

# North Tyneside Council Report to Cabinet 23 November 2015

**ITEM 3(a)**  
North Tyneside Trading  
Company – Strategic  
Business Plan

**Portfolio(s):** Elected Mayor

**Cabinet Member(s):** Mrs N Redfearn

**Report from  
Service Area:** Deputy Chief Executive

**Responsible Officer:** Paul Hanson, Deputy Chief Executive **Tel: (0191) 643 7000**

**Wards affected:** All

## **PART 1**

### **1.1 Executive Summary:**

In December 2012, the Authority established North Tyneside Trading Company Limited (the 'Trading Company'), this was to act as the Authority's vehicle for trading opportunities.

Cabinet is the shareholder's representative for the North Tyneside Trading Company. In this role and in accordance with the Trading Company's constitution, Cabinet is asked to approve the Trading Company's Strategic Business Plan 2015-18.

### **1.2 Recommendation(s):**

It is recommended that Cabinet approve the Trading Company's Strategic Business Plan 2015-18.

### **1.3 Forward Plan:**

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 26 October 2015.

### **1.4 Council Plan and Policy Framework**

This report relates to the following priorities in the 2014/18 Our North Tyneside Plan:

- (1) Our Places: Our places will have more quality affordable homes.
- (2) Our Economy: Our economy will have the right conditions to support investment and create new jobs, especially apprenticeships.

### **1.5 Information:**

#### **1.5.1 Background**

1.5.2 The Trading Company was established as a Private Company, Limited by Shares in December 2012. The Trading Company is wholly owned by North Tyneside Council and the Authority is the sole shareholder of the Trading Company. The Trading Company was created to provide services to public bodies and to other customers, as considered appropriate, enabling trading in new markets and different places.

- 1.5.3 The Trading Company is required to have a Strategic Business Plan that provides a sense of direction for the Trading Company, and that is intended to guide business development. The Board of Directors has reviewed and refreshed the Strategic Business Plan for 2015 – 2018. It sets out the Trading Company’s history; governance; mission; approach to appraising business opportunities; assets; products and services; and risks.
- 1.5.4 Part of the Strategic Business Plan sets out how the Trading Company will support the delivery of the Authority’s Affordable Homes Programme through its consideration of the use of Reed Avenue and Northumberland Square as initial potential development sites.
- 1.5.5 The full Strategic Business Case is set out in the Appendix.

## **1.6 Decision options:**

The following decision options are available for consideration by Cabinet:

### Option 1

Cabinet may approve the Trading Company’s Strategic Business Plan 2015-18.

### Option 2

Cabinet may not approve the Trading Company’s Strategic Business Plan 2015-18 and refer the Business Plan back to the Trading Company to examine further options/opportunities.

Option 1 is the recommended option.

## **1.7 Reasons for recommended option:**

Option 1 is recommended for the following reasons:

If Cabinet approves the recommended option, the Trading Company will continue with the activities set out in the Strategic Business Plan, including the potential imminent development of the Reed Avenue site for the purpose of creating new affordable homes.

If the preferred option is not approved, the Trading Company will be unable to undertake the proposed Strategic Business Plan activities, including the potential imminent development of the Reed Avenue site for the purpose of creating new affordable homes.

## **1.8 Appendices:**

Appendix: North Tyneside Trading Company Limited: Strategic Business Plan 2015-18

## **1.9 Contact officers:**

Paul Hanson, Deputy Chief Executive, Tel: (0191) 643 7000

Lisa Clark, Head of Commercial and Business Redesign, Tel: (0191) 643 5719

Sarah Heslop, Manager, Commercial Team, Legal Services, Tel: (0191) 643 5456

Gary Forster, Senior Manager: Commercial, Tel: (0191) 643 6670

Vicki Dixon, Senior Manager Investment and Commercial Finance, Tel (0191) 643 5723

## **1.10 Background information:**

[Cabinet - 8 October 2012 - Creating A Trading Company for North Tyneside Council](#)

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

There are no specific financial implications arising from this report as this is to agree the over arching business plan.

Individual projects which are brought forward for consideration by the Trading Company will have a full business case prepared which will set out the financial implications for both the Authority and the Company.

### **2.2 Legal**

In accordance with the Trading Company's Constitution the Shareholder, Cabinet, must be presented and agree the Business Plan for the Trading Company.

Individual projects which are brought forward for consideration by the Trading Company will have a full business case prepared which will set out the financial implications for both the Authority and the Company.

### **2.3 Consultation/community engagement**

There are no specific public engagement implications arising from this report as this is to agree the over arching business plan. There has been internal consultation with Cabinet Members on the Trading Company proposal.

