

North Tyneside Council Report to Cabinet Date: 11 February 2013

ITEM 6(m)

Title: North Tyneside Trading Company
Strategic Business Plan 2013-15 and
Annual Business Plan 2013-14

Portfolio(s): Finance

Cabinet
Member(s): Councillor Judith Wallace

Report from Directorate: Finance and Resources

Report Author: Fiona Rooney,
Strategic Director for Finance and Resources (Tel: (0191) 643 5724)

Wards affected: All

PART 1

1.1 Purpose:

The purpose of the report is to seek Cabinet's approval for the Strategic Business Plan 2013-15 and the Annual Business Plan 2013-14 for North Tyneside Trading Company Limited (NTTC) and to approve the provision of all necessary support to NTTC to pursue trading opportunities. The report also provides Cabinet with an update on the work undertaken since this matter was last considered by Cabinet in October 2012.

1.2 Recommendation:

It is recommended that Cabinet:

- (1) approve the Strategic Business Plan 2013-15 and the Annual Business Plan 2013-14 for North Tyneside Trading Company Limited; and
- (2) agree the provision of support to NTTC to enable it to pursue business opportunities, as envisaged in the said Business Plans, subject always to the State Aid limitations described at paragraph 2.1.

1.3 Forward Plan:

28 days' notice of this report has been given and it first appeared on the Forward Plan that was published on 9 January 2013.

1.4 Council Plan and Policy Framework

This report relates to item 23 in the Implementation Plan for the Council's Strategic Plan 2012/15, 'Opportunities to expand our service delivery into the public and private sector'.

1.5 Information:

1.5.1 Background

At its meeting on 16 April 2012, Cabinet asked officers to develop options for a trading structure for a range of the Council's activities and services, for Cabinet's future consideration. Whilst current legislation provides local authorities with the power to charge for services this power is limited in scope. The establishment of a trading company would allow the Council's services to be traded more widely. Cabinet agreed to establish a trading company for this reason.

Cabinet received a further report on 11 June 2012 and approved the next steps in developing the Council's trading opportunities. At its meeting on 8 October 2012 Cabinet approved the purpose, structure and governance for NTTC as well as the process for appraising trading opportunities.

Structure and Purpose

NTTC has been established as a company limited by shares, with the Council as the sole shareholder. In addition a group structure has been put in place, with a subsidiary company (North Tyneside Trading Company (Consulting) Limited) wholly owned by NTTC as sole shareholder, created as a potential future vehicle for the delivery of services. Additional subsidiaries could subsequently be created as required. This structure has been adopted as it is understood to offer particular benefits including the facilitation of trading across different markets, appropriate separation of responsibilities and better management of risk.

NTTC, as well as its subsidiary company, were formally incorporated at Companies House on 11 December 2012. The Articles of Association and Shareholder Agreement for NTTC are attached as Appendices 1 and 2 to this report.

The purpose of NTTC as specified within its Articles of Association is:

“to provide services to other public bodies; and any other customers (whether public bodies or not) as considered appropriate”.

This broad objective will enable NTTC to pursue a wide range of trading activities, as opportunities arise.

The relationship between the Authority and NTTC is governed by a Shareholder Agreement, under which the Authority as sole shareholder is enabled to exercise control over key decisions and activities of NTTC.

Governance and Business Case Approval.

The business of NTTC is to be managed by a Board of Directors consisting of two Cabinet members and two members of the Council's Senior Leadership Team. Where business opportunities are identified, business cases will need to be formulated and submitted for approval at the appropriate level, before the opportunity can be taken forward.

As agreed by Cabinet on 8 October 2012, decision making in relation to approval of business cases will be undertaken as follows (with respect to anticipated trading turnover):

Business cases anticipating under £10,000 total turnover are approved by the Head of Service;

Business cases anticipating between £10,000 and £99,999 total turnover are approved by the Head of Service and the relevant Strategic Director;

Business cases anticipating between £100,000 and £499,999 total turnover are approved by the Strategic Director for Finance and Resources, in consultation with the Cabinet Member for Finance and the portfolio Cabinet Member; and

Business cases anticipating total turnover of £500,000 or more are approved by Cabinet.

