



London Borough of Hammersmith & Fulham

Cabinet

5 DECEMBER 2011

**CABINET MEMBER
FOR COMMUNITY
CARE**

*Councillor Joe
Carlebach*

**WHITE CITY COLLABORATIVE CARE
CENTRE – APPROVAL OF FULL BUSINESS
CASE AND AUTHORITY TO REACH
FINANCIAL CLOSE**

**Ward:
Wormholt
and White
City**

The White City Collaborative Care Centre (WCCCC) is a joint project between the Council and Hammersmith & Fulham PCT. The PCT will enter into an agreement for the building of a centre for health and social care on the site of the former Janet Adegoke building, part of which the Council shall utilise. This is an important opportunity to:

- Develop joint working between social care and the NHS
- Contribute to the regeneration of the White City estate

The project has already passed some significant milestones:

- In April the Department of Health (DH) gave approval in principle for PFI credits of £335k per annum;
- Planning permission for the development of the site was approved in October;
- The developer, Building Better Health (White City) Ltd (BBH) has agreed heads of terms with Notting Hill Housing Association in relation to the residential elements of the scheme;
- Interior layouts have been agreed;
- BBH has appointed a funder; and
- The PCT was due to submit the Full Business Case (FBC) to NHS London in early November.

This decision is presented to Cabinet to enable the DH and Treasury to give final approval for the PFI Credits, and to enable financial close to

be reached in January or February 2012. That is the point at which all parties legally commit to the scheme. This FBC was submitted to the DH on 11 November, on the basis that it was still subject to Cabinet approval.

It is intended that construction will begin quickly after financial close, finishing in early 2014.

CONTRIBUTORS

AD Resources, CSD
EDFCG
ADLDS

HAS A EIA BEEN
COMPLETED?
YES

HAS THE REPORT
CONTENT BEEN
RISK ASSESSED?
YES

Recommendations:

1. That approval be given to the Full Business Case at Appendix 1, including the affordability statement set out in paragraph 3.1 of this report.
2. That authority be delegated to the Cabinet Member for Community Care, in conjunction with the Tri-Borough Executive Director of Adult Social Care, to take all actions to reach financial close, including (but not limited to):
 - Entering into the underlease to be granted by the PCT, at the value in the affordability statement, adjusted by any factors that may impact as at financial close, provided the lease remains affordable to the Council and still represents value for money.
 - Entering into an overage deed (together with ancillary documents relating to the land exchange) and agreeing the level of payment, if any.
 - Entering into an extension of an option agreement for the release of the restrictive covenants with the Church Commissioners, and any document(s) formalising that express release.
3. That the Community Services Department be permitted to carry forward £269k of its 2011/12 revenue underspend to meet the capital equipping costs of the scheme.

1. BACKGROUND

- 1.1 The White City Collaborative Care Centre (WCCCC) scheme was previously approved by Cabinet in 2009. A revised Full Business Case (FBC) is attached to this report and is presented to Cabinet again for approval for two reasons:
- The DH and Treasury require it, as part of their process to give final approval for the PFI Credits (worth £335k per year over 25 years to the Council). They have already given their approval in principle in April 2011.
 - So that the Cabinet Member for Community Care has all the delegated authority he needs to commit the Council to the legal agreements necessary to bring the project to financial close.
- 1.2 Financial close is the critical stage for the project, as this is when all parties commit irrevocably to the scheme. Financial close is complex because it involves several parties reaching agreement simultaneously. These are the Council, PCT, LIFTCo, BBH, the BBH's funder, and the Notting Hill Housing Association.
- 1.3 This complexity arises because it is an NHS LIFT scheme, which means it is a type of Private Finance Initiative (PFI) project, and it also involves a substantial residential development.
- 1.4 The Council's principal long term commitment to the scheme will be to accept the grant of an underlease from the PCT for the space the Council will take up in the WCCCC. This is an underlease because: the PCT will be granted a lease of the WCCCC from the landlord, LIFTCo. However, the PCT will only occupy two thirds of the WCCCC. Therefore, it will grant the Council an underlease of the remaining one third, which the Council will occupy.
- 1.5 The form of the underlease to be granted to the Council shall be on the basis of the standardised NHS LIFT scheme document, save that the form of the underlease shall be amended to reflect:
- Any project specific terms of the transaction
 - That the primary contractual relationship is between LIFTCo and the PCT, not the Council. This means that the Council will have the benefit of covenants from the PCT, rather than LIFTCo, e.g. to involve the Council in certain decisions, to use reasonable endeavours to enforce LIFTCo's obligations to the PCT and to comply with the obligations of the PCT under its lease from LIFTCo.

