



## ADUR & WORTHING COUNCILS

Joint Strategic Sub Committee  
13 June 2023  
Agenda Item

Key Decision Yes

Ward(s) Affected: Central Ward

### **Update on the Worthing Integrated Care Centre Project**

#### **Report by the Director for Place**

#### **Summary**

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

1.1 The purpose of the report is to update the members of the Sub-Committee on the construction of the Worthing Integrated Care Centre (WICC) and Multi Storey Car Park (MSCP) at Stoke Abbott Road, Worthing. The report sets out the key considerations that have affected the construction programme and costs.

1.2 The Council agreed a budget for the project at the Joint Strategic Committee in March 2021. Since then the construction industry has experienced extreme cost inflation which has affected the delivery of the project. This report seeks approval to increase the overall project budget to account for the effects of this inflation, and as a result of a number of constructions risks materialising.

1.3 The report sets out an opportunity arising from the project to purchase properties at Heene Road and Shelley Road from Worthing Medical Group subject to the preparation of an appropriate outline business. An accompanying report on this Sub-Committee agenda sets out the business case for the use of these properties for the provision of temporary and emergency accommodation.

1.4 The report sets out the need to approve funding from the Worthing Community Infrastructure Levy towards the fit out costs of the Worthing Integrated Care Centre (WICC) for Worthing Medical Group.

## **2. Recommendations**

The Joint Strategic Committee is recommended to:

2.1. To note the updates on the construction programme, costs implications and timescales for delivery of the WICC and MSCP on the former Worthing Town Hall Car Park.

2.2 To approve a budget virement of £5.63m from the Strategic Property Investment Fund to complete the construction of the WICC and MSCP.

2.3 To approve release of £1.8m from the Strategic Property Investment Fund to fund the purchase of 23 Shelley Road, Worthing, BN11 4BS and 145 Heene Road, Worthing, BN11 4NY.

2.4 To delegate authority to the Assistant Director of Regenerative Development in consultation with the Cabinet Member for Regeneration, Leader of Worthing Borough Council and Chief Financial Officer to proceed with the purchases of 23 Shelley Road, Worthing, BN11 4BS and 145 Heene Road, Worthing, BN11 4NY.

Note that a separate report on the development of Heene Road and Shelley Road will be presented to the Committee detailing the options for the properties.

2.5 Delegate authority to the Assistant Director of Regenerative Development to:

a. Appoint Savills Property Management services to oversee the facility management of the WICC and note costs of £170,000 to undertake the commissioning of the facility management for the WICC.

b. To procure for and make any further consultancy appointments to execute and conclude the delivery of the WICC/MSCP scheme,

providing that the appointments are within the approved budget.

2.6 To approve the expenditure of £320k from the Worthing CIL Pot to NHS Sussex to help fund the fit out of the Worthing Integrated Care Centre (WICC), as outlined in the Infrastructure Investment Plan (IIP) and the creation of a capital budget within the Council's capital programme.

### **3. Background**

- 3.1 At the Joint Strategic Committee meeting of 10th October 2017, members approved a report to progress a health related development scheme at Worthing Town Hall Car Park. The site, owned by Worthing Borough Council, had been considered an underutilised key brownfield development site and the opportunity for development was recognised in the Worthing Investment Prospectus.
- 3.2 A Master Plan was produced following an options appraisal process for the new facility. The council set out to develop an Outline Business Case (OBC) to prepare plans for an integrated care centre facility with NHS partners. The development brings together Worthing Medical Group, Sussex Community NHS Foundation Trust, and Sussex Partnership NHS Foundation Trust services into one integrated health care facility in the heart of Worthing's Civic Quarter.
- 3.3 The new centre now referred to as Worthing Integrated Care Centre (WICC) would be the first of its type in Sussex and would deliver significant benefits in care for the local community. In addition to the WICC, a Multi Storey Car Park will be built to accommodate 190 vehicles with 20% electric vehicle charging points and cycle parking provision to service the needs of the Civic Quarter.
- 3.4 The proposed development outcomes have been consistent with the strategic direction of NHS England to promote New Models of Care and Integrated Care Systems and 'Platforms for our Places' which set out a commitment to "partner with local health providers to deliver a health hub facility with new models of health provision".
- 3.5 At the Joint Strategy Committee (JSC) on 7 November 2019 the committee approved the Outline Business Case (OBC) for the WICC. Officers were further tasked with developing the Worthing Integrated

Care Centre (WICC) and associated Multi-Storey Car Park (MSCP) scheme to Full Business Case.

