

Wester Hailes Healthy Living Centre

UPDATED STANDARD BUSINESS CASE

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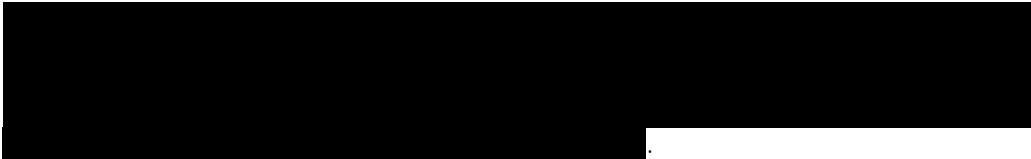
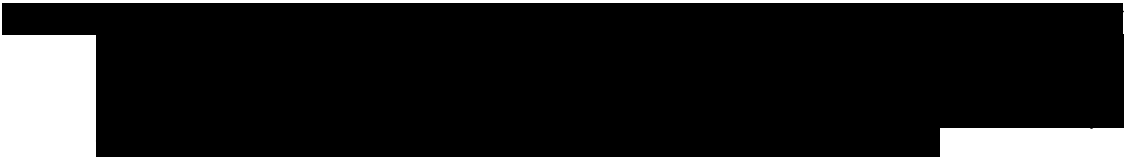
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1 SUMMARY

- 1.1 In 2001, City of Edinburgh Council and NHS Lothian, together with community representatives, formed a partnership to pursue the idea of an integrated care centre in Wester Hailes. They aspired to create a place that would offer a community setting for a range of therapeutic, social and care services, making them more accessible and interrelated and ensuring that they adopted a holistic approach to health and well being.
- 1.2 Since then, following the re-organisation of both the Council Social Work and NHS Lothian services, and the setting of new customer focused strategies, the concept has evolved to embrace a project that would facilitate service integration both locally and for the entire south west of Edinburgh.
- 1.3 Both NHS Lothian and City of Edinburgh Council are seeking to rationalise their estates portfolio whilst at the same time create an effective platform for the planning and delivery of services at a neighbourhood level.
- 1.4 The Centre will offer accommodation for the local Medical Practice and aligned Primary Care services, plus NHS services for the whole of South West Edinburgh and beyond. Local authority staff from the Health & Social Care and Children & Families departments as well as the community based, Wester Hailes Health Agency. The local community will be encouraged to use the space within the Centre and there will be a healthy eating café in the premises. The proposal will allow the partners to create a model of integrated service delivery located in one of the most disadvantaged communities in Edinburgh
- 1.5 After a thorough investigation of available sites in the locality, the Joint Project Group has selected a large brownfield site at Harvesters Way, known locally as the 10 Acre site, on the basis of service delivery, location and environmental considerations. The Council is committed to the development of the rest of the site for affordable housing. The Healthy Living Centre will form part of an integrated development, consisting of housing and non-housing uses and the site has the potential to allow the partners to create a landmark building with a high degree of civic significance.
- 1.6 The schedule contained in Appendix I shows that NHS Lothian will own 66.53% (including the area occupied by voluntary sector services) of the building whilst the Council will own 33.47%. An area comprising of 742 sq metres is designated as communal space and is shared between all occupants.
- 1.7 
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- 1.9 The site identified for the Centre is owned by the local authority and the proposed procurement method assumes that the building will be owned conjointly by the public sector partners.

- 1.10 The Centre will create an additional annual revenue cost for the City of Edinburgh Council [REDACTED] and for NHS Lothian [REDACTED]

2 INTRODUCTION AND BACKGROUND

2.1 Introduction

2.2 This paper proposes the development of an integrated care centre in the Wester Hailes area of Edinburgh. The working title for the project is the Wester Hailes Healthy Living Centre.

2.3 The new Centre will offer accommodation for the local Medical Practice and aligned Primary Care services, NHS services for whole of South West Edinburgh and beyond, local authority staff from the Health & Social Care and Children & Families departments as well as the community based, Wester Hailes Health Agency and other voluntary sector services. The proposal will allow the partners to create a model of integrated service delivery based in one of the most disadvantaged communities in Edinburgh.

2.4 It is recognised that joint premises will play a key future role in delivering customer focused strategies for joint services that can demonstrate best value. The Centre will be the first joint premises development of this nature in Edinburgh and it will enable the partners to make a significant step towards shifting the balance of care so that long term improvements in health and other outcomes can be sustained.

2.5 All the partners involved in this project are intent on ensuring that the needs of the service user, whether patient, client or customer, remain at firmly at the centre of the services which are delivered in the new facility.

2.6 Background

2.7 In 1999, the then South West Edinburgh LHCC, and the City of Edinburgh Council Social Work Department, together with local GP's and the community led Health Agency, began to work together to develop the vision of a "Healthy Living Centre" in Wester Hailes. This led to the formation of the Wester Hailes Health & Social Care Partnership in order to foster improved levels of inter-agency working that could lead to real and sustainable benefits in patient and client care. In order to realise this vision it was apparent from the outset that there needed to be significant improvements in the physical premises in which care services were currently delivered. Because of the unsatisfactory nature of the existing facilities, the Partnership decided at that stage to pursue the idea of a new Wester Hailes Healthy Living Centre.

2.8 In November 2001, the Centre was agreed as NHS Lothian's priority bid for submission to the Scottish Executive's Primary Care Modernisation Fund under the criteria of encouraging joint working premises initiatives with local authorities and the voluntary sector. This resulted in an award [REDACTED] to Lothian Primary Care Trust which, in accordance with the grant conditions, was to be made available to meet the accommodation costs of all the partners in cases where cross sector funding was problematic and funding gaps existed. A further award of [REDACTED] was secured from the Fund in 2004-05 and also allocated to this project¹.

