

PROJECT DOCUMENTATION

FEASIBILITY BUSINESS CASE

Hillside Service and Property Redesign

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Table of Contents

1. Purpose of Document	4
2. Objectives	4
3. Background	4
3.1. Project Drivers and High Level Issues.....	4
4. Phase One Outcomes.....	5
4.1. The architectural support outcome	Error! Bookmark not defined.
4.2. The commercial support outcome	Error! Bookmark not defined.
5. Scope.....	6
5.1. Included in Scope.....	6
5.2. Not included in Scope.....	6
6. Stakeholders	6
7. Dependencies	7
8. Benefits	7
9. Contribution to Strategic Objectives.....	7
10. Potential Costs and Options for Project.....	8
11. Risks of not doing the Project	8
12. Appendices	10

1. Purpose of Document

In July 2018, a business case (phase 1 feasibility study) was approved by full council to explore options for the future use of the “Hillside” site.

Phase 1 of the project looked at feasibility for the site in two key areas:

1. commercial viability and future service delivery model for Hillside to be used as an Elderly Mental Illness (EMI) nursing facility
2. associated architectural redesign of the premises

This document provides an update on phase 1 of the project. Based upon the outcome of phase 1, it also sets out the request for the overarching capital costs associated with the next steps of the project.

2. Objectives

1. To present the outcome of the phase 1 feasibility study to inform future decision making.
2. Based upon the above, seek the initial agreement for the overarching capital costs associated with the next steps of the project.

3. Background

The council owns the freehold building currently known as Hillside Rehabilitation Centre (referred to as “Hillside”) situated on Pentwyn Avenue, Hereford HR2 7LB. Hillside is approximately one mile from the city centre between the Ross Road and Belmont Road.

Hillside is currently leased by Wye Valley NHS Trust (WVT). The site has for a number of years been operated by WVT as a community hospital. However, in 2017, a decision was made by NHS partners to close Hillside.

WVT have notified the council of its wish to end the current lease early. The council has not however accepted the lease termination due to an existing charge over the property.

Hillside currently has 22 en-suite bedrooms, 3 day rooms, 2 courtyards and onsite parking. Based upon the design of the property, phase 1 feasibility study set out to explore whether Hillside could be developed into a nursing home provision to meet the future needs of Herefordshire residents. The context for this is an ageing population with an increase in demand to provide high quality services for those with complex Elderly Mental Illness (EMI) needs set against a model of care that is financially sustainable.

3.1. Project Drivers and High Level Issues

- There are currently an estimated 44,800 people age 65 and over living in Herefordshire in 2016. Twenty-four per cent of Herefordshire’s population is aged 65 and over, compared to 18 per cent in England and Wales. Between 2016 and 2039 the number of people aged 65-84 is expected to increase by 34 per cent, and by 140 per cent among those aged 85 and over.
- By 2035 it is estimated that there will be 5,500 older people living with dementia in Herefordshire.

- Adult Social Care (ASC) currently spends £11.2m on nursing care provision for a total of 305 Herefordshire residents. Trend analysis shows that whilst numbers in this area are relatively static (as a result of the Herefordshire model for delivering ASC), care needs are however proportionately increasing in complexity. As a result, 54% of placements in nursing homes are now paid over the “usual” rate.
- Capacity to meet demand for complex care in Herefordshire is already pressured. The council often has difficulty in both finding placements for people with high needs and controlling the cost of these placements.

4. Phase One Outcomes

The local authority undertook a procurement exercise to commission expert consultant advisors in two key areas;

- a) Architecture and design consultancy support and;
- b) Financial modelling and commercial support.

4.1. Architecture and design consultancy support – outcome of feasibility

The architectural design company appointed to support with the project was IBI Group and were instructed to complete a Royal institute of Chartered Surveyors (RICS) stage one feasibility costing.

The report provides guidance in terms of anticipating typical costs associated with Hillside and benchmarking against projects which have recently been completed to compare to similar schemes in other regions.

