

Decision maker:	Cabinet member contracts and assets
Decision date:	Tuesday, 8 May 2018
Title of report:	Sale of land adjacent to Hereford Railway Station to facilitate development of a new GP surgery
Report by:	Development manager

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

Widemarsh

Purpose and summary

To approve the disposal of land by way of a 125 year lease adjacent to Hereford railway station to facilitate the development of a new healthcare centre. The disposal of land will:

- Enable the delivery of new city centre healthcare hub
- Provide a new prominent building adjacent to the city link road and station
- Help deliver improved healthcare services in the city
- Provide a capital receipt

Recommendation(s)

That:

- (a) **the disposal by way of a 125 year lease of development land extending to approximately 1.155 acres (final area to be confirmed on detail site survey) adjacent to Hereford railway station (as shown at appendix 1) to Prime (UK) Developments Ltd or a company within the Prime plc group of companies be approved conditional on:**
- **the development of the site as a new GP healthcare hub for Hereford**
 - **the lessee securing relevant planning permission**
 - **the purchaser agreeing lease terms with the GP's**
 - **the development being completed within 3 years of the lease being completed**
 - **adjustment of the purchase price to reflect any agreed abnormal development costs as identified following receipt of site investigation and further due diligence by the purchaser.**
- (b) **the chief finance officer be authorised to agree the final sale price in the event of any identified abnormal development costs and complete the development agreement and subsequent lease on terms set out in this report to Prime (UK) Developments Ltd or a company within the Prime plc group.**

Alternative options

1. The council retains the site and develops for housing or other use(s). This is not recommended because of the wider community value to be obtained from establishing a healthcare hub and the fact that the disposal value reflects the residential development potential of the site. Following an extensive site search by the GP practices this is considered the most suitable site for the healthcare hub. If the disposal is not approved then there is a risk that the project will not be delivered due to the time constraints of external NHS funding.
2. The council working with its regeneration and development partner delivers the project. This option was considered but is not recommended because the timing of external funding available to the NHS commissioners and existing relationship between Prime and the doctors commissioning the facility and other factors it was considered that this would introduce an additional level of risk into the project which could delay and risk the project delivery.
3. The council grant a lease on alternative terms such as a shorter term or with a higher annual rent to maximise its revenue income from this site. This was explored with Prime is not recommended because the developer would be unable to secure funding on acceptable terms and the consequence would be a reduced receipt to the council or possibly even failure to proceed with the project on this site.

Key considerations

4. In July 2017 Cabinet approved the allocation of this site for proposed use as part of the One Public Estates programme.
5. The healthcare hub building will be approx. 2,750 m² over two/three storey's with additional surface level car parking and would be the new main surgery for patients who currently access GP services at Greyfriars Surgery, Moorfield House Surgery, Aylestone Hill Surgery and Sarum House. It is anticipated that a planning application will be submitted on completion of the lease agreement. The purchasers have already undertaken pre- application consultation and the scheme is being refined to reflect comments received.
6. The amalgamation of the four surgeries forms part of the Hereford City GP's and the Herefordshire Clinical Commissioning Group (CCG) estates strategies and is seen as a key change in the delivery of services to meet national and local priorities.
7. The GP practices have appointed Prime as their developer to deliver the new hub and anticipate that funding will be secured from the NHS Estates and Technology Transformation Fund towards the capital cost of delivering the project. The availability of this funding is time limited and current indications are that it will only be available for projects committed by March 2019.
8. Development of this scale and nature will make a significant impact on the townscape adjacent to the railway station and the newly opened city link road and will be part of the investment in and regeneration of this area of the city and should help accelerate further development of other sites.
9. The granting of the lease will be conditional on Prime having satisfied various conditions prior to commencement of the development as detailed, such as the grant of planning permission, secured funding for the construction, commitment to lease from the GP's.
10. Prime have agreed to consult and agree with the council any publicity relating to the development, such as press release, temporary signage, etc
11. Detailed ground investigation surveys need to be undertaken by the purchaser and their offer is made conditional on there being no adverse findings. In the event that abnormal development costs are identified as a consequence of the findings from these site investigations and detailed design, the contract will include for a mechanism for these to be agreed and the purchase price reduced or if not agreed for the agreement to be terminated.

Community impact

12. The following corporate plan objectives will be supported:
 - Enable residents to live safe, healthy and independent lives
 - combine the use of facilities to create a network of health and wellbeing hubs shaped by and serving local communities.
 - work with the community to devolve services and assets where quality can be improved through local delivery.

