St Michael’s Leper Hospital site – Feasibility study and options appraisal

Prepared for: Warwick District Council and Warwickshire County Council

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# Document management

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# Executive Summary

Assessing the strategic need for this site, a development for a social care use clearly supports the priorities of the Joint Strategic Needs Assessment through both Mental Wellbeing and Long-term Conditions. A wide remit of social care uses has been discussed with the Commissioning leads, and the changing patterns of the Commissioning programme is focussed on Specialist Housing and Transition Care model needs at present.

A development on this site would be speculative, rather than Commissioner led. However, the Commissioners hold strong relationships with providers and developers of social care, and a speculative development is now becoming more standard practice. Utilising the site for this use, provides benefits to both the District and County Councils alleviating local pressure to bring the derelict site back into use, while fulfilling Commissioning objectives.

A do nothing, or do minimum has been considered as part of this report, and while these options go some way towards supporting the repair of the Masters House, it does not fulfil any benefit of utilising the site going forward. It would be reasonable to determine that the financial burden of the Masters House has contributed to the lack of development on the site over the decades. A substantial deficit of £1,622k is required to develop accommodation for up to 23, which is due to the high costs attributed to renovating the Grade II building, and constrained through the amount of units available for development to drive a rent from. However through various grant routes, and capital contributions it is possible to make the development viable.

Developing the site would add wider benefits to the local community through not only employment and integration opportunities but also bringing care closer to home delivering better outcomes for the individual users in a safe, modern and historically significant property; restoring a twelfth century care provision, into a twenty-first.

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# Introduction and Background

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## Introduction

Arden Estate Partnerships (AEP) is the Local Improvement Finance Trust Company (LIFTCo). A pre-procured public private partnership since 2004, set up to improve the health and social care estate throughout Coventry and adjacent areas. Forty percent owned by a subsidiary of the Department of Health (Community Health Partnerships) and sixty percent through a private sector consortium made up of Equitix and **gb**partnerships, it has invested over £34m locally to date.

Warwick District Council (WDC) is party to AEP’s Strategic Partnering Agreement (SPA), and as such is able to procure services through a pre-procured agreement at market tested rates.

## Background

AEP were commissioned by WDC to evaluate and compile a Feasibility Study and Options Appraisal in respect of the redevelopment opportunity on the St Michael’s Leper Hospital site in Saltisford, Warwick. Warwickshire County Council (WCC) have also been involved in the project from both a commissioning and key stakeholder perspective.

The site is currently in private ownership and has been derelict and empty for a number of decades. The site is occupied by two historic buildings, which consist of the following:

* St Michael’s Church; residing on the forefront of the site
* Master’s House; two storey, timber framed building residing centrally on the site. Buildings at Risk Register, Grade II listed scheduled ancient monument.

Despite the site being suitable for development, previous opportunities have not progressed on the site for various reasons such as highway safety and the site becoming too over-developed, which would have become detrimental to the setting of the listed buildings. A Planning application was granted approval in February 2007[[1]](#footnote-2) for a three storey office block to the rear of the site, and converting the Chapel and Masters House for office use as well. Development of this application subsequently did not progress.

Despite Planning and Ancient Monument consents, limited, partial restoration work has taken place on the site. A scaffolding contract was let to undertake repairs to secure the structural integrity of the Masters’ House. In the recent past, work had also been undertaken to restore the exterior of the Chapel.

In autumn 2014 a separate commission was undertaken to tender for a conservation architect and building surveyor practice to support WDC in their grant application to Historic England to assess the condition, specific size and detail of construction for repairs to the Masters House. A multitude of surveys and discussions with Historic England have taken place as part of this commission, and their reports and costing have helped inform this Feasibility in terms of the viability of using the Masters House in any redevelopment of the site. The next steps for the conservation architects is to procure a building contractor to undertake the works, however with no clear sight of funding these costs, their work to date has not progressed to this stage.

Local councillors and residents have placed continued pressure on WDC to restore the on-site buildings and bring the site back into use. For those reasons, the future use and development potential inherent on the site needed to be considered.

## Project scope

To determine the preferred option for the future use of the St Michael’s Leper Hospital site, and following previous Feasibility Studies commissioned on the site, WDC and WCC were supportive to reviewing Feasibility options within Social Care only. The key driver for the Feasibility has been to identify a viable development for the site that supports the local commissioning intentions.

The requirement to restore the Grade II listed buildings on the site, accompanied by the local pressure, to bring a derelict site back into use, has led to the instruction of this report. This report has therefore been compiled with the purpose of providing a preferred option for the future use of the site.

Engagement with a number of key stakeholders have included the below:

* Warwick District Council
* Local Planning Authority
* Historic England
* Warwickshire County Council
* South Warwickshire Clinical Commissioning Group
* Leamington Hospital

The commissioning service areas have been provided to AEP, to identify whether any have a prominent need in the area. The considered list of service areas included:

* Older persons
* Physical disability and sensory impairment
* Learning disabilities
* Mental Health and Substance misuse
* Dementia and Stroke
* Children
* Discharge to Assess
* Acquired Brain Injury

## Benefits and risk

The key benefits to a future development opportunity on the St Michaels Leper Hospital site are summarised below;

* A derelict site being brought back in to use, in keeping with the local landscape,
* Alleviates local pressures placed on the District Council,
* Restoration of two Grade II listed buildings, of local historic significance,
* Developing the site would create employment opportunities, enhancing the local economy,
* Support pressures within the social care system to deliver better outcomes,
* Redevelopment of the site would create modern, fit for purpose facilities available for users.

The key risks to a future development opportunity on the St Michaels Leper Hospital site are summarised below;

* Land in private ownership,
* Planning approval,
* Size of site and ground conditions limits amount of developable land,
* Grade II listing and scheduled ancient monument restricts opportunities for quantum of usable space,
* Additional costs attributed to construction and maintenance of Grade II structures,
* Ability to secure grant funding to support the additional costs attributed to construction of Grade II structures,
* Social Care provider being able to secure adequate contract security from Commissioners at WCC to proceed on speculative basis.