The report focusses on two preferred options for the future design:

- 1) A mixture of 30 newly built and refurbished bedrooms and en-suites across two households on a single storey (appendix one). Works consist of significant structural alterations and refurbishment to provide a facility of a standard and specification that reflects the current marketplace for the level of care proposed and will have a mixture of en-suite sizes.
- 2) 25 newly built bedrooms and en-suites across two households on a single storey (appendix two). Work consists of significant structural alterations and refurbishment and will ensure all bedrooms have the recommended size bathrooms for this client group.

The report demonstrates that there is very little difference in build cost between the design options and either can be completed within the requested £2,550,000 capital cost.

A number of assumptions have been made in the costings which include the following:

- the building is of a suitable structural stability to allow for modifications with minimum structural alterations
- specific project risks are not known fully until stage two and stage three work described on page 4 of the report is completed. As such a contingency of 10% has been included.
- design specifics may change once a provider is appointed

In addition there are a number of exclusions identified within the report including:

- asbestos removal
- technology within the home to enable independence
- work arising from ecological reports that cannot be assessed accurately until the stage two and stage three of the works are completed.

4.2. Financial modelling and commercial support - outcome of feasibility

Cushman and Wakefield Limited were appointed as a commercial advisor to assist in assessing whether the proposed future use of Hillside as a nursing home operated by an external provider is commercially viable.

Commercial viability was assessed to establish whether an operating model was affordable to the council while remaining attractive to an external service provider.

The assessment of commercial viability focusses on the same two options of architectural design:

- 1) A mixture of 30 newly built and refurbished bedrooms and en-suites across two households on a single storey (appendix one).
- 2) 25 newly built bedrooms and en-suites across two households on a single storey (appendix two)

The commercial report was backed by a subsequent soft market test to gauge market interest in the project. The conclusion reached was that either design option was commercially viable.

At this stage adults and communities are completing a wider cost benefit analysis to finalise recommendations around design options.

5. Scope

5.1. Included in Scope

- The project will include completing a detailed business case to determine the final approval (or otherwise) for the project.
- Procurement and commissioning of care provider to support in final design and to operate the new facility
- Design and build including fixtures and fittings

5.2. Not included in Scope

- Technology enabled care (this will be scoped, developed & costed as part of a planned assistive technology strategy)
- Some elements of operating equipment

6. Stakeholders

Project Sponsor – Stephen Vickers (Director Adults & Communities)

Lead Member – Cllr Paul Rone (Lead Member Adults & Communities)

7. Dependencies

- Agreed lease submission between the council and WVT
- Further demand analysis and testing of assumptions underpinning the commercial model and commissioning strategy.

8. Benefits

The anticipated benefits of the proposed project are listed below:

- Meeting future demand pressures for nursing EMI care
- Controlling the costs of increasingly complex care
- Improved market resilience
- Revenue savings and cost avoidance for the ASC budget
- Improving outcomes for people receiving nursing care in Herefordshire by providing a high quality provision.
- 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

9. Contribution to Strategic Objectives

The council's corporate plan has four priorities. The redesign of Hillside supports two of these:

- to enable resident to live safe, healthy and independent lives
- secure better services quality of life and value for money

10. Potential Costs and Options for Project

- Capital Costs
 - Estimated costs of refurbishment- £2,550,000
This could be financed either through prudential borrowing or through utilising capital receipts
- One-off Revenue Costs of Feasibility Study (included above)
 - Professional Fees (Legal and Architects Fees)
 - Consultancy Fees (commercial expertise to assess market viability)
- Additional Revenue Costs if project proceeds after feasibility study

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, so additional revenue costs are small or none

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
- Failure to manage market pressures and costs
- 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 of the market and difficulty in sourcing placements will continue.

