

PART A

Report to: Cabinet
Date of meeting: 13th July 2015
Report of: Managing Director
Title: Watford Health Campus, LABV Business Plan

1.0 SUMMARY

1.1 This report provides an update on the LABV Business Plan in accordance with the requirements of the Members' Agreement. The Plan sets out the aims of the LABV, the current masterplan and delivery plan and the funding strategy.

The LABV was formerly established on 18 June 2013 and this plan captures the work that has progressed to the point of having agreed the Infrastructure Contract that provides for the construction of the new road.

2.0 RECOMMENDATIONS

- 2.1 To approve the 2015 LABV Business Plan as set out in Annexe 1 and to note the key provisions of the Infrastructure Contract.
- 2.2 To approve the Business Plan for Industrial Zone South as set out in Annexe 2.

Contact Officer:

For further information on this report please contact:
Martin Jones, Regeneration and Property Section Head
extension 8408 martin.jones@watford.gov.uk

Report approved by: Manny Lewis

3.0 DETAILED PROPOSAL

3.1 The first LABV business plan was adopted on incorporation in June 2013.

The objectives of the LABV for the Health Campus are:

- To ensure a holistic scheme with a good balance between quality and affordability;
- To provide employment opportunities and high quality new jobs which help support Watford's regional role as a major business centre;
- To ensure that the layout and form of development will be adaptable and provide for a variety and range of different uses;
- Where possible to achieve the highest standards of design quality that is sympathetic to its surroundings and that promotes sustainable, energy efficient and environmentally – friendly practices and technology;
- To strengthen the ability of WHHT to undertake the phased re-provision of its estate and enhance the urban environment and 'offer' to staff and patients;
- To create a quality built environment and excellent open spaces that are fit for purpose;
- To improve vehicular access to the hospital and alleviate congestion on Vicarage Road and surrounding area;
- To incorporate high quality housing;
- To enable integration – both visual and physical with surrounding areas;
- To make provision for a variety of travel modes including walking and cycling;
- To create a new mixed use local centre, including commercial, social and community uses with an offer that attracts residents, staff and visitors;
- To incorporate existing open spaces, including improved access to the River Colne with new attractive open spaces providing a range of recreational uses; and
- To support the continued development of Watford Football Club as an important local asset.

The LABV Plan will deliver the following quantum of uses:

- Residential units (total) 750
- Residential units (FTA) 69 family housing units, subject to Secretary of State decisions
- Residential units (non-FTA) 681 (1, 2 bed flats and 3 bed housing mix)
- Percentage family housing (total) 20%
- Affordable housing 35%
- Business space (north & south) 89,710 sq ft (based on Trade City Scheme of 68,460 – Industrial Zone South)
- Retail space 73,001 sq ft net
- Leisure 7,427 sq ft
- Office (inc. part hospital expansion) 151,446 sq ft (not including FTA)
- Hotel 80 bed

The Business Plan attached at annexe 1 makes the following key changes to the

Business Plan that was agreed on the LABV's incorporation in 2013 in terms of the primary uses proposed on the site:

- a) Increase in residential units from 559 to 750 (maintaining 35% Affordable provision)
- b) Decrease in Business space from 96,913 sq ft to 89,710 sq ft
- c) Retail space has increased from 58,440 sq ft to 73,001 sq ft
- d) Leisure space has decreased from 11,875 sq ft to 7,427 sq ft
- e) Office (inc part hospital expansion) has increased from 141,250 sq ft to 151,446 sq ft (not including FTA)
- f) Hotel has changed from a 100 bed to an 80 bed

Other primary changes to the scheme include:

- a) the provision of a 'Central Square' with links from Vicarage Road to the Colne Valley and appropriate uses surrounding it;
- b) the re-provision of the multi storey car park underground, beneath the proposed Central Square;
- c) the replacement of WFC hospitality car parking within the FTA site;
- d) the inclusion of a Community Garden within the FTA site;
- e) land for the proposed expansion of Laurance Haines school by 1FE;
- f) the change at 'Colne Island' from a lake to landscaped amenity area/SUDs that will flood only during heavy rainfall events
- g) significantly improved design, layout and positioning of buildings and their surrounding spaces. The masterplan is now an effective piece of urban design that reflects the quality aspirations of the Health Campus.

The Illustrative Masterplan has changed considerably from that which was included as part of the original LABV Business Plan and was also subject to an independent Design Review Panel. The most prominent change is the formation of a 'streetscene' adjacent to the blue light route through the positioning of the residential blocks directly abutting the road rather than at the foot of the embankments. The relationship between buildings, spaces and public routes is now coherent with effective supplementary landscaping

Members are also asked to agree the business plan for Industrial Zone South (Annexe 2) which will be the first main development aside from the road construction. This provides for the first employment zone, commencing September 2015 for completion June 2016 in parallel with the infrastructure works which will have the benefit of integrating construction and ground works. The scheme will deliver a high quality 'Trade City' of 16 units for which there is anticipated to be considerable demand. The funding of the Zone remains flexible through the LABV forward funding or partner equity. Any financial implications for the Council including land values will be the subject of a separate report to Cabinet.

