

Title of Meeting:	Primary Care Commissioning Committee (PCCC)	Agenda Item: AOB										
Date of Meeting:		<table border="1"> <tr> <th colspan="2">Session (Tick)</th> </tr> <tr> <td>Public</td> <td>X</td> </tr> <tr> <td>Private</td> <td></td> </tr> <tr> <td>Development Session</td> <td></td> </tr> </table>			Session (Tick)		Public	X	Private		Development Session	
Session (Tick)												
Public	X											
Private												
Development Session												
Paper Title:	Stokesley Health Centre rent reimbursement uplift											
Responsible PCCC Member Lead Wendy Balmain Director of Strategy & Integration Dr Bruce Willoughby GP Lead and Governing Body Member		Report Author and Job Title Claire Saunders Service Improvement Manager - Primary Care										
Purpose (this paper if for)	<table border="1"> <tr> <th>Decision</th> <th>Discussion</th> <th>Assurance</th> <th>Information</th> </tr> <tr> <td>X</td> <td></td> <td></td> <td></td> </tr> </table>				Decision	Discussion	Assurance	Information	X			
Decision	Discussion	Assurance	Information									
X												
Has the report (or variation of it) been presented to another Committee / Meeting? If yes, state the Committee / Meeting: No.												
Executive Summary <u>Background</u> <p>Plans are progressing to carry out a significant refurbishment and internal reconfiguration of Stokesley Health Centre as well as some improvements to the car park. The property is owned by NHS Property Services (NHSPS) and leased to Dr Duggleby and Partners and under separate lease, to community services delivered primarily by South Tees Hospitals Foundation Trust (STHFT), Tees Esk and Wear Valley Foundation Trust (TEWVFT) and Harrogate and District Foundation Trust (HDFT) as well as Yorkshire Ambulance Service (YAS).</p> <p>Full ETTF capital funding has been approved by NHS England (NHSE). The total value of NHSE funding is £1,745,823 and the scheme is being proposed as a cost neutral solution.</p> <p>NHSPS are preparing an outline business case for the development and the District Valuer (DV) was appointed by NHSE to carry out an assessment of the Market Rent and the CMR for the GP Part of Stokesley Health Centre, North Road, Stokesley, TS9 5FY</p>												
<u>Considerations</u> <p>The DV submitted their report to NHSE on the 9th March 2021. The full report is included in the references at the end of this document, In summary the report concluded:</p> <p>Stokesley Health Centre is an older property and in need of upgrading but it is well situated on the edge of Stokesley town centre.</p> <p>The comparable rent has been adjusted by 7.5% to reflect the lease terms being on an effectively fully repairing and insuring (FRI) basis. This generates a lease rent value of £113.95m2 for the building.</p>												

The DV has adopted a rate of £157.50m2 for the building post improvement works on Current Market Rent (CMR) terms, which generates the following CMR valuation:

CMR valuation of property as is stands:

Net Internal Area (NIA): 552.97 @ £113.95 = £63,010.93
 7.5% repairs and insurance element £4,725.82
 Total CMR £67,736.75

CMR valuation of property post works:

Net Internal Area (NIA):552.97 @ £157.50 = £87,093
 7.5% of this rental figure to cover external repairs and insurance element is £6,532

(Please note that the figures above have been adjusted for accuracy due to an administrative error in the DV report – this is being followed up by NHSE and the CCG with the DV)

The current breakdown of occupancy in Stokesley Health Centre is as follows:

Occupier	% Proportion of Total Lettable NIA	Net Rentable Area m2 NIA
Dr Duggleby and Partners	52.21%	392.77
HDFT	15.15%	113.94
STHFT	18.03%	135.59
NHSPS VACANT - Charged to CCG	1.55%	11.65
YAS	2.48%	18.68
NHSPS Sessional – Charged to CCG	10.58%	79.58
		752.21

NHSPS have stressed that the improved value in the DV report does not create an issue as the gap between the existing rental and the improved rental level forms the abatement on the investment and will not have a revenue impact on the CCG until the end of the first lease term (25 years).

NHSPS have been charging market rent at **£85 per m2** and the DV opinion of market rent for the unimproved health centre is £112.50 per m2 with uplift to full repairing and insuring which means the amount reimbursable by the CCG would be **£113.95 per m2**.

NHSPS must apply the DV assessed market rent as it would create a precedent for them if they were not to do so in this instance.

The CCG has previously received an allocation to cover market rent increase in 2016/17 however this increase however NHSPS had not increased the rental charge to the practice for market rent at that stage. The CCG has the recurrent allocation within it's budgets.

Conclusion

The impact on the CCG of the increase in rent reimbursement would be:

	Pre DV Review @ £85.00 per m2	Following DV Review @ £113.95 per m2	<i>Following DV Review @ £113.95 per m2</i>
GP Floor area (m2)	392.77	392.77	552.97
Car parking	<i>Not charged</i>	<i>Not charged</i>	<i>Not charged</i>
GP Rental	£33,385.45	£44,756.14	£63,010.93
Uplift to FRI (7.5%)	<i>Not charged</i>	£3,356.71	£4,725.82
Total applied	£33,385.45	£48,112.85	£67,736.75
Rent Reimbursement Uplift		£14,727.40	<i>£19,623.90</i>

*To be covered within
the rent abatement for
the development*

NHSPS are expecting some changes on the area confirmed in the DV report as there are a couple of rooms that will come back into shared space and a change on allocation of a corridor. This will impact the final floor areas marginally, however NHSPS will not be able to provide definitive numbers until this has been worked through so the costs provided above are for planning purposes.

The CCG and NHSPS will undertake a reconciliation of charges and payments made in previous years to ensure that the market rate increase has been calculated appropriately.

Recommendations

PCCC is being asked to make a decision to either:

1. Do nothing

This option is not recommended as this decision could impact on the proposed £1.7m redevelopment of Stokesley Health Centre

The CCG has already received funding to cover market rent increase for this practice

2. Approve the rent reimbursement uplift of £14,727.40 per annum

This option is recommended and will mean that the practice will receive full rent reimbursement which will align the practice with the correct framework for rent reimbursement going forwards. In addition it will demonstrate the CCGs continued support of Primary Care to deliver services

Monitoring	
The delivery of primary care operational and strategic plans is monitored through relevant CCG committees, the CCG Transformation and Recovery Executive Group and in discussion with key delivery partners.	
Any statutory / regulatory / legal / NHS Constitution implications	NA
Management of Conflicts of Interest	No conflicts of interest have been identified prior to the meeting.
Communication / Public & Patient Engagement	N/A
Financial / resource implications	Cost pressure to the CCG equating to £14,727.40 per annum to be covered within recurrent allocation. This could rise over time in line with inflation, should the cost per metre square reimbursement be increased following future DV reviews
Significant Risks to Consider	This decision could set a precedent should the same matter arise when other NHSPS properties are reviewed by the DV
Outcome of Impact Assessments completed	N/A

Name: Claire Saunders

Title: Service Improvement Manager (Primary Care)

Date: 19 March 2021

References

District Valuers Report March 2021

[Y:\North Yorkshire CCGs\Directorate of Strategy and Integration\Primary Care\Primary Care \(from previous location\)\Capital Planning\Capital pipeline\Stokesley\District Valuer Report.pdf](Y:\North Yorkshire CCGs\Directorate of Strategy and Integration\Primary Care\Primary Care (from previous location)\Capital Planning\Capital pipeline\Stokesley\District Valuer Report.pdf)