2.9 Since its inception, the project idea has been enthusiastically welcomed by both the local community who will access services in the Centre, together with the staff who will work within it. Both groups have commented on the design work done to date, and both have been consulted on a range of aspects concerning the development.

¹ Retention of this capital funding is conditional on the project going ahead and if this is not the case, then the awards will have to be repaid to the Scottish Executive.

- 2.10 In 2008, both the City of Edinburgh Council and NHS Lothian approved an earlier version of this Business Case. Following on from this, an Investment Steering Group (ISG) was established with appropriate representation of relevant local authority and NHS officers.
- 2.11 Since that approval, the ISG has conducted a comprehensive review of the capital costs which has resulted in a requirement to produce a new business case that can be re-considered by the governing committees of both public sector partners.
- 2.12 The ISG has also taken the opportunity of extending the scope of the project to include accommodation for additional service teams which will contribute to the long term benefits of the project.
- 2.13 Furthermore the original choice of site has had to be reconsidered in light of developments which presented new options for the location of the project. A completely new option appraisal is contained in this business case.
- 2.14 Finally changes in the capital accounting guidance for NHS bodies and subsequent advice received from Audit Scotland on the permissible use of capital have changed the previous assumptions on the procurement of the building. Again the changes arising are incorporated in this business case.

3 OBJECTIVES AND OUTCOMES

3.1 Objectives

- 3.1.1 The new Centre aims to:
- 3.1.2 Create a local setting for a range of health, social care, personal and family support services that will promote individual and community well being.
- 3.1.3 Shift the balance of care from episodic interventions for acute conditions to more anticipatory, continuous and integrated care.
- 3.1.4 Provide a working environment in which the public sector partners are able to fully develop their commitment to the principles of neighbourhood management in the planning and delivery of local services.
- 3.1.5 Enable services to respond more effectively to the challenge of deepening societal issues, including drug and alcohol use, and child protection.
- 3.1.6 Enable the partners to achieve better service integration and support joined up service delivery to the customer.
- 3.1.7 Replace existing sub-standard accommodation currently occupied by NHS, local authority and voluntary sector staff that is no longer fit for purpose.
- 3.1.8 Give a physical demonstration of the ethos that underlies the formation of Community Health Partnerships, as the lever for service integration.
- 3.1.9 Address health and other inequalities through investment in an area that manifest a high level of deprivation when compared to elsewhere in the city.
- 3.1.10 Foster imaginative new initiatives for joint working between NHS, local authority and voluntary sector staff

3.2 Key Outcomes

- 3.2.1 The benefits that will arise from the development of the Centre include:
- 3.2.2 The establishment of small teams of multi-agency practitioners to develop shared models of patient and client care.
- 3.2.3 More appropriate and effective referral systems between service providers, so leading to earlier, more positive interventions in the lives of service users.
- 3.2.4 Making it easier for users to access services and increasing the take up of provision.
- 3.2.5 More effective interventions, with added voluntary sector involvement, in child health, mental health and substance misuse caseloads.
- 3.2.6 Improved staff morale, recruitment and retention leading to improved service quality.
- 3.2.7 Disposal of property that is no longer considered fit for purpose

- 3.3 The NHS Lothian Public Health & Health Policy unit has produced a Health Impact Assessment on the proposed Centre. The report identifies a range of benefits that can be expected if the project goes ahead as well as highlighting a number of challenges that the partners should be prepared to consider.
- 3.4 In order to enable the Centre to be a landmark building with a high degree of civic significance, concerted efforts should be made to involve the community in the design stage.
- 3.5 Co-location on its own does not inevitably lead to integrated service delivery nor even better joint working practices; but improved co-ordinated working within the currently dispersed Health & Social Care and Children & Families teams is a very probable outcome.
- 3.6 The success of the Centre in enhancing joint working practices is likely to depend upon further work being devoted to developing joint processes and protocols before the building opens.
- 3.7 These conclusions will be addressed through the project management structure that is outlined in Section 10 of this report.

4 DESCRIPTION OF SERVICE

- 4.1 The planned Centre will consist of 4907 sq metres of occupied space, as detailed in the Accommodation Schedule contained in Appendix I. Altogether over 320 local authority, health service and voluntary sector staff will be accommodated in the building. The breakdown of area by occupant is shown in the table below.

•	• Sq Metres
• Wester Hailes Medical Practice	• 489
• NHS Lothian Community Services	• 1950
• CEC Childrens & Families	• 615
• CEC Health & Social Care (inc Criminal Justice)	• 778
• Wester Hailes Health Agency and others	• 330
• Communal Areas	• 745

- 4.2 In more detail, the Centre will accommodate the following services

4.3 NHS Lothian Services

- 4.3.1 Wester Hailes Medical Practice, which is now based in the existing Wester Hailes Health Centre and which currently operates branch surgery at Sighthill Health Centre (5,777 registered patients of whom 88% are in deprivation categories 5 and 6)
- 4.3.2 District Nursing, Health Visiting, and Midwifery services associated with the Practice.
- 4.3.3 The South West Edinburgh Local Health Partnership Management Team
- 4.3.4 NHS Lothian community services – Mental Health, Community Dentistry, Speech and Language Therapy, Learning Disabilities, Physiotherapy, Dietetics and Locality Drugs Clinic.
- 4.3.5 The Podiatry Department's central management suite together with its biomechanics and laboratory service.
- 4.3.6 A community paediatric clinic for the reprovision of outpatient services from RHSC
- 4.3.7 The Prepare Team for substance misusing mothers.

