

Cabinet

13 October 2022

Former Priory Road Medical Centre

Recommendation

That Cabinet approves the lease of the property formerly known as Priory Road Medical Centre (as shown edged red on the plan at Appendix 2) to South Warwickshire University NHS Foundation Trust (NHS SWFT) on terms and conditions considered acceptable to the Strategic Director for Resources in consultation with the Portfolio Holder for Finance and Property to enable its short to medium term use to support delivery of clinical services in Warwick.

1. Executive Summary

- 1.1. The Council owns the freehold of the Cape Road Car Park. Situated within this area is the former Priory Road Medical Centre (the Property). The Property has been closed for some months with the Medical Centre relocating to a purpose-built new site on the corner of Cape Road and Northgate. The freeholders decided to sell the Property and Warwickshire County Council (the Council) submitted a successful offer to purchase it with completion of the purchase taking place in September 2022.
- 1.2. The acquisition of the site presents an opportunity for the Council to create a larger landholding which will enhance the regeneration opportunities for the area. The Council's original Cape Road site has been identified as being suitable for potential future regeneration to deliver housing within the town centre. The site is well suited to deliver new houses (including affordable homes) and will support the wider town centre prosperity by securing more 'in town' residents using Warwick as a place to live, work and play.
- 1.3. The regeneration of the Cape Road site is contingent on the Council, working in liaison with the District Council, delivering a long-term car parking solution which meets the needs of residents, staff and visitors to Warwick. In the interim it is important that the Property be utilised and maintained. A vacant asset deteriorates more quickly than an occupied asset and there are additional risks of leaving the property vacant.
- 1.4. This report presents an options appraisal to Cabinet to enable a decision as to the most suitable short to medium term use to which the property can be put. A summary of the options is presented in this report. However, a more detailed analysis of the options is set out in Appendix 1.
- 1.5. The conclusion of the analysis is a recommendation that the site is leased to the NHS SWFT on terms and conditions acceptable to the Strategic Director for Resources in consultation with the Portfolio Holder for Finance and Property. NHS SWFT are a low-risk tenant and understand that the lease period is short

term and will be limited. There is also a broader alignment of this proposal with our Council Plan / MTFS improving collaboration and partnership working and supporting the wider NHS SWFT objectives, whilst retaining the opportunity for a financial return over the longer term as plans for the wider site are developed.

2. Options Appraisal

2.1. In setting out the options for each use, a number of considerations have been taken into account. The options were generated following consultation with the Council's Directorates considering their needs and those of any stakeholder groups as well as via direct discussions with other potential third-party users (including NHS SWFT). The appraisal considers how each option supports:

- a) The Council's own potential short-term use/need for the Property
- b) Any wider opportunities to continue to support the One Public Estate and/or Community requirements
- c) The wider Council Plan, supporting a thriving economy for the town
- d) Financial benefit aligned to the Council's Medium Term Financial Strategy and ongoing capital pressures

Summary of Options

2.2. Whilst a detailed breakdown of the options is set out at Appendix 1 a summary of the short to medium term options (RAG rated against the considerations above) is set out below

Option	Financial Benefit	Other Benefit	Issues	Alignment to Strategy	Preferred Option
Relocation of PPE stores currently stored elsewhere in Warwick	Yellow	Red	Red	Red	No
Relocation consumable stores currently stored elsewhere in Warwick	Yellow	Red	Red	Yellow	No
Relocation of Registrars store currently stored elsewhere in Warwick	Yellow	Red	Yellow	Yellow	No
Lease for Community Centre	Red	Yellow	Red	Red	No
Lease to SWFT	Green	Green	Yellow	Green	Yes
Demolition and leave site empty	Yellow	Green	Red	Yellow	No
Short-Term use as Assessment Rooms by Children and Families	Red	Green	Yellow	Yellow	'Plan B'

Costs and Income

- 2.3. In securing the purchase of the property, Cabinet approved an additional £150,000 to cover purchase costs and to remediate the site so that it can be brought forward for a short-term use. If retained by the Council the property will carry revenue costs, to be met from within existing resources, covering utilities, security, business rates and, potentially, supplemental FM services such as maintenance and cleaning.
- 2.4. Several of the above options look to transfer responsibility for some elements of the capital cost for bringing the site into use and the transfer of the on-going running costs to a third party. Any capital released through the application of third-party funding would be returned to the Capital Investment Fund for allocation to other priority schemes.