- 3.6 A further report on 9 June 2020 set out approval for the Head of Major Projects and Investment in consultation with the Executive Members for Resources to enter into a detailed project agreement with West Sussex Estates Partnership with associated costs on the terms set out in the LIFTCO Strategic Partnership agreement.
- 3.7 In 2020 the Covid 19 pandemic had impacted the progression of the development programme, not only in terms of restrictions the pandemic had placed on managing logistical arrangements for developing a major development scheme but also in terms on pressure our NHS partners experienced in managing the Covid 19 virus and tackling the Vaccine roll out.
- 3.8 A report on 30 March 2021 approved the Full Business Case for the Worthing Integrated Care Centre and Multi Storey Car Park. To release the full budget for the construction of the WICC and MSCP funded through borrowing subject to final agreement of the Heads of Terms for the occupier leases, acquisition of Central Clinic and the development agreement (£33,971,000) Delegate authority was given to the Head of Major Projects & Investment to execute occupier leases and service level agreements for the occupation of the WICC facility and to authorise the acquisition of the Central Clinic. To agree the acquisition of Shelley Road Medical Centre and Heene Road Surgery, supporting future housing delivery options and subject to business case approval.
- 3.9 The council entered into a development agreement with West Sussex Estates Partnership. West Sussex (Worthing) Limited, a special delivery vehicle wholly owned by West Sussex Estate Partnership, to manage the delivery of the construction development on behalf of the WBC.
- 3.10 The delivery of the WICC construction programme is progressing significantly and a Topping Out Ceremony, where the construction of the WICC reached its full structural height, was held on 19 October 2022. Practical completion of the facility is scheduled to be concluded this winter and operational early in 2024.
- 3.11 The scheme has been identified as a model of partnership working between local government and the NHS. The Council in using its assets, commercial and investment capability, and development

know-how to deliver modern care facilities that will integrate and improve the model of care for patients within the town is a paragon of the integrated care model being developed nationally, and has received widespread support from the local health system and partners.

#### **4. Development Programme and Development Costs**

- 4.1 The new facilities were anticipated to open in December 2023. However, the development, along with the wider construction industry has not been immune to the wider economic headwinds facing the country. Common issues across the economy including inflation, supply chain issues, and the availability of labour have been acutely felt within the construction industry. These have been further exacerbated by the impact of the war in Ukraine with the resultant impact on energy prices and commodities affecting the energy intensive construction industry. For the project this has had a significant impact in terms of cost and programme (see Appendix 1.)
- 4.2 As a result, the Council now anticipates that the building will come into use in early 2024 following the tenant's fit out of the premises.
- 4.3 The factors outlined in paragraph 4.1 inevitably have an effect on the project's budget. As with any large development being constructed on a brownfield town centre site, there have been some issues that have arisen as the project has progressed, resulting in additional costs being incurred.
- 4.4 There are several items that have impacted on the WICC project that have resulted in the anticipated cost of the project increasing above the original tendered price. The form of construction contract entered into (Single Stage Design & Build) has meant that a large proportion of cost risk is covered by the contractor, there are categories of cost risk that fall outside the contract which have contributed to the projected overspend.
- 4.5 The development has encountered issues that fall into each of the above categories and further detailed information is provided in section 5 below. These costs currently attributed to the issues are an estimate of the likely "worst case scenario". Mitigation measures to reduce the cost of these issues are also set out in section 6 below.

## **5. Core Issues affecting the Cost of Development**

- 5.1 As with all construction projects there are multiple issues that require resolution as the project progresses. The list below is not exhaustive but is a summary of the key issues that contribute to the increase in cost. The costs indicated are set out as a “worst case scenario” and include additional contingencies, and don’t take into account any of the mitigation actions that will be taken to reduce their impact. The actual outturn cost of the project will be reported on completion of the project.
- 5.2 UKPN Sub-Station decommissioning and reprovision - The most significant cost issue is attributable to the construction of a new substation and it accounts for approximately 50% of the total cost overrun. The development requires the demolition and reinstatement of a major substation which provides electricity to all of the civic quarter buildings, and the construction of an additional substation to serve the new development. UKPN were commissioned and paid to specify and design the required infrastructure as well as provide and install the infrastructure; transformers and cables needed to make the distribution network operable.
- 5.3 The replacement substation was constructed and equipped at which point UKPN discovered they had failed to specify that new connections were needed for Worthing Town Hall, The Assembly Rooms, Worthing Library and Worthing County Court. This was entirely under the control of UKPN and no other party had access to verify that their original design was correct. UKPN failure to adequately design the new infrastructure and rectifying this issue has been the principal cause of the delay.
- 5.4 While this issue has now been resolved, and the switch over from the redundant substation to the new substation completed on 29 January 2023, it has had a significant impact in terms of delay, with the associated cost implications.
- 5.5 There is further detailed information in the exempt appendix regarding the effect this has had on the project, and further advice on how the impact of this can be further mitigated is included.
- 5.5 Inflation - the scheme has been significantly affected by high inflation. The scheme was initially tendered between December 2020

