

Cabinet

29 July 2025

Care for Medway: Feasibility Study Outcomes Build and Operate a Care Home

Portfolio Holder: Councillor Teresa Murray, Deputy Leader of the Council

Report from: Jackie Brown, Assistant Director for Adult Social Care

Author: Su Irving, Head of Adults Partnership Commissioning and the Lead for the Better Care Fund

Summary

In February 2025 Cabinet was asked to review the initial proposal and draft specification for a Medway Council owned and operated care home. The care home to comprise of a 40-bed residential/nursing unit for older people living with dementia, and a 40-bed enablement/respite unit to support people to move home from hospital and to provide respite for Carers.

The Cabinet approved the proposal to commission an in-depth analysis of costs associated with building and operating a care facility on existing Council owned land.

This paper presents the outcomes of the study and makes recommendations for the next steps.

1. Recommendations

- 1.1. The Cabinet is requested to consider the options and agree to progress with developing a Medway Council owned and operated care home at Innovation Park Medway (IPM) South.
- 1.2. The Cabinet is requested to agree to expand the scope to include all of the Southern site to further develop the masterplan agreed by Cabinet in March 2025, providing the Council with economies of scale. This cost will be circa £7million for RIBA (Royal Institute of British Architects) stage 0-7 to the same programme as the care home.
- 1.3. The Cabinet is requested to agree to delegate authority to the Director of People, and Deputy Chief Executive Officer in consultation with the Deputy Leader of the Council to sign off progression for each RIBA gateway up to completion of RIBA 3.

- 1.4. The Cabinet to note that a report to be brought back to Cabinet to agree progression to construction (RIBA 4), and that project progression reporting will be via Corporate Landlord Board.
- 1.5. Subject to agreement of recommendation 1.1, the Cabinet is requested to recommend to Full Council the addition of circa £37 million to the Capital programme, inclusive of external project costs through to RIBA 7, internal capitalised project staff salaries, and initial work to deliver the whole of the IPM Southern site masterplan.
- 1.6. Subject to agreement of recommendation 1.2, the Cabinet is requested to recommend to Full Council the addition of £7 million to the Capital programme to deliver the rest of the masterplan, with a report brought to Cabinet to agree progression to construction (RIBA 4).

2. Suggested reasons for decision(s)

- 2.1. The recommendations are required to ensure that the site is brought forward in a manner that delivers a provision that meets the complex care needs of Medway residents along with ensuring that the site is delivered in the most sustainable manner and avoiding cauterising the delivery of the rest of IPM.
- 2.2. This project is unlikely to deliver financial savings in the short- to medium-term. High level operating costs are outlined in Appendix 1 on pages 69 -71. These will be expanded and refined as the project progresses through the RIBA stages. However, it will increase the capacity of high-quality care home provision within Medway. Furthermore, the long-term forecast need for residential and nursing dementia care in Medway indicates that demand for such provision is likely to increase significantly.
- 2.3. The proposed specification for a care home includes provisions for assessment beds, reablement and respite care, which would increase Medway's capacity and reduce waiting times for clients.

3. Budget and policy framework

- 3.1. The Care Act places duties on local authorities to promote the efficient and effective operation of the market for residents who require social care. This can be considered a duty to facilitate the market in the sense of using a wide range of approaches to encourage and shape it, so that it meets the needs of all people in their area who need care and support, whether arranged or funded by the state, by the individual themselves, or in other ways. The ambition is for local authorities to influence and drive the pace of change for their whole market, leading to a sustainable and diverse range of care and support providers, continuously improving quality and choice, and delivering better, innovative and cost-effective outcomes that promote the wellbeing of people who need care and support.
- 3.2. Where the care planning process has determined that a person's needs are best met in a care home, the local authority must provide for the person's

preferred choice of accommodation, subject to certain conditions. This also extends to Shared Lives, Supported Living and Extra Care housing. Determining the appropriate type of accommodation should be made with the adult as part of the care and support planning process.

