



ADUR & WORTHING
COUNCILS

Key Decision [Yes]

Ward(s) Affected: All Worthing

Delivery of Worthing Integrated Care Centre and MSCP 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 Full Business Case (FBC) for the Worthing Integrated Care Centre (WICC) and Multi Storey Car Park (MSCP) development scheme on Worthing Town Hall Car Park. This will enable contracts and agreements to be executed and for the project to be delivered.

2. Recommendations

The Joint Strategic Committee is recommended to:

- 2.1. Approve the Full Business Case for the Worthing Integrated Care Centre and Multi Storey Car Park.
- 2.2 Recommend to Full Council to release the full budget for the construction of the integrated care centre 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)
- 2.3 Delegate authority to the Head of Major Projects & Investment to:
- a. To appoint through West Sussex Estate Partnership the most advantageous construction contractor to deliver the WICC and

MSCP.

- b. Execute occupier lease and service level agreements for the occupation of the WICC facility.
- c. Authorise the acquisition of the Central Clinic.
- d. Execute a Development Agreement with West Sussex (Worthing) Limited.
- e. Authorise temporary NHS services to operate in Liverpool Gardens Car Park on the site of the former Shopmobility building.
- f. Agree the acquisition of Shelley Road Medical Centre and Heene Road Surgery, supporting future housing delivery options and subject to business case approval.
- g. Make any further necessary consultancy appointments to execute the delivery of the scheme.

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, has 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 for the new facility was initially produced through an options appraisal process. The council set out to develop an Outline Business Case (OBC) to prepare plans for an integrated care centre facility with NHS partners. The proposed development would bring together Coastal West Sussex CCG, Worthing Medical Group, Sussex Community Foundation Trust, and Sussex Partnership Foundation Trust services into one integrated health care facility in the heart of Worthing.
- 3.3 The key objectives of the intervention were to improve the level of care for Worthing residents by enabling more integrated working between different parts of the NHS by co-location, and to provide a significant improvement on their existing accommodation which is dispersed throughout Worthing. The new centre would be the first of its type in Worthing and would deliver significant benefits in care for the local community.
- 3.4 The proposed development being 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. The committee further authorised officers to undertake the following next step in the development of the scheme:
- a) Develop the partnership approach including a cost-share agreement.
 - b) Preparation of a detailed design and schedule of accommodation to be agreed by health partners and to receive planning permission for the scheme.
 - c) To identify a suitable property management approach.
 - d) To identify a Preferred Procurement Approach and commence the tender process to identify a fixed cost for the construction and provision of the professional services required to project manage delivery of the project.
- 3.6 Officers were further tasked with developing the Worthing Integrated Care Centre (WICC) and associated Multi-Storey Car Park (MSCP) scheme to Full Business Case and present the report findings to the Joint Strategy Committee.
- 3.7 The project has now progressed to the Full Business Case stage which is attached as Appendix 1. In accordance with the Major Projects & Investment Team's agreed project management process a Full Business Case can be agreed once planning permission has been approved and fixed price tenders have been received. At this stage the project moves from having a "cost estimate" to having an agreed project budget. Having received clear tender prices for a fully approved design, the committee is in a position to assess scheme viability with certainty, and are able to approve the scheme to proceed knowing that the project can be delivered within the agreed budget. This report seeks to agree this business case which approves the scheme to proceed to the construction stage and delegates authority to enable the delivery of the development scheme.
- 3.8 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 (subject to further due diligence and legal advice) 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.
- 3.9 The Covid 19 pandemic has had some impacts on the progression of the project's programme, not only in terms of restrictions the pandemic has placed on managing logistical arrangements for developing a major development scheme but also in terms on pressure our NHS partners have experienced in managing the Covid 19 virus and tackling the Vaccine roll out. Nevertheless, considerable work has been undertaken on the project which is now in a strong position to be delivered.

4. WICC/MSCP Planning Consent

- 4.1 A number of key tasks were required to prepare the project for planning application submission which included, site investigation and surveys, preparation of a detailed Schedule of Accommodation for NHS occupiers and detailed design development progressing the scheme to RIBA Work stage 4. The council successfully secured planning consent approval on 26th August 2020 to enable the delivery of the WICC and MSCP. The planning consent provides the council with permission to demolish the Central Clinic once acquired. Since securing planning approval the council's project team have been developing its FBC, working through its planning obligations and de-risking the site in preparation for delivery of the scheme.