# Strategic Context

The strategic drive for this development is to improve the social care of the community within, and around Warwick. A purpose built facility will act as an enabler to support the changes needed, and improve the access to their delivery.

## Area profile

St Michael’s Leper Hospital site is located in Saltisford, Warwick, South Warwickshire. The site is clearly visible as you enter Warwick from the West, and travel along the A425 artery route into the town via Saltisford. The site is located on a main road.

* + 1. **Warwickshire**

Warwickshire lies in central England, bordering Leicestershire, Staffordshire, Worcestershire, West Midlands, Northamptonshire, Gloucestershire and Oxfordshire. The County has good connectivity to major road and rail infrastructure. Its county town is Warwick, although the largest town is Nuneaton in the north of the County.

Adult Services total spending on social care equates to £362.89 per person in Warwickshire[[2]](#footnote-3). This is the second highest spend next to Education.

* + 1. **Warwick District**

Out of the five districts and boroughs within Warwickshire, Warwick District scores between, no significant difference, to significantly better, out of 18 indicators ranging from fuel poverty to earnings, than the neighbouring Districts and Boroughs of Stratford-on-Avon, Rugby, Nuneaton & Bedworth and North Warwickshire. This is shown further in Table 2.1.2a below;

Table 2.1.2a: Warwickshire Indicators

* + 1. **Deprivation**

Warwick district has a population of 138,000[[3]](#footnote-4). In terms of deprivation, although there are differences in deprivation throughout Warwick, areas of high deprivation do exist within the District and these are shown by the darkest coloured areas against national comparisons, as shown in Figure 2.1.3a below. Overall however, deprivation is much lower than average, with 10.3% of children (2,400) living in poverty.[[4]](#footnote-5)

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Figure 2.1.3a: Map of Deprivation Levels in South Warwickshire

## Local context in the Social Care market

At present, there are a range of Government initiatives to support the integration of Health and Social Care. The most notable in recent years has been through the Health and Social Care Act 2012, which focusses on prevention and integration, requiring collaborative Health and Wellbeing Boards to plan for the local communities bringing NHS and Local Authorities closer together.

The Better Care Fund was announced by the Government in June 2013 with £5.3bn to support this integration. “It creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their well-being as the focus of health and care services”[[5]](#footnote-6). The Fund has provided resources to ensure the implementation and delivery is managed and a range of workshops nationally, and virtual ‘drop-in’ clinics are available to support Commissioners in this.

Data through the Better Care Fund Metrics[[6]](#footnote-7) collated by NHS England, shows that although Warwickshire is in the interquartile range for Social Care related quality of life, this is below the England average at 18.8 in comparison to 19.0. Revenue funding for 2015-16 for Warwickshire stands at £36,137,000, taking contributions from three Clinical Commissioning Groups (CCGS) in North Warwickshire, South Warwickshire and Coventry & Rugby, including funding for Disabilities Facilities Grant and Social Care Capital Grant.

The ambitions for the Health & Wellbeing Board are to ensure “individuals will experience better outcomes by delivering the Right Care at the Right Time, in the Right Place – Every Time.”[[7]](#footnote-8)

* + 1. **Joint Strategic Needs Assessment Priorities**

The Joint Strategic Needs Assessment, compiled by the Warwickshire Health and Wellbeing Board, was updated in January 2015. The Priority Topics, of key local priorities across health and social care focussed on[[8]](#footnote-9);

This document goes on to identify past, present and future key macro level issues effecting Warwickshire, showing the demographic change growing and ageing. Social Care is also highlighted to how the market changes and the move towards personalisation for individual management of their own service and costs.

The JSNA priority topics cover a range of themes from Looked after Children, to Mental Health in Adults and Children, through to Dementia.

## Finances

It is believed that demographic pressures will increase demand for Local Authority funded services, which will not be matched by an equivalent growth in public funding. Warwickshire has set an £18m adult social care savings plan.

## Specialist Housing and Transition Services

The Commissioners in Warwickshire play an active role in identifying and supporting providers to deliver accommodation to suit their needs. This has led to a number of active providers and developers delivering Specialist Housing with Care and Transition Service Care within the County, and notable in the vicinity to Warwick.

# Options Appraisal

## Scope of work

An Options Appraisal to support this work focussed on a number of social care options which were identified as;

* Older Persons
* Physical Disability and Sensory Impairment
* Learning Disabilities
* Mental Health and Substance Misuse
* Dementia and Stroke
* Children
* Discharge to Assess
* Acquired Brain Injury

The Options have been discussed with the Commissioning Leads for the services, identifying the opportunity for the requirement of a new/refurbished Grade II listed property in line with their commissioning intentions.

## Commissioning options

Although discussions with each of the Commissioning Leads has taken place, the nature of the accommodation programming moves at such a pace that these Commissioning intentions shift regularly with the needs of the residents. The results of these discussions, however, are contained within Table 3.2a below;