and March 2021 which ensured that a very competitive tender price was received at the time. At the end of 2020 the bank base rate was 0.25% and annual inflation (RPI) was 3.5%. The industry standard BCIS indices\* showed construction materials costs rising at 19.8% per annum with building costs and tender prices, rising at 10.6% and 4.9% respectively.

- 5.6 Although Covid-19 restrictions were rolling back, the disruption to worldwide supply chains had sparked an unprecedented increase in construction materials price inflation, which peaked at 26% in June 2022.
- 5.7 In February 2022 Russia's invasion of Ukraine led to further pressure on energy prices and commodity prices generally, all of which affected construction materials prices and availability.
- 5.8 Increase in Borrowing Costs - the overall budget includes the cost of borrowing capital as a cost to the project. When preparing the approved budget the covid-19 pandemic was still ongoing. At this time the cost of capital (interest rates) had been stable for the Council and the outlook for the economy was very uncertain.
- 5.9 As is well documented there was a significant increase in interest rates to combat inflation commencing in February 2022 rising from 0.25% to a current rate of 4.5% in May 2023.
- 5.10 Government lending rules prevent the Council from "borrowing in advance of need". Therefore the Council has borrowed the funds needed to pay for the project in line with a cash flow prepared at the commencement of the project. The increased cost of borrowing due to increased interest rates has significantly affected the overall cost of the project.
- 5.11 Site Contamination – the initial cost plan had anticipated a level of contamination on site. This was based on sample testing across the site and a contingency was included in the overall project contingency, although the risk was excluded from the construction contract. The volume of material to be removed was higher than indicated from initial site investigations. Previous use as a council depot meant that contaminated material on the former town hall car park was randomly distributed across the western end of the site. Although the contamination had been concealed by the car park surface for years

and was no risk to the public, it also needed to be removed as part of the development. The cost of removal and disposal did not breach the overall contract value but significantly reduced the available contingency to deal with other issues.

## **6. Mitigations**

- 6.1 There are a number of mitigation measures that are currently in place or being considered. These are detailed in the exempt appendix to this report.
- 6.2 The cost of the variations requested by the tenants for the WICC are agreed in principle.

## **7. Acquisition of Central Clinic**

- 7.1 The most recent JSC report in March 2021 delegated authority to the Head of Major Projects & Investments to negotiate and purchase land at Central Clinic from Sussex Community Foundation Trust.
- 7.2 The acquisition of the building was necessary to provide a suitable development envelope to accommodate the construction of the WICC and MSCP. As part of this arrangement the services that operated from within Central Clinic would be decanted to temporary accommodation at Liverpool Gardens provided by the council and they would be relocated to the new WICC building when operational to ensure a seamless and continuous healthcare service throughout the disruptive period.
- 7.3 Following negotiations between Worthing Borough Council and Sussex Community NHS Foundation Trust it was agreed that the purchase price for Central Clinic would be £1,147,500 plus stamp duty land tax of and legal costs of £52,500, this equating to £1.2m in total.

These costs are in line with the estimated cost in the approved project budget from March 2021.



## **8. Acquisition of Heene Road and Shelley Road surgeries**

- 8.1 The previous JSC report in March 2021 delegated authority to the Head of Major Projects & Investment to agree the acquisition of Shelley Road Medical Centre and Heene Road Surgery from Worthing Medical Group, supporting future housing delivery options and subject to outline business case approval.
- 8.2 Purchase prices have been agreed in principle with Worthing Medical Group based on the existing use value of the properties to comply with NHS Estate Codes, for both the Heene Road and Shelley Road.
- 8.3 At present WMG has not entered into any legally binding commitment to exchange agreements for lease with the Council to occupy the WICC. The purchase of both Heene Road and Shelley Road are on condition of them doing so.

