

# GWYNEDD COUNCIL'S CABINET



## Report to Gwynedd Council's Cabinet meeting

**Meeting date:** 16 December 2025  
**Cabinet Member:** Councillor Dilwyn Morgan  
**Contact Officer:** Mari Wynne Jones  
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**Item Title:** Penrhos Care Home Outline Business Case

### 1 DECISION SOUGHT

- 1.1 Cabinet is requested, subject to, approve the Outline Business Case at Appendix 1 to:
- 1.2 Authorise the Head of Adults, Health and Wellbeing to submit the Outline Business Case to the Welsh Government to apply for £16.4million of Health and Social Care Integration and Rebalancing Capital Fund (IRCF) funding to create a public sector partnership development at the Penrhos site, in partnership with Betsi Cadwaladr University Health Board (BCUHB) and to proceed with the development of a Full Business Case.

### 2 BACKGROUND AND CONTEXT

- 2.1 Members will be aware that Gwynedd Council is already a residential care provider for our residents. We have found it to be an important part of our responsibility as a Council towards our most vulnerable residents. In terms of residential provision for older people, the Council currently provides over 50% of the total provision, with the remainder being provided by the independent sector.
- 2.2 Nevertheless, as members will be aware, all nursing home provision for our residents is provided entirely by the independent sector. The main reason for this is that it has not been legally possible for Local Authorities to actively provide nursing care. We are therefore completely dependent on the independent sector to provide this necessary nursing care to the population.
- 2.3 The Government's views on the need to outsource provisions nationally have changed significantly in recent times. Members will be familiar with the [White Paper on Rebalancing Care and Support](#) which sets out the benefit of having a more balanced care market.
- 2.4 Penrhos care home closed in 2020, and the site has been transferred to ClwydAlyn Housing Association and there is an agreement to transfer 2 acres of land to Gwynedd Council for the construction of a new care home on the site.
- 2.5 The Penrhos Care Home project proposes the development of a new, innovative, purpose-built care facility on the Penrhos site. It will provide a residential and nursing care home

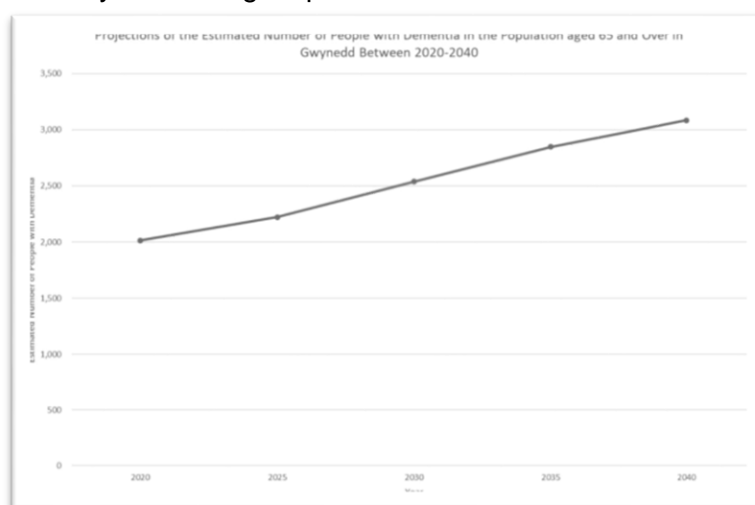
comprising 32 residential dementia beds and 24 nursing beds, 8 of which will be nursing dementia beds, designed to modern regulatory standards, including full en-suite provision and dementia friendly features.

- 2.6 The scheme is a partnership between Gwynedd Council, Betsi Cadwaladr University Health Board, and ClwydAlyn Housing Association. It is part of the wider Penrhos integrated health and care campus and aligns with local and national policy priorities to rebalance the care market, support the delivery of bilingual care, and provide high-quality, sustainable accommodation closer to home.
- 2.7 You were presented with a report on 19 July 2022 to approve the case for change to create a public sector partnership development at the Penrhos site, in partnership with BCUHB along with a report on 28 March 2023 where you were asked to approve the Strategic Business Case and submit it to the Welsh Government to apply for Health and Social Care Integration and Rebalancing Capital Fund (IRCF) funding.

