

STRATEGIC BUSINESS PLAN

2020-23

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 2020 TO 31 MARCH 2023



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 primary function of the Company 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 an umbrella Holding Company that delivers income and social benefits e.g. regeneration 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 (now trading under the name of Aurora Affordable Homes) – a Company established to increase the pace and scale of delivery of affordable homes. The trading name of Aurora Affordable Homes was adopted by the Company in 2019 to provide greater clarity of its purpose particularly now that it is focusing on a purchasing strategy in order to provide more affordable homes.
- Aurora Properties (Sale) Limited – a Company established to pursue developments for commercial and regeneration purposes, primarily via 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 sixth 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

Organisational Background and Context

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

- Create an organisation responsive to customer needs and the market;
- Generate income and wider benefits such as regeneration aims, through the delivery of quality services and products; 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 meeting on 16 April 2012, the Council's Cabinet asked officers to develop options for alternative business structures to generate income for the Council. The 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) 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 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 the 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. 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 North Tyneside Trading Company (Development) Limited'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 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. The purpose of Aurora Properties (Sale) Limited is to provide homes for sale on the open market while the purpose of Aurora Properties (Rental) Limited is to provide homes to be let at a market rent. Aurora Properties (Rental) Limited is currently dormant.

Since devising a purchasing strategy in 2017, North Tyneside Trading Company (Development) Limited has proceeded to acquire 36 homes on the open market, therefore taking its total number of homes to 49 as at April 2020. In line with the Cabinet's priority of delivering more affordable homes the Board of North Tyneside Trading Company (Development) Limited have reviewed and extended their purchasing strategy with the aim of purchasing a further 51 homes to take that Company's asset base up to 100 homes. Funding of these purchases is via a grant from the Council of Section 106 Town and Country Planning Act 1990 commuted sums available for affordable housing.

Following the successful completion of its first new build development of 12 bungalows at Wallington Close in 2018, Aurora Properties (Sale) Limited has now also successfully completed its second 12 home luxury development for market sale at Empress Point, Whitley Bay in 2019. Aurora Properties (Sale) Limited is also well underway with its third scheme of a further 28 homes for market sale at Northumberland Square in North Shields which is due to be completed in 2020. The scheme at Northumberland Square is at the heart of the North Shields Regeneration Project, kick-starting the drive to improve the appeal of the town centre for residents and visitors. Cabinet approval has also been obtained for a development of seven further homes on the site of the former Backworth Primary School. Funding for the construction of these homes is from the Council in the form of both debt and equity funding.

The subsidiary companies continue to explore sites to be developed out for either market sale or market rental properties and / or a mix of property tenures– some affordable and some for market sale or rental. Opportunities for how the companies can be used to further the regeneration aims of the Council also continue to be explored when requested.

Governance

The Company is 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 Cabinet Members and two senior officers from the Council's Senior Leadership Team. 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 Cabinet Members: Councillor Bruce Pickard and Councillor Ray Glindon and Senior Leadership Team members: Phil Scott (Head of Environment,

Housing and Leisure) and John Sparkes (Head of Regeneration & Economic Development).

The Board of Directors is directly accountable to the Shareholder (the Authority). The Shareholder makes its decisions through the Cabinet. Council's Overview, Scrutiny and Policy Development Committee have an integral role in examining any Shareholder decisions.

STRATEGIC PLAN- Growth and Business Development

Our Mission

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

Our Objectives

- To increase the supply of quality affordable housing in the Borough, by developing affordable homes on land owned by the Council. This will support the delivery of the policy intention set out in the 2020-2024 'Our North Tyneside' Council Plan, "to deliver more quality affordable homes."
- To develop sites for market sale, market rent and/or a mixture of tenures to support the objectives of the Council.
- 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 Board of Directors.

Assets

The Company was established with no assets or staff. The Council initially provided the resources required to pursue agreed business opportunities under the European Union

Regulations on de minimis state aid. The Council is permitted to provide aid of up to €200,000 (circa £0.160m) over a rolling three-year period and it has been beneficial at this stage to utilise the Services of General Economic Interest exemption to the requirements of State Aid to provide funding to the company by the Council.

North Tyneside Trading Company (Development) Limited currently has an asset base of 49 homes, which has been achieved through the use of around £5.675m of Section 106 income. Further funding is available from the Council to allow the Company to increase its stock to 100 homes.

Funding required to cover the running costs of Aurora Properties (Sale) Limited in order to deliver its next scheme at Northumberland Square site in North Shields, has been secured by the Company through a loan from the Council on commercial terms.

Further funding will be required as additional sites are progressed by Aurora Properties (Sales) Limited for development in the future.

Financing of Company activities

Funding of the purchasing strategy agreed by North Tyneside Trading Company (Development) Limited is via a grant from the Council of Section 106 Town and Country Planning Act 1990 commuted sums available for affordable housing.

In line with Cabinet approval, funding required for the construction of the homes by Aurora Properties (Sale) Limited will be secured by the Company through a combination of loan from the Council on commercial terms and equity funding. The drawdown of the funding will reflect the timeline of the projects being delivered.

Products and Services

The Company will explore opportunities for growth in line with company objectives and mission statement. It has been identified that there is a need to establish a strong development pipeline for the next 3 years. Opportunities for the development of further sites and other potential trading options will be considered and presented to Cabinet for consideration at the appropriate time.

- North Tyneside Trading Company (Development) Limited:

As part of the delivery of its Affordable Homes Programme, in March 2015, the Council's Cabinet asked the North Tyneside Trading Company (Development) Limited to provide a business plan for delivery of affordable homes. North Tyneside Trading Company (Development) Limited was therefore established to act as one of the Council's developers of sites within North Tyneside for affordable homes use. In accordance with the request from Cabinet, this 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 49 homes across the

borough, all of which are let at affordable rents, in accordance with the company's lettings policy.

The North Tyneside Trading Company (Development) Limited aims to increase this figure to 100 homes using its purchasing strategy and will specifically target geographical areas, in line with demand information, that are currently under represented within the company's asset base.

The company has a comprehensive asset management plan for its homes which is updated annually.

- Aurora Properties (Sale) Limited:

The company has successfully completed their first two schemes and have begun selling homes. The Company's first scheme is 12 bungalows at Wallington Close of which 9 homes have been sold, with the remaining three sold, subject to contract.

The Company also completed a development of 12 luxury homes at Empress Point in December 2019 which includes 10, 3-bedroom townhouses, a maisonette and an apartment. Several of these homes have now been sold or are under offer.

Aurora Properties (Sale) Limited is also on site at Northumberland Square where it is developing 28 new homes for market sale. 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.

A further development opportunity is being taken forward by Aurora Properties (Sale) Limited at the site of the former Backworth Primary School, following Cabinet approval in October 2019. The proposal is for the development of 7 executive homes following the demolition of the former school building.

Aurora Properties (Sale) Limited continues to work to identify further possible development opportunities for market sale.

- Aurora Properties (Rental) Limited:

This Company is working to identify possible opportunities for development or acquisition of homes for market rent. It is envisaged that this company could potentially act as a market leader, thereby helping to raise standards in the private rented sector.

- North Tyneside Trading Company (Consulting) Limited:

Although previously no other commercial opportunities have been identified to date, the Directors 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) Limited to deliver these services where appropriate.

Risks

These ambitions are set against a continuing backdrop of tough financial times. Full risk registers are in place for North Tyneside Trading Company Limited and all active subsidiaries and each project has a project specific risk register. These are actively reviewed regularly and are discussed at Board meetings.

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