


<p align="center">Cabinet Decision – Grants Determination Sub-Committee</p> <p align="center">11 September 2019</p>	
<p>Report of: Denise Radley, Corporate Director, Health, Adults and Community</p>	<p>Classification: Unrestricted</p>
<p>Goodman’s Fields Health Centre</p> <p>To approve the additional grant funding of £2,055, 526 from £4,824,474 (incl. VAT) to £6,880,000.00 (incl. VAT).</p>	

Originating Officer(s)	Matthew Quin, Healthy Environment’s Programme Lead, Public Health
Wards affected	Shadwell, Stepney Green and Whitechapel Wards
Key Decision?	Yes
Community Plan Theme	A healthy and supportive community

Executive Summary:

This report relates to the release of an additional £2,055,526 of funding to NHS Tower Hamlets Clinical Commissioning Group (CCG).

The original project cost estimate of £4,824,474 was developed internally by Tower Hamlets CCG in December 2017. As soon as approval for the project was granted in April 2018, the CCG appointed AECOM (an international design and construction consultancy) as cost and design consultants. AECOM conducted the RIBA stage 2 design and when this was completed they produced a cost review report. This stage 2 cost plan set out a project cost estimate of £6,880,000.

Population growth in Shadwell, Stepney Green and Whitechapel Wards will increase demand for primary care services. Primary care has been tasked with helping to reduce the funding gap across the NHS by providing more personalised, accessible community based services that will reduce avoidable pressures on hospital resources. An investment in primary care premises is necessary in order to respond to this requirement and to allow an increase in consultations with primary healthcare professionals.

Within the context of increasing financial challenges it is becoming ever more difficult for health services to fund new facilities and alternative funding sources are being pursued to cross-subsidise. The NHS in Tower Hamlets has a successful record in delivering health infrastructure initiatives aided by S106 contributions in partnership with the Council and a capital investment to improve primary care facilities and increase access to primary care is therefore appropriate through this route.

Recommendations:

The Grants Determination Sub-Committee is recommended to:

1. To approve the additional grant funding of £2,055,526 from £4,824,474 (incl. VAT) to £6,880,000.00 (incl. VAT).

1. REASONS FOR THE DECISIONS

- 1.1 Tower Hamlets is one of the most deprived boroughs in the country and the population is expected to reach nearly 315,000 by 2020¹. Both NHS Tower Hamlets Commissioning Strategic Plan 2012 – 2015 and the Tower Hamlets 2016 - 2020 Health and Wellbeing Strategy highlight the development of health premises and the refurbishment of facilities as key to supporting both the integration and localisation of services linked with local area partnerships.
- 1.2 Rapid population growth, stimulated by new residential development, is driving increased demand for healthcare provision in the affected localities. The proposed new health facilities and expansion will help build the extra clinical capacity that will be required to meet the increased demand for primary care.
- 1.3 The project will allow a greater level of service to be offered to patients. The Goodman's field proposal will deliver a new, fully equipped modern health facility with 23 clinical rooms in the South West Locality, with capacity for up to 25,000 registered patients (an increase of 8k new patients), which will also provide up to 50,400 new patient appointments, that will help meet population growth in these wards.
- 1.4 Finances will be spent in accordance with the s106 obligation and will deliver projects identified and agreed with the contributors in compliance with the s106 agreement.

2. ALTERNATIVE OPTIONS

- 2.1 Taking no action would result in a high risk of the development of a health centre with significant shortcomings: a suboptimal entrance, inadequate staff parking to enable discharge of staff functions, inability to make the changes to the shell required, insufficient fittings and insufficient contingency to manage the project smoothly. The outcome would therefore be to lose the opportunity to make the best use of the potential of the site to serve the practice population.
- 2.2 The Whitechapel region where the Goodman Fields proposal is located is particularly in need of additional health infrastructure, and extending healthcare provision in this ward will particularly affect several groups who are often disadvantaged with regards to access to healthcare. According to the

¹ GLA Population Project, 2014 round , Short Term Trend

2011 census, 59% of the people living in this ward are BME, the proportion of socially rented households is almost double the London average and 13% of the population are classed as long term unemployed. Health inequalities research over the past decade has strongly indicated that low income and ethnic minority households are significantly more likely to experience poorer health outcomes. The Goodman's Fields Health Centre will therefore be increasing health service availability in a location of appropriate need.

