

STRATEGIC BUSINESS PLAN

2019-21

NORTH TYNESIDE TRADING COMPANY LIMITED

**QUADRANT
COBALT BUSINESS PARK
THE SILVERLINK NORTH
NORTH TYNESIDE
NE27 0BY**

DATE OF INCORPORATION: 11 DECEMBER 2012

COMPANY NUMBER: 08326780



EXECUTIVE SUMMARY

North Tyneside Trading Company Limited was established as a Private Company, Limited by Shares in December 2012.

The Company is wholly owned by North Tyneside Council who is the sole shareholder of the Company.

The Company was created by the Council to generate an income from the delivery of traded services to both the public and private sector.

Whilst the Company's primary function is to deliver an income to the Council, it is fundamental that it operates with the highest levels of integrity, accountability and transparency.

The Company is a holding company that delivers income for the Council through the trading activities of its subsidiaries. The Company will create a new subsidiary for each separate type of activity that is undertaken.

To date the Company has 4 subsidiaries:-

- North Tyneside Trading Company (Consulting) Limited – a Company established for the delivery of professional services. (Currently dormant).
- North Tyneside Trading Company (Development) Limited – a Company established for the delivery of affordable homes.
- Aurora Properties (Sale) Limited – a Company established for the delivery of homes for sale on the open market.
- Aurora Properties (Rental) Limited – a Company established for the delivery of homes for market rental. (Currently dormant).

This is the fifth Strategic Business Plan for North Tyneside Trading Company Limited. It sets out the mission and strategic ambitions of the Company for the next three years and how these can be delivered.

Details regarding the Company's history and governance are included.

This strategic plan will provide a sense of direction for the Company and will guide its business development.

BUSINESS OVERVIEW

The Company's Mission

To maximise opportunities and outcomes for the Borough through the activities undertaken to support the Council's Our North Tyneside Plan 2018-2021 and the Council's longer term Ambition for North Tyneside.

The Company's Objectives

- Through North Tyneside Trading Company (Development) Ltd to increase the supply of quality affordable housing in the Borough, by developing affordable homes primarily on land owned by the Authority. This supports the delivery of the policy intention set out in the 2018-2020 'Our North Tyneside' Council Plan, "to deliver more quality affordable homes."
- Through Aurora Properties (Sales) Limited and Aurora Properties (Rental) Limited to develop sites for market sale, market rent and/or a mixture of tenures and where applicable to support the Council's regeneration aims as contained in the Council's Ambition for North Tyneside.
- To provide a vehicle for the Council to test out new thinking in service delivery and new approaches to markets.

Organisational Background and Context

As a wholly owned entity the Company is accountable to North Tyneside Council as the sole Shareholder. Through the Company the Council aims to:

- advance the aims and objectives of the Council's Our North Tyneside Plan 2018-2021 and its longer term Ambition for North Tyneside as approved by Cabinet on 26 November 2018;
- generate income or other benefit (e.g. regeneration) to the Council and the Borough through the delivery of quality services and goods whilst ensuring all projects are at least cost neutral to the Council; and
- improve and enhance the skills of the Council's workforce through delivering opportunities for staff to work across different sectors and potentially in new markets in their provision of services to the Company.

At its Cabinet meeting on 16 April 2012, the Council asked officers to develop options for alternative business structures to generate income for the Council. Cabinet received a further report on 11 June 2012 seeking approval to agree the next steps in developing the Council's trading opportunities. A further report was presented on 12 October 2012 to gain Cabinet's approval for the purpose, structure and governance for the Company, as well as the process for appraising trading opportunities.

North Tyneside Trading Company Limited and its original subsidiary North Tyneside Trading Company (Consulting) Limited were incorporated with Companies House on 11 December

2012 with a view to look for business opportunities across a range of services, however, none of these were subsequently deemed to be commercially viable at that time.

From May 2013, there was a change of focus for the Company. Cabinet asked the Company to establish the capability to develop sites to deliver affordable homes as part of the Our North Tyneside Council Plan to deliver 3,000 new affordable homes in North Tyneside.

At Board Meeting held on 25 March 2015, the Company's Board approved the setting up of a second subsidiary to carry out this purpose, North Tyneside Trading Company (Development) Limited (the Development Company).

This subsidiary has delivered homes for affordable rent at its new build scheme at Reed Avenue and by purchasing homes at the new build site at Wallington Close. It has also purchased homes on the open market in various locations within the borough.

