

WELSH HEALTH CIRCULAR



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

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Issue Date: July 2004

Status: Action

Title: Primary Care Estate Development – Application for Funding – Bid Process

For Action by: LHBs, GPs

Action required See paragraphs:

For Information to: See attached list

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Enclosure(s): Guidance – Primary Care Estate Development – Application for Funding - Bid Process.

Dear Colleague,

Summary

- 1 The purpose of this circular is to notify Local Health Boards and General Practitioners of the process to be used when applying for funding of capital / revenue expenditure for primary care premises developments.

Background

- 2 Earlier this financial year the Assembly advised that a new funding system was to be introduced following the new GMS contract. Funding for primary care premises is now cash limited.
- 3 This process covers:
 - New developments which fall within the following categories:
 - new or additional revenue commitments by GPs/LHBs
 - new capital schemes to be developed and owned by LHBs
 - new cost rent schemes by GPs which are eligible for reimbursement
 - Improvements / extensions to current premises over a set cost limit
 - Applications regarding the assessment of negative equity/mortgage deficit
 - Applications regarding LHBs acquiring/disposing of property
- 4 All applications should be sent to the Primary Care Estate Approval Forum via Richard Barr of the Community, Primary Care and Health Services Division.
- 5 All applications must reflect the priorities identified in the appropriate LHB Estate Strategy.

Action

- 6 Chief Executives of Local Health Boards should ensure that Local Medical committees are made aware of this circular and arrange for GP practices in their area to receive a copy of the guidance.

John Sweeney
Community, Primary Care and Health Services Division
Health and Social Care Department

Distribution List

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APPLICATION FOR FUNDING OF PRIMARY CARE DEVELOPMENT SCHEMES – BID PROCESS

GUIDANCE FOR
LHBs and GPs

July 2004

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SECTION 1 – BID PROCESS

1 Applicability of Bid Process

The new process applies in the following circumstances:

New development proposals covering:

- new or additional revenue commitments by GPs or LHBs; (eg third party developer schemes)
- new capital schemes to be developed and owned by LHBs;
- new cost rent schemes to be developed and owned by GPs and eligible for cost rent reimbursement

Improvements and extensions to current premises covering:

- renovation, modernisation works upto a set limit of £300,000 excluding VAT.

This guidance does not apply to minor improvements and works where the cost of the works is £300,000 or less. In such cases an improvement grant application will be applicable and separate guidance in respect of such applications will follow.

2 Responsibility for the Preparation of Bids

Development scheme bids must be typewritten by LHB staff or GP practices or their consultants. However as LHBs are the strategic planning organisations for all primary care service and estate matters for their areas, all development scheme bids must be approved by their Boards.

3 Content of Bids

Bids will need to be addressed to the Primary Care Estate Forum and presented in a report format. Suggested headings include the following:

Executive summary

Background:

- location of services
- patient demography
- primary care healthcare team
- services provided
- description of current premises
- need for change

Strategic context:

- how proposal fits within the LHB's integrated service and estate strategy
- local priorities for development in medium to long term
- links to priorities for delivering national and local targets

Options for development:

- outline of options that have been considered
- how the preferred option has been chosen- analysis and evaluation of options, benefit criteria
- details of the proposed development, including space requirements
- details of developer, other partners to the proposal
- financial implications and affordability – both capital and revenue, assessment of negative equity
- funding options
- timetable
- management arrangements
- other resource implications

Risk assessment

Key benefits and outcomes

Conclusion

Appendices

4 Executive Summary

The executive summary is what most people will read first to obtain a snapshot of the development proposal and its viability. Some suggestions to assist in the summary components are included below:

- Create it after the main sections of the plan have been written so that the essence of the sections can be included
- Check for clarity and presentation so that someone who is not familiar with the topic can pick up the document and understand what is being outlined
- Include the main aspects of the background, strategic context, options, risk assessment and key benefits and outcomes

