

North Somerset Council

REPORT TO THE EXECUTIVE

DATE OF MEETING: WEDNESDAY 5TH FEBRUARY 2020

SUBJECT OF REPORT: LOCKING PARKLANDS GP SURGERY

TOWN OR PARISH: WESTON-SUPER-MARE

OFFICER/MEMBER PRESENTING: CLLR ASH CARTMAN, EXECUTIVE MEMBER FOR FINANCE AND PERFORMANCE

KEY DECISION: YES

REASON:

Expenditure or financial implication greater than £500,000 and affects more than two wards within North Somerset.

RECOMMENDATIONS

That the Executive approves;

1. The acquisition of land at Locking Parklands from Homes England/St Modwen on the terms and conditions set out in this report for the development of a doctor's surgery in partnership with Bristol, North Somerset and South Gloucestershire clinical commissioning group (the CCG).
2. The Council entering into a Funding Agreement with the NHS to cover the funding of the development of the doctor's surgery on the terms and conditions as outlined in this report and to be finalised by the Section 151 Officer and Head of Legal & Democratic Services in consultation with the Executive Member.
3. The grant of an Agreement for Lease and a Lease of the completed doctor's surgery to a CCG nominated GP Practice as set out in this report subject to agreement of the final terms and conditions being delegated to the Section 151 Officer and Head of Legal & Democratic Services in consultation with the Executive Member.
4. A paper being brought to April's Executive which will seek approval for the contract award for construction and increase of the capital programme.

1. SUMMARY OF REPORT

1.1. The 11th September meeting of the Executive approved the principle that the Council would work in partnership with the CCG to develop health facilities at Weston Parklands Village subject to further reports being brought back to the Executive.

1.2. The principles of the proposed development are:

- 1.2.1. Land being acquired by North Somerset Council from Homes England/St Modwen under the terms of a Section 106 Agreement that provided for the provision of a serviced parcel of land for health provision
- 1.2.2. Funding being made available from NHS capital grants and Section 106 contributions to cover the cost of the development
- 1.2.3. North Somerset Council to carry out the development and to own the finished property
- 1.2.4. North Somerset Council to grant a lease to a GP Practice of the completed development at a peppercorn rent

1.3. This report sets out further details regarding the land acquisition and the lease arrangements for approval. Further reports regarding the delivery of the project, including budget arrangements, will be brought to a later meeting of the Executive

2. POLICY

2.1. North Somerset's Corporate Plan has three main outcomes; prosperity and opportunity, health and wellbeing and quality places. As a local authority our ambitions are to:

- Enable residents to make healthy choices and promote active lifestyles which reduce ill-health and increase independence.
- Commission or provide quality health and care services which deliver dignity, safety and choice.

From initial discussions with the transformation policy team it is unlikely that this project will conflict any emerging priorities in the new Corporate Plan.

2.2. The Council's Core Strategy sets out long term objectives and strategic planning policies for the area until 2026. This scheme supports the following policies:

- CS26 Supporting healthy living and the provision of health care facilities,
- CS28 Weston Villages,
- CS34 Infrastructure Delivery and Development Contributions.

3. DETAILS

North Somerset Council have agreed to partnership working with the CCG to deliver a new GP surgery within Weston Villages as it was identified that resilience and capacity was needed in Weston to meet the additional 7,000 homes proposed. In addition to this, the construction of new high-quality health facility and new primary school to the villages is a positive incentive to bring new residents and attract new businesses. The report to the 11th September 2019 meeting of the Executive contained detailed information on the joined-up approach to strategic service delivery and commented a further report would follow detailing the land and property arrangements which are set out below.

3.1. Land Transfer

- 3.1.1. The land transfer is governed by the original Section 106 Agreement entered into by Homes England and St Modwen as a condition of the grant of planning permission for the development of their land at Locking Parklands. The S106 Agreement provides that prior to the 1450th dwelling across the whole of the Weston Villages Homes England/St Modwen will transfer to the NHS a serviced area of land for development as a GP Practice for a consideration of £1. A suitable area of land has been identified within the Locking Parklands development as shown on the attached plan and agreement has been reached for St Modwen to carry out the necessary site preparations in order that it might be handed over as a fully serviced site ready for development.
- 3.1.2. Agreement has been reached with Homes England/St Modwen that the GP Practice land will be transferred direct to the Council rather than the NHS, subject to full business case being approved by both the NHS and the Council, the funding agreement being finalised between the NHS and the Council and planning permission being granted for the development. On this basis the land will only transfer to the Council once there is certainty that the development can take place.

