decrease in cash and cash equivalents		51,611	(17,474)		
Cash and cash equivalents at beginning of year		(17,474)	-		
Cash and cash equivalents at end of year	9	<u>34,137</u>	<u>(17,474)</u>		

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. Accounting policies

1.1 Statutory information

East Cambs Trading Company Limited is a private company limited by shares incorporated and domiciled in England and Wales, United Kingdom. The address of the registered office is The Grange, Nutholt Lane, Ely, Cambridgeshire, CB7 4EE.

The company is primarily involved in property development and management of council services.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £.

1.2 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for revenues and expenses during the year and the amounts reported for assets and liabilities at the statement of financial position date. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year is the valuation of work in progress and allocation of costs to each period.

Costs directly attributable to the projects have been included in the work in progress figure accordingly. General overheads have not been included within the work in progress figures as it is not possible to attribute them as such to individual projects. When calculating the work in progress the directors consider the stage of completion of the project and the likelihood of all costs being recovered, applying this in accordance with applicable framework.

1.3 Compliance with accounting standards

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to reporting entities under IFRS.

The financial statements have been prepared under the historical cost convention.

1.4 Going concern

The company is reliant on the continued financial support of its shareholder and ultimate parent, East Cambridgeshire District Council, which is expected to continue for the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

1. Accounting policies (continued)

1.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the Company will receive the consideration due under the contract;
- The stage of completion of the contract at the end of the reporting period can be measured reliably; and
- The costs incurred and the costs to complete the contract can be measured reliably.

Revenue from a construction contract is recognised when:

- It is probably that the economic benefits associated with the contract will flow to the entity.
- The contract costs attributable to the contract can be clearly identifiable and measured reliably.

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase and includes labour.

At each balance sheet date, stocks are assessed for impairment. If inventories is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.7 Trade and other receivables

Short term receivables are measured initially at fair value, and are measured subsequently at amortised costs.

1.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

1.9 Operating profit

Operating profit is stated before investment income and finance costs.

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies (continued)

1.10 Financial Instruments

Financial assets and liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

- Cash and cash equivalents comprise cash held at bank and short term deposits
- Trade payables are not interest bearing and are stated at their nominal value
- Equity instruments issued by the Company are recorded at the proceeds received except where those proceeds appear to be less than the fair value of the equity instruments issued, in which case the equity instruments are recorded at fair value. The difference between the proceeds received and the fair value is reflected in the share based payments reserve.

1.11 Trade and other payables

Short term payables are measured fair value, and subsequently at amortised cost.. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.12 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.14 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

1.15 Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position.

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

1. Accounting policies (continued)

1.16 New IFRS standards and interpretations not yet adopted

In preparing these financial statements the Company has reviewed all new standards and interpretations.

New Standards, Interpretations and Amendments effective from 1 April 2017

The following new and revised Standards and Interpretations have been adopted in these financial statements but their adoption has not had any significant impact on the amounts reported in these financial statements:

- IAS 7 Statement of Cash Flows (amended 2016)
- IAS 12 Income Taxes (amended 2016)

The other new and revised Standards and Interpretations are not considered to be relevant to the Company's financial reporting and operations and are not detailed in these financial statements.

New Standards, Interpretations and Amendments that are not yet effective and have not been adopted early

The following new and revised Standards and Interpretations are relevant to the Company but not yet effective for the year commencing 1 April 2017 and have not been applied in preparing these financial statements:

- IAS 12 Income Taxes (amended 2017)
- IAS 19 Employee Benefits (amended 2018)
- IAS 23 Borrowing Costs (amended 2017)
- IFRS 3 Business Combinations (amended 2017)
- IFRS 9 Financial Instruments (amended 2017)
- IFRS 15 Revenue from Contracts with Customers (amended 2016)

The Directors do not consider that the implementation of any of these new standards will have a material impact upon reported income or reported net assets.

In addition, IFRS 16 Leases is effective for financial periods commencing on or after 1 January 2019 and will bring all operating leases onto the balance sheet in line with the accounting treatment for finance leases. This will increase the value of gross assets and both current and non-current liabilities but is not expected to have a material effect on the consolidated income statement.

