

NHS Sheffield CCG Premises Liabilities

Governing Body meeting

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4 June 2015

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Is your report for Approval / Consideration / Noting	
Approval	
Audit Requirement	
<p><u>CCG Objective:</u></p> <p>4. To ensure there is a sustainable, affordable healthcare system in Sheffield.</p> <p>Principal Risk</p> <p>4.1 Financial Plan with insufficient ability to reflect changes to meet demands The cost of the CCG's residual liability is a pressure on the CCG's financial plan that needs to be avoided or mitigated to create greater flexibility in the plan.</p>	
<p><u>Equality impact assessment</u></p> <p><i>Have you carried out an Equality Impact Assessment NO and is it attached? NO</i></p> <p><i>If not, why not?</i> Not Applicable</p>	
<p><u>PPE Activity</u></p> <p><i>How does your paper support involving patients, carers and the public?</i> Not Applicable</p>	
Recommendations	
The Governing Body is asked to note the CCG's liability for premises previously owned or leased by Sheffield PCT and approve the proposed subsidy of rental costs.	

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1. Introduction

On the abolition of PCTs and the passing of their responsibilities to a number of successor bodies, ownership and tenancy of premises held by PCTs passed to NHS Property Services (NHSPS) (with respect to buildings other than LIFT) and to Community Health Partnerships (CHP) (with regard to investment in LIFT companies and commitment to LIFT buildings).

As part of these arrangements, the responsibility for the cost of void space (i.e. rooms not occupied and paid for by a tenant) passed to relevant commissioners – NHS England and CCGs depending on the nature of the void space in existence at April 2013 or emerging subsequently. This was always envisaged by Department of Health and NHS England colleagues as an interim measure, until NHSPS and CHP are able to move to a fully commercial model of managing the premises. We await further national guidance on premises issues but at this stage expect that CCGs will remain with responsibility for agreed void space as a minimum in 2015/16.

This paper details the nature of Sheffield CCG’s liabilities and the actions being taken to reduce the cost of the void space for which we remain liable.

2. Premises Under Consideration

At 1 April 2013, when the CCG was established, the premises that transferred to NHSPS/CHP were as follows.

LIFT Buildings (CHP)	Non LIFT Buildings (NHSPS)
1. Jordanthorpe Medical Centre	1. 722 Prince of Wales Road
2. Darnall Primary Care Centre	2. Beighton Health Centre
3. Deepcar Medical Centre	3. Brincliffe House (lease due to be surrendered May 2015)
4. Foxhill Medical Centre	4. Fairlawns
5. Norfolk Park Health Centre	5. Greenhill Health Centre
6. The Flowers Health Centre	6. Ivy Lodge
7. Wincobank Medical Centre	7. Newfield Green
	8. Sharrow Sure Start
	9. Shiregreen Children’s Centre
	10. Firth Park Children’s Centre
	11. Westfield Health Centre
	12. 89 Green Lane (sold April 2013)
	13. High Green Health Centre

The majority of the building costs are recharged to the tenants such as the Foundation Trusts, GP Practices and other third party occupants. CHP and NHPS

are both tasked with fully recovering their costs and therefore the CCG is recharged for void space where it relates to space not specifically identified for primary care services. This arrangement continues the position when the PCT was responsible for the buildings, as it was of course responsible for void space as the owner or holder of the head lease.

The cost of the CCG's liability for void space in 2014/15 was:

	Charge £'s	Sub Total £'s
<i>LIFT Buildings</i>		
Darnall HC	389,502	
Foxhill HC	185,143	
Norfolk Park HC	254,038	
The Flowers HC	<u>96,864</u>	
		925,548
<i>Non LIFT Buildings</i>		
Brincliffe House	147,623	
Beighton HC	5,204	
Fairlawns HC	261,996	
Westfield HC	<u>9,326</u>	
		<u>641,960</u>
Total 2014/15 Charge		<u>1,349,697</u>

The CCG's liabilities have increased as providers have withdrawn from the buildings as part of their cost improvement programmes, either because service rationalisation reduces the need for premises or because of the availability of alternative lower cost premises. The CCG can only challenge providers if under our commissioning contracts we have required service providers to utilise specific buildings as opposed to more generally operate from different localities in the city. Under the national initiative "Transforming Community Services (TCS)", PCTs could no longer provide community services from April 2011 and services were transferred to a variety of new providers. Three year contracts were established which the CCG inherited. The restrictions on service providers which prevented vacation of property used at the time of TCS came to an end in March 2014.

If the voids remain as they are the estimated cost for 2015/16 will be in the region of £1.5m.

