

DECISION-MAKER:	CABINET		
SUBJECT:	APPROVAL OF REVISIONS TO THE THORNHILL PLUS YOU SUCCESSION STRATEGY AND TO ENDORSE THE 2010/11 DELIVERY PLAN		
DATE OF DECISION:	15 MARCH 2010		
REPORT OF:	CABINET MEMBER FOR ECONOMIC DEVELOPMENT		
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STATEMENT OF CONFIDENTIALITY
Not applicable.

SUMMARY

The Department for Communities and Local Government (CLG) requires that each NDC succession strategy is endorsed by the relevant local authority, as Accountable Body, before it is submitted to them via the respective Government Office for final approval. The succession strategy was originally endorsed by Cabinet on 28th September 2009, but has been amended. This report recommends endorsement of the revised Thornhill Plus You (TPY) Succession Strategy

RECOMMENDATIONS:

Having had regard to the Council’s Community Strategy:

- (i) As Accountable Body, to endorse the Thornhill Plus You Succession Strategy set out in Appendix 1 to this report.
- (ii) To delegate authority to the Assistant Chief Executive (Economic Development and Regeneration) to approve future amendments.

REASONS FOR REPORT RECOMMENDATIONS

- 1. In order for the revised strategy to be re-submitted to CLG, it requires endorsement by the Council as Accountable Body.

CONSULTATION

- 2. The Boards of Thornhill Plus You, Plus You Limited and Plus You Enterprises, the residents of Thornhill, Hampshire Police, Southampton PCT, Southampton Voluntary Services, and relevant SCC divisions.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 3. There are no alternative options – the guidance from CLG is prescriptive.

DETAIL

- 4. TPY submitted the completed succession strategy to CLG at the end of October 2009. A complex and iterative assessment process then takes place with ministerial approval of each succession strategy by the end of April or May 2010. However, since submission, and for a number of reasons, amendments to the strategy have become necessary.

5. Cabinet had previously considered the succession arrangements for TPY in December 2007, February 2009. and September 2009. Briefly, Cabinet has endorsed the creation of Plus You Limited as successor body (a charitable company limited by guarantee) and Plus You Enterprises (a community interest company that will trade in order to create an income stream for Plus You Limited) to maintain the improvements bought about by the NDC programme.
6. On 28th September 2009 the Cabinet also approved TPY investment in the redevelopment of Hinkler Parade. This received Government Office approval in December 2009.
7. The sale of St Coleman's and The Swallows by TPY to First Wessex Housing Association is the subject of a separate report to Cabinet also on 15 March 2010. In summary, the proposals are:
 - (1) To sell the freehold of the Swallows for the full price of £249,000 to First Wessex in April.
 - (2) To sell the freehold of St Coleman's to First Wessex in April, but rather than to receive the full purchase price of £813,500, instead to receive an initial payment or deposit of £200,000 on exchange of contracts. The remainder of the purchase price will on completion of the building works in May 2011 be "converted" to the requisite number of units on the redeveloped Hinkler Parade. The value of these accounts for the difference of £613,500. These will be owned by PYL, and managed by First Wessex, and let at an "intermediate market rate". This is 80% of the market rental rate which will be more attractive to potential tenants, and satisfy the charitable objects of Plus You Limited.
 - (3) Therefore, the Hinkler Road transaction, though linked to that of St Coleman's is a third land transaction.
 - (4) These arrangements are subject to approval by CLG.
8. The proposal to fund the Subway outlet on Antelope Park was rejected by CLG, and therefore is no longer a main component of the succession strategy. Instead a commercial loan is being sought. If this is successful, it will need to be secured against a PYL asset or assets.
9. PYL will accrue income by means of:
 - The purchase of the freehold of Eastpoint and in return receive ground rent
 - Investment in the redevelopment of Hinkler Parade
 - The sale of two sites on Thornhill for housing (detailed in a separate report to Cabinet).
 - Gift aid from PYE generated from trading income.
10. The remaining key assumptions in the Succession Strategy with financial implications for PYL yet to be confirmed are:
 - That the Eastpoint arrangements with a ground rent to PYL are approved by CLG;

- That the receipt of £1,060,000 to PYL from the sale of the housing sites is approved by CLG and Cabinet. The proposal is to have £450,000 income and £610,000 in units for rental on the redeveloped Hinkler parade.