3.2 Progress to Date

- Detailed planning approval has been achieved for the Highways Works, and hybrid approval has been achieved for the masterplan.

- The key statutory agreements, third party approvals, and licences necessary to commence the Highways works have been completed.
- The Infrastructure contractor has been procured, Volkerfitzpatrick Ltd and the contract terms agreed (see para 4.1) below.
- A revised, detailed planning application for Industrial Zone South is also being finalised – this is necessary primarily due to changes in occupier requirement. A stand alone planning application solely to accommodate changes in level on the site, and to allow a substantial volume of material left on site by the previous tenant to be incorporated into ground levels has been submitted and is currently under consideration with the Council’s planning department
- Enabling works and land clearance has commenced.
- The CPO inquiry took place in January 2015 and we are awaiting the Inspector’s decision.
- A further submission to the Secretary of State to appropriate Farm Terrace Allotments was made in 2014 and we are awaiting his decision. The submitted Business Plan is based on the original plan to locate hospital, housing and WFC car parking uses on the Farm Terrace site but HCC has also asked the Council to explore whether a 2 FE school could be provided at the location in addition to the hospital use and this is being examined. Any necessary changes to the business plan will be reported to Cabinet once the final position is known.
- The construction of the new road has commenced.

In addition to the extracts of the business plans set out in Annexes 1&2, there are further supporting documents which cover:

- the CVs of the Kier board members
- the Board’s procurement procedures
- the LABV’s sustainability statement
- the energy strategy
- a design guide
- a landscape guide.
- phasing plans
- Trade City specifications
- Project Management and Employers Agent duties
- enquiry schedules
- business case for merging the road construction with the Trade City development

These documents are available on request.

- **INFRASTRUCTURE CONTRACT**

4.1 The key terms are as follows:

Parties	1. Watford Health Campus Partnership LLP 2. Volkerfitzpatrick Limited
Form of Contract	Amended Standard NEC3, Option C (target cost)
Summary of scope	The works to be designed and constructed include a new “blue light” road and associated junctions, a new combined road and pedestrian and cycle bridge over the new Croxley Rail Link together with other

permanent works, flood alleviation works, ground improvements, new utilities and utilities diversions and other site preparation works all to support the new road and proposed development of the Watford Health Campus including works pursuant to two s278 agreements, two s38 agreements and an overbridge agreement.

Target Cost	£18,352,330.791
Completion Date for the Works	The Works are to be completed and handed over in seven sections, each by its Completion Date. The Completion Date by which the final section is to be completed is 17 October 2016, subject to any entitlement to an extension of time under the contract.
Liability period for defective design/workmanship in a Section	12 years from Completion of the relevant section of the Works
Performance Security	Parent company guarantee from Volkerwessels Limited

HCC has agreed to maintain the road on completion and to adopt it subsequently.

4.0 IMPLICATIONS

4.1 Financial

4.1.1 The overall cost of Infrastructure delivery (road, bridge, services, earth works, remediation, flood plain amelioration, construction of culverts) is £22,226,884.

This is funded as follows:

DoH grant to WHHT	£7,000,000
WBC loan to WHHT	£2,000,000
LEP funding	£ 6,000,000
Kier	£3,613,422
WBC	£3,613,422.

The returns from the scheme are cashflowed to repay the LEP interest free loan of £6m but negotiations are continuing with the LEP to recycle this funding.

WBC's contribution has been earmarked within the capital programme.

The WBC loan to WHHT is repaid by the Trust on the terms set out in the Campus Agreement.

The financial appraisals and cashflow appendices within the Business Plan are not included in this report due to commercial confidentiality. The overall gross development value of the scheme (20+ years) is £288m with a corresponding profit level at 14.7%, meaning that the scheme remains at the lower end of viability given the high level of risk in the scheme.

The Business Plan assumes that funding developments in the scheme can be undertaken through partner equity funding. If external debt was used this would increase costs and reduce profitability. Each zone development will require a business plan and business case approved by Cabinet and the LABV board including the funding and cashflow options. There is no requirement for the Council to make further equity contributions, Cabinet will be able to appraise the merits of each case as the scheme developments. Similarly the options for recycling the Council's profit share and/or taking these as loan note interest and dividends will also be for Cabinet consideration.

4.2 Legal Issues (Monitoring Officer)

4.2.1 The Head of Democracy and Governance comments that under the Members Agreement for the LABV cabinet is required to formally approve all LABV business plans on behalf of the Council as LABV member.

4.3 Equalities

4.3.1 There are no equalities issues

4.4 Potential Risks

Potential Risk	Likelihood	Impact	Overall score
Delays in assembling land	2	4	8
Economic conditions makes scheme unviable	2	5	10
Cashflow requirements to deliver the scheme become excessive	2	3	6
Croxley Rail Link is delayed or doesn't happen	2	4	8
Road contractor insolvency	1	3	3
Quantum of development in West Watford putting strain on infrastructure	2	3	6
Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service's Risk Register.			

Appendices

- Annex 1- LABV Business Plan
- Annex 2 – Business Zone South Business Plan