3.2. Funding Agreement

- 3.2.1. A Funding Agreement will be entered into between the NHS and the Council for the provision of funding to cover the cost to deliver the development of the GP surgery in line with the Outline Business Case. The funding will be made up of an NHS capital grant of £3,579,000 and a number of Section 106 health contributions from various Weston Villages developments totalling approximately £1,061,171 giving a total funding envelope of £4,629,000.
- 3.2.2. Whilst the NHS grant funding will be secure once the full business case has been approved, the S106 funding is dependent on trigger points being met within various sections of the Weston Villages developments and, therefore, will not all be secured at the start of the development. This will mean that the Council may have to forward fund part of the S106 funding which will introduce a cost risk this will need to be discussed and agreed with finance colleagues, as part of the final agreement. Based upon the table in 5.4 this figure would be £0.070m, at the point of contract award.
- 3.2.3. The Funding Agreement will only be signed, and the project will only proceed, once a Guaranteed Maximum Price (GMP) for the development has been secured from the appointed contractor and a Full Business Case has been approved by the NHS and the Council demonstrating that the project can be delivered within the funding envelope having allowed for an agreed risk contingency.
- 3.2.4. Having secured a GMP which includes an agreed risk contingency the risk of overspend will be limited. Nevertheless, this risk will be actively managed by the project team and, if any unforeseen costs arise that cannot be covered by the contingency, the Funding Agreement will allow for the project to be value engineered to reduce costs or for additional funding sources to be agreed between the parties. One such additional funding source that could be explored in such an eventuality would be the drawing down of additional funding from the wider Weston Villages S106 monies available.

3.3. Agreement for Lease and Lease

- 3.3.1. As the land is designated as being NHS land for the delivery of a GP Practice and as the NHS will be funding the cost of the development through a mix of NHS capital grants and health related S106 funding, the NHS will require use of the completed development as a GP surgery for a peppercorn rent for a period of time equivalent to its capital investment. Agreement has been reached, therefore, for the Council to initially grant an Agreement for Lease and subsequently a lease on the completed property.
- 3.3.2. The Agreement for Lease will be entered into with a GP Practice to be nominated by the NHS/CCG on the signing of the funding agreement referred to above. The Agreement for Lease will govern the relationship between the Council and the GP Practice during the development period and will require the Council to grant the lease and for the GP Practice to take the lease on practical completion.
- 3.3.3. The lease will subsequently be entered into between the Council and the GP Practice on practical completion of the development on the following principle terms and conditions:
- 3.3.3.1. The lease to be granted to the NHS nominated GP Practice
 - 3.3.3.2. The lease to be for a term of approximately 35 years, final agreement to be delegated to Executive Member in consultation with Section 151 Officer.
 - 3.3.3.3. The current market rental value of the property has been assessed as being £208,000pa. In order to reflect the capital investment being made by the NHS the rent payable under the initial lease will be a peppercorn for a period of up to 35 years and thereafter to be reviewed to market rent.
 - 3.3.3.4. The lease to be on an internal repairing basis with the Council, as Landlord, responsible for insurance and the external/structural repair and maintenance and the future replacement of major plant. The Council's risk/costs as Landlord will be offset by the payment of either an upfront commuted payment from the NHS or by annual payments from the NHS/Tenant under the lease. The level of this lump sum or annual payments are to be agreed as part of finalising the full business case but will be sufficient to offset the potential future risk to the Council.