The remaining key financial assumption for PYE is that it will be possible to secure a commercial loan with respect to the Subway retail outlet on Antelope Park.

11. By a combination of the above income streams PYL will employ a small neighbourhood team to continue to engage the community to help themselves. The details of the above arrangements can be found in the TPY Succession Strategy and its appendices, copies of which are in the Members' Rooms.

FINANCIAL/RESOURCE IMPLICATIONS

12. In order for the City Council (as accountable body) to endorse the succession strategy it must make an assessment as to whether or not the successor body will be financially independent in the future. The current proposals for income generation are based on two outstanding assumptions and the financial assessment is being made on the basis that these come to fruition. If these assumptions (the investment in Eastpoint and the sale of housing sites) prove to be wrong, it will be necessary to re-visit the succession strategy to consider alternative options for income generation.
13. The TPY Succession Strategy contains details about the following:
 - Investment in Eastpoint based on a purchase of property that will yield a rental income in future years
 - Investment in Hinkler Parade as part of the Council's estate regeneration programme.
 - Investment in Web in a Box (a business arm of PYE)
 - Sale of two existing sites in Thornhill for housing that will yield a receipt which can be used for reinvestment in the early years of the successor body (unlike local authorities the receipt for these sites can be used for revenue purposes).
 - Purchase of Hightown Youth Centre (approved by Cabinet in December 2009)
 - Creation of a small neighbourhood team
 - Operation of PYL as a Charitable Company and Plus You Enterprises (PYE) as its trading subsidiary
14. A further report will be brought to Cabinet regarding the transfer of assets from TPY or the Council to the Successor Organisation in line with the previously agreed policy.
15. Appendix 2 provides a summary of the Successor Bodies forecast cash flow over a ten year period. By 2018/19 the cumulative surplus is estimated to be £300,000.

16. This cashflow is based on certain assumptions as follows:
- Ground Rent per annum from 2012/13 is received by PYL from Eastpoint.
 - PYL receives income from the Hinkler Parade leases
 - PYL receives funding as a receipt from the sale of the Housing Sites
 - PYL receives property rental income from 2012/13
 - Web in a box produces a surplus from June 2010 onwards.
17. Sensitivity analysis has been applied to these assumptions giving a pessimistic position of a net cumulative profit of £243,000, at the end of year ten, compared to an optimistic forecast that yields a net cumulative profit of £510,000 at the end of year ten. Given the current position this is considered to be an acceptable range for the accountable body to endorse.
18. It is difficult to predict with any certainty the financial position of the new body, however in terms of risk, the timing and value of the sale of the housing sites is of particular importance as (assuming the option to purchase units on the redeveloped Hinkler parade is taken up) there will be approximately £450,000 for PYL in 2010/11, followed by a rental income dependent on the number of units purchased for successive years. This has been estimated at £22,000 per annum from 2012/13. During the initial 10 years the successor bodies will be developing the business with the aim of achieving at least a break-even position on income and expenditure.

Property

19. The succession strategy assumes the sale of the freeholds of Hightown Youth Centre by the Council to PYL.
20. The strategy assumes the sale of St Coleman's and The Swallows by TPY to First Wessex Housing Association. These sales are the subject of a separate Cabinet report seeking specific approval for these disposals. Consultation has been undertaken in accordance with council procedures. In endorsing this Succession Strategy the Council reserves its position on the Council owned properties.

Other

21. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

22. Section 2 of the Local Government Act 2000 and are considered to be for the economic, environmental and social benefit of the area.

Other Legal Implications:

23. None.

POLICY FRAMEWORK IMPLICATIONS

- 24.
- Community Strategy
 - City Performance Plan
 - Children and Young Persons' Plan
 - Early Years Development Plan
 - Economic Development Action Plan
 - Safe City Partnership Plan
 - Housing and HRA Plan
 - 14 – 19 Strategy
 - Medium Term Plan
 - Health and Well-being Strategic Plan

SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	Succession Strategy
2.	Financial Implications - Summary

Documents In Members' Rooms

1.	None
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Background Documents

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	CLG Programme Note 44 – Sustaining the benefits and improvements in NDC areas	Copies can be requested from the report author or CLG website.
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Background documents available for inspection at: Members' Rooms

KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	Bitterne
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