### 3. THE CASE FOR CHANGE

#### Executive Summary

- 3.1 The development of Penrhos Residential Care and Nursing Home is vital to address the growing demand for care services in Gwynedd. With more people living longer, as highlighted in the Gwynedd Population Needs Assessment (2022-27), the region is facing a significant increase in its older population, resulting in increased pressure on healthcare and community support services.
- 3.2 The increase in individuals with dementia, mental health illness, and complex health needs further intensifies the need for specialized care facilities. In addition, challenges such as limited access to care and delayed hospital discharges are putting strain on local authorities and health services, underscoring the urgency for better residential and nursing care options.
- 3.3 As the county's care needs change, Gwynedd Council has been working with the Health Board to ensure simple and direct access to services that support what is important to older people in Gwynedd. An approach that places greater emphasis on health and wellbeing and preventative work ensures better outcomes for individuals, enables them to live independently for as long as possible and reduces the need for complex care.



- 3.4 The Penrhos development aims to provide high-quality, person-centred care to meet these growing needs while supporting the sustainability of healthcare services in the region.

- 3.5 There are a total of 128 residential beds in the Llŷn and Eifionydd area but there is a growing shortage of nursing beds to meet the needs of the population. Indeed, there is a dire shortage of nursing home spaces across the county, and this is more acute in the Llŷn area with no nursing provision at all.
- 3.6 The independent sector provides all of the county's nursing provision because it has not been legally possible for Local Authorities to provide nursing care. Therefore, there is full dependence on the external market to provide nursing care provision to the population.
- 3.7 As a result, delays are caused for individuals to receive the care they need, or individuals may be forced to go to another location that may be further away from their community of choice, causing huge inconvenience in their lives. It means people have to travel to find suitable and qualified provision, increasing the pressure on housing in the areas they would be moving to. We also know that some individuals have to look for locations outside the county which create difficulty in visiting and maintaining contact with families and it can be difficult to receive a service in Welsh.
- 3.8 The benefits of the project are listed in the table below:

Investment Objectives		Main Benefit Criteria
1	To support the rebalancing of the residential and nursing care market (for the Gwynedd area) by increasing delivery from the public / not for profit sector focused on delivering person centred outcomes for all.	<ul style="list-style-type: none"> <li>• Securing of 'not for profit' nursing provision in local area</li> <li>• Flexible health and care provision ("seamless care" as described in A Healthier Wales)</li> <li>• Partnership approach between Health and Local Authority may provide further opportunities for integrated approaches</li> </ul>
2	To support the provision of care closer to home by improving the accessibility of residential and nursing care, ensuring provision of services in the Welsh language.	<ul style="list-style-type: none"> <li>• No-one stays longer than they need to in acute inpatient care. There are no "delayed transfers of care" due to lack of provision of residential and nursing beds</li> </ul>
3	To support sustainability of local residential and nursing care provision through a collaborative, partnership approach which will integrate with the wider spectrum of care delivered from the Penrhos site.	<ul style="list-style-type: none"> <li>• By having public sector provision in nursing – ability to understand more acutely the pressures of sector and ability to support smaller providers.</li> </ul>
4	To develop an innovative workforce model that will support the long-term health and social care sector with the potential for application in other areas of North Wales and create opportunities for training through Welsh Language.	<ul style="list-style-type: none"> <li>• Employment opportunities for residents</li> <li>• Provide residents with the right skills for long term employment</li> <li>• Provide school leavers with career aspirations meaningful and long-term employment</li> <li>• Local supply chain is supported and grown</li> <li>• Ability to train and develop medical, nursing and care staff through secondment and shadowing opportunities within the provision</li> <li>• Welsh language skills of all staff will be part of the recruitment policy of Council</li> </ul>
5	To ensure purposefully designed accommodation which will meet the care needs of individuals both now and into the future.	<ul style="list-style-type: none"> <li>• Providing a modern, accessible working environment that motivates different professional groups to operate collaboratively</li> <li>• Provides a demonstrable vision for service integration</li> <li>• Positive contribution towards decarbonisation / net zero agenda; Accommodation that meets current building</li> </ul>

		recommendations (e.g. HBN / DDA / ventilation / infection prevention) <ul style="list-style-type: none"> <li>• Meets BREEAM aspirations</li> </ul>
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## Possible Implementation Model