2. Loss before income tax

	2018 £	2017 £
Other operating leases	25,904	-
Auditors' remuneration	12,000	10,000
	<u>37,904</u>	<u>10,000</u>

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

3. Employees and directors

	2018 £	2017 £
Wages and Salaries	317,789	219,048
Social security	35,313	25,763
Other pension costs	27,586	23,869
	<u>380,688</u>	<u>268,680</u>

The average monthly number of employees during the year was as follows:

	2018	2017
Directors	5	5
Administration	8	5
	<u>13</u>	<u>10</u>

4. Directors' remuneration

	2018 £	2017 £
Directors' remuneration	12,530	12,423
Directors' pension contributions to a defined benefits pension scheme	1,100	952
	<u>13,630</u>	<u>13,375</u>

During the year 1 directors (2017 – 1) was accruing benefits under defined benefit pension schemes.

5. Finance costs

	2018 £	2017 £
Loan interest payable	<u>138,156</u>	<u>23,262</u>

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

6. Income tax

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 March 2018 nor for the year ended 31 March 2017.

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Loss per accounts	(305,330)	(405,810)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%)	(58,013)	(81,162)
Effects of: Deferred taxation on losses for year	58,013	81,162
Tax expense	-	-

The main rate of UK corporation tax changed from 20% to 19% on 1 April 2017.

The Company has estimated tax losses of £711,000 (2017: £405,000) to carry forward against future profits.

7. Inventories

	2018 £	2017 £
Work in progress	3,348,472	1,340,832

8. Trade and other receivable

	2018 £	2017 £
Trade receivables	270,960	62,173
Other receivables	45,003	74,823
Prepayments and accrued income	14,499	16,382
	330,460	153,378

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

9. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	34,187	50
Less: bank overdrafts	-	(17,524)
	<u>34,187</u>	<u>(17,474)</u>

10. Trade and other payable

	2018 £	2017 £
Current		
Bank overdrafts	-	17,524
Trade payables	324,575	-
Other taxation and social security	51,560	10,828
Other payables	14,764	3,576
Accruals and deferred income	198,359	108,141
Amounts owed to parent undertakings	690,000	715,000
	<u>1,279,258</u>	<u>855,069</u>
Non Current:		
Amounts owed to parent undertakings	<u>3,145,000</u>	<u>1,045,000</u>

Included in creditors are amounts due to parent undertaking totalling £3,835,000 (2017: £1,760,000) which are secured against the company assets up to the value of the outstanding loans.

The amounts are repayable in full within 5 years of initial drawdown. There are no set repayment terms up to this time.

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

11. Financial Instruments

Financial assets and liabilities

The carrying value of the company's financial assets and liabilities as recognised at the balance sheet date of the years under review may also be categorised as follows:

	Loans and other receivables £	Financial liabilities at at amortised cost £	Total balance sheet heading £
As 31 January 2018			
Cash and cash equivalents	34,187	-	34,187
Trade receivables	270,960	-	270,960
Other receivables	45,003	-	45,003
Loans	-	(3,835,000)	(3,835,000)
Trade payables	-	(324,575)	(324,575)
Other payables - current	-	(213,123)	(213,123)
Total	<u>350,150</u>	<u>(4,372,698)</u>	<u>(4,022,548)</u>

	Loans and other receivables £	Financial liabilities at at amortised cost £	Total balance sheet heading £
As 31 January 2017			
Cash and cash equivalents	-	(17,474)	(17,474)
Trade receivables	62,173	-	62,173
Other receivables	74,823	-	74,823
Loans	-	(1,760,000)	(1,760,000)
Trade payables	-	-	-
Other payables - current	-	(111,717)	(111,717)
Total	<u>136,996</u>	<u>(1,889,191)</u>	<u>(1,752,195)</u>

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

11. Financial Instruments (continued)

Financial risk management objectives and policies

The company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the company's business whilst managing its risks. The company does not engage in speculative transactions or hedging transactions.

The company's principal financial instruments consist of cash and cash equivalents and loans. The main purpose of these financial instruments is to finance the company's operations. The company has other financial instruments such as trade receivables and trade payables that arise directly from its operations.

