



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
7 November 2019
Agenda Item 10

Key Decision [Yes]

Ward(s) Affected: All Worthing

Worthing Integrated Care Centre Development on Worthing Town Hall Car Park

Report by the Director for the Economy

Executive Summary

1. Purpose

- 1.1 The report seeks approval of the formal Outline Business Case (OBC) for the Worthing Integrated Care Centre scheme and to progress the project through to Full Business Case (FBC) in readiness for project delivery.

2. Recommendations

The Joint Strategic Committee is recommended to:

2.1 Approve the Outline Business Case for the Worthing Integrated Care Centre.

2.2 Delegate authority to the Head of Major Projects & Investment to:

- a) make the necessary consultancy appointments to prepare the Full Business Case and to submit a full planning application, subject to finalisation and execution of the risk share agreement;
- b) negotiate detailed terms for the transaction of acquiring Central Clinic and lease terms subject to Full Business Case approval (and a further report to the Joint Strategic Committee);
- c) progress the design development of a Multi Storey Car parking (MSCP) facility on Worthing Town Hall Car Park to Full Business Case; and
- d) appropriate land that the council own for the purposes envisaged in

paragraph 8.2

2.3 Subject to confirmation from the proposed NHS occupiers of the new WICC to execute a Risk Sharing Agreement with Worthing Borough Council in line with the agreement at Appendix 1. The Committee recommend Worthing Borough Council to increase the funding for the development of the WICC and associated car park provision to Full Business Case to £600,000 in the 2019/20 Capital Programme funded by prudential borrowing.

3. Background

- 3.1. At the meeting of 10th October 2017, members of the Joint Strategic Committee approved a report to progress a health related development scheme at Worthing Town Hall Car Park. The site, owned by Worthing Borough Council, has been considered an underutilised key development site and the opportunity for development was recognised in the Worthing Investment Prospectus.
- 3.2. This development proposition is consistent with the strategic direction of NHS England to promote New Models of Care and Integrated Care Systems. 'Platforms for our Places' sets out a commitment to "partner with local health providers to deliver a health hub facility with new models of health provision". Funding from Government's One Public Estate programme had been initially used to develop a business case for integrated care centre provision.
- 3.3. Over the past 18 months a large volume of work has been undertaken in partnership with our NHS partners to develop an Outline Business Case.

4. Outline Business Case

- 4.1 Detailed discussion with health partners has established an occupational model for an Integrated Care Centre. The new centre would be the first of its type in Worthing and would deliver significant benefits in care for local residents.

The proposed services of the occupiers of the WICC at OBC include the following:

[Sussex Community NHS FT](#) who serve the population and provide the

following services:

- Community rehabilitation and support for people with complex health needs and long-term conditions or people needing end of life care.
- Community rapid response to assess and care for patients with urgent care needs, helping to keep them out of hospital.
- Intermediate care, offering short term recovery and rehabilitation, keeping patients out of hospital where we can, or helping them to leave hospital when this is the right thing for them.
- Integrated discharge, working with patients, carers and hospital staff, to help a patient return home from a hospital stay as soon as possible.
- Health promotion, supporting people to improve health and wellbeing, for example services to help people quit smoking.
- Coordinated and flexible service for families and children, through health visitors, for example, breastfeeding support teams, or care for children with complex health needs.

[Sussex Partnership NHS FT](#) who serve the population and provide the following services:

- Mental health services providing care and treatment for people with conditions such as psychosis, depression, anxiety, dementia and personality disorder.
- Specialist learning disability services providing community and inpatient care for people with complex health needs which can't be met by other services.
- Specialist care for people with complex health conditions and social care needs.
- Care services in people's homes, in specialist clinics, hospitals, GP surgeries and prisons. Services are aimed at children, young people and adults of all ages and many are provided in partnership

[Worthing Medical Group](#) who have a patient list of 20,370 provide the

following services:

- An innovative GP Practice based over two sites, offering a comprehensive range of patient centred services for the areas of Central and West Worthing, Tarring, Goring and Durrington

Pharmacy Paydens

- Paydens Limited operates pharmacies across the South-East of England. Serving the community medical requirements Which include:
 - Dispensing of prescriptions
 - Prescription collection from local surgeries
 - Delivery to housebound community patients
 - Sale of medicines
 - Baby care
 - First aid & dressings
 - Healthcare advice

4.2 A Master Plan for the new facility has been produced through an options appraisal process (Appendix 2) that considered the most suitable location for the Integrated Care Centre.

4.3 As part of this approach it has been vital to establish the size of floor space needed by health partners. During the 'life' of the projects to date, the health partners have elected to move more of their clinical and support operations to the new Centre. This in turn has supported the viability of the project and will free up parts of the NHS estate for alternative use, which offers the potential for additional savings.

4.4 To deliver the new WICC/MSCP and subject to agreeing detailed terms it is necessary to acquire the current Central Clinic Centre. The freehold of this site is owned of Sussex Community NHS Foundation Trust. To ensure continuity of provision it will be necessary to transfer the services from Central Clinic to an interim site for a period of approximately 18 months before they can relocate into the new WICC which the council will provide assistance where possible.