The key project risks are:

Risk	Mitigation
<p>If the lease is not surrendered by WVT and the covenant remains on the building this could have a financial impact on the council</p>	<p>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.</p>
<p>Delay in confirming the covenant will impact on the commencement of the redesign and the property remaining empty, which could encourage vandalism.</p>	<p>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.</p>
<p>The estimated £2,550,000 for the refurbishment costs is below the actual costs following the detailed feasibility study.</p>	<p>The redesign work will not commence until a further decision is made to approve any additional costs.</p>
<p>The detailed commercial modelling demonstrates that the redesign would not be viable for providers to deliver a financially sustainable nursing home.</p>	<p>The redesign work will not commence and further guidance will be sought of the future utilisation of the building.</p>
<p>The lack of providers to deliver the care within the redesigned home.</p>	<p>Soft market testing has commenced to engage with the market and a commercial strategy will be developed.</p>

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Insert Project Name

Waverley House, Leominster, Herefordshire

Release: Draft Date:

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Table of Contents

1. Purpose of Document	4
2. Objectives	4
3. Background	4
3.1. Project Drivers and High Level Issues	4
3.2. High Level Metrics	5
4. Scope.....	6
4.1. Included in Scope.....	6
4.2. Not included in Scope	6
5. Stakeholders.....	Error! Bookmark not defined.
6. Dependencies	6
6.1. Initiatives which depend on this project are:	6
6.2. This project depends on:	6
7. Benefits	6
7.1. Quantifiable	6
7.2. Non-quantifiable.....	7
8. Contribution to Strategic Objectives.....	7
9. Potential Costs and Options for Project (<i>Optional</i>)	8
10. Costs and Timescales to Develop the Stage 1 Business Case.....	8
11. Risks of not doing the Project	9
11.1. The key risks of not doing the project are:	9
11.2. The key project risks are:	9
12. Appendices	10

Stage 0 Business Case

12. Purpose of Document

The purpose of this report is to seek approval for capital monies for the internal remodelling of Waverley House, Leominster and to approve a total capital budget of up to £968k to fund the redesign for an additional 11 nursing beds.

13. Objectives

Secure capital funding to increase nursing placement capacity and maximise existing resources to meet future demand.

Maximise and secure bed provision for adult social care clients within a challenging high cost market.

Key milestone as follows:

- *Engage and appoint suitable employers agency to manage the project e.g. drafting tender pack, specifications, procurement and contracts- February 2019*

14. Background

Waverley House nursing home was built in 2006/07 and forms part of a 30 year block contractual agreement with Shaw Healthcare Ltd for a number of facilities, including residential and nursing homes and extra care properties, across the county.

A £400k capital budget was approved previously by council which estimated the build cost based on commercial advice at that time with Strongs estimating the cost of the project at £354,772 in June 2018. Since this point two official quotations have now been received which are higher than the estimate by Strongs, therefore in order to progress the project additional funding is required above the original estimate. The higher tender was £567,385 and the lower tender was £449,000 with several areas requiring further further clarification/underwriting.

The continuing rise in demand and the cost of care presents a significant challenge to deliver care services within our current funding levels. The expansion of capacity at Waverley House represents one part of the wider strategy for addressing this need ensuring we meet the Adults Wellbeing plan and corporate objectives including commissioning services that are value for money.

14.1. Project Drivers and High Level Issues

- The council's ownership of the building, together with this savings forecast, provides evidence that the proposed arrangement represents a best value solution for the council and that the terms of investment are those which a normal market investor would make, thus demonstrating compatibility with state aid law.