The directors have overall responsibility for the establishment and oversight of the company's risk management and they recognise that financial risk management is an area in which they may need to develop specific policies should the company become exposed to further financial risks as the business develops. The directors currently ensure that the company has sufficient cash and cash equivalents to ensure there is sufficient reserves to support the business operations. The exposure to other financial instruments are limited to those generated through the operations and borrowings.

The main risks arising from the company's financial instruments are credit risk, interest rate risk and liquidity risk. The Board have also considered currency and market risk but do not believe these to be significant. This note presents information about the company's exposure to each of the main risks. The Board reviews and agrees policies for managing each of these risks as and when they arise. Further quantitative disclosures are included throughout the financial information.

There have not been any material changes in respect of the exposure to financial risks during the periods presented.

Credit risk

The company's exposure to credit risk is limited to the carrying amount of cash deposits and trade and other receivables recognised at the balance sheet date of £364,647 (2017: £153,428). The risks associated with cash deposits are limited as the banks used are reputable. The principal credit risk therefore lies with trade receivables and in order to manage credit risk, limits are set for customers based upon a combination of payment history and third party credit references.

Interest rate risk

Interest rate risk is the risk that the value of financial assets will fluctuate due to changes in market interest rates. The company's income and operating cash flows and the value of its financial assets are largely independent of changes in market interest rates. Low levels of surplus funds are invested in short term secured deposit accounts such that the company is not unduly exposed to market interest rate fluctuations.

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

11. Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's policy throughout the year has been to ensure that it has adequate liquidity to meet its liabilities when due by careful management of its working capital.

	Less than one year £	More than one year £	Total £
2018			
Trade and other payables	589,258	-	589,258
Borrowings	690,000	3,145,000	3,835,000
	<u>1,279,258</u>	<u>3,145,000</u>	<u>4,424,258</u>
	Less than one year £	More than one year £	Total £
2017			
Trade and other payables	140,069	-	140,069
Borrowings	715,000	1,045,000	1,760,000
	<u>855,069</u>	<u>1,045,000</u>	<u>1,900,069</u>

Fair values

The carrying amounts of all financial assets and liabilities of the company as disclosed in the notes to the financial information are approximately their fair values.

Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital with an appropriate level of leverage for the size of the business so as to maintain investor, creditor and market confidence and to sustain future development of the business. In order to maintain or adjust the capital structure, the company may return capital to shareholders, issue new shares or sell assets to reduce debt.

12. Share capital

	2018 £	2017 £
Share classified as equity		
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

13. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £27,586 (2017 - £23,869).

Contributions totalling £4,565 (2017 - £3,575) were payable to the fund at the balance sheet date and are included in creditors.

14. Related Party Transactions

The company has taken advantage of the exemption from the requirement to disclose transactions with East Cambridgeshire District Council and connected companies due to being wholly owned in line with paragraph 25 of IAS24.

Key management personal compensation totalled £13,630 (2017: £13,375)

15. Details of Parent Undertaking

The Ultimate parent undertaking is East Cambridgeshire District Council, registered address The Grange, Nutholt Lane, Ely, Cambridgeshire, CB7 4EE

16. Note to the cash flow statement

	2018 £	2017 £
(Loss) before tax	(305,330)	(405,810)
Interest expense	138,156	23,262
	<u>(167,174)</u>	<u>(382,548)</u>
Decrease/(Increase) in inventories	(2,007,640)	(1,340,832)
Decrease/(Increase) in trade and other receivables	(177,082)	(153,378)
(Decrease)/Increase in trade and other payables	466,663	122,546
	<u>(1,885,233)</u>	<u>(1,754,212)</u>
Net cash outflow from operating activities	(1,885,233)	(1,754,212)

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

17. Leasing agreement

	2018 £	2017 £
Future minimum lease payments under non-cancellable operating costs fall due as follows:		
Within 1 year	30,000	-
Between 1 and 5 years	120,000	-
After 5 years	150,000	-
	<u>300,000</u>	<u>-</u>

The company entered into a 10 year lease for £30,000 per year commencing 20 April 2017 ending 19 April 2027.

