

CABINET MEETING – 10TH MARCH 2010

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Houghton-le-Spring – Primary Care Centre Development

Author(s):

Executive Director of City Services

Purpose of Report:

To seek Cabinet approval for investment in the Houghton Primary Care Centre

Description of Decision:

That Cabinet approve the £2.4million capital allocation to:

- develop a physical link between Houghton Sports Complex and the Primary Care Centre including access to shared community and catering facilities
- provide a contribution towards a new purpose built Wellness Facility
- improve access to the Houghton Sports Complex by establishing a new entrance and reception, car parking arrangements, hard surfacing and landscaping
- improve the customer experience through providing refurbished changing facilities and general décor.

That authority be delegated to the Executive Director of City Services in consultation with the Deputy Chief Executive, Director of Financial Resources, the Chief Solicitor and Portfolio Holder for Resources to:

- agree a 50 year lease of 108m² of accommodation within the new Primary Care Centre, Houghton le Spring from the Teaching Primary Care Trust (TPCT) for use as a Wellness Centre (together with operating rights in consultation with the TPCT) at an annual rent of one pound representing a peppercorn rent and otherwise on terms and conditions to be agreed by the Head of Land & Property.
- agree terms of contract with the TPCT main contractor on site

Is the decision consistent with the Budget/Policy Framework? Yes – subject to the approval of the Capital Programme for 2010/2011 at the meeting of the Council on the 3rd March 2010

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

To enable the proposed capital works to proceed and the associated leasing and procurement arrangements to put in place.

Alternative options to be considered and recommended to be rejected:

The alternative options are:

- (i) The council could decide not to proceed with the partnership element of the project which would:
 - impact on the Teaching Primary Care Trust investment rationale for proposed council operated facilities
 - fail to address DDA and access compliance issues at Houghton Sports Complex
 - dilute the impact that joint facility and service provision has on addressing prevalent health conditions.

- (ii) To address the access requirements of the existing sports complex through securing funding for a discrete project:
 - although this approach could, to an extent, address some of the access issues and improve customer experience it would not represent good value for money and fail to secure access to the additional facilities the partnership proposal brings.

Is this a “Key Decision” as defined in the Constitution? Yes	Relevant Scrutiny Committee: Management
Is it included in the Forward Plan? Yes	

HOUGHTON-LE-SPRING – PRIMARY CARE CENTRE DEVELOPMENT

Executive Director of City Services

1.0 Purpose of the Report

- 1.1 To seek Cabinet approval for a £2.4million investment in the Primary Care Centre (PCC) at Houghton-le-Spring adjacent to the existing Houghton Sports Complex.

2.0 Description of Decision (Recommendations)

- 2.1 Cabinet is recommended to approve the £2.4m investment in the PCC at Houghton-le-Spring to:
- develop a physical link between Houghton Sports Complex and the Primary Care Centre including access to shared community and catering facilities
 - provide a contribution towards a new purpose built Wellness Facility
 - improve access to the Houghton Sports Complex by establishing a new entrance and reception, car parking arrangements, hard surfacing and landscaping
 - improve the customer experience through providing refurbished changing facilities and general décor.
- 2.2 Cabinet is requested to approve the delegation of authority to the Executive Director of City Services in consultation with the Deputy Chief Executive, Director of Financial Resources, the Chief Solicitor and Portfolio Holder for Resources to:
- agree a 50 year lease of 108m² of accommodation within the new Primary Care Centre, Houghton le Spring from the Teaching Primary Care Trust for use as a Wellness Centre (together with operating rights in consultation with the Teaching Primary Care Trust) at an annual rent of one pound representing a peppercorn rent and otherwise on terms and conditions to be agreed by the Head of Land & Property.
 - agree terms of contract with the TPCT main contractor on site

3.0 Background

- 3.1 The Houghton Primary Care Centre project forms the final part of the Teaching Primary Care Trust investment strategy to establish a network of PCC's across the City designed to compliment the network of facilities available and alleviate the demand to access services at the Royal Hospital site. To date PCC's have been completed at Grindon Lane (Sandhill), Bunny Hill and Washington.
- 3.2 With each PCC project the extent of council partnership involvement in the facilities has grown either through joint facility arrangements or complimentary campus provision.