All homes are occupied in line with the Development Company's lettings policy which has an emphasis on providing homes for tenants in need of affordable housing and makes use of local lettings policies tailored to specific sites. In March 2017, two further subsidiaries of the Company were incorporated: Aurora Properties (Sale) Limited and Aurora Properties (Rental) Limited. These two further subsidiaries were created in order to deliver the Cabinet approved strategy of identifying further sites for development for either market sale or market rental properties and / or a mix of property – some affordable and some for market sale or rental and/or to realise the Council's regeneration ambitions.

The specific purpose of Aurora Properties (Sale) Limited is to provide homes for sale on the open market and the specific purpose of Aurora Properties (Rental) Limited is to provide homes to be let at a market rent. Aurora Properties (Rental) Limited is currently dormant. Where applicable both companies will seek to assist with the fulfilment of the Council's regeneration aims.

Governance

The Company is governed by a Board of Directors and operates in accordance with its Articles of Association and relevant company law. These together regulate the affairs of the Company.

The Board of Directors of the Company is comprised of four Directors: two Cabinet Members; and two senior officers from the Authority's Senior Leadership Team.

The current Directors of the Company are - Cabinet Members: Councillor Bruce Pickard and Councillor Ray Glindon and Senior Leadership Team members: Phil Scott (Head of Environment, Housing and Leisure) and Jacqueline Laughton (Head of Corporate Strategy).

The Company Secretary is Stephen Ballantyne, a senior lawyer in the Council's Law and Governance Service.

The Board of Directors is directly accountable to the Company shareholder (the Council). The Shareholder makes its decisions, in relation to matters that relate to the Company, through the Cabinet of the Council. The Council's Overview, Scrutiny and Policy

Development Committee has an integral role in examining any shareholder decisions made on behalf of the Council by the Cabinet.

Progress of the active companies

North Tyneside Trading Company (Development) Ltd (the Development Company)

Since its development of 13 new build affordable homes in Camperdown, the Development Company devised, in 2017, a purchasing strategy and has since then proceeded to acquire 19 homes on the open market, taking its total number of homes to 32. In line with the Council's priority of delivering more affordable homes, the Board of the Development Company have reviewed and extended their purchasing strategy with the aim of purchasing a further 20 homes to take the Development Company's asset base up to 50 homes. Funding of these purchases is via a grant from the Council of Section 106 Town and Country Planning Act 1990 commuted sums that are available for affordable housing.

Aurora Properties (Sale) Limited (Aurora Sale)

Aurora Properties (Sale) Limited has successfully completed its first new build scheme of 12 bungalows at Wallington Close, Marden Estate for market sale. Aurora Sale is also well underway with its second scheme of a further 12 homes for market sale at Empress Point (the site of the former Avenue Public House, Whitley Bay) and completion of these homes is expected in Summer 2019.

In addition the refurbishment of the former Council offices building and new build scheme at the rear of Northumberland Square in North Shields into 28 homes for market sale is expected to commence on site in early 2019. Funding for the construction of the homes is from the Council in the form of both debt and equity funding.

Aurora Sale will continue to work with the Council to explore sites to be developed out for either market sale or market rental properties and/or a mix of property – some affordable and some for market sale or rental and to support any wider regeneration aims contained in the Ambition for North Tyneside.

Assets of the Company

The Company was established with no assets or staff. The Council initially provided the resources required to pursue the agreed initial business opportunities under the 'de minimis' exemption to the European Union "State Aid" Regulations. That exemption provides that the Council is permitted to provide aid of up to €200,000 (circa £160k) over a rolling three-year period.

For clarification, all the Company's assets would be able to be returned to the Council as the sole shareholder, in the event that the Company was dissolved.

Details of the funding provided to the Company in relation to the activities of its subsidiary companies and the assets of those companies are given below:

North Tyneside Trading Company (Development) Limited

The Council provided a grant of £66k in 2016/17 to the Development Company to cover running costs in completing its first affordable homes site. The grant can only be used by the Development Company for the purpose of the running costs associated with the development of affordable housing. Any surplus grant, or grant not used for this purpose would be returned to the Authority.

Funding of the Affordable Homes for Rent Purchasing Strategy agreed by the Development Company is via a transfer from the Council of Section 106 Town and Country Planning Act 1990 commuted sums that are available for affordable housing.

The Development Company currently has an asset base of 32 homes.