All business cases will be required to identify:

- The objectives of the proposed business;
- The investment and other resources required to achieve those objectives;
- Any risks the proposed business might face and how significant these risks are; and
- The expected financial results of the proposed business, together with any other relevant outcomes that the business is expected to achieve.

Under the Shareholder Agreement any Strategic Business Plan or Annual Business Plan produced by NTTC requires the approval of the Authority.

This report therefore requests Cabinet to approve the Strategic Business Plan and Annual Business Plan for NTTC and to note the outcome of work undertaken since the report to Cabinet on 8 October 2012.

1.5.2 Board of Directors

Following incorporation, the inaugural board meetings for both NTTC and NTTC(C) were held on 18 January 2012. The four directors for both companies have been appointed, being:

- Councillor George Westwater
Cabinet Member for Community and Regulatory Services;
- Councillor David Lilly
Cabinet Member for Children, Young People and Learning;
- Graham Haywood
Interim Chief Executive; and
- Paul Hanson
Strategic Director for Community Services.

At their initial board meeting, the Board of NTTC agreed its Strategic Business Plan 2013/15 and Annual Business Plan 2013/14, and agreed that these be submitted to Cabinet for approval. Subject to Cabinet approval of NTTC's Business Plans, its subsidiary company NTCC(C) agreed its own mirror Business Plans.

1.5.3 NTTC Strategic Business Plan 2013 - 15

NTTC's Strategic Business Plan 2013 – 15 is attached as Appendix 3. This sets out the mission and strategic ambitions of NTTC for the next two years and how it is anticipated these can be delivered. Background information on the establishment of NTTC and its governance arrangements are included.

NTTC's mission is:

“To maximise opportunities to expand Council services and expertise into the public and private sector to generate profit for a public purpose.”

NTTC's strategic ambitions are to:

- Create a corporate identity;
- Develop and bring together its portfolio of services;
- Maintain a unified, viable business through growth;
- Understand and test its potential to compete and deliver services; and
- Deliver high quality services to fulfil its contracts.

The Strategic Business Plan provides direction for NTTC and will guide its business development. It will be used to introduce NTTC to potential business partners, clients and stakeholders who wish to do business with it.

1.5.4 NTTC Annual Business Plan 2013 - 14

NTTC's Annual Business Plan 2013 - 14 is attached as Appendix 4. The Plan develops the strategic ambitions contained within the Strategic Business Plan 2013 – 15 and sets out NTTC's actions for 2013-14, being to:

- Develop branding and design proposals including logo, marketing materials and correspondence templates;
- Define the scope of services to be offered to the market place through NTTC;
- Approach the market to supply a range of traded services;
- Explore all potential opportunities in the market place and develop NTTC's market profile and
- Identify, utilise and develop the skills experience and capacity of available resources.

1.6 **Decision options:**

The following decision options are available for consideration by Cabinet.

Option 1

Cabinet may approve the Strategic Business Plan 2013-15 and the Annual Business Plan 2013-14 for NTTC, and agree the provision of support to NTTC on the basis outlined.

Option 2

Cabinet may agree one or more, but not all, of the above matters.

Option 3

Cabinet may not approve any of the recommendations.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is the recommended option as approval of the Strategic Business Plan and the Annual Business Plan will provide the strategic basis for NTTC to move forward to seek out business opportunities and commence trading for profit, and will support the Authority's objective to expand service delivery into the public and private sector. Provision of a reasonable level of support to NTTC as trading opportunities are explored will assist in this process.

1.8 Appendices:

Appendix 1: Articles of Association

Appendix 2: Shareholder Agreement

Appendix 3: NTTC Strategic Business Plan 2013 – 15

Appendix 4: NTTC Annual Business Plan 2013 – 14.

1.9 Contact officers:

Graham Haywood	Chief Executive	tel. (0191) 643 7317
Fiona Rooney	Strategic Director of Finance and Resources	tel. (0191) 643 5724
Paul Hanson,	Strategic Director of Community Services	tel. (0191) 643 7000
Paul Gowans,	Head of Cultural and Customer Services	tel. (0191) 643 7401
Andrew Gate	Senior Manager, Commercial Services Team (Strategic Projects)	tel. (0191) 643 6450
Sarah Heslop,	Manager, Legal Services - Commercial Team	tel. (0191) 643 5456
Alison Campbell	Finance Business Manager	tel. (0191) 643 7038
Gayle Taylor	Senior Manager, Major Projects	tel. (0191) 643 7452
James Roff	Partnerships Manager, Commercial Services	tel. (0191) 643 5857