Engagement/consultation requirements will be considered for any proposal brought forward by the Trading Company.

### **2.4 Human rights**

There are no human rights implications directly arising from this report.

### **2.5 Equalities and diversity**

There are no equalities and diversity implications directly arising from this report.

### **2.6 Risk management**

The Trading Company has a risk register that the Board regularly reviews. The Trading Company use the same risk methodology as the Authority.

### **2.7 Crime and disorder**

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

### **2.8 Environment and sustainability**

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

### PART 3 - SIGN OFF

- Deputy Chief Executive  X
- Head(s) of Service  X
- Mayor/Cabinet Member(s)  X
- Chief Finance Officer  X
- Monitoring Officer  X
- Head of Corporate Strategy  X

**APPENDIX:**  
**STRATEGIC BUSINESS PLAN**  
**2015-18**

**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**

**1 APRIL 2015 TO 31 MARCH 2018**

## **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 being the sole shareholder of the Company.

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

Whilst our primary function is to deliver an income to the Council, it is fundamental that we operate our business with the highest levels of integrity, accountability and transparency.

The Company is an Umbrella 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 2 subsidiaries:-

- North Tyneside Trading Company (Consulting) Limited – a Company established for the delivery of professional services.
- North Tyneside Trading Company (Development) Limited – a Company established for the delivery of affordable homes.

## **INTRODUCTION**

This is the second 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 our business development.

As a wholly owned company we are accountable to North Tyneside Council as the sole Shareholder. Through us the Council aims to:

- Create an innovative and dynamic organisation responsive to customer needs and the market;
- Generate income through the delivery of high quality services; and
- Improve and enhance the skills of its workforce through delivering opportunities for staff to work across all sectors and in new markets.

## WHO WE ARE AND HOW WE WORK

### History

At its meeting on 16 April 2012, North Tyneside Council's Cabinet 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 appropriate purpose, structure and governance for the trading company, as well as the process for appraising trading opportunities.

North Tyneside Trading Company Limited and its original subsidiary North Tyneside Trading Company (Consulting) were incorporated with Companies House on 11 December 2012.

The first strategic business plan (2012 -15) envisaged that the Trading Company would look for potential business opportunities around professional and consultancy services, sport and leisure services, environmental services, services to schools and conferencing and catering facilities. As such during 2013 and 2014, the Company explored a number of opportunities within those business areas but none were deemed to be commercially viable at that time. Some examples were:-

- Acting as a DFDS Seaways Ferry Bookings Ticket Agency
- Tendering to manage Sport and Leisure facilities in neighbouring authorities
- Providing professional services to Faith organisations in the North east.

From May 2013, there was a change of focus for the Company. Cabinet asked the Trading 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 the Annual General Meeting held on 25 March 2015, the Trading Company Board approved the setting up of a second subsidiary to carry out this purpose, North Tyneside Trading Company (Development) Limited.

