

## Portfolio Holder for Education and Property

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For further information please contact

County Hall  
Llandrindod Wells  
Powys  
LD1 5LG  
21/02/2022

[steve.boyd@powys.gov.uk](mailto:steve.boyd@powys.gov.uk)

01597 826374

### NOTICE OF INTENDED PORTFOLIO HOLDER DELEGATED DECISION

The Portfolio Holder has received the following report for a decision to be taken under delegated authority. The decision will be taken on **25 February 2022** (i.e. 3 clear days after the date of this note). The decision will be published on the Council's website but will not be implemented until 5 clear days after the date of publication of the decision) to comply with the call-in process set out in Rule 7.36 of the Constitution.

1.	<b>TRANSFER OF ARLAIS DAY CENTRE TO HOUSING SERVICES</b>
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**CYNGOR SIR POWYS COUNTY COUNCIL**  
**PORTFOLIO HOLDER DELEGATED DECISION**  
by  
**COUNTY COUNCILLOR MYFANWY ALEXANDER**  
**PORTFOLIO HOLDER FOR ADULT SOCIAL CARE, WELSH LANGUAGE,**  
**HOUSING AND CLIMATE CHANGE**

**AND**

**COUNTY COUNCILLOR PHYL DAVIES**  
**PORTFOLIO HOLDER FOR EDUCATION AND PROPERTY**

**21<sup>ST</sup> February 2022**

**REPORT AUTHOR: Nina Davies, Head of Housing and Community Development**

**REPORT TITLE: Transfer of Arlais Day Centre to Housing Services**

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**REPORT FOR: Decision**

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**1. Purpose**

1.1 The purpose of this report is to seek approval for the Arlais Day Centre in Llandrindod Wells to be transferred to Housing Services to enable the development of affordable housing.

**2. Background**

2.1 In January 2020, Housing Services acquired land to the rear of the Arlais Day Centre which had been declared surplus to requirements by Powys County Council. Full market value of £130,000 was paid for the site. The acquisition was made in the knowledge that the Day Centre would likely become surplus in the future and the sites combined would provide a good opportunity for the development of affordable housing.

2.2 The Arlais Day Centre was subsequently declared surplus to requirements for the purpose of providing day care services. In accordance with Powys Corporate Asset Policy, all services within Powys County Council were asked whether they had any use for the surplus property. Housing Services expressed an interest in acquiring the site to develop homes for local people. As there was an approach from an internal service to take the property, there was no requirement in the Council's process and procedures guidance for the Corporate Property team to advertise the property externally for lease or sale. The relevant extracts from Powys Corporate Asset Policy are attached to the report as Appendix One.

2.3 The Housing Service has worked with Adult Social Care in developing alternative day care facilities at the Council's older persons scheme at Lant Avenue. The Housing Revenue Account (HRA) funded an element of this work, and the scheme was project managed by HRA officers. Discussions are

currently underway to agree details of how the Lant Avenue facility will be used once day care services are allowed to reopen safely.

- 2.4 The Council has been made aware that there are community groups in Llandrindod Wells who may require office or communal space. The refurbishment of the communal facilities at Lant Avenue was undertaken to enhance the role this building could play in supporting community and third-sector groups and agencies to provide services to people living in Llandrindod Wells. The Council will, if requested, work with agencies to make effective use of this facility.
- 2.5 In addition, Powys County Council has secured funding to refurbish the Auto Palace building in Llandrindod Wells, which sits adjacent to a park setting and has good parking facilities. The building adaptations to be undertaken include full disabled accessibility on one level. Office space could potentially be made available within the Auto Palace building to suit the needs of organisations looking for office and activity capacity in Llandrindod Wells, including for example Mid and North Powys MIND. The Council's Corporate Property officers will liaise and work with interested organisations looking for office and activity space, to discuss their needs.
- 2.6 Powys Corporate Property officers have confirmed that if the Arlais Day Centre building was to be leased by Powys County Council on a commercial basis to a third party, the building would require significant investment in lighting, power and data provision and possibly a new internal office design to make it fit for purpose. Planning permission may also need to be gained for a change of use. Powys County Council would need to make sure the building is compliant with all relevant regulations and legislation, including for example the Minimum Energy Efficiency Standard (MEES) legislation. Works to bring the building up to standard could include replacement windows, new insulation, new heating and electrical lighting systems. The Council does not have the capital investment to undertake this work.
- 2.7 Powys County Council has committed to develop 250 new Council homes for rent by 2025. Development of the Arlais Day Centre site together with the land to the rear, which would amount to 0.65 hectares combined, would provide approximately 20 properties and be a positive contribution to meeting this target, which aligns with priorities of Vision 2025.
- 2.8 Llandrindod Wells has been identified as being an area of high housing need, with a particular need identified for single person accommodation. There are currently 210 applicants registered with 'Homes in Powys' for affordable and secure rented accommodation in the town. Following the COVID-19 pandemic the County has experienced a significant increase in demand for homes. Additional homeless duties were mandated by the Welsh Government during the pandemic, adding to the demand for homes for those who are homeless or at risk of becoming homeless. Currently, circa 4,000 are registered with 'Homes in Powys' and around 200 households are living in temporary accommodation, awaiting the availability of a suitable property in which to make a permanent home. Those additional duties are now expected to be mainstreamed, suggesting that demand for social housing is unlikely to diminish.