| **Service Area** | **Commissioning Requirement** | **Fit to site?** |
| --- | --- | --- |
| Older Persons | * Behaviours that challenge – demand for the service / high need * Transition model offering studio / flat would be ideal * Short term accommodation solutions ideal, providing more service options * Permanent living solutions present problems * Mental health and substance misuse is a service delivery not a housing requirement and there is not a driving force for such service demand * ExtraCare Programme underway; could Older People be dementia ready? * Would look to develop specific units;   + Home for life (designed for Dementia)   + Mixed provision of those with dementia and those who do not have dementia (stigma of other residents not wanting to live ‘next door’ – investment in communications would be required to overcome this stigma) * Nationally ExtraCare research, not much research for case studies for dementia, although some schemes have been developed nationally providing extra care housing for dementia. * Eligibility criteria on mixed accommodation, leaves a high risk of developing for older people with MH. * ExrtaCare housing gap is in catching early diagnosis /journey, as these people don’t want to be in a ‘retirement’ home environment. Young Onset Dementia (YOD). * Young people and those within the early stages of being diagnose with dementia will not want to use the extra care housing services. Dementia users tend to be the elderly and facilities tend to cater to the elderly, which doesn’t provide young dementia users with the services they would want or need. * YOD would need some 1:1 and some independence. Very few places nationally and more often than not attached to a residential home. * Prevalence stats of Dementia for County; highest in the South (Stratford and Warwick). Nationally though, 2% of dementia suffers are YOD. Although these statistics are rather low, the 2% of users require the service more. | * Quantum of ExtraCare housing for Older Persons may prove difficult due to amount of developable land. Model tends to work on larger scale. * For physical disability use, the site’s location (out of town) places it at a disadvantage, makes hospital visits difficult and excludes physical disability persons from the community. * Mental health and substance misuse is a service delivery and not a housing requirement and there is also not a driving force for such service demand, making it unsuitable for the site. * Dementia Home for Life / Specialist facilities applicable for the site * Ability to provide a small YOD facility for 1:1 and independent users. * Any development would be speculative, and not Commissioner driven. |
| Physical Disability and Sensory Impairment |
| Learning Disabilities |
| Mental Health and Substance Misuse |
| Dementia and Stroke |
| Children | * There are too many children’s centres at the moment which are being closed down * Children’s services aren’t looking for buildings – there is a move towards residential services being offered * Mental health is delivered in schools * A potential gap is children’s homes, as LA owned have been disposed. Potential for speculative development. * North Warwickshire is a key area for children’s services, making the SMLH site in the South not an ideal location. | * No. Not a requirement for a property for this service. * North of the County in need of service investment. * Any development would be speculative, and not Commissioner driven. |
| Discharge to Assess (DTA) | * DTA is designed to move care closer to home and reduce unnecessarily prolonged acute hospital stay. * DTA commissions a number of beds in a care home setting, allowing a longer period of assessment outside of an acute setting. * DTA has started in the north of the County. * There are 3 pathways:   + 1 – intermediate care     - No beds required as people are supported in their own homes   + 2 – been in hospital but need more care     - Residential beds required     - Patients more independent     - Aim to get patients back on their feet   + 3 – complex / continued healthcare required     - Requirements: more complex health needs and continuous healthcare required     - Nursing beds required (equipment and staff need)     - Nursing needs / challenging needs | * South Warwickshire Foundation Trust (SWFT) – have commissioned pathway 3 beds, which has already gone out to tender * Long term beds may be required, but Commissioners would need to understand when a development on this site is likely for them to assess the need and type for occupancy. * Any development would be speculative, and not Commissioner driven. |
| Acquired Brain Injury (ABI) | * Lack of engagement from South Warwickshire CCG. * Engagement with Provider at Central England Rehabilitation Unit (CERU) which is based at Leamington Spa Hospital (provided by SWFT) has increased capacity from 21 to 42 beds. * SWFT Provider felt there was a need to increase capacity further, as some patients were sent to bordering County Northamptonshire when additional or more specialist care was required. | * Provider felt there was a need for additional capacity, but was unable to quantify. * Development would need to be tailored to a few individuals given scale of development available. * Any development would be speculative, and not Commissioner driven. |

Table 3.2a – Commissioning requirements

## Options going forward

Table 3.2a in section 3.2, shows of those commissioning options available, all would require the market to develop a speculative facility, rather than it being led by the Commissioners. This being said, the Commissioners hold strong relationships with providers and developers of social care, and a speculative development is now becoming more standard practice.

WCC have taken discussions with their procurement and legal team on their ability to assist in identifying and matching known providers and developers to this site, and would be able to support holding discussions with the market to deliver an opportunity on this site.

## Preferred Commissioning options

The preferred Commissioning option for this site still falls within a Social Care need, and currently focusses on Specialist Housing and Transition Care models. There is no clear definition of service provision for a particular client group due to the nature of flexibility in the Commissioning cycle, but this would still look to support the JSNA Priority Topics.

The relationships the Commissioners hold with the service providers, would be able to deliver and assess the need from a grass roots level for a speculative development to take place. This also allows a wider range of providers to assess the site and provide their proposals direct to the Commissioners.

## Service analysis of the preferred Commissioning options

In a report published by ILC-UK in conjunction with Age UK, Centre for Later Life Funding and ILC on ‘The end of formal adult social care’ December 2015, looks at how spending cuts are impacting the infrastructure required to meet those in needs, and more reliance on unpaid carers. Overlaid with an ageing population, government expenditure for Health and Older People is set to rise to 42.3% by 2020[[9]](#footnote-10), with adult social care underfunded. The reports refers to many providers struggling to stay afloat and falling numbers of people accessing care services, the Chancellor has announced funding for the sector, including the Better Care Fund.

There has been a number of news articles on this subject in recent months, however the Commissioners’ active relationship with the market, will be able to better determine and secure the appetite to offset this risk for a speculative development.

## Analysis of the preferred Commissioning options

Either a Specialist Housing or Transition Care Service would be classified as a specialist facility, and due to the limited amount of units available on the site, the Provider would potentially need to subsidise costs across a wider portfolio of units through nearby facilities, to further support a future development on this site, as there would be limited room to run back office duties on the site as well.

Historically WCC have held Bidders Days for Providers to visit the site and understand the parameters. However, due to the active relationships the Commissioners hold with providers and developers in Social Care locally, WCC are able to support the conversation of a speculative development and provide the ‘security’ of Commissioning intention each provider and developer will need to appraise.

As part of this Feasibility, discussions with a range of Providers has been around determining and understanding the below factors, which will need to be considered as part of any future discussion;

* Commissioner underwriting of voids/contract/nominations.
* Ability to operationally manage from other local facilities the Provider may have.
* Additional maintenance costs due to Grade II listings.
* Opportunity to support other service users
* Opportunity to use the site for social housing

## Scope and Service requirements

A new development will enable the market to address the Commissioning needs for the site, and respond to the changing needs of the demographic. A new social care building providing safe and modern facilities, offering tailored services to the local community. The development would look to provide flexible accommodation to support the future changes in Commissioning through standardised room sizes and communal facilities, with new and enhanced services provided for the benefit of the resident through tailored care packages.

A new development will offer the opportunity for the Social Care provider to consider alliances and closer working relationships with other social, and health care, providers sharing best practice and economies of scale through the workforce, improving access and offering services in a convenient location.