4.4 City of Edinburgh Council Health & Social Care Services for the South West Edinburgh Sector

- 4.4.1 The Sector Response Team
- 4.4.2 The Care Management Team
- 4.4.3 The Rapid Response and Older People's Support Team
- 4.4.4 Home Care Team
- 4.4.5 Criminal Justice Team

4.5 Edinburgh Council Children & Families Services for the South West Edinburgh Sector

- 4.5.1 The Children & Families Practice Team
- 4.5.2 The Working Together Team
- 4.5.3 The Community Learning and Development Team
- 4.5.4 Edinburgh Paediatric OT service
- 4.5.5 The Prepare Team for substance misusing mothers.

4.6 Voluntary Sector Services

- 4.6.1 Wester Hailes Health Agency, a local community health project, will offer a range of services including 1:1 support, counselling, CBT, complementary therapies, physical exercise activities, dietetics, advice and advocacy services and a food co-op.
- 4.6.2 Therapists and support workers employed by the voluntary sector who are working with substance misusers and their families.
- 4.6.3 Edinburgh Citizens Advice Bureau will provide an advice service to users of the Centre.

4.7 Community Facilities

- 4.7.1 A further 745 sq. metres in the Centre is designated as communal space that will be shared by all the occupants. This area will consist of client/patient interview rooms, small and large group work rooms and a creche facility.

4.8 Community Cafe

- 4.8.1 There is also provision planned for a small healthy eating café, most probably operated by a social firm, which will be open to the public but also able to serve the staff working in the building. This model has proven successful and commercially viable elsewhere in a similar health care setting.

4.9 Service Relocation

- 4.9.1 As well as providing accommodation for all staff currently based in the Wester Hailes Health Centre and Murrayburn Gate Social Work Office there will be a substantial level of staff redeployment from other premises in the city.
- 4.9.2 The Children and Families Practice team currently operating from Oxfords Path Social Work Office will relocate into the new building. The Centre will also accommodate the Children & Families service teams presently based in the Woods building and Clovenstone Primary School, and the Community Learning and Development team now in the Harvesters Way Business Centre.
- 4.9.3 The Health & Social Care Sector Response and Rapid Response Teams will relocate from their existing accommodation in Springwell House.
- 4.9.4 The South West Primary Care Mental Health Team, whose members are currently working from four different offices within the area, will take up accommodation in the Centre. The South West Community Mental Team will also relocate from their existing

office base in Cambridge Street. There will be detailed work on how best to manage the transition for some service users who prefer to access services at a city centre location.

- 4.9.5 The Centre provides an opportunity to allow for the dispersal of Podiatry services from Springwell House in line with the 2003 Podiatry Review, as well as incorporating the biomechanics suite and appliance laboratory for Edinburgh, Mid and East Lothian that need to be relocated following the planned closure of Springwell House.
- 4.9.6 The South West Learning Disabilities staff team is currently divided between Sighthill Health Centre and a residential flat in Longstone, and will relocate to the Healthy Living Centre where it will share premises with the Health & Social Care's local Care Management team.
- 4.9.7 NHS Paediatric outpatient services will be partially relocated from RHSC to the community in line with the child health strategy and the reprovision of the RHSC. Wester Hailes will provide clinics for these services for local residents.
- 4.9.8 Service integration between NHS and local authority partners will be furthered by relocating the South West Local Health Partnership management team from Sighthill Health Centre into the new building. The team will share accommodation with the Children & Families and Health & Social Care management teams and by doing so will facilitate joint service planning and delivery².
- 4.10 The project, when completed, will enable the partners to conduct further rationalisation of their property assets through the decommissioning and disposal of Springwell House, Cambridge Street, Longstone Learning Disabilities Office and the Oxfangs Path Social Work Office. In some cases this will necessitate the redeployment of the staff teams remaining in these premises to other locations within the city. These locations are already identified.
- 4.11 Many staff taking up accommodation within the new Centre will provide outreach services to the wider South West Edinburgh area. At the same time the building will need to meet the needs of local residents who will access the Centre for medical appointments and those engaging with services provided by the voluntary sector partners.
- 4.12 Public access and engagement with the services on offer in the Centre will be facilitated by the creation of simple and direct pathways for patients, clients and customers. In this context all the occupants wish to develop integrated reception services and will encourage changes in working practices in order to enable this to happen.
- 4.13 The new building will be compliant with current Council and NHS accommodation standards in terms of fit out and space and the layout will encourage more interaction, and information sharing between different teams of practitioners.
- 4.14 The new Centre will therefore co-locate statutory and voluntary sector service providers – primary and community health care, Social Work and local voluntary organisations – in order to facilitate and encourage integrated working. The whole design philosophy of the new Centre will seek to encapsulate the spirit of integrated working, removal of unhelpful

² The space vacated in Sighthill Health Centre by the SW LHP Management team will be taken up by the South West Older Peoples Mental Health team together with other NHS Lothian staff from Springwell House

barriers, sharing of facilities, and seamless service regardless of funding body or organisational origins.

5 STRATEGIC CONTEXT

5.1 The project is driven by a range of national and local policies that are designed to improve the delivery, targetting and take up of NHS and local authority services to the public.

