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# Acorn Community Health Centre, Sapley Square

Report by the Chief Officers' Management Team

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## 1. PURPOSE

- 1.1 To update the Council on the latest position regarding the development of the Health Centre and, in the light of the changes that have taken place, seek Council's confirmation of its decision of the 9 April 2003 to develop and fund the proposed scheme.

## 2. BACKGROUND

- 2.1 Council received the attached report at its meeting on the 9 April 2003 and it was minuted that:

***“subject to the addition of the Portfolio Holder for Finance to the members with whom the Executive Director of Central Services would be required to consult on the detailed terms of the transaction, on being put to the vote, the recommendation contained in the report by the Head of Legal and Estates was declared to be carried”.***

## 3. UPDATE

- 3.1 Following the above decision, discussions with the doctors' practice took place over many months based on the practice taking a lease on a development carried out by the Council on the practice's behalf (the Council is prevented from simply providing a 100% loan). The final stage of the process required the practice to demonstrate value for money. The doctors' consultants therefore approached a number of banks to see if they would provide a loan at an attractive rate given that the repayments would be guaranteed by the Primary Care Trust (PCT). The Council was subsequently informed that the doctors had received an attractive offer and that they would now act as developer for the scheme. This meant that the Council would just sell its piece of land to them and the development would then proceed without the direct involvement of council officers.
- 3.2 Subsequently a full tendering process took place for the main “design and build” contract with the tenders due for return on the 22 March 2004.
- 3.3 The cost of the project has now increased from £5.3M to around £10M, excluding the cost of HDC land and the preferred parking solution, predominantly due to a significant increase in office space to permit the relocation of some of the PCT staff from Primrose Lane.

- 3.4 In mid-March the Chief Executive was approached by the PCT to ask if the Council would consider funding the project again as the PCT felt it was more appropriate that they, rather than the doctors' practice, took the lead on such a large and complex scheme.
- 3.5 Their preference is for the Council to act as Developer and then lease the building to the PCT who would in turn grant a sub-lease to the doctors' practice. It is however important not to rule out other structures in case these give more financially attractive solutions (to any of the parties) or emerge as more practical. This report therefore concentrates on the preferred approach but other options include the lease being to the doctors' practice and the sub-lease to the PCT and/or the Council just providing an, up to, 90% loan to either party.
- 3.6 Officer discussions have therefore taken place with the PCT and the Project Manager and Quantity Surveyor (QS) appointed by the doctors' practice in order to assess the implications.
- 3.7 The tenders are valid for 2 months and so there is significant urgency if re-tendering, delay and increased costs are to be avoided. Members should note that there are important implications if the scheme is delayed as it is intrinsically linked with the redevelopment of the shops, which have time-limited funding from the Government.

#### **4. CONSEQUENCES FOR THE COUNCIL**

- 4.1 The tendering processes for the construction contract, the appointment of the Architect and his team (incorporating QS, Planning Supervisor, Structural Engineer, Mechanical and Electrical Engineer) and the Clerk of Works have been, or are being, carried out by the doctors' practice. The processes used have not precisely followed the Council's Code of Procurement so formal approval will be required if these contracts are to be transferred to the Council or the ongoing processes continued. Legal opinion is being sought on whether the contract can be transferred to the Council without breaching EU tendering rules and the comments received will be considered as part of the proposed report to the Cabinet.
- 4.2 Details are being confirmed on the position of the QS once the main contract is signed. It is believed that a variation to the contract with the Architect transfers him to be Employer's agent and Planning Supervisor at that time. He, together with the clerk of works and the project manager, currently being recruited for the whole Oxmoor project, will provide a robust team that will lead to little extra input being required from other Council officers.
- 4.3 The Council will probably need to become the developer (rather than the doctors' practice carrying out most of the development on the Council's behalf) if the scheme is to proceed to the planned timescale. It would lease the completed building to the PCT who would then sub-lease part to the doctors' practice.

- 4.4 The PCT is likely to be able to make capital contributions towards some elements of the contract. It will still need to be able to demonstrate value for money in relation to any figure the District Valuer produces and it is also concerned about the affordability of the scheme in relation to its other priorities.
- 4.5 The PCT is willing to accept all/most of the risks that will not be covered by collateral warranties with the contractors, architects etc. This includes any variations in cost during the course of construction, as it is willing to commit to a formula that will vary the annual rent if costs change.
- 4.6 It is anticipated that the Council will make a small interest margin on the arrangement after any risks have been taken into account. This will be based on lost interest **plus** the repayment of the capital sum so that overall there will be no reduction in the finance available for the Council's own expenditure plans.
- 4.7 The following have **NOT** changed -
- ◆ The Council will undertake a full risk assessment and will only sign a set of contracts, leases or mortgage agreements which ensure that it is adequately financially protected from any of these risks.
  - ◆ Any lease will be for a minimum of 25 years, but could be for longer.
  - ◆ The Director of Central Services will consult with the Executive Councillors for Finance and Resources, Welfare and IT before approving the detailed terms.