### **23 Shelley Road Surgery, Worthing, BN11 4BS**

The property has a net internal floor area of 5,698 square feet (529.41 square metres) The property comprises a pair of Victorian villas linked by a modern extension to provide a GP Doctors surgery.

### **145 Heene Road Surgery, Worthing, BN11 4NY**

The property comprises a net internal floor area of 329.77 sq m/3,550 sq ft. It includes a two storey semi-detached Edwardian villa converted to provide a Doctors Surgery practice extending into a purpose built single storey flat roof rear extension providing consulting rooms.

## **9. Approach to Property Management of WICC**

- 9.1 Savills Property Management services has been sought to ensure the WICC is appropriately run from the point of practical completion. The costs of managing the property are to be recovered from the tenants as part of the service charge.

9.2 Savills have been appointed to run the property management including Facility Management services and to manage the service charges necessary for the running of the completed building, and for the pre - Practical Completion commissioning work.

9.3 The commissioning costs up to a maximum of £170,000 has been identified which may not be wholly recoverable from tenants and would be a cost borne by Worthing Borough Council. Recoverable costs will be passed to tenants where appropriate. Non recoverable costs are being negotiated or deleted where possible. These costs relate to matters such as preparation of Facility Management agreements, tendering costs, legal costs, building commissioning project management and fire risk assessment and safety induction training.

## **10. Delivery Programme**

10.1 The following target milestones have been set out for the delivery of the WICC project:

<b>Delivery Programme</b>	
<b>ACTION</b>	<b>DATE(S)</b>
Construction of MSCP	16 <sup>th</sup> November 2023 (completion)
Early occupation of WICC for fitout	Autumn 2023 (to be agreed/confirmed)
Final Occupation	Early 2024

## **11. CIL 'Other Agencies' Pot**

11.1 The Community Infrastructure Levy (CIL) is a fixed rate charge per square metre of qualifying development, which was introduced by Worthing Borough Council to offset the infrastructure impacts that arise from development in an area. Local authorities must spend the levy on infrastructure needed to support the development of their area, and they will decide what infrastructure is needed.

- 11.2 The CIL Regulations (as amended) prescribe how the CIL funds should be spent, with 80% of all CIL receipts being allocated towards the strategic infrastructure needs of the Borough. Worthing Borough Council agreed to 'top slice' this proportion, so that 70% of all CIL money received is spent on Worthing Borough Council and West Sussex County Council projects. The remaining receipts (10% of total CIL money collected) is allocated to 'other service providers' (such as NHS partners, Police, Ambulance Trust) once that part of the 'pot' has reached £100,000. There is currently over £480,000 collected in the CIL 'Other Agencies' Pot, which can now be spent.
- 11.3 Infrastructure projects provided by 'other agencies' will be prioritised in line with the overarching themes and objectives as described in the [Infrastructure Investment Plan \(IIP\)](https://www.adur-worthing.gov.uk/worthing-cil/spending-cil/) (<https://www.adur-worthing.gov.uk/worthing-cil/spending-cil/>). The IIP outlines that a potential project which has been identified proposes a new health hub on Worthing Town Hall Car Park. This is a joint project between the Borough Council and various health partners and would provide greatly enhanced health facilities to improve health outcomes for a wide range of residents. It has been identified that there will be a need for a CIL contribution to help ensure a viable project. Because of the strategic importance of this project it is considered that 10% of the strategic pot should be allocated for the new health hub project, if the scheme comes forward within the period 2020-2023.
- 11.4 The 2022 update to the 2020-2023 IIP can be found on the [Council's website](https://www.adur-worthing.gov.uk/media/Media,169179,smxx.pdf) (<https://www.adur-worthing.gov.uk/media/Media,169179,smxx.pdf>)
- 11.5 Worthing Borough Council has now received the proforma funding request for £320k of CIL funding towards the fit out costs of the building (see Appendix 2). The CIL contribution will focus on the shared areas, main entrance and Primary Care areas where all Worthing population will use. The services will be supporting all of the Worthing area, not just the Worthing Medical GP practice. There is also a Homeless NHS service in place. The premises are over 6,000 square metres, with the fit out total cost planned at over £1m.

