

‘Places For Change’ Update

1 THE ISSUE

- 1.1 Through the “Places of Change” hostel improvement programme, Bath & North East Somerset Council had been allocated £2.5m of capital funding by the CLG¹ to provide a new fit for purpose direct access hostel for street homeless. In addition, the Council resolved on the 17th February 2009 to contribute match funding up to a maximum of £3m capital. Somer Housing Group, our chosen development partner, also anticipated contributing around £2m, principally from Homes & Community Agency (HCA)² funding (formerly the Housing Corporation). This provided total project funds of around £7.5m.
- 1.2 However, the HCA Places of Change team (formerly part of the CLG) have now withdrawn their funding contribution to this scheme. This was due to us being unable to meet their challenging timescales and scheme requirements.

2 FINANCIAL IMPLICATIONS

- 2.1 On the 17th February 2009, the Council resolved to contribute match funding (money and/or land) for this project up to a maximum of £3m. The resolution was as follows:

“That the Council note the allocation from headroom of £35k in 2009/10 rising to £186k per annum by 2011/12 in respect of potential debt charges arising from the ‘places for change’ project (to enhance facilities for the homeless in Bath) should it be necessary for the Council to match the £2.5m from the Department for Communities and Local Government and any further external capital contributions, e.g. from the Homes & Communities Agency, with a Council capital contribution of up to £3m”.

- 2.2 The position is now ambiguous in that the Council funding, while still being match funding in relation to the Somer Group/HCA contribution, will not be matched by the original Places of Change hostel replacement programme funding. Given the ambiguity, Cabinet may consider it appropriate to seek Council’s opinion and decision on whether contribution of up to £3m is still available to this project.
- 2.3 Without the former CLG funding there is less capital available in which to develop the scheme. Approximately £5m, assuming Council agrees the £3m, compared to the original £7.5m. However, the CLG funding did bring with it a number of demands that can now be put to one side. These included the requirement to have a hotel style lobby and hotel standard furnishings. In addition, it gives us the opportunity to reconsider the size of the development in light of recent evidence. It is therefore considered that a more limited hostel (still with associated training & medical facilities) can still be provided within the potential £5m of capital funding available.

¹ Department of Communities & Local Government

² Homes & Community Agency

2.4 It should be noted that this scheme is not without some financial cost and risk. While the majority of the pre-development work has been completed, including site selection appraisals and feasibility studies the scheme will still require additional officer resources from Bath & North East Somerset Services. These include Housing Services, Supporting People, Major Projects, Property Services and Legal. There is currently no funding allocated for these costs. As such where possible staff resources will need to be absorbed from within existing budgets. Where this is not possible, for example major projects & legal services, these costs will have to be charged to the project pot. These “chargeable costs” are estimated to be around £50,000, and would need to be written off to revenue in the event that the project does not proceed.

2.5 The incorporation of Somer Housing Group in this project is designed to bring their extensive development expertise to the project, and reduce the costs and risks to the Council. The proposal is that Somer Housing Group will effectively design/build scheme within an agreed commissioned framework, including key scheme parameters, outcomes and budget. While the Somer Housing Group have agreed in principle to this approach, it would need to be contractually finalised prior to the commencement of the development. This significantly reduces the exposure of the Council with both costs and risks being transferred and a capped scheme budget.

2.6 In addition, it should be noted that:

- while the revenue funding to cover the costs of borrowing £3m while notionally set aside in future years from 2010/11, the budget proposal agreed by Council in February 2009 did not fully balance in future years.
- in any case, since consideration of the Budget and Medium Term Service & Resource Plans at Council in February 2009, it is clear that the likely public finance scenarios are worse than then anticipated so current medium term service and resource plans are using more pessimistic assumptions in terms of government grant going forward. This project would add further to what will already be a severe and long-term squeeze on revenue funding. Should it not prove possible, in the event, to absorb these costs within declining revenue budgets going forward, then the capital contribution would need to be funded from capital receipts as a call on the “£100m”, otherwise earmarked for public realm.
- as part of the preparation of the project proposal, consideration needs to be given to how the facility will be funded when it opens, and how those costs will be prioritised in the context of the medium term financial challenge outlined above.