The social care provider could identify and encourage the use for other visiting professionals, community and voluntary groups, utilising the space on a bookable basis, ensuring high room utilisation and the appropriate, relevant delivery of services.

## Accommodation requirements

A schedule of accommodation has been developed in conjunction with an in-house Health Planner, based on an indicative 16-bed social care solution. The schedule of accommodation will need to be developed and tailored further with the identified provider, but provides some context and scale to this Feasibility.

Increasing the amount of units will be a Planning and operational consideration to manage, however an additional storey of c.400m² at the rear of the unit could be accommodated to support a further 7 units.

The schedule of accommodation gives an overall gross internal area (GIA) for the three parts of the site buildings to 1,277m², as summarised in Table 3.8a.

|  |  |
| --- | --- |
| **Description** | **Area (m²)** |
| Chapel | 110m² |
| Masters House | 175m² |
| Two storey new extension | 992m² |
| **Total site GIA** | **1,277m²** |

Table 3.8a: Schedule of Accommodation for 16 bed unit

## Development objectives

The table below sets out some of the key objectives for a new development at the St Michael’s Leper Hospital site.

| **Objective** | **Expected outcome** | **Indicator** |
| --- | --- | --- |
| To bring derelict site back in to use. | Improved local vistas on key artery route in to historic market and County town. | New development. |
| Providing modern social care services to meet Commissioning strategies. | Continuing to improve the clinical quality of care. | Improved social outcomes for locality population. |
| Improved customer experience and choice. | Increase in customer satisfaction. | Provider customer survey. |
| To provide customers with improved access to a range of services aimed at promoting independence through specialist housing with care. | Integrated services that wrap around the customer provided from a purpose built facility that will enhance customer comfort, safety and dignity. | Reduced unnecessary attendance, referrals or admissions to hospital. |
| Provide appropriate choice and services to the locality. | A wider variety of services offered. | Improved social and health outcomes for locality population. |
| Better community relationship. | Targeting localities specified problems. | Improved health outcomes for locality population. |
| Opportunity to integrate more closely with Social Care commissioners on wider site development. | Improved working relationship with Social Care commissioners. | Improved health outcomes for locality population |

Table 3.9a: Development objectives

## Planning discussion

A pre-application meeting was held with a Senior Planning Officer and Conservation Officer, in March 2016. Discussions focussed on the block plan design as presented in [Appendix 3](#Appendix_3).

The discussion was high level, however the principles of designs attributed to any new development going forward were discussed and listed below;

* Dropped eaves c1.5 storey preferable.
* New build to be sympathetic to height of Masters House, with the Masters House to be prominent. Keen to retain key vistas of Masters House from Saltisford.
* Link between the Masters House and any new rear extension felt a glazed link / colonnade / walkway between the new and the old would be the key feature to the development.
* Archaeology report completed by WCC in December 2004. Possible requirement for additional trial trenchs.
* Desk top contaminated land assessment would be required.
* Ecology and arboricultural survey would be required
* Noise Assessment would be required.
* Planners liked the active frontage.
* Highways right of access (from Saltisford Business Park) to be determined with Highway Authority.
* Would look for 1:4 residents parking ratio, plus ambulance bay
* 2.5 storey at rear of site (adjacent to train line) could be considered to increase the amount of units.
* Liked the idea of having interconnecting parts to the development
* Conservation officer felt a contemporary Arts and Crafts design could work well
* Boundary considerations of 12m distance to built form, and 32m from habitable room. Bathroom not classified as habitable
* Would need to review glazing and any overlooking considerations into garden on Western elevations
* Site sits within flood zone 3. Alleviation works undertaken locally recently, and would need to consider possibility of having to raise floor level. Drainage strategy to be reviewed going forward.
* Full Planning application would be required and listed building consent. Planners unable to confirm whether Ancient Monument consent is also required, but likely.

## Design principles

The high level designs, and basis of the cost, have been based on the majority of the new building will be in grey brick, and the link predominantly glazed to enable a transition between the old and new.

The design of the new build aims to be complementary to the Masters House, and some details of recessed brick and powder-coated aluminium frames to a couple of key windows. Number and location of these will depend on overall composition of elevations, along with landscaping to the front of the site will also be key, however we also envisage more private external spaces around the new building, with a pergola or canopy to create more sheltered spaces/terraces.

Any development appended to a listed building will require high quality materials and attention to design as standard, which was supported by the Senior Planning Officer and Conservation Officer. An indication of what this link between the old and the new could look like, has been included at [Appendix 4](#Appendix_4), to support further discussion and set the design principles of this link.

The Conservation Officer has commented that “a contemporary approach for the new build, with windows, brick work and sheltered areas on different planes, could be appropriate and result in visual interest; the glass link could also work well.” However, the Conservation Officer would not support the use of grey brick as the appearance is considered to be too harsh, and a local red brick would be preferred to reflect the vernacular of Warwick. The Conservation Officer would need to see a fully worked up design including elevations to include the listed building and monument, plus a site masterplan to be sure the setting of the Listed building / monument is protected. The developer of the scheme will need to consider this in future Planning Applications.

# Economic Case

## Overview

This section focuses on the appraisal of the site, and sets out the objectives, constraints and benefits of a development proceeding. This is followed by an examination of the sites long and short term options.

This section focuses on the non-financial benefits appraisal of the short-listed options, which is a key component of the appraisal process in identifying the preferred option. Further sections focus on other key aspects of this appraisal, including economic and risk factors.

## Critical success factors

Options have been assessed on their ability to support the Commissioners in achieving their key development objectives of;

* To develop a derelict site with social care provision.
* To provide customers with improved access to Specialist Housing or Transition Services.

The critical success factors should ultimately look to support the needs of the end user. Using Housing our Ageing Population Panel for Innovation (HAPPI) which also forms part of older and vulnerable people, HAPPI2 launched at the end of 2012, and highlights innovation in the housing market. Recommendations within this report focus on the below, but equally relate to a wider range of housing critical success factors;

* Generous/flexible space standards
* Natural light (inc circulation spaces)
* Avoidance of internal corridors and single aspect dwellings for light and ventilation
* Care ready homes to accommodate emerging technologies
* Circulation that avoids institutionalisation and encourages interaction
* Lively multi-purpose social spaces that link with the community
* Engagement with the street
* Energy efficient ‘green’ building
* Adequate storage inside and outside the home
* Homezone design of outside spaces with pedestrian priority

An All Party Parliamentary Group for Housing and Care for Older People is currently reviewing HAPPI2 and setting HAPPI3.