## 12. Financial Implications

### 12.1 Construction of the new healthcare facility

12.2 The Council has an approved capital budget of £33,971,000. This budget was based on the initial tender price submitted by the contractor and included provision for the purchase of the Central Clinic.

12.3 Since approval a number of issues have occurred to increase the cost of the construction contract. As set out above these costs represent a “worst case scenario” and do not take into account any of the mitigations that have been identified. These are:

	Item	Worst Case Cost Estimate
A	High inflation within the building industry (net of residual contingency)	£439,000
B	Contaminated land and removal of hazardous materials	£655,000
C	The construction of a new energy substation by UKPN and associated costs (see paragraph 5.3 above). This has not only increased the contract price but has led to delay on the project and may impact on the associated professional fees	£2,273,000
D	A number of tenant requested changes which will be funded by the users of the building and recovered by the Council.	£670,000
E	Increase to professional fees due to increased timescales and contract amount	£279,000
F	Additional costs associated with the decant of the central clinic	£167,000
G	Claim by contractor for additional time	£600,000
H	Gross Worst Case Increase to Construction Contract	£5,083,000
I	Less: Recoverable costs from the tenant (row D)	-£450,000

J	Net Worst Case Increase to Construction Contract	£4,633,000
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- 12.4 In addition to the increase in costs relating to the construction contract there are additional costs arising from the cost of borrowing to fund the investment. Interest rates have increased from an expected average of 2.5% to 3.25% and the expected initial rental has decreased from £218 per m2 to £209 per m2 following the District Valuers determination for the majority of the tenants.

Increase to capitalised interest costs due to increases to interest rates, an increased contract cost and an extended construction period	£550,000
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- 12.5 The previously approved budget for the scheme is £33,971,000. Overall the project is now expected to cost £39,604,090 of which £450,000 will be recovered from the tenants. This amounts to a net increase in the budget of £5,633,140 (14.2%).

	Medical Centre	Car Park	Total
	£	£	£
Construction costs	25,948,010	7,732,030	33,680,040
Purchase of land		1,317,000	1,317,000
Professional fees	2,500,360	606,690	3,107,050
Interest	1,115,350	384,650	1,500,000
	29,563,720	10,040,370	39,604,090

The Council needs to approve a budget virement from the Strategic Property Investment Fund to ensure that the project is properly funded. There is currently £13.7m remaining in the fund.

- 12.6 Whilst the project continues to provide a positive return over the life of the investment (50 years), there would be a net cost in the initial 5 years until the first rent review takes place.

	Borrowing	Net income (-)/ cost over the life of the investment*	NPV over 50 years post construction
	£	£	£
Construction of a new medical centre	29,563,720	-35,633,710	2,732,765
Construction of a new car park	10,040,370	3,790,897	4,466,439
Total	39,604,090	-31,842,814	7,199,204

\* Net income after the repayment of debt

12.7 It should be noted that in the worst case scenario, the short term the project will result in a revenue strain to the budget once in the first full year of operation:

	First year:			Full year:		
Net annual running costs:	Medical Centre	Car Park	Total	Medical Centre	Car Park	Total
	£	£	£	£	£	£
Minimum Revenue Provision	0	0	0	162,740	56,120	218,860
Interest costs at 3.5%	54,630	24,950	79,580	946,200	326,310	1,272,510
Total debt charges	54,630	24,950	79,580	1,108,940	382,430	1,491,370
Running costs		7,050	7,050		86,250	86,250
Total costs	54,630	32,000	86,630	1,108,940	468,680	1,577,620
Less: Income	-96,950	-22,140	-119,090	-1,163,390	-270,990	-1,434,380
Overall net cost / income (-)	-42,320	9,860	-32,460	-54,450	197,690	143,240

- 12.7 The table above shows that the medical centre element of the project will, in its first full year, provide a surplus to the Council of £54,450. The car park element of the project, necessary to achieve planning permission, is shown to make a loss of £197,690.
- 12.8 However, in an infrastructure investment such as this, it is necessary to take the longer term view of the project finances. The development of a larger commercial property portfolio is a core tenet of the strategy to improve the Council's long term financial resilience. The purchase of and development of a portfolio of commercial property assets that provide stable income streams and diversified income base is central to the Council's Commercial Property Investment Strategy. While the worst case scenario indicates that there would be an initial strain, over the whole the development will provide a strong annual income stream for the Council once the initial set of rent reviews have taken place. The purchase of other properties at Shelley and Heene Road also provide the opportunity to reduce the cost of temporary and emergency accommodation over the long term.
- 12.9 There is an option to dispose of the medical centre once constructed. This would be an attractive investment for institutional investors due to the quality of the tenants with an expected sale price of £32m+. If disposed of, the financial gain from the surplus receipt would help fund the losses associated with the car park removing the strain on the revenue budget in the short term.