- 2.10 The District Valuer Service (DVS) was commissioned to provide independent valuations of the Arlais Day Centre site for both market value and a market value restricted to affordable housing. Its findings are as follows:

“The opinion of Market Value of the freehold interest with vacant possession -

- Reflecting the affordable housing requirements as per the LDP allocation as at 14 April 2021 is £130,000 (One Hundred and Thirty Thousand Pounds).
- Reflecting 100% affordable housing provision as at 14 April 2021 is **£1** (One Pound)”

### **3 Advice**

- 3.1 The options available/considered are as follows:

3.1.1 Option One: Transfer of Arlais Day Centre to Housing Services to develop 100% affordable housing for £1 which is the market value for affordable housing provision.

3.1.2 Option Two: Transfer of Arlais Day Centre to Housing Services for the market value of £130,000.

3.1.3 Option Three: Advertise Arlais Day Centre on the open market for general sale.

- 3.2 The Principal Property Manager (Strategic Property) has commented that: “the sale at £130,000 is included within the capital receipt forecast for 2021-2022 and therefore Strategic Property do not support Option One to transfer Arlais Day Centre to Housing Services for £1. Option Two to transfer of Arlais Day Centre to Housing Services for the market value of £130,000 is supported.”

- 3.3 There is a clear, identified need for affordable, social rented properties in Llandrindod Wells and development of the site for 100% affordable housing would help meet this need, as detailed in Option One. Option Three would provide a capital receipt but would not provide additional Council housing in Llandrindod Wells to meet the growing need for such homes or meet the Council’s development target for social housing in support of Vision 2025.

- 3.4 Option Two therefore represents the most positive outcome, providing land for the development of affordable housing by the Council and a capital receipt to the Council from an asset for the Council to invest in other services. Although market value is being paid for the site, the Housing Service still intends to develop the site for 100% affordable (social) housing to rent. This option will require additional Social Housing Grant (SHG) to make an affordable housing scheme viable and will increase the borrowing pressure on the HRA by increasing the payback period for the scheme.

- 3.5 Viability assessments have been undertaken for a scheme covering both the land to adjacent to the Day Centre and the Day Centre site itself, and a separate assessment for the Day Centre site only, for the purposes of assessing the viability of the additional site acquisition. A summary of the viability assessments is attached to this report as Appendix Two. In summary, a scheme covering both sites could provide 20 homes.

- 3.6 Development of a housing scheme on the combined site can be afforded within the HRA Business Plan, subject to receipt of Social Housing Grant (SHG) to assist with the cost of making sure that social homes meet the standards required by the Welsh Government. Based on the Welsh Governments Standard Viability Model, the availability of SHG is assumed to be 47% of the Total Scheme Cost. This would make a social housing scheme on the combined site viable with a discounted payback period of 45 years – which is within the 60-year target set by the Council for the funding of new housing schemes.
- 3.7 There is a risk that costs may increase due to the current global increase in construction costs, which could be managed by phasing development to accommodate any fall in construction inflation.
- 3.8 The risks of construction cost inflation and SHG being awarded at a level below that assumed in the viability appraisal would be managed by consideration of diverse tenure options to include homes for sale, with any surpluses generated being used to offset the cost of providing social rented homes.

