

GP PRACTICE

Property Management

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A bit about us



What we'll cover today

Partnership change and property

- ▶ Partnership agreements
- ▶ Property valuations
- ▶ Succession planning options
- ▶ Leases – the key considerations
- ▶ Sale and Leaseback
- ▶ Sale and transfer

Boosting surgery income

- ▶ Notional Rent
- ▶ Improving property & abatements

Partnership Agreements & Valuations

Partnership Agreements

“A partnership agreement **identifies the obligations, responsibilities and restrictions of partners at a practice.** Your partnership agreement is undoubtedly the most important document that should be provided to any incoming partner, as they will be required to sign up to it.”

British Medical Association

01/11/21

What are the dangers of having no Partnership Agreement in place?

- ▶ If you don't have a written and signed PA you may have a "Partnership at Will"
- ▶ Partnership Act 1890

Consequences of Partnership at Will:

- ▶ Automatically deems equal shares of everything
- ▶ Any partner can serve notice to end the partnership at any time
- ▶ No mechanisms to allow a partner to retire without dissolving the partnership

Market Valuations

The PA should stipulate how the property is to be valued.

Usually involves one or more valuations:

- ▶ Single joint expert
- ▶ Exiting and incoming partner appoint own valuers and negotiate price
- ▶ Third Party Expert

- ▶ GP Practices are often require valuations at Partnership change

Avoiding costly disputes



- ▶ Minimise risk of disputes have an up-to-date PA in place
- ▶ The PA should stipulate how the property is to be valued
- ▶ Valuations from a healthcare sector specialist surveyor
- ▶ Seek advice from a specialist healthcare solicitor

