

Primary Care Buildings Pledge

*A response to the Naylor
Review and an investment
pledge to enhance the quality
of the primary care estate*

By Primary Health Properties
plc, Octopus Healthcare and
Assura plc



Executive Summary

In March 2017 Sir Robert Naylor published a long-awaited independent review, *NHS property and estates: Why the estate matters for patients*, advocating a three-pronged solution for the endemic problem of deteriorating NHS buildings. It recommended that £10bn of capital investment was necessary to ensure Sustainability and Transformation Plans (STPs) have the buildings and infrastructure they need to deliver an efficient and fit-for-purpose 21st century NHS. It called for a third of the £10bn to come from property disposals, one third from HM Treasury and one third from the private sector (for primary care).

This is a position paper from the three leading UK primary care property investors who provide modern, fit-for-purpose primary healthcare premises for the NHS. The group is made up of Primary Health Properties plc (PHP), Octopus Healthcare (investment adviser to the MedicX Fund) and Assura plc, which between them have a combined market capitalisation of over £2.7bn. The group has come together to establish the third party development (3PD) Primary Care Buildings Pledge, which aims to highlight the importance of fit-for-purpose primary care buildings for bringing NHS care closer to home. This group is ready to demonstrate its commitment and capability to help at this time when capital expenditure has been historically restricted.

The group has risen to meet the challenge issued by Naylor's review to find sufficient funding to make the urgent transformation needed for modern and appropriate primary care buildings. The report explicitly calls for the NHS to "take advantage of private sector investment", and this group fully support collaboration to supply capital investment to update and refurbish deteriorating provider premises and facilities. Together, they have the willingness and capacity to raise £3.3bn of capital for primary care estate improvements through 3PD during the next parliament – the equivalent of 750 new primary care centres for lease by the GPs, pharmacies and other local health services crying out for up-to-date buildings, serviced by less than £200m of rent from the NHS. 3PD presents an entirely new way of making sure GPs and wider primary care teams have the buildings they need, at far better value.

A fit-for-purpose estate confers numerous benefits to patients, clinicians, and the NHS as a whole. Patients may no longer need to wait long hours in A&E for simple procedures which could be performed much more cost-effectively and conveniently nearer home, while patients are seen in buildings designed around easy access and the use of emerging technologies. Clinicians can provide a greater breadth of services in the community. The NHS can fulfil its 'Five Year Forward View' of moving care from expensive acute wards into community settings, and can integrate the currently highly fragmented care pathways.

As such, the group stands ready to support delivery of the Prime Minister's promise of "the most ambitious programme of investment in buildings... the NHS has ever seen."



1 Context

- 1.1 In March 2017, Sir Robert Naylor published his review of NHS property and estatesⁱ which aimed to support the Department of Health’s target to release £2bn of assets for reinvestment and to deliver land for 26,000 new homes. In the opening lines, he wrote:

Without investment in the NHS estate the Five Year Forward View (5YFV) cannot be delivered, the NHS estate will remain unfit for purpose and will continue to deteriorate.

- 1.2 Based on the Sustainability and Transformation Plan capital requirements – the STPs being the vehicles to deliver the 5YFV – Sir Robert estimated that the capital investment required totalled around £10bn. The estate is in such disrepair, however, he recommended that another £5bn may be required to tackle maintenance backlog. He suggests throughout the report that the £10bn is funded through a combination of property disposals, private capital (for primary care) and allocations from HM Treasury.
- 1.3 The Conservative party manifesto outlines its vision for the NHS, focusing on transforming services so they can be delivered closer to home. The government will specifically enable this vision by building and upgrading healthcare facilities across England, committing to “the most ambitious programme of investment in buildings and technology the NHS has ever seen”.
- 1.4 Primary Health Properties, Octopus Healthcare, and Assura are delighted that this is being recognised at a political level, and want to respond to Sir Robert’s ask that we act swiftly “to accelerate change and build momentum in the system to capitalise on these opportunities.” In particular, one of the Naylor report’s recommendations advises that NHS England and the newly-established NHS Property Board should ensure primary care facilities meet the vision of the 5YFV, specifically “taking advantage of private sector investment”. In response to this, and the NHS’ urgent need for capital investment in primary care estate, this group of 3PD investors has been convened to kick-start discussions.



2 The Group

- 2.1 Primary Health Properties (PHP) is the longest-standing investor in primary care property in the UK, and has now been involved in the development of nearly 300 first-class facilities in the UK and Ireland. PHP has a rent roll of close to £68m and a total portfolio value of £1.2bn as of December 2016. PHP is committed to supporting patients and clinicians in the UK, demonstrated by their intention to invest a further £100m this year. Their investment and commitment is long-term; they actively manage and invest their portfolio ensuring their new builds and redevelopments remain fit for the future.
- 2.2 Octopus Healthcare (investment adviser to the MedicX Fund) is a specialist infrastructure investor in modern purpose-built primary care and care home properties in the United Kingdom and Ireland with a total funds under management of £1.1bn. The primary care portfolio (MedicX Fund) currently comprises 156 properties with a value of £660m. The MedicX Fund is dedicated to continuing investment with its NHS partners and is actively managing the portfolio through asset management initiatives.
- 2.3 Assura plc is the largest primary care property investor in the UK, and has ownership of 398 medical centres across the country with a total annualised rent roll of over £74m. Its £680m of investment in NHS property in the last five years, including improvements to GP surgery premises, completion of brand new primary care buildings and long-term partnerships to support existing surgeries, is testament to its strong growth. With a pipeline of £153m of investment, Assura's goal is to create a primary care estate today that's in shape for the NHS of tomorrow.
- 2.4 Assura and PHP sit on the healthcare committee of the **British Property Federation**ⁱⁱ, with Andrew Darke of Assura in the Chair. In this capacity they are committed to setting out need for better-designed GP practices and residential care homes.
- 2.5 Together, these companies have invested over £3.2bn in primary care properties, over nearly 50 years. Of this, they have jointly invested £1.7bn in the NHS over the last five years alone. In total, they own over 850 properties across the UK, covering 8.64 million patients in all 44 STP areas. A total of 3774 GPs have benefitted from their developments and work out of their buildings.
- 2.6 During this period of efficiency savings and challenging financial climate, these three providers have separately provided the necessary external finance for primary care clinicians to provide a greater breadth of services in the community in modern and appropriate facilities.