18. Reserves

The following is a description of each of the reserve accounts that comprise equity shareholders' funds:

Share capital	The share capital comprises the issued ordinary shares of the company at par.
Retained earnings	Retained earnings comprise the group's cumulative accounting profits and losses since inception.

EAST CAMBS TRADING COMPANY LIMITED

DETAILED ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

EAST CAMBS TRADING COMPANY LIMITED

DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2018

	2018 £	2017 £
Turnover	1,919,679	294,126
Cost of sales	(1,409,091)	(148,703)
GROSS PROFIT	<u>510,588</u>	<u>145,423</u>
LESS: OVERHEADS		
Administrative expenses	(677,762)	(527,971)
OPERATING (LOSS)/PROFIT	<u>(167,174)</u>	<u>(382,548)</u>
Interest payable and expenses	(138,159)	(23,262)
(LOSS)/PROFIT FOR THE PERIOD	<u><u>(305,330)</u></u>	<u><u>(405,810)</u></u>

EAST CAMBS TRADING COMPANY LIMITED

SCHEDULE TO THE DETAILED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	£	£
Turnover		
Ely market management income	194,013	184,742
Project management fees and other services	241,969	-
Parks and open spaces management income	641,256	109,384
Car park construction	842,441	-
	<u>1,919,679</u>	<u>294,126</u>

	2018	2017
	£	£
Cost of sales		
Cost of car park construction	741,874	12,120
Purchases	113,233	136,583
Ely market and parks and open spaces costs	553,984	-
	<u>1,409,091</u>	<u>148,703</u>

	2018	2017
	£	£
Administration expenses		
Directors national insurance	530	523
Directors salaries	12,000	11,900
Directors' pension costs	1,100	952
Staff salaries	305,789	219,048
Staff national insurance	34,783	25,763
Staff pension costs	26,486	23,869
Staff training	3,270	7,845
Recruitment fees	4,580	11,500
Motor running costs	38,311	1,205
Entertainment	550	775
Hotels, travel and subsistence	4,171	3,228
Consultancy	30,296	70,503
Printing and stationery	3,952	8,846
Postage	85	147
Telephone and fax	434	1,451
Computer costs	16,015	16,470
General office expenses	1,128	1,316
Advertising and promotion	4,087	4,988
Trade subscriptions	4,781	4,096
Legal and professional	2,220	6,732
Auditors' remuneration	8,308	2,000
Equipment hire	5,347	123
Bank charges	289	361
Sundry expenses	12,286	2,113
Rent – operating leases	25,904	-
Rates	16,310	17,644
Light and heat	1,789	1,475
Water	409	-
Management charge	68,554	70,538
Insurances	9,575	11,797
Repairs and maintenance	34,423	763
	<u>677,762</u>	<u>572,971</u>

EAST CAMBS TRADING COMPANY LIMITED

SCHEDULE TO THE DETAILED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

	2018 £	2017 £
Interest payable		
Loan interest payable	<u>138,156</u>	<u>23,262</u>

EAST CAMBS TRADING COMPANY
STRATEGIC RISK ASSESSMENT UPDATE

RISK REFS

A4	Changes in Planning and Housing Policies
A5	Council cannot demonstrate five year land supply
B1/2	Governance – clarity of roles between Council and ECTC and adequacy of the Shareholder Agreement
C1	Loan arrangements to ECTC current and in the future
C2	Availability of loan finance to fund ECTC operations
C4	Economic downturn
C5	Sufficiency of cash flow
D4	Adequacy of resources to deal with change and upheaval