- 3.3 The TPCT has a desire to provide Sunderland with nationally significant health facility provision of which the flagship will be the final PCC development at the Houghton Sports Complex site.
- 3.4 Cabinet approved a decision at its meeting on the 14th January 2009 to dispose of the council's freehold interest of approximately 1.29 hectares of land within Houghton Sports Complex site to allow development of the PCC to proceed.
- 3.5 Since then a PCC working group has been developing the service specification for the site, based on local need and community engagement. As with the previous PCC projects the group has considered the added value a physical link to existing council facilities would bring. In this case consideration has been given to linking the PCC with the existing Houghton Sports Complex whilst also incorporating improved access and shared facilities.

4.0 Current Position

- 4.1 Construction works for the TPCT element of the scheme has already commenced as the TPCT are unable to accommodate any slippage in their capital programme. However, the programme has been designed to allow the council time to consider the benefits of a partnership proposal to connect the PCC with the existing sport complex. The construction programme for the project, including the proposed connection to the sports complex, is 74 weeks. This commenced in December 2009.
- 4.2 The TPCT have also secured full planning consent for the partnership scheme to proceed. This was also to allow time for the council to consider the partnership proposal and the funding that would be required if it decided to participate in the scheme whilst ensuring that works on the confirmed portion of the PCC (being undertaken by the TPCT) could proceed on programme. Planning approval for the scheme, including the connection to the Houghton Sports Complex was granted on the 7th October 2009.

5.0 The Primary Care Centre Scheme

- 5.1 The total capital cost for the project, including the linkage to the Houghton Sports Complex and enhanced council facilities is estimated to be £21,653,000. The table below summarises the scheme cost:

CAPITAL COST (inclusive of VAT)	£m
Land Purchase	£0.975
Building Works and Fees	£17.671
Equipment, Furniture and Fitting	£1.200
Design / Optimism bias contingency	£2.023
Subtotal	£21.869
Recoverable VAT(TPCT)	(£0.216)
Total	£21.653

5.2 The proposed content of the scheme will include:

- Walk in centre / minor injuries unit
- Planned care accommodation
- Diagnostic services
- 24 bed rehabilitation unit
- Administration and support accommodation for staff
- Rehabilitation / Physiotherapy suite
- Wellness facility - operated by the City Council
- Shared community facilities
- Café including extensive catering facilities
- New and improved access and reception for the Houghton Sports Complex
- Multi Use Games Area (MUGA) - operated by the City Council
- Improved Skate Park Facility – operated by the City Council
- New car parking, road access and landscaping

5.3 In recognition of the strong partnership that exists, the joint commitment toward primary health interventions, particularly relating to wellness and participation in exercise to address prevalent health conditions, the TPCT have agreed to fund the following facilities that will be solely or jointly used by the council.

- A new Multi Use Games Area (MUGA) at £335,691
- Relocation of the existing skate park at £181,455
- A £30,000 contribution towards improved cycle ways
- A 50% contribution towards a new Wellness facility of £357,820
- 66% of external areas - £2,119,006

This provides a contribution from the TPCT towards facilities jointly used by the council of £3,023,972 inclusive of VAT, contingency, optimism bias and fees.

6.0 Council Proposal

6.1 The proposed council contribution to the scheme is outlined in the following table. Costs are reflective of the 74 week programme and the inability to recover VAT for the new build elements of the scheme.

Item	Cost
New Wellness Studio (50%) contribution, new DDA compliant entrance, lobby, reception, banking office, shared plant room and direct access to shared community and catering facilities	£529,248
External Works (33%) allocation – two new dedicated car parking areas that remain in Council ownership, drainage, new access road and pathways, hard surfacing, lighting, CCTV and landscaping	£650,506
Preliminaries pro-rata	£162,834
Surveys pro-rata	£14,315
Guarantee Bond pro-rata	£2,394
Fees pro-rata	£101,662
Contingencies 5% pro-rata	£73,048
Landscape fees pro-rata	£6,136
Overhead & Profit 6% pro-rata	£92,409
Furniture & Equipment pro-rata	£28,400
Fees (Project Management, Construction Management, Legals)	£32,651
Optimism Bias pro-rata	£96,535
VAT at 15% (to Dec 2009) pro-rata	£15,857
VAT at 17.5% (remaining work) pro-rata	£294,774
Council Contribution	£2,100,769
Houghton Sports Complex improvement works based on a Property Services assessment – changing room refurbishment, floor surfaces, lighting and heating improvements, decoration, fees and miscellaneous items	£300,000
Total Council Contribution	£2,400,769