- Support the growth of our economy – good quality housing & improvement in quality of built environment.
 - Secure better services, quality of life and value for money – generate revenue savings
 - work in partnership to make better use of resources, including sharing premise costs through colocation of services and local solutions for community used facilities such as libraries.
13. Services delivered from the new health centre will address several of the priorities identified in the Herefordshire Health and Wellbeing Strategy i.e. priority 2; 3 and 5. Also making the site available is consistent with Corporate Property Strategy objectives on delivering the One Public Estate programme and the Disposal of Property Assets.
14. The proposed development will result in a considerable improvement in the way that health care is delivered in the city as the current surgery buildings are mainly old converted residential properties which are no longer fit for purpose as they do not provide:
- Compliant disabled access
 - Efficient layout and use of floor space
 - Adequate staff facilities
 - Appropriate levels of patient confidentiality.
15. The development of the site with a significant building that is of an acceptable design to have obtained planning permission will have a positive impact on the physical appearance of the built environment in this area. Being the first new building adjacent to the city link road it will build confidence and help generate interest in the development of other land in the area.
16. Prime as long leaseholders will be responsible for compliance with all statutory obligations under the terms of their lease.

Equality duty

17. Under section 149 of the Equality Act 2010, the ‘general duty’ on public authorities is set out as follows:
A public authority must, in the exercise of its functions, have due regard to the need to -
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
18. The Equality Act 2010 established a positive obligation on local authorities to promote equality and to reduce discrimination in relation to any of the nine ‘protected characteristics’ (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). In particular, the

council must have 'due regard' to the public sector equality duty when taking any decisions on service changes.

19. A new 'fit for purpose' building will improve the delivery and access of health services within the city and therefore lead to better health provision for residents.

Resource implications

20. The District Valuer's office carried out a valuation of the site and reported on the value of the site both for the proposed use and alternative housing schemes. The proposed sale reflects the higher residential value and also prices achieved on the open market for the sale of other council property.
21. The proposed sale price is £1.2m (sale price to be adjusted pro rata to final site area) and will be payable on the completion of the lease.
22. While the property has not been marketed an independent valuation has been obtained from the District Valuer's office and the sale price being achieved reflects the residential development value of the site which is considered to be higher than the proposed healthcare use.
23. In the event that the purchaser defaults on the purchase terms, in particular fails to start or complete the building within the specified periods, there will be provision in the development agreement/ lease enabling the council to terminate the legal agreements and obtain vacant possession of the site. Depending on when this occurs there may be a financial cost to the council in doing so although the legal agreements will provide a mechanism for the council to seek recovery of those costs from the defaulting purchaser. If that results in a commitment to expenditure by the council then a business case and report will be considered prior to any commitment being made.
24. The capital receipt while not specifically identified within the MTFs, will contribute to the receipts generated from property sales.
25. As part of the funding package for the city link road, while capital receipts from the sale of specific sites were not identified, the expectation is that the council land opened up as a result of the road will come forward for development and where possible generate capital or revenue income.
26. While the purchasers have specialist funding sources for this type of development they have agreed to explore options for the council to provide funding into the project, which would provide the council with a future revenue source. If this leads to an agreement in principle then a further report and approval will be required. The proposed lease will not be linked to any negotiations or agreement on council funding or investment into the project.

Legal implications

27. The council is empowered to acquire, hold, appropriate, and dispose of its land for its statutory purposes, by a variety of statutes. The council is empowered to dispose of its land in such manner as it wishes pursuant to the Local Government Act 1972 provided that in accordance with s123(2) it does so at the best value that can reasonably be obtained in the market, (unless an undervalue is justified in accordance with General Disposal Consent (England) 2003).

28. The site has been independently valued with the leasehold sale price exceeding the valuation placed on the site for the proposed use. It equates to the higher residential development sale valuation, thereby evidencing that best value is being achieved.
29. The lease will provide the council with appropriate rights and remedies, including forfeiture, in the event that the works are not completed as programmed.

Risk management

30. There is a risk that the purchaser will not receive planning permission or satisfy the pre conditions of the agreements. The planning risk is being mitigated by them arranging an early pre application consultation. The pre-lease conditions will be monitored against an agreed programme of milestones and if these are not achieved then the council will have the option of withdrawing from the agreement.
31. The legal agreements will contain provisions that in the event that the purchaser does not complete the building then the council will have the option to take back the property. Should that situation arise a further report and business case will be required setting out the risks and benefits associated taking back the property but the legal agreements will provide a mechanism for any associated costs to be recovered by the council from the purchaser.
32. The above risks will be managed at service level by the officers in property services and legal that are involved in the negotiation and agreement of the disposal.

Consultees

33. The local ward member Councillor Polly Andrews has been consulted on the proposed disposal and is very supportive.
34. The political groups have been consulted and no objections or comments have been received.

Appendices

Appendix 1 – location plan showing land to be sold (for identification)

Background papers

None identified.