

Report for: Cabinet: 9 October 2018

Title: Muswell Hill Health Centre - 54 Muswell Hill London N10

Report

authorised by : Helen Fisher, Director of Housing, Regeneration & Planning

Lead Officer: Steve Carr, Interim Assistant Director for Economic Development and Growth (including Strategic Property)

Ward(s) affected: Muswell Hill

Report for Key/

Non Key Decision: Key

1. Describe the issue under consideration

1.1 The Council acquired a 999 year lease on the ground floor and two floors above at 54 Muswell Hill in 2017. This was part of a land swap for Council property at the Greenfields School, Coppetts Road, which was agreed with the Peter Rigby Trust and the London Centre for Cerebral Palsy and as such was approved by Cabinet in October 2015. The 54 Muswell Hill building was developed by Scarsec under an agreement with the Peter Rigby Trust/LCCP as part of a wider residential scheme, which has recently been completed. Under that arrangement 54 Muswell Hill was handed over by Scarsec to the Council in mid-2017.

1.2 54 Muswell Hill is in a prominent position at the top of the hill just off Muswell Hill Broadway and is currently finished to shell-and-core standard. In the October 2015 decision the upper floors were intended for 6 affordable housing units and the fitting out of them for shared ownership housing was subsequently included in the Council's Capital Programme and more recently included in the Council's housing funding bid to the Mayor of London.

1.3 The Council has been collaborating with the Haringey and Islington NHS Clinical Commissioning Group (CCG) to review the sites from which health and social care is delivered across both boroughs. This is part of the Council's wider objective of securing the highest standard of health and care for its residents by working collaboratively with the rest of the public sector. Our aim is to ensure that all residents have access to high quality care by further integrating primary care with social care and community and hospital health services.

1.4 Three GP practices in Muswell Hill (Rutland House Surgery, The Queens Avenue Surgery and The Muswell Hill Practice) are currently based in residential buildings which are not ideally suited to the provision of primary care services. The 350 sq metre ground floor at 54 Muswell Hill has been developed to shell-and-core standard and would need fitting out. This space has been identified by the CCG and GPs as a good location for a new GP hub for the three GP practices, they having found no other locations in Muswell Hill to replace the existing GP premises. The new Muswell Hill GP hub will eventually accommodate all three GP practices serving around 25,000 patients. The property will provide Muswell Hill with a sustainable and high quality primary care facility which together with the

nearby larger health centre in Hornsey will provide an opportunity to further promote integrated health and care services in the West of Haringey.

1.5 This report seeks authority for the Council to collaborate with the CCG/NHS in order to secure the fit-out of the ground floor space at 54 Muswell Hill as a primary care facility and to grant a lease to the GPs. The lease will be for a term of 25 years. A target date for occupation by the GPs is Autumn/Winter 2019. This is an alternative to the original proposal from the GPs for the Council to lease the building for 125 years to MedicX/Octopus, an international private property and healthcare provider and for this company to act as the effective landlord, which would then sub-lease the space to the GPs for 25 years. The Council has instead offered to collaborate directly with the GPs and the CCG to keep it as a public-to-public project and to secure the property for long term retention for public and NHS use.

1.6 The report also seeks authority for delegated authority to be given to that the final terms for the lease of the property to the GPs and the cost and process for fitting out of the space will be agreed by the Director of Housing Renovation & Planning after consultation with the Cabinet Member for Corporate Resources and Insourcing and the Cabinet Member for Adults and Health to agree the fitting out costs and specifications and the final terms for the granting of the lease.

2. Cabinet Member Introduction

2.1 Cllr Tucker, Cabinet Member for Corporate Services and Insourcing (in consultation with Cllr Ahmet, Cabinet Member for Adults and Health).

2.2 We are working with the Haringey and Islington CCG and the NHS to plan future care and health services in the borough, which includes identifying opportunities to deliver new and better buildings from which social and primary care can be delivered. Having worked jointly the CCG and GPs in Muswell Hill over the last couple of years on a range of locations and options we believe that the 54 Muswell Hill property provides the best opportunity to deliver a new GP hub serving up to 25,000 patients. We will work further with the GPs and the CCG and NHS to deliver the fit-out of the property and the Council will then become the landlord, leasing the premises to the GPs and securing the building for primary health and social care use for the long term.

