



## ADUR & WORTHING COUNCILS

Joint Strategic Committee  
10 October 2017  
Agenda Item 12

Key Decision [No]

Ward(s) Affected: All

### **Health Related Development on Worthing Town Hall Car Park**

#### **Report by the Director for the Economy**

#### **Executive Summary**

##### **1. Purpose**

- 1.1 The report seeks agreement for Officers to continue negotiations and feasibility work in partnership with various local NHS delivery organisations, the Coastal West Sussex Coastal Clinical Commissioning Group (CCG) to allow for a future integrated healthcare development on part the Worthing Town Hall Car park site. The development provides an opportunity for the delivery of a new integrated healthcare model involving primary care facilities, community care services, mental health, health and wellbeing services, and office space for the use of Coastal West Sussex CCG.
- 1.2 The report recommends to Members a preferred approach to deliver the proposal based on securing sign up from partner organisations to a development agreement, and preparation of an outline business case, securing planning permission and confirming the detailed business case.
- 1.3 The report seeks confirmation of guiding commercial principles as the way forward to develop the site and as a basis for ongoing negotiations with NHS partners; and requests funding to support the project through to the submission of a planning application.

## **2. Recommendations**

- 2.1 That the Committee notes the contents of the feasibility study contained as part of this agenda and agree it as a basis for continuing negotiations with NHS partner organisations to develop the Town Hall car park.
- 2.2. The Committee notes the key financial information for the development project outlined in section 7 and agree to the guiding commercial principles for the project contained in section 4.
- 2.3 That the remaining £64,343 of One Public Estate money be used to support further detailed work to prepare schedules of accommodation and the preparation of a Development Agreement for partner organisations as set out in paragraph 5.4.
- 2.4 The Head of Planning and Development, in consultation with the Executive Member for Regeneration, be authorised to continue and conclude negotiations and enter into a Development Agreement on behalf of Worthing Borough Council.
- 2.5 Subject to this Development Agreement, the Committee agrees to recommend to Worthing Borough Council to amend the 2017/18 Capital Programme by £262,000 funded by prudential borrowing to fund the necessary studies outlined in paragraphs 5.5 and 5.6 subject to NHS partners committing to the project via a Development Agreement and underwriting the cost of the studies if they should chose to withdraw from the project.
- 2.6 Subject to a viable business case being achieved as a result of 2.5, that a report on the final proposed scheme will return to the Joint Strategic Committee for consideration, and to recommend to Worthing Borough Council to add the scheme to the Capital Programme for 2018/19 and 2019/20.

## **3. Context**

### **3.1. Background**

- 3.1.1 Worthing Borough Council owns the freehold of the Town Hall car park site, which occupies a prime position close to the town centre. The Council is

continually looking to identify opportunities to develop its own sites and assets to maximise revenue income and/or capital receipts.

- 3.1.2 Platforms for Places also sets a commitment for the Council to “partner with local health providers to deliver a hub facility consistent with new models of health provision”. Joint Strategic Committee considered a report at its meeting in December 2016 and supported using funding received through the Cabinet Office’s One Public Estate programme. Since then officers have been working with partners in the NHS and community to investigate the feasibility of development a new integrated primary and community care facility, and identify a route to deliver the proposed facility.
- 3.1.3 As well as increasing the value of, and income derived from, the Council’s property assets, other Council priorities in Platforms for Places include ensuring that the Borough remains an attractive place to live, work and do businesses, to encourage existing businesses to thrive and grow, and to attract new businesses.
- 3.1.4 The Council is actively exploring opportunities to enhance Worthing, and to nurture “social economies” in the town, In particular this is focusing on promoting good physical and mental health of our communities. Platforms for Places includes a number of commitments towards improved health and wellbeing outcomes.
- 3.1.5 The development of a new community and primary care health hub on the Town Hall car park will make a position contribution towards achieving these objectives.

## **3.2 Final Feasibility Study**

3.2.1 The study was completed in August 2017 and identifies that the preferred solution should comprise a new, purpose-built health care hub located on the Worthing Town Hall car park site, into which a number of existing services and sites are co-located. The study has also identified the following main benefits and drivers for delivering the proposed scheme:

- Much of the existing primary & community care estate is old and compromised (e.g. condition, functional suitability)
- There is a legacy of limited investment in local primary and community care infrastructure, and without essential investment and reconfiguration in premises and services, the position is becoming increasingly unsustainable

- Existing services are distributed and fragmented across multiple sites and buildings
- Some buildings have limited remaining service capacity
- 10 or more existing health premises may be released and funds reinvested
- Local population and health needs continue to grow
- There is an opportunity to realise significant operational efficiencies
- New patient care infrastructure will support new and emerging models of care and services delivery, e.g. the Worthing Local Communities Network

3.2.2 It proposes that this facility should contain / comprise the following services:

- Primary Care services, including 2 large GP practices co-located from 3 existing premises in Worthing
- A range of Community Health services by Sussex Community Foundation Trust, including those relocated from Central Clinic in Worthing
- A range of Mental Health services by Sussex Partnership Foundation Trust, including those relocated / co-located from at least 6 existing sites in Worthing
- Accommodation for Community Nursing teams, Social Care teams and Services management & administration teams
- Staff and Patient amenities, including a café and on-site under-croft car parking provision
- A Pharmacy