- 6.2 Should Cabinet approve the proposal funding is available in the council's capital programme to enable the project to proceed, subject to the approval of the capital programme at the meeting of the Council on the 3rd March 2010.

- 6.3 Should the scheme be delivered as proposed it is estimated that the introduction of the MUGA, combined with improved Wellness provision and changing facilities will generate an additional net income for the Council of approx £70,000 annually. The revenue consequences of the scheme are estimated at approx £20,000 annually.

7.0 Investment Rationale for the Council

- 7.1 When considering the rationale for investment it is important to consider this on three levels, strategic partnership, Coalfield, locality and customer experience.
- 7.2 The examples of joint facility developments that exist with the TPCT evidence the strength of the strategic partnership. The Houghton PCC development is intended to be the flagship PCC scheme that brings to a close the citywide investment strategy for Sunderland. It has also been designed from a TPCT perspective to be a national exemplar that pushes forward the boundaries of design for low carbon and sustainability hence the significant investment from the TPCT. This further emphasises how, from a partnership perspective, we have responded to the health challenges that we face and are working together from a service and facility planning perspective to address prevalent health conditions through integrated interventions in areas of need.
- 7.3 In all other PCC developments the growing strength of the partnership is apparent and is aligned to our strategic intent as articulated in the Sunderland Strategy.
- 7.4 The proposed co-located services will have a significant impact on participation in exercise and wellness in the Coalfield Area. Addressing health issues and reducing health inequalities is a key focus for the City and investment in joint facility development is a real commitment to addressing health needs. The Wellness Service has enjoyed significant success with 499,313 visits to Wellness Centres in 2008/2009. There were also 1,510 individual referrals to the Exercise referral Programme with 803 commencing their intervention programme by the end of March 2009. Development of the new Wellness Centre in the Primary Care Centre will further develop the wellness programme and bring real health benefits to people in the Coalfield Area.
- 7.5 Investment in the existing facility at Houghton will provide a new Wellness Centre that the council will operate (in consultation with the TPCT) as well as a relocated and much improved Skate Park provision that will enhance the leisure offer in the Coalfield Area together with the new MUGA. The proposals also compliment the new swimming pool facilities that recently opened in Hetton le Hole.

7.6 Currently access to the Sports Complex is not DDA compliant and access to the site itself is difficult with poor and limited parking provision. The external site areas are in a state of disrepair and the existing changing rooms and décor require investment. The development will not only bring significant regeneration of Houghton town centre but will also deliver much needed building and general landscape improvements to the Houghton Sports Complex.

8.0 Procurement Rationale

8.1 The TPCT procured the construction of Houghton PCC building using the Local Authority's National SCAPE Building Procurement Methodology. SCAPE is strategically procured to be OJEU compliant and allows public sector clients to access both design and contracting services. Clients using the framework pick up immediate benefits in time and cost. It is an open book procurement method almost identical to the NHS' Procure21, and was used by Gateshead PCT for the construction of Blaydon Primary Care Centre. In summary the appointment of the existing contractor has been subject to an open procurement exercise.

8.2 Should Cabinet approve the council contribution to the scheme, subject to the approval of the capital programme provision on the 3rd March 2010, it is proposed that the council agree terms of contract with the existing TPCT main contractor on site, via the TPCT, for the delivery of the Council works. Some of the minor internal improvements to the existing facility may be subject to alternative arrangements.