5. Acquisition of the Central Clinic

- 5.1 To clear the WICC site and to make way for the new MSCP development it is key for the council to acquire the Central Clinic Health Centre from Sussex Community NHS Foundation Trust (SCFT). The council and SCFT are currently undertaking market valuations for the Central Clinic to enable an agreement to be reached and acquisition of the premises to be finalised
- 5.2 Continuity of services for the Central Clinic will be important after the building has been demolished. These services and staff will therefore be decanted across to Liverpool Gardens car park to operate their services in temporary accommodation for an interim period on the former Shopmobility site (approximately 20 months) whilst the construction project is delivered. Planning consent was required to accommodate these temporary services and this was secured on 10 March 2021. Once the WICC/MSCP has been built and fully operational, the Central Clinic services will then transfer across to the new integrated care centre and the Liverpool Gardens operation will be decommissioned providing additional space to accommodate more parking provision for the car park.

6. Acquisition of Shelley Road Surgery

- 6.1 The Worthing Medical Group (WMG) who are located at Shelley Road Medical Surgery and Heene Road will transfer their services to the WICC. This will mean that the existing Medical Centre at Shelley Road and Heene Road Surgery will become surplus to requirements and will be placed on the market. A prerequisite for WMG is that they can sell their properties before transferring to the new integrated centre. The council have been given the opportunity to have first refusal by the Medical Group to acquire the properties to ensure that they

come forward in a timely manner. The council intends to prepare a business case which supports the acquisition of these premises, supporting future housing delivery options.

7. Invitation to Tender (ITT) - Construction Contract Appointment

- 7.1 Due to the scale and specialist nature of the project the procurement strategy was agreed as a separate item by the Joint Strategic Committee in June 2020. The report agreed to use its partnership arrangements with West Sussex Estates Partnership to procure and develop the project.
- 7.2 The council and WSEP, have undertaken a pre-selection questionnaire for the WICC/MSCP construction contract to 10 targeted construction contractors with specific expertise in Healthcare construction. Of the 10 selected contractors, 4 were considered suitable to take forward to the full Invitation to Tender (ITT) process. McPhersons, Chartered Quantity Surveyors were appointed to manage and oversee the tender process on behalf of WBC.
- 7.3 A Mid-tender review was held on 28 January 2021 to enable all of the tenderers sufficient time to seek further information and clarifications on the details of the scheme.
- 7.4 All four bidders were required to submit their completed tender packs to McPhersons by the deadline date of 24 February 2021.
- 7.5 A full tender review has now been undertaken by the council. Subject to further clarifications, the council are confident that they have now found a suitable specialist construction contractor from the shortlist to take the development forward to delivery.
- 7.6 On completion of the tender review process the preferred contractor will be appointed to take the scheme forward. The appointment of the contractor will enable site mobilisation to be undertaken to allow commencement of the project delivery in Summer 2021.

8. Delivery Programme

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

Delivery Programme	
ACTION	DATE(S)
Agreed Preferred Bidder	Spring 2021
Award Contract	Spring 2021
Site Handover	Summer 2021
Construction Commence	Summer 2021
Construction Completion	Spring 2023 - 20 months

8.2 The table below charts progress against the industry recognised RIBA Workstages

RIBA Workstage

Stage 1 to 4:	Complete
Stage 5:	Construction - On and offsite construction activity
Stage 6:	Handover & Close Out
Stage 7:	In Use

9. Occupiers of Worthing Integrated Care Centre

9.1 There are 3 key NHS service providers proposed to take occupancy within the WICC. These include:

- Sussex Community NHS Foundation Trust
- Sussex Partnership NHS Foundation Trust
- Worthing Medical Group who have a patient list of over 20,370

In addition to the above NHS providers, Paydens Pharmacy will operate from the centre to serve the community's medical requirements.

9.2 The heads of terms for the occupiers have been drafted and are in the latter stages of negotiation, with contractual agreements being finalised prior to entering into the development agreement with the chosen construction contractor. The council will grant leases of space within the WICC and the

adjoining car park to four separate tenants for terms of 25 years with a contractual right of renewal for each of the tenants. This will ensure security for partners to continue to operate NHS services from within the Civic Quarter for the foreseeable future.

- 9.3 Service level agreements are being prepared with occupiers on behalf of the council by Savills who will act as managing agent for the WICC.