3.9 There are two possible models or contractual arrangements for Gwynedd Council and BCUHB to deliver the proposed new public sector residential and nursing home at Penrhos. These have recently been assessed by Carmarthenshire County Council and Hywel Dda University Health Board as part of a very similar project in Carmarthen to build and run a 60-bed residential and nursing home. The two models are:

- Option 1 – Partnership Model: The Health Board employs the nursing staff, retaining clinical oversight. The Local Authority would run the home itself and be a registered body with CIW.

This would mean that the Health Board would fund the nursing staff (from existing budgets) and the Local Authority would charge the Health Board separately for the overheads associated with running a care home – this would represent a new contractual arrangement;

- Option 2 – Delegated Model: The Local Authority employs all staff, including nursing staff, under delegated responsibility from the Health Board. The Local Authority would run the home and be a registered body with CIW. Under this arrangement, the contractual arrangement would remain the same as it currently is with the Health Board commissioning the placement of care from the LA through CHC/FNC budgets.

The Outline Business Case (OBC) does not currently articulate the final future contracting arrangements as this will depend on which model is followed. These arrangements will be defined at the Full Business Case (FBC) stage.

## 4. WORKFORCE ISSUES

4.1 It is nationally recognised that the care sector faces huge challenges in terms of staff recruitment and retention. This project will look at workforce best practice to ensure high quality staff in the Llŷn area.

4.2 Gwynedd Council runs recruitment campaigns on a regular basis and uses various methods to do so. The campaigns are carried out locally by targeting specific areas and towns.

4.3 Alongside our partners, Gwynedd Council is constantly trying to change the perception that exists when it comes to jobs in the care sector. Gwynedd Council is taking opportunities to try and highlight the wide range of opportunities that exist, the flexibility of the contracts available and also the benefits to staff through the Care Academy.

## 5. THE ECONOMIC CASE

5.1 The economic analysis confirms that the preferred way forward is **to form a partnership with the Local Authority and the Health Board to develop a new care and nursing home facility in Penrhos** – which provides the highest value for money, offering the highest net benefits when assessed against the vital success factors and investment

objectives. The options appraisal shows that the chosen solution provides a proportionate balance of cost, risk and benefit, with clear advantages over the alternatives. Sensitivity analysis confirms the robustness of the outcome in a range of situations. Therefore, the preferred option represents the most economically beneficial path forward.

- 5.2 The preferred option of a new residential and nursing care home in Penrhos is anticipated to generate £31m of Net Present Value and a Cost of Benefit Ratio of 2.57:1. This compares with the option of making the minimum £10m of Net Present Value and a Cost of Benefit Ratio of 1.42:1.

## 6. THE FAVOURABLE WAY FORWARD

- 6.1 The financial case outlines the projected costs, revenues, and overall financial viability of this venture. It provides an in-depth analysis of investment requirements, expected returns, and key financial risks, ensuring that informed decisions are made.

### Overview of Capital Costs

- 6.2 A capital cost profile has been produced for a Partnership with the LA and Health Board – a new care and nursing home facility in Penrhos based on the design and installation information provided by the Council using benchmarks and market rates obtained from Wakemans.

Capital Expenditure	Item
£15,410,000	Construction - a new care home with nursing
£ 1,079,000	Statutory and Professional Fees @ 7%
£500,000	Furniture and Equipment
£1,155,000	Project Risk Allowance 7.5%
£ 933,000	Inflation Increase @ 5.63%
£557,000	Optimism Trend @ 3%
<b><u>£19,634,000</u></b>	<b><u>TOTAL - CAPITAL EXPENDITURE</u></b>

- 6.3 This OBC aims to secure £16.634m Welsh Government funding from the Health and Social Care Integration and Rebalancing Fund (IRCF) to create public sector partnership development at the Penrhos site, in partnership with Betsi Cadwaladr University Health Board (BCUHB).
- 6.4 Internal capital funding of £3m has been provided as match funding for projects in the care sector as outlined in the Asset Management Plan 2024-2035. This will contribute towards offsetting any lack of funding given the current cost of price increases. Confirmation of this funding is included in the [Cabinet Report 11/06/2024](#).
- 6.5 Given that the Council's funding has been confirmed, on the basis that a total of £16.634m is being provided and received by the Welsh Government in the amounts required to support the expected expenditure profile, then the capital costs of the project will be fully funded.