RISK REF	MANAGEMENT OF RISK	ACTION (IF APPROPRIATE)
A4	<p>The Government has published revised National Planning Policy Framework (Jul 18). 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>	<p>Director Commercial is investigating options available to ECTC//ECDC.</p>
A5	<p>The Gladmans appeal judgement has exposed the Council's lack of a five year land supply. This provides a presumption for growth irrespective of local plan boundaries and settlement status (although still subject to sustainability test).</p> <p>This situation provides landowners the potential of an additional option outside the development envelope other than CLT's or rural exception sites. This could undermine the negotiating ability of local CLT's.</p>	<p>The local plan is going through examination. The Council should have a five year land supply in late 2018, early 2019.</p>
B1/B2	<p>Both the Shareholder Committee and the ECTC Board had reservations about the current operation of the Shareholder agreement. These are summarised in the report to Shareholder Committee (ref: 28 June 2018).</p> <p>The increased land opportunities, complexity of business, financing options and competitiveness of the property market requires ECTC to be 'fleet of foot' and responsive within a short timetable.</p>	<p>The Council have agreed a revised Shareholder Agreement, terms of reference of the Shareholder Committee on 12 July 2018 (ref: Agenda Item 9) including a new memorandum of understanding.</p>
C1	<p>ECTC is required to repay in full at March 2021 any loan outstanding from the £5m facility agreed by Council at the inception of the company.</p>	<p>The £2m assured receipt or a substantial part of this figure will be required to meet ECTC obligations to the Council.</p>

	<p>The ability of ECTC to repay any outstanding loan to ECDC is dependent on commercial activities of ECTC particularly with reference to property development.</p> <p>The repayment schedule is on track but is significantly dependent on £2m receipt from the Kennett development, most probably facilitated with the sale of the site to a special delivery vehicle wholly owned by ECTC or joint venture with third party funder. This is of course, dependent on the availability of finance and relates to risk commentary below. (ref: C2)</p>	<p>The award of loan funding from CA will enable the sale of the site to SDV and retain the development rights for ECTC and any JV partners (if applicable).</p> <p>The fast option would be to dispose of the freehold of the site.</p>
C2	<p>The current loan facility from ECDC is inadequate to fund other Palace Green obligations other than Barton Road, Ely and The Shade, Soham.</p> <p>The future development of ECTC is dependent on the availability of affordable loan capital above that provided by the shareholder.</p> <p>Its immediate funding requirements are in relation to West End, Haddenham (circa £6.5m) and Kennett (after planning circa £14m).</p> <p>In addition, ECTC has a CLT development programme to deliver 1850 homes over ten years including Kennett requiring £40m loan finance.</p>	<p>ECTC has secured £6.5m loan facility from the Combined Authority to part fund the Haddenham CLT development, subject to board approval. The heads of terms are based on a 2 year 1.6% per annum loan facility guaranteed against the assets of the project by ECTC.</p>
	<p>The options available to ECTC, these developments will have profound impact on the profitability of the company, especially in relation to interest rate, arrangements for guarantees, equity options and other loan terms.</p>	<p>In the event of CA loan finance not being available, ECTC will need to raise finance from the private sector (authorised by Council) but that would be available at less preferential interest rates.</p>

<p>C4</p>	<p>ECTC operates in a highly commercial market environment and economic downturn could result in lower than anticipated profits (or even losses) than those assumed in the Business Plan.</p>	<p>A full assessment of the market conditions is carried out prior to any development commencing. In the event that an economic downturn occurs once a development has commenced the Head of Property Development will appraise the Managing Director of the situation and propose a solution to mitigate any potential losses.</p> <p>The Managing Director shall inform the Council as soon as is practicably possible of any significant market changes that may impact on the repayment of the loan.</p> <p>Where relevant the Managing Director shall present to the Council an amendment to the Business Plan or, if necessary, present an Exit Strategy, for approval.</p>
<p>C5</p>	<p>The cash flow of ECTC is dependent on the loan facility from ECTC, commercial returns from non property based activities, receipts from property sales, project cash flow and access to other sources of loan funding.</p> <p>The company continues to monitor its cash flow to ensure it meets its creditor obligations to staff and contractors.</p>	<p>See previous comments.</p>
<p>D4</p>	<p>The realisation of ECTC ambitions to build 1850 homes (see C2) including Kennett will require a significant investment into ECTC particularly on the development side to put in place human resources to deliver the necessary outcomes.</p>	<p>The MD has approved a phased increase to the establishment specifically in the areas of strategic projects, land and development, finance and administration.</p>

East Cambs Street Scene Ltd
Strategic Risk Assessment Update

Risk Reference:

A: Legislative Changes
A1. Changes in health and safety legislation that places additional service delivery requirements and costs on the ECSS, (passing through to the Council).
A2. Changes in employment legislation that places additional service delivery requirements and costs on the ECSS, (passing through to the Council).
A3. Changes in legislation could impact on the Council's powers to trade in a commercial manner, e.g. to deliver a trade waste service and cleansing services to third parties.
B: Governance
B1. Inadequate governance arrangements and lack of clarity on roles of the Council and the ECSS for the delivery of the waste and street cleansing services could lead to poor decision making which could undermine the delivery and future development of the services.
B2. Lack of key skills amongst operational management team of ECSS to operate the services in full compliance with the Council's requirements and for the ECSS to maximise on commercial opportunities.
C: Finance
C1. A failure of the ECSS to align costs for service delivery to market rates by not achieving productivity levels required to deliver the market rates.
C2. A failure of the ECSS to deliver the waste and street cleansing services within the budget envelop set by the Final Business Case.
C3. Economic downturn negatively impacting on recycles income resulting in increased gate fees at the MRF.
C4. Economic downturn impacting on the capacity of the ECSS to grow a trade waste service because of a failure of SME's (small to medium sized enterprises) to continue to trade.
D: Operational
D1. ECSS failing to manage sickness absence in accordance with adopted policies and procedures to ensure attendance targets are being achieved
D2. ECSS failing to consistently deliver the availability and performance standards set out in the new service specifications leading to reputational damage for the Council.
D3. ECSS failing to fully comply with the requirements of ECDC's Fleet Operator's Licence.
D4. ECSS failing to have in place sustainable sub-contractor arrangements (e.g. vehicle maintenance, agency staffing etc.) to sustain the delivery of the waste and street cleansing services.
D5. The Council and the ECSS failing to progress within budget and to the set time frame the depot refurbishment project in order to upgrade depot facilities to ensure compliance with environmental and health and safety legislation and to provide capacity to deliver extended services from the depot.

A: Legislative Changes		
Risk Reference	Management of Risk	Action
A1. Changes in health and safety legislation that places additional service delivery requirements and costs on the ECSS, (passing through to the Council).	<p>This is outside the control of the Council and the ECSS. Going forward this will need to be monitored.</p> <p>Continuous monitoring of changes to legislation through liaison with H&SE, ebulletins, consultations, LGA KnowledgeHub and other publications.</p> <p>Any significant changes in legislation which realise this risk will be addressed immediately by the Director to Full Council. With an amended Business Plan for the delivery of the waste and street cleansing services being prepared for approval by the ECSS Board and then Full Council.</p>	Director, ECSS to monitor supported by the ECDC Health & Safety Adviser
A2. Changes in employment legislation that places additional service delivery requirements and costs on the ECSS, (passing through to the Council).	<p>This is outside the control of the Council and the ECSS. Going forward this will need to be monitored.</p> <p>Continuous monitoring of changes to legislation through liaison with the Chartered Institute of Personnel Management (CIPM), ebulletins, consultations, LGA KnowledgeHub and other publications.</p> <p>Any significant changes in legislation which realise this risk will be addressed immediately by the Managing Director to Full Council. With an amended Business Plan for the waste and street cleansing services being prepared for approval by the ECSS Board and then Full Council.</p>	Director, ECSS to monitor supported by the ECDC Human Resources Manager
A3. Changes in legislation could impact on the Council's powers to trade in a commercial manner, e.g. to deliver a trade waste service and cleansing services to third parties.	<p>This is outside the control of the Council and the ECSS. Going forward this will need to be monitored.</p> <p>Continuous monitoring of changes to legislation 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 Director to the ECSS Board and to Full Council. An amended Business Plan or Exit Strategy will need to be approved by the ECSS Board and Full Council.</p>	Director, ECSS to monitor supported by the ECDC Head of Finance

