

CABINET REPORT

16th of September 2014

Cabinet Member: Cllr R H Wyn Williams /Cllr. John Wyn Williams

Subject: Extra Care Housing Development at Hafod y Gest, Porthmadog

Officer Contact: Arwel Wyn Owen/Gwenan Parry.

Department: Adult, Health and Wellbeing

The decision sought

1. To confirm a willingness to re-invest the total capital receipt from the sale of the Hafod y Gest land as a contribution towards the cost of the scheme .
2. To confirm the financial model proposed to meet the cost of the Scheme and the decision to allocate funds from the Social Housing Grant in 2014/15, 2015/16 a 2016/17 .

Local Members Opinion

“I look forward to see this development been progressed as soon as possible”

Background:

The report is intended to update members regarding the Extra Care Housing development at Hafod y Gest in Porthmadog. It is hoped to confirm the financial model and to share information about the timetable to deliver the scheme.

The Council Board supported a proposal to establish an Extra Care Scheme in Porthmadog on the 6th of March 2012. This decision was endorsed in a further report to Cabinet on the 16th July 2013 which accepted the Local Group Members' recommendation that .. "consideration be given to use the site of Hafod y Gest home for the development of Extra Care Housing Scheme ... "

On the 5th of November 2013 the Council Cabinet approved a recommendation to close the Hafod y Gest home allowing the proposal to be progressed. Furthermore, on the 7th of March 2014 the Council approved a decision to authorise the sale of the site and the transfer of land at Hafod y Gest to Tai Eryri (now Grwp Cynefin) thereby releasing the site for development of Extra Care.

Following the decision to dispose of the land discussions have been held with Grwp Cynefin regarding the design of the of the scheme which could be

developed and to confirm a funding model.

Discussion

Funding Model - The report presented before the Council Board on 6/03/12 (Item 6), which supported the proposal to establish an Extra Care Housing Scheme in Porthmadog, discussed the financial model and highlighted the likelihood that an additional contribution, over and above the amount mentioned at the time, would be required to progress the scheme.

The report recommends that the Social Housing Grant – General Fund could be used as part of a contribution towards a development in Porthmadog but drew attention to that fact that this may not be sufficient, and the need to identify funding from other sources. It also refers to the probability that the Council would need to contribute over and above the amount designated in the report.

“4.4 Accepting there will be no social housing grant (extra care housing available) how to finance the scheme from other financial sources should be considered. From very early initial discussions taken place this could mean meeting a deficit of about £2 million on the full scheme.

c) With an ambitious programme to transform service for older people, the need to identify capital resources was anticipated when reviewing the Asset Management Plan and include resources which would enable this to happen.

5.3 As there is no specific social housing grant available to finance the development of new provision in Porthmadog the option of drawing up a package which includes using social housing grant (general) and a financial contribution by the Council to add to the sum Cymdeithas Tai Eryri would be able to borrow is considered.”

The minutes of the meeting confirmed that the Board :

"Resolved

b) To approve the use of the social housing grant (general) for the purpose of a new provision in Porthmadog and for this to be prioritised in 2014-15 and 2015-16.

Funding Gap - Group Cynefin has now has prepared design documents for 40 units and submitted a detailed estimate of construction costs.

These estimates identify a financial gap between the money already approved and what will be required to deliver the Plan. These estimates have been compared with the actual cost of extra care housing developments in North Wales. It will not be possible to confirm the final cost of the scheme until the tender process is complete. However the figures submitted are based on other Extra Care Housing schemes and should provide quite robust and reliable source

for comparison and they have been scrutinised by a Quantity Surveyor.

The Adult Health and Well-Being Department, in consultation with Group Cynefin have identified potential sources of funding which could be deployed to deliver the scheme and these funds would be sufficient to address most of the need. However an additional sum may be required to bridge the gap and we are asking members confirm a way of addressing the gap and to secure some money in reserve.

Transfer of Site - Discussions have been held with Grwp Cynefin regarding the terms and land transfer.

It was agreed on the 7th of March 2014 that the land would be sold to Grwp Cynefin at a price set by the District Valuer. That assessment has been completed and an amount of £378,500 has been established as the value of the land. It is understood that some consideration was previously given to consider the value of the land, and or the potential to reinvest any proceeds as a contribution towards the cost of the scheme.

The sale receipts of Hafod y Gest are currently allocated within the Council's Asset Management Plan, however with member approval, it would be possible to re-cycle some of the money towards the cost of the scheme. Should the Council wish to support the re-allocation of capital receipts it would reduce the funds within the Asset Management Plan, however the investment but would be directed to meet one of the Council's strategic priorities.

Timing of Social Housing Grant Allocation - The report drafted in March 2012 confirmed the intention to designate money from SHG during the 2014/15 and 2015/16 financial years. Although the preparation of plans has continued there is some uncertainty about the ability to commence work on site during 2014/15. Therefore allocating money from the Social Housing Grant allocation during 2014/15, 2015/16 and 2016/17 would provide flexibility and reduce risk should there be any delays.

It would also allow for the reallocation of the 2014/15 grant towards other housing schemes. Whilst it remains an intention to retain an amount for land purchase within the 2014/15 program we would not be committed to physically commence work on site. This decision should not lead to a significant delay as work was not scheduled to commence on site until the end of the financial year however approval would allow more flexibility.