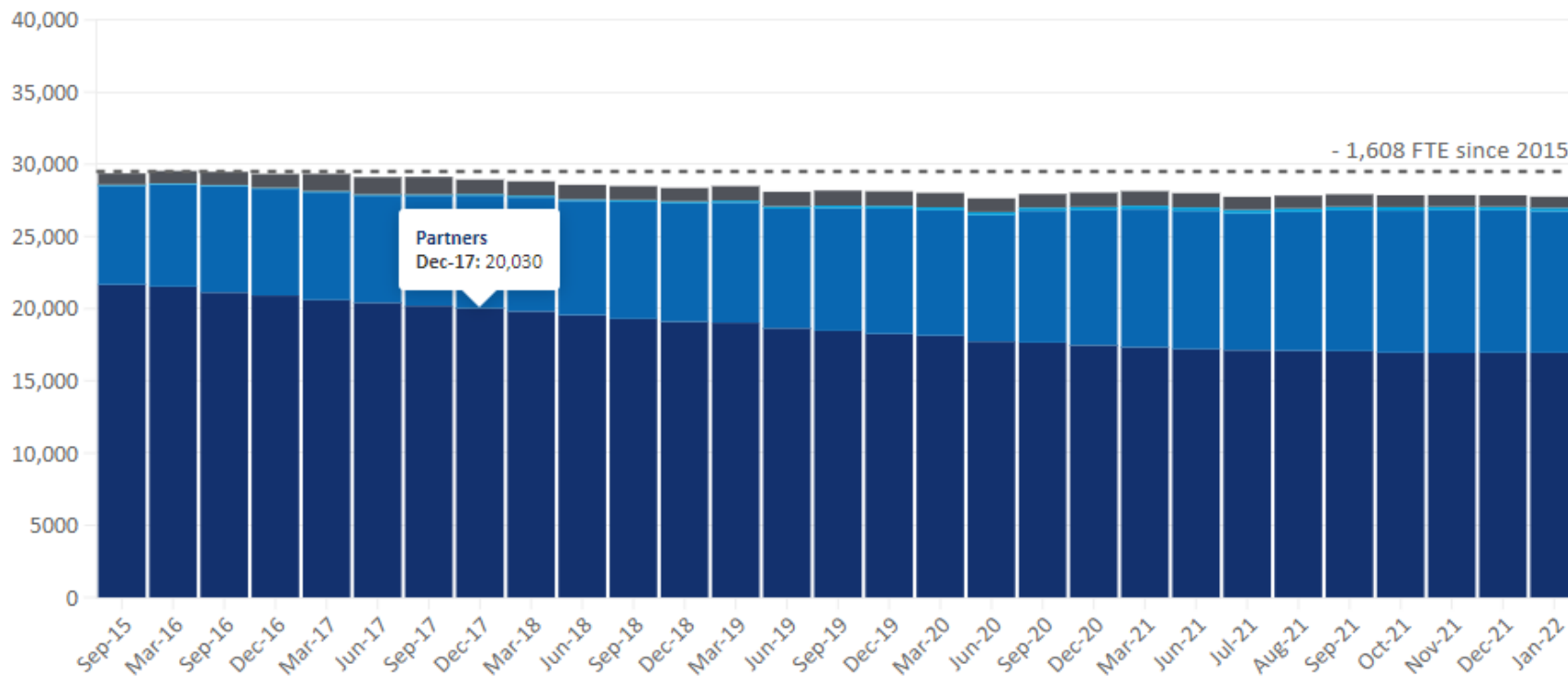
Succession planning & property

The current partnership landscape

Number of NHS GPs by role (FTE) - fully qualified GPs only

September 2015 to January 2022

Partners Salaried Retainers Locums

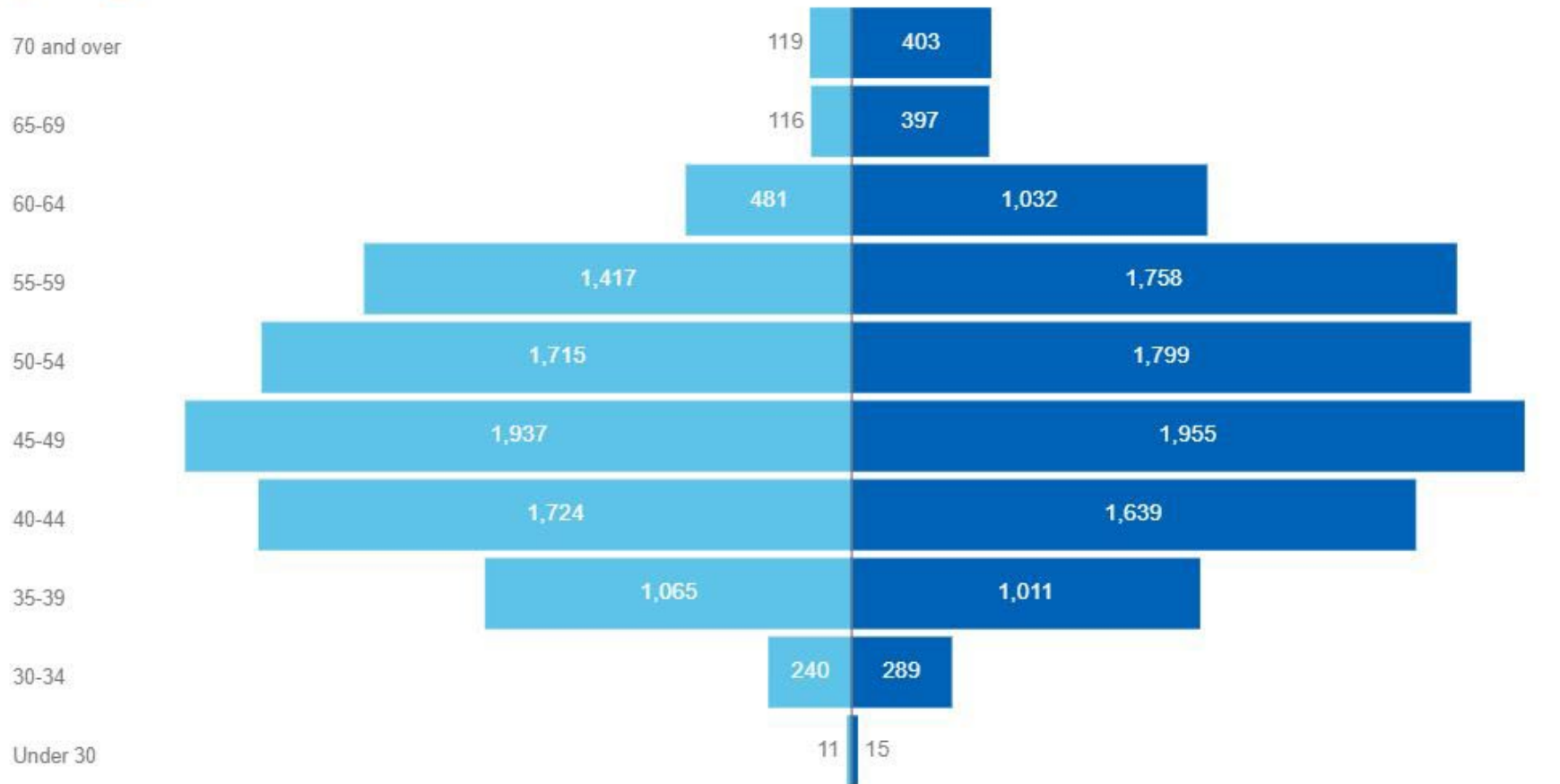


Source: [NHS Digital General Practice Workforce Statistics](#)

The current partnership landscape

Headcount by age band and gender

Female Male



The current partnership landscape

AN AGING WORKFORCE

25.4%

FTE GPs are over 55

EARLY RETIRMENT RISING

60%

Of GPs who claimed their
NHS pension for the first time in
2020/21 retired early.

