

<p align="center">Cabinet Decision – Grants Determination Sub-Committee</p> <p align="center">3rd February 2021</p>	
<p>Report of: Denise Radley, Corporate Director, Health, Adults and Community</p>	<p>Classification: [Unrestricted or Exempt]</p>
<p>Suttons Wharf Health Centre</p> <p>To approve additional grant funding of £398,088 (excl. VAT).</p>	

Lead Member	Councillor Rachel Blake, Cabinet Member for Adults, Health and Wellbeing
Originating Officer(s)	Michael Coleman, HAC Capital Programme Manager
Wards affected	Bethnal Green
Key Decision?	No
Reason for Key Decision	This report has been reviewed as not meeting the Key Decision criteria.
Forward Plan Notice Published	30/11/2020
Strategic Plan Priority / Outcome	<p>1. People are aspirational, independent and have equal access to opportunities;</p> <p>3. A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.</p>

Executive Summary

This report seeks an additional £398,088 of s106/CIL funding to meet the increased costs of providing a modern health facility within the Suttons Wharf development, to be operated by the Globe Town Surgery. The project was originally awarded £3,119,378 of s106/CIL grant by Cabinet in September 2017 to fund the design and complete fit out of the new premises, and its furniture, equipment and IT. This project is being delivered by NHS Property Services (NHSPS) and the Waltham Forest and East London Clinical Commissioning Group (WELCCG), reporting on its progress to Council officers on a regular basis.

Since the initial approval the programme has changed significantly (construction was originally due to complete in early 2019), initially impacted by several internal factors, notably project-controlled changes and delay to the agreement of property leases. A number of additional factors that could not have been predicted when funding was originally agreed have led to further cost increases:

- Recent changes to regulations following the Grenfell tragedy required a revised cladding solution,
- Delays to the construction programme due to Covid-19 affecting working practices and labour shortages due to the need to self-isolate, and
- Uncertainty regarding the outcome of the Brexit process on cost and availability of raw materials and componentry where orders are being placed in advance of the end of the transition period.

Recommendations:

The Grant Determination Subcommittee is recommended to:

1. To approve the grant funding of an additional £398,088 of s106 funding for healthcare facilities, excluding VAT, to complete the new health facility within the Suttons Wharf development.
2. To authorise the execution of any agreements necessary to give effect to recommendation 1

1 REASONS FOR THE DECISIONS

- 1.1. Tower Hamlets has one of the lowest healthy life expectancies for both men and women in the country and health inequalities, particularly for BME people, are a significant challenge for our communities. Additional infrastructure for GP services, in line with projected population increases in the local area, will provide additional resource for the council's Public Health services (through commissioning) and local health partners to tackle these health inequalities and improve outcomes for residents. This project will increase the Globe Town practice's appointment capacity by 38%, from 13000 to 18000.
- 1.2. Both the 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.
- 1.3. Rapid population growth, stimulated by new residential developments such as Suttons Wharf, is driving increased demand for healthcare provision in affected localities. The proposed new health facilities will help build the extra clinical capacity that will be required to meet this increased demand.
- 1.4. Options for reducing the specification of the health centre have already been investigated and savings taken where these do not compromise the efficacy of the original proposals for the new facilities. If the additional funding is not provided, the scheme is, therefore, too far progressed to undertake any additional substantive value engineering without significantly compromising its future use. The benefits of additional GP appointments

and improved facilities would not therefore accrue to the extent originally envisaged.

2 ALTERNATIVE OPTIONS

- 2.1 Do nothing: this would not achieve the objective to increase capacity, access and service provision in primary healthcare in the immediate area served by the Globe Town practice. The sunk costs in the scheme would not provide the full range of facilities specified, and thus not deliver the benefits sought.

3 DETAILS OF THE REPORT

- 3.1 Suttons Wharf is a new mixed-use development located south of the Roman Road in Bethnal Green ward, with the Regent's Canal on its eastern boundary. It will be occupied by the Globe Town Surgery, which is currently located in an adapted building approximately 600m from the development.
- 3.2 The London Borough of Tower Hamlets placed an obligation on the developer, the Guinness Partnership, to allocate a s106 site dedicated for health use within the Suttons Wharf development to aid in the provision of enhanced primary health care for the Bethnal Green ward. The Suttons Wharf health centre will replace the existing cramped and unsuitable accommodation used by the Globe Town practice. The practice also provides GP services to students at Queen Mary University of London (QMUL), using rooms on campus that were not purpose designed for medical use. The practice will continue to be the main surgery for QMUL but will do so from the Suttons Wharf site. The enlarged, purpose-built facilities will also allow it to expand existing mental health and sexual health services.
- 3.3 Compared to the original project cost estimate completed by the CCG and its advisers, as captured in the RIBA Stage 2 cost plan, there is an increase of £398,088 against the original total scheme cost. As set out above, this is due to cost inflation resulting from delays to the project, changes to the cladding system resulting from the Grenfell tragedy, the impact of Covid-19 on working practices, and increased raw material and componentry costs related to Brexit uncertainty. The cost impact is set out in greater detail below:

Description	Financial Impact (excl. VAT)
Changes to the cladding solution associated with Building Regulation Part B (post-Grenfell) – incl. fees, DPCs & Flexible Cavity Trays	£162,217
Inflation to current construction programme – 1.85% of original grant	£57,700
Total for post-tender changes incorporating adjustments to construction packages, incl. associated professional fees, associated with Covid-19 and Brexit uncertainty	£138,171

Variation for specified FFE Group 2 & 3 items – original products were specified & priced in 2017 with ranges & pricing now update to reflect the 2020 marketplace	£20,000
Pro rata uplift in contingency @ 5% (to cover any additional Covid-19 related cost impacts through to project close)	£20,000
TOTAL (excl. VAT)	£398,088

- 3.4 The above changes have been discussed at length with the WELCCG officers and queries put to their cost consultants on each item, but in particular the impact of Covid-19 and Brexit uncertainty. Their responses are outlined below.
- 3.5 The change to the design of the external cladding that resulted from alterations to Building Regulations following the Grenfell tragedy led to additional cost in respect of the design and specification and prolonged the programme. This element of the cost increases has been assessed by the NHS's cost consultants as a material change and accepted as offering an appropriate and value for money solution.
- 3.6 The impact of Brexit was captured in the contract through a mechanism whereby the contractor advised of changes to cost prices for raw materials and componentry. While the final form of the Brexit agreement remained fluid, prices for items ordered in advance had been affected by 'risk pricing' by suppliers, in anticipation of increases in, for example, customs duties and/or delays in the supply chain. Where this has been raised by the contractor, the NHS project team's cost consultants have checked the price indices across the UK construction industry against the BCIS index, their own experience on other live schemes at various stages, and by proactively contacting the suppliers in question. The process they have followed has demonstrated that the contractor has been challenged and external evidence sought to verify claims. NHSPS has assessed its cost consultants' analysis of the immediate cost increases, with its own evidence of market conditions from other schemes and accepted its conclusions. The cost consultants working on the Suttons Wharf scheme have confirmed that they have experienced similar cost increases on another NHS scheme (not in Tower Hamlets) in the 2019/20 FY. It is difficult to make a direct comparison between projects where the design, programme, materials and contractual structure differ, but the impact of Brexit on risk pricing on the original cost plan was evident.
- 3.7 The impact of Covid-19 on the costs of delivering the Suttons Wharf project have been twofold. The project was due to mobilise shortly after the first lockdown was announced. The start was delayed while the site logistics were reviewed and working practices adjusted to allow social distancing. Both have prolonged the original programme and led to increases in fixed costs. In addition, there have been delays in the supply chain and some substitutions of materials where the original was unavailable due to manufacturing delays, or disruption in the transport network. Again, where the contractor has reported cost increases, the NHS Project Team's cost consultants have

reviewed the evidence provided, sought their own verification by contacting suppliers directly (both those directly involved in this contract, and others active in the market), and comparing to the experience on other schemes. Any stated need for substitutions in components have been checked with the original supplier, and the cost of the proposed replacement investigated. This analysis has then been scrutinised by NHSPS.

- 3.8 The HAC Directorate Leadership Team, Asset Management & Capital Delivery Working Group and Asset Management & Capital Delivery Board have all reviewed this request and agreed that the additional £398,088 is justified. Finance has also reviewed the request and confirmed that there is sufficient section 106 funding for healthcare projects available to pay for the increased costs.
- 3.9 This request includes an uplift of £20,000 in the contingency available for the scheme equivalent to 5% of the total value of the additional funding sought in this report. At this stage in the project's delivery, given that the scheme is on target to complete in May 2021 and all main works packages have been negotiated, there is no reason to expect any further increase in cost beyond that level. The only substantive risk remaining is of changes to Covid-19 lockdown rules that necessitate construction projects reducing works or shutting down completely. NHSPS and WELCCG have, however, been advised that no requests for any additional funding will be considered. Should a need for additional funding be identified it would need to be provided either through changes to the current scheme or from another source. As stated above, given the project is well advanced it is considered improbable such a situation would arise.