#### **4. Resource Implications**

- 4.1 The site has been included in the Powys New Build Development Programme and there is budget earmarked for development of the site in the HRA Business Plan. Appendix A to this report sets out a summary of the viability assessment for the development of the site.
- 4.2 The development will be part funded using Welsh Government Grant and borrowing by the HRA, borrowing will be financed from the rental income. As noted above the payback for current scheme proposal is less than 60 years. If the amount of grant available is less than 43% of the Total Scheme Cost, then the scheme as currently proposed may not be viable. This risk could be managed by a review of tenure and housing options developed on the site, with a view to any surpluses generated by market housing being used to cover the cost of providing homes that can be let at affordable rents.
- 4.3 The Head of Finance (Section 151 Officer) notes that the report confirms that the proposal can be accommodated with the HRA Business Plan and that the payback period is within the Councils target range. The risks of not being able to obtain grant funding or that costs increase are highlighted and these could impact on the viability of the scheme currently being proposed, however, the report describes how these risks can be managed. The recommended Option Two to transfer the site at the market value of £130,000, ensures that the Council's General Fund benefits from the release of the site whilst the HRA acquires it at market value.

#### **5. Legal implications**

- 5.1 Legal: the recommendations can be accepted from a legal point of view.
- 5.2 The Head of Legal and Democratic Services (Monitoring Officer) has commented as follows: "I note the legal comment and have nothing to add to the report".

## **6. Data Protection**

6.1. No personal data is contained within this report.

## **7. Comment from local member(s)**

7.1 Councillor Pete Roberts (Llandrindod Wells South) has commented as follows:

7.1.1 May I thank officers for the detailed report and explanation of the asset disposal process along with a number of other responses to my questions.

7.1.2 Arlais Day Centre has been a feature of the lives of many residents of the town and its location on a flat area with good access has made it highly accessible to residents. As such many have expressed significant disappointment that the site cannot be repurposed for a community use. However, having reviewed the situation I am confident that the revised facilities at the court will meet the day centre demands of the community once the Covid situation allows such meetings to take place.

7.1.3 Accepting that situation the site is surplus to departmental need then the relevant policies kick in. These require other internal uses to be considered before the site could be considered for community or open market disposal. Any expression of interest by another department would have priority and to promote a community interest outside of procedure would set dangerous precedents.

7.1.4 This means the only question I have to respond to is do I support the usage of this site for addition council housing stock. The report highlights the level of housing need within Llandrindod and a response to a question at anytime to the portfolio holder illustrates there is a significant need across a range of household sizes. This means the only conclusion I can reach is that this is a demand that we have a duty to address. I therefore conditionally support this proposal.

7.1.5 These conditions being as follows:

7.1.5(a) The site is developed with a mix of housing size and type and designed to provide a similar mix of residence to the adjoining Broadway area.

7.1.5(b) That the properties when built are rented within the terms of housing regulation with priority given to residents on the list with an existing residence in or strong connection with the town council and surrounding area.

7.1.5(c) That any housing developed for the open market to finance the project is sold with covenants restricting sale to existing residents of the Town council and surrounding areas.

7.1.5(d) That some of the properties are designed to be adaptable for the needs of residents with physical disabilities.

7.1.5(e) That at least one property is developed with children services with a view to reducing the dependency on private sector support for housing Children Looked After.

- 7.1.5(f) That the council undertake to maximise the biodiversity potential of the site in the design and build phases.
- 7.2 Councillor Jon Williams (Llandrindod East/West) has commented as follows:
- 7.2.1 Thank you for the updated report and the chance to comment on the proposals put forward. Worryingly, the updated report has many misleading conclusions which I feel I need to address.
- 7.2.2 The cost of £130,000 for the purchase of the land to the rear of the day centre makes it sound as though there was a cost to PCC, when it was actually an internal transfer from one dept to another.
- 7.2.3 The day centre was transferred to the court Lant avenue, but this is a reduced service with no room for expansion. No thought has been given to the future needs of the day care provision in Llandrindod after the pandemic has ended and the possible need for a bigger building.
- 7.2.4 There are a growing number of community groups looking for community space within the town, the report wrongly says the room the day centre has moved to could also be used for community groups. It has actually displaced several groups who used to use it for meetings and activities because it is no longer suitable or available.
- 7.2.5 The funding grant for the Automobile palace was to turn it into a business start up hub not for community group use. Several organisations that would be interested in the Arlais building have looked at the Automobile palace and decided it does not meet their needs and does not provide any outside space.
- 7.2.6 The report states the council has no capital money to bring the building up to standard to lease it out. The groups and businesses who would be interested are looking to purchase not lease, this would bring in much needed funds and still allow development for social housing on the land at the rear, a real win-win for all concerned.
- 7.2.7 The council have committed to providing social housing and nobody would deny this is needed, however the council should look at other options for this building to benefit the community rather than just social housing. Welfare and wellbeing should also be a consideration and the many groups who could work together in this building would provide much needed support. This would not just be for Llandrindod residents but those from the surrounding area also.
- 7.2.8 The report states the new builds will be for local people but makes no mention of how many on the waiting list for Llandrindod are local people. The council currently have 189 void (empty) properties, but the report makes no mention of this or how many are within Llandrindod.
- 7.2.9 No thought or consultation has been given to selling this building for use by local businesses that would like to expand and create jobs and more opportunities for the local community.
- 7.2.10 The preferred option has a large amount of risk attached, firstly there is no guarantee that grant funding to build the houses will be forthcoming, there are