Preferred Option

- 2.5. The options referred to in the table above have been considered and it has been concluded as follows;
 - 2.5.1. To relocate stores and equipment currently 'homed' elsewhere within Warwick is not considered to be a viable use of the Property. The site is not configured for storage and would likely require some capital investment to facilitate this, which would be 'sunk' investment given that a more permanent storage solution for at least two of the service areas is required in the longer term.
 - 2.5.2. To offer the Property for community use would require a significant capital expenditure to bring the Property to a suitable standard for such use, which would likely be 'sunk' investment given the wider development potential of the site in the longer term. Given the pressure on the Capital Investment Fund, this is not considered to be a prudent use of resources as it would not be a sustainable investment. As and when the wider Cape Road site is progressed for development there will be a further opportunity to consider improvements for the area and the community through the S.106 planning process. From a service/needs perspective the Children and Families Service has confirmed that the need in this area is met by the Westgate Children & Families Centre. The provider also provides outreach in other centres across the Warwick District to provide outreach early years and parenting support sessions. The Cape Road location would not be the optimum solution for such community-based service delivery.
 - 2.5.3. To demolish the site would reduce the site management oversight required and would potentially accelerate future development by clearing the site early. However, the demolition costs would need to be met by the Council and this is not considered an appropriate use of funds at this time when the Property could be used for an alternative purpose
 - 2.5.4. To re-purpose the Property on a short-term basis for use as assessment rooms by the Children and Families Service would provide a solution to increasing demand in this area, especially given the

anticipated future decisions in relation to the Warwick estate. However, this would similarly require capital investment and would be a 'sunk' investment given a longer term solution to meet service needs would still be required.

- 2.6. The preferred option therefore is to lease the site on a short-term agreement (with break options) to the NHS SWFT Foundation Trust. As tenant the Trust would take the property 'as is' and be responsible for their own fit out and set up costs. They would covenant to maintain the property in a condition no worse than it is today and would yield up possession at a point in the future of the Council's choosing, subject to a defined notice period.
- 2.7. The tenant intends to use the Property to support the relocation of community services currently located in their existing Cape Road clinic along with selected routine outpatient services from Warwick Hospital, the latter of which require to be decanted offsite to support phase 1 of the Trust's estates development strategy. It would be their intention to use the clinical rooms located on the ground floor for services such as podiatry, and community paediatric services along with other routine outpatient services. The first-floor accommodation would accommodate the clinical staff attached to those services.
- 2.8. This option offers the Council the lowest capital outlay, the lowest revenue spend and provides support to NHS SWFT and the wider town centre by providing much needed accommodation from which to maintain service delivery during a time of estates transition for NHS SWFT. It also aligns with the Council's own timing associated with the future potential redevelopment of the wider site.
- 2.9. A nominal rent is all that the Council could reasonably expect for a short-term letting of up to three years. The ability to lease the property also depends on there being a willing lessor who has need of the space. By agreeing to lease the Property 'as is' NHS SWFT will need to spend a significant sum to bring the Property into habitable use, and will need to maintain it and this fact coupled with the fact that the Foundation Trust will only have a term certain of three years means that no rental income is expected to be recovered. Finally, it is considered a low risk option from a planning perspective with the proposed use aligned to the current planning approvals.
- 2.10. When disposing of property (either by lease or sale) the Council is required by law (Section 123 of the Local Government Act 1972) to seek the best consideration reasonably obtainable on the open market unless Government consent to dispose at a lower consideration has been obtained. However, the Government has issued a 'general consent' allowing councils a measure of discretion. The consent states:

"consent is not required for the disposal of any interest in land which the authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area..... In all cases, disposal at less than best consideration is subject to the condition that the undervalue does not exceed £2,000,000 (two million pounds)".

In this case officers have concluded that the ‘undervalue’ involved in the proposed use is well below £2 million, and that the economic and social benefits generated are more than commensurate with the monetary value foregone. The proposed lease is therefore within the general consent and consistent with the Council’s overriding ‘fiduciary duty’ to its population to ensure that its actions are financially prudent.

3. Financial Implications

- 3.1. The preferred option delivers the lowest capital outlay and lowest revenue expenditure.
- 3.2. It is expected that circa £20k of the allocated capital funds will still be required in order to satisfy compliance requirements prior to letting to NHS SWFT and, as tenant, NHS SWFT will pick up the operational costs for the site including rates, utilities, security and maintenance. This is expected to be a revenue spend by NHS SWFT in the region of £25-£30k pa.

4. Environmental Implications

- 4.1. This proposal enables the Site to be put to a viable short-term use with the environmental responsibility (carbon cost) sitting with the tenant, which is a key strategic partner of the Council within the Integrated Care System. The longer-term development plans for the Cape Road site align with the Council’s potential wider environmental objectives and support the wider regeneration of that part of the town centre.