5.2 Joint Future

5.2.1 This key 2000 Scottish Executive report led to a step change in the delivery of health and social work services in Scotland. It has already led to integrated provision in community care services, free personal care, single shared assessments and in other areas where there is potential to add value through joint, aligned or pooled services and resources. The project embodies an important aspect of the Joint Future agenda - the development of joint premises to enhance service integration.

5.3 For Scotland's Children

5.3.1 The 2001 report sets out the case for more and better integrated children's services in Scotland. The Centre will promote closer working relationships between health professionals and other children's services which will result in early identification and intervention, co-ordinated assessments and care planning, especially for vulnerable children so they receive targeted services which can meet their complex needs.

5.4 National Framework for Service Change within the NHS In Scotland

5.4.1 The project will develop a health care facility in a local setting that meets the challenges identified in the 2005 report, produced by Professor Kerr. The project will allow NHS Lothian to enhance primary care capacity to meet the needs of the most deprived members of society and encourage working together with other partners to promote efficiency and reduce duplication.

5.5 Better Health, Better Care

5.5.1 The Centre will make increased use of the contribution that can be made by voluntary sector agencies, especially in terms of mental health, diet, and drug and alcohol misuse. The voluntary sector partners, by offering a range of one-to-one and groupwork support services are best able to help create the conditions where people have the confidence, motivation and ability to make healthy choices.

5.6 Community Planning and Local Service Delivery

5.6.1 Community Planning aims to improve the local quality of life through joint action by the City of Edinburgh Council, the NHS and other partners and communities at neighbourhood level. The Departments of Health and Social Care, Children and Families and the Edinburgh Community Health Partnership intend to link into local Community Planning structures by organising their service delivery into five geographical sectors. So by providing shared accommodation for the sector management teams of the three partner agencies, the Centre will be able to make a significant contribution to the planning and delivery of services at a neighbourhood level.

5.7 Health and Healthcare of Children & Young People in Lothian

5.7.1 NHS Lothian's consultation document, published in 2006, outlines the aspirations for as many services as possible to be available near childrens homes and to build closer links between community teams and the areas that they serve. The NHS offers a universal

service that is accessed by all children and it has a pivotal role to play in working closely with all other providers of children's services

5.8 NHS Lothian Primary Care Modernisation Strategy

5.8.1 The model of care that is emerging through the modernisation of primary care services will be fully recognised in the new Centre, in terms of team based, integrated and preventative care, which is embedded in communities and where the patient is a partner rather than a service user.

5.9 Fit for Future

5.9.1 The Centre enables both Council Departments to implement a workplace policy in line with the Fit for Future project approach that has seen the development of the new Council HQ. The aim is to improve environmental working conditions for staff by maximising the potential benefits of new ways of working and also to rationalise existing Council owned property assets.

5.10 NHS Lothian Property and Infrastructure Plan

5.10.1 The plan, published in 2006, is for increased, locally accessible services co-locating with partner agencies and the expanded provision of healthcare outside the traditional hospital setting.

5.11 Data Sharing Partnership Programme

5.11.1 The new Centre will create a platform for the early implementation of comprehensive information sharing systems between care providers at a local level. The introduction of the eCare Framework will allow the Edinburgh Data Sharing Partnership to integrate practitioner systems and design business processes to exploit the potential for information sharing and managing the change to staff working processes.

6 2008 PRELIMINARY OPTION APPRAISAL

6.1 The ISG has considered a range of options that would allow the partners to accomplish their service delivery and asset management objectives in the Wester Hailes and wider South West Edinburgh areas.

6.2 Do Nothing

6.2.1 Both the City Council and NHS Lothian currently occupy buildings in Wester Hailes that are inadequate for their purpose. Murrayburn Gate Social Work Office opened in 1965 and has a gross internal area of 1,406 sq. metres. It serves as accommodation for area based practice teams of Childrens and Families, Community Care and Criminal Justice Social Workers. The building has been assessed as too small for its current purpose, in a poor state of repair with an internal modular design that it is not conducive to modern working practices. Adjacent to Murrayburn Gate Social Work Office and opened in 1983, Wester Hailes Health Centre is in the ownership of NHS Lothian and is subject to a ground lease of 125 years from the City of Edinburgh Council. The Centre itself provides 1,058 sq. metres of accommodation over two storeys. A 1998 audit of primary care premises within Lothian concluded that the floor area of the Health Centre available for GP accommodation was substantially below the relevant standard and that there were insufficient rooms to meet the needs of GP's and nursing staff. In view of the state and size of the buildings the option of doing nothing is not viable.

6.3 Refurbishment

6.3.1 The existing buildings could be refurbished but this would not enable the redeployment of staff from elsewhere in the city nor would it confer any of the benefits that will arise from co-location. A major programme of refurbishment, costed at £1.2 million (for the Health Centre alone) including fees and VAT, would be necessary in order to upgrade the existing building to an acceptable standard. In any case refurbishment would not create additional space for existing staff who are already overcrowded. Because of the space limitations it is clear that it would be impossible to offer accommodation to additional redeployed staff in the refurbished building. The Joint Project Group therefore concluded that refurbishment is not a viable option.

6.4 Extension of Existing Buildings

6.4.1 Some consideration has been given to extending the Health Centre southwards from its existing site by acquiring an adjacent, unmanned BT Telephone Exchange building. In the event, BT has confirmed that a recent review of their property strategy has concluded that the building is not surplus to their requirements. Other possibilities for lateral expansion are constrained by road and pedestrian routes on three sides of the building. A further sub option may be to add an additional floor to one or both of the existing premises. Tollcross Health Centre is an example of a multi-level facility over three floors. However the existing buildings are not designed structurally to take on an additional floor. The addition of a steel structure to enable an upper floor is unlikely to be cost effective. So the option of extending the current buildings is clearly not feasible.