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (1) North Tyneside Council Strategic Plan and Budget 2012/13;
- (2) [North Tyneside Council Report to Cabinet 16 April 2012, Community Trust Update and Trading Options;](#)
- (3) [North Tyneside Council, Report to Cabinet 11 June 2012, North Tyneside Council's proposed trading activity;](#)

- (4) [North Tyneside Council Report to Cabinet 08 October 2012, Creating a Trading Company for North Tyneside Council;](#)
- (5) Website for Companies House: <http://www.companieshouse.gov.uk/>;
- (6) Companies Act 2006.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The financial objective of NTTC is to make a profit which would be available to the Council to use as it sees fit.

The Council must fully account for any support to NTTC in the form of accommodation, goods, services, staff or anything else which it provides in order to facilitate NTTC with the power to trade. Any financial assistance, in cash or in kind, given to NTTC by the Council should be for a limited period and be only those required to achieve the expected returns and therefore be provided under a formal agreement between the Council and NTTC.

The Council may provide NTTC with a reasonable level of support providing this is in compliance with relevant State Aid limits. All rechargeable costs incurred by the Authority will need to be accounted for and details provided in any business case. The financial management arrangements will ensure that company accounts are separate, identifiable and reportable.

NTTC will need to comply with all the regulatory requirements of the Companies Act 2006 and the regulatory regime for local authority companies under the Local Government and Housing Act 1989, and the governance arrangements will reflect roles and responsibilities under the Council's Constitution, Financial Regulations, Contract Standing Orders and the Scheme of Delegations. NTTC will need to consider implications associated with VAT as appropriate and will be liable for corporation tax on its profits.

Full financial considerations for all parties, including the Authority, NTTC and partner organisations (e.g. Kier, Balfour Beatty, Capita Symonds etc.) as appropriate will need to be addressed in any business case developed.

2.2 Legal

Any relevant legal implications will need to be fully developed in the preparation of any business case. When approval is received for a business case, appropriate formal contractual arrangements will need to be agreed and put in place between the Authority and NTTC (and/or where appropriate with any subsidiary company) in respect of finance, staffing, equipment, accommodation and/or other relevant matters dependent upon the requirements of the particular trading opportunity.

Where support is to be provided to NTTC by the Authority, State Aid implications must be taken into consideration, as referred to under the Financial Implications. The Authority will be required to be mindful to recoup full cost recovery for any resources provided to NTTC, whether through charging arrangements, or through utilising the State Aid de minimis provision.

TUPE implications may arise, dependent upon the nature and scope of any trading activity proposed to be undertaken. The full implications would be analysed and considered in the relevant business case.

Additional legal implications associated with the establishment of the trading company are contained in the previous reports to Cabinet on 16 April, 11 June and 8 October 2012.

2.3 Consultation/community engagement

At this stage the work referred to in this report has been carried out as part of the Change, Efficiency and Improvement Programme. Relevant senior officers as described in paragraph 1.9 have been leading the work in discussion with the appropriate Cabinet Members and the Elected Mayor.

Consultation and engagement has taken place with a range of senior officers, the appropriate Cabinet Members and the Elected Mayor.

Developing the Council's trading capability has also been discussed in briefings with Trades Unions and in wider consultation on the Council's procurement approach with local business and the community and voluntary sector.

Consultation and engagement will form part of the process of development of business cases and will be tailored to specific opportunities.

2.4 Human rights

There are no human rights implications arising from this report.

2.5 Equalities and diversity

There are no equalities and diversity implications from this report. A full Equalities Impact Assessment will be completed as necessary as part of business cases submitted to the Council.

2.6 Risk management

There will be a need for clear operational control procedures and monitoring. All risks and uncertainties affecting the Council's and NTTC's position will be identified and mitigation will be put in place.

2.7 Crime and disorder

There are no crime and disorder implications arising from this report.

2.8 Environment and sustainability

There are no environment and sustainability implications arising from this report.

PART 3 - SIGN OFF

- Chief Executive

- Strategic Director(s)

- Mayor/Cabinet Member(s)

- Chief Finance Officer

- Monitoring Officer

- Strategic Manager Policy and Partnerships