## WHO WE ARE AND HOW WE WORK

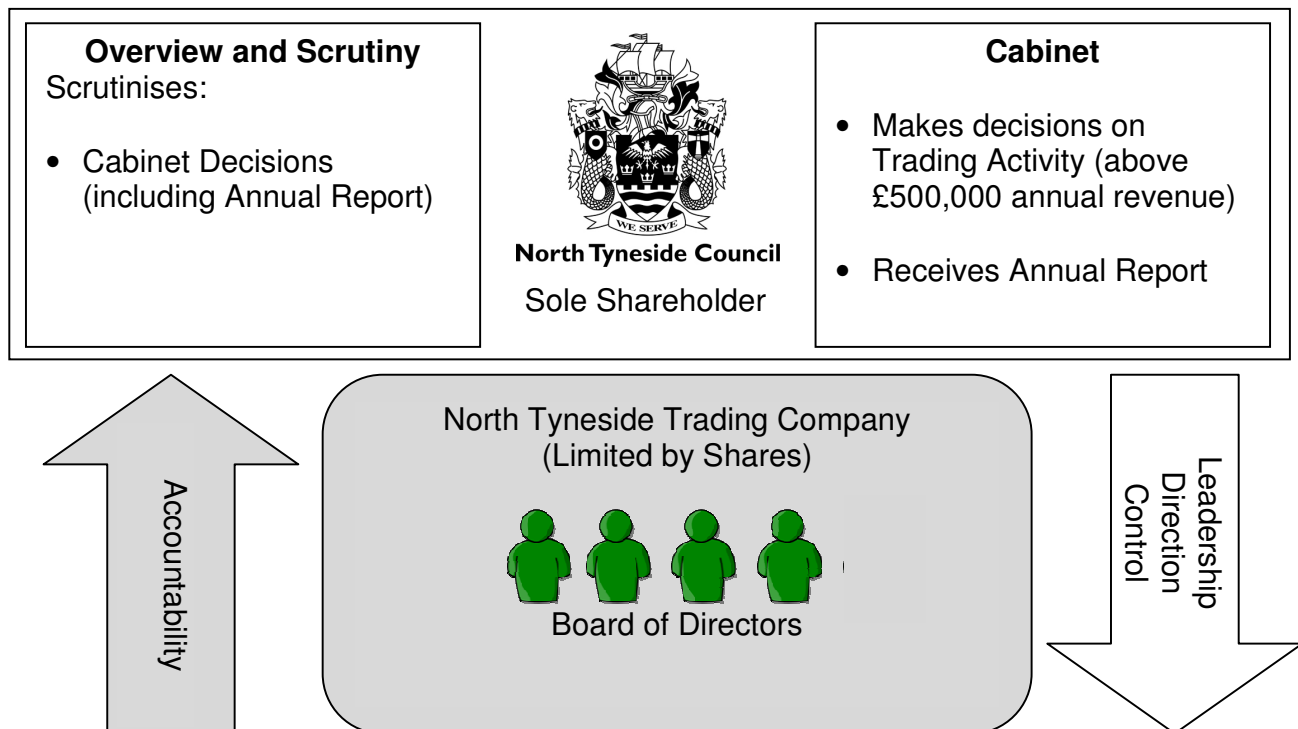
### Governance

We are governed by a Board of Directors and guided by Articles of Association which regulate the affairs of the Company.

The composition of the Board of Directors for the Company is four Directors, two members from the Council's Senior Leadership Team and two Cabinet Members. Elected Members on the Board have a role at the heart of the Company, as the representatives of the residents of North Tyneside.

The current Directors are Paul Hanson (Deputy Chief Executive), Lisa Clark (Head of Commercial and Business Redesign) and Cabinet Members, Cllr. Bruce Pickard and Cllr. Ray Glendon.

The Board of Directors is directly accountable to the Shareholder (the Council). The Shareholder will make its decisions through the Cabinet. Council's Overview and Scrutiny have an integral role in examining any Shareholder decisions.





## WHO WE ARE AND HOW WE WORK

### **Our Mission**

To maximise opportunities and outcomes for the Borough through the activities we undertake to support the Our North Tyneside Council Plan.

To provide a vehicle for the Council to test out new thinking in service delivery and new approaches to markets.

### **Appraising 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. Each business case must be approved by both the Council (by Cabinet or under delegated powers) and by the Company Board of Directors.

### **Assets**

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

The Council will provide a grant of £100k to the Developments subsidiary to cover set up costs in establishing its first affordable homes sites.

## WHAT WE OFFER

### Products and Services

As part of the delivery of its Affordable Homes Programme, in March 2015, The Council Cabinet asked the North Tyneside Trading Company to provide a business plan for delivery of affordable homes. North Tyneside Trading Company (Development) limited has therefore been established to act as the Council's developer of sites within North Tyneside for affordable homes use. In accordance with the request from Cabinet, the Company is considering Reed Avenue and Northumberland Square as initial potential development sites.

The Directors will further explore if more affordable homes can be delivered overall if some of the sites are developed out with a mix of property – some affordable and some for commercial rent or sale. In pursuing this strategy the Company would need to set up a new subsidiary, North Tyneside Trading Company (Commercial) limited.

Although previously no other commercial opportunities have been identified, the Directors still believe that there is potential to develop commercial activity within the Council, e.g. selling professional services to other organisations. The Directors will look to establish target markets for these services and will use North Tyneside Trading Company (Consulting) to deliver these services where appropriate.

### Risks

These ambitions are set against a continuing backdrop of tough financial times. The most significant risks which could prevent us from achieving our ambitions include:

- There may be insufficient opportunities in the marketplace;
- The Company may not have the skills and expertise to develop sites for affordable homes use.
- Changes to legislation may make it unattractive for the Council to use the Trading Company as a developer.
- The Company may fail to establish a market for professional services.
- The Council may not retain the skills, experience and capacity needed to support the Company; and
- The Company may fail to generate sufficient levels of profit.

Monitoring and mitigation of these risks by the Directors of the Company and by the Cabinet as shareholder will help to enable the company to fulfil its strategic ambitions and to achieve its mission.