Matters for Consideration:

If resources cannot be identified to close the gap there is a significant risk that we would be unable to proceed with the scheme

The Board have previously been forewarned of the potential financial gap and have accepted the need to contribute towards the development.

Confirmation is important to meet the operational and strategic priorities in terms of the contribution towards the Transitional Vision for older people services

Proposed Timetable

It is important to reach an early agreement as this will facilitate and hasten the development and confirm our ability to progress the Extra Care Scheme. Some funding sources proposed require the land transfer be completed during 2014-15 and it is important that we meet the timetable that has been established.

Bridging the Gap - Potential funding sources for the scheme have been highlighted along with the sum required to meet the financial gap. Grwp Cynefin also have also adjusted the original proposal to reduce the cost of the development.

Based on the estimate received it is anticipated there will be a need to identify an additional sum:

Proposal for Consideration

	£	Notes
Development Cost of Hafod y Gest	£8,437,743	40 Bedded Scheme inclusive of costs
Value of Land	£378,500	Set by the District Valuer
Total Cost of Development	£8,816,243	
Funding Required to Proceed		
Cyngor Gwynedd contribution towards (58% of the costs)	£5,113,421	58% is the basis used for social housing to ensure affordable rents.
Grwp Cynefin borrowing (42% of cost)	£3,702,822	42% Grŵp Cynefin will borrow this amount which will be repaid through rental income.

Allocated Funding		
Social Housing Grant	£416,350	Allocation from 2014/15
Social Housing Grant 14/15/16/17	£2,871,068	Budget allocated but need to confirm the financial year
Re-cylced Capital Grant*	£917,000	Money recycled from other Grwp Cynefin capital schemes.
Plas y Coed Fund	£276,772	Sum retained after closure (not required towards Bangor scheme).
Transformation Capital Grant	£500,000	Sum reserved within capital programme to support new care developments.
Total	£4,981,190	
Financial Gap to be bridged	£132,231	Cost of Scheme less allocated funding.
Potential Funds to Reduce the Gap		
Receipts from the disposal of Hafod y Gest	£378,500	Money which could be re-cycled following the sale of the land.
Remaining Funds	£246,269	Money remaining if agreement to recycle. The sum may need to be retained towards contingencies.
Total	£1,571,622	
Potential Funding less Financial Gap	£246,269	Contingency which would remain if permission were granted to allocate from all the identified funding sources.

The above analysis is based on current information available about the development cost. It is paramount that the Council confirms its willingness to contribute towards the scheme and the financial sources available to allow Grwp Cynefin to proceed. This proposal does not restrict efforts to explore other possibilities including different or additional funding streams if opportunities arise. However it provides a firm basis which will allow Grwp Cynefin to progress the development.

Statutory Officers Opinion

Chief Executive:

“ Evidently the funding of any large scheme can be complex and the financial package required for Hafod y Gest are not exceptional. As the report suggests, there is an option to recycle the capital receipts from the site towards the project. This will, reduce the amount of resources available towards other corporate requirements, however on balance, given the priority which the Council has afforded to the development, there is an opportunity cost, and it would be remiss not progress.”

Monitoring Officer:

The Council’s Financial Regulations (Rule 16.6.7) deals with capital receipts. It is accepted that 20% (up to £20,000) of any capital receipts are transferred to the Department unless the Cabinet decides otherwise. The Cabinet can agree to allocate a larger percentage to the Department. However this decision must be with the Council’s policy and financial framework, further guidance on this will be provided at the meeting.

Head of Finance :

In the Council’s Constitution, in the “Financial Planning” section of the Financial Procedure Rules, under “Capital programmes”, clause 7.37 states that: “Following receipt of capital from the disposal of property, unless there is a decision to the contrary by the Cabinet, 20% will go to the department (up to a maximum of £20,000) and the remainder to the corporate fund.” Under the same clause, approval by the Cabinet is required for to use capital receipts where the amount is in excess of £50,000.

The general intention is for the use of the bulk of capital receipts to be strategically prioritised, in accordance with the Council’s primary objectives and it’s Asset Management Plan, rather than individual services’ aspirations. Here, the Cabinet is asked to decide to reinvest all of the capital receipt from the sale of land at Hafod y Gest as a contribution towards the cost of the Extra Care Housing Scheme on the same site.

To approve the recommendations, Cabinet members must satisfy themselves that the Extra Care Housing Scheme on the Hafod y Gest site is a higher corporate priority than other plans which could have been funded from the capital receipt. That is, £358,500 of the £378,500 capital receipt from the sale of the site would’ve transferred to the corporate fund, and the Cabinet must be convinced that that the Extra Care Housing Scheme is the appropriate use of that resource, in the context of other corporate priorities.

That, as suggested in the table towards the end of the report, along with earmarking additional elements of Social Housing Grant in 2014/15, 2015/16 and 2016/17, and the other grants / specific funds originally committed to this

purpose, should be sufficient to finance the Extra Care Housing Scheme (total cost £8,816,243), including £246,269 as a contingency (which is usually required in such schemes).