Solutions:

- ▶ Partnership change - Market Valuation
- ▶ Leases
- ▶ Sale and Leaseback
- ▶ Sale / Sale and Transfer

Every situation is unique and there is no one size fits all solution

Leases

What is a lease?

A Lease is a formal document to regulate the occupation of a building.

The four main requirements of a lease:

- ▶ Price (The rent)
- ▶ Parties (Landlord and Tenant)
- ▶ Period (Duration of time – Term of Years)
- ▶ Property (Building)

When is a lease required?

- ▶ A Lease is usually required when there are uncommon parties
- ▶ When the intention for occupation is for a term in excess of three years
- ▶ Leases in excess of 7 years should be registered and attract Stamp Duty Land Tax

key considerations before signing a lease as a tenant:

- ▶ Do you want to stay in the building?
- ▶ How long? / What are your future plans?
- ▶ Is the building fit for purpose / requiring investment?
- ▶ Is the building part of NHS future estates strategy?
- ▶ Is the building / site sufficient for future needs of Practice and Patients?
- ▶ Who is your Landlord?

Benefits of having a Lease - Landlord

- ▶ Protects the investment value
- ▶ Transferable

All parties

- ▶ Provides clarity - rights and obligations
- ▶ Helps avoid costly property disputes

Benefits of having a Lease - Tenant

- ▶ Use the Property for a specified term of years
- ▶ Right to renew the Lease
- ▶ GP Contractor requires a secured property to operate an NHS Contract
- ▶ Receive NHS rental reimbursement for the duration of the Lease
- ▶ Qualify for NHS improvement grants

Sale and Leaseback

Why might a practice consider selling the building and leasing it back from the purchaser?

- ▶ Recruitment / succession issues.
- ▶ Need for capital to buy out a partner.
- ▶ Risk of last man standing.
- ▶ Risk of buying at market price as a surgery and being left with a building at the end of its life worth significantly less.
- ▶ Avoid redeveloping the site at end of useful life.

What issues may need to be solved?

- ▶ Dr's holding the GP contract are required to sign the Lease
- ▶ NHS Approval
- ▶ Finding purchase at an agreeable price
- ▶ Agreeing lease terms that are acceptable to all parties

Benefits:

- ▶ Prospect of a higher sale price on the open market
- ▶ Releasing capital
- ▶ Partners flexibility to retire immediately or at a later date
- ▶ An NHS approved lease in place
- ▶ Reduce partnership recruitment issues

Summary

- ▶ Not a solution for everyone
- ▶ The importance of Lease terms
- ▶ Secure an NHS approved lease
- ▶ Instruct specialist primary care sector experts

Sale and Transfer

What is a Sale and Transfer?

- ▶ The sale of the GP property and transfer of the GMS contract to an alternate provider

When is this a viable option?

- ▶ If the practice has no partners in place to sign a lease as Tenants

Benefits:

- ▶ Releasing capital
- ▶ Shorter transaction time as a lease does not have to be agreed

Boosting Surgery Income

Notional Rent

What is Notional Rent?

- ▶ A method of reimbursing GP's receive to provide premises.
- ▶ An estimate of the Current Market Rent (CMR) of premises used for NHS approved Medical Services

Notional Rent

- ▶ The amount paid in Notional Rent by the NHS to the GP is deemed to reflect what the property would let for between a Landlord (owner) and Tenant (occupier)
- ▶ There is a hypothetical lease, and the terms of that lease are set out in the Premises Cost Directions

Notional Rent

2004 Directions:

- ▶ Term of 15 years, upward only rent reviews every 3 years
- ▶ Internal repairing
- ▶ Excludes service charge
- ▶ Vacant possession
- ▶ Exclusive of rates
- ▶ Rights to assign or sublet
- ▶ Used for practice purposes, or any other purpose for which planning has been granted, or might be reasonably expected

Notional Rent

2013 Directions

- ▶ Upwards or downwards but never below the initial rent
- ▶ Premises used for practice purposes only

How Notional Rent is Calculated

How Notional Rent is calculated

- ▶ Notional Rent reimbursement is usually calculated by District Valuer Services (DV)
- ▶ Notional Rent is usually a combination of
 1. Floor
 2. Car Parking Spaces
- ▶ The price applied to each element will depend upon supply and demand in each location

How Notional Rent is calculated

- ▶ Premises Cost Directions 2004 or 2013
- ▶ Key Date – 1st April 2013
- ▶ Key Value differences include
 - Alternative use
 - Air conditioning
 - Tandem Parking

The CMR 1 Form

CMR1 Form

- ▶ Issued to practices to begin the rent review process
- ▶ The CMR1 form assists the DV and NHS England to determine the space that qualifies for NHS rent reimbursement
- ▶ The form can be represented as a legal document, by NHS England, ensure it's filled in accurately