5 Background

The proposal must demonstrate the health service need for the investment detailing the problems it is designed to overcome. This section would include reference to the following matters:

- Brief description of the existing premises including physical and functional standard, space utilisation, location and accessibility, current revenue/capital costs, development/extension potential

- Details of how the existing primary care healthcare team is organised- number of GPs, WTEs, nurses, nurse practitioners, support staff, ancillary service team, Trust personnel, voluntary groups, etc
- Establishing the case for change, outlining the extent of current problems and how they will be addressed by the proposal. It may be helpful to set out how the proposal takes into account the following aspects:
 - better access to services
 - improved clinical quality of services
 - enhancement of the environment in which services are provided
 - development of existing services/provision of new services
 - more effective use of resources
 - improved financial performance

6 Strategic Context

This provides details of the LHB's strategic position and demonstrates how the proposal fits in with this. This section would include reference to the following matters:

- Brief description of the LHB and the catchment area and patient demography for its various services, reference to joint service provision arrangements with other LHBs, NHS trusts, other health and social care organisations
- Details of the LHB's service objectives, strategy for meeting service requirements including how the proposed investment will meet these requirements and the impact on other services in the area
- Details of how the proposal fits within the LHB's integrated estate strategy, and links to priorities for delivering national and local targets

7 Development Proposal

This section will describe the various ideas that were considered to best meet the need for change and the details of the preferred option. Reference to the following matters would include:

- Brief description of the options – the extent of options will vary from plan to plan depending upon the key drivers for change such as, age of GPs, availability of land, working in partnership with other organisations, etc.
- How the preferred option has been chosen - a full option appraisal would not normally be necessary unless the development proposal does not flow naturally from the LHB's estate strategy.

Details of the proposed development – to include:

- a schedule of the accommodation stating the number of rooms, space requirements in square metres and their intended use,
- capacity for future expansion
- site layout, floor plans , sections and elevations
- car parking requirements
- details of the specification where known
- name of LHB's design champion

Details of the developer and other partners to the scheme:

- name, address and background of the proposed developer, how they have been chosen, evidence of track record and success of similar schemes
- names, address and background of other partners to the scheme,
- intended tenants/occupiers how they have been chosen, evidence of track record and success of similar schemes

Legal and financial implications and affordability:

- reasons for choice of capital or revenue funding
- copy of approval of application for consent to acquire an interest in property whether freehold or leasehold
- estimated total project capital cost of the scheme and how the cost has been estimated
- proposed tendering arrangements for the construction - brief details of the selection process
- estimated revenue costs
- details of the District Valuer's assessment of the current rental value and items eligible for reimbursement where applicable
- details of the proposed use of the premises flexibilities
- summary of the heads of terms of the proposed lease
- estimated capital charges where applicable
- where applicable, details of the current charges of existing premises and the net increase/decrease in revenue
- copy of approval of application for stage 1 assessment of negative equity/mortgage deficit

Funding options:

- Details of funding streams to be provided to the scheme, eg.3rd party developer funding, Lottery funding, Local Authority/WDA grants, private loan arrangements, lease rentals from proposed tenants, etc

Timetable:

- Details of the proposed programme of events including the various stages such as: consultation process, acquisition of land, scheme design, planning permission, tender period, legal and

financial negotiations, construction period, bid approval, post project evaluation, etc

Management Arrangements:

- Lead manager for the project, lead contacts within the GP practice, LHB, development company, partnership organisation
- Names of consultants, architects, quantity surveyors, planning consultant, valuer, etc.

Other resource implications:

- Need for additional clinicians, administrative staff, etc.

8 Risk Assessment

Risk arises from the possibility of more than one outcome occurring, with the likelihood that something will not turn out as planned or expected. The bid should include an assessment of any factors that are likely to have a significant impact on the scheme.

9 Key Benefits and Outcomes

Summary of the main beneficial aspects of the development scheme including improvements in patient satisfaction, quality of care, staff morale, operational aspects such as faster response to enquiries to patients, communications etc.