The Council is being advised by external legal advisers on the exact wording of this underlease.

1.6 Some important stages in this project have already been achieved:

- In April the DH gave approval in principle for PFI credits of £335k per annum
- Planning permission was achieved in October 2011, and the GLA has confirmed that it supports the Council's planning decision
- The section 106 agreement was expected to be agreed in early November 2011.
- The developer, BBH, has agreed heads of terms with the Notting Hill Housing Association for the sale of the residential premises in the scheme.
- Interior layouts have been agreed.
- BBH has appointed a funder
- The PCT has submitted the Full Business Case (attached) to NHS London.

1.7 The PCT need to gain the approval of NHS London for the scheme, through the submission of this business case. An interim submission was made in November 2010 but, while NHS London were supportive of the scheme, they felt the FBC needed to be considerably strengthened. The FBC attached is the strengthened version.

1.8 The FBC demonstrates that the project is:

- An excellent strategic fit as it forms part of the regeneration of the White City, and it enables integration between social care and health services in that part of the borough.
- Affordable.

1.9 It is envisaged that financial close will take place in January or February 2012, with construction starting quickly after that. This depends upon NHS London giving their approval to the PCT, and the DH and Treasury giving their approval to the Council, both by mid January. They have all undertaken to make their decisions to that timetable.

- 1.10 In order to facilitate financial close the Council will also vary its existing leasehold arrangement with BBH, in relation to the extent of its current premises at the site, as well as the existing overage arrangement.

2. STRATEGIC FIT

- 2.1 The FBC sets out how the WCCCC helps address two of the key priorities of the Council:
- To regenerate the White City Estate.
 - To integrate adult social care and health services to improve care for residents
- 2.2 The WCCCC will be a significant boost to the regeneration of the White City, as it will be placed on the site of the old Janet Adegoke centre at the western end of Wormholt Park. The architecture will be of high quality, and it will offer health and social care very close to the residents of White City. Wormholt Park will also be improved by a significant investment enabled by the s106 agreement. Separate proposals will be brought to Cabinet.
- 2.3 The Council has long held the objective of working more closely with the NHS to integrate social care and health care. An important part of the Tri-Borough project for Adult Social Care is the integration of adult social care assessment and care management activities with the NHS, particularly with GPs and community services. By doing this the Council expects to make savings by reducing the use of residential care and high cost packages of care.
- 2.4 The FBC describes how the WCCCC will be an important enabler for this in the north of the borough because it will bring together in one place:
- Four General Practices
 - A dental practice
 - Community health and therapy staff
 - Council social workers
 - The joint Council and NHS Learning Disability community team
 - The joint Council and NHS Children with Disabilities Team
- 2.5 The WCCCC will also allow issues of poor accommodation to be addressed for the Children with Disabilities team.

3. AFFORDABILITY

3.1 The table in this section is drawn from the FBC. It demonstrates that the WCCCC is affordable for the Council.

Table 1: Affordability Summary

White City Collaborative Care Centre Full Year Revenue Affordability					
				Social Workers, LD Community Team, Children with disabilities	
		Do Nothing Current Position		Full Year Impact on CSD Revenue Budgets	Impact on Capital
		£000s	Notes	£000s	Notes
				Capital Receipt Shown as Positive Value	
				£000s	
Rental and Running Costs					
LD Integrated Team Stamford Brook		98.9		0.0	1
Assessment and Care Mgt move from King St to WCCCC		126.5		0.0	2
LPC for WCCCC (i.e. rent paid to PCT)				379.6	5
Sub - Total:		225.4		379.6	
Repair and Maintenance Costs					
Running Costs of WCCCC		0.0		220.6	
Sub - Total:		0.0		220.6	
Optimism Bias					
LPC Optimism Bias		0.0		11.4	3
Soft FM Optimism Bias		0.0		11.1	3
Sub - Total:		0.0		22.5	
Implementation costs budget freed up		62.0		0.0	
TOTAL ANNUAL COST:		287.4		622.7	
VARIANCE FROM DO NOTHING:				335.2	
PFI Credits				-335.2	4
Capital equipping					-269
Affordability Gap ('-' = surplus):		0.0		0.0	-269
Notes and Assumptions:					
1. LD Community team move from Stamford Brook to WCCCC					
2. Enables space freed up at 145 King St to be used by non-CSD staff and achieve estates savings elsewhere					
3. This is a contingency required by the DH as a condition of the granting of the PFI credits					
4. Dec 2011 price base					