CMR1 Form

- ▶ Check the valuation date
- ▶ Submit a separate form for each review date
- ▶ Car parking spaces
- ▶ Ensure you include all rooms and list rooms used for non-contracted use and the degree of use

Checking Your Notional Rent Figure

Checking your Notional Rent

CMR6 Form

- ▶ After filing your CMR1 form you will be sent your CMR6 form by NHS England
- ▶ Your CMR6 form will contain the DV's opinion of your rental figure
- ▶ The CMR6 form will confirm your rights to challenge the DV's opinion

Checking your Notional Rent

Specialist surveyor will

- ▶ Inspect the surgery
 - Measure
 - Detail infection control
 - Ensure all eligible areas are included

Checking your Notional Rent

- ▶ Factors that are taken into account when assessing your Notional Rent figure, include:
 - Premises size
 - Comparable premises
 - Local area
 - State of repair
 - Accessibility
 - Infection control

Checking your Notional Rent

- ▶ Areas that can attract Notional Rent that may have been overlooked:
 - Corridors
 - Attics
 - Basements
 - Store rooms
 - Bin store
 - Garage
 - Patient toilets
 - Usable areas under 1.5m high

Checking your Notional Rent

- Attics that achieved Notional Rent reimbursement



Checking your Notional Rent

- Bin store areas that achieved Notional Rent reimbursement



Checking Your Notional Rent

- Basement areas that achieved Notional Rent reimbursement



Checking your Notional Rent

- Store rooms that achieved Notional Rent reimbursement



Challenging Your Notional Rent Figure

Challenging your Notional Rent

- ▶ A specialist surveyor will inspect and use the facts collected on site to check the DV's facts within the CMR 6 letter.
- ▶ The surveyor will then apply the facts to the local evidence of prices agreed with DV and will recommend whether a challenge is appropriate.
- ▶ Surveyors are professionals and regulated.

Challenging your Notional Rent

- ▶ Once appointed your agent will negotiate with the DV and seek to agree a revised Notional Rent Figure
- ▶ Time frames
- ▶ Increases are backdated to the rent review date stipulated on your CMR6 form

Challenging your Notional Rent

- ▶ If the specialist surveyor and DV disagree they should seek to find and agree common ground
- ▶ Before moving the case on to Local Dispute Resolutions Procedure (LDRP)
- ▶ LDRP is a more formal process that seeks to narrow the areas of dispute
- ▶ If LDRP is unsuccessful your case can be moved to NHS Resolution

Improving Property & Abatements

Improving property & abatements

Improving property

- ▶ Approval
 - Always obtain approval from NHS, to ensure the works will be included in your Notional Rent

- ▶ Funding structures
 - Part or fully NHS funded

Improving property & abatements

If improvements are NHS funded, a portion of your Notional Rent will be subject to an abatement

► **Abatements**

- recurring costs prior to 1 April 2013 = 2004 Directions
- recurring costs from 1 April 2013 = 2013 Directions

► **2004 Cost Directions**

- 10 year abatement

► **2013 Cost Directions** (Total cost of works)

- Works up to £100,000 - 5 year abatement
- Works between £100,000 - £250,000 - 10 year abatement
- Works more than £250,000 - 15 year abatement

Improving property & abatements

There are a number of ways to improve your property:

- ▶ Extensions
- ▶ Modern infection control
- ▶ Accessibility

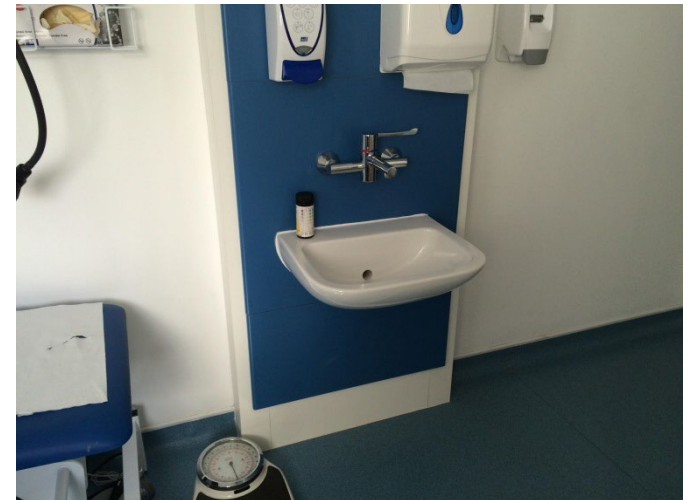
Improving property & abatements



Before



After



General Advice

- ▶ Seek specialist advice on all your property matters and instruct specialists;
 - ▶ Solicitors
 - ▶ Surveyors
 - ▶ Accountants (including Tax advice)
 - ▶ Bank
- ▶ Appointing specialists will allow you to make informed decisions and protect your position

Contact Us

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