3.2.3 The feasibility study identifies that a headline cost for the construction of the premises is approximately £15 million, though this may change as more detailed plans are developed. A key criteria for NHS organisations investing in new premises is that the revenue cost of the new facility does not exceed the cost of the existing provision. Members should note that the final feasibility study identifies a revenue shortfall in the financial business case meaning the cost of the new facility exceeds the costs of the existing facilities. However, your officers are confident that there are a number of opportunities available to resolve this challenge to enable the project to move forward by involving relocation of existing services and introducing more commercial elements.

3.2.4 It is recognised that the proposal will result in a loss of car parking in a town centre location. This will primarily affect Council staff and members of the public who currently park there at evenings and weekends. Overall parking requirements in Worthing Town Centre are currently being reviewed as part of a wider Town Centre Parking strategy being commissioned and the effect of this proposal will be taken into account through this study.

#### **4. Proposed Commercial Approach**

- 4.1 A key challenge in the development of the proposal has been in identifying the most suitable commercial approach to delivering the facility. The proposed development is being brought forward based on the following commercial principles:
1. The Council will finance the delivery of the new building (via Capex + cost of borrowing) on a site it retains ownership.
  2. The commitment to invest (approved business case) will be predicated on gaining pre-construction undertakings amongst the respective NHS stakeholders (as prospective tenants) as Parties to a Development Agreement, to estimated revenue contributions for their respective demises (i.e. rental income to the Council), to service delivery specifications and activity thresholds, co-sponsored by the CWS CCG, based on Commissioning intentions, Coastal Care objectives and STP alignment
  3. A 'before and after' site & development valuation will be used to reconcile the investment model and determine/validate threshold rates for income/expense and Return on Investment etc., tested against comparable buildings and sites with the District Valuer
  4. The Council(s) will procure a 'specialist' development delivery partner for the Health Facility who will undertake and complete on behalf of the Council the CCG and Tenants (as Parties to the Development Agreement) all requisite healthcare planning, design, approvals, procurement, construction, commissioning and equipping to deliver the new facility ready for service use. To date this role has been fulfilled by Community Solutions the local LiFTCO.
  5. The Council will become the freehold owners of the completed property.
  6. The Council internally will assign a head-lease and the building will be sublet to tenants in line with the Heads of Terms set out in the Development Agreement.

#### **5. Progressing the Scheme**

- 5.1 This options and feasibility study has concluded that it is feasible for the Worthing health care centre to be designed and delivered as a substantially standalone new facility on the allocated site, but that this should be planned

and integrated as part of the wider site master plans being developed and coordinated by Adur & Worthing Councils. To this extent proposals for the remaining part of the site are being prepared independently of the health hub proposals and will be considered by Joint Strategic Committee in due course.

5.2 The feasibility study also advises on the future steps to progress the scheme through the next stages of planning and design, and through business case preparation and approvals. The demand for improved local health and care facilities is extremely pressing, and swift progress needs to be made to see the project through to occupation. The next steps are set out below:

5.3 It is proposed that the scheme should be taken forward in a managed phased approach with different stages once recognised milestones have been achieved. A summary of the stages is set out below:

- Stage 1: Scheme feasibility (completed)
- Stage 2: Proof of viability, develop scheme designs, detailed scope and development agreement
- Stage 3: Prepare outline business case approvals
- Stage 4: Scheme design to Planning Application and Approval.
- Stage 5: Prepare detailed business case for NHS approvals.
- Stage 6: Building contract award to completion and occupation.

5.4 Stage 2 Proof of Viability and Scheme Design - includes working up more detailed scheme designs, demonstrating viability and ensuring a signed Development Agreement is in place to reduce risk for the Council. This stage will be funded using the remaining OPE funding.

5.5 Stage 3 Outline Business Case - The main output will be an Outline Business Case which develops the preferred option, is suitable to gain initial financial approval and identifies the preferred procurement approach. The Business case would also verify and validate the preferred option including assessing design options. This work is estimated to cost approximately £105,000

5.6 Stage 4 - Scheme Design will include the preparation of detailed technical reports required to support the submission of a planning application including design, planning, transport, environmental and archaeological reports. This stage is estimated to cost approximately £157,000

5.7 Stage 5 - Full business Case is required to ensure sufficient completeness and robustness in the investment and commitment decisions and will include a detailed delivery programme. This will include detailed management to

maintain health service provision throughout and provide detailed information for stakeholder organisations to ensure confidence in the programme across all of the partners including patients. The estimated cost of this stage is £300,000.

- 5.8 Stage 6 – Implementation and contract award for construction. The estimated investment costs are outlined in section 7 below.

