

CYNGOR SIR 13EG MEHEFIN 2018

CARTREFI CROESO CYF

Gofynion Ariannu, Penodi Cyfarwyddwyr A Dirprwyo Cytundeb Cyfranddaliwr

Y Pwrpas: Diben yr adroddiad hwn yw sicrhau cyfleuster cyllid priodol, drwy gyfrwng benthyciad, i'r cwmni tai i gynnal ei gostau gweithredu a datblygu cynllun. Hefyd y diben yw cytuno ar y broses ar gyfer penodi cyfarwyddwyr a dirprwyo awdurdod i ymdrin â materion yn ymwneud â'r cytundeb cyfranddaliwr.

Argymhellion Y Bwrdd Gweithredol:

Gofynion ariannu:

- 1. Nodi Cynllun Busnes lefel uchel 2018 – 2023 y Cwmni, sydd wedi'i ddatblygu gan Adran Dai / Cyfarwyddiaeth Cymunedau y Cyngor, fydd yn cael ei fireinio yn dilyn astudiaethau dichonoldeb manwl y prosiect a'r ymchwiliadau safle.**
- 2. Cytuno ar y costau i sefydlu'r Cwmni yn 2017/18 o'r cyllidebau refeniw presennol hyd at uchafswm o £100,000.**
- 3. Cytuno ar Fenthyciad Costau Gweithredu i'r Cwmni mewn perthynas â'i gostau gweithredu yn 2018/19 hyd at uchafswm o £280,000. Bydd hyn yn cael ei drosglwyddo ymlaen llawn, yn chwarterol ac mewn cyfrannau o 25%.**
- 4. Cytuno ar Fenthyciad Datblygu Prosiect pellach hyd at uchafswm o £750,000, i'w ryddhau mewn cyfrannau y cytunwyd arnynt er mwyn datblygu manylion busnes y cwmni i'r Cyngor eu hystyried ymhellach. Bydd y benthyciad hwn yn cael ei ddefnyddio i wneud cynnydd ar y canlynol:**
 - Gwerthusiadau datblygu pellach o wyth safle, gan gynnwys 2 brosiect gwledig. Bydd hyn yn cynnwys prisiad manwl, cymorth gwladwriaethol, cyngor cyfreithiol a chyngor ynghylch trethiant.**
 - Ymchwiliadau safle / cynigion datblygu cynllun cynhwysfawr a manwl ar gyfer tri safle, gan gynnwys un gwledig, gan gynnwys:**
 - Cwblhau modelau ariannol manwl a sicrhau'r cyngor cysylltiedig ynghylch materion cyfreithiol a threthiant.**
 - Datblygu strategaeth gaffael effeithiol.**
 - Comisiynu gwerthusiadau technegol manwl ac arolygon cysylltiedig megis arolygon safle, pridd, trafniadaeth ac arolygon ecolegol.**
 - Cysylltu â chyfleustodau a chyrff statudol.**
 - Comisiynu briff dylunio manwl a datganiad manyleb (a fydd hefyd yn cael eu defnyddio ar gyfer y prosiectau canlynol).**
 - Derbyn Cyngor cyn cynllunio a chwblhau ymgynghoriad cyn cynllunio.**

5. Bydd swm cychwynnol o £250,000 o'r Benthyciad Datblygu Prosiect manwl ar gael i'r cwmni er mwyn symud ymlaen â'r prawf o gysyniad. Bydd cymeradwyo rhyddhau rhagor o gyllid (hyd at y terfyn benthycia) yn cael ei ddirprwyo i'r Prif Weithredwr a Chyfarwyddwr y Gwasanaethau Corfforaethol, a gaiff ei ryddhau yn sgil cael arfarniad masnachol boddhaol o'r tri safle prawf o gysyniad cychwynnol.
6. Nodwyd y bydd ceisiadau am fenthyciadau pellach ar gyfer gwariant ar ddatblygiadau mawr (er enghraifft, trosglwyddo tir, ffioedd proffesiynol, costau adeiladu) yn dod i law yn ôl yr angen a byddant yn ffurfio rhan o'r cynllun busnes manwl a fydd yn cael ei gwblhau ar ôl i'r gwerthusiadau safle unigol gael eu cwblhau.
7. Bydd y cyllid drwy fenthyciadau ar gael ar 3.5% yn uwch na'r gyfradd a bennir gan y Bwrdd Benthyciadau Gwaith Cyhoeddus ar gyfer y Benthyciad Costau Gweithredu a 2.2% yn uwch na chyfradd y Bwrdd Benthyciadau Gwaith Cyhoeddus ar gyfer y Benthyciad Datblygu Prosiect. Bydd yr elfennau terfynol ynghylch y cytundeb benthyciad manwl yn cael eu dirprwyo i'r Prif Weithredwr a'r Cyfarwyddwr Gwasanaethau Corfforaethol.