- There are currently an estimated 44,800 people age 65 and over living in Herefordshire in 2016. Twenty-four per cent of Herefordshire's population is aged 65 and over, compared to 18 per cent in England and Wales. Between 2016 and 2039 the number of people aged 65-84 is expected to increase by 34 per cent, and by 140 per cent among those aged 85 and over.
- By 2035 it is estimated that there will be 5,500 older people living with dementia in Herefordshire.
- Adult Social Care (ASC) currently spends £11.2m on nursing care provision for a total of 305 Herefordshire residents. Trend analysis shows that whilst numbers in this area are relatively static (as a result of the Herefordshire model for delivering ASC), care needs are however proportionately increasing in complexity. As a result, 54% of placements in nursing homes are now paid over the "usual" rate.
- Capacity to meet demand for complex care in Herefordshire is already pressured. The council often has difficulty in both finding placements for people with high needs and controlling the cost of these placements.
- Analysis of future demand for care home beds in Herefordshire has projected demand for nursing care home beds rising from the current 452 beds to 820 by 2036, indicating a requirement for an additional 368 beds over the coming 19 years. The estimated number of people in nursing care homes with dementia in Herefordshire is expected to rise from the current 294 to 554 over the same period.
- This is set against a demand for nursing beds per month which can fluctuate from 6 – 19 placements needed a month (based on DASHBOARD data) and therefore capacity is needed to meet this demand. If any of the nursing homes have any quality issues and with subsequent suspension on placements, capacity for EMI nursing beds can reduce very quickly and the council needs to ensure the market can meet the demand.
- Furthermore analysis of the use of the current 10 block contracted nursing EMI beds back to May evidences no voids. The council currently spot purchases in the region of 7 beds at any moment in time at Waverley in addition to the 10 block beds. Once the additional 11 beds are available under the block arrangement at a much lower rate, it will offer not only additional capacity but revenue savings to the council.

High Level Metrics

- Reduction in DTOC figures
- Increased capacity in the market
- Improved value for money

15. Scope

15.1. Included in Scope

The proposal is to redesign and remodel the Waverley House building to increase the nursing EMI bed capacity by 11 beds ensuring the design meets the needs of individuals including utilising technology. This will involve moving the day care service to a smaller room at the rear of the building, the next phase will involve moving the 7 residential 'reablement' beds from upstairs down to the day care footprint. The next phase will entail developing the old 7 reablement bed area into 11 new nursing EMI beds which will then become part of the block contract through a formal contract variation.

15.2. Not included in Scope

Any other element of the block contractual arrangement with this Provider.

16. Stakeholders

A project board has been developed and includes: Director of A&C, legal, property services, finance, procurement, Commissioners and the current Provider who is also and lease holder at Waverley.

17. Dependencies

17.1. 6.1 Initiatives which depend on this project are:

Due to the reduction of spot rate to block rate, Shaw Healthcare The Provider has requested a maximum six month transition period to minimise the financial impact of moving from the higher spot purchase rate to the block contract lower rate. This will reduce earlier if the spot purchased beds that are occupied by council funded residents. A transition period for the full six month period but the council will benefit greatly in the future usage of the beds. To assist in mitigating any risk around this transition period and ensure that capacity is fully utilised, there will be monitoring on a daily basis of actual capacity within Waverley House (both block and spot provision).

17.2. 6.2 This project depends on:

- Subject to capacity within the construction market to deliver.
- Recruitment to additional staff for the Provider

18. Benefits

18.1. 7.1 Quantifiable

The anticipated benefits of the proposed project are listed below:

- Meeting future demand pressures for nursing EMI care
- Controlling the costs of increasingly complex care

- Improved market resilience
- Revenue savings and cost avoidance for the ASC budget
- Improving outcomes for people receiving nursing care in Herefordshire by providing a high quality provision.
- Supporting timely discharge from hospitals.
- Utilising an existing capital asset for which the council owns the freehold
- The property comes back to the council at the end of the contract in 2034, so the council are investing capital in their own building.
- The financial analysis set out in this report confirms that the council will recover the proposed level of capital investment over a period of 11 years, assuming of course that the maximum level of funding is required ie.£968k. This will be achieved by a saving on the bed rate of 11 nursing EMI beds which will move from the provider's spot bed rate to the block rate at the time the beds are available for use.

