

PROJECT DOCUMENTATION

FEASIBILITY BUSINESS CASE

Hillside Service and Property Redesign

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Feasibility Business Case History

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Stage 0 Business Case

1. Purpose of Document

This feasibility business case contains information that describes the justification for setting up and continuing the development of a detailed business case for Hillside service and property redesign project. The business case is to be submitted to the Cabinet on 28th June and Full Council on 14th July and if accepted, a more detailed full business case will be developed.

2. Objectives

If this feasibility business case is approved then the project can move into the implementation phase and deliver the following:

- a detailed feasibility study to determine the commercial viability of the future service delivery model, and
- the architectural redesign of the proposed future use of the building.

Delegated authority to the Director of Adults and Wellbeing has been recommended to approve the final delivery model and building design if the feasibility study is positive and the refurbishment costs are within the capital funding

As the scope of the requirements identified in the objectives are potentially wide, this feasibility business case requests external specialist consultant resource.

3. Background

The council owns the freehold building currently known as Hillside Rehabilitation Centre situated on Pentwyn Avenue, Hereford HR2 7LB, approximately one mile from the city centre between the Ross Road and Belmont Road. Until recently the centre has been operated by Wye Valley NHS Trust (WVT) as a community hospital and currently has 22 ensuite bedrooms with three day rooms, courtyards and onsite parking, however WVT have issued the council with notice to cease delivering the service within Hillside.

The council are seeking to scope a nursing home provision at Hillside that meets the need of an ageing population particularly those with complex Elderly Mental Illness (EMI) needs that delivers a high quality of care and is financially sustainable. The intention is to increase the capacity from 22 to 28 beds which will require internal refurbishment and alternations and to have a technically advanced service that supports independence, the expected refurbishment cost is £1,500,000, which is being proposed as an addition to the capital programme.

The current arrangements to source and make nursing bed placements is through the adults and wellbeing brokerage function and the cost of care for these placements range considerably, this is due to the complexity of the needs for the individuals and the expertise in the market to support the needs. In addition, there is a strong self-funder market in Herefordshire for care home beds which increases the costs of the placements and difficulty in sourcing available beds. This continues to increase the financial pressure on adults and wellbeing and frequently delays transfers from hospital, which has an impact on

individual's health and wellbeing and can considerably reduce their independence and increase their level of need.

New providers are also not entering the market and a recent report by the Competition and Markets Authority suggests the market will not build purely for local authority funded clients as this is not financially viable. A model whereby a provider leases an existing facility from the council should be attractive to the provider market as it obviates the costs of borrowing significant funds to build a new care home.

In Herefordshire the proportion of older people population will increase above the national and regional levels with the demand for nursing beds in general to increase 88% and to increase by 90% for beds with a focus on EMI by 2036, therefore there is a need to increase capacity in the market to ensure capacity and to manage the market.

3.1. Project Drivers and High Level Issues

The current local circumstances give rise to the following key drivers:-

- Approaches to the delivery of care and support are based on the Adult and Wellbeing Blueprint ensuring best practice and a person centred focus.
- Establishing and maintaining consistent quality of care.
- Increasing levels of demand for nursing home beds and the increasing complexity of care needs.
- Improving and sustaining the quality of care in nursing homes in Herefordshire
- Recruitment/retention difficulties in social care and nursing and the need for improved training facilities to build capacity in the workforce market.
- Improving market capacity to meet current and future needs and the increasing complexity of needs
- Reducing the difficulty in sourcing nursing bed places in Herefordshire
- The need for greater integration of nursing homes into the local communities.
- Current and future financial challenges that face social care due to a reduced budget and increase in demand

3.2. High Level Metrics

- Current Provider Market in Herefordshire (snapshot at 17th May 2018)
 - 25 Care Homes registered as Nursing Homes
 - Average Number of Beds per home = 39 (high = 76, low = 13)
 - 6 homes have less than 30 beds- specialist homes tend to have fewer beds

28 beds at Hillside would be at the top of the lowest quartile- lower than average, but not an outlier in terms of the size of nursing homes in county, especially for more specialised provision.