3.2 The project involves part of the social work assessment and care management team currently at 145 King Street moving to the WCCCC. This will not allow the disposal of King Street to free up savings. Instead the revenue saving at King Street will rely upon other Council functions moving into that building, thus freeing up space and costs elsewhere.

- 3.3 The WCCCC will need equipping with furniture and other items. Re-using items from other Council buildings was considered, but would create a poor visual impression in the new building and would not allow the optimum use of space. The capital equipping cost has been estimated at £269k. It is planned to review this with a view to bringing it down by some re-use of computer equipment. The Community Services Department in the Council is currently forecasting that it will end the 2011/12 year with a favourable revenue variance of £1.5m and is proposing that £269k of that is carried forward to be spent as capital on equipping this building.
- 3.4 The Children's with Disabilities service will be able to vacate the St Dunstons Clinic which is owned by the Council and leased to PCT on a peppercorn rent. This will free up the St Dunstan's building which is earmarked for the expansion of William Morris Sixth Form to address significant overcrowding issues.
- 3.5 The PFI Credits from the DH and Treasury are not indexed for inflation, but will remain constant over the 25 years of the lease. The Council will therefore need to meet inflation increases that occur on the lease payments to the PCT.
- 3.6 The scheme has been developed under the terms of the NHS LIFT arrangements previously committed to by the Council, the PCT, and the developer. This means that the value of the rent to be paid to the PCT may vary right up to the point of financial close, depending on things like interest rates. The Cabinet is therefore being asked to allow the Cabinet Member for Community Care some discretion in the value of the final rent to be paid, provided it remains affordable, in the opinion of that Cabinet Member.
- 3.7 The FBC indicates an affordability gap of £62k. This Cabinet report assumes that the £62k revenue budget already established for the development of the scheme is used to address the gap.

4. OVERAGE DEED, LAND EXCHANGE AND RELEASE OF THE RESTRICTIVE COVENANT

- 4.1 In order to facilitate financial close, the Council will enter into the following documents before financial close has occurred:-
- Overage Deed: to be made between the Council and BBH. This imposes an obligation to pay a percentage of BBH's profits to the Council in limited circumstances. The Council is being advised by external property consultants and legal advisers on the exact wording of this overage deed. The Council has been advised that it is unlikely to receive overage on the current projections for BBH's costs, anticipated receipts and its margin.

The overage deed will suspend the existing overage arrangement set out in BBH's lease of the Janet Adegoke centre, tailoring it to this new scheme. Should the scheme not proceed for any reason, the existing overage arrangement with BBH shall continue. If the scheme does proceed and overage becomes payable (or none is payable), then the existing overage arrangement will fall away.

Authority is sought not only to enter into this overage deed but also to agree the level of overage payment, if any, once the relevant figures have been finalised and evidenced by BBH.

- Deed of Variation, Supplemental Lease and Underlease: these will all be made between the Council and BBH. [The latter two documents facilitate the land exchange approved following the Cabinet Report dated 10 October 2011]. The Council will take an underlease of part of BBH's current demise, adjacent to Wormholt Park and, in exchange, BBH will be granted a lease of two parcels of land currently forming part of Wormholt Park and which are adjacent to the former Janet Adegoke Centre. The Deed of Variation amends minor provisions in BBH's existing lease for this transaction.

