



Strategic Plan

Middlesbrough Council

(Final Draft 070720)

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1. KEY AIMS AND OBJECTIVES

1.1 The purpose of this Strategic Plan is to set-out how Middlesbrough Development Company, (MDC), will deliver housing led market intervention on behalf of its shareholder, Middlesbrough Council, (The Council). Its aim is to:-

- **STIMULATE THE PROPERTY AND DEVELOPMENT MARKET IN MIDDLESBROUGH**

1.2 MDC has four key objectives. These are to:-

- **ACCELERATE AND FACILITATE THE DELIVERY OF NEW HOMES AND COMMERCIAL PREMISES TO BUY OR RENT THAT MEET THE NEEDS OF OUR ASPIRING POPULATION AND BUSINESS COMMUNITY.**
- **HELP CREATE QUALITY PLACES TO LIVE AND WORK THAT ACT AS A CATALYST FOR FURTHER REGENERATION AND GROWTH.**
- **ATTRACT INWARD INVESTMENT INTO MIDDLESBROUGH AND WORK CLOSELY WITH DEVELOPERS AND INVESTORS.**
- **PROMOTE THE COUNCILS URBAN LIVING ASPIRATIONS.**

1.3 The aim and objectives of the Company are directly influenced by the Councils own strategic policies and priorities for Middlesbrough. In particular the proposals for MDC are aligned to:-

- Mayors Vision for a Fairer Middlesbrough
- Middlesbrough Strategic Plan 2020-2023
- Middlesbrough Medium Term Financial Plan

2. BACKGROUND AND WORK TO DATE

2.1 The Council's Cabinet approved a business plan for MDC in December 2018 which authorised the establishment of a wholly owned trading company to enable its housing market intervention requirements. At this time the principle activity of the Company was proposed to be as a developer directly delivering three key projects on Council owned sites.

2.2 During early 2019 MDC was established as a limited company, (initially known as MHOMES), and administrative and governance systems were put in place in readiness for trading to commence.

- 2.3 During the Spring of 2019 the Council requested a review of the Business Plan to reflect emerging strategic priorities within Middlesbrough and to ensure that MDC was properly focused on delivering the Council's goals.
- 2.4 The Council required the Company to fulfil a broader role within Middlesbrough acting as a facilitator and a developer to ensure the four objectives listed above could be successfully achieved.
- 2.5 In November 2019 the Company was renamed MDC in line with this broader strategic role. Rebranding followed closely after this.
- 2.6 In December 2019 an interim variation to the Business Plan was approved by the Councils Cabinet to allow MDC to pursue the redevelopment of the former Tollesby Shops site. Funding was allocated of up to £3.5m to allow delivery of this key regeneration project.
- 2.7 Further projects continue to be added to the MDC workload. These include the following:-
- Shepherdson Way – develop designs for a high quality high density residential scheme and prepare a planning application.
 - Boho Towers – develop designs for a high quality high density residential scheme and prepare a planning application.
 - Boho Village – negotiate potential funding support and purchase agreement with a third party developer for a small scale residential scheme.
 - Corporation Road / CSI – negotiate potential funding support and purchase agreement with a third party developer for a high quality high density residential scheme.
 - Viability Studies – undertake cost planning and market appraisal work on several key town centre development sites.

3. FOCUS OF THE STRATEGIC PLAN

- 3.1 This plan sets out what the Company's activities will be in response to its aim and objectives. It also details the general terms of operation for the MDC including how and where it carries out these activities. This will include how new projects are introduced to the Company as well as its administration, governance and funding.
- 3.2 Where particular projects become part of the Company's workload the detailed delivery of each project will be covered by a Project Plan which will be approved by the Board of Directors and if required, the Council as shareholder.

4. NEW PROJECTS

- 4.1 The Council has the ability to task its trading company to carry out new projects and to undertake work in accordance with the aim and objectives. This instruction may come via several different sources including directly from the elected Mayor, a Councillor or an officer of the Council.
- 4.2 The Company employs an Operations Manager (OM) who is the first point of contact for the day to day running of MDC. All instructions to the Company to carry out new tasks or when introducing potential projects should be logged by the OM and reported on at subsequent Board meetings in the Project Pipeline section.
- 4.3 Once an instruction is received an initial assessment is made whether the work required incurs a cost or is covered under day to day functions. If cost expenditure is necessary then a Funding Request should be approved by the Board / Director in accordance with its Financial Management Policy. This Funding Request may be staged depending on project progress.
- 4.4 As the Company does not carry a general fund for ad-hoc costs all new cost bearing activities must have a Funding Request made to the Council.

5. PROJECT PLANS

- 5.1 Where instructions become or involve larger scale projects then the Board may request that a Project Plan is generated to detail the scope, activities and desired outcomes. The Project Plans can also be used to support Funding Requests.
- 5.2 Project Plans are effectively business plans and delivery proposals for each project and should include the following:-
- Objective of the project
 - Background and work to date
 - Description of scheme
 - Delivery options and proposals
 - Business case
 - Costs and Revenue
 - Timescales
 - Funding, cashflow and other financial matters
 - SWOT assessment
 - Marketing requirements
- 5.3 The Project Plan is an interpretation of how an instruction by the Council is translated into an actual delivery model. These should be approved by the MDC Board before being submitted formally to the Council usually in support of an Executive Report or Funding Request.