3. DETAILS OF REPORT – Goodman's Field

3.1. The Goodman's Field Health Centre brings together two practices - East One Health and Whitechapel Health Centre onto a single site. The development is a vital element of plans to improve the quality of primary care in the area. The design of the new health centre within the new mixed-use development on Lemn St has now progressed to a RIBA stage 2 design and, subject to internal approvals, Tower Hamlets Clinical Commissioning Group (CCG) and NHS Property Services (NHSPS) propose to continue with design into RIBA stage 3 and 4. NHSPS is taking forward the lease negotiation with the Berkeley Group, and the Berkeley Group architects are engaging with the NHS architects. The general arrangement floor plan has been agreed and has been well received by the local GP practices, community and other stakeholders.

3.2 Compared to the original project cost estimate conducted by the CCG and the RIBA stage 2 cost plan there is an increase of £2,055,526 based on the Stage 2 Cost Plan produced on the 14 March 2019. The reasons are due primarily to unforeseen costs, modifications of plans (based on further work up design plans), revised unit cost estimates, revised inflationary assumptions and revised contingency assumptions.

Description	Financial Impact (Increase Excl. VAT)
<ul style="list-style-type: none"> Modification to plans for entrance to improve overall design - moving the entrance proposed in original design works better in terms of the overall structure of the existing building but requires structural change (including installation of curtain walling) 	£135,000
<ul style="list-style-type: none"> In the original estimate - provision for staff parking was not costed. However, this is essential to support practice activities such as home visits. Two parking spaces have been negotiated with Berkeley Homes for a cost of £35,000 per parking space (first two) with the unit requiring a minimum of two parking spaces to allow for home visits 	£70,000
<ul style="list-style-type: none"> In the original estimate, the assumptions around the Berkeley Homes Shell & Core specification did not take into account the need for preparatory floor work. . 	£125,000
<ul style="list-style-type: none"> In the original estimate, the construction cost/sqm was underestimated (and based on a highly competitive cost from the winning contractor for Suttons Wharf in Roman Road) The revised higher AECOM costs arise from greater detail on specification of works as a result of design progress and assessment of market conditions. 	£500,000
<ul style="list-style-type: none"> AECOM have allowed for a 10% design variance risk in line with other developments in Tower Hamlets 	£330,000

• The increased construction costs have a knock on impact to the construction contingency (16% of construction)	£80,000
• The original estimate made an assumption that all material would be purchased at the start of the construction. However, the AECOM estimate takes into account inflation to the midpoint of the contract. This is considered more accurate as they are based on the current design stage.	£80,000
• NHSPS management fee is a percentage of construction cost so this increases proportionately with the increase in projected cost.	£30,000
• BREEAM (Building Research Establishment Environment Assessment Methodology) assesses environmental, social and economic sustainability. The LBTH planning condition requires 'excellent' status. However, the original estimate was based on reaching 'very good' status'.	£150,000
• Revised estimates by AECOM of furniture, fittings, equipment, IT and sundry costs	£212,938
<i>Total of items</i>	£1,712,938
<i>Inc VAT</i>	£2,055,526

3.3 The above changes have been discussed in depth with the Clinical Commissioning Group officers and reviewed. In summary, the increased estimated costs are driven by two factors. Firstly, the design changes arising from a better understanding of the requirement following the completion of RIBA stage 2. Secondly, in retrospect there were significant limitations of the original estimate conducted prior to PID approval (omissions, assumptions that no longer hold following the experience of the design phase in 2018). The plans have also been reviewed by the Development Viability Team of the Council who considered that the additional £2m is broadly justified. Finance have reviewed the costs and confirmed that there is sufficient section 106 and Community Infrastructure Levy (CIL) funding available to pay for the increased costs.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 This report outlines a change note to the Goodman's Field project. Funding of £4,824,474 was originally agreed at Grants Determination Sub-Committee in March 2018.