## 6. Alternative Options Considered

- 6.1 Option 1 - Proceed with the development of a health facility on part of the Council's car park based on the commercial approach outlined in Section 4. This is the most financially attractive development option creating a larger income stream for the Council, and ensures that control of delivery is maintained. **This is the recommended option.**
- 6.2 Option 2 - Proceed with the development based on disposing of the land to a third party specialist health care developer. This is not the recommended option as the Council would lose control over the form and timing of the development, other than as planning authority and does not share in the potential upside in value from property development. This would also lead to a substantial delay while the Council markets the site for a health care use.
- 6.3 Option 3 – Retain the car parking on site in its existing configuration. This is not the recommended option as it will not facilitate a development that maximises capital receipts or revenue income from Council assets.

## 7. Financial Implications

- 7.1 The overall project is likely to cost the Council in excess of £18.4m:

|                          | Overall<br>cost | 2017/18 | 2018/19 | 2019/20 |
|--------------------------|-----------------|---------|---------|---------|
|                          | £'000           | £'000   | £'000   | £'000   |
| Potential build cost     | 15,000          | 0       | 3,000   | 12,000  |
| Preliminary costs        | 262             | 262     | 0       | 0       |
| Contingency (10%)        | 1,500           | 0       | 0       | 1,500   |
| Allowance for other fees | 1,676           | 0       | 300     | 135     |

|                        |        |     |       |        |
|------------------------|--------|-----|-------|--------|
| Proposed scheme budget | 18,438 | 262 | 3,300 | 13,635 |
|------------------------|--------|-----|-------|--------|

7.2 The annual debt charges associated with a project of this scale is estimated to be £628,990 per year for 40 years once the project is completed and operational. For the Council to assume this level of financial risk, the partners will need to have formally committed to renting the property for a substantial period of time.

7.3 The Council's Strategic Property Investment Fund would normally seek a return of 2% in addition to a sufficient return to fund the cost of borrowing on any development or acquisition. This would equate to an initial annual rental of £1,000,000 per year from the occupiers. If there are strategic advantages to the development, then a smaller initial rent can be accepted of 1% which would be £820,000 per year.

7.4 The Council will need to fund interest costs whilst the building is being constructed prior to its occupation by the NHS partners. This is estimated to be:

|               | 2017/18 | 2018/19 | 2019/20 |
|---------------|---------|---------|---------|
|               | £'000   | £'000   | £'000   |
| Interest (1%) | 2       | 20      | 105     |

The cost in 2017/18 can be accommodated within existing budgets. If the scheme approved, these costs will need to be built into the budgets for 2018/19 and 2019/20.

Finance Officer: Sarah Gobey

Date: 28th September 2017

## 8. Legal Implications

8.1 Section 1 of the Localism Act 2011 confers on Local Authorities general powers of competence to do anything that an individual may do, including the power to do it for a commercial purpose, and for the benefit of its area and persons resident within it. This provision would allow the Council to engage (inter alia) in commercial activities even if these are for profit making only (with certain provisos).

8.2 The Council has the power to dispose of the developed plots on the site under section 123 of the Local Government Act 1972 which places a duty on Local Authorities to dispose of land for best consideration, ie not for less than the



best that can reasonably be obtained, except in specific circumstances or with the consent of the Secretary of State.

Legal Officer Susan Sale

Date: 2nd October 2017

**Background Papers**

- Report to Joint Strategic Committee Meeting 06/12/2017 - "Worthing Town Hall Car Park Redevelopment"
- Development Brief for the Town Hall Car Park Site 2011
- Worthing Town Centre Investment Prospectus 2016
- Draft Local Estate Strategy and Sustainable Transformation Plan for Coastal West Sussex CCG
- Platforms for Places

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## **Sustainability & Risk Assessment**

### **1. Economic**

The project is strategically interlinked with a planned wider investment programme connected with future developments at other key sites in Worthing.

Redevelopment of the town hall car park for a medical building will contribute to the creation of an enhanced civic quarter providing a suitable location for public service consolidation, an economic boost to existing businesses, and encouraging an increase in investment.

### **2. Social**

#### **2.1 Social Value**

Development on the existing surface car park would send a positive message to the community, visitors, commuters and business, that change is taking place in Worthing and improvements to the built environment will be seen in the near future.

The existing car park does little to enhance this part of Worthing from road or rail, and its demolition will help to bring forward the redevelopment of this important gateway site to enhance the streetscene and act as a catalyst for the regeneration of the wider area.

#### **2.2 Equality Issues**

Matter considered and no issues identified.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no issues identified.

Works will be managed under the Construction Design & Management (CDM) Regulations 2015.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. Environmental**

It is intended that redevelopment will bring forward a health centre in a sustainable town centre location and will enable released sites to come forward for suitable redevelopment.

Noise, dust and highway obstructions will be kept to a minimum using industry

standard techniques, and monitored by the Council throughout the works.

#### **4. Governance**

A dedicated project board would oversee the governance of the project ensuring:

- 1) Due diligence
- 2) Alignment with Council policies and priorities
- 3) Legal issues and compliance with legislation
- 4) Risk management including health and safety
- 5) Statutory approvals
- 6) Stakeholder management
- 7) Change control