B: Governance		
Risk Reference	Management of Risk	Action
<p>B1. Inadequate governance arrangements and lack of clarity on roles of the Council and the ECSS for the delivery of the waste and street cleansing services could lead to poor decision making which could undermine the delivery and future development of the services.</p>	<p>Compliance with the Memorandum of Understanding that sets out the roles and responsibilities of the Council and the ECSS (matters reserved only for Council) for the delivery of the waste and street cleansing services.</p> <p>Compliance with the service specifications for waste and street cleansing that set out clear availability criteria and performance standards to be met by the ECSS in the delivery of the services.</p> <p>After year one of trading ECSS will produce an annual service improvement plan in a format determined by the Council to drive the continued development and improvement of the services. This will include any capital investment proposals for the Council to endorse.</p> <p>The Performance Review Board is conducting monthly performance review meetings with the ECSS submitting a standard performance report to confirm performance against set performance targets and to agree revised priorities and operating procedures when required. Based on this activity a Quarter 1 report was then then submitted to the Regulatory Services Committee.</p> <p>Any changes to the Memorandum of Understanding will need to be approved by Full Council. The Managing Director will provide a report to the ECSS Board and then Full Council detailing the proposed changes and why these changes would be necessary.</p>	<p>Managing Director, ECSS and Director ECSS to monitor</p>
<p>B2. Lack of key skills amongst operational management team of ECSS to operate the services in full compliance with the Council's requirements and for the ECSS to maximise on commercial opportunities.</p>	<p>The Council and ECSS have developed and implemented shared proposals for the restructure of management resources within the Council and ECSS to optimise the future development of management resources and to ensure the right people are in the right roles. These structural arrangements are to be reviewed and further refined in October 2018 to reflect the first 6 months of the delivery of the services and lessons learnt.</p>	<p>Director, ECSS to review and refine current structural arrangements in October 2018.</p>

C. Financial		
Risk Reference	Management of Risk	Action
C1. A failure of the ECSS to align costs for service delivery to market rates by not achieving productivity levels required to deliver the market rates.	<p>The ECSS over the first 12 months of delivering the waste and street cleansing services will benchmark all costs against market rates and refine the Final Business Case to identify potential further efficiencies for re-investment in the services.</p> <p>New productivity and attendance targets have been set by the ECSS for the waste and street cleansing service with monthly performance reports being produced to confirm performance against these targets.</p>	Director, ECSS supported by the ECSS Operations Manager.
C2. A failure of the ECSS to deliver the waste and street cleansing services within the budget envelop set by the Final Business Case.	<p>Monthly Profit and Loss Statements has been developed and introduced for the waste and street cleansing services and reported upon monthly within the ECSS; with a quarterly high level financial report to the ECSS Board and Council on performance.</p> <p>A three year schedule of proposed efficiencies has been developed for approval by the ECSS Board to help deliver financially sustainable services going forward.</p>	Director, ECSS supported by the ECDC Head of Finance and ECSS Operations Manager.
C3. Economic downturn negatively impacting on recyclates income resulting in increased gate fees at the MRF.	The Council and the ECSS are closely monitoring recyclates income and gate fee charges under the current County Council contractual arrangements, with formal quarterly reviews to confirm if any additional costs for waste processing need to pass through from the ECSS to the Council.	Director, ECSS supported by the ECDC Waste Minimisation & Fleet Manager
C4. Economic downturn impacting on the capacity of the ECSS to grow a trade waste service because of a failure of SME's to continue to trade.	<p>The ECSS to grow the trade waste service incrementally out of the domestic and recyclates collection services till it has reached a scale that supports a separate collection service. The service to include bulky collections as an additional income stream. The full commercial risk for the trade waste service to be with the ECSS.</p> <p>The trade waste service to be operated by ECSS as a separate Profit and Loss account to ensure profitability of the service. With the annual benchmarking of fees and charges against the market place.</p>	Director, ECSS supported by the ECDC Waste Minimisation & Fleet Manager and the Waste Consultant to produce a business case by March 2019 for the proposed trade waste service

