EAST CAMBRIDGESHIRE DISTRICT COUNCIL

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

MEETING: **SHAREHOLDER COMMITTEE**
TIME: 4:00pm
DATE: 3rd December 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

Liberal Democrat Member
Cllr Lorna Dupré
(Spokesperson)

Substitutes
Cllr Lis Every
Cllr Chris Morris
Cllr Mathew Shuter

Substitute
Cllr Sue Austen
Cllr Christine Whelan

Lead Officer:
Maggie Camp, Monitoring Officer

Quorum: 3 Members

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 1st October 2018

5. Chairman's Announcements

6. Post-Completion Project Review

7. Forward Agenda Plan

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 OF THE COUNCIL'S TRADING COMPANIES
East Cambs Trading Company Ltd. Board Meeting 12th September 2018
East Cambs Street Scene Ltd. Board Meeting 12th September 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

AGENDA ITEM NO. 4

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.

P R E S E N T

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 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 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 it was acknowledged that 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.

AGENDA ITEM NO. 6

POST COMPLETION PROJECT REVIEW

PROJECT: FLEDGLINGS (LAND AT THE SHADE), SOHAM, CB7 5DE

DATE: November 14th 2018

AUTHOR: Head of Property and Development / Finance Manager

[T156]

THE DEVELOPMENT

The development created 13 residential units. 65% of the development was affordable housing delivered for Soham Thrift CLT. The mix of houses comprised:

- 3 x 1bed flats (Market sale)
- 6 x 1bed flats (CLT Affordable rent)
- 2 x 3bed Houses (Market sale)
- 1 x 2bed house (Affordable CLT Shared ownership sale)
- 1 x 3 bed house (Affordable CLT Shared ownership sale)

THE SITE

ECDC owned an existing unused parcel of rough grassland adjacent to The Shade Primary School in Soham. There were existing safety risks for parents and children accessing the school from a busy road and a positive outcome of our development was that it facilitated a safer pathway access to the school.

WORKING WITH THE COUNCIL

In accordance with the original plan the land was purchased from the Council for £10,000. The Council subsequently awarded a £400,000 grant towards the provision of additional affordable housing within the scheme. This grant was received in September 2017.

CONSTRUCTION PROGRAMME

The contractors E N Suiter worked well with the design team to bring the project in on time and on budget. The contractor worked collaboratively and was exceptionally helpful in providing solutions during the project. However, more defects have been raised since completion than would have been expected. This is being monitored closely.

SALES

Of the five properties in the scheme for market sale, four have been sold at the time of writing. Total revenues will be fractionally above plan assuming the final plot is sold on or about the current market valuation (£265,000).

Lessons for future projects:
There were some issues with completion of the market properties being held up by needing to complete on the sale of the CLT units to Thrift Soham CLT. This was a consequence of the way that the legal transfer process had been set up at the start and it could have been avoided. There was a slight danger that this could have derailed a market sale and needs to be avoided on future projects.

S106 / S38 /S278 FEES & COMMUNITY INFRASTRUCTURE LEVY (CIL)

CIL payments totaling £16,000 were made, which was slightly above plan. Payments of £2,400 were made under S106, S38 and S278 agreements, slightly less than forecast.

CLT AFFORDABLE HOMES

The CLT units were transferred to Soham Thift CLT for £643,000 again fractionally above plan. The six one-bed flats are now all occupied by tenants with a waiting list of sixteen at the time of writing and expressions of interest from a further half a dozen prospective tenants that need to be evaluated. The two houses transferred to the CLT for shared-ownership sale have now been sold.

As well as the £400,000 grant mentioned in 2 above, a further £120,000 grant was received from Cambridgeshire & Peterborough Combined Authority to aid scheme viability. This had not been formally confirmed at the approval of the business plan but was expected.

Overall the CLT has been impressed with the quality of the finish to the properties and feel that it is a good addition to the town. It is appreciated that there is no discernible difference between the market sale properties and the affordable homes.

Lessons for future projects:
Arranging the funding for the CLT turned into a lengthy process, not helped by a change in staffing at the lending bank (Triodos). In the future this ought to be streamlined in some way, perhaps by building relations with various ethical lenders over a period in order that both sides (CLT and lender) understand each other's processes a little better.