### Overview of Revenue Costs

- 6.6 A revenue cost profile has been generated for the preferred option based on the design and installation information provided. A summary of the revenue costs is provided in the

table below. The income will come from the care/health budgets of Gwynedd Council and the Health Board which already fund care in other locations.

Items	Total Occupancy level 92%
Expenditure – Implementation	£3,488,855
Sub-Total Expenditure	£3,488,855
Income - Nursing Care	£1,204,580
Income - Residential Care	£ 2,331,543
Subtotal Income	£3,536,122
<b>ANNUAL SURPLUS</b>	<b><u>£47,267</u></b>

6.7 It is anticipated that the home will be revenue neutral or better for Gwynedd Council and the Health Board. Current trends show that the provision of in-house residential services in Gwynedd Council is currently at an average occupancy level of 92%. The Polish Care Home previously had an average occupancy rate of 90%. Occupancy levels in the independent sector in Gwynedd are higher at 95%.

6.8 The proposed milestones of the project are:

Project Milestones	Indicative dates
The Partnership endorses the SOC	March 2023
WG reviews SOC and approval to proceed	July 2024
Start the planning process	November 2025
Outline planning permission	January 2026
Completion of the OBC includes internal approval to proceed	November 2025
WG reviews OBC and approval to proceed	February 2026
Formal planning application	March / April 2026
Completion of FBC including internal approval to proceed	October 2026
WG reviews FBC and approval to proceed	Spring 2027
Construction, completion and transfer	March 2027 – Sept 2029
Move In	October 2029

### Equality Act 2010

The Council is subject to public sector duties under the Equality Act 2010 (including Welsh public sector duties). In line with these legal duties in making decisions, Councils must have due regard to the need (1) to abolish unlawful discrimination, (2) to promote equal opportunities and (3) to foster good relationships on the basis of the protected characteristics and to have due regard to the socio-economic duty under Section 1 of the Act. An equality impact assessment has been prepared which is attached in Appendix 2. Cabinet is required to take note of its findings when coming to a decision. The assessment does not identify any specific negative impact resulting from the decision.

## **7 NEXT STEPS AND TIMETABLE**

- 7.1 The Welsh Government has earmarked Capital Grants to promote the integration of Health and Social Care, and to support work on remodelling the care sector. The Health and Social Care Integration and Rebalancing Capital Fund (IRCF) will give us the opportunity to apply for £16.4million of funding to fund the development. Discussions have already begun with the Welsh Government about accessing the funding in a timely manner.
- 7.2 The next step is for this Outline Business Case to be processed and submitted for approval. In conjunction with this, detailed design and planning processes will be established. A Full Business Case follows from this.

## **8 COMMENTS FROM STATUTORY OFFICERS**

### **Monitoring Officer**

The presentation of the outline business case is a key step in this project. As stated in the report it is also based on establishing a partnership with the Health Board which will essentially couple the powers of both bodies in order to achieve the overarching objective. The legal team supported by a specialist firm is advising and working closely with the department on the creation of this model in conjunction with the Health Board. I am satisfied with the propriety of the decision sought.

### **Head of Finance**

The "5 model" approach is a recognised approach to developing business cases for major projects such as this one and the documents submitted show that detailed work has been done in delivering this Outline Business Plan. I believe that the relevant financial and non-financial risks have been appropriately addressed, and appropriate mitigation arrangements are in place, or have been outlined.

Work to verify and challenge the financial accuracy of the information submitted will continue during the development of the Final Business Plan.

Therefore, on the basis of the evidence that I have seen, I have no objection to the decisions sought.