4 EQUALITIES IMPLICATIONS

- 4.1 When making decisions, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public-sector equality duty). A proportionate level of equality analysis is required to discharge the duty.
- 4.2 Tower Hamlets has one of the lowest healthy life expectancies for both men and women in the country and health inequalities particularly for BME people are a significant challenge for our communities. Additional GP services will provide additional resource for the council's Public Health service (through commissioning) and local health partners to tackle these health inequalities and improve outcomes for local residents, see section 6 for further information.
- 4.3 The proposed health facility at the Suttons Wharf development will be designed to facilitate a greater focus on prevention, rather than simply curing disease, providing inclusive healthcare services for both mental and physical health which meets the needs of different communities and delivers improved clinical outcomes.

- 4.4 The Suttons Wharf Health Centre will be fully compliant with the requirements and philosophy of the 2010 Equality Act and the Disability Equality Duty contained within the Disability Discrimination Act. All referenced standards and planning guidance within these documents will be adhered to.

5 OTHER STATUTORY IMPLICATIONS

- 5.1 Best Value Implications:
- The delivery of this project ensures the Council meets its s106/CIL obligations and spends funds in accordance with the agreement.
 - 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.
- 5.2 Consultations: no additional consultation is required in respect of this request.
- 5.3 Environmental (including air quality): there are no implications arising from this request that were not addressed in the original report presented to the Grant Determination Subcommittee on 5 December 2017.
- 5.4 Risk management
- There is a risk that if the additional funding is not approved, the benefits identified for the project relating to increased and improved access to local services, improved patient experience and increased GP registrations in the area will not be realised.
 - In addition, non-approval of this proposal for a further s106 requirement could result in non-fulfilment of the original s106 obligation.
- 5.5 Crime Reduction: there are no crime or disorder implications.
- 5.6 Safeguarding: there are no safeguarding implications.
- 5.7 Data Protection / Privacy Impact Assessment: there are no Data Protection or Privacy implications.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 As part of the planning process to redevelop Sutton Wharf, LBTH placed an obligation on the developer to allocate a s106 site for health use. At cabinet in September 2017 approval of £3,119,378 of s106/CIL funding was awarded to build and fit out a new medical centre.
- 6.2 This report is seeking an additional £398,088 of s106 funding to complete the project as the cost of delivery has increased following the Grenfell Tower fire and COVID-19, both of which have increased the cost of the project.
- 6.3 There is sufficient uncommitted health s106 funding held in reserves that could be allocated to this project and if approved will need to be included within the Council's revised capital programme.

6.4 There will be no revenue implications emanating from the report with the additional costs being grant funded.

7 COMMENTS OF LEGAL SERVICES

7.1 The Council has the legal power to undertake the granting of this additional funding to the CCG.

7.2 The current law relating to state aid is unclear following the completion of BREXIT as we are awaiting the final iteration of the new state aid rules. However, it is doubtful that this activity would represent state aid under the old regime or offend the equivalent rules under international law (under the World Trade Organisation agreements) as the grant recipient is not a profit making organisation, nor is there any cross-border interest, i.e. a health provider in another country is not prejudiced by the awarding of this grant in the market place.

7.3 The delegation sought in the recommendations will be subject to the Council following it's internal CIL / S.106 allocation rules. In particular, the relevant S.106 agreements will be checked to ensure that the conditions for use of the relevant money includes for use in respect of the Suttons Wharf site development.

7.4 In any event, enhanced and enlarged GP services are clearly designed to mitigate the impact of developments in the locality (by dealing with increased numbers of residents and businesses) and therefore it is likely that most S.106 agreements will allow for these purposes.

7.5 The Council must ensure that appropriate monitoring and use of the grant takes place, supported by a grant agreement to ensure that the money is used for the purposes for which it is granted and to satisfy any obligations the Council incurs under the relevant S.106 agreement from whence the money was obtained.

7.6 The Council needs to undertake the monitoring referred to in paragraph 7.5 to ensure that the Council also meets its statutory Best Value obligation when making this Grant

7.7 There are no immediate implications for the purposes of the Equality Act 2010 arising from the making of this grant

Linked Reports, Appendices and Background Documents

Linked Report

- Approval of the Allocation of S106 and CIL Funding for the Following NHS Projects: Wellington Way Health Centre (New Build Extension); Aberfeldy

Village Health Centre and Suttons Wharf Health Centre, Grant Determination Subcommittee, 05/12/2017.

Appendices

- Appendix 1 - Suttons Wharf Exception Report

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- NONE

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