6.5 New Build

6.5.1 Given the conclusions reached on the options outlined above, it is evident that a new build is the only option that allows for the co-location of the staff and services described in Section 3.

7 OPTION APPRAISAL UPDATE

- 7.1 In 2006 the original Project Steering Group considered a number of potential sites within the Wester Hailes area. Initially a list of four sites was identified, all in the ownership of the local authority. An option appraisal was conducted which led to the selection of the Harvesters Way (aka "10 Acre") site as the preferred location for the Centre. This choice was presented in the report and supporting business case which was approved in 2008 by both NHS Lothian and the City of Edinburgh Council.
- 7.2 In early 2009, an approach was made by the commercial property division of Anglia Water Group (AWG) proposing that the Investment Steering Group (ISG) consider locating the Centre within the Wester Hailes shopping mall area, known as Westside Plaza. AWG reasoned that if the Healthy Living Centre was situated in the vicinity of the shopping centre, it would stimulate additional footfall for the retail centre, enhance the planning case for town centre status for the Westside Plaza, offer improved access to the Healthy Living Centre and some economies in construction and running costs. AWG offered to produce initial designs and cost plans to inform the ISG discussions on site selection.
- 7.3 The ISG acknowledged that the AWG offer merited further consideration and agreed to conduct a second option appraisal comparing the new proposal to the earlier choice of the Harvesters Way site. Basic information on the options appraised is given below. Appendix II shows the sites for each option.

7.4 Option 1 Harvesters Way

- 7.4.1 On the south side of the Wester Hailes town centre, the Harvesters Way or "Ten Acre" site is a brown field site that was created by the demolition of Wester Hailes Drive high rise flats in 1993. The name itself is a misnomer as it consists of only 7.6 acres of developable land. The site is accessed from the shopping centre area through a pedestrian subway because of the main railway line that transects Wester Hailes. The site is owned by the Council under the Services for Communities (HRA) property account and has been designated for future housing development, although the department has indicated that up to 2.5 acres of the site can be made available for the Healthy Living Centre.
- 7.4.2 Services for Communities have indicated that development of the site for housing will start in either 2010/11 or 2011/12. Comprehensive redevelopment of the site will greatly improve the access arrangements.

7.5 Option 2a Westside Plaza Site – Incorporated within Shopping Mall

- 7.5.1 The Plaza is a large enclosed shopping mall of 1970's construction which contains a range of shops that serves Wester Hailes and neighbouring areas. It has a number of vacant shops within it. AWG have a long term ground lease on the building and its surrounding car park with the Council as landlord.
- 7.5.2 AWG's original proposal assumed that the Healthy Living Centre would form part of an extension of the shopping mall, with accommodation over three storeys. The main entrance to the Centre would be an atrium created in the mall. The option required AWG to construct additional retail space in the basement of the Centre in order to relocate existing commercial tenants in order to create space for the Centre. As it would form an integral part of the Plaza, this would involve AWG taking on responsibility for constructing the Centre.

7.6 Option 2b Westside Plaza Site – Detached from Shopping Mall

7.6.1 The second option presented by AWG would situate the Healthy Living Centre on land in the car park allowing for a freestanding building that could have a pedestrian walkway linking with the mall. AWG have offered to negotiate a variation in the conditions of the ground lease so as to relinquish the identified area from their demesne which would then revert back to the control of the Council.

7.6.2 The car park currently consists of 720 spaces and is large enough to accommodate a development of this nature. Both of the AWG options also include the provision of 100 parking spaces out of the existing car park designated for the exclusive use of the users of the Healthy Living Centre.

7.7 Option Appraisal

7.7.1 In order to conduct a robust assessment of the options the ISG has taken the following steps.

7.8 Design Feasibility Study

7.8.1 The Council Architect was commissioned to carry out a fuller feasibility study of the Harvesters Way site to enable a proper comparison with the feasibility studies carried out by AWG. The report concluded that the site offered a number of good locations that would be suitable for the Healthy Living Centre and which would allow a flexible and economical design to meet the functional requirements of the building. Solutions to improve pedestrian and vehicular access to the site were proposed but placed in the context of the need to develop a site masterplan for the entire area. In the course of the study, the Council Architect was also able to confirm that the subsoil conditions on the site were generally good.

7.9 User Appraisal

7.9.1 The ISG has consulted Wester Hailes Medical Practice staff who have first hand experience of the local conditions that apply to both sites. The staff expressed a preference for the Westside Plaza option. It should be noted that at that time there was greater uncertainty about housing development on the Harvesters Way site and therefore concern about deliverability. There is no reason to believe that the opinions of locally based City of Edinburgh Council staff would have differed significantly. The staff were asked to compare the merits of the two sites only and not the potential location within each site.

7.9.2 It should be also noted that at the present time there is no active Community Council or similar representative body covering the geographical area of Wester Hailes that could be engaged for consultative purposes. In the absence of formal community structures a short survey of patients attending the Wester Hailes Medical Centre was conducted which gave an overall view in favour of the Westside Plaza site.

7.10 Risk Assessment

7.10.1 The Harvesters Way option is dependent upon improving access to the Plaza through the existing railway underpass and the complementary development of housing on the remainder of the site. Improvement of the underpass will require major engineering works on the Westside Plaza car park and the consent of AWG would be required in order to achieve this, although the Council as Landlord could require AWG to co-operate. Housing development on the site is included in the forward investment plan for City of

Edinburgh Council's Affordable Housing Investment Programme for each of the years 2010/11, 2011/12 and 2012/13.