4.5 To enable a new MSCP development on Worthing Town Hall car park the land owned by the Council will be appropriated for planning purposes.

Option 3 of the Masterplan (Appendix 2) was considered as the most viable solution and choice to enable all of the above factors to be delivered.

4.6 Public consultation will be undertaken on the evolving design plans to consider the views of the public and stakeholders. Feedback from the consultation will

then be considered in the development of a full planning application which will be submitted to the Planning Authority, prior to completion of the FBC

- 4.7 The health partner requirements have created a 'mixed development' with a split of space for clinical delivery and the rest for clinical support and administration space. The current scale of the WICC at OBC will be circa 6,737m².

5. Proposed Commercial Approach

- 5.1 The proposed WICC development is being brought forward based on the following commercial principles:
- 5.2 The Council will borrow to fund the capital expenditure for delivery of the new buildings on Worthing Town Hall car park which will incur ongoing repayment costs.
- 5.3 Upon approval of the Full Business Case a pre-construction development agreement for lease will be entered into with the tenants.
- 5.4 A development appraisal will be undertaken and evidence sought to ensure that the costs and income generated by the proposed development are benchmarked against construction costs (business case) but also to take into account the respective land values of the existing central clinic site, and council car park. This will need to be independently signed off by the District Valuer and will be refined through the development process.
- 5.5 The Council have procured a 'specialist' development delivery service for the WICC who will prepare (subject to Member agreement) the Full Business Case on behalf of the Council and partners including; healthcare planning, design, procurement and commissioning to prepare the scheme for delivery. To date this role has been fulfilled by West Sussex Estate Partnerships Ltd.
- 5.6 To reduce the risks associated with developing the scheme from OBC to FBC (detailed design - RIBA Work stages 4). A Risk Sharing agreement will require each NHS occupier to sign a legally binding contractual agreement 'the risk sharing agreement' (Appendix 1) to meet a percentage of the costs incurred in developing the scheme to FBC. This will only be called upon should the proposals become abortive for any reason.

The risk share agreement has been created to protect the council from any unnecessary cost exposure moving forward above and beyond the OBC.

- 5.7 To support the preparation of the FBC the council will develop and submit a full detailed planning application.

6. Progressing the Scheme – Next steps

- **Stage 3:** Developed Design
- **Stage 4:** Technical Design - Scheme design to Planning Application, preparation of Construction Tender, Full Business Case approval
- **Stage 5:** Construction - On and offsite construction activity
- **Stage 6:** Handover & Close Out
- **Stage 7:** In Use

- 6.1 **Stage 3** - Developed Design will include the preparation of detailed technical reports required to support the submission of a planning application including design, planning, transport, environmental and heritage reports. This stage is estimated to cost approximately £175k.
- 6.2 **Stage 4** - Technical Design - Full Business Case which will include both Planning Approval and Tendered Construction costs is required to ensure sufficient completeness and robustness in the investment and commitment decisions and will include a detailed cost 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. Contract award will occur at the end of Stage 4 after FBC approval. The estimated cost of this stage is £307k.
- 6.3 **Stage 5** - Construction. The estimated investment costs £34m although further testing and value for money benchmarking will be undertaken in the progression of Full Business Case

7. Financial Implications

- 7.1 The project was first discussed at the Joint Strategic Committee in 2017. At this time the project was estimated to cost £18.4m but since this time the scale of the building has increased to meet the emerging needs of the health providers. Consequently the cost of the proposed project has also increased. All feasibility costs to date are £173,000 and have been funded from within existing budgets. However the project is now at a stage where it will begin to incur significant capital investment costs.
- 7.2 It is proposed that alongside the WICC, an aspect of the Car Parking Strategy is also implemented. The Car Parking Strategy was agreed by the Joint

Strategic Committee on the 6th November 2018. This proposed to replace the existing Grafton Car Park with refurbished existing MSCPs and new parking facilities in the town centre. This would address the issue of end of life car parking facilities and release a development site. A new car park was approved for the Town Hall site at a potential cost of £6.8m which would provide 260 spaces. It is proposed to deliver this new car park alongside the WICC albeit at a reduced capacity of 186 spaces which will ensure adequate public parking for the staff and users of the overall site, as well as partially replacing lost parking facilities within the town centre.

- 7.3 The overall project is currently estimated (at OBC) to cost the Council in excess of £34m including an allowance for optimism bias of 15%. This will be further tested and refined during the development of the Full Business Case:

	Medical Centre	Car Park	Total
	£	£	£
Design and construction costs including professional fees	22,246,100	6,432,000	28,678,100
Optimism bias @ 15%	3,336,920	964,800	4,301,720
Interest	840,000	250,000	1,090,000
Total cost	26,423,020	7,646,800	34,069,820

- 7.4 As part of the development of the FBC, a development appraisal will be undertaken to establish the value of the new building. The value of the building should exceed the value of the loans to ensure that it would be possible to sell the building and repay any associated debt if required.
- 7.5 It is expected that the occupiers of the new WICC will fund the cost of borrowing through rent of approximately £240.00 per m2 inclusive of VAT. This will be sufficient to recoup the associated debt charges and will provide the Council with an initial yield of 1.57%.

