

Title of Meeting:	Primary Care Commissioning Committee (PCCC)	Agenda Item: 6.5b										
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:	Central Healthcare, Scarborough. Rent Reimbursement uplift											
Responsible PCCC Member Lead Wendy Balmain Director of Strategy & Integration		Report Author and Job Title Andrew Dangerfield Head of Primary Care Transformation										
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 Background <p>Central Healthcare received a CQC report February 2020. As part of the improvement plan an investment in the estate was agreed with the landlords, Assura. A capital investment was made, by Assura, of £880 800.</p> <p>A District Valuer assessment in February 2021 has resulted in a rent reimbursement value of £304 200. This is an increase of £13 700 from the current reimbursement of £290 500.</p> <p>The previous closure of the Prospect Rd branch, in November 2020, resulted in a £69,000 saving to the CCG so this cost is within the existing budget.</p> <p>There has been no rent review increase since 2010.</p> Recommendation <p>PCCC is asked to approve this rent reimbursement increase.</p>												
Monitoring <p>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.</p>												
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	Increased revenue cost to the CCG of £13 700 per annum to be covered within recurrent allocation.
Significant Risks to Consider	N/A
Outcome of Impact Assessments completed	N/A

Lawrence House Rent Reimbursement

1.0 Background

Central Healthcare has a list size of 30,165 and operates from of 2 premises following the recent closure of the Prospect Rd Surgery branch site.

- Main site – Lawrence House, 1 Belgrave Crescent, Scarborough, YO11 1UB
- Branch site – Peasholm Surgery, 98 Tennyson Avenue, Scarborough, YO12 7RE.
- The main site at Lawrence House is leased and owned by Assura
- The lease expires in November 2025
- Current reimbursement is £290,500 plus VAT per annum
 - Some rent reviews are outstanding and the District Valuer (DV) advised this hasn't increased since the 2010 valuation
- Following the DV assessment the rent value is now £304,200 per annum plus VAT
- In early 2020 the Practice received a CQC rating of inadequate. The improvement plan included moving most of the clinical staff into Lawrence House as well as improving Infection Control compliance
- To be able to present an action plan to CQC, in June 2020, the CCG approved in principle to a proposed capital investment into the property by Assura
- In November 2020 Central Healthcare closed its Prospect Road branch site with a saving to the CCG of c£69 000 therefore this increase in cost is within the existing budget

2.0 Scheme Proposal and Lease Terms

Key Terms;

- 25-year lease period from completion of the works
- Rent reviews to take place every 3 years
- The rent review dates shall remain in line with the review dates contained within the existing lease
- The initial rent will be £304,200 per annum plus VAT
- Capital investment into the property of £880,000
- The value of the works will not be reflected until the third rent review due in November 2028
 - The lease to be updated to detail the value of the improvement works and a description of the work undertaken so the valuation can be understood at each rent review.
 - The landlord to remain responsible for the upkeep of the premises.
 - The scope of the works to include the creation of an additional 6 clinical rooms, the refurbishment of most of the other clinical rooms as well as the waiting and circulation spaces and general improvement to support CQC and infection control compliance.

3.0 District Valuer Assessment

An initial rent of £304,200pa. This is an increase from the current rent payable of £290,500pa but given this rent dates from November 2010, I don't think the level of rental increase is unreasonable in over 10 years.

A lease term of 25 years. Although this lease is a sizable length, as you will have seen the landlord has proposed a significant programme of works including creating six new clinical rooms and refurbishing the vast majority of the original clinical rooms alongside waiting and circulation spaces. In light of the extent of the works proposed, I don't think the lease term is unreasonable. Also, in this case, Assura are responsible for maintaining the external shell of the building so the practice have limited responsibility for the overall upkeep of the building, especially the structure and outside space.

I have also agreed with Assura that the value of the additional works shall not be reflected in the rent passing until the third rent review. This is due in November 2028. I have asked that Assura document this condition in the lease and also, list the extent of the improvement works.

The VAT situation will not change from the current status under the existing lease.

Subject to confirmation that the lease will be updated in light of point 3, I am satisfied that this lease represents 'value for money' to NHS England. I would request that when the final lease draft is made available that you send me a copy to ensure that the necessary changes have been made.

4.0 Recommendation

Acknowledging the need for the development and that the District Valuer has assessed it as value for money the Committee is asked to support the development and agree to the proposed lease terms and additional revenue consequence of £13 700p.a