- Average % of in-county beds funded by Herefordshire Council = 27% (High = 70%, low = 0%), majority of nursing beds in Herefordshire are occupied by self-funders who usually pay a premium compared to council rates.
- Number and average weekly cost of Herefordshire Council Funded Beds (Snapshot at 17th May 2018- Primary Need = Mental Illness or Memory & Cognition)
 - In-County – 76 Individuals, average cost = £635.38 (High = £1,072.68, Low = £458.30)
 - Out of County- 6 individuals, average cost = £745.96 (High = £1,019.72, Low = £556.02)

Indicates that demand exists for EMI beds in the current market and the average cost of a placement at spot purchase rates

4. Scope

4.1. Included in Scope

The project will include completing a detailed feasibility study for the future use of the building and the redesign of the building to ensure that it is fully utilised and making efficient use of the building.

- Redesign Hillside to increase available capacity from 22 to 28 beds
- Refurbish Hillside to carry out the redesign
- Procurement of services to provide nursing care
- Care for older people, including EMI
- Provision of equipment to deliver care (e.g. beds)
- A community integrated care facility
- Technology services for the home to increase independence
- Develop workforce strategy
- Outreach of services from Hillside
- Consider CHC placement and self-funders

4.2. Not included in Scope

- Services for people under the age of 65
- Residential care

5. Stakeholders

Project Sponsor – Councillor Paul Rone

Executive Lead – Stephen Vickers

Project Assurance – Donna Etherton

Commissioning and Operational Lead – Robert Vickers

Strategic Lead – Amy Pitt

Finance Lead – Adrian Griffiths

Procurement Lead – Mark Cage

Property Lead – Andrew Husband

The section 151 officer, leader of the council and Councillor Bramer have been consulted on the project and all ward members have been briefed on the proposed changes.

6. Dependencies

6.1. Initiatives which depend on this project are:

- The Hillside redesign will inform future strategic priorities and the model will support future decisions on managing the care home market in response to the forecasted population increase to support the need of older people in Herefordshire.

6.2. This project depends on:

- The current lease arrangement between the council and WVT is a peppercorn rent with WVT maintaining the inside of the building and the council maintaining the outside. In 2003 the building was refurbished at a cost of £1,800,000 by the Primary Care Trust (PCT) with a subsequent charge on the building to continue to utilise it as a rehabilitation unit, this charge is now held by the Department of Health. In addition, due to the original agreement with the PCT, a risk remains that those refurbishment costs could be passed to the council in the event of the council evicting WVT. The legal teams are leading on this but a recommendation of the report is to proceed once the risk has been mitigated and the charge has been released.
- Confirmed detailed feasibility study for the future building redesign and commercial model to assess accurate costs of refurbishment of the facility and the commercial viability of the proposal for the provider market and for the council.

7. Benefits

The anticipated benefits of the proposed project are listed below:

- Improving outcomes for people receiving nursing care in Herefordshire by providing a high quality provision.
- Enabling people to live in a nursing home that delivers care to meet their complex needs.
- Enhancing the quality of life of people with high care and support needs.
- Providing additional capacity in a market where it is difficult to source long term nursing care placements
- Develop a nursing home that is integrated into the local community to provide outreach services to support people to live longer within their own homes within their own homes
- Providing personalised high quality care and support.
- City centre nursing provision for individuals with complex needs.

- Working collaboratively with providers to deliver a high specification and technically advanced nursing home.
- Developing a training environment that supports and enhances the care and nursing workforce in Herefordshire
- Supporting timely discharge from hospitals.
- Utilising an existing capital asset for which the council owns the freehold

8. Contribution to Strategic Objectives

The council's corporate plan has four priorities and the redesign of Hillside supports two of these: to enable resident to live safe, healthy and independent lives and secure better services, quality of life and value for money. Providing additional nursing bed capacity in Herefordshire will help meet the increased forecast level of demand for care home beds and will drive quality improvements in the market as well as delivering value for money.