4. CONSULTATION

4.1. The timeline below sets out the key milestones for delivery of this project:

Task	Date
Sign off and approval of the full business case by NHS/CCG and Council	February 2020
Securing a guaranteed maximum price for the development to include an appropriate risk contingency	February 2020
Formal approval of funding through ETTF	March 2020
Approval of planning consent	March 2020
Confirmation of S106 sums	Haywood Phase 2: March 2020 Parklands Phase 3: Feb 2019 Parklands Phase 3: Autumn 2020 Moss Land at Parklands: 2021-2023
Signing of construction contract	May 2020
Transfer of the land from HE/St Modwen	May 2020

4.2. Further consultation is set out in the Executive report EXE25 dated 11 September 2019.

5. FINANCIAL IMPLICATIONS

5.1. Funding

5.2. Funding for the capital costs of the Project will be provided to the Council by the CCG through an NHS grant of £3,579,250, and also from S106 contributions secured from housing developers at the Weston Villages, detailed below in section 5.4. The Council will not sign the Funding Agreement with the NHS until such time that a Guaranteed Maximum Price has been obtained for the development and a full business case has been signed off that includes an appropriate risk contingency. If, after commencing development, unforeseen costs arise the funding agreement will allow for the project to be value engineered to reduce costs or for additional funding sources to be agreed between the parties.

5.3. Post practical completion the Council will lease the property to the GP Practice on an Internal Repairing basis with the Council's Landlord costs being offset by either an upfront commuted sum or by annual payments.

5.4. A summary of the S106 agreements and contributions expected towards the project are detailed below:

Ref	Description	Contribution	Timing	Comments	Update Oct 2019
12/P/1510/O T2	Weston Airfield (Haywood Village) phase 2	£713,747	Prior to 1st occupation	Contribution expected late 2018/early 2019	Delay in resolving pre-commencement planning conditions means that first occupation was not reached as early as expected. Construction of housing is now underway, so occupation and contribution are expected before the end of the financial year.
13/P/0997/O T2	Locking Parklands phase 3	£276,998	Payable within 28 days of a written notice that the contract for construction of the practice has been awarded	Contribution reduced from £681,745 following developer requested review undertaken by NSC.	Contribution is due as per the trigger on the left, which has not yet been met.
13/P/0997/O T2	Locking Parklands phase 3	Transfer of plot of land for use as health centre	Completion of 1,450 dwellings (early to mid-2019)	Negotiation over exact size of land and early transfer is ongoing.	Currently at c. 1,300 dwellings, so trigger is not expected to be met until the second half of 2020. Developer has agreed in principle that transfer can

					take place in advance of trigger.
16/P/1881/O T2	Moss land at Parklands Village	£70,436	90 dwellings on developer's site (expected late 2019/early 2020).	Contribution is a maximum and will be reduced pro rata if housing number drop (expectation is that around 250 homes will be built).	Development expected to commence in near future. We anticipate 1 – 3 years before trigger is hit.
Totals	£1,061,181				

6. LEGAL POWERS AND IMPLICATIONS

6.1. The Local Government Act 1972 gives the Council the power to acquire and dispose of land in any manner it wishes provided that on disposal the Council achieves the best consideration that can be reasonably obtained. The proposed terms and conditions for the grant of the lease are considered to represent best consideration when having regard to the funding position of the parties.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

7.1. The GP Surgery / health centre will be constructed to BREEAM assessment standards which is the most widely used environmental assessment method. It provides clients, developers and designers with the following:

- Market recognition for low environmental impact buildings
- Assurance that best environmental practice is incorporated into a building development
- Inspiration to find innovative solutions that minimise the environmental impact
- A benchmark that is higher than regulation
- A tool to help reduce running costs, improve working and living environments
- A standard that demonstrates progress towards corporate and organisational environmental objectives.

7.2. There is an expectation that the BREEAM assessment will be carried out at RIBA stage 4 technical design stage. The pre-assessment of the site and plans suggests that BREEAM Excellent status can be delivered.