Communication between the development team and Thrift Soham could possibly have been better. It may have been simply the lack of understanding by Thrift Soham of the processes and timescales of a development. Some CLT's will have more understanding of this than others so thought could go into an appraisal of this at the start.

FINANCIAL APPRAISAL

		Plan	Actual	Variance
Revenues		2,098,308	2,110,730	12,422
Costs (Pre interest)		1,772,867	1,655,335	(117,532)
Gross profit		325,441	455,395	129,954
Interest			16,589	
Overhead absorption			80,276	
Net Profit			**358,530**	

As can be seen from the table above, the project was more profitable than forecast due to costs being lower than planned. The absorption of Palace Green Homes and East Cambs Community Housing overheads has been estimated based on the cost of sales of this project in relation to the costs on other projects. Work is ongoing to apportion these in a different method going forward.

EXTERNAL RECOGNITION

The development has been nominated in the 'Small Development of the Year' category at the upcoming Cambridge Property Awards 2018, the results of which will be announced on November 29th. The submission for this award, prepared by Sarah Woods, is below.

The Fledglings, Soham

A landmark development that's no ordinary home-building scheme

In a landmark community-led development project that pulled together funding from East Cambs District Council and Cambridgeshire & Peterborough Combined Authority, The Fledglings in Soham is no ordinary home building scheme. Significant community engagement - before, during and after the planning application process – has ensured this development of 13 new homes was a true collaboration between local people who formed a local Community Land Trust, the wider local community, and the Ely-based Palace Green Homes team. Though small in size, as its first project, The Fledglings is a milestone site for Soham Thrift Community Land Trust. It also serves as a successful model to demonstrate what can be achieved through a strong partnership between a local authority and its local community by delivering high-quality homes of all tenures where residents played a significant part in deciding the size, layout and design.

Development of the site itself, a neglected piece of waste ground that had attracted undesirable (anti-social) behaviour in the past, was welcomed by the adjacent primary school. Designers also incorporated a new, safer route for children and parents that walk and cycle to school. Unobstructed countryside views can be enjoyed from the development's large windows, which allow plenty of natural light to flood in. The design is an inspired, contemporary aesthetic with the two three-bedroom homes offering open-plan living spaces, private gardens and parking as well as communal gardens and secure parking.

8 of the 13 new properties at the Fledglings are now community-owned assets that are legally protected from the right to buy, ensuring genuinely affordable housing is available in perpetuity for future generations. Surpluses generated by the Land Trust from rents over time will be re-invested into new projects that benefit the needs of the local community. Priority was given to applicants with a strong local connection to Soham in the affordable housing allocation decisions. This has strengthened the local community and benefited local employers that were struggling to retain key staff as local people on local wages can continue live close to work and family, irrespective of future property market fluctuations.

Construction work started in mid-September 2017 and was completed in autumn 2018. At less than one mile from the town centre, The Fledglings is perfectly positioned close to Soham's shops, pubs and restaurants.

Developer	East Cambs Trading Company t/a Palace Green Homes
	The Grange, Nutholt Lane, Ely, Cambs CB7 4EE
	Tel: 01353 616397 – Sarah Woods
Architects	The Design Partnership / Gary Johns Architects
Project Manager / QS	Henry Riley LLP
Contractor	E.N Suiter Ltd

AGENDA ITEM NO. 7

SHAREHOLDER COMMITTEE

FORWARD AGENDA PLAN

Lead Officer: Maggie Camp, Monitoring Officer

Democratic Services Officer: Adrian Scaites-Stokes

Meeting on: **11th February 2019 4:00pm**		Meeting on: **14th March 2019 4:00pm**		Meeting on: **TBA 2019 4:00pm**	
Deadline for reports: 31st January 2019		Deadline for reports: 4th March 2019		Deadline for reports: TBA	
Board of Directors Report – ECTC	E Grima				
Board of Directors Report – ECSS	E Grima				
East Cambs Trading Company Board Minutes – 15th November 2018	J Murfet	East Cambs Trading Company Board Minutes – 31st January 2019	J Murfet	East Cambs Trading Company Board Minutes – 28th February 2019	J Murfet
East Cambs Street Scene Ltd Board Minutes – 15th November 2018	J Murfet	East Cambs Street Scene Ltd Board Minutes – 31st January 2019	J Murfet	East Cambs Street Scene Ltd Board Minutes – 28th February 2019	J Murfet