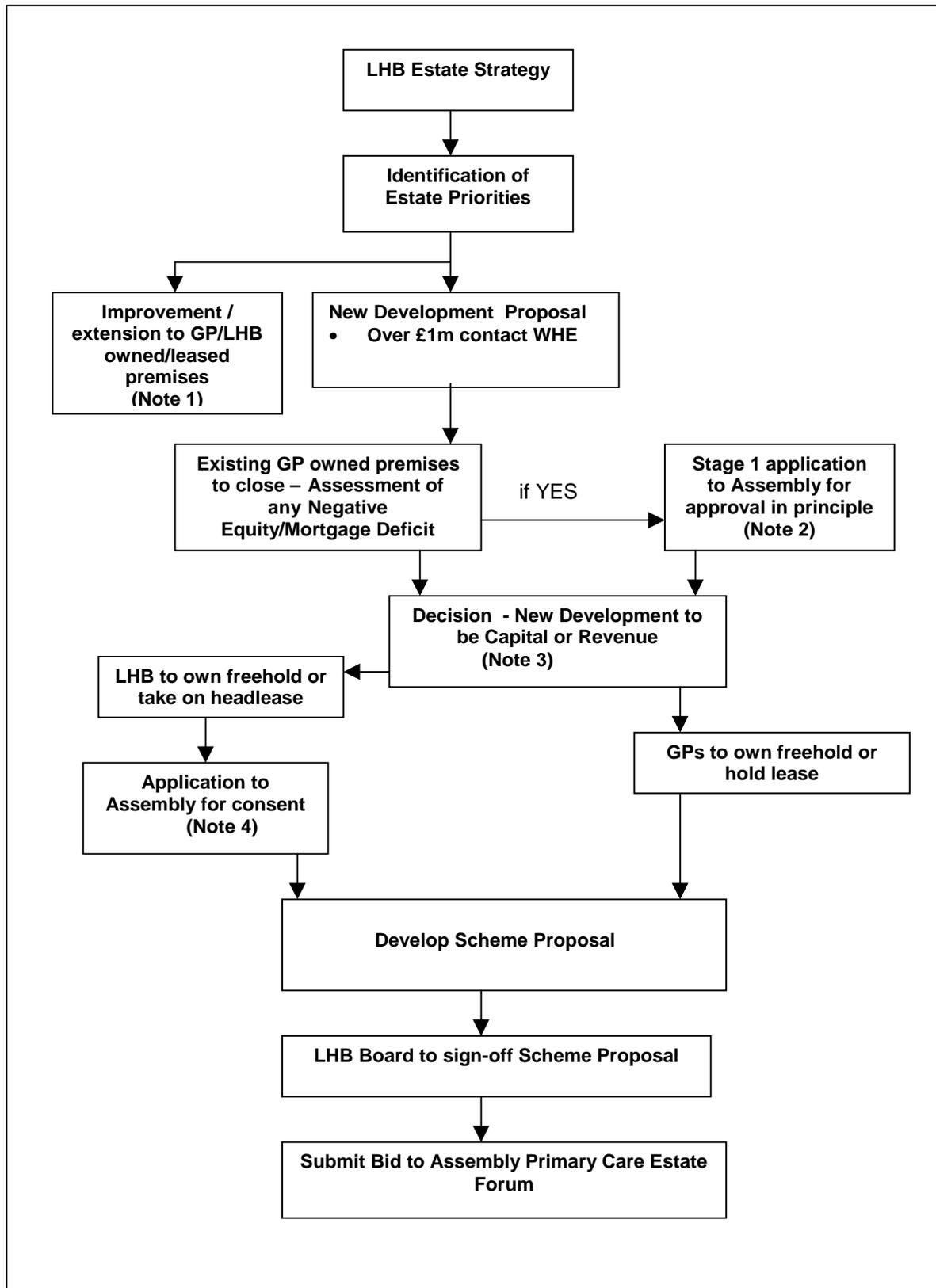
10 Conclusion

Concluding remarks

11 Appendices

Appendices to include details which are best provided separately rather than within the main body of the bid document, eg plans, financial calculations, etc.