3. Recommendations

3.1 Cabinet is asked to agree:

- a) To the grant of a lease of the whole of the ground floor (outlined red in the plan in **Appendix A**) of the 54 Muswell Hill to the GPs (The Muswell Hill Practice with and on behalf of Rutland House Surgery, The Queens Avenue Surgery) or such other entity as shall be agreed between GPs and the Council subject to draft terms set out in **Appendix B (in draft)** and subject to confirmation by the District Valuer of rent to be paid by the GPs.
- b) That the Council should allocate a sum as set out in **Part B** of this report the approved Capital Programme contingency for the fit out of the ground floor of 54 Muswell Hill as a GP hub to a specification set out in **Appendix C**, with authority

to procure contractors and a facilities management operator to be procured or drawn from available framework panels.

- c) To give delegated authority to the Director of Housing Regeneration & Planning after consultation with the Cabinet Member for Corporate Resources and Insourcing and the Cabinet Member for Adults and Health to agree the final terms for the lease to the GPs and to agree the final costs for the fit-out works, subject to agreement with the NHS/CCG on both the NHS funding and process for securing the fit-out works.
- d) That if agreement with the NHS for funding and the lease with the GPs cannot to be agreed within this financial year, the Council should proceed to market the ground floor space to secure another permitted user in the health and care sector under the planning use-class for the property.

4. Reasons for decision

- 4.1 There are three main GP practices in Muswell Hill N10: The Muswell Hill Practice, Rutland House and Queens Avenue. The premises for all three are undersized for the current patient lists and fail to fully comply with the Disability Discrimination and Equality Act. The allocation of the Council's interest in the ground floor of 54 Muswell Hill for a new health facility will provide a modern facility capable of serving 25,000 patients from one site. The integration of the three practices into one would be gradual and not achieved on the initial opening of the new Muswell Hill building. The Muswell Hill and Rutland House practices intend to merge and would enter into the lease with the Council. Queens Avenue Practice has a lease which runs beyond the likely opening of 54 Muswell Hill and so would not relocate to the new GP hub at the same time as the other two practices. Queens Avenue Practice would also need to make use of another property (yet to be identified) for its storage and back-office support, using separate funding from the NHS outside of this project with the Council.
- 4.2 The Council acquired the property at 54 Muswell Hill in mid-2017 as part of the land swap approved by Cabinet in October 2015. The property was acquired for general fund purposes. The two upper floors are currently part of an affordable housing project previously agreed by the Cabinet. This upper space is to be fitted-out for six shared ownership flats and the cost of this is already included in the Council's Capital Programme and recent housing funding bid to the Mayor for London. The fit-out of these residential units is currently in the procurement stage for completion early in 2019. A decision is needed now on allocating the ground floor of 54 Muswell Hill for the GP hub project so that the entire property, including the residential units on the upper floors, may be completed and occupied by the end of 2019, given that by that stage it will have been vacant for two years.
- 4.3 The ground floor space will provide a long-term location for the delivery of high quality, accessible primary care in Muswell Hill. This joint working with the CCG is a pioneering approach to integrated primary health and part of a wider approach to collaborating with the CCG and NHS on co-location and property requirements. The development will complement the existing, larger health centre in Hornsey (Hornsey Central Neighbourhood Health Centre), which hosts a number of Whittington Health community services, as well as a large GP practice and the

Haynes Dementia Hub. These two locations together will support the Council's ambitions to deliver high quality integrated health and care services in the West of Haringey. The GPs have assessed the property and believe it to be suited to their needs in terms of location and accessibility. Given the location on a hill, we will supplement this with our own access report from the Council's accessibility team before finalising lease terms with the GPs.

5. Options considered

5.1 **Option A:** The Council could choose to lease the premises to the third party private health company identified by the GPs on a long lease of 125 years, which would then fit out the building for the Health Centre and lease directly to the GPs. This would, in effect, be a property disposal by the Council and only provide the Council with a capital receipt. The GPs selected MedicX/Octopus, a major US healthcare company. MedicX/Octopus also offer a range of other medical services in the private health market and are rapidly expanding into the NHS sector providing space for GPs and private hospitals. Were this route to be considered, the Council would need to negotiate a lease with this private company which would then become the landlord to the GPs and sub-let the space to them for 25 years. The company would then have the benefit of the long lease for the remaining 100 years.