8. RISK MANAGEMENT

- 8.1. There is risk to the Council that if a GP surgery is not delivered in this location there will be added pressure on the existing health facilities in the surrounding Weston area as the housing increases. In addition to this there is likely to be an impact on the attractiveness for other commercial development within Weston Villages. The alternative is to deliver a lower quality, smaller provision on the same site but this poses greater risk on a longer-term basis in terms of maintenance.
- 8.2. As the Council is constructing and managing this project on behalf of the CCG/NHS all discussions to date have confirmed the requirement to ensure that the Council is not exposed to any unnecessary financial risks associated with the project delivery. This means that a guaranteed maximum price will be obtained for the project for which sufficient funding will be secured from the NHS and S106 contributions, to include an appropriate risk contingency, to enable a full business case to be approved before the funding agreement is entered into. It should be noted that some parts of the Section 106 monies may not be received prior to the development commencing as they are dependent on unrelated triggers. If this occurs there is a risk that the Council may need to forward fund those elements of the S106 funding.
- 8.3. Ordinarily the rental or lease of premises would result in an exempt supply of VAT and risk breaching the Council's partial exemption limit on a development of this scale. It is proposed that this will be mitigated by the charging of a peppercorn rent, although this will be reviewed and a further update provided within the April 2020 report.
- 8.4. Once the development is completed the long-term lease of the land and building to the GP Practice will be provided on an internal repairing basis subject to either an upfront commuted sum or an annual payment toward the Council's future landlord costs. This mechanism will offset the Council's future financial risks for repair/maintenance. It should also be noted that whilst the initial lease will be based on a long rent-free period to reflect the capital investment that the NHS will have committed the asset will be held by the Council and, therefore, once the rent-free period expires, the Council will be in a position to benefit from future rental income.
- 8.5. The table below highlights the key risks to NSC when determining the land and lease agreements and how they will be mitigated:

RISK	LIKELIHOOD OF OCCURANCE (3-Low, 6-Med, 9-High)	SEVERITY (3-Low, 6-Med, 9-High)	MITIGATION	RISK OWNER
Transfer of land from HE/St Modwen to NSC	6	6	NSC engaging early with St Modwen, have requested a programme of works from them to ensure levelling and servicing work can be completed in advance of land transfer date. Formal letter of agreement to be signed by all parties. Works will be closely managed by NSC project manager.	NSC/ contractor

FBC isn't approved by NHSE	3	9	NSC and CCG ensuring FBC contains suitable level of detail to provide certainty and confirm project deliverability. Built in period of review by consultant.	CCG
Release of S106 funds in time for development to progress	6	3	NSC have other capital funding that can cover the shortfall in the event that the triggers for funding to be released aren't achieved in time.	NSC
Guaranteed maximum price from appointed contractor higher than expected	6	9	Agreed that we would value engineer to bring project back within scheme. Internal and independent reviews have been undertaken on submitted cost plans to ensure there are no significant variances in what has been costed and rest of market.	NSC
Estimated contingency is not sufficient	6	9	Dependent on the above, guaranteed maximum price will determine how much S106 and NHS grants will be kept in reserve for contingency	NSC/CCG
Ongoing maintenance and landlord requirements	3	3	In negotiation with solicitors, commuted sum expected either upfront or annually to cover any repairs and maintenance	NSC
Not obtaining planning approval	3	9	Pre-planning discussions held to ensure there were no outstanding issues with application.	Contractor/NSC
Not delivering the project at all	6	9	Regular project updates and NHSE panel meetings to ensure that all is progressing to timescales and delivered with certainty.	All parties
Failure to agree terms in a timely manner – increases cost due to project delay	6	6	Good progress on legal points to date, with each party applying appropriate resources to meet timeframes. Any delay costs will be dealt with as per GMP risk and contingency mitigations	All parties

8.6. Management of the risks associated with this project will be monitored through the following methods:

- 8.6.1. Risk and issue management strategy including mitigations;
- 8.6.2. Risk workshop with key stakeholders;
- 8.6.3. Production and management of a project risk register;
- 8.6.4. Project delivery manual which details all key elements for project management and delivery.

9. EQUALITY IMPLICATIONS

Have you undertaken an equality impact assessment? Yes/~~No~~

9.1. A full EQIA has been undertaken by the CCG for the Outline Business Case.

10. CORPORATE IMPLICATIONS

10.1. The provision of key enabling infrastructure and educational facilities and the improvement of the transport network widely supports the Corporate Plan objectives in all areas of Prosperity and Opportunity, Health and Wellbeing and Quality Place.

11. OPTIONS CONSIDERED

11.1. Please refer to 11th September 2019 Executive paper.

AUTHOR

Martin O'Neill

APPENDICES

N/A

BACKGROUND PAPERS

Executive 11th September 2019 (EXE25): Report "Locking Parklands GP Surgery " S106 agreements -

12/P/1510/OT2	Weston Airfield (Haywood Village) phase 2
13/P/0997/OT2	Locking Parklands phase 3
13/P/0997/OT2	Locking Parklands phase 3
16/P/1881/OT2	Moss land at Parklands Village