Penodi Cyfarwyddwyr

8. Bod y penderfyniad i benodi a diswyddo Cyfarwyddwyr y Cwmni yn cael ei wneud gan y Prif Weithredwr mewn ymgynghoriad ag Arweinydd y Cyngor, ac ar ran y Bwrdd Gweithredol.
9. Bod y Cyfarwyddwr Cymunedau (Jake Morgan), a'r Cyfarwyddwr Adfywio a Pholisi (Wendy Walters) yn cael eu penodi yn gyfarwyddwyr y cwmni.
10. Y cytunir ar broses ffurfiol i benodi'r Cyfarwyddwyr sy'n weddill.

Dirprwyo materion yn ymwneud â'r cytundeb cyfranddaliwr.

11. Dirprwyo awdurdod (lle bo modd) i'r Prif Weithredwr, ar ôl ymgynghori â Chyfarwyddwr y Gwasanaethau Corfforaethol, i weithredu ar ran y cyfranddaliwr mewn perthynas â'r Cytundeb Cyfranddaliwr.

Rhesymau

Cytuno ar gymorth ariannol i gefnogi'r Cwmni i gyflawni ei gynllun busnes manwl.

Sicrhau bod proses glir ar gyfer penodi a diswyddo Cyfarwyddwyr y Cwmni.

Sicrhau y defnyddir awdurdod dirprwyedig mewn modd amserol a phriodol i wneud cynnydd o ran busnes y cwmni.

Angen ymgynghori â'r Pwyllgor Craffu perthnasol Nac oes - Sesiwn i'r Aelodau ar 19 Mawrth 2018

Angen i'r Bwrdd Gweithredol wneud penderfyniad OES

Angen i'r Cyngor wneud penderfyniad OES

YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:-

Y Cynghorydd David Jenkins, Yr Aelod o'r Bwrdd Gweithredol dros Adnoddau

Y Gyfarwyddiaeth: Cymunedau
Enw Pennaeth y Gwasanaeth:
Chris Moore

Swyddi: Cyfarwyddwr y
Gwasanaethau Corfforaethol

Cyfeiriadau E-bost:

cmoore@sirgar.gov.uk

EXECUTIVE SUMMARY

**COUNTY COUNCIL
13TH JUNE 2018**

CARTREFI CROESO LTD

Financing requirement, appointment of directors and shareholders agreement delegation

Background

The Executive Board agreed on the 27th November 2017:

1. That a wholly council owned Housing Company ('the Company') is created to build homes for sale and rent and act as a catalyst for further regeneration activities.
2. That the Company is incorporated as a limited company with the Council as the sole shareholder.
3. That the Articles of Association and Shareholder consent for the Company be approved.
4. That the Company's Business Plan is prepared and agreed by the Board of the Company and submitted for formal approval by the Executive Board of the Authority prior to its implementation.
5. Any loan from the Council, as agreed in the Company's business plan, be repaid at a commercial rate of interest as agreed by the Director of Corporate Services.
6. That the set up costs of the Company (estimated to be £100,000 in 2017/8), be recovered by way of a loan arrangement (at a commercial rate set by the Director of Corporate Services) with the duration to be agreed within the detailed business plan. In the event that the Company is not established, then the costs of implementation will be met from reserves.
7. That the board of directors comprises one member of the Council, two officers and two external appointments.

The purpose of the Company is to:

- Deliver the affordable housing commitment, and offer additionality to the commitment
- Support economic growth and strategic regeneration initiatives
- Respond to demographic trends and meet housing needs & aspirations
- Generate a return on investment and dividend for the Council by delivering a commercial return
- Develop housing for rent and sale
- Provide additional temporary accommodation to meet housing needs
- Pursue a mixed tenure approach to maximise the level of affordable housing
- Act as a catalyst to unlock development potential
- Help to ensure that the housing market has sufficient competition to drive value for money and choice.

