

Request for quotation

PROCUREMENT OF CONSULTANCY

Finance, taxation planning and corporate structuring advice,
and
business planning and financial modelling services
related to
a Council owned development and real estate company

1.0 OVERVIEW

- 1.01 Wholly owned by Northumberland County Council (“the Council”), Advance Northumberland Limited (“Advance Northumberland” or “the Company”) is a group of companies engaged in commercial and residential lettings, regeneration, development, project management and economic development.
- 1.02 As part of a review of the Company’s business strategy, the Council wishes to engage an advisor to ensure that the Company’s structure and financial model is efficient and sustainable and is appropriate to deliver against the Council’s strategic aspirations for the Company.

2.0 BACKGROUND

- 2.01 Advance Northumberland Limited was formed in 2018 as the Council’s regeneration and placemaking company.
- 2.02 It operates via 4 wholly owned subsidiaries:
 1. Advance Northumberland (Housing) Limited
 2. Advance Northumberland (Commercial) Limited
 3. Advance Northumberland (Developments) Limited
 4. Advance Northumberland (Financial) Limited
- 2.03 Its current key activities can be summarised as:
 1. Owning and managing a portfolio of residential properties (mainly on a pure private market basis, but with a small number of properties let on terms equivalent to social rental)
 2. Owning and managing a portfolio of commercial properties. This includes a wide variety of property types ranging from ‘workspace’ property to larger industrial buildings, and a significant retail portfolio.
 3. Building houses for sale (operating under the ‘Ascent Homes’ brand)
 4. Delivering its own development projects (including town centre regeneration schemes)
 5. Providing specialist project management services to the Council for its regeneration and development projects
 6. Providing economic growth services on behalf of the Council (including business support programmes, inward investment services, and sector support).

- 2.04 The Company has had a key role in delivery of placemaking projects in Northumberland and will continue to do so. Its work has been critical to bringing major investment and employment to the county.
- 2.05 The Company's delivery teams are supported by a core corporate centre (providing services related to finance, HR, IT etc).
- 2.06 The Company is run by a Board but works in close partnership with the Council.
- 2.07 The Company's assets are almost exclusively financed by loans from the Council.
- 2.08 The Company's systems, including financial analysis and forecasting, are mature. Underlying data on historic and forecast financial performance can be made available to the selected supplier.
- 2.09 The Council has recently undertaken a review of its strategy for Advance Northumberland. This may result in some possible changes and/or changes in emphasis to the Company's activities. Details of possible options will be provided to the appointed consultant, however bidders should assume that any changes will not fundamentally impact the Company's core operations.

3.0 OBJECTIVES OF THE APPOINTMENT

- 3.01 The Company and its activities are well established. Its corporate structure and financing model, however, were created some years ago at the time its predecessor, Arch Northumberland, was established. Arch was wound up in 2018, with its assets and activities transferred to Advance Northumberland.
- 3.02 Advance Northumberland has continued with the structure and finance model first established by Arch.
- 3.03 Whereas the Company has been successful in delivery, the Board and Council (as sole shareholder) now believe that it is time to revisit the corporate and financial structure of the Group to ensure that the Group is structured to deliver in the optimal manner and to be sustainable into the future.
- 3.04 The following aspects have, in particular, been raised as factors that have occurred since the adoption of the current corporate and financial structures:
 - 1. Changes in taxation rules since the establishment of Arch (especially the thin capitalisation rules)
 - 2. Evolution over time of the Company's activities
 - 3. Material changes in the property market
 - 4. Changes in the expectations of the Council for the Company
 - 5. Changes in the wider economic environment, including rising inflation and interest rates.
- 3.05 Accordingly, the Board and the Council now require assurance that the corporate and financial model for the Company is currently optimal for both parties, and if not, a design and plan to transition to an alternative sustainable and efficient model for both parties.

- 3.06 It is critical to this appointment that the position of both the Company and Council are considered. The Council is not only the 100% shareholder of the Company, it is also the principal finance provider. Any proposed changes to the financial model must therefore be acceptable to both the Company and the Council, and the consequences of any changes clearly understood by both parties.
- 3.07 The appointed service provider will be expected to offer a full duty of care to the Council and to the Company.

4.0 DELIVERABLES

- 4.01 The supplier shall provide corporate structure, finance, and taxation advice in the form of a report (the "Report") to allow the Company and the Council to understand:
- Options, to include 'pros and cons' for the structure of the Advance Northumberland Group which could achieve the goals of:
 - Financial sustainability
 - Financial efficiency (including VAT and corporation tax efficiency)
 - Impact on the Council's revenue and capital budgets (and budget setting process)
 - Delivery of the Council's expectations for the Company
 - Compliance with standards of good governance
 - Compliance with relevant regulations, including Teckal and Subsidy Control
 - The financial impact on the Company and on the Council of the options. This will include:
 - Impact on the balance sheets of the Council and Company
 - Impact on future cash flows between the Council and Company
 - Impact on the P&L accounts of the Council and Company
 - The recommended optimal financial structure for consideration by the Company and the Council
 - The report to be provided initially in draft form for discussion with representatives of the Council and the Company, and revised thereafter for formal consideration and presentation to the Company Board and the appropriate decision making meeting at the Council.
- 4.02 Attendance at a Company Board meeting and a Council Shareholder meeting to present and discuss the Report.
- 4.03 A high level 15 year financial model in Microsoft Excel (which we anticipate will be used to assess the financial implications of the options in 4.01) and

comprehensive 'user instructions). This model to be made available to the Company for its future use.

- 4.04 A reconciliation between the financial model outputs and the Company's own forecasts and historic results (to provide reassurance as to the face validity of the model).
- 4.05 An implementation plan to include the necessary accounting and taxation steps to put in place the chosen structure option. To include the steps needed to be followed by the Company and the Council.
- 4.06 Preparation of a 15 year business plan for the Company based on the financial model, taking into account the Review of Business Strategy and chosen structure option. The business plan is expected to include (at least) a financial summary (for each business element and on a consolidated basis), details of key assumptions, a funding and financing plan, a resourcing plan, a strategic risk analysis, and scenario analysis to illustrate the possible financial impact of the identified risks.

5.0 TIMETABLE AND PRACTICALITIES

- 5.01 The work should be commenced as soon as possible.
- 5.02 The draft report for discussion (and associated financial model) to be completed by 30 November 2022.
- 5.03 Presentation to the Board and Council meetings by 31 Dec 2022 (subject to agreeing specific meeting dates).
- 5.04 The information contained within the report shall be for the use of the Council and all Companies in the Advance Northumberland group.
- 5.05 All reports and correspondence relating to this appointment are to be considered Commercially Sensitive and marked as such.

6.0 QUOTATION REQUIREMENTS

- 6.01 Suppliers are requested to provide the following:

1. Methodology.

Please describe your approach to the assignment and deliverable. In particular we wish to understand how you will work to ensure that potentially competing demands of the Company and Council could be reconciled into a solution that will work for both.

2. Experience & Resources.

Provide details of comparable assignments you have completed. A detailed resourcing structure and outline CVs of key staff who will be

involved in the assignment.

Details of 2 previous clients for whom you have undertaken similar work and who would be prepared to be contacted as 'referees'.

3. Timetable.

Your expected timetable for the assignment, being very clear about availability to start work, expected duration, and a list of key dependencies.

4. Price.

A fixed price quotation based on (as a maximum) framework rates.

Any additional added value proposed to be provided as part of (or in addition to) this assignment.

7.0 QUOTATION EVALUATION

7.01 Your submission will be marked on the basis of 60% quality (Methodology, Experience & Resources, Timetable), and 40% price.