PREMISES

How are GP practices funded or reimbursed for their premises?

Independent contractors to the NHS, such as GPs providing services under a GMS contract, operate under a specific set of contractual rules and regulations, which include contractual terms relating to premises.

The main source of information is the Premises Cost Directions 2004 (http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsLegislation/DH_4078585)

There are 5 main areas of reimbursement relating to premises and premises-related rates:

- Leasehold rent
- Owner occupier borrowing costs (cost rent)
- Notional rent
- Business rates
- Water/Sewage rates

There are two main types of premises associated with general practice:

- The practice is a tenant with a landlord (leased). The landlord may be the PCT, the local authority, or a private landlord.
- The practice owns the premises as owner/occupier

(From April 2013, the new national NHS property company, NHS Property Services Ltd., will take on the ownership and responsibility of any PCT-owned premises which have not been transferred to local NHS Trusts. The NHS Property Services Ltd website is http://www.property.nhs.uk/)

How are leased premises funded?

For leased premises, the landlord is a third party and should have a written lease with the practice. This lease should detail information regarding rent, rent increase mechanisms, and should also specify who is responsible for repairs and maintenance of both the building and the land.

For leased premises, the PCT (and from April 2013, the NCB) will regularly review the arrangements for the property and will reimburse the practice for the actual rent paid or the current market rent.

Even where the PCT owns the premises, a lease agreement should still be in place, and although it isn’t necessary to make actual rental payments, it is important that the details are correctly recorded in both the practice and PCT accounts.
How are owner-occupier premises funded?

As a rule, there are two forms of payment made to practices that own their own premises.

There may be costs agreed that the PCT will pay or reimburse (or part reimburse) for the initial build or development of premises.

Notional rent payments are usually made to the practice as if it was the landlord and receiving rent from a tenant. PCTs usually commission a notional rent review every three years, or more frequently by mutual agreement, for example if there has been a significant investment or development of the practice premises.

Notional rent amounts must be agreed between the PCT and the practice. Often in the case of dispute, practices can take advice from a number of bodies, such as the LMC. If agreement still cannot be reached, then the NHS Litigation Authority dispute resolution process should be followed.

Notional rent amounts may be abated. This can be for three reasons:

- To take into account any investment of NHS money spent on premises improvements. This adjustment is limited to a period of 10 years. NHS money could include, but is not limited to, funding awarded by the PCT as part of any local capital grants schemes, or money from the deanery for primary care development which has been brokered through the PCT.
- To take into account any rental income from other organisations or services using any part of the building which is covered by the notional rent payment to the practice.
- To take into account any use of the premises to provide private (non NHS) services (private income from services provided from the premises over 10% is liable for rent abatement).

What about business rates and service charges?

Practices may also receive payments or reimbursements in respect of running costs. These are discretionary, but could include business rates, water and sewage rates and clinical waste disposal. Not included are fuel and electricity, insurance, internal or external repairs, building and grounds maintenance.

Service charges are usually levied on the practice by the landlord of the premises. This will cover non-reimbursable running costs.

For practices that are owner-occupiers, and where a notional rent payment is made for the whole premises including areas where accommodation for other providers has been provided, the practice may levy a service charge for use of the accommodation. If the practice makes the premises available to accommodate other NHS services, it should not charge a rent to the service provider as this would be classed as a double benefit. If the practice makes the premises available to non-NHS service providers or other tenants, then reimbursement from the PCT should be reduced by the rental income amount.
What about premises and the CQC?

By April 2013, all primary medical care service providers contracted to provide NHS services must be registered with the CQC. As part of the CQC registration process, providers will be required to comply with a number of standards, including outcome 10 which concerns safety and suitability of premises. This requires registered providers to ensure that people who use services and people who work in or visit the premises are in safe, accessible surroundings that promote their wellbeing.

Practices will need to ensure that they meet the required quality and safety standards for their premises.

Useful links

www.property.nhs.uk
NHS Property Services Ltd website, with information on how NHS property not under the ownership/management of local providers will be managed, along with contact details for the national and regional NHS Property Services Ltd teams (main bases in London, Cambridge, Taunton and Manchester).

www.dh.gov.uk
Department of health and link to premises regulations.

BMA website has a useful list of premises related articles and guidance for GPs.

For further advice on a case-by-case basis relating to individual rent and reimbursement queries contact your local PCT (until March 2013) or your local area team of NCB (from April 2013).