D: Operational		
Risk Reference	Management of Risk	Action
D1. ECSS failing to manage sickness absence in accordance with adopted policies and procedures to ensure attendance targets are being achieved	<p>The operational management team of ECSS have been taken through refresher training in respect of the policies and procedures and their specific roles and responsibilities in respect to the effective management of sickness absence.</p> <p>The monthly performance report produced by ECSS includes full reporting of sickness absence against the set attendance targets.</p>	<p>ECSS Operations Manager supported by ECDC Human Resources Manager to effectively manage sickness absence to ensure set attendance targets are being achieved.</p> <p>Director, ECSS to monitor.</p>
D2. ECSS failing to consistently deliver the availability and performance standards set out in the new service specifications leading to reputational damage for the Council.	<p>The ECSS have fundamentally review and amended all work processes and procedures, and resource deployment against the new availability criteria and service standards.</p> <p>The ECSS have introduced a new performance framework for the management of the services to work within, within monthly performance reports being produced.</p> <p>The monthly performance report produced by ECSS includes full reporting on performance against the set performance targets.</p>	<p>ECSS Operations Manager supported by ECDC Waste Minimisation & Fleet Manager to effectively manage performance to ensure set performance targets are being achieved.</p> <p>Director, ECSS to monitor.</p>
D3. ECSS failing to fully comply with the requirements of ECDC's Fleet Operator's Licence.	<p>ECDC has put in place the necessary procedures and processes to effectively manage the fleet, including the requirements for ECSS to ensure compliance with the O'Licence.</p>	<p>Waste Minimisation & Fleet Manager to ensure compliance with the O'Licence requirements as the designated Transport Manager.</p> <p>Director, ECSS to monitor</p>

Operational		
Risk Reference	Risk Reference	Risk Reference
D4. ECSS failing to have in place sustainable sub-contractor arrangements (e.g. vehicle maintenance, agency staffing etc.) to sustain the delivery of the waste and street cleansing services.	ECSS has put in place sub-contractor arrangements as required for vehicle maintenance, agency staffing, etc.	ECSS Operations Manager and ECDC Waste Minimisation & Fleet Manager to effectively manage all the sub-contractor arrangements in place and to tender for any additional requirements as they arise. Director, ECSS to monitor
D5. The Council and the ECSS failing to progress within budget and to the set time frame the depot refurbishment project in order to upgrade depot facilities to ensure compliance with environmental and health and safety legislation and to provide capacity to deliver extended services from the depot.	A set of project documents and governance arrangements are in place for the delivery of the project. The capital funding for the project has been agreed. Atkins Ltd have been retained for the detailed design, tendering and implementation of the programme of improvement works.	Director, ECSS, supported by the Facilities Management Team and Waste Consultant to manage the project to the required conclusion.

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

Committee: Shareholder Committee

Date: 1 October 2018

Author: Chief Executive and Managing Director, ECTC and ECSS

[T115]

1.0 ISSUE

1.1 To provide an updated assessment of the strategic risks faced by ECTC and ECSS and relevant actions.

2.0 RECOMMENDATIONS

2.1 Members are requested to note the report (including Appendices 1 and 2).

3.0 BACKGROUND

3.1 Council agreed on 12 July 2018 (ref: Agenda Item 9(2)) agreed revised Shareholder Agreements for ECTC and ECSS. This required the respective companies to provide a strategic risk assessment on a quarterly basis to the Shareholder Committee (ref: P6 para 5.5.1 Appendix B3) and (ref P6 5.5.2 Appendix B4).

4.0 PROPOSAL

4.1 Appendix 1 and 2 detail the Strategic Risk Assessments for ECTC and ECSS. These are first such reports and officers would welcome comments on the format and content of the report for future meetings.

4.2 The Strategic Risk Assessment are referenced to the Corporate Risk Registers for ECTC agreed by Council (ref 22 February 2018, Agenda Item 9) and Appendix 2 reflects the emerging Corporate Risk Register for ECSS.

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

5.1 There are no direct financial implications arising from the report. Any subsequent budget issues will be considered by the Board and reported to the Shareholder Committee, where appropriate. There is no requirement for an EIA.

6.0 APPENDICES

6.1 Appendix 1 – ECTC Strategic Risk Assessment Update
Appendix 2 – ECSS Strategic Risk Assessment Update

Background Documents

Council – 12 July 2018
Agenda Item 9

Location

Room 103
The Grange
Ely

Contact Officer

John Hill
Chief Executive & Managing
Director, ECTC & ECSS
(01353) 616271
E-mail: john.hill@eastcambs.gov.uk