

Additional nursing capacity

Assuming the authority builds a 60 bed unit with a 5% vacancy rate (i.e. on average 57 beds will be occupied at any one time), build cost of £9 million and land value of £1.5 million and assuming price inflation at 1% would result in the following cashflows for the council:

Stafford site

Council Cashflow	Total year 1 £	Total year 2 £	Total year 3 £	Total year 4 £	Total year 5 £	Total years 6-10 £	Total years 11-15 £	Total years 16-20 £	Total years 21-25 £	Total years 26-32 £	Total years 0-32 £
Cash inflows (Savings on provider fees)	0	0	673,280	680,013	686,813	3,538,471	3,718,968	3,908,673	4,108,055	6,105,700	23,419,973
Cash outflows (borrowing costs)	(607,200)	(607,200)	(607,200)	(607,200)	(607,200)	(3,036,000)	(3,036,000)	(3,036,000)	(3,036,000)	(3,036,000)	(18,216,000)
Net cash inflow/(outflow)	(607,200)	(607,200)	66,080	72,813	79,613	502,471	682,968	872,673	1,072,055	3,069,700	5,203,973
Cumulative cash inflow/(outflow)	(607,200)	(1,214,400)	(1,148,320)	(1,075,507)	(995,894)	(493,423)	189,545	1,062,218	2,134,272	5,203,973	

South Staffs site

Council Cashflow	Total year 1 £	Total year 2 £	Total year 3 £	Total year 4 £	Total year 5 £	Total years 6-10 £	Total years 11-15 £	Total years 16-20 £	Total years 21-25 £	Total years 26-32 £	Total years 0-32 £
Cash inflows (Savings on provider fees)	0	0	1,034,600	1,044,946	1,055,395	5,437,413	5,714,776	6,006,287	6,312,668	9,382,363	35,988,450
Cash outflows (borrowing costs)	(607,200)	(607,200)	(607,200)	(607,200)	(607,200)	(3,036,000)	(3,036,000)	(3,036,000)	(3,036,000)	(3,036,000)	(18,216,000)
Net cash inflow/(outflow)	(607,200)	(607,200)	427,400	437,746	448,195	2,401,413	2,678,776	2,970,287	3,276,668	6,346,363	17,772,450
Cumulative cash inflow/(outflow)	(607,200)	(1,214,400)	(787,000)	(349,254)	98,942	2,500,355	5,179,131	8,149,419	11,426,087	17,772,450	

However, the cashflows could be significantly different depending upon the variables included in the analysis. There are many different possible permutations of borrowing rates, bed numbers, vacancy rates etc that could be applied. The table below demonstrates the potential impact of applying different bed numbers and borrowing costs:

Sensitivity analysis

<u>Changes to base assumptions</u>		Total beds available	Vacancy rate	Bed price inflation	Costs of borrowing	Net cash in/(out) flows for years 0-32 (£)
Stafford	(base assumptions)	60	5.00%	1.00%	4.00%	5,203,973
Sth Staffs	(base assumptions)	60	5.00%	1.00%	4.00%	17,772,450
Stafford	(Different bed split across sites)	45	5.00%	1.00%	4.00%	-548,301
Sth Staffs	(Different bed split across sites)	75	5.00%	1.00%	4.00%	26,611,718
Stafford	(Different bed split across sites)	75	5.00%	1.00%	4.00%	10,956,247
Sth Staffs	(Different bed split across sites)	45	5.00%	1.00%	4.00%	8,933,182
Stafford	(Using CPI as bed price inflation rate)	60	5.00%	1.90%	4.00%	9,399,244
Sth Staffs	(Using CPI as bed price inflation rate)	60	5.00%	1.90%	4.00%	24,219,141
Stafford	(PWLB borrowing costs over 30 years)	60	5.00%	1.00%	2.18%	9,004,973
Sth Staffs	(PWLB borrowing costs over 30 years)	60	5.00%	1.00%	2.18%	21,573,450
Stafford	(PWLB borrowing costs over 50 years)	60	5.00%	1.00%	2.09%	13,204,973
Sth Staffs	(PWLB borrowing costs over 50 years)	60	5.00%	1.00%	2.09%	25,773,450
Stafford	(Higher bed numbers per site)	100	5.00%	1.00%	4.00%	20,817,288
Sth Staffs	(Higher bed numbers per site)	100	5.00%	1.00%	4.00%	41,764,750
Stafford	(Higher bed numbers & 30yr PWLB rate)	100	5.00%	1.00%	2.18%	24,618,288
Sth Staffs	(Higher bed numbers & 30yr PWLB rate)	100	5.00%	1.00%	2.18%	45,565,750

Key: Variables amended from base assumptions



The analysis shows that the estimated council cashflows are impacted significantly by changing the number of beds on each site. If we look at the figures for Stafford, we move from a positive cashflow of £5.2 million (assuming 60 beds) to a negative cashflow of £0.5m if we reduce the number of beds by 15. However, if we increase the estimated number of beds to 75, the estimated cash inflow increases to almost £11.0 million.

The estimated cashflows are also sensitive to assumed inflation rates. If we assume CPI as the rate of inflation for the duration of the project (as opposed to the base assumption of 1%), the overall cash inflows from the 2 sites increases from just under £23.0 million to in excess of £33.0 million.

Borrowing rates also have a relatively large effect on estimated cashflows. For example, if we can borrow at the PWLB 30-year rate (currently 2.18%) as opposed to the council's average cost of capital (4%), the total estimated cash inflow to the council rises from £23.0 million to in excess of £30.0 million, an overall increase of approximately 30%.

The analysis demonstrates that this project could significantly alter council cashflows, but that many variables could have a significant bearing on the outcome.