Further, applications for the funding closed as notional rent used to fund the remainder. A MATTER OF MONEY

Transformation Fund (ETTF).

through the Estates and Technology

receiving new investment in their buildings after the announcement of the nearly 300 practices Forward View. One of these actions was the Stevens, announced ‘the next concrete

mod cons’. It’s no secret…not all GP premises were created equal. Some are simply not fit for purpose, others are dilapidated and more are just not ready for the future of healthcare. MARIE CAHALANE explores the routes you can take when investing in your practice – whether that be a premises upgrade or new premises altogether

A MATTER OF MONEY

notes, the ETTF is a programme that is mainly oversubscribed. But there are alternative ways to fund a development. “Where initial capital or additional sources of funding are needed you will need to think carefully about how to bridge any finance gaps without causing cash-flow problems for your business,” says Michael Copeland, senior area manager for medical customers at Wesleyan who points out that practices embarking on such a project might consider a number of options. “There are commercial mortgages which can be used to raise capital against premises in order to purchase new equipment as well as moving or extending a practice – or commercial loans, which can be used for practice acquisition, equity buy-in/out, practice refurbishment, cash-flow support and capital expenditure,” he explains.

THIRD PARTY DEVELOPMENTS

Third party developments schemes are a common way to go about developing a GP premises. This, Sam explains, is where a specialist developer builds a new surgery using their own capital and practice partners will sign an agreement for lease. “When the surgery is complete ‘practical completion’ is signed off and the lease granted. “The practice will then be tied into a lease – usually for a 25-year term – and they’ll receive rent reimbursement from NHS England or the CCG for the duration of the term of that lease,” Sam says.

There are a number of advantages to practices entering a lease with a third party developer. “Exposure to ‘upfront’ costs is largely limited to professional fees and often these will be met by the developer and/or the NHS,” Sam explains, adding that development and funding risk is thus carried by the developer and there are additional time and external maintenance costs that will also be absorbed by the developer.

Naturally, there are drawbacks: entering a lease is binding and so it’s vital that the lease terms are well-negotiated. Furthermore, as Sam notes, if you take this path you forego any sort of investment opportunity for the practice.

For Sam, a practice’s options are determined by how the premises are held – whether they are owned by the GPs or partners (present/past), commercial landlords, developers, by the NHS property companies – NHS Property Services or Community Health Partnerships (CHP) – or a local authority.

Ben Willis, partner at Veale Warburton Vizards and head of their healthcare team, notes that GPs are in an advantageous position when it comes to securing investment. “Because of the entitlement of GPs to Notional Rent from the NHS banks are prepared (almost uniquely) to lend to GP practices 100% of development finance on favourable terms.” He also points out that developers and investors will usually be keen to carry out developments – keen to sign GPs up to NHS-backed leases. Investment is lucrative and there are a number of options available to practices.

This can make it easier to bring in new partners because they don’t then need to buy into the property… it’s more straightforward.

For those developing their premises, Michael reminds us to consider the change to insurance needs that comes with this.

If you’re planning to develop your premises you’ll need to be mindful of your changing insurance needs. Your buildings and contents policy will need to be reviewed to ensure it still offers the appropriate level of cover. A surgery insurance policy should protect your business against the most common incidents such as escape of water, theft, smoke and fire damage, loss of income and public/employees’ liability.

“GOING IT ALONE”

Embarking on your own development project is, of course, an option but requires substantial funding – either from the bank or from your own reserves. After this point it runs along like any building project – you find a contractor; secure planning permission, enter a building contract, etc. – and then, once the development is completed, the partners will be entitled to receive notional rent from the commissioner.

Doing it alone naturally means you have more freedoms – but also more responsibilities because you will be taking on all risk involved but, as Ben says, the upside to development risk is the possibility of development profit. “The hope would be that there will be capital appreciation over time which should prove attractive to current and future partners who wish to share in these benefits.”

AN INVESTMENT AT THE END OF THE DAY

In certain areas it can be difficult to bring on board new partners who are willing to invest their own funds into a practice – something accentuated by the current, well-publicised recruitment crisis. This, Sam says, is one reason that practices are opting to go down the third party developer route – so that they have a lease rather than a freehold. “This can make it easier to bring in new partners because they don’t then need to buy into the property – it’s more straightforward from a legal perspective.”

Sam also says that they have seen a number of practices sell their properties to investors and lease them back. “Here again, the reasoning is that it can be easier to recruit new partners if the premises are held on a lease. Plus, there are potential capital gains from selling the property which can be quite attractive.”

Whichever route you take, ensure that you have sought the right advice and remember that you need to keep the NHS in the loop from the get go – moving ahead with a development without the green light may result in you missing your NHS reimbursement – not the outcome you’re looking for!”