### 13 **Purchase of the property**

- 13.1 To facilitate the occupation of the new centre, the Council has the opportunity to acquire two new properties.
- 13.2 These properties were not included within the original budget, as at the time the Council had expected the Worthing Medical Group to dispose of these properties. The opportunity to acquire the properties was identified later in the development of the project.
- 13.3 However, the purchase of these properties will give the Councils the opportunity to provide additional housing accommodation. Business cases are being developed to underpin this option which will be presented to the Committee in due course.

- 13.4 Overall a budget of £1.8m needs to be released to facilitate the purchase of the two sites. The exempt appendix provides further details of the breakdown of the costings.
- 13.5 Whilst provision has been made for Stamp Duty Land Tax (SDLT) within the costings, the Council may well be exempt from these costs related to the purchase of Shelley Road. The intention for this site is to develop as temporary accommodation which should attract Homes England funding. As the Council is an RSL, and the project will be part funded through Government funding, the purchase of the site should be exempt from SDLT.
- 13.5 The Council will have to initially fund debt charges associated with the acquisition of £26,700 in 2023/24 which can be funded from the expected surplus. For 2024/25 provision will need to be made in the revenue budget for the interest costs until such time as the sites are either disposed of or developed for temporary accommodation use.
- 13.7 As identified above, there will be property commissioning costs of up to £170,000 which will be funded from the commercial property management provision.

#### **14. Legal Implications**

- 14.1 Under the Local Government Act 1972 the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.
- 14.2 Section 1 of The Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.
- 14.3 Section 1 of The Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with the discharge of the function of the local authority.
- 14.4 At Appendix 1 there is an additional document that is exempt under the Local Government (Access To Information) Act 1985 as the information relates to the financial or business affairs of the Council and contains legal advice. This information must be given due consideration and taken into account prior to the committee making a decision.



- 14.5 The Council's purchase of Shelley Road is dependent on WMG being able to terminate their existing lease with the Worthing Pharmacies Limited to ensure vacant possession is given to the Council on completion.
- 14.6 Prior to making the CIL Contribution referred to at recommendation 2.6 above, the Council is advised to ensure it has received Subsidy advice on the proposed transfer of funds and that it is satisfied that the Subsidy does not offend the general rule against Subsidies.
- 14.7 The appointment of Savills as Managing Agent is to be compliant with the Council's Contract Standing Orders.

Legal Officer: Andrew Mathias

Date: 27 April 2023

## **Background Papers**

- Report to the Joint Strategic Committee 10th October 2017 - Health Related Development on Worthing Town Hall Car Park
- Report to Joint Strategic Committee Meeting 06/11/2018 - Investing in Worthing Town Centre - Approach to Car Parking Provision
- Worthing Town Centre Investment Prospectus 2016
- Integrated Care Centre cost plan - Report on construction costs, 7 November 2019
- Procurement Approach for Worthing Integrated Care Centre (WICC) Development, 9 June 2020
- Delivery of Worthing Integrated Care Centre and MSCP on Worthing Town Hall Car Park, 30 March 2021
- CIL Regulations (as amended)
- Worthing CIL - Infrastructure Investment Plan (IIP) 2020-2023 - 2022 Update
- Joint Strategic Committee 2 April 2019, agenda item 7 - Worthing Community Infrastructure Levy - Governance and Procedural Matters
- Joint Strategic Committee 9 June 2020, agenda item 12 - Worthing Community Infrastructure Levy - Infrastructure Investment Plan (IIP)

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## **Appendices**

Appendix 1. [WICC / MSCP – Cost overview](#)

Appendix 2. [CIL Other Agencies Funding Request \(WICC - NHS\)](#)

## Appendix 1. WICC / MSCP – Cost overview

### WICC / MSCP – Cost overview – 28<sup>th</sup> April 2023

As Cost Advisors on the project, McPhersons prepared several Cost Plans through the design stage, these took into account design development and made suitable allowance for reasonable unknowns within a contingency allowance.