- 3.3. Priority 1 of the Financial Improvement and Transformation (FIT) Plan, 'Delivering quality social care and community services' includes the following key action: 'Develop a 'Care for Medway' strategy around increased care provision, including a business case for a care home.' Following further analysis, budget provision was made in the 2024 2025 budget to enable specialist consultants to review the viability of building and operating a care home.
- 3.4. In March 2025, Cabinet agreed to new and reduced and refined project costs to deliver IPM. It is proposed that the required percentage project management staffing costs from Regeneration delivery will be transferred to the Care for Medway cost code via virements under the Director of Place's delegated authority.

4. Background

- 4.1. In February 2025, Cabinet expressed an interest to provide a Council-owned and operated care home for Medway residential and nursing dementia service users. Cabinet agreed to proceed with commissioning an in-depth analysis of a business case.
- 4.2. This paper presents a summary of the costs to:
- Design, commission and build the care home, and
 - Operate the care home, including maintenance and resourcing, as a viable business on completion.
- 4.3. The procurement for this project involved engaging a design team from the outset who would be able to deliver the whole of the project; however, break clauses were inserted at certain strategic points, meaning that Medway Council would be able to proceed with caution whilst also maintaining the project's momentum. The clauses have been aligned with RIBA stages of work.
- 4.4. The stages and breakpoints as follows:
0. Strategic Definition
 1. Preparation and Briefing
--- Break ---
 2. Concept Design
 3. Spatial Coordination
--- Break ---
 4. Technical Design
 5. Manufacturing and Construction
 6. Handover

7. Use.

- 4.5 We are currently at the first break, between RIBA 1 & 2, and this paper makes recommendations for the next steps.
- 4.6 The proposed specification for a care home also included provisions for assessment beds and reablement, which would increase our capacity and reduce waiting times for residents in the community and patients discharging from the acute hospital or mental health setting.
- 4.7 The option of using a small number of beds for self-funding clients would also be considered to support financial viability. It is noted, based on this preliminary analysis, that this project would be unlikely to deliver financial savings in the short- to medium-term. However, it would increase the capacity of high-quality care home provision within Medway. Furthermore, the long-term forecast need for residential and nursing dementia care in Medway indicated that demand for such provision was likely to increase significantly.
- 4.8 Building and operating a care home represents a significant long-term investment and repayment for the Council, and expert and robust scrutiny will be applied at all stages.
- 4.9 It was proposed to engage specialist multi disciplined consultants on a two-element project to:
- **Lot 1:** Conducts in-depth feasibility work for a care home that will evaluate the options for an operating model, including costs for ongoing maintenance and resourcing e.g. care home operations, in consultation with the team delivering lot 2 work, delivering the operating costs analysis at the end of Q1 2025/2026.
 - **Lot 2:** Conducts in depth feasibility work for the design, commissioning and building of a care home, in consultation with the team delivering the lot 1 work, delivering the costs analysis at the end of Q1 2025/2026.
- 4.10 Provision was made available for this in the 2024-2025 budget. It is proposed to invest this, to develop a Care for Medway business case as originally detailed in the Financial Improvement and Transformation (FIT) Plan published in April 2024.
- 4.11 The procurement included an in-depth feasibility study into the potential for operating a care home on the site, Lot 1 (4.9). A multidisciplinary team of specialists was appointed in May 2025, and their feasibility report is presented in the Exempt Appendix 1.
- 4.12 The feasibility study focused on the council's ambition for a high-quality care facility that would set the standard for care delivery in the area and operate as a centre for excellence. In summary, the report suggests that, whilst the costs to deliver care would be significantly more than Medway Council's current band rates, they do fall below some of the rates currently requested by some providers based in Medway. In addition to this, the new

care home would be a welcome addition to an area where the council struggles with capacity.

5. Options

5.1. Option 1: Do nothing.

There is naturally the option to terminate this project at this stage and take it no further. This assumes that we can accept and accommodate escalation in the pressures on capacity and budget. Medway Council's Joint Strategic Needs Assessment (JSNA) anticipates that the need for residential and nursing dementia care is expected to increase by 38% by 2040. By way of an illustration, an increase of just 30% would lead to an additional £15.9million pressure to the Adult Social Care nursing and residential care budget. Regardless of whether we proceed with this initiative or not, we will continue to see high levels of residents requiring access to residential care. Currently we frequently have no recourse other than high-cost placements procured as spot purchases. These are increasingly out of area. Not only is this not good value for money; more importantly it can have a detrimental impact on the resident's wellbeing, as it makes it more difficult for family and friends to maintain contact.