9. Potential Costs and Options for Project

<u>Option</u>	<u>Advantages</u>	<u>Disadvantages</u>	<u>Recommendation</u>
To sell and demolish the building for capital funding and continue sourcing beds from the current market	<ul style="list-style-type: none"> • Expected income received to be £200-300k. • Reduction in assets to the council and reducing the maintenance required. 	<ul style="list-style-type: none"> • Lose the opportunity to develop additional nursing home capacity and continue with same issues in the market. • Continue paying high rates for nursing beds which will affect the ongoing budgetary pressures. • Control will continue with the market and difficulty in sourcing placements. 	Not supported
Retain the building freehold and the council run the nursing home	<ul style="list-style-type: none"> • The council has full control on business model and quality of the home. • The council has full control of the placements made into the home. • Test bed to become a provider of nursing home provision. 	<ul style="list-style-type: none"> • Neither the council nor Hoople have experience of running a nursing home. • The clinical expertise required is not a regular function for the council. • High number of regulatory controls would be needed and 	To continue with feasibility study

		expert advice would be required.	
Retain the building and freehold and deliver the care via Hoople and the nursing element via an agency	<ul style="list-style-type: none"> The council retains the control of the business model. Expert clinical advice would be provided by an experienced provider which would cover the clinical regulatory controls needed. The council would have control on the placements made into the home. The care staff would be flexible across both the Homefirst and nursing home service. The council would be growing and supporting the workforce. 	<ul style="list-style-type: none"> Neither the council nor Hoople have experience of running a nursing home. Although the council would have control on the care and support the nursing and clinical expertise would be delivered through an external organisation with limited input from the council. 	To continue with feasibility study
Retain the building and freehold and outsource the service delivery	<ul style="list-style-type: none"> The council would have additional capacity through the contractual terms. The responsibility for delivering a compliant service would be through the contracted provider. Develop a strategic relationship with a care home provider for future models and services 	<ul style="list-style-type: none"> Sourcing external providers to deliver a high standard of care. Ensuring the standard of care is maintained. 	To continue with feasibility study

The estimated costs of delivering any of the options that require refurbishment of the building and procurement of a provider or providers for the care are:

- Capital Costs
 - Estimated costs of refurbishment- £1,500,000
This could be financed either through prudential borrowing or through utilising capital receipts
- One-off Revenue Costs of Feasibility Study
 - Professional Fees (Legal and Architects Fees)- £15,000
 - Consultancy Fees (commercial expertise to assess market viability)- £9,000
- Additional Revenue Costs if project proceeds after feasibility study
 - Consultancy Fees (commercial expertise to market opportunity)- £9,000

- Finance borrowing costs if prudential borrowing is required- c£720,000 (assumes repayment of £1,500,000 loan over 25 year useful economic life)

The costs of placements to nursing beds and ongoing repairs and maintenance to Hillside are already included in existing budgets, as these costs would have been incurred under the current circumstances.

10. Costs and Timescales to Develop the Full Business Case

- The expectation is that the full business case will be completed by the end of September 2018 with a cost of c£24,000 for external consultant support and professional fees to assist with the feasibility studies required.

11. Risks of not doing the Project

11.1. The key risks of not doing the project are:

- Lose the opportunity to develop additional nursing home capacity and continue with same issues in the market
- Hillside will stand empty and continue to incur costs while the asset is not utilised and deteriorates
- Continue paying high rates for nursing beds which will affect the ongoing budgetary pressures.
- Control will continue with the market and difficulty in sourcing placements.

11.2. The key project risks are:

Risk	Mitigation
If the lease is not surrendered by WVT and the covenant remains on the building this could have a financial impact on the council of £1,800,000.	Legal advice to be sought, the project and redesign will not commence until this has been confirmed and will be monitored through the project board.
Delay in confirming the covenant will impact on the commencement of the redesign and the property remaining empty, which could encourage vandalism.	Interim arrangements for the building have been scoped however these will not commence until confirmation has been given. Security of the building is in place.
The estimated £1,500,000 for the refurbishment costs is below the actual costs following the detailed feasibility study.	The redesign work will not commence until a further cabinet decision is made to approve any additional costs.
The detailed commercial modelling demonstrates that the redesign would not be viable for providers to deliver a financially sustainable nursing home.	The redesign work will not commence and further guidance will be sought of the future utilisation of the building.
The lack of providers to deliver the care within the redesigned home.	Soft market testing has commenced to engage with the market and a commercial strategy will be developed.

12. Appendices