## 5. THE IMPORTANCE OF THE PROJECT

- 5.1 The PCT considers the scheme to be a major improvement to the health care in the area. The Council regards it as a significant element in the improvement of the Oxmoor.
- 5.2 If the Council is not willing to act as developer or funder, then the PCT will have to follow the mini-PFI route which will create significant delay and uncertainty. This will also apply if the PCT is unable to afford the level of rent that the Council needs or if any risks emerge that the Council finds unacceptable.

## 6. RECOMMENDATION

- 6.1 The Council is recommended to -
- ◆ confirm its willingness to fund and/or develop the proposed new Health Centre in the light of the changes outlined and subject to the conditions highlighted in paragraph 4.7 above.
  - ◆ delegate to the Cabinet the decision on which elements of the procurement that have taken place, or are already underway, are sufficiently robust for the Council to take over the resulting contracts and/or ongoing processes.

**BACKGROUND PAPERS**

Correspondence and files held by the Head of Financial Services

**CONTACT OFFICER:** Steve Couper, Head of Financial Services  
☎ 01480 388103

**ACORN COMMUNITY HEALTH CENTRE  
SAPLEY SQUARE WEST  
(Report by the Head of Legal & Estates)**

**1. PURPOSE**

- 1.1 The purpose of this Report is to seek approval for the development and funding of the new Acorn (Health) Centre to be constructed at Maple Drive to the west of Sapley Square, Huntingdon.

**2. BACKGROUND**

- 2.1. The Cabinet on 30th January 2003 approved the Oxmoor Action Plan which included replacing Sapley Square and redeveloping the area to the east and west in association with a new Health Centre.
- 2.2 A report setting out the various requirements of the Oxmoor Action Plan in terms of the Council's land ownership and the associated implications is being prepared and will be submitted to Cabinet in due course. However, there is a need in the meantime to make progress with the Health Centre project.
- 2.3 The site of the proposed Acorn Centre – shown hatched on the annexed plan - is owned by the District Council apart from a small area comprising an access road and garages which was transferred to Huntingdonshire Housing Partnership Limited (HHP) in 2000. It is proposed that these be transferred back to the District Council as part of the arrangements for the development of Sapley Square.
- 2.4 The Acorn Centre will comprise the Acorn Community Health Centre (GP's and complementary medicines) and Community Health Services (provided by the Primary Care Trust and other health agencies).
- 2.5 The new Acorn facility will require a certain amount of parking which cannot be satisfied entirely at Sapley Square. Discussions are therefore taking place with the BRJ Club on the possibility of providing additional parking within their site.
- 2.6 The capital cost of the new centre has been budgeted at £5.3M, assuming a start later this year. The Acorn Centre and the Primary Care Trust have instructed the District Valuer to assess the rental and the final figure is awaited. Preliminary indications are that the rent will be in the region of £460,000 per annum.
- 2.7 Both parties – the GPs and the PCT - have asked the District Council to consider funding the project.

**3. PROPOSED TERMS**

- 3.1. The District Council will lease the site at Maple Drive to the west of Sapley Square to the Acorn Health Centre for a period of 25 years.

- 3.2 On the assumption that the District Council funds the Scheme the rental will be £460,000 per annum, subject to reviews at five yearly intervals.
- 3.3 The tenant will be the Acorn Community Health Centre comprising the GPs, who will then sub-let part of the building to the Primary Care Trust. It is understood that PCT will guarantee the rent.
- 3.4 The tenant will be responsible for obtaining all necessary consents.
- 3.5 The site will be developed in accordance with plans and specifications previously approved by the Council including any off-site infrastructure improvements.

#### **4. IMPLICATIONS**

- 4.1 As proposed, the funding arrangements will generate a rate of return of approximately 8.5% subject to uplifts at five yearly intervals.
- 4.2 Should any additional land be acquired for car parking then the rental figure will need to be adjusted to reflect the Council's investment.
- 4.3 The granting of any lease will be subject to finalising terms with HHP regarding the transfer of land required.

#### **5. CONCLUSION**

- 5.1 The new Acorn Centre will be a major facility not only for Oxmoor but also for the wider Huntingdon area. The proposal presents an opportunity for the District Council to make a significant investment in a project which, apart from enhancing the social well-being of residents, will generate a rental income.

#### **6. RECOMMENDATION**

- 6.1 Accordingly, Cabinet is invited to recommend to full Council —
- (a) approval of the arrangements outlined in the preceding paragraphs for the development and funding of the new Acorn Centre; and**
- (b) the delegation of authority to the Executive Director of Central Services, after consultation with the Portfolio holder for Resources, Welfare and IT, to approve detailed terms for the transaction, including those associated with the acquisition of land from HHP and the BRJ Club.**

**Contact Officer:** Keith Phillips, Estates & Property Officer  
☎ (01480) 388260