## Long list options

The long list of options looks at “do nothing”, “do minimum” and “do something”. This is shown below in Table 4.3a.

|  |  |  |
| --- | --- | --- |
| **Option** | **Advantages** | **Disadvantages** |
| 1. Do nothing – land and property remains in private ownership. | 1. No action required 2. No Planning permission required | 1. Vista of site remains in unkempt state. 2. Building(s) continue to deteriorate, to a state possibly beyond repair. 3. Land owner struggle to sell with incumbency of building at risk, Grade II and Ancient Monument listing. 4. Loss of opportunity to bring heritage asset back in to use. |
| 2. Do minimum – land and property remains in private ownership, with repair work only to Masters House. | 1. Masters House repaired to make structurally safe through Historic England grant. 2. Probable increase in value of land through repair work to Masters House. 3. Vista of site improved | 1. Reliant on Historic England grant to make improvements to Masters House. 2. Potential for land owner to increase land purchase price. 3. Planning permission required. 4. Site and chapel not utilised. 5. Loss of opportunity to bring heritage asset back in to use. |
| 3. Do something - land and property purchased, with repair work to Masters House and site development. | 1. Masters House repaired to make structurally safe through Historic England grant. 2. Probable increase in value of land through repair work to Masters House. 3. Vista of site improved 4. Ability to bring the derelict site and utilise the Masters House and Chapel for social care provision 5. To provide customers with improved access to specialist housing with care. 6. Potential for co-location opportunities, integrating services that wrap around the patient enhancing patient comfort, safety and dignity. 7. Site can be configured to allow further extension of building in the future as and when required. 8. Internal layouts can be designed following best practice guidelines. 9. Opportunity to be part of wider site development including adding to Health and Wellbeing of community. | 1. Reliant on Historic England grant to make improvements to Masters House. 2. Potential for land owner to increase land purchase price. 3. Planning permission required. 4. Co-location opportunities with other local participants will increase car borne visits and reduce number of parking spaces available. |

Table 4.3a: Options Appraisal

## Short list options

For reasons set out above, the following options are considered suitable for short-listing;

* Do something - land and property purchased, with repair work to Masters House and site development.

## Preferred option

The preferred option has been determined through the advantages identified, outweighing the disadvantages. Therefore, Option 3 to provide a new build development on the St Michaels Leper Hospital site is the preferred option.

## Opportunities for innovation/collaboration

Development on this site opens up a range of innovation and collaborative opportunities. Re-developing the site, could bring the latest innovations and engagement with leading think tanks reviewing everything from assistive living technology through to new models of care to the forefront. Utilising the Masters House as a communal foyer, could allow short events/presentations/visiting professionals to see and speak to residents in a welcoming and historic environment.

Collaboration could come in the form of working with a local Social Enterprises to run a community café/group in the chapel which allows residents and the community space, and opportunity to integrate.

Opportunities for this could be discussed in more detail by the Commissioners with the Providers.

## Service delivery options – who will deliver the project

The likelihood of any future development on this site, would be for a social care provider to either develop a facility through their existing structure, or partner with a developer who could either sell it to them or retain the freehold and lease it to them and maintain common parts, allowing the care provider to focus on the operational delivery.

There are a number of Housing Associations and local Developers who would be able to support care providers in developing out the site for future use. Based upon the strong relationships WCC hold with a number of Providers and Developers in the area, the structure for how this could be delivered should be discussed in more detail on an individual basis.

WDC are also able to procure a development partner through the Strategic Partnering Agreement, who could be matched to a care provider, should they wish to lead on the commission of the site as required.

## Risk log

The standard tool for managing project and financial risks is the Risk Log and a detailed Risk Log should be compiled for the project to be reviewed regularly between the developer and care provider.

A risk log has been started for the purposes of identifying those known risks in relation to this Feasibility report.

|  |  |  |  |
| --- | --- | --- | --- |
| **Potential risk** | **Risk management** | **Risk allocation** | **Risk to project** |
| WCC commissioning strategy change | Regular review of needs assessments, and flexible design principles adopted. | WCC | Medium |
| Inability to negotiate appropriate terms with the current landowners | Initial and continued discussions with the vendor. Opportunity for WDC to compulsory purchase. | WDC / development partner | Medium |
| Site fails to secure planning consent | Initial and continued discussions with the Planning Authority in respect of site use, who are supportive. | Development partner | Medium |
| Access issues to the site | Initial and continued discussions with the Highways Authority. | Development partner | Medium |
| Poor site conditions | Site/ground surveys to be carried out to support the Planning application and engineering solutions will be developed and managed by Development partner to offset any risk. | Development partner | High |
| Grant funding to repair Master’s House unable to be secured | Regular review meetings with Historic England on grant route and process. | WDC / development partner | High |
| Project costs incorrectly estimated | Regular engagement with both conservation and development partner quantity surveyors to ensure robust costs being presented. | Development Partner | Medium |
| National changes to rent funding | Close monitoring of budget updates, and appraisals flexed to suit. | Care partner | High |
| Increased Construction Costs due to unforeseen circumstances | Development partner to ensure appropriate level of cost contingency | Development partner | Medium |

Table 4.8a: Risks

# Financial Case

## Overview

This section looks at the financial considerations of the site, and an estimate of costs from both a development and operational perspective. Both of these assume Option 3 – Do Something – is approved.

## Development costs

A development appraisal of the preferred ‘Do something’ Option has been undertaken in line with a standard third party development approach.

Details of this appraisal are at [Appendix 1](#Appendix_1).