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3 Better care, sustainably delivered

- 3.1 Currently, there is significant variation in the primary care estate and this is a big concern to GPs, and consequently to us. A BMA survey of doctors found that 70% feel their premises are too small to deliver additional services, whilst 52% responded that their premises had received no investment or refurbishment in the last 10 years. Without the necessary infrastructure, shifting care into the community and expanding the role of primary care simply will not be possible.
- 3.2 A modern estate will allow for faster uptake of the new cost- and time-saving technologies that GPs need to deliver 21st century care. As the population grows and ages, innovations are necessary to keep pace with demographic changes and provide enhanced wellbeing and better outcomes.
- 3.3 Furthermore, investment in the primary care estate will ensure that government priorities of delivering efficiency savings, such as keeping people out of costly hospital wards and in expanded and enhanced community care settings are met. Providing the necessary infrastructure for new and alternative models of care will help deliver these expanded services and save the NHS money over the longer-term.
- 3.4 Our investment can catalyse the development of new models of care outlined in the 5YFV and support the NHS' priority to integrate the currently highly fragmented system, by backing initiatives such as Multi-speciality Community Providers (MCPs) and Acute Care Systems (ACS) which take a whole-system approach. Better infrastructure will facilitate the planned growth of the primary care workforce to support these new ways of working.
- 3.5 Alongside establishing financial balance in the long term, the successful development of new models of care as set out in the *General Practice Forward View* is vital, and can only become a reality by enabling primary care to fulfil its potential; investment in the estate is critical to the delivery of this agenda and we can make an invaluable contribution.



4 Our offer

- 4.1 Government and opposition have already recognised that improving primary care buildings will be a fundamental enabler for delivering their vision for primary care. As a group, we stand ready to support the government's promise of significant investment with a capital pledge which could fund hundreds of fit-for-purpose medical centres for GPs. Our 3PD Primary Care Buildings Pledge of £3.3bn could fund an estimated 750 new medical centres across the country, which would support all 44 STPs to reconfigure their services.
- 4.2 Our pledge can deliver £3.3bn of upfront capital investment for those premises. To service this investment would require less than £200m of rent per annum – rent which would be set for the NHS independently, at market rate, by a district valuer.
- 4.3 Whilst this is an increase on current rental spend, when taking a long term view, we know from our tenants that the benefits from improved and efficient service delivery are significant. Moreover, circa 50% of this figure is already spent on rent and costs for existing, ageing infrastructure in an NHS which is preparing for the future of healthcare.
- 4.4 Crucially, at a time when NHS capital investment has been severely restricted – and used to backfill revenue shortfalls – 3PD can support the system by taking on the risk in terms of delivery to time, delivery to budget, securing sites and planning and maintaining buildings.



5 Benefits

1. Higher quality infrastructure enables the move to expanded community care, a bigger primary care workforce and the rollout of digital technologies to support primary care - thereby helping to ease pressure on hospitals, particularly A&E departments. There is a modal tariff cost of £180 for an A&E visit compared to £45 for an urgent care centre visit (saving of £135 per visit);
2. Greater access to care for patients 24 hours a day and 7 days a week will require appropriate infrastructure and will be pivotal in the effective implementation of the government's pledges on extended access and better integration of the care pathway;
3. Efficiency savings that would accrue from the use of modern, multi-functional premises are estimated by the British Property Federation to be more than £270m per annumⁱⁱⁱ by reducing the non-urgent use of A&E departments, removing the pressure on walk-in centres, and increasing GP care for the elderly;
4. Moving services into primary care helps to improve access to care for frail and vulnerable patients, but also supports the Government's commitment to ensuring 7 day 8-8 GP access;
5. Our buildings are designed with clinicians so that the facilities themselves help with the development of the new models of care outlined in the Five Year Forward View;
6. Ensuring that facilities are high-quality helps GPs to perform their instrumental role and can assist in the recruitment and retention of GPs;
7. This approach would generate a wider stimulus to UK economy of £14.2bn^{iv}, including a regional impact, from the construction activity it generates.

For more information about PHP, Octopus Healthcare (MedicX Fund), or Assura, or the Group's aims, please contact Ilana Lassman, at ilana@gkstrategy.com or on 0207 340 1150.

ⁱ <https://www.gov.uk/government/publications/nhs-property-and-estates-naylor-review>

ⁱⁱ <http://www.bpf.org.uk/about-us/committees>

ⁱⁱⁱ <http://www.bpf.org.uk/sites/default/files/resources/Unlocking-Investment-in-Primary-Healthcare-Infrastructure.pdf>

^{iv} <https://www.yumpu.com/en/document/view/37308680/bridging-the-gap-backing-the-construction-sector-to-generate-jobs-cbi>