Following the agreement to establish the Company, the attached business plan shows the Company's significant commercial assumptions regarding its scheme development costs, including:

- Land purchase and Section 106 obligations
- Completion of detailed financial modelling and associated legal and taxation advice
- Developing an efficient procurement strategy
- Detailed technical appraisal and associated site, soil, transport and ecological surveys
- Liaison with utilities and statutory bodies
- Commissioning of detailed design and specification
- Managing the planning process and planning fees
- Legal, sales, tax, marketing and home purchaser warranty fees
- A reasonable contingency provision
- Loan financing
- Corporation tax obligations

It is assumed that the social housing provision will be cost neutral as it will be resold to the Council, via outright purchase or a lease agreement.

The Plan also makes assumptions regarding the Company's operating costs, including:

- Staffing costs and Board remuneration fees
- Charges levied by the Council for support services
- Insurance, tax, audit and legal costs
- Office, administration, IT and company infra structure costs

Some assumptions have not been explicitly identified as they are commercially sensitive and need to remain confidential. Assumptions have been constructed reasonably cautiously to ensure the Plan is not over ambitious or undeliverable. It is also designed to mitigate unknown costs. The Plan shows that the Company will begin to generate revenues in 2019/20 and will move to a position of surplus in 2021/22. Based on the working assumptions, the key financial expectations set for the Company are:

	2018/19	2019/20	2020/21	2021/22	2022/23
Revenues	0	684	1734	1877	1078
Operating costs	-396	--288	-285	-280	-280
Pre tax profit	0	396	1449	1597	798
Corporation tax	0	-75	-275	-303	-152
Net profit	-396	321	1174	1294	646
Brought forward	0	-396	-75	1098	2392
Surplus (deficit)	(396)	(75)	1098	2392	303

n.b. forecast figures exclude the impact of any loan financing

Appointment of Directors

The Company has a board of five directors as defined in its Articles of Association. This comprises two officers of the Council (unpaid), one member of the Council (unpaid) and two external independent directors (remunerated). A clear process is required to make these appointments. It is

recommended that these appointments are made by the Chief Executive following consultation with the Leader of the Council.

Delegated authority regarding the Shareholders Agreement.

As part of the decision to establish the Company, a shareholders agreement was ratified which details any decisions which must be referred back to the shareholder before the company can proceed. The issues covered in the Shareholders Agreement vary in terms of impact and significance. It is therefore recommended to delegate authority to the Chief Executive, following consultation with the Director of Corporate Services, on those issues which do not require consent of the Executive Board or Council.

DETAILED REPORT ATTACHED?	YES
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IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: Chris Moore Director of Corporate Services

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
YES	YES	YES	YES	YES	YES	YES

1. Policy, Crime & Disorder and Equalities

The housing company will help to deliver the Council's strategic objectives regarding economic growth and delivering additional affordable housing. It will also contribute to ensuring the Council's commitment to enabling sustainable communities and prosperous & healthy future generations are met.

2. Legal

The legal background to establishing the Company and the Council's powers to do so are set out in the report to the Executive Board of the 27th November 2017.

3. Finance

The development of the new housing company, like all new ventures, inherently carries higher risk until the concept is proven and projects are successfully delivered. The release of funding and phasing of project development has been set to balance the financial risk to the council with its aspiration of rapid progress. On the approval of this report, the maximum value at risk for the council will not exceed £1.130 Million, albeit a significant element is mitigated as surveys etc are all on council owned sites and may have value to outside developers if not progressed by the housing company.

It should be noted that, following successful completion of this feasibility development work, substantial additional loan funding will be required by the company to enable site acquisition and project construction, which can be repaid from the proceeds of sales or rentals. A further approval for this funding will be sought at the appropriate time.

4. ICT

The Company will utilise the Council's IT section. A charge will be made to the Company for the supply of these services.

5. Risk Management Issues

The Council will manage the risks faced by the Company by the appointment of suitably qualified and experienced directors. The Company will produce its own risk register and be explicit in terms of how these risks are managed and mitigated.

An initial risk assessment forms part of the report approved by Executive Board on the 27th November 2017.

6. Physical Assets

It is envisaged that the company will be in a position to purchase assets from the Council in due course (subject to additional loan funding being agreed by the Council). The process for this will follow general disposal procedures and guidance.

7. Staffing Implications

The Company will utilise council staff. A charge will be made to the Company for the supply of these services.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below
Signed Chris Moore Director of Corporate Services

1. Scrutiny Committee

Communities Scrutiny was consulted on the establishment of the Company on the 24th November 2017.

2. Local Member(s) - An all member seminar took place on the 19th March 2018 regarding the Company.

3. Community / Town Council - None

4. Relevant Partners - None

5. Staff Side Representatives and other Organisations - None

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection
Report to the Executive Board	27 th November 2017	www.carmarthenshire.gov.uk