18.2. 7.2 Non-quantifiable

- A care home market which will be resilient to fluctuating market pressures such as quality, reducing capacity due to home closures, change of owners or business.
- Additional nursing bed provision in county is imperative and part of a wider commissioning and market management approach.
- Good quality additional beds in the market will offer more choice to clients in county.

19. Contribution to Strategic Objectives

This project will support the council corporate objectives and the adults wellbeing plan to:

- To enable residents to live safe, healthy and independent lives
- Secure better services, quality of life and value for money

The successful implementation of this project is an integral part of the medium term financial strategy (MTFS) as it will enable nursing beds to be sought and utilised for a rate lower than is currently being purchased.

The council has duties under the Care Act 2014 to meet assessed eligible needs and to understand and manage its market to ensure choice, quality and sustainability.

The redesign and remodelling works will support the council's operational social work teams through increasing nursing care bed capacity, where there is demand and pressure and in particular the DTOC figures and hospital pressures.

20. Potential Costs and Options for Project

The financial analysis set out in this report explains that the council will recover the proposed level of capital investment to a maximum of 11 years by a saving in the price of 11 beds which will move from the provider's spot to block rate. The council currently have eight individuals in spot purchase Nursing EMI beds at Waverley House at a 'market rate', this proposal will afford the council a potential saving of approx. £100k per annum against the spot purchased provision. The council's ownership of the building, together with this savings forecast, provides evidence that the proposed arrangement represents a best value solution for the council and that the terms of investment are those which a normal market investor would make, thus demonstrating compatibility with state aid law.

The council 'tested' the market and went out to formal tender in August 2018 for the building works and received formal quotations which were received on 4 September 2018. The council now has indicative costs for the project e.g. Architects fees, legal costs, bank charges, Employer Agency costs, Fixture, Fittings & Equipment.

Costs and Timescales to Develop the Full Business Case

Key milestones as follows:

- Engage and appoint suitable employers agency to manage the project e.g. drafting tender pack, specifications, procurement and contracts- February 2019
- Secure formal tenders/quotations- March 2019
- Select the construction company and award the works based on procurement process- April 2019
- Complete the phased remodelling and redesign works – up to 26 weeks after commencement of works by 1 November 2019
- Block contract variation agreed – by the 1 November 2019
- Provider recruit staff – by 1 November 2019
- New nursing EMI care home beds available at Waverley House -1 November 2019

Capital cost of project	2019/20
(Please note these are approximate costs)	£000
<i>Build cost</i>	650
<i>Fixture and fittings</i>	60
Project management costs (designs, bank and legal fees, building regs, project management fees)	170
Contingency 10%	88
TOTAL	968

The capital request must be submitted by the end of October 2018, but the outcome of the request will not be fully known until Full Council has considered the capital programme in February 2019. The formal quotations for the building works received on the 4th September 2018 will have expired (13 weeks from

tender submission date). The council are currently establishing whether or not the formal quotations received will be honoured until the outcome of the capital funding request is known. As such we may need to undertake a further competitive tender exercise which will take approximately 3 months.

21. Risks of not doing the Project

The option of not doing the project is not recommended as the council is experiencing difficulties in sourcing nursing bedded provision in Herefordshire to enable it to meet the eligible needs of vulnerable adults and is highlighted in the A&C Risk register.

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

- Lack of affordable nursing EMI care provision
- Increased numbers of DTOC
- Not managing the market as per Care Act 2014
- Meeting the Medium Term Financial Strategy (MTFS) targets
- Not meeting the corporate aims and objectives
- Not maximising the councils available building and contractual resources

21.2. The key project risks are:

- Insufficient capacity within the construction market to respond positively within the timescales required.
- Health and social care workforce pressures are well documented. Other strategies are in place to mitigate this as a risk.

22. Appendices

Appendix 1 – Outline capital funding request

22.1. Appendix 2 – Equality and Diversity considerations

N/A.

22.2. Appendix 3 – Privacy and information security considerations

N/A

22.3. Appendix 4 – Sustainability considerations

N/A covered in this report.