- 7.6 Overall the current estimated net annual running costs of the two facilities are as follows:

Net annual running costs:	Medical Centre	Car Park	Total
	£	£	£
Minimum Revenue Provision	271,050	78,440	349,490
Interest costs at 2.5%	660,580	191,170	851,750
Total debt charges	931,630	269,610	1,201,240
Running costs		84,560	84,560
Total costs	931,630	354,170	1,285,800
Less: Income	-1,347,400	-290,160	-1,637,560
Overall net cost / income (-)	-415,770	64,010	-351,760

In addition to the direct revenue benefit of the project, the Council will also benefit from increased business rate income. However it is not possible to quantify the scale of this benefit yet due to the uncertain status of the NHS claim for mandatory charitable business rate relief and the proposed reform of the business rate retention scheme.

- 7.7 Members will be aware that PWLB rates recently increased by 1%. The 2.5% rate used in the financial appraisal is based on the current PWLB borrowing rate for a 20 year loan. Whilst interest rates are not expected to rise in the short term, if rates were to increase by another 1%, the Council would be in a position to recoup its investment albeit the rate of return would reduce as follows:

Net annual running costs with interest rates at 3.5%	Medical Centre	Car Park	Total
	£	£	£
Overall net cost / income (-)	-220,890	120,410	-100,480

- 7.8 The annual debt charges associated with a medical centre of this scale is estimated to be £931,630 per year for 50 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. The current proposal is that the NHS partners commit to the lease for a period of 25 years with rent reviews every 5 years and given the specialist nature of the building, there is a strong possibility that this lease will be extended.

- 7.9 At this stage of the project, Members are asked to release funding of £600,000 to progress the project and obtain planning permission. The current capital programme contains a budget of £262,000 which will need to be increased to accommodate the latest estimates of the design and planning costs. In approving this increase, members are reminded that the risk share agreement ensures that the Council will be reimbursed should the partners withdraw from the scheme. However the Council will lose this sum if the Council chooses not to proceed with the scheme at the FBC stage.
- 7.10 As part of the development of the FBC, the Council will tender for the construction works. So at the point of final approval of the project, there will be certainty about the final costs and income associated with the construction element of the project. Over the coming weeks a fully compliant procurement strategy will be developed in consultation with the Head of Procurement.
- 7.11 Finally, during the construction period the current Town Hall car park will be closed. Consequently the Council will lose £58,770 of parking income (£31,770 from public parking and £27,000 from staff parking) during this time. Worthing Borough Council has set aside a provision of £247,000 within its budgets for the long-term implications of the major projects and this budget will be used to fund the lost income.

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 site under section 123 of the Local Government Act 1972 which places a duty on Local Authorities to dispose of land for best consideration, i.e. not for less than the best that can reasonably be obtained, except in specific circumstances or with the consent of the Secretary of State.

- 8.3 The Council has the power to appropriate land that it owns under Section 122 of the Local Government Act 1972 where land belonging to the Council is no longer required for the purpose for which it is held. This formal process allows the Council to override rights in land subject to the payment of compensation, if appropriate.
- 8.4 There is no statutory requirement to advertise or consult on a proposal or decision to appropriate land under the general power contained in Section 122 of the Local Government Act 1972 but the Council must adopt a conscious and deliberate process to the appropriation of the land to ensure that the statutory powers under which the land was held and the appropriation is made clear.

9. Key Project Risks

- 9.1 The main risk to the Council is the financial exposure in developing the scheme to FBC. This is mitigated against by requiring the Health Partners to enter into a binding risk share agreement which would only come into effect if the project does not proceed to completion.
- 9.2 The health sector is currently undergoing a structural reform with the introduction of Integrated Care Systems to replace the current Sussex and East Surrey Strategic Transformation Partnership (STP). Ultimately, the WICC is considered a favourable development for a project of this type but partners, but as the change is in process it will be necessary to ensure the focus on the project is neither diluted nor diverted.
- 9.3 The level of investment required to complete the project is higher than originally anticipated it does still remain an affordable investment for Worthing Borough Council. Further escalation of costs may have a significant impact on reducing the schemes viability, maintaining a focus on cost reduction is being used to mitigate this risk.
- 9.4 Careful consideration to the most appropriate procurement route will be required to assist in mitigating against political and market uncertainty, consequential impact on the economy or supply chains, resources and labour availability.

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
- 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
- Integrated Care Centre cost plan - Report on construction costs.

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Appendices

(Appendix 1) - Risk Sharing Agreement

(Appendix 2) - Masterplan

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, 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 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.

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