6. SCOPE OF WORKS

6.1 MDC has been established to help the Council intervene in the residential and commercial property market. It is required to help facilitate the delivery of investment in Middlesbrough primarily through encouraging and assisting in new developments of housing and business premises.

6.2 The Company should always operate in a commercial fashion. This means trying always to utilise funding involved in projects in a cost effective and value for money way. If investment is required then this should be done with commercial as well as social and environmental considerations being carefully assessed.

6.3 There are a number of ways this involvement may manifest itself. The examples below are a non-exhaustive list potential areas of operation for the Company:-

- Background technical or support work on Council objective sites or projects
- Liaising with third party developers on stalled projects
- Suggesting solutions and strategies to deal with eyesore or problem sites
- Funding support or gap-funding development projects
- Guaranteeing third party projects for example to secure funding
- Accessing Government grants for projects where developers are unable
- Purchase or lease of new residential or commercial property
- Joint Venture developments with third party investors
- Direct delivery of development and construction projects

6.4 Accordingly the Company has a wide ranging remit to be involved in projects from simply advice and support through to full scale development.

6.5 There may be a need for MDC to become a property owner as a result of a particular project. If this is supported by an appropriate business case within the project plan then these types of projects will be pursued. In all circumstances efforts should be made to recycle funding into new schemes wherever possible.

6.6 This flexibility of approach is an essential part of the operational focus of the Company, enabling it to make and do deals on a commercial basis.

6.7 The Company may also consider that in order to directly access Government funding, for example from Homes England, it may be appropriate to have part of the business registered to provide social (affordable) housing. This will involve the Company, (or a subsidiary of it), attaining Investor Partner and Registered Social Landlord status. If required a Project Plan for this action along can be produced and considered by the MDC Board.

7. FINANCIAL MATTERS

7.1 All funding required by MDC is sourced via the Council as shareholder. This funding is currently project focused with any general administrative expenses covered separately by the Council.

7.2 Following the recommendations of the tax and state aid advisors prior to the setting up of MDC, an appropriate commercially representative funding structure is in place for the Company incorporating an equity and debt arrangement. This is the normal way in which businesses are financed with the owner / shareholder (the Council) investing capital initially and a finance provider (usually a bank, but in this case also the Council), supplying any debt via a loan.

7.3 Equity has already been input into the business to support trading to date. This has been sourced by the Council from existing Sec 106 funds which can be used for affordable housing related projects without a carrying cost. Further funding from this source will continue to be utilised to support MDC via equity until exhausted. Following this funding will be via a loan.

7.4 Any loan from the Council to MDC will be on commercial terms secured in the normal way over the Company and its assets as a first charge. The loan will be provided as required by the project delivery and the ongoing requirements of the Company's cashflow.

7.5 When the Company was established in early 2019 an initial £50,000 was deposited into the Company's bank account to cover initial expenses such as set-up costs and office rent. Since then project funding has been drawn down from the Council as follows:-

- January 2020 £550,000 for Tollesby land purchase
- April 2020 £75,000 for Tollesby planning application
- April 2020 £75,000 for Shepherdson Way planning application
- April 2020 £75,000 for Boho Towers planning application
- July 2020 £20,000 for CSI legal fees

7.6 Business cashflows will be produced to support Project Plans. The administrative cost of running MDC is currently covered by the Council directly and does not impact on Company cashflow.

7.7 A financial management policy, procedure and system has already been developed and is in place for MDC. A Financial Controller role is provided as part of the day to day accountancy support package which currently exists with Certax.

7.8 The financial management system covers:-

- Bank account and signatories
- Financial record keeping and the system it uses
- Loan draw down procedure
- Payroll
- Treasury management
- Monthly management and annual accounts
- VAT, tax and other statutory registration and returns
- Purchases and payments
- Financial audit
- Reporting to the Board and Shareholder / Council

7.9 The Council sought external advice from PWC Accountants regarding tax matters when MDC was set up. The advice has been used to structure the Company in the most appropriate and tax efficient manner. The tax advice discussed and made recommendations with respect to:-

- Corporation tax
- Stamp duty
- VAT

7.10 Tax advice will continue to be sought as the Company's activities develop to ensure regulatory compliance and financial efficiency.

8. MARKETING AND COMMUNICATIONS

8.1 MDC is a corporate trading entity promoting its activities within the Middlesbrough. It requires:-

- Identity
- Website
- Corporate literature
- A marketing policy and communications programme
- Project specific marketing details
- General PR and event support

8.2 MDC has its corporate identity and a basic website. The latter is in the process of being updated. A communications plan has been developed to support the initial development of the Tollesby project.

