



Title: Kibblesworth Development Finance Update

Report of: TGHC Head of Corporate Services

Purpose of Report

- To provide the Board with an update on the financial element of the Kibblesworth development.

Background

- The total cost of the Kibblesworth development is forecast to be £9.3million. This is being funded through a grant from the Homes and Communities Agency of £4.8million and a loan from the Council of £4.5million.

Summary

- The original budget and funding for the scheme and the updated budget is detailed in the table below.

	Original Budget £'000	Amended Budget Jan 13 £'000	Amended Budget May 13 £'000	Amended Budget July 13 £'000
Funding				
Loan from GMBC	4,500	4,500	4,500	4,500
HCA Grant	4,832	4,832	4,832	4,832
Forecast Expenditure				
Contractor Build Costs	8,170	8,435	8,244	8,188
Contractor Contingency	500	235	426	482
Management Fee	450	450	450	450
Other Adhoc Costs	212	212	212	212
Surplus / (Deficit)	NIL	NIL	NIL	NIL

- The original budget was amended in January 2013 to detail the updated expected spend on Kibblesworth. The original contingency was reduced due to increased spend required on asbestos removal, which was not known in the pricing of the scheme.

5. There has been no movement on the expected budget since the previous board report in July. Contractor build costs remain at the reduced level of £8,187,611, with an increased contingency of £482,389.

Detailed Funding Summary

6. The first tranche of HCA grant was received in April 2010 – this was 75% of the overall £4.8m. A total of £3.6m was received by Keelman Homes on 1 June 2010. As detailed in previous updates, this money was invested in appropriate short term deposits in line with our expected payment schedule.
7. These grant monies were utilised over the first year of the scheme to cover the costs of Keepmoat's invoices.
8. We drew down our first tranche of the loan from Gateshead Council on 27 May 2011. The first tranche we drew down was £1.5m.
9. We completed Phase 1 of the Kibblesworth development and therefore drew down the full tranche of Phase 1 funding; the 25% balance of £550,000 was received in September 2011.
10. We drew down our second tranche of loan on 9 February 2012 for a further £1.5m. The Council have agreed to amalgamate the first and second tranche of loan and include as one loan. This has an interest payable rate of 4.86% which is the Council's Consolidated Rate of Interest (CRI). The amalgamated loan is repayable in six monthly intervals from 1 March 2012.
11. We completed Phase 2 of the Kibblesworth Development and therefore drew down the full tranche of Phase 2 funding; the 25% balance of the £440,000 was received in April 2012.
12. We drew down the third and final tranche of loan of £1.5m in September 2012. This has an interest payable rate of 4.59% which is the Council's Consolidated Rate of Interest (CRI). The next repayment of the full loan is due on 1 March 2014.
13. We completed Phase 3 and 4 of the Kibblesworth development and therefore drew down the full tranche of Phase 3 and 4 funding; the 25% balances of £123,750 and £94,250 were received in August 2013.

Detailed Expenditure Summary

14. To date we have paid Keepmoat £7.9m out of the expected total of £8.2m, this includes the latest payment in June 2013 of £66,964.
15. We have paid Gateshead Council £32,500 to deliver the art work at the site, £11,661 towards the offsite play area at Kibblesworth and £52,737 for the fixed play area at Kibblesworth. We have also paid Kibblesworth School £2,500 to deliver a mural for the site.

Impact on tenants

16. Whilst this report does not impact on tenants directly, appropriate financial monitoring and control will ensure efficiencies are maximised and that any spare resources are appropriately utilised.

Risk Management Implications

17. The risk of interest rate fluctuations has been removed by fixing the interest rate when the loans are taken out.
18. A positive cash flow is maintained throughout the life of the development.

Financial Implications

19. The financial implications are contained within the report. A contingency of £482,389 is included in the budget to deal with any unforeseen areas of expenditure.

Equality and Diversity Implications

20. There are no equality or diversity implications arising from this report.

Health Implications

21. There are no direct health implications arising from this report.

Value for Money implications

22. The preferential loan terms and conditions represent value for money for Keelman Homes. The interest payable on the loan is set at a fixed rate equivalent to the Council's consolidated rate of interest at the time the loan is drawn down. The interest on the loan drawn down has been fixed at 4.86% for £3m of the loan and 4.59% for the final £1.5m.

Environmental Implications

23. There are no direct environmental implications arising from this report.

Consultation carried out

24. No consultation has been carried out directly as a result of this report.

Recommendation

25. The Board is asked to note the revised financial position for the Kibblesworth development.