- 4.2 The land to be demised to BBH which currently forms part of Wormholt Park (referred to above) is subject to restrictive covenants, including a covenant which restricts use of the land for anything other than open space under the Open Spaces Act 1906. These restrictive covenants were reserved for the benefit of the Church Commissioners in 1909.
- 4.3 An option agreement was signed in December 2007 to release these restrictive covenants subject to a premium being paid by BBH to the Church Commissioners. It is now proposed that this option be extended until 30 June 2012. The Council is party to this agreement as it is the freeholder of the land involved (i.e. Wormholt Park).
- 4.4 If BBH proceeds with the scheme and exercises the option agreement, the Church Commissioners, BBH and the Council (again, as freehold owner) will enter into a deed under which the Church Commissioners will formally release any benefit of the restrictive covenants that the Church Commissioners have retained and the premium payable for the release of the covenants are to be paid by BBH to the Church Commissioners.

5. CONSULTATION

- 5.1 Cabinet members have previously been interested in the consultation that has taken place in connection with this scheme. Consultation

has been extensive over the life of the project. The FBC sets out what that consultation has consisted of and that is reproduced below

Table 2: Summary of consultation on the White City Collaborative Care Centre

Event	Date	Action
Consultation on the 2011 planning application	May 2011	<p>Following advice from the Director of Planning and Chair of the Neighbourhood Steering Group, a long standing resident of the area, a fairly “soft” consultation was carried out. This included:</p> <ul style="list-style-type: none"> • a workshop attended by: <ul style="list-style-type: none"> - local residents - Friends of Wormholt Park - parks department - Local Community Health Champions - neighbourhood steering group representatives - Phoenix School - BBC - PCT staff and Public Health - local GP representative • Safer Communities meeting • Health & Well Being Group • Neighbourhood Steering Group • Residents Steering Group
Hammersmith and Fulham Connected Care Action Research Project	Sept 2010	<p>Turning Point was commissioned to undertake the project by London Borough of Hammersmith and Fulham, NHS Hammersmith and Fulham, and the Department of Health. The project has involved speaking to local people for their views on how services can be improved. The interviews were carried out by community researchers – people who live locally and are trained by Turning Point. 18 people were recruited to this position in total. Between December 2009 and June 2010, 831 people in the study area gave their views on local services through questionnaires, interviews, focus groups and community events</p> <p>The intention of the research is to engage with local people on providing solutions for a cost effective and sustainable integrated approach to commissioning services. The community will – through this process – become more informed and better able to make choices about the kind of services that best fit locally.</p>
White City Celebration Event	Apr 2010	<p>This event was to celebrate the achievements of local people in becoming Health Champions, and the joint working with local people to promote Health and Wellbeing in White City. The event also reinforced that, in spite of the delays, the findings from the October 2008 event have been fed back to planning for the new centre.</p>
Community Relations Group	Mar 2010	<p>The workshop was targeted at Black and Minority Ethnic and Faith Communities and Community</p>

Event	Date	Action
Workshop Event		Organisations to help identify their experiences of accessing primary care services and put forward recommendations for future health and social care – including primary care services. Although the event was Borough wide, there was strong representation from voluntary and community organisations and communities in the White City.
White City Open Day	Oct 2008	This successful event reported back to the community what had been identified by the community at the July 2005 event, and how plans had been changed as a direct result of that consultation. Information was given on how plans had been updated since that date. Attendees were encouraged to discuss their views, wants and desires for the health element of the facility, and these were all captured, and have been used in the specification for the interim Canberra Centre for Health.
White City CCC Consultation Event	July 2005	The consultation was carried out by the Council, the PCT, Threshold Housing Association, Richard Rogers Partnership, Groundwork, and was organised by Charlotte Pomery. This identified key health and social care themes for future consultations.
Urban Studies Centre - WCCCC Consultation with Children and Young People	Autumn 2004 - Summer 2006	Consultations were linked to National Curriculum areas and targeted all primary and secondary schools, and community and children's centres in White City and surrounding areas.
A Collaborative Approach to Developing a Diabetes Service	Dec 2004 – May 2005	This project targeted Black and Minority patients and carers as well as patients with learning and physical disabilities to identify their experiences of having diabetes and other long-term conditions. The recommendations helped inform provisions for people with long-term conditions.
Janet Adegoke Site Residents Project Groups	Oct 2004 - 2006	The Residents' Group Chaired by Kevin Veness-Hafftra met on a monthly basis to discuss the White City LIFT Programme and comment on proposals for the WCCCC. This group was reconvened in March 2010, and shown the latest designs for the centre.
Access to Health Services by Somali and Eritrean Communities	2004	This was an action research project into the health and social care needs of the above communities; approximately 1,500 residents participated in this research project. The project provides key recommendations for improved access to current services and provision of future services.