7.10.2 There are a number of specific risks associated with the AWG options, although it is clear that these risks are reduced if option 2b, as opposed to 2a is chosen. The ISG believe that physically integrating the Healthy Living Centre into the shopping centre in line with AWG's overall plan for expansion of the retail mall is likely to delay the development and add significantly to project risk since AWG will require to remove or relocate some tenants and carry out significant demolitions. Both AWG options depend upon an agreement with the Council, as landlord, on a variation of the Westside Plaza ground lease, and this may not be quickly accomplished. The ISG concluded that both AWG options would require significant design compromises that would reduce the effectiveness of the Centre.

7.10.3 The ISG has fed these factors into the Optimism Bias assessment for the capital cost of each option.

7.11 Financial Analysis

7.11.1 The table below also shows a comparison between the indicative capital construction costs of the 10 Acre option against the two options presented by AWG. The figures are consistent, all being derived from the study carried out by Thomson Bethune QS on behalf of the ISG. All figures are based on an assumption that construction will commence in the third quarter of 2010.

	Thomson Bethune Feasibility Study April 09 & May 09		
	option 1	option 2a	option 2b
	Harvesters Way	Incorporated within Westside Plaza	Detached from Westside Plaza
Construction Cost Comparison	Total Cost as at April 09	Total Cost as at April 09	Total Cost as at May 09
	£	£	£
Development Costs	██████████	██████████	██████████
Construction Inflation	██████████	██████████	██████████
New Underpass Construction	██████████	██████████	██████████
Site infrastructure Works	██████████	██████████	██████████
Additional Costs Car Park Site	██████████	██████████	██████████
Optimism Bias @ 8.58% N/A 11.4%	██████████	██████████	██████████
Sub Total	██████████	██████████	██████████
Fees	██████████	██████████	██████████
Other	██████████	██████████	██████████
VAT	██████████	██████████	██████████
Total	██████████	██████████	██████████
Premises Costs Comparison			
Annual Premises Costs	██████████	██████████	██████████

7.11.2 The 10 Acre site figure assumes that the total costs of infrastructure works that are identified in the feasibility study is shared on a pro rata basis with the development partner responsible for the housing component. The two AWG options are more expensive as option 2a imposes additional costs because of the need to integrate the project into the existing shopping mall, whilst option 2b incurs some extra expenditure during the construction phase.

7.12 Conclusion

7.12.1 The table on the following page summarises the main considerations that have emerged in the course of the option appraisal. The ISG concludes that although Westside Plaza car park option does have certain advantages in terms of links with the shopping centre the Harvester's Way site is the option that best meets value for money criteria, enables a quality design with strong sustainability features and is most likely to be delivered on time.

7.13 OPTION APPRAISAL SUMMARY

	Option 1 Harvesters Way	Option 2a Inorporated within Westide Plaza	Option 2b Detached from Westside Plaza
Design Considerations	<p>Flexibility of building design options</p> <p>Large site available for selection of location</p> <p>Good scope for future proofing</p> <p>Enables upgrading of blighted site</p> <p>Potential for green space.</p> <p>Requires masterplanning</p>	<p>Design dictated by Shopping Centre layout and plans for retail expansion</p> <p>Car parking already on site</p> <p>Disruption to Plaza tenants and customers</p> <p>Deep plan layout creates additional M&E requirements</p>	<p>Requires changes in traffic management for shopping mall</p> <p>Deep plan layout creates additional M&E requirements</p> <p>Restricted site</p>
Major Risks	<p>Underpass may remain an impediment to pedestrian access.</p> <p>On site housing development may be delayed resulting in the HLC surrounded by a site with poor amenities</p> <p>Lack of housing partner means that infrastructure improvements costs can not be shared</p>	<p>Introduces third party into all legal negotiations</p> <p>AWG plans for further retail development may cause delay in project delivery</p> <p>Dependent on long term commercial viability of Plaza mall.</p> <p>Requires an integration of building services and structures.</p> <p>Will require new approval from Council</p>	<p>Requires agreement between AWG and Council on variation of ground lease.</p> <p>Planning constraints may delay project</p> <p>Will require new approval from Council</p>
Optimism Bias	██████████	████████████████████	██████████
Adjusted Construction Cost	██████████	██████████	██████████

8 PREFERRED OPTION

8.1.1 The ISG recommends that the Harversters Way Site option be selected. In choosing this option, the ISG has given consideration to several site-specific issues that may impact upon the delivery of the project.

8.2 Masterplan for Harversters Way Site

8.2.1 It is now recognised that a masterplan for the site that defines access arrangements, traffic and pedestrian flows, environmental improvements and the functional inter-relationship of the different site occupants is required. This can be jointly commissioned to also cover the housing development.

8.2.2 The feasibility work undertaken by the City Architect has identified a number of physical works that would improve the amenity value of the site, as well a number of options for a building footprint that would be considered in the context of the masterplan.

8.3 Sale of Murrayburn Gate

8.3.1 The project offers an opportunity to acquire a capital receipt from the sale of the existing buildings and land at the Murrayburn Gate site. The land is owned by the Council and NHS Lothian has a ground lease for the sub area occupied by the Health Centre³. The City of Edinburgh Council has assessed the existing use of the Social Work Office buildings at only [REDACTED] of the very low prospect of marketability. If the site were cleared, demolition and decontamination costs [REDACTED] would be incurred without significantly improving the marketability of the cleared land.