## Development appraisal assumptions

Assumptions have been made in order to identify costs prior to any further detailed design work commencing, and used to calculate the affordability of the scheme. Assumptions consist of the following;

**Development assumptions – base model:**

* There have been no legal title investigations on the identified site(s), and therefore boundary lines are indicative,
* There have been no boundary details issued by the vendor, and therefore boundary treatments are indicative,
* There have been no inclusions for any Planning requirements for a Section 106 or Section 278,
* The draft development appraisal has been prepared on the basis of an Investment Sale at a 7% Yield,
* Internal Repairing Lease, 15 year term to the Care Provider with no breaks,
* Annual RPI rent uplift at 3%,
* 6% bank and sub-debt coupon rate assumption,
* Bank lending on a 60% Loan to Value, and 40% through sub-debt,
* 16 apartments,
* Rent at £180/week/apartment (excluding service charge),
* 5% Repairs and Insurance to Landlord,
* £117k additional construction contingency/abnormals/inflation,
* £464k professional fees,
* £152k land costs inc SDLT,
* £20k per unit funding from WDC
* Tenant to pay own legal and SDLT costs.

## Recurrent revenue

Based on the above terms the revenue does not cover the development costs and has a deficit of £1,622k.

Sensitivities to offset this, has the following impact as shown in Table 5.4a:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Sensitivity** | **Gap** | | | | | | |
| Base model | -£1,622k | -£1,342k | -£939k | -£781k | -£474k | £217k | £347k |
| Increase amount of apartments, by putting an additional storey and 7 units on rear of new extension  (23 apartments in total) |  |
| Obtain grant of £401k[[10]](#footnote-11) from Historic England/AHF[[11]](#footnote-12) |  |  |
| Remove £152k land, assuming WDC obtain freehold and gift to development |  |  |  |
| Increase rent to £200/apartment/week |  |  |  |  |
| HCA grant of £30k/apartment |  |  |  |  |  |
| Rent chapel space to third party operator at £11k/pa |  |  |  |  |  |  |

Table 5.4a: Development gap sensitivities

## Operational costs

An operational appraisal of the preferred ‘Do something’ Option has been undertaken in line with a generic care arrangement. This model has been split on a 40%, 60%, 80% and 100% occupancy for year 1 costs.

Details of this appraisal are at [Appendix 2](#Appendix_2).

## Operational profit and loss appraisal

Assumptions have been made in order to identify costs prior to any further detailed design work commencing, and used to calculate the affordability of the scheme. Assumptions consist of the following;

**Operational assumptions:**

* Registered Care Manager,
* Part time General Home Manager,
* Portion of corporate admin costs (Admin, Finance, IT and HR),
* Reception and Administrator duties on a combined role,
* Housekeeper, cleaner and caretaker 30mins/room/week,
* 1No Care Assistants for every 2No apartments
* 1.5No Cook and Kitchen staff,
* Purchase of communal and white goods furniture,
* Standard care rate at £15.00 per hour on 16 hours per day/apartment,
* Sleeping night rate assumed at £40.00 per hour on 8 hours for 4No users per week,
* No day care income through any Social Enterprise/ chapel café,
* Service Charge of £30/unit/week

## Operational profitability

Using the base model, the operational profitability is viable on a 60% utilisation.

Using the sensitivities applied in section 5.4 only improves the profitability by increasing the units by 7, and even increasing the rent to £200/unit/week covers the operational costs.

Sensitivities applied as per in 5.4, has the following impact as shown in Table 5.7a:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S****ensitivity** | **Profit / loss on utilisation** | | | |
| **40%** | **60%** | **80%** | **100%** |
| Base model | -£446k | -£103k | £240k | £582k |
| Increase amount of apartments, by putting an additional storey and 7 units on rear of new extension (23 apartments in total) | -£213k | £418k | £1,046k | £1,674k |
| Obtain grant of £401k[[12]](#footnote-13) from Historic England/AHF. | No impact to care operator rent | | | |
| Remove £152k land, assuming WDC obtain freehold and gift to development | No impact to care operator rent | | | |
| Increase rent to £200/apartment/week | -£238k | £392k | £1,021k | £1,649k |
| HCA grant of £30k/apartment | No impact to care operator rent | | | |
| Rent chapel space to third party operator at £11k/pa | No impact to care operator rent | | | |

Table 5.7a: Operational gap sensitivities

## Development and Operational analysis

Based upon the Development and Operational appraisals undertaken it is clear that as a standalone development, without considerable subsidy, the development alone does not viably stack up under a Third Party. The most sensitive variables are the rent and grant funding, however increasing the rents beyond £200/unit/week puts the deliverability in to question in terms of market position rents. There is precedence locally for exempt accommodation rents within the £250-300/unit/week range though, which offset the abnormal costs of redeveloping a local interest site. The rent level though would be a negotiation with the local Revenues and Benefits Office upon assessment of the end users, but there would be good grounds to apply for exempt accommodate rates, which are central government funded and achieve a higher rental. As a measure, and assuming no external subsidy through grant funding or land gifts but retaining the WDC £20k/unit, the rent level would need to be around £370/unit/week to make an attractive return for the developer i.e.10%. The final sensitivity pooling all the grant funding and subsidy together provides the most attractive position from a development perspective at a 12.13% return on cost.

Funding contributions from the HCA, Historic England/Architectural Heritage Fund (AHF) and WDC contribute over £1,551k of capital to the project. The security and provision of these grant funding routes should be explored further by the development partner. There are a number of grant funding programmes through the HCA which specialise in funding for care and supported housing programmes. Successful bidders for Phase 2 of the 2013 £101m programme were recently announced in March 2016, and further Phases have recently been announced in April 2016. As part of the discussion with Providers, through WCC, grant funding experience should be explored.

An alternative to grant funding could be explored with a multi-discipline company that can undertake both the development and care elements, offsetting the development deficit through the care income, as per the indicative profits shown within section 5.7. However, even with a rental at £200/unit on 100% utilisation for year 1, this would still be below the required capital contribution of £1,551k, at £1,397k, that could come through grant funding.

## Historic building funding

* + 1. **Historic England**

Positive discussions with Historic England (HE) to support grant funding for the repair and re-use of the Master’s House has taken place during the course of this report. The grant route proposed would be assessed on a market value basis, and if the project costs are higher than the estimated market value of the site/asset in a good state of repair, would indicate a grant requirement. The amount HE would be able to offer is limited to the shortfall in funding that would be established by a development appraisal and it cannot exceed the cost of eligible works.

