

Appendix A4

Directorate – Growth & Regeneration

Subject – Hospital Trust Repayments Reprofiling (Temporary Accommodation partnership with UHBW Hospital trust)

Background

1. Context & Decisions to date

1.1. In November 2022 a paper was taken to Cabinet:

- a. To update Cabinet on the proposals to bring into use empty residential accommodation to use as Temporary Accommodation for homeless families.
- b. To seek approval for the Council to enter into a short-term lease agreement with University Hospitals Bristol and Weston NHS Foundation Trust “UHBW” for 24 flats at Eugene Street
- c. Approve up to £600k to bring the properties back into use

Cabinet Paper: <https://democracy.bristol.gov.uk/documents/b31078/Item%209%20-%20Temporary%20Accommodation%20Partnership%2001st-Nov-2022%2016.00%20Cabinet.pdf?T=9>

1.2 The refurbishment cost was due to be paid from Housing Delivery Capital Programme (General Fund). As outlined in the cabinet paper, the budget was to be temporarily transferred from the Housing Delivery Salary Capital project which was to be replenished to the hospital trust refurb project as part of the budget setting process.

1.3 The proposal is estimated to provide gross savings of £973k in subsidy loss over the lease period by transferring clients from Temporary Accommodation into these units. The cost of the debt is charged to revenue over the life of the asset, in this case 2 years, as a result the net savings is £484k.

Details

2. Overspend

- 2.1. The work was carried out and due to unforeseen electrical requirements for the flats, there is an anticipated overspend of c.£242k
- 2.2. This means that the project will now provide a gross saving of £681k in subsidy loss per year

- 2.3. With the debt recharge factored in over 2 years, the net position shows a small pressure of £50k
- 2.4. This overspend is to be funded from Commuted Sums and approved by Donald Graham (subject to EDM and CIB approval)
- 2.5. Decision was taken in light of an anticipated year extension of the lease which would generate further cost avoidance. With an additional year the net saving will be £720k.

3. Reprofile of capital repayment

- 3.1. As set out in the Cabinet report 01/11/22 the capital cost of £600k for the refurbishment will be financed by prudential borrowing with MRP repayments beginning in 23/24 at £300k pa for two years reflecting the life of the lease (though it is expected that the lease will be extended).
- 3.2. Finance have advised that due to the delays these units were not operational until 23/24 meaning that MRP can be deferred to 24/25.

Financial Implications

1. Reprofiled position inc. overspend (without lease extension)

		22/23 (3 Months)	23/24	24/25 (finish on Oct 24 – 7months)	25/26	Total
	Capital Outlay					
1)	Refurb cost	£480,000				£480,000
	Furniture	£30,000				£30,000
	Contingency	£90,000				£90,000
	Overspend		£242,060			£242,060
	Total Capital Expenditure	£600,000				£842,060
	Commuted Sums Funding		-£242,060			-£242,060
	Net Capital Expenditure	£600,000	-£242,060			£600,000
	Revenue Cost					
2)	Repair & Maintenance	£12,500	£25,000	£14,583		£52,083
3)	Void Repairs	£18,000	£36,000	£21,000		£75,000
4)	Staffing x1	£8,833	£36,037	£21,442		£66,312
	Total Revenue Expenditure	£39,333	£97,037	£57,025		£193,395
	Income					
5)	Rent	-£35,900	-£147,909	-£88,869		-£272,678
6)	Service Charges	-£10,800	-£44,494	-£26,733		-£82,027
	Void @ 5%	£2,335	£9,620	£5,780		£17,735
	Total Income	-£44,365	-£182,783	-£109,822		-£336,970
	Borrowing Cost @ 3%	£5,884	£18,000	£9,000		£32,884
	Revenue Pressure/(surplus)	£852	-£67,746	-£43,797		-£110,691

7)	Savings on Subsidy Loss	£0	-£338,346	-£342,889	£0	-£681,235
8a	Commuted Sums Repayment			£242,060		£242,060
8)	MRP (debt)		£0	£300,000	£300,000	£600,000
	Net Pressure/(Surplus)	£852	-£406,092	£155,374	£300,000	£50,134

2. Reprofiled position inc. overspend (with lease extension)

		22/23 (3 Months)	23/24	24/25	25/26 (finish on Oct 24 – 7months)	Total
	Capital Outlay					
1)	Refurb cost	£480,000				£480,000
	Furniture	£30,000				£30,000
	Contingency	£90,000				£90,000
	Overspend		£242,060			£242,060
	Total Capital Expenditure	£600,000				£842,060
	Commuted Sums Funding		-£242,060			-£242,060
						£600,000
	Revenue Cost					
2)	Repair & Maintenance	£12,500	£25,000	£25,000	£14,583	£77,083
3)	Void Repairs	£18,000	£36,000	£36,000	£21,000	£111,000
4)	Staffing x1	£8,833	£36,037	£36,037	£21,442	£102,349
	Total Revenue Expenditure	£39,333	£97,037	£97,037	£57,025	£193,395
	Income					
5)	Rent	-£35,900	-£147,909	-£147,909	-£88,869	-£420,587
6)	Service Charges	-£10,800	-£44,494	-£44,494	-£26,733	-£126,521
	Void @ 5%	£2,335	£9,620	£9,620	£5,780	£27,355
	Total Income	-£44,365	-£182,783	-£182,783	-£109,822	-£519,753
	Borrowing Cost @ 3%	£5,884	£18,000	£9,000		£32,884
	Revenue Pressure/(surplus)	£852	-£67,746	-£76,746	-£52,797	-£293,474
7)	Savings on Subsidy Loss	£0	-£338,346	-£587,809	-£342,889	-£1,269,044

	Commuted Sums Repayment			£242,060		£242,060
8)	MRP (debt)			£300,000	£300,000	£600,000
	<i>Net Pressure/(Surplus)</i>	<i>£852</i>	<i>-£406,092</i>	<i>-£122,495</i>	<i>-£95,686</i>	<i>-£720,458</i>

Summary

Cabinet is asked:

To approve the decision to cover the pressure on this project by adding new commuted funds of £242k.

To note the re-profiling of repayments to commence in 2024/25 rather than 2023/24, due to the units becoming operational in 23/24, making 2023/24 year 0 and 2024/25 year 1.