no guarantees that planning permission will be given to demolish the building or build new ones. This would leave the council in a precarious position.

7.2.11 The proposal to knock down the building goes against the council's own climate change agreement as reports show it is more environmentally friendly to reuse a building than knock it down.

7.2.12 I hope the portfolio holders will take note of these comments and propose a different outcome for this building, which could see it be used as a real community multi agency hub or purchased by local business to allow expansion creating much needed job opportunities and benefits for the local area. Both options could still allow for social housing to be built on the original piece of land to the rear of the building.

7.3 Councillor Jake Berriman (Llandrindod North) has commented as follows:

7.3.1 I am delighted to have the opportunity to comment on this report as one of the three Powys Councillors for Llandrindod Wells.

7.3.2 I am pleased that consideration of the earlier report was paused and that active support is being given to Mind to assist them in their search for alternative accommodation given their worries about their present rented space and the valuable work they do locally to support residents with mental health problems, but one of the greatest causes of mental anxiety is not having adequate housing which this scheme seeks to address directly.

7.3.3 My case work has seen a growing number of distressing cases of residents facing homelessness which is borne out by the worrying statistics shared in the report. This site, especially when taken together with the adjoining land already acquired by the Housing team, is eminently suitable for housing, and supported housing in particular, being centrally located with convenient level access to shops and services. I will be contacting the Housing team separately to discuss my thoughts on the use of the site, but wish to offer this report my support, with the HRA acquiring the site from the General Fund as suggested.

## **8. Integrated Impact Assessment**

8.1 An Impact Assessment is not required as this is covered by the current impact assessment for Housing Management.

## **9. Recommendation**

9.1 It is recommended that:

9.1.1 The Arlais Day Centre be transferred to Housing Services for £130,000 to enable the development of secure, affordable housing, to help meet the housing needs in Llandrindod Wells and support the Council in meeting its Vision 2025 housing priorities.

Contact Officer: Carol Gittins / Kimberly Caruana

Tel: 07773055209 / 07773055152

Email: [carol.gittins@powys.gov.uk](mailto:carol.gittins@powys.gov.uk) / [kimberly.caruana@powys.gov.uk](mailto:kimberly.caruana@powys.gov.uk)

Head of Service: Nina Davies

Corporate Director: Nigel Brinn

## **Appendix One: Extract from Corporate Asset Policy 2017**

### **Part 3-B Management of Surplus Property**

#### **1. Notification of a Surplus Property**

1.1 Property will determine whether the surplus property can provide a solution to any accommodation needs whilst also circulating the property to all Service Managers in line with the internal transfer procedure. There may however be overriding circumstances where it is not appropriate to circulate properties internally before offering for sale – for example, where a property has been bought under a Compulsory Purchase Order and is no longer needed for the purpose of its acquisition (where it legally must first be offered back to the original vendors). Such departures will only be followed having first consulted the Property Portfolio Holder.

1.2 After receiving the above notification, Services have three weeks to declare their interest in securing future use of the surplus property.

1.3 Any declaration of interest must be supported within one calendar month by a written Statement of Intent highlighting:-

- Support for the internal transfer by the Cabinet Portfolio Holder for the interested Service Area
- A clear and brief Business Case:-
  - o Explanation of the service to be delivered
  - o Long-term management feasibility o Summary of capital and revenue expenditure proposals
  - o Demonstration of the project’s long-term sustainability

1.4 If a Business Case is not forthcoming after the defined time limit in 1.3 above, Property will make contact with the service to confirm that the service has no interest in the property so that the disposal process may continue. A further deadline for submission of a Business Case may be agreed.