5.2 Officers considered this option and concluded that it would not provide value for money, would entail virtual disposal of the asset on a long lease to the private property and medical company and make it more difficult for the Council to manage the delivery of the GP hub with the housing project in the upstairs space. It would also mean that the benefit of a long-term revenue stream from the rental of the space would not be available to the local authority.

5.3 **Option B (Direct Delivery - Preferred Option):** In this option the Council will directly lease the space to the GPs for a rent to be set by the DV and then for the Council to complete the fit out directly using directly appointed contractors and a specialist health facilities management company. A draft options analysis is provided at **Annex D** attached (exempt item) comparing this direct delivery option with the original private intermediary option. There are two variations of this option. B(i) would be for the NHS to provide a bullet payment to the Council to cover and procure the fit-out costs, thereby meaning that the GPs would only pay the Council rent at shell-and-core market value for the full term of the lease. The other variation (Bii) is for the CCG/NHS to directly appoint and fund contractors and facilities management directly on behalf of the GPs were it to find a mechanism which does not involve a third party company holding an interest in the property between the Council and the GPs. Until we have final figures from the NHS/CCG and the District Valuer it is not possible to determine which of these variations on direct delivery is both best value and would maximise the best primary health care solution at this location.

5.6 **Option C:** Another option would be for the Council to lease the space to an alternative health or care operator under the terms of the restrictions in the planning determination. Whilst an annual commercial market rent could be achieved that is greater than the rent to be paid by the GPs, no market occupier could be secured for a 25 year term and taking into account void periods between

lettings the revenue potential may be less than that achieved through a long term arrangement with the GPs. Putting the property onto the market would risk leaving Muswell Hill without adequate GP premises given that the CCG and GPs spent over two years looking and failing to find other locations.

6. Background information

- 6.1 There are three well-established GP practices, currently operating out of three premises in Muswell Hill. The premises for all three practices are significantly undersized for their respective patient lists and all fail to comply with the Disability Discrimination Act and the Equality Act, and are also not compliant with infection control standards. The GPs and CCG have spent two years considering options for relocation of the GPs premises.
- 6.2 The opportunity to provide purpose-built facilities which anticipate and respond to the demands of modern healthcare would be possible through leasing the ground floor accommodation at 54 Muswell Hill and with additional back office space provided in one of the current buildings.
- 6.3 The Council acquired a 999 year lease on the ground floor and two floors above at 54 Muswell Hill in 2017¹. This was part of a land swap for Council property at the Greenfields School, Coppetts Road, agreed with the Peter Rigby Trust and the London Centre for Cerebral Palsy and was approved by Cabinet in October 2015. The 54 Muswell Hill building was developed by Scarsec under an agreement with the Peter Rigby Trust/LCCP as part of a wider residential scheme which has recently been completed. Under that arrangement, 54 Muswell Hill was handed over by Scarsec to the Council in mid-2017 and has been vacant since.
- 6.5 The ground floor provides approximately 530 sqm of shell and core accommodation with 3 external car spaces. It is proposed that the 350 sqm ground floor premises should be leased to the GPs for 25 years and fitted out for the GPs. The lease will be restricted to a Health and Pharmacy on site in accordance with the D1 planning designation for health/care use.
- 6.7 A valuation will be provided by the Council's advisers G L Hearn for the sublease rental to the GPs, on the basis that best consideration will be reflected and will be consistent with that likely to be recommended by the District Valuer to the NHS which will budget for the GPs at the new hub. The lease is based on draft terms which have yet to be finalised with the GPs.

7. Contribution to strategic outcomes

- 7.1 The proposal will support the Council's Priority 2 - Empower all adults to live healthy, long and fulfilling lives. The new facility will bring a state of the art Health facility for the residents in Muswell Hill covered by the three GP Practices in the area.