3. Actions to Date

Since the establishment of the CCG, officers have held discussions with NHSPS and CHP regarding the void spaces, recognising that whilst we have residual liability for the cost of them, we are not responsible for leasing or marketing the buildings and therefore have almost no control over them. Agreement has been reached that void space in buildings where the main occupant is providing a service commissioned by NHS E (e.g. Independent Contractors), should be charged to NHS E.

Although the issue of void space was recognised, initially it was not possible, due to capacity issues and changes in personnel in those organisations, to progress actions. For example, NHSPS intended to develop a marketing plan for the void space which did not materialise as the lead manager left.

3.1. Sheffield Health and Wellbeing Estates Plan

More recently, CHP have supported the development of a Sheffield Estates Group, involving the CCG, the three Foundation Trusts, Sheffield City Council and NHS England. The purpose of this group is to develop a collective view of our estate and a shared plan to ensure the most efficient use of our estate to meet our strategic objectives to improve care, reduce health inequalities and ensure affordable services.

As a result of the work so far CHP have drafted a Sheffield Health and Wellbeing Estates Plan. Currently this plan largely collates the plans of each organisation, but the group has started to develop a shared purpose and think collectively about how make the best use of the estate available to us in Sheffield. This collective approach is necessary and timely as all organisations seek to reduce costs and rationalise estate, so that the actions we take are in the best interests of the population we serve and we ensure net benefit to the system, avoiding cost shifting through decisions that have an adverse impact on another partner. This work will include consideration of GP premises and should in future inform the use of NHS capital to support the development of primary care premises.

Through this process, we will collectively identify opportunities for shared benefit, recognising which commitments are fixed and which can be managed, at the same time seeking to ensure that services are provided in locations that meet our strategic aims. The work to develop a shared vision for health and social care in Sheffield will inform the estates plan in this regard.

This work should result in greater use of the LIFT buildings and Fairlawns, as high quality premises to which we have a long term commitment and which provide opportunity to deliver care in local settings.

3.2. Short Term Actions

The above work will not lead to immediate changes. Results are more likely in 2016/17 or future years, as service configuration changes as a result of our commissioning plans. In the short term, CCG officers have met with NHSPS and CHP staff to address the cost of the void space in 2015/16. Both organisations now have capacity in place to work with us to address the issue and have responded positively to us. The following actions have been agreed, with regard both to LIFT and non-LIFT buildings.

- Review and confirmation of the costing of rooms, ensuring that tenants are fully charged, and charged the correct rent. It is not clear that this is currently the case, and this review is expected to reduce the CCG's liabilities.
- Disposal of ownership and tenancy of buildings no longer required. Most importantly, NHSPS has negotiated release from the lease for Brincliffe House, with the termination payment being less than the cost of the rent for the full year, which would otherwise have had to be paid.
- Active marketing of the premises. Both CHP and NHSPS have committed to discussing the premises with FT estates leads so that they can fully take into account the opportunities presented in support of their own estates plans. This action starts the process of collective planning that will be undertaken, as

described above. Initial discussions have confirmed that some reduction in the cost, and clarity and transparency about costs, would make the buildings more attractive and that they would actively consider the use of our buildings in service delivery where there is local demand. SHSC in particular does have significant community estate across the city and the FTs will of course also look to utilise their own estate.

4. Cost of Renting the Premises

The main barrier to better use of the premises is that potential tenants perceive the cost as being considerably higher than alternatives. Although these costs are not strictly comparable, as LIFT costs include maintenance costs often excluded from rentals, providers see them as high and choose not to rent the buildings. It is likely that the premises will not therefore be rented unless a lower price is offered, comparable with the rent providers would pay elsewhere and/or the cost of their own premises.

It is proposed, therefore, CHP and NHSPS are authorised to negotiate lower rentals with potential tenants. This will mean that the CCG would – whilst it retains liability for the void space – continue to pay part of the rent (in effect, subsidising the premises) to ensure better utilisation. This would be justified both because it would reduce the CCG's liabilities and because it would support delivery of services in local settings.

The terms of such an arrangement would need to include:

1. CHP/NHSPS secure market rent for the premises (noting that it will be difficult to accurately identify a benchmark, this will largely be through negotiation).
2. Any discount offered will be time limited, and reviewed in the context of the long term strategic estates plan, which should seek to ensure all organisations benefit.
3. The CCG's responsibility for the subsidy will end at the point that it's liability for void space ends. This will require NHSPS and CHP to continue the subsidy when/if liability for void space transfers to them.

5. Recommendations

The Governing Body is asked to note the CCG's liability for premises previously owned or leased by Sheffield PCT and approve the proposed subsidy of rental costs.

Paper prepared by Tim Furness, Director of Business Planning and Partnerships, and Brian Richards, Senior Finance Manager

22 May 2015