APPENDICES

- Appendix 1 – Options appraisal
- Appendix 2 – Site Plan

Background Papers

None

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The report was circulated to the following members prior to publication:

Local Member: Cllr John Holland

Other members: Chair and Party Spokes of the Resources and Fire & Rescue
Overview and Scrutiny Committee

APPENDIX 1 – Options Appraisal

Detailed Options Analysis

Option	Description	Financial Implications	Other Benefit	Issues	Alignment to Strategy and MTFS
Relocation of the Personal Protective Equipment (PPE) store from elsewhere in the Council's Warwick estate.	The FM team currently store PPE equipment elsewhere in the Council's Warwick estate. They have an ongoing need for a clean dry store for operational PPE. These items need to be stored separately to other consumable items and the space needs adequate access controls.	<p>The move would require some capital spend to configure the space for storage. The Council would also be responsible for revenue costs of running the building</p> <p>However, other surplus properties in the Council's Warwick estate present an opportunity for alternative uses which could generate a significant benefit to the Council. Moving the PPE storage to the former GP surgery</p>	The Property is accessible 24/7 and could be used in a similar manner in terms of access and egress for stored items.	<p>Site not configured for storage and would need capital spend to make secure and to allow access.</p> <p>Access for deliveries is not ideal. Most of the equipment is stored on pallets so there would be an increase in the manual handling requirements.</p> <p>Site is also smaller than the space currently allocated elsewhere.</p>	This would be a temporary solution and PPE is not likely to be needed beyond 2023 so it is questionable whether such a short-term move would add any value/ justify the resources required to implement it.

Option	Description	Financial Implications	Other Benefit	Issues	Alignment to Strategy and MTFS
		would facilitate that opportunity to be realised in the future.			
Relocation of FM consumable storage.	<p>The FM team currently store FM consumables products for their countywide requirements elsewhere in the Council's Warwick estate. This need is ongoing.</p> <p>The primary focus is securing warehouse storage facilities within the Bermuda Innovation Centre to serve this purpose, but additional space in the south of the County would benefit distribution.</p>	<p>The move would require some capital spend to configure the space for storage.</p> <p>The Council would also be responsible for revenue costs of running the building</p> <p>Minimal benefit as the current location's site costs remain as sunk until the site is redeveloped and ultimately to enable development, of the site an alternative location for the storage of</p>	The Property is accessible 24/7 and would be a short-term alternative solution compared to the current storage location.	<p>Site not configured for storage and would need capital spend to make secure and to allow access.</p> <p>Access for deliveries is not ideal. Most of the equipment is stored on pallets so there would be an increase in the manual handling requirements.</p> <p>Site is also smaller than the space currently allocated.</p> <p>The Council has other storage solutions available within the Business Centre Portfolio which it is exploring as a longer-</p>	<p>With the transition to agile working, the potential to repurpose or redevelop sites is currently under consideration, proposals for which are likely to come forward during 2023/24.</p> <p>A long-term solution for FM Consumable Storage would still be required so it is questionable whether such a short-term move would add any value/justify the resources required to implement it.</p>

Option	Description	Financial Implications	Other Benefit	Issues	Alignment to Strategy and MTFS
		FM consumables longer-term is required.		term solution is required.	
Relocation of Registration store from Pageant House.	Following the relocation of the Registration service from Pageant House to St John's House, the Registration Service has a requirement for storage to accommodate the records held at Pageant House and an increased volume of records generally.	<p>The move would require some capital spend to ensure a secure space for storing these records. The Council would also be responsible for revenue costs of running the building</p> <p>Minimal benefit as the storage requirement for Registrars can in the short term be accommodated elsewhere in the Council's Warwick estate once the Pageant House occupation terminates, with</p>	The availability of space at the former GP surgery in Cape Road would create swing space to enable moves to happen in Shire Hall and possibly free up space within County Records Office which could be used for more critical environmentally controlled needs such as this requirement from the Registration Service.	<p>Storing important records in a more remote location away from the main service location is not ideal and may require a higher capital spend to ensure adequate security provisions when compared to PPE or Consumable Storage.</p> <p>Site not configured for storage.</p>	A long-term solution for storage would still be required for the Registration Service. So, it is questionable whether such a short-term move would add any value/justify the resources required to implement it when a longer-term solution is being progressed