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http://www.minutes.haringey.gov.uk/documents/s81226/CoppettsMuswellHillCabinetreportOct15%20Part%20A%20final_open.pdf

8. Statutory Officers comments (Chief Finance Officer (including procurement) and Assistant Director of Corporate Governance, Equalities)

Finance

Exempt Appendix

Procurement

The Corporate Procurement Unit notes the recommendations in this report and that there is no input from procurement required.

Legal

The Council has the power under section 123 of the Local Government Act 1972 to grant the lease of the ground floor for a term of 25 years but must obtain best consideration otherwise the consent of the secretary of state is required.

The Council must comply with the Public Works Contracts Regulations 2015 when procuring works equals or exceed the threshold of £4,551,413.00. Further legal advice will be required once the fit out works obligations have been agreed.

Equality

The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

The proposal will enable provision of a new health facility in the Muswell Hill area, which is currently under-served in terms of primary healthcare services. The average age of residents of Muswell Hill ward is higher than the Haringey and London averages. Older residents are more likely to live with disabilities and/or long-term health conditions. As a universal service, the new health facility will deliver benefits to residents with these protected characteristics, as well as residents with other protected characteristics.

The GPs have concluded that the property is suited to their purposes in terms of access. However, the Council will support this with a report from the Council's own access officer before confirming the lease with the GPs.

9. Use of Appendices

Appendix A – Area to be leased.

Appendix B – EXEMPT ITEM - Draft Heads of terms

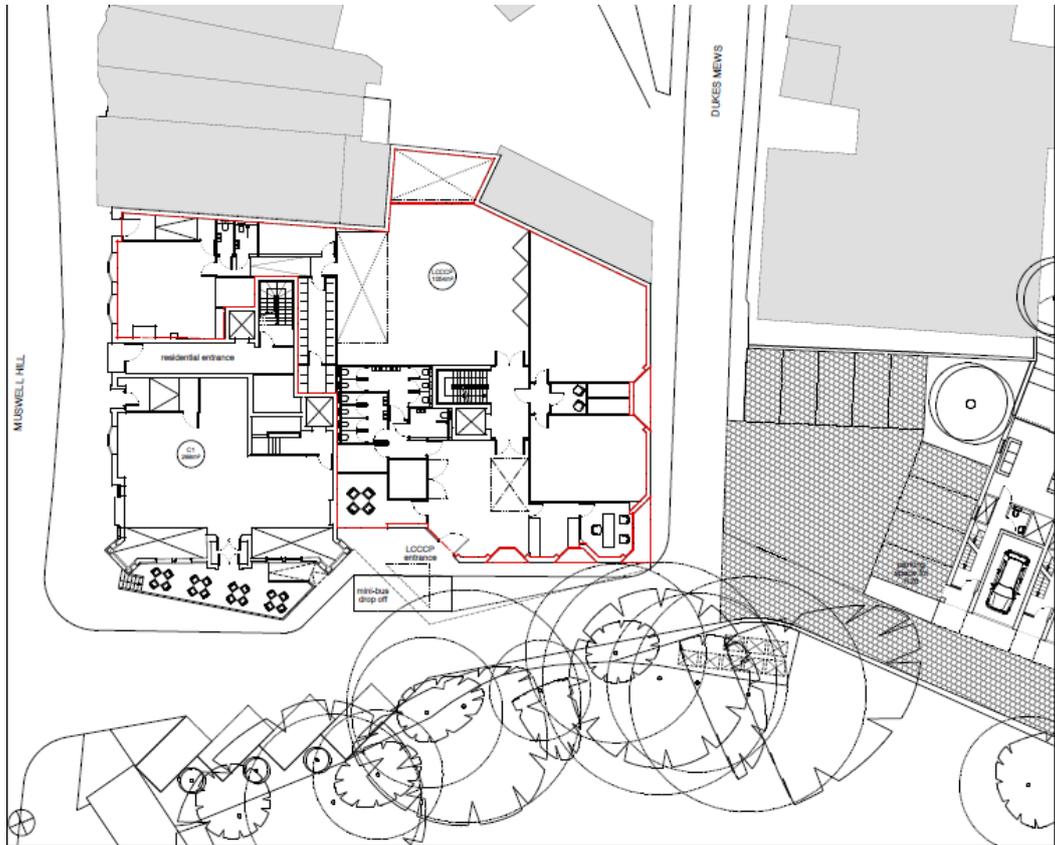
Appendix C – EXEMPT ITEM – Fit-out specification

Appendix D – EXEMPT ITEM – Financial Options Table

10. Local Government (Access to Information) Act 1985

This report contains exempt and non exempt information. Exempt information is contained within Part B and **is not for publication**. The exempt information is under the following category (identified in amended schedule 12A of the Local Government Act 1972): S.(3) Information relating to financial or business affairs of any particular person (including the authority holding that information).