The data provided in the JSNA analysis indicate that it is unlikely that capacity can even remain stable; indeed, it is predicted that the gap between demand and supply will further widen. Unless we increase capacity, we will face further competition from neighbouring authorities for a decreasing number of places, which will inevitably push rates up.

5.2 Option 2: Deliver on alternative council owned site.

The costs to deliver are unlikely to be less on an alternative site and may be higher as it is likely that some of the already delivered enabling works can be utilised for the care home, subject to surveys in the next design stage. Identifying a new site will delay the project as the high-level cost profile is site specific and therefore not transferable to an alternative site. A further feasibility study (RIBA stage (0 - 2)) would be required.

5.3 Option 3: Deliver a reduced scope at IPM South.

The costings produced in the feasibility study represent a maximum budget requirement. As further work is undertaken, especially if the scope expands to cover the whole site, then efficiencies will be identified without having to reduce the quality of the outputs. Together, the care home and specialist older persons units would be seen as a regional centre of excellence and would set the standard for older person's care in Medway. We would expect that this would lead to an increase in standards across the sector whilst also providing a benchmarked ceiling for care costs.

5.4 Option 4: Deliver a high quality up to 80 bed care home at IPM South, providing high quality care with one floor dedicated to specialised care home residential and nursing facility for people living with dementia in Medway and second floor dedicated to other types of residential/ nursing care, including

provision for Working Age Adults, respite/reablement, short -term placements and assessment beds. Together, the care home and specialist older persons units would be seen as a regional centre of excellence and would set the standard for older person's care in Medway. We would expect that this would lead to an increase in standards across the sector whilst also providing a benchmarked ceiling for care costs.

5.5 With an expanded scope to look at delivering the other half of the IPM South Masterplan (16 retirement/older persons units with a consideration for people aged 45+ which is a gap in ASC) as one scheme. This provides cost efficiencies across the scheme, as well as meeting the council's care and housing needs.

5.6. Option 4 is the recommended option.

6. Advice and analysis

6.1. Option 4 presents the best way forward for the Council to progress with its ambitions to provide a Council-owned and operated care home for Medway residential and nursing dementia service users. It also provides an opportunity to deliver the outputs for IPM South as agreed by Cabinet in March 2025.

6.2. Our client brief was clear that we wanted costs for a purpose-built quality provision with innovative approaches to assistive technology, high level of care and a design that met our climate change agenda needs. The costs are reflective of this ask with mitigation that during the next phase options will be provided to reduce costs.

6.3. The proposed specification for a care home also includes provisions for assessment beds and reablement, which would increase our capacity and reduce waiting times for clients. The option of using a small number of beds for self-funding clients will also be considered to support financial viability.

6.4. Sustainability and quality of care is at the heart of the design brief and will be further developed as the scheme progresses.

6.5. A Diversity Impact Assessment has been conducted at this stage. As the project proceeds, the DIA will be reviewed, and will inform design, construction and service delivery (Appendix 2).

7. Risk management

7.1. Risk management is an integral part of good governance. The Council has a responsibility to identify and manage threats and risks to achieve its strategic objectives and enhance the value of services it provides to the community. Using the following table this section should therefore consider any significant risks arising from your report.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Availability of forecasting data	Lack of longer-term trend data may not accurately inform decision making.	The paper has sourced data from JSNA and relevant ASC services: additional work to develop more accurate forecasting is under way.	CII
Financial Risk	The cost of progressing through to RIBA stage may be abortive costs if the scheme is deemed to not be viable at later stages	There will be a gateway review at each RIBA stage to 4, to ensure that the expenditure remains appropriate to the outputs	CII
Delivering the care home in isolation cauterises the remainder of IPM (North and South)	Delivering part of Southern site as a care home makes it unlikely that a developer will be interested in delivering the 16 retirement homes in isolation. There are also abortive costs involved in delivering part of the site potentially making the scheme unviable. The care home also needs to meet its appropriate levels of developer contributions, particularly regarding transport mitigation to avoid all those costs being put onto Northern site and making the scheme unviable as a consequence	Allowance has been made in the costs in the Exempt Appendix 1 to meet the estimated developer contribution costs. This paper makes the recommendation to expand the scope to include all of Southern site	BI