8.3.2 The open market value of the Wester Hailes Health Centre has still to be determined but it is likely to be appreciably lower than the value of the land that is being made available at Westside Plaza for the new Centre.

8.3.3 In view of these considerations, the Council, as allowed by the ground lease, will retain all the receipts from the sale of the Murrayburn Gate site, which includes the existing Wester Hailes Health Centre building owned by NHS Lothian. The Council acknowledges that there are a further 97 years remaining on NHS Lothian's ground lease and so, in return, the Council has agreed to forgo any capital payment that may be due from NHS Lothian for the land value (and related opportunity costs) of the area of the 10 Acre site that is to be used to develop the Healthy Living Centre.

8.4 Write off of Asset Value

8.4.1 At the same time the assumed asset value of the existing buildings that are contained in balance sheets of the City of Edinburgh Council and NHS Lothian differs from the estimated market value given above. Each of the public sector partners applies different financial protocols for dealing with the deletion of fixed assets from the balance sheet. As the Council is seeking to sell the land, NHS Lothian will dispose of the existing building and record the treatment in accordance with NHS Scotland Capital Accounting Manual. As this may adversely impact NHS Lothian's Operating Cost Statement [REDACTED] it will important to ensure that the SGHD agree that the disposal of the Health Centre is viewed as a qualifying impairment⁴. In the Council's case, impairment of fixed assets is

³ For NHS Lothian such receipts, in any case, would be dependent upon the formal approval of CEC, under the terms of the ground lease

⁴ In accountancy terms accelerated depreciation occurs when there is a write down of an asset from Depreciated Replacement Cost to Open Market Value which qualifies as reduction from the charge against against the Revenue Resource limit.

reflected in its Fixed Asset Restatement Account and there are no adverse financial implications arising from the demolition of Murrayburn Gate Social Work Office.

9 PROCUREMENT

9.1 The selected option can be delivered in a variety of ways, and the Joint Project Group has conducted a thorough appraisal in order to ensure that the route chosen represents the best value. The range of procurement options that have been considered consist of

9.1.1 Private Developer led model

9.1.2 PPP

9.1.3 HuB Initiative

9.1.4 NHS Lothian Capital Procurement

9.1.5 City of Edinburgh Council Capital Procurement

9.2 It should be noted that the ISG has already selected a design team, in accordance with EU competition rules. This appointment will require to be ratified by the Finance & Resources Committee of the Council.

9.3 Private Developer Led

9.3.1 In view of the recommendation to locate on the Harvesters Way site, this option is least attractive since the revenue costs are likely to be higher than other options. There is a risk that under new accounting rules such a facility would have to be on the NHS Asset Register and subject to capital charge as well as the payment of rent.

9.4 PPP Model

9.4.1 It is considered that this particular option is uneconomic for projects with a gross capital value of less than [REDACTED] and so, on its own, the project is unlikely to be an attractive proposition for development as a PPP.

9.5 Hub

9.5.1 NHS Lothian, City of Edinburgh Council and all other Health Boards and Councils in South East Territory, are currently developing proposals for a "Hubco" procurement vehicle which will have a major role in delivering joint premises developments throughout South East Scotland in the future. The establishment of Hubco represents a key policy priority for the Scottish Government but will require the selection of a private sector partner in early 2010 before it can commence its procurement role.

9.5.2 Depending on the progress made in setting up Hubco, it may be an option to transfer responsibility for the project at construction stage to the new body. This will ultimately depend upon the consent of both NHS Lothian and the City of Edinburgh Council and will require a full assessment of the cost implications before a decision is made.

9.6 NHS Capital Procurement

9.6.1 This assumes that NHS Lothian will lead the development and own the buildings using Lothian NHS capital allocation to fund the project. This is complicated by the fact that the Council own the site which would require to be leased or owned by the NHS with the part of the building leased back to the Council. Full ownership would increase capital costs to the NHS.

9.7 Local Authority Capital Procurement

9.7.1 This assumes that the Council will lead the development and own the buildings. The Council already owns the site so there would be no legal complexities in access. Capital procurement by the City of Edinburgh Council allows it to reclaim VAT on construction costs as long as it is charged on any rents derived from the property. The Council now has access to loan finance for capital projects following the introduction of the Prudential Code for Capital Finance, so long as the "prudential" indicators are met. Money borrowed

under this code is not subject to the three year capital rolling programme and so the development could proceed within a faster timescale.

9.8 Combined NHS and Council Procurement

9.8.1 In this model both NHS capital and Council capital are used to procure the building. The Council will take the lead in procurement since it already owns the site and this reduces legal complexities. The NHS will pay its share of capital to the Council. Upon completion the NHS and The Council will take ownership of their respective parts of the building. This model would deliver the benefits of both options above in minimizing legal complexity, allowing funding from two sources of capital and minimizing the impact of VAT.

9.9 Conclusion

9.9.1 The Business Case recommends procurement by the City of Edinburgh Council with joint funding by NHS and Council capital and shared ownership upon completion as the preferred method of achieving this project, with the proviso that an option should be retained to transfer responsibility for project delivery to the new Hubco, at a later stage, if this is considered desirable by both NHS Lothian and the City of Edinburgh Council.