Appendix A – Area to be Leased to GPs.



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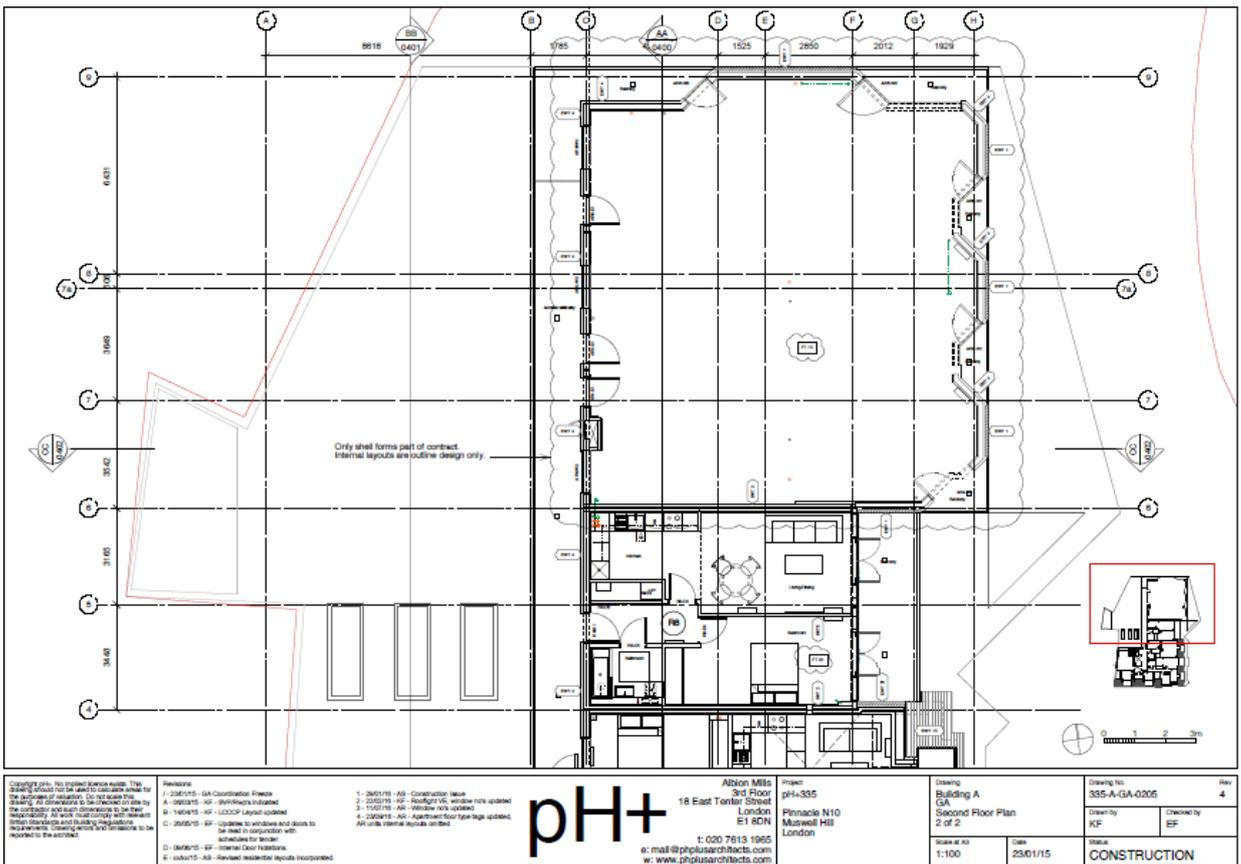
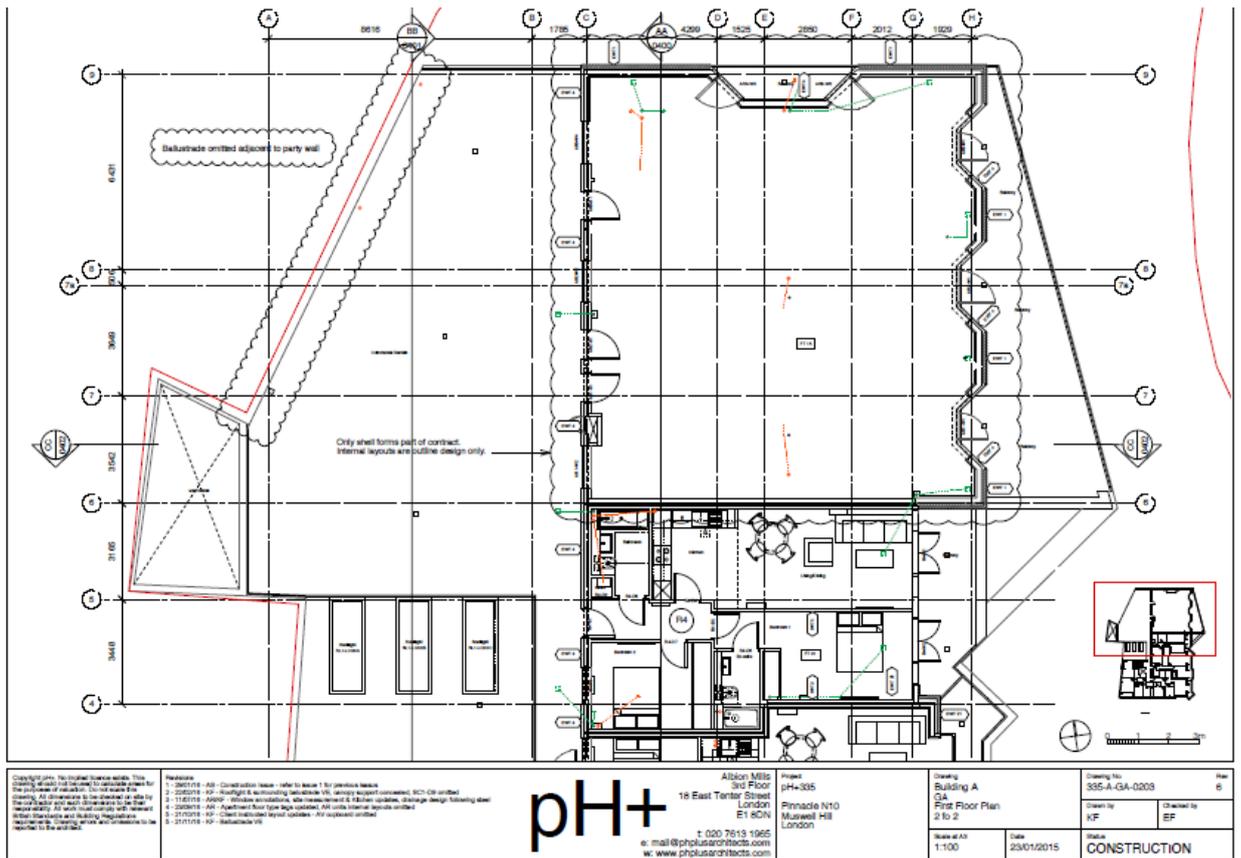
Project
56 Muswell Hill and land behind
London

Drawing
LOCCIP
GA
Ground Floor Plan

Scale at A3 1:200	Date Feb 2014
Job Number pH+335	Drawing No. / Rev. 2 / (01)00 /
Drawn by LG/APa	Checked by APu

Issue
LEASE PLANS

Plans of upper floors – to be fitted out for Council owned residential units



Appendix B – DRAFT - HEADS OF TERMS: SUB LEASE 54 MUSWELL HILL GROUND FLOOR

Part B of this report.

Appendix C – Fit out specification

Part B of this report.

Appendix D – EXEMPT ITEM FINANCIAL AND COMMERCIAL

Part B of this report.