Risk	Description	Action to avoid or mitigate risk	Risk rating
Risk of clawback	There is a risk of clawback grant funders if the outputs and outcomes related to the conditions of the grants are not met. External funding for IPM and Rochester airport amounts to £11.6m	Southern site represents a deviation from the original outputs however no grants were received specifically for works on this site and the recommended option delivers against a core policy need.	CI

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

8. Consultation

- 8.1 A stakeholder event was undertaken which informed the project development. A Diversity Impact Assessments can be found in Appendix 2.

9. Climate change implications

- 9.1. [The Council declared a climate change emergency in April 2019](#) - item 1038D refers, and has set a target for Medway to become carbon neutral by 2050.
- 9.2. Sustainability is a core criterion of the specification for the care home. As the project progresses this will be further developed and enhanced. Building Research Establishment Environmental Assessment Method (BREEAM) “very good” is being targeted at a minimum, with low carbon options being considered. A Hierarchy of Approach to Sustainable Design (like London Plan approach to ensure designs are achievable) is to be applied.

10. Financial implications

- 10.1. To deliver a Medway owned and operated care home will require circa £37million. This will need to be funded from borrowing and added to the Capital programme. This cost is inclusive of external project costs through to RIBA 7 and internal capitalised staff salaries.
- 10.2. There will be a gateway review at each RIBA stage to 4, to ensure that the expenditure remains appropriate to the outputs. A further report will be brought to Cabinet in xxx for a decision on whether to proceed to construction.

- 10.3. The costs included in the feasibility report represent the maximum the costs are likely to be. There are also steps outlined to investigate further efficiencies to reduce these as the scheme develops whilst retaining the high standard of outputs.
- 10.4. If the expansion of the scope to include all of southern site is agreed, it is likely to enable a reduction in the budget agreed in March 2025 to deliver the Southern site.
- 10.5. The costs of servicing and repayment of a loan of £37million over a 50-year period are estimated to be in region of £2.3million per annum. Total cost of construction and the costs of servicing the loan could therefore be in the region of £115million based on a 50-year repayment term.

11. Legal implications

- 11.1. The local authority has duties under the Care Act 2014 to ensure sufficient provision is available to meet its residents' eligible needs. Failure to take sufficient steps to discharge those duties gives rise to a risk of (a) harm to service users; (b) legal challenges including expensive claims under Articles 5 & 8 of the ECHR; (c) reputational damage.
- 11.2. S.5 of the Care Act 2014 provides that the local authority has a market-shaping duty to promote the efficient and effective operation of a market in services for meeting care and support needs with a view to ensuring that any person in its area wishing to access the market (a) has a variety of providers to choose from who (taken together) provide a variety of services; (b) has a variety of high quality services to choose from; (c) has sufficient information to make an informed decision about how to meet the needs in question.
- 11.3. The Care and Support Statutory Guidance relating to s.5 of the Care Act 2014, at paragraph 4.35 provides that local authorities should consider the impact of their own activities on the market as a whole, in particular the potential impact of their commissioning and re-commissioning decisions, and how services are packaged or combined for tendering, and where they may also be a supplier of care and support. The local authority must not undertake any actions which may threaten the sustainability of the market as a whole, that is, the pool of providers able to deliver services of an appropriate quality, for example, by setting fee levels below an amount which is not sustainable for providers in the long-term.
- 11.4. The Health and Social Care Act 2012 requires the local authority and ICB to prepare a Joint Strategic Needs Assessment.

Lead officer contact

Su Irving, Head of Adults Partnership Commissioning and the Lead for the Better Care Fund su.irving@medway.gov.uk

Appendices

Exempt Appendix 1 – Care for Medway Feasibility Report

Appendix 2 – Diversity Impact Assessment

Background papers

[March 2025 Cabinet Report IPM next steps](#)

[February 2025 Cabinet Report](#)

[One Medway Council Plan](#)

[One Medway Financial Improvement and Transformation Plan](#)

[Medway Adult Social Care Strategy](#)

[Joint Strategic Needs Assessment \(JSNA\)](#)

[Market Position Statements](#)