1.5 If no interest is shown in the surplus property, it will be disposed of. See “Part 4, Disposal of Surplus Property”.

1.6 Any interest declared by one or more Heads of Service will be dealt with following the procedures in “Part 4-A, Internal Transfer of Property”.

#### **2. Suitability for Social Housing**

2.1 If a Service Area has expressed an interest in the internal transfer of a property or the property has also been identified by a Registered Social Landlord, the interest of both parties will be dealt with under “Part 4-A, Internal Transfer of Property”.

### Part 4-A Internal Transfer of Property

#### 1. Procedures for Internal Transfer of Surplus Property

1.1 Under all circumstances, business cases (as referred to in Part 3-B) will be reviewed by the Property Portfolio Holder together with the relevant Portfolio Holders for the requesting areas, and the Portfolio Holder for Finance.

1.2 If the Portfolio Holder approves the transfer, the Property Team will formally advise all concerned of the decision and the transfer date will be taken as the date of approval.

1.3 If the transfer takes place to the Housing Service then paragraph 5 below will apply.

#### **Part 4-A Internal Transfer of Property**

##### **5. Internal Transfer of assets to or from the Housing Service**

5.1 Where a transfer is requested by the Housing Service for affordable housing using its own Capital funds, then the same process as set out in 4- B will be followed as if Housing were an RSL. However, in such an instance, there will be an expectation that as soon as Cabinet, or designated Portfolio Holder, has approved a transfer of a surplus property to the Housing Service at an agreed sale price, the transfer will be effected within 6 months of that decision.

#### **Part 4-B Sale of Property to a Registered Social Landlord or Local Health Board Registered Social Landlord (RSL)**

##### **1. Background**

1.1 In order to promote development of new affordable housing for either rent or low-cost home ownership, the Welsh Government (WG) gives Social Housing Grants (SHGs) to RSLs.

1.2 Local Authorities identify and prioritise those settlements within their jurisdiction where there is a high demand for social housing schemes and work with RSLs to secure development sites.

##### **2. The Process**

2.1 During the internal circulation process, the Housing Service is able to lodge interest in any property on behalf of one of the RSLs operating in Powys.

2.2 This interest must be supported with a Business Case, as outlined in Paragraph 1.3 of "Part 3-B.

2.3 If the Cabinet Property Portfolio Holder accepts the Business Case, the RSL must accept the management and maintenance liability of the property in the form of an Option Agreement. The Option Agreement fee – charged at 5% of the Council's assessment of Market Value - will need to be completed within three months of this decision. The option fee will be deducted from the purchase price on legal completion, but will be nonrefundable should the RSL subsequently withdraw from the process.

2.4 An Option agreement will be offered for up to 24 months (to run concurrently from the date of the Cabinet Portfolio Holder decision) in order to allow for valuation, finance and planning work-streams to be secured and also for a purchase to be negotiated

2.5 The Property Team will advise the relevant Local Member that consideration is being given to a sale of a property to an RSL.

2.6 The Property Team will commission an Independent Expert valuation of the property from the Valuation Office Agency (VOA) or similar independent body, which will comprise both a market value and a market valuation restricted to affordable housing.

2.7 Upon receipt of the VOA report, the RSL will undertake a full viability assessment of the property to determine whether the VOA valuation is affordable. Powys County Council's "Corporate Asset Policy (CAP)" (Revised in October 2017) Page 44 of 81

2.8 Once the outcome of the viability assessment is known, the Property Team will produce a Cabinet report outlining both valuations, and the offer made by the RSL. Cabinet will in all circumstances be asked to determine whether they wish to support a sale at less than market value in order to meet demonstrable affordable housing needs or whether the Council's need for the higher value capital receipt should take priority. Where the viability assessment indicates that the RSL is only able to submit an offer considerably lower than the affordable housing valuation. The RSL may be required to attend the Cabinet meeting to take questions.

2.9 In the event that Cabinet does not support the recommendation, instructions will be provided as part of the Cabinet's decision.

2.10 If Cabinet or Portfolio Holder approve the disposal to the RSL, the Property Team will immediately notify the Town or Community Council.