SECTION 2 - FLOW CHART



FLOW CHART NOTES

- Note 1** Improvements/extension proposals must follow this process where the value of £300,000 or more, excluding VAT
- Note 2** Information required for the Stage 1 application should be obtained in the early stage of the proposal to enable GPs to decide whether the proposal is financially acceptable
- Note 3** A decision regarding capital or revenue route is critical in determining the approach to the development proposal
- Note 4** A decision regarding whether the LHB may acquire an interest in property is critical in determining the approach to the development proposal

SECTION 3 - PROCEDURE FOR LOCAL HEALTH BOARDS TO APPLY FOR FUNDING OF NEGATIVE EQUITY/ MORTGAGE DEFICIT IN RESPECT OF GP PRACTICE PREMISES

- 1.0 Applications in the form of a letter/report must be submitted in writing by the Local Health Boards to the Community, Primary Care and Health Services Division of the Welsh Assembly Government and must include the information outlined in the following paragraphs.
- 1.1 The applications for funding will be dealt with in 2 stages;
Stage 1 will deal with the initial assessment of negative equity and whether the circumstance qualify for funding from the Welsh Assembly Government. Where stage 1 applications are successful the LHB will be notified so that progress with the development scheme can be made. Stage 2 applications will be made to the Assembly in respect of the actual facts of the case where the existing premises have been sold and the actual extent of the negative equity can be proven. The stage 2 application must provide all the relevant details in order for payment to be made.
- 1.2 In order to assist all the parties to the development proposal it is recommended that the LHBs and GPs prepare the information needed for the negative equity assessment early on in the development scheme process for "in-house" discussion purposes. This will enable the GPs to decide whether the scheme appears financially viable to them and will help the LHB to decide whether/when it is necessary to submit a Stage 1 application.
- 1.3 General background information:
 - Name of Local Health Board and main contact dealing with the application
 - Name of GP practice
 - Number and names of current GPs in the practice and any proposed changes including salaried posts, increase in the number of female GPs, training posts
 - Agreement by the GP practitioner to relocate to modern premises approved by the LHB
 - Extent of existing services provided by the practice and proposed changes
 - Basic information of development/redevelopment proposals stating the reasons for the project, what other options have been considered, benefit criteria used in assessing the options, need to substantiate why preferred option has been chosen
 - How the proposed project meets the requirements of the LHB's integrated service and estate strategy

- Estimated costs of the proposed project – any savings in revenue forecasted
- Name of other parties to the project and their roles and responsibilities including financial contribution
- Timescale of the project
- Likely procurement route
- Details of other consents required, i.e. planning permission, permission of landlord, etc
- Details of any proposed constraints to the project

1.4 GPs' Mortgage details:

- Name and address of loan company
- Total sum of loan relating to the purchase of the practice premises only (not equipment or ancillary items)
- Whether the loan is held jointly with another party, if so their details
- Loan start and finish date
- Type of loan i.e. repayment, endowment, etc.
- Loan interest rate
- Total amount of loan outstanding at current date
- Amount of early redemption penalty, if applicable
- Confirmation provided by loan company of details provided by GP
- Confirmation that negotiations with the loan company have limited the extent of the deficit/redemption charges
- Information in respect of endowment policies linked to the loan

1.5 Details of existing practice premises:

- Type of property – i.e. converted house, purpose built surgery, etc
- Age and condition of property
- Whether owner-occupied – freehold or long leasehold
- Rent reimbursement/cost rent arrangement details
- Reasons why the premises are no longer suitable as a base for delivering primary care services
- Valuation report by the District Valuer/professionally qualified valuer of the current open market value of the premises