Aurora Properties (Sales) Limited

The funding required to cover the running costs of Aurora Sales to deliver its first three schemes at the Wallington Court site in Cullercoats, the Avenue site in Whitley Bay and the Northumberland Square site in North Shields has been secured from the Council partly through a loan, on commercial terms, and partly through the purchasing of equity in the Company. The Company then purchases equity in Aurora Sales.

The Council will derive its return from Aurora Properties (Sales) Limited through loan interest receipts, sales of project management and technical services, and, potentially, through dividends from profits generated. Loans made by the Council to Aurora will be repaid after all of the units on the developments have been sold.

STRATEGIC PLAN

Growth and Business Development

Appraising future business opportunities

As defined in the Articles of Association, the object of the Company is to:

‘Provide services to public bodies and other customers as appropriate’.

When trading opportunities are identified a business case will be developed outlining the potential benefits, risks and resources involved in pursuing that opportunity/project.

Any business case that is pursued must be approved by Board of Directors in advance.

All projects undertaken by the Company will aim to return a surplus or profit to the Council and/or seek to achieve a regeneration objective in line with the Council’s Our North Tyneside Plan and Ambition for North Tyneside. Projects delivered will be at least cost neutral to the Council.

Products and Services

The Company will explore opportunities for growth in line with the Company objectives and mission statement set out above.

It has been identified that there is a need to establish a strong development pipeline for the next 3 years to ensure continuity of work and cash flow. Opportunities for the development of further sites and other potential trading options will be considered by the Board of the Company and presented to the Council for its consideration and approval at the appropriate time.

North Tyneside Trading Company (Development) Limited

As part of the delivery of its Affordable Homes Programme, the Council’s Cabinet asked the Company in March 2015 to provide a business plan for delivery of affordable homes. The Development Company was therefore established to act as one of the Council’s developers of sites within North Tyneside for affordable homes use.

The Company completed Reed Avenue as its initial development site and is progressing with a purchasing strategy of buying homes on the open market to be let at an affordable rent. It currently has 32 homes across the borough, all of which are let at affordable rents, in accordance with the Company lettings policy.

By March 2020 the Development Company aims to increase this figure to 50 homes. The Development Company will specifically target geographical areas, in line with demand information, that are currently under represented within its asset base.

The Development Company will be producing, in the immediate future, a comprehensive asset management plan for its homes to enable it to maintain and manage the properties.

Aurora Properties (Sale) Limited

Aurora Properties (Sale) Limited has completed its first site at Wallington Close which consists of 12x 2 bedroom bungalows for market sale, with several homes either already sold or under reservation.

Aurora Sale is also on site developing 12 luxury homes at Empress Point which include ten 3 bedroom townhouses, a maisonette and an apartment. These properties are due for completion in Summer 2019 and will be available for purchase on the open market.

Aurora Sale was also requested by the Council to assess the potential to refurbish the former Council offices at Northumberland Square and the car park to the rear, with a view to complementing the work being undertaken by the Council to regenerate North Shields.

Following an assessment of the site's potential, Aurora Sale has found a solution to revive the existing buildings and the car park to the rear and has completed enabling works which allow for the development of 28 new homes for market sale.

A contractor has been appointed by Aurora Sale to build the scheme and a start on site is expected by February 2019. The development includes the refurbishment of the existing Grade II listed buildings into 10 luxury apartments and 2 townhouses, as well as 3 new build apartments and 13 new build houses at the rear of the existing building.

Other Business Development opportunities:

Aurora Properties (Rental) Limited:

This company is currently dormant however it is hoped that work to identify possible opportunities for development or acquisition of homes for market rent will be able to be taken forward. It is envisaged that the Company could potentially act as a market leader, thereby helping to raise standards in the private rented sector.

North Tyneside Trading Company (Consulting) Limited:

This company is currently dormant and although previously no other commercial opportunities have been identified to date, the Company believes that there is potential to develop commercial activity, e.g. by selling professional services to other organisations. This will be examined further during the forthcoming year.

Risks

The business developments and opportunities are set against a continuing backdrop of tough financial times.

Full risk registers are in place for the Company, the active subsidiaries and each project has a project specific risk register. These are actively reviewed regularly and are discussed at relevant Board Meetings.

Monitoring and mitigation of these risks by the Directors of the Company and by the Council as shareholder helps to enable the Company to fulfil its strategic ambitions and to achieve its mission.