2.11 Instructions to the Head of Legal Services to proceed with the disposal will be issued by the Property Team no sooner than five working days after the Cabinet or Portfolio Holder decision to support the sale has been made.

### **3. Overage Provision in the Transfer Document**

3.1 If an asset is sold to an RSL, the property must be developed for affordable housing with the transfer documents containing an overage clause to that effect.

### **4. Local Health Board Background**

4.1 The Local Health Board within Powys (PTHB), mirrors the aims and objectives of Council in that they serve the people of Powys. The two organisations have a working agreement whereby they each strive to ensure the needs of the public are met to the highest standard. In order to achieve this, all surplus property will be circulated to the PTHB. Process

4.2 The process to be followed in these cases, when the Council has surplus property, mirrors that for RSL's above.

### **5. Notification of Transfer to RSL/PTHB**

5.1 At the conclusion of the transfer, Legal will circulate the transfer document to all parties named on their formal Green Form instruction.

## **Part 4-C Sale of Property**

### **1. The Process**

1.1 If there is no internal interest or if expressions were rejected, the property will be offered for sale on the open market.

1.2 The Property Team will consider whether any “exceptional circumstances” (defined below) exist whereby the property should be offered to another party prior to being offered to the general market.

1.3 “Exceptional circumstances” may include, but are not limited to, the following: -

- A landmark building (e.g. a former Town Hall) which may have historical links to a Town or Community Council and be considered as a heritage asset.
- Land where a Town or Community Council already has an interest or presence (e.g. an office, recreational area, etc.)
- Crichel Down Rules – If a property was acquired by compulsory purchase, it may have to be offered back to the original owner.
- Minor extensions to gardens, where it is clearly obvious that there can only be one realistic purchaser (and subject to the minor sales policy).

All potential exceptional circumstances will be dealt with individually on a case by case basis. In all cases where officers are considering whether Exceptional Circumstances exist, approval will be obtained from the Monitoring Officer to depart from the normal procedure in this CAP.

1.4 Notification of a proposed sale should be given to the relevant Local Member if the land is to be offered for sale on the open market. Any land offered in this way will not necessarily include newspaper and / or roadside advertising but may be offered solely through the Council’s Website, or external agent.

1.5 Where a potential sale has been initiated by a private individual (under Part 4-D or otherwise), the applicant, along with any other adjoining landowners will be contacted directly, to advise them of the land being offered for sale. In these circumstances, the advertisement, via the Council’s website will run for a period of no less than three weeks.

1.6 If a property was acquired by compulsory purchase it may have to be offered back to the original owner and/or the owner’s family, if it had not been utilised for its intended purpose and the original vendors were still alive.

1.7 In order to ensure that the Council maximises its receipt on all disposals, consideration will be given to the possibility of securing additional value by development or change of use in consultation with the appropriate Planning Authority. Powys County Council’s “Corporate Asset Policy (CAP)” (Revised in October 2017)) Page 46 of 81

1.8 Where it is appropriate to do so, the Property Team will ensure appropriately worded covenants are included in instructions to Legal Services to protect the Council’s interest.

1.9 Services should note that where land or property is declared surplus to requirements – whether by deliberate action or in response to a request from a member of the public – if that asset subsequently fails to sell (perhaps because the original applicant no longer wishes to acquire it and it is of limited or no value to any other party), the Property Team reserves

the right to transfer the asset back to the originating Service, as the Property Team does not have a significant management budget for the upkeep of surplus assets.

## Appendix Two: Financial Viability Assessment

<b>APPENDIX 1</b>	
<b>Summary of costs for development of Arlais Day Centre Site (0.19 ha)</b>	
Land cost - market value	£130,000.00
Estimated build costs (including abnormal costs) - 6 units	£1,470,593.00
	£1,600,593.00
Grant assumed (47%)	£747,492
Net cost to PCC (borrowing)	<b>£853,101.00</b>
Discounted payback period	45 years
<b>Summary of costs for development of Arlais Day Centre Site and Land to the Rear (0.65 ha)</b>	
Land cost - market value	£260,000.00
Estimated build costs (including abnormal costs) - 20 units	£3,914,690.00
	£4,174,690.00
Grant assumed (45%)	£1,871,099.00
Net cost to PCC (borrowing)	<b>£2,303,591.00</b>
Discounted payback period	39 years