Once the project is complete and, if it is the case that the applicant wants to sell the site in order to realise its end value, HE will take into account the predicted end value from the development appraisal in its assessment. If the property is to be retained and let, HE will take into account an end value based on the capitalised rental income, and would need evidence to support the lease agreement and rental level calculations.

Discussions with HE should continue post this Feasibility Report using the Development Appraisal as the start of establishing the funding route.

* + 1. **Heritage Lottery Funding**

In addition there may be an opportunity to seek funding through the Heritage Lottery Fund (HLF), via the Architectural Heritage Fund (AHF) which supports Building Preservation Trusts[[13]](#footnote-14) (BPT) and other charitable status organisations to seek funds to bring sustainable uses back into historic buildings, thereby offsetting the costs attributed to the Masters House and Chapel. The fund is a two stage process, with an estimated c.6 months for Stage One and c.15 months for Stage Two. There is an option for the developer and the BPT to form a partnership, which would need to be legally incorporated between Stages One and Two, and run for a period of 10 years to ensure no claw back of funds. There are various routes available, and Project Development Grants are also available through the AHF up to £25,000 which can be applied for to pay for a Project Organiser[[14]](#footnote-15) to move a project forward from viability stage through to assembling and applying for capital funding. It can also be used for other professional fees to develop design work, for example, or other necessary surveys.

Discussions with a regional BPT concluded that a bid through this programme to the HLF would be an ideal fit for the type of use proposed on the site, and would fund the heritage deficit. There are recent examples of projects which have used this Fund, and provide a good measure of deliverability for this site. The most local BPT to this site is the St Mark’s Gilbert Scott Trust which was set up in 1993 to provide funds for the maintenance, care and improvement of St Mark’s church in Milverton. Although it doesn’t appear that St Mark’s Gilbert Scott Trust have been active recently, it would be worthwhile exploring further should the funding route be required, as the BPT would need to be the lead applicant on any HLF application, and have the majority/controlling interest in the historical property.

To support moving forward with identifying and securing heritage grant funding route, the recommendation is to engage a Project Organiser who specialises in this sector.

# Commercial Case

## Overview

This section sets out the procurement strategy, the preferred procurement options and also addresses the proposed building management arrangements.

## Procurement

The procurement of the development and care provider can be undertaken by either Warwick District Council, or Warwickshire County Council. Given the land is in private ownership though, the role the Councils are contributing would be on a Commissioning perspective.

|  |  |
| --- | --- |
| **Procurement option** | **Review** |
| Third party development | Preferred option. Development company to take risk and fund themselves.  Would require partnering with a not-for-profit organisation to apply for heritage grant funding.  Potential for care provider to also be development provider. |
| Capital development | WDC and/or WCC fund through own reserves. |
| LIFT development | Lease Plus Agreement with fixed costs, legal documentation and construction methods in excess of an FRI / IR lease model for size of development considered too expensive. |

Table 6.2a: Procurement Options

## Funding Route

Funding for the development is appraised to be acquired through private finance via the development partner. It may be that the development partner has enough cash reserves to undertake this themselves, in which case this would add a positive variance to the development deficit. A funding competition for any private finance would be initiated nearer the time through the development partner, to ensure market rates could be finalised for the appraisal.

As previously discussed, grant funding will be critical to the viability of the project going forward. There are two parts to the grant funding through both the HCA and through a Fund to support the heritage element. HCA funding should be explored as part of the discussions with Providers and whether this site can be allocated, along with a Project Organiser to take the Feasibility through to identification of a grant funding route for the Heritage aspect.

The construction contract price will be determined by the development partner, and probably through a competitive tender using a blended team between the conservation and new build disciplines. A standard form JCT Design and Build contract should be used, which is an industry standard document and widely used to procure construction works and further reduces costs to the project.

## Key contractual arrangements

* + 1. **Land**

The land at Saltisford, at the time of writing this report, is under private ownership. The site has been derelict for a number of decades, and a number of attempts to sell it have not proceeded due to the encumbrance of the historic properties has led to the site being left.

WDC have been holding a number of discussions with the vendor to establish terms for its disposal, and the vendor is willing to seriously consider an intention to purchase. Although no Heads of Terms have been drafted, a purchase price has been discussed with £150k plus SDLT[[15]](#footnote-16) assumed for the purposes of this report. No other covenants or conditions have been stipulated at present.

* + 1. **Lease**

A more commercial approach to a leased property has been assumed for the purposes of this Feasibility, with the care provider entering in to an Internal Repairing (IR) Lease. The terms and break clauses within this lease will have a bearing on the development appraisal, and it should be noted that the longer the lease, the better the covenant for the funder. Any decrease in this term will change the financial assumptions as the loan will effectively be paid back over a shorter period and therefore increase the costs per annum.

# Management Case

## Overview

The section covers planning and delivery of the project in terms of programme, project structure going forward, stakeholder consultation and risk status.

## Project timetable

The table below is an indicative programme.

The time associated with the heritage grant funding considerably extends the programme, which accounts for a total of 21 months. Commencing on the design has been triggered from receipt of Stage 1 approval on the heritage grant funding route, which although does not guarantee the funding until Stage 2, as long as the scheme is broadly the same at Stage 2, it provides some certainty for the developer to expend costs. The development of the design has also been extended to coincide with the Stage 2 process. There are efficiencies to be made in the programme if the grant funding route is not required.

|  |  |
| --- | --- |
| **Action** | **Date** |
| Discuss procurement options for WCC to engage in market discussions | July 2016 |
| Identify not-for-profit organisation to support historic grant funding applications | July - Sept 2016 |
| Hold discussions with the market on opportunity | July - Sept 2016 |
| Develop and exchange Heads of Terms to form developer and BPT partnership | October - November 2016 |
| Exchange conditioned Heads of Terms with land vendor | December 2016 |
| Work through application and survey requirements to support HCA and historic grant funding application | December 2016 – February 2017 |
| Tenants Requirements to be issued | November 2016 |
| Receive notification of approval on HCA and historic grant funding (Stage 1) | June 2017 |
| Developer to initiate detailed design | July – December 2017 |
| Work up Stage 2 for historic grant funding | July 2017 – June 2018 |
| Planning submission (13 wks) | January 2018 |
| Planning determination inc. 6 weeks Judicial Review (assuming private funding route) | June 2018 |
| Tender for construction | July – August 2018 |
| Receive notification of approval on HCA and historic grant funding (Stage 2) | July 2018 |
| Contract award | August 2018 |
| Financial Close | August 2018 |
| Contractor mobilsation | September 2018 |
| Construction est. 10 months | October 2018 – July 2019 |
| Handover | August 2019 |
| Operational | August 2019 |

Table 7.2a: Key Project Milestones

## Project Management

The project structure will be dependent upon both the development and care provider structure. An indication of a typical project structure using PRINCE2 methodology is shown below.