10. Development Agreement

- 10.1 As part of the Full Business Case and through agreement at the Joint Strategic Committee of 9 June 2020 the council have agreed to enter into a development agreement with West Sussex Estates Partnership. West Sussex (Worthing) Limited a special delivery vehicle wholly owned by WSEP will be contracted to manage the delivery of the construction development on behalf of the WBC. This agreement will be executed between the two parties on the appointment of the preferred construction contractor and signed occupier agreements.

- 10.2 The development management fee for West Sussex (Worthing) Limited will be 3% of the total project costs which is estimated to be £968,807 (confirmation on final amount is subject to appointment of preferred contractor) 24% of this fee has already been incurred in preparation of the FBC).

11. Multi-Storey Car Park

- 11.1 The proposed pay and display Multi Storey Car Park (MSCP) essential to service the growing needs of the Civic Quarter and located over 6 floors will accommodate 186 car parking spaces and 36 cycle bays. A further 28 cycle bays will be made available as part of the WICC development.

- 11.2 The parking facility will provide 20% electric car charging ports and will have the capacity to increase numbers as demand increases.

- 11.3 The design of the car park will provide the capacity to include Solar panels as and when further funding is realised.

- 11.4 The parking tariffs, charging hours and operating days for the MSCP will be subject to the statutory procedures under The Local Authorities' Traffic Orders (Procedure) (England and Wales) Regulations 1996 which sets out the procedures to be followed when carrying out a minor or major variation to off street parking charges including the change to the times and days that charging is applicable and the charges in addition to being referred to the relevant Executive Member for a decision.

11.5 A number of the spaces will be required to meet our lease arrangements for the WICC building which will ensure a secure and guaranteed level of income for the car park which reduces the Council's financial risk of this new facility.

12. Financial Implications

12.1 At the Joint Strategic Committee in the initial business case it was approved with an overall expected cost of £34,069,820. The JSC recommended to the Council to release funding of £600,000 on the basis of this business case subject to the costs being underwritten by the partners via a risk sharing agreement.

12.2 Following the procurement exercise the costs are now estimated to be £33,971,000 broken down as follows:

	Medical Centre	Car Park	Total
	£	£	£
Construction costs (including purchase of land)	24,297,770	5,895,610	30,193,380
Professional fees	2,228,310	599,260	2,827,570
Interest	700,000	250,000	950,000
Total project cost	27,226,080	6,744,870	33,970,950

Profiled as follows:

	£
2019/20	402,310
2020/21	1,100,000
2021/22	15,240,530
2022/23	17,228,110

12.3 It is now expected that the occupiers of the new WICC will fund the cost of borrowing through rent of approximately £218.27 per m² exclusive of VAT. Based on the latest costs, this will be sufficient to recoup the associated debt charges and will provide the Council with an initial yield of 1.6% on the medical centre. However the final rent is yet to be verified by the District Valuer.

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

	Medical Centre	Car Park	Total
	£	£	£
Net annual running costs:			
Minimum Revenue Provision	279,290	69,190	348,480
Interest costs at 2.5%	680,650	168,620	849,270
Total debt charges	959,940	237,810	1,197,750
Running costs		84,560	84,560
Total costs	959,940	322,370	1,282,310
Less: Income	-1,394,090	-290,160	-1,684,250
Overall net cost / income (-)	-434,150	32,210	-401,940

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 proposed reform of the business rate retention scheme.

- 12.5 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). This loss has already been accommodated in the 2021/22 revenue budget.
- 12.6 As part of this project there is an opportunity to acquire property previously occupied by the Doctors surgeries for redevelopment at a cost of around £1.8m. These are currently being assessed as potential sites for the development of temporary and emergency accommodation as part of the Council's strategy for increasing the supply of such housing in the town. Worthing Borough Council currently has a £5.5m unallocated budget for this purpose which can be released by the Executive Member of Customer Services on the presentation of a business case.

13. Legal Implications

- 13.1 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.
- 13.2 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.
- 13.3 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.
- 13.4. Due to the specialist nature of the project external legal advice is being obtained in respect of the terms and conditions of:-

14. Development Risks

- 14.1 The major risk to the project going forward will be agreeing the commercial arrangements with the future tenants, in a timely manner. Engagement and decision making has been slower than would have been ideal, this is in part due

to the demands that Covid has put on the service. Once agreed final figures will require confirmation by the District Valuer and final approval will need to go through a NHS governance process which can be a protracted process. This poses two risks:

- The potential delay to the overall programme
- We will have to request that the selected construction tenderer retain its commitment to the price and remains available to deliver the project, potentially against an unquantified delay.

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

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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 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 fulfill 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.