The recommendations from the above consultations strongly mirror the Government's White Paper principle of 'nothing about me without me'. As a result during September 2010 the PCT facilitated a process of

bringing together local steering groups under the umbrella of a White City Health and Well-being Steering Group whose aim is to:

- Promote health and wellbeing locally through coordinated working.
- Facilitate links across primary care and other services.
- Inform the design of new or reconfigured statutory services, in particular WCCCC proposals.
- Ensure local services and activities are shaped by local people.
- Seek to ensure funding from statutory and voluntary sources for the area are best utilised and coordinated.
- Promote networking across the area.
- Promote information sharing across services to benefit residents.

Since May 2011, a number of subsequent events have taken place:

- Meetings with the Friends of Wormholt Park.
- Consultation event on the future of the Park, run by Groundwork Trust on behalf of the Parks Department.
- Health Champions event.
- Meetings and liaison with the Chair of the neighbourhood steering group.
- Meetings of the Health & Well Being Group.

6. RISK MANAGEMENT

- 6.1. There are two risks relating to this project included in the Community Services Department risk register.
- 6.2 The first is that the economic viability of the scheme may be compromised by changes in economic circumstances. This is rated two out of five for likelihood and five for impact. Likelihood has recently reduced since the developer received planning permission for a commercially viable configuration of housing and commercial content, and agreed heads of terms with the Housing Association. The approval in principle of the PFI credits has also helped reduce the likelihood.
- 6.3 The second risk is that the scheme will not be approved by NHS London and the DH. This is rated at three out of five for likelihood,

and five out of five for impact. The control being applied is the appointment of a stronger project team at the start of 2011, who have demonstrable experience in delivering approved business cases with NHS London, and have already demonstrated significant progress with the WCCCC project in 2011. Without that control the likelihood is rated at four out of five.

7. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE

- 7.1. Affordability is dealt with in section 3. Table 1 indicates a nil affordability gap in year one of this project and this endorsed by the Executive Director of Finance and Corporate Governance. However, it is noted in para 3.5 that the PFI Credits received from the Department of Health will not be indexed. This will mean that going forward the Council will bear all the risks of inflation and over time will need to fund an increasing proportion of the overall costs in order to maintain a nil affordability gap.
- 7.2 This agreement represents a PFI arrangement which under International Financial Reporting Standards (IFRS) requires any assets associated with it to be recognised on the Council's balance sheet. These assets would, in turn, be matched by a long-term liability which would represent a credit arrangement. This would attract Minimum Revenue Provision (MRP), however this would effectively be funded by the budget for this project. The assets would be depreciated but these costs are neutralised by statute and do not impact on the General Fund. Ultimately, with regard to project as a whole, the impact on the General Fund is no different from treating all costs as revenue (as they previously would have been).
- 7.3 There is a minimal risk that the £269,000 projected revenue underspend will not be achieved this year; and also this will be subject to a carry-forward request to Members after the current year end closure. The Community Services Department have provided assurance that the underspend will materialise.

8. EQUALITY IMPLICATIONS

- 8.1 An Equalities Impact Assessment is included in the FBC. That has been converted into the Council's format and accompanies this report. The scheme offers some positive benefits for some protected characteristic groups, and does not adversely affect any.

9. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)

- 9.1. The Council is being advised by Pinsent Masons LLP for this project. They have examined this paper and I am satisfied that all relevant legal matters are addressed within it.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	<u>Outline Business Case for White City Collaborative Care Centre, London Borough of Hammersmith & Fulham, June 2009</u>	Mark Jones mark.jones@lbhf.gov.uk 020 8753 6700	CSD, Resources Division 4th Floor 77 Glenthorne Road
2.			
CONTACT OFFICER: AD Resources, CSD		NAME: Mark Jones EXT. 6700	

Appendix 1

White City Collaborative Care Centre

Full Business Case

November 2011