Option	Description	Financial Implications	Other Benefit	Issues	Alignment to Strategy and MTFS
		some capital spend.			
Lease / Provision for Community Centre supporting the Packmores Estate.	Potential to provide accommodation for a Community Facility in the Packmores Estate for a short-term period.	<p>Converting the space to the standard required for a community centre would require significant capital investment which, if to be funded by the Council, would have to be a CIF application. The CIF is already facing significant demand/pressure. There are no other obvious funding sources for this work unless the local community / those operating out of the centre could identify funding sources.</p> <p>Potential opportunity for</p>	<p>Providing a community centre on this site would expand the community facilities available in the area.</p> <p>This option could potentially support the Council's Community Powered Warwickshire initiative.</p>	<p>It would take time to undertake the required works and to agree the basis of occupation, thereby shortening the period when the site could be occupied, given the longer-term plans for the wider site.</p> <p>From a service perspective, need in this area is met by the Westgate Children & Families Centre. The provider also provides outreach in other centres across Warwick District to provide outreach early years and parenting support sessions. The Cape Road location would not be the optimum solution for such</p>	<p>Even though this would be a short-term use, it would likely prove challenging to release the site for redevelopment when the time comes unless an alternative site is available as services would likely by that time be established and operating from the site.</p> <p>The move may delay the redevelopment of the wider site if a suitable alternative location is still required at that time for the community centre.</p>

Option	Description	Financial Implications	Other Benefit	Issues	Alignment to Strategy and MTFS
		rental income depending on who/ how the centre is run – however likely that the request would be for a peppercorn rent.		community-based services.	It is questionable whether the level of expenditure would be justified on value for money grounds given its likely short term use.
Lease for SWFT to support their delivery of services in the Warwick.	SWFT intend to use the former GP surgery to support the relocation of community services currently located in Cape Road clinic along with selected routine outpatient services from Warwick Hospital, the latter of which require to be decanted offsite to support phase 1 of the Trust's estates strategy. It would be their intention to use the clinical rooms located on the ground floor for services such as podiatry, speech and language therapy,	SWFT have provisionally agreed to take the property 'as is' thus removing the need for any capital outlay on the building. SWFT would also cover asset liability costs (rates, insurance, utilities etc) and so there would be no ongoing revenue costs for the Council.	Provides potential for SWFT to relocate from other buildings in the vicinity which could support other regeneration opportunities. Use aligns with current planning consents. Could support One Public Estate aspirations.	The Council's own short-term storage space requirements would not be satisfied and would still need to be accommodated. The Council is foregoing 'rent' in order to secure an occupier willing to lease the property in its current state, taking on responsibility for revenue costs on a short-term basis.	SWFT are comfortable with a lease that can expire in 3 years' time to align with the future potential development of the wider Cape Road site.

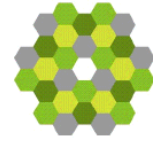
Option	Description	Financial Implications	Other Benefit	Issues	Alignment to Strategy and MTFS
	community paediatric services along with other routine outpatient services. The first-floor accommodation would accommodate the clinical staff attached to those services.	It is not anticipated that there would be a rental income to the Council. Environmental responsibility would also sit with the tenant.			
Demolition of the site.	Demolish the site and utilise the surplus land for additional car parking and/or storage.	Demolition would prepare the site for future development but would be expected to incur the full capital cost allocated. It would then remove the revenue expense of maintaining the building.	Reduced management time in looking after the site in the short term. Accelerates the future development potential by clearing the site early.	Current usage indicates that the Council currently has no requirement for additional car parking.	Aligns to medium term financial strategy. Reduces ongoing revenue spend.
Provision of short-term Assessment Rooms.	The Assessment Rooms are currently delivered from space within the Council's Estate in the town. The former GP surgery could provide alternative accommodation for this	The move would require some capital spend. To bring the property into suitable condition	Site sits independently to other Council buildings which would be advantageous and more discreet given the nature of	The site offers more space than is needed.	The need for Assessment Rooms is not short-term so a long-term 'home' would still be required before the site can be redeveloped.

Option	Description	Financial Implications	Other Benefit	Issues	Alignment to Strategy and MTFS
	purpose and free up other opportunities for the Estate.	<p>The Council would also be responsible for revenue costs of running the building</p> <p>The Estate Masterplan Programme is looking across the Council's Warwick estate. Subject to Cabinet decisions there is the potential to repurpose surplus properties to generate a revenue/ rental income stream and this is under consideration.</p>	the assessments anticipated		So, it is questionable whether such a short-term move would add any value/justify the resources required to implement it when a longer-term solution is required.

APPENDIX 2 – Site Plan

Land Registry
Official copy of
title plan

Title number **WK474647**
Ordnance Survey map reference **SP2865SW**
Scale **1:1250**
Administrative area **Warwickshire : Warwick**



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The land in this title lies within the area edged red hereon and is more particularly described in the lease or leases referred to in the property register.