The last cost plan, Rev F dated 4<sup>th</sup> August 2020, totaled £30,185,200, it assumed a start on site in 1Q21 and with a suggested 18 month construction programme gave a completion in 3Q22.

This proved to be an accurate forecast of the tender returns and the subsequent agreed contract sum with Galliford Try was £29,630,369. (NB All sums excl VAT).

Clearly the influence of the Pandemic and the ongoing Ukraine situation has had, and continues to have, a profound effect on the overall UK economy and accordingly we have reviewed this last cost plan with a view to estimating what it would have showed if the current timescales, market and site conditions had been understood and been prevalent at that time.

The current projected completion date has gone back at least five quarters to 4Q 2023 and even with a very conservative estimate using RPI this would equate to an inflation addition of approx. 12¼%.

The uncovering of the contaminated ground that was encountered on the site (approx. cost of £500k) and the UKPN issues and additional downstream UKPN connection works (£300k) should also be factored in as if they had been known at the time of tender they would have formed part of the ITT package.

In addition to the above it is evident that there continues to be abnormal and additional pricing in of risk in recent tenders, this is difficult to quantify but on a tender of this value it could well account to 2-3% (NB GTs declared OH&P was a very competitive 2¼%) accordingly therefore should we have tendered this project now with the information and economic conditions currently in play would estimate that we would have been reporting an updated cost plan in the order of £35-36.5m, indeed it likely that on a range of tender returns the highest would likely be £40m+.

It is worthy of note that again due to the prevailing economic conditions it is extremely unlikely that there would be any contractors willing to tender on the same basis as the initial bids i.e., fixed price lump sum, and this has also been borne out by recent GBP experience elsewhere.

It is considered that most contractors would likely only bid on one of the following basis:

- a fluctuating contract tied back to accepted indices
- a two-stage type situation which enables them to tender work packages against a series of provisional sums against an artificially inflated initial GMP (guaranteed maximum price)
- a cost-plus basis i.e., a P22 or similar framework type agreement

In each case tendering contractors are looking to significantly reduce their risk, or completely negate it, and in such event the only place it can sit is with the other party of the contract i.e., the Client.

Clearly this is far from a detailed review and is not an exact science, but this gives some idea of the adverse financial effect of the current market and some of the project specific issues that have been encountered to date.

McPhersons  
28<sup>th</sup> April 2023



**McPhersons**  
Est. 1951

- ◆ QUANTITY SURVEYORS
- ◆ PROJECT MANAGERS
- ◆ PRINCIPAL DESIGNERS

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McPhersons Project Services Ltd  
Registered in England & Wales  
Number 1823755

## Appendix 2. CIL Other Agencies Funding Request (WICC - NHS)

### CIL Funding Request Proforma

#### Other Agencies Pot (10%)

This form should be completed when requesting any expenditure of CIL funds held by Worthing Borough Council, for projects that have been approved CIL funding from the 'Other Agencies' Pot (10%).

#### 1. **Contact details for this project**

Full Name	<b>Simon Clavell-Bate</b>
Position and organisation	<b>Head of Estates – West Sussex</b>
Address for correspondence	<b>Email is better.</b> Work base is Wicker House High Street Worthing BN11 1DJ
Phone Number	<b>07718 971710</b>
Email	<b>s.clavell-bate@nhs.net</b>

#### 2. **Project title & summary**

Project Title	<b>WICC – Fit out</b>
Brief description of the project	<p><b>WICC (Worthing Integrated Care Centre)</b></p> <p>To contribute to the site fit out – so enabling a standardised and fit for purpose fit out for our population. The site is over 6,000 square metres.</p> <p>Fit out support, especially for Primary Care Worthing specific population, was agreed in principle (subject to funds) at the outset of the project – as enabler. Worthing Medical Group (GP practice) are relocating to this site.</p> <p>The developer is providing the shell (floor, walls, cabling).</p> <p>The NHS is funding the annual lease costs; with support for fit out requested from the CIL housing contribution growth factor (hence this actual application now the project build is in place)</p> <p>The new site is adjacent to the Worthing BC offices.</p> <p>The project brings Primary Care, Community NHS care, Mental Health NHS care and a Homeless NHS service to the central Worthing area, adjacent to many other key</p>