8.3 This approach has a number of advantages to consider in terms of securing value for money for the council investment. It is also important to note that the proposed council investment sits below the OJEU threshold for procurement. In addition:

- A separate procurement process would result in additional cost associated with the procurement process and management of the contract and lead to delays in the construction of the PCC. It would also involve the council in replication of cost e.g. preliminaries and contingencies.
- There would be potential for problems with CDM regulations associated with two contractors working on the site that lead to additional management costs.
- Use of the TPCT contractor reduces the commercial risk to the council of procuring a separate contractor to undertake construction work on its behalf.
- Health and Safety costs and issues would need to be addressed with two main contractors working on the same site at the same time.
- Design of the full scheme has been undertaken by the PCC (including those elements for which the council is providing a financial investment) to enable full planning permission to be

secured. If the council was to pursue a separate procurement exercise then it would need to provide its own design's at additional cost.

- 8.4 Should this option be pursued robust contractual arrangements will be put in place. A representative from Land and Property Services will oversee the contract to ensure that the council secures value for money and the agreed investment outcomes form the project.

9.0 Legal Implications

- 9.1 At it's meeting on 14 January 2009 Cabinet agreed to the sale of land to the TPCT for the development of the Primary Care Centre and this sale was completed on 31st March 2009.
- 9.2 Following the grant of planning permission for the development a land exchange was subsequently completed on 26 January 2010 to revise the site boundaries under powers delegated to the Deputy Chief Executive under the Delegation Scheme.
- 9.3 As part of these land transactions the TPCT has been granted consent to enter onto the Council's retained land to undertake works required to complete the development in accordance with the planning permission. All of the work the TPCT is to undertake is to be completed to the satisfaction of the Head of Land & Property.
- 9.4 It is proposed that authority be delegated to Executive Director of City Services in consultation with the Deputy Chief Executive, Director of Financial Resources, the Chief Solicitor and Portfolio Holder to:
- Agree the lease of accommodation within the new Primary Care Centre, Houghton le Spring from the TPCT for use as a Wellness Centre
 - Agreeing terms of contract with the TPCT main contractor on site
 - Put in place robust project management arrangements

10.0 Financial Implications

- 10.1 Provision has been included within the recommended Capital Programme 2010/2011 for this scheme in the sum of £2,400,000. It is proposed to fund this contribution as follows:
- Revenue Contribution to Capital £2,000,000
 - Prudential Borrowing £400,000
- 10.2 As noted in Section 7 the development meets a number of the council's strategic priorities and the Director of Financial Resources has confirmed that it is appropriate that the prudential borrowing is to be repaid over a period of up to 15 years from the additional income generated through the facilities operated by the Council.

- 10.3 The estimated net impact on the Revenue Budget per annum has been estimated as £50,000 as referred to in paragraph 6.3. Clearly this is based on a number of assumptions and payments of the borrowing will be made to match the net position on the Revenue Budget, but will be a minimum of £27,000 per annum.
- 10.4 Payment to the TPCT will only be made when satisfactory assurances have been received with regard to the legal obligations of the Council and the standard and nature of the works to be performed in detail.
- 10.5 The 50 year lease agreement with the TPCT means that the Council will be required to meet rental costs once the 50 year period has elapsed if it wishes to continue to provide the Wellness provision after this point. The amount of the rental is unknown but will depend upon market factors in place at the time. Should the facilities continue to be operated at that time budget provision will need to be made to meet the cost.

11.0 Reasons for the Decision

- 11.1 To enable the proposed capital works to proceed and the associated leasing and procurement arrangements to be put in place.

12.0 Alternative Options

- 12.1 The council could decide not to proceed with the partnership element of the project which would:
- impact on the TPCT investment rationale for proposed council operated facilities
 - fail to address DDA and access compliance issues at Houghton Sports Complex
 - dilute the impact that joint facility and service provision has on addressing prevalent health conditions.
- 12.2 An option could be to address the access requirements of the existing sports complex through securing funding for a discrete project:
- Although this approach could, to an extent, address some of the access issues and improve customer experience it would not represent good value for money and would also fail to secure access to the additional facilities the partnership proposal brings.

13.0 Relevant Considerations / Consultations

- 12.1 The Deputy Chief Executive, the Director of Financial Resources, the Chief Solicitor and Portfolio Holder have been consulted and their comments incorporated into the report.

13.0 Background Papers

Cabinet Report (Disposal of land at Houghton Sports Complex) 14th January 2009.

TPCT Business Case for the Development of the 4th Primary Care Centre in Sunderland