1.6 Local Health Board's confirmation:

- Certification that the information provided has been verified by the LHB
- LHBs assessment of the extent of the negative equity sum required to enable the modernisation proposals to proceed
- LHBs need to deduct any proportion of the deficit that has arisen through payment holidays or reduced loan repayments not reflected in the cost rent reimbursement
- LHBs need to deduct the surrender value of any endowment policy cover linked to the mortgage

- LHBs need to exclude any borrowings or redemption charges not connected with the original purchase of land and building works and any subsequent improvements to the premises, e.g. furnishings, fittings, equipment, including IT and telephone systems and the like.
- LHBs must obtain written confirmation from the GP that the sale has not been to any member of the GP's family nor to any company in which the GP or any family member has an interest

1.7 Documented evidence:

- Documented evidence of expenditure, loan details, former grants, etc. must be provided.

2.0 The Community, Primary Care and Health Services Division's responsibilities:

2.1 All applications will be logged and dealt with on a first come, first serve basis. Applications where all the required information is present will be processed ahead of applications where the information is incomplete.

2.2 Community, Primary Care and Health Services division will seek the assistance of Welsh Health Estates Primary Care Section in the assessment of the applications.

2.3 Community, Primary Care and Health Services division will seek to determine the outcome of the applications within 21 days of receipt of all the relevant information in respect of stage 1 and 2 applications.

2.4 The allocation of the monies will be targeted to those LHBs who have completed their estate strategies.

2.5 Community, Primary Care and Health Services division will write to the LHB stating that the application is either rejected with the reasons or accepted. The letter of acceptance in respect of stage 1 applications will provide comfort to the LHB/GPs to progress with their modernisation proposal. Stage 2 applications will be rejected where there is insufficient evidence to support the calculation of the negative equity.

2.6 No monies will be paid until the LHB submits confirmation that the sale of the property has been completed along with a certification that the premises were adequately advertised and that the best price possible had been obtained.

2.7 If the price obtained is lower than the value originally assessed by the valuer then the assessment of the negative equity will be based on the original valuation figure in order to provide a guaranteed minimum price

as outlined in Welsh Health Circular (2001) 048. If the price obtained is higher than the valuer's original assessment of value then the higher figure must be used in the final assessment of negative equity.

- 2.8 The final calculation of negative equity must be based on the loan details which apply at the date of sale and evidence of the details must be submitted with the stage 2 application.
- 2.9 Payments under this scheme will be sent to the loan company with details being provided to the practitioner to be entered into the practice accounts. Confirmation of payment will be provided to the LHB by the Welsh Assembly Government.
- 2.10 The Welsh Assembly Government reserves the right to amend this procedure to ensure that payments are properly assessed and provided.

SECTION 4 - PROCEDURE FOR LOCAL HEALTH BOARDS TO APPLY TO OBTAIN CONSENT TO HOLD AN INTEREST IN PROPERTY

Under the National Health Service Reform and Health Care Professions Act 2002 Part 3 section 13 a Local Health Board may not acquire or dispose of land and other property within the prior consent of the Assembly.

Where Local Health Boards wish to exercise property ownership and disposal rights they must submit an application to the Community, Primary Care and Health Services Division of the Welsh Assembly Government.

An approval from the Welsh Assembly Government does not constitute funding approval to any development proposals.

Examples of where consent from Welsh Assembly Government is required:

- where the LHB wishes to enter into a headlease with a 3rd party developer
- where the LHB wished to purchase land in order to develop a development scheme which it will own and manage

The application for consent must be in a typewritten letter/report format containing the following information:

- Local Health Board and contact details
- Details of the proposal outlining the reasons for the need for the Local Health Board to be involved in the property transaction
- How the proposal fits within the LHB's estate strategy
- How the LHB intends to deal with property management matters
- Confirmation of the necessary funding streams are in place to cover the costs of the transaction
- Identification of any risks associated with the transaction and how the LHB intends to deal
- Any other relevant information
- Chief Executive's signature