	<p>Our aim is to make the access and use of the site the best possible for our Worthing population.</p> <p>Hence, at an early stage, we picked up on fit out support to enable the site use to be great for the visitors and patients.</p> <p>Waiting areas and main entry areas are key to support and help put people attending at ease (but also look professional and quality focussed). The same for our Primary Care attendees at clinical rooms.</p>
Total cost of project	<p><b>Still in work up – will be in excess of £700k</b></p> <p>** Working alongside Worthing Borough Council</p>
Amount requested from CIL	<p><b>£320k contribution</b>– to focus on the shared areas, main entrance and Primary Care areas where all Worthing population will use. The services will be supporting all of the Worthing area, not just the Worthing Medical GP practice. There is also a Homeless NHS service in place.</p> <p>The premises are over 6,000 square metres. The premises are a very large estate project – with pre-project work up for fit out part of the proposed way forward (to benefit the Worthing population)</p> <p>Fit out total cost is planned at over £1m</p>

### 3. Project details (Part A)

Is the infrastructure project identified in the adopted Infrastructure Investment Plan?	Yes <input checked="" type="checkbox"/> proceed to question 4 No <input type="checkbox"/> continue below
Does the project meet one of the overall themes of the IIP, if so which?	
What other funding has been identified to help deliver the infrastructure project?	
Is the infrastructure necessary to deliver a Local Plan allocation for employment or housing?	

#### 4. Project details (Part B)

Attach Project plan/Project feasibility study/ committee reports/other relevant information	<b>The Project is now at Build stage</b> Final lease signing in place (final fine detail to complete)
Date project will start	<b>Sep-Nov – review of needs and fit out specifications</b>
Date project will finish	<b>Summer 2023 – build work is broadly on plan</b>
Key milestones (with anticipated dates)	<b>Broad workings whilst leases complete:</b> <b>Sep-Nov</b> = review of fit out needs based on room/floor layout <b>Nov-Mar</b> = Ordering of goods (likely a pre-procured provider, which the NHS has used in prior sites) <b>Summer 2023</b> = delivery and install of furniture and some fittings
Details of how the project will be managed	<b>3 main tenants, with an aim to have a lead provider for ordering.</b> Potentially individual tenant order, but a procurement exercise will define the preferred supplier. A CIL contribution will facilitate standardised shared space. <b>WBC are part of the project group and no order will be placed without agreement of WBC officer</b> (potentially Cian Cronin or Phil Graham). This is very much a shared project, and Simon Clavell-Bate (Commissioner) will oversee the working.
Details of who will be responsible for future maintenance	<b>Tenant responsibility</b>
Likely annual costs of future maintenance	<b>Wear and Tear – all of mixed timeframes and tenant cost. The fit out (materially furniture/clinical) will be a tenant obligation</b>

#### 5. Project Costs & Management

\*\* This CIL application is made in advance of the actual ordering, so as to support that stage.

The fit out has been provisionally agreed as the project aim.


However, Phil Graham (WBC project officer) will be part of the working group on the order element. As a project we have a surveyor appointed for the project (Rory McIntyre) who will support the actual ordering. Simon Clavell-Bate will oversee.

**Worthing Borough Council have appointed Tim Kempster as their project manager for this site.**

Project Breakdown		How the project is funded	
Item or activity	Item/activity cost	CIL Contribution	Other contributions (Amount & source)
Totals	£	£	£

Please remember that CIL can only be spent on infrastructure and cannot be used to fund feasibility studies or investigative work.

#### 6. Confirmation

<p>I confirm that I have been authorised by the organisation to apply for this funding and that to the best of my knowledge all the information I have provided is true.</p> <p>I understand that WBC may use your project as an example to other applicants on how CIL funds can be used.</p>	
<p>Sign &amp; Date</p> 	<p><b>Simon Clavell-Bate</b>  <b>Head of Estate</b>  <b>West Sussex</b>  <b>NHS Sussex</b></p>

## **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 health care building will contribute to the creation of an enhanced civic quarter providing a suitable location for public service consolidation, improved usage of council amenities, 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 Health Care within the built environment will be realised 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 street scene 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



- The project aligned to the council's strategic approach to Climate Emergency.

#### **4. Governance**

- A dedicated project board 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 and engagement
  - 7) Change control

#### **5. Sustainability & Risk Assessment**

- All implications associated with any impacts on sustainability are considered through the councils BREEAM assessment which is required to be of an excellent standard to fulfil the requirements of a NHS occupied facility.
- A Risk Register is assessed through the Project Board. Any associated risks are delegated to the Project Team in the form of a risk assessment. This organic document is assessed on a monthly basis.