8.3 Appropriate communications plans will be established to help translate the Company's activities to businesses and the wider public. The Company will promote itself as being:-

- **Open for business** – contactable and front facing
- **Developer friendly** – it will speak the same language
- **Commercial** - able to negotiate and do deals
- **Realistic** – aware of the challenges
- **Open minded** - ability to work flexibly and listen to suggestions
- **Decision maker** - Board set-up to make things happen
- **Source of projects** - Access to Council sites and ability to secure others
- **Securely Funded** - by the Council
- **Access point to other funding** - e.g. Central Govt.
- **Secure partner** – Council backed and reliable
- **Efficient worker** - procurement and processing efficiencies
- **Task focused** – it has one job to do

9. MEASURING PERFORMANCE / AUDIT

9.1 MDC can be monitored and assessed periodically to ensure it is satisfying the Council's aims and objectives for the company. It can also be measured against:-

- Contributing to wider Council policies and objectives
- Income and expenditure as predicted
- Projects delivered in accordance with timescales
- Policies and procedures followed
- Problems and issues dealt with efficiently and effectively
- Did the management, administration and governance systems work?

9.2 The Council may require MDC and its accounts to be audited. An audit will give an additional level of checks that can be used to monitor the Company and feedback on issues which may need action.

10. BENEFITS OF MIDDLESBROUGH DEVELOPMENT COMPANY

10.1 The benefits to the Council from the activities of MDC include:-

- Meeting its stated aim and objectives
- Helping to regenerate neighbourhoods and communities
- Addressing housing and commercial property shortages in areas of need

- Improving quality of new units
- Improving speed of delivery of new projects
- Assisting in the disposal of surplus Council land
- Increasing Council Tax and Business Rates income
- New Homes Bonus payment increase
- Making a positive statement of intent by the Council
- Demonstrating the ability of the Council to deliver new projects
- Positively impacting on the local and wider economic situation through property and construction related business and employment
- Supporting local businesses
- Contributing to wider Council goals, objectives and activities

11. STRUCTURE, MANAGEMENT, GOVERNANCE AND RESOURCES

Structure

11.1 MDC is a local authority trading company (LATC) limited by shares with the Council as the sole shareholder. Its operational tools are:-

- Memorandum and Articles of Association
- Loan Agreement (if and when required)
- Strategic and Project Plans
- Shareholder Agreement
- Director appointments
- Company Secretary

11.2 The Shareholder has appointed a representative Board of Directors who will be responsible for providing strategic direction and setting operational parameters as well as overseeing performance and reporting. This Board will maintain a majority Council representation but its exact composition may change from time to time. Its default composition will be:-

- The Mayor
- At least one Council Member
- At least one Senior Council Officer

Policies and Procedures

11.3 MDC will review and update existing policies and procedures at least annually. Others not yet written will be produced as required by the trading activity of the Company. Policies may include:-

- Procurement
- Delegation scheme
- Financial management
- Data protection
- Health & Safety

- Marketing, Selling and Renting of property
- Land purchase
- Contract Management
- Data Protection
- Anti-Corruption
- Whistle-Blowing

Management

11.4 MDC will maintain an experienced Operations Manager to run the business from day to day. The OM will fulfil the role of managing the business in accordance with the instructions of the Board and the Strategic Plan. The OM's duties and responsibilities will include:-

- Implementing and updating the Strategic and Project Plans
- Ensuring the company operates in accordance with its policies and procedures
- High level project management
- Appointing and managing professional teams
- Finance matters including monitoring and reporting
- Coordinating the daily administration of the company
- Human and non-human resource management
- Updating and liaising with the Board
- Acting as the 'Client' in discussions with third parties, eg. Developers, consultants and contractors
- Decision making (as delegated to do so)
- General business management

11.5 The OM requires administrative and financial management support to carry out the role and responsibilities. A Financial Controller has been employed already to support the Company. The Council will continue to support the Company with a variety of administrative services such as IT and office use.

11.6 A Director of the Company will be tasked with maintaining the duties of a Company Secretary. The day to day carrying out of these duties will be fulfilled by the OM.

11.7 Other services required to operation the Company or in relation to its projects will be satisfied through external consultants where required. These include marketing support, project delivery teams or for legal matters.

Governance

11.8 The Council is the sole shareholder and therefore controller of MDC. It is required to:-

- Approve the Memorandum and Articles of Association, Shareholder Agreement, Strategic and Project Plans and Loan Agreement (if required)
- Appoint Directors
- Approve Funding Requests and draw-downs
- Monitor the Board and the Company through regular reports and updates
- Approve key decisions, such as changes to the Strategic Plan

11.9 MDC will operate in accordance with the above documents and processes unless amended with the approval of the Shareholder.

Business Resources

11.10 The HDV requires administrative facilities to operate. These are already available and in place. They include:-

- Premises with furniture, computers, telephones, filing/storage, meeting room facilities
- IT system – domain names, website, emails, emergency back-up
- Financial resources – bank account, record and payment system