4.2 The change note requests for additional funding of £2,055,526 to be granted to NHS Tower Hamlets CCG to enable development of the Health Centre at Goodman's Field, following the RIBA stage 2 design. This will result in total funding of £6,880,000 being allocated to this project in the form of section 106 and construction infrastructure level (CIL) funding.

4.3 Funding will only be released once satisfactory completion of works is confirmed. The project budget contains a contingency sum, which will only be utilised if officers are fully satisfied with the evidence to support the claim. Any unused contingency will be available for reallocation to other projects.

5. LEGAL COMMENTS

5.1 The Council has the legal power to make the grant referred to in this report.

5.2 However, the ability to fund the grant is dependent upon the use of money received by the Council in accordance with S.106 of the Town and Country Planning Act 1990. Under s.106 Developers have entered into various planning obligations with the Council one of which will be the payment of money for certain purposes. The Council must satisfy itself that the actions under this report comply with the various purposes for which the money was given by the Developer in order to spend the money through this grant. However, this will be / is being dealt with under a separate approval process in accordance with the Council procedures and must be determined before the final grant agreement is concluded.

5.3 In any event it appears as though this scheme has become necessary in order to mitigate the effects of increased population brought about by regeneration development in the surrounding area.

5.4 The Council must ensure that the money is expended represents Best Value in order to comply with its own legal Best Value Duty. The grant will be subject to a legally binding grant agreement which will be used to monitor the use of the funds and to ensure the money is spent on the purposes for which it is intended. This will significantly assist the Council to demonstrate this legal Best Value.

5.5 Also the Grant recipient will be spending the money following completion of its own tendering exercises as it is required to abide by the same Procurement Law as the Council. This will assist the Council to show that the money is being spent on the best available goods, works and services at the price then available in the market place. This also demonstrates adherence to the Best Value principle.

5.6 The decision to make this grant does not create any immediate direct legal issues arising from the Equality Act 2010.

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1. The proposed buildings and improvements will increase capacity and access to provide more clinical appointments to all service users in the local population. These enhancements will benefit service users, in particular those who are more reliant upon health services including families with children, older people and those with complex health issues (including the disabled).

6.2. The project will not adversely affect people with protected characteristics.

6.3. An EIA was conducted on the proposal and can be found in the background documents.

7. BEST VALUE (BV) IMPLICATIONS

7.1. The delivery of this project ensures the Council meets its s106 obligations and spends funds in accordance with the agreement.

7.2. The project directly supports the HWB strategy to improve and develop local services; it also supports the Tower Hamlets' Commissioning Strategic Plan 2012 – 2015.

7.3. Additionally, through investing in primary care services, preventative steps are being taken to reduce demand upon hospital services which can often be more costly, thus supporting best value.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

8.1. There are no implications.

9. RISK MANAGEMENT IMPLICATIONS

9.1. There is a risk that if the project is not approved, the benefits identified for the project relating to increased and improved access to local services, improved patient experience, increased GP registrations in the area will not be realised.

9.2. In addition if this is not approved then as it is proposing the delivery of works in accordance with S106 requirements then there is a risk of non-fulfilment of S106 requirements, particularly those which are time sensitive.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1. There are no crime or disorder implications.

11. SAFEGUARDING IMPLICATIONS

11.1. There are no safeguarding implications

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- NONE

Background Documents

- Goodman's Fields GDSC report April 2018
- EIA

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