

<b>Decision maker:</b>	<b>Cabinet member contracts and assets</b>
<b>Decision date:</b>	<b>Thursday 24 January 2019</b>
<b>Title of report:</b>	<b>Disposal of land adjacent to Hereford Railway Station to facilitate development of a new GP surgery</b>
<b>Report by:</b>	<b>Strategic property services manager</b>

## **Classification**

Open

## **Decision type**

Non-key

## **Wards affected**

Widemarsh;

## **Purpose and summary**

A decision was taken by the cabinet member contracts and assets on 8 May 2018 to dispose of land adjacent to Hereford railway station by way of a 125 year lease to Prime (UK) Developments Ltd to facilitate the development of a new healthcare centre.

The disposal was conditional upon, amongst other matters, the development being completed within three years of the disposal date. The purchaser, Prime (UK) Developments Ltd, has requested that this period is amended to five years from the disposal date in order to comply with the conditions of their insurance and funding agreement. All other conditions remain unchanged.

## **Recommendation(s)**

**That:**

**the condition attached to the council's approved disposal by way of 125 year lease of development land adjacent to Hereford railway station to Prime (UK) Developments Ltd or a company within the Prime plc group of companies, namely that the development be completed within three years of the lease being completed, be amended to development being completed within five years of the lease being completed.**

## Alternative options

1. The condition is not amended as requested. This is not recommended because Prime (UK) Ltd would be in breach of their insurer's requirements which would jeopardise their funding and as a consequence the entire project.

## Key considerations

2. On 8 May 2018 the cabinet member contracts and assets approved the disposal of land adjacent to Hereford Railway Station by way of a 125 year lease, to Prime (UK) Developments Ltd to facilitate development of a new healthcare hub, providing accommodation for the new main surgery for patients who currently access GP services at Greyfriars Surgery, Moorfield House Surgery, Aylestone Hill Surgery and Sarum House.
3. The granting of the lease was made 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 GPs, and completion of the development within three years.
4. Planning permission has now been granted and all other conditions are satisfied however Prime (UK) Ltd have asked that the condition relating to the completion of the development should be extended to five rather than three years. This is at their insurer's request and is to cover the eventuality that the healthcare centre could be destroyed by fire or other such major event on the last day before completion. This impacts on Prime (UK) Ltd.'s funding which is effectively underwritten by their insurer's should any insured risk occur.

## Community impact

5. 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.

6. 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.
7. 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.
8. 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.
9. Prime as long leaseholders will be responsible for compliance with all statutory obligations under the terms of their lease.

## **Equality duty**

10. 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.
11. 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.
12. 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 all residents.

## Resource implications

13. The only resource implication will be in relation to the change in the condition regarding the timescale for completion of the development, not the overall disposal itself. There are no other changes to the agreed transaction.
14. 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.
15. The proposed sale price agreed upon was £1.2m (sale price to be adjusted pro rata to final site area) less any abnormal costs associated with the site and will be payable on the completion of the lease. Having undertaken site investigation and engaged specialist consultants to act on behalf of the council regarding abnormal costs, and upon determination of the final site area, the final agreed sale price is £1,000,491.
16. 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.
17. 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.
18. The long stop date for the construction of the GP healthcare hub has been agreed at five years. This a requirement of the developer's insurer's should, in a worst case scenario, the building is destroyed by fire on the last day of its construction and need to be rebuilt. Given the project is partly reliant on CCG funding which is time limited, work will commence as soon as the developers contractor can be mobilised after the lease has completed.
19. The capital receipt while not specifically identified within the MTFs, will contribute to the receipts generated from property sales and retained within the capital receipts reserve and utilised in the capital programme when approved at future Council meetings.
20. 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.
21. 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

22. The only variance to the legal terms of the agreement is in respect of the condition that the development is completed within five rather than three years of the disposal.
23. The lease will provide the council with appropriate rights and remedies, including forfeiture, in the event that the works are not completed as programmed.
24. There are no significant legal implications arising from this report.

## Risk management

25. The legal agreements contain provisions that in the event that the purchaser does not complete the building (within the five year period) 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 agreement provides a mechanism for any associated costs to be recovered by the council from the purchaser.
26. The above risks will be managed at service level by the officers in property services and legal that are involved in the agreement of the disposal.

Risk / opportunity	Mitigation
Planning consent is refused	Planning consent has been granted
The developer is unable to complete the lease	The site will be considered for alternative use and if required, marketed accordingly
The developer is unable to complete the construction of the building within five years	The property is recovered by the council and associated costs recovered by the council through legal mechanisms contained in the lease.

27. The risks associated with the disposal will be managed at a service level.

## Consultees

28. The local ward member, Councillor Polly Andrews, has been consulted regarding the change to the condition and has no objections.

## Appendices

None.

## **Background papers**

None identified.