10 CAPITAL COSTS

10.1 The estimated total capital cost for the Centre [REDACTED] fees and equipment. NHS Lothian will make available from the [REDACTED] of the Capital Modernisation funding, [REDACTED] the capital costs of the Council, divided on a pro rata basis, as was outlined in the original submission to the Scottish Executive PCMF in 2001; which included the condition that the allocation could be used to enable co-location where funding gaps existed. NHS Lothian will use [REDACTED], from the second tranche of the Capital Modernisation funding, to pay for its own exclusive share of the building.

10.2 The procurement model assumes that CEC will [REDACTED] to pay for its share of the building and the total capital from NHS Lothian [REDACTED] which will also pay for the area occupied by the voluntary sector. The figures given include furniture, fittings, computer equipment and ICT infrastructure costs. The terms of the funds transfer will be described within the Development Agreement that will be drawn up between the two public sector partners.

10.3 The closure of premises that are surplus to requirements, will allow the partners to dispose of sites that are surplus to requirements. Table 1 assumes that Edinburgh City Council [REDACTED] from the disposal of Springwell House, and [REDACTED] from the sale of Murrayburn Gate, all based on estimates of their open market values in 2007. Any receipts derived by NHS Lothian from the sale of Springwell, Longstone or Cambridge Street are excluded from the capital profile for this project, but will be added to the overall NHS Lothian capital pool when achieved.

11 REVENUE IMPACT AND AFFORDABILITY

- 11.1 The financial analysis contained in Table 3 gives an indication of the revenue implications of the new Centre for each of the public sector occupants, including both local authority departments.
- 11.2 The ISG believes that the integrated working arrangements in Centre will allow partners to make expenditure savings on salaries for administration and reception functions. This is represented in Table 3.
- 11.3 Wherever possible existing property budgets have been used to offset against the projected revenue costs incurred in the new Centre. In some cases only some elements of currently occupied premises can be vacated, as for instance is the case for Springwell House, Cambridge Street and Oxfangs Path, where not all current occupants will relocate into the new Centre. In such cases it is assumed that staff will be able to relocate to alternative accommodation, to coincide with the opening of the Centre, so as to enable the full release of relevant budgets⁵. These alternatives have been identified.
- 11.4 The exit strategies are achievable because the partners are already engaged in active property rationalisation strategies that aim to relocate staff in line with new service developments and management structures. The strategies will also, through changing working practices, using new technology and making alterations to existing office accommodation, reduce the scale and number of offices required.
- 11.5 The property running costs presented in Table 4 take into account the anticipated changes in energy charges that will result from the introduction of national public sector tariffs in 2010. In the same table, the property maintenance costs are based on an existing contract covering a full range of preventative and reactive maintenance for a similar new property which the City of Edinburgh Council has outsourced to a third party supplier. It does not however include the costs of major life cycle improvements.
- 11.6 For NHS Lothian, the overall revenue impact includes capital charges calculated in accordance with the recently revised NHS accounting regulations.

⁵ A figure of £0.048 millions from the Springwell House revenue budget will be retained by the City of Edinburgh Council to fund the future resource demands of this strategy

12 FUTURE PROJECT DEVELOPMENT AND MANAGEMENT

- 12.1 The ISG acts as the Project Board and consists of representatives from NHS Lothian and the Council, including the service departments who will use the Centre once it is completed. It is chaired by the General Manager of Edinburgh CHP who is the Project Executive and who reports the Director of Health and Social Care, who is the Project Owner.
- 12.2 Separate aspects of the overall project development have already been delegated to sub groups covering finance, temporary accommodation and IM&T. The full project governance structure is described in Appendix V. As the project develops, it is proposed that further sub groups will be created to deal with joint working arrangements, and encourage staff and community involvement. This will ensure that the design of the Centre reflects the needs and aspirations of all stakeholders and to ensure that maximum benefit is derived from the Centre from the day of its opening.
- 12.3 As capital procurement by the City of Edinburgh Council is the route that provides best value for money it follows that the most appropriate way of delivering the Centre is for the procurement function to be undertaken by the Council's Asset Management Section.
- 12.4 A project timetable is presented in Appendix IV. The building is timetabled for completion in the Spring of 2012.
- 12.5 The ISG intends to appoint a Technical Project Manager to oversee all aspects of the build.
- 12.6 Running in parallel with the architectural design stage, the ISG will finalise the development and occupancy agreements for the Centre.
- 12.7 The Joint Project Group has already established links with the Edinburgh Data Sharing Partnership (EDSP), and intends to establish an ICT subgroup that will report to the main Project Board as well as the EDSP. It is anticipated that the planned ICT structure within the new Centre will include a single network, shared platforms and access to relevant information systems throughout the building.
- 12.8 Following discussions with Facilities Management providers in NHS Lothian and Edinburgh City Council, together with union representatives, it has been agreed in principle that each FM service should have a single in house provider for the whole building. This reflects the joint working philosophy of the proposal and avoids problems caused by demarcation within a single building.
- 12.9 A sub group of the Project Board will be established to develop, agree and implement proposals on FM. This will include determining which organisation provides which service, agreeing specifications and ensuring that the provider can meet the specification, and that proposals are affordable in accordance with the business case and fully involving staff and union representatives in the process.
- 12.10 The present working title for the project is Wester Hailes Healthy Living Centre but it is envisaged that the Project Board will select a more suitable title following engagement with elected representatives and members of the local community, possibly through a public competition.

13 RISK ASSESSMENT

- 13.1 A risk assessment has been carried out for the project and this is shown in appendix VI.
- 13.2 This shows that the most significant risk to the project is the possibility that capital receipts from sale of properties will not match the expectations in the capital plan. However, the timing of sales is not fixed and the NHS and The Council will be able to select the most advantageous time to market the properties.