Figure 7.3a: Project organisation

## Public and end user involvement

There has been considerable interest on the site over the years with regards to a new development, and it would be an ideal opportunity for both public and end user involvement to be targeted ahead of any Planning submission to ensure consultation and any specific requirements can be accommodated, where practical.

Support by local ward Councillors in identifying the most appropriate group that could act as a local voice who may have an interest in local conservation/history or just perhaps simply a group which supports community engagement, would add long-term benefits to the developments success. Warwickshire’s Community and Voluntary Action[[16]](#footnote-17) group supports local groups in setting up a new group or voluntary sector organisations and could be a possible avenue should a group be identified.

End user involvement, and the experience of the Care Provider, should also be fed in to the design stages of the development, and would become more prevalent should a development around a specific set of individual’s needs be required.

## Risk appraisal

A matrix of risks associated with the preferred option have been identified together with impact assessment and mitigation as already addressed in section 4.9.

* + 1. **Risk Management Strategy**

A strategy should be developed during the commencement of design and will involve:

* Identifying possible risks at an early stage and minimizing or mitigating these risks, via a risk log;
* Allocating individuals responsible for each risk and a timeframe for completion;
* Agreeing processes to monitor the risks and have access to reliable and up to date information;
* Controls to mitigate against the consequences of the risks;
* A robust decision making process supported by a framework of risk analysis and evaluation.

The standard tool for managing project and financial risks is the Risk Log and a detailed Risk Log should be compiled by the Project Team, and reviewed regularly with the Project Board.

The following, provides an indicative structure:

* Risk identification and scoring from 1 to 5 of likelihood and impact;
* Allocation of risk owner and identify mitigation procedures;
* Evaluation of proximity, probability and impact of the risk occurring and colour coded by the traffic light system to highlight the overall risks;
* Development of risk responses and agree management actions to prevent, reduce, transfer, mitigate or accept the risks. Focusing on the red and amber issues;
* Plan and resource the response to the risks;
* Monitor and report risk status.

## Contingency plans

In the event that a development or care provider cannot be found, the contingency would be to secure grant funding through Historic England/AHF for the repairs to the Masters House in isolation, so at least the fabric of the building can be saved.

# Conclusion

Assessing the strategic need, a development for a social care use in Warwick clearly supports the priorities for the Joint Strategic Needs Assessment, however the constant shift in the Commissioning priorities and cycle means the Commissioners are well placed to hold those discussions with the market individually. The restrictive nature of the site through its historical incumbencies will require a substantial capital grant or increase in rent to make the development viable, but feasible through a holistic approach.

The principal objectives of delivering the development are:

* To bring a derelict site back in to use
* Provide modern social care services to meet Commissioning strategies
* Improved customer experience and choice
* To provide customers with improved access to a range of services aimed at promoting independence through specialist housing with care
* Provide appropriate choice and services to the locality
* Better community relationship
* Opportunity to integrate more closely with social care commissioners on wider site development.

The £1,622k capital deficit required for this development to support itself, will look to provide accommodation to sustain 23 customers at any one point in time in a safe, modern and historically significant property. Bringing care closer to home and increasing the benefits to the patient and the community for the 21st century and beyond.

\*\*END\*\*

# Appendices

## Appendix 1 – Development Appraisal



## Appendix 2 – Operational P&L Appraisal

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## Appendix 3 – Block Plan

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## Appendix 4 – Visual link between Masters House and new build



1. Planning reference W/04/2128 [↑](#footnote-ref-2)
2. https://www.warwickshire.gov.uk/budgetcomparison [↑](#footnote-ref-3)
3. Mid-2013 population estimate, source: ONS. Health Profiles Warwick District 2015. [↑](#footnote-ref-4)
4. Map of deprivation level in South Warwickshire. Health Profiles Warwick District 2015. Produced 2nd June 2015. Index of Multiple Deprivation 2010 [↑](#footnote-ref-5)
5. https://www.england.nhs.uk/ourwork/part-rel/transformation-fund/bcf-plan/ [↑](#footnote-ref-6)
6. http://ccgtools.england.nhs.uk/bettercare/flash/atlas.html [↑](#footnote-ref-7)
7. http://hwb.warwickshire.gov.uk/2014/10/22/better-care-fund-what-it-means-for-warwickshire/ [↑](#footnote-ref-8)
8. JSNA Annual Statement 2015/16 presentation slide 5. [↑](#footnote-ref-9)
9. Whittaker (2015) Skewed Britain is no country for young men, Blog post for Resolution Foundation: http://www.resolutionfoundation.org/media/blog/skewed-britain-is-no-country-for-young-men/ [↑](#footnote-ref-10)
10. £342k plus £59k of refurbishment costs identified through conservation QS. [↑](#footnote-ref-11)
11. Architectural Heritage Fund [↑](#footnote-ref-12)
12. £342k plus £59k of refurbishment costs identified through conservation QS. [↑](#footnote-ref-13)
13. http://www.ukapt.org.uk/ [↑](#footnote-ref-14)
14. A Town or Parish Council, or not-for-profit organisation [↑](#footnote-ref-15)
15. Stamp Duty Land Tax [↑](#footnote-ref-16)
16. http://www.wcava.org.uk/ [↑](#footnote-ref-17)