

# NHS Ayrshire & Arran



<b>Meeting:</b>	<b>Ayrshire and Arran NHS Board</b>
<b>Meeting date:</b>	<b>Monday 31 March 2025</b>
<b>Title:</b>	<b>Proposed purchase of Portland and Meadowgreen GP Surgeries in Troon</b>
<b>Responsible Director:</b>	<b>Nicola Graham, Director of Infrastructure &amp; Support Services</b>
<b>Report Author:</b>	<b>Greg MacKenzie - Property Transaction Manager Iain Gairns- Head of Property Services, Strategy and Partnerships Karen Grant, Primary Care Manager – General Medical Services (South Partnership Area)</b>

## 1. Purpose

This is presented to the NHS Board for:

- Decision

**This paper relates to:**

- Annual Operational Plan
- Government policy/directive
- NHS Board/Integration Joint Board Strategy or Direction

This aligns to the following NHSScotland quality ambition(s):

- Safe
- Effective
- Person Centred

## 2. Report summary

### 2.1 Situation

The Scottish Government (SG) have requested whether there is any capital expenditure that the Board would be able to complete this financial year. Two properties that have been included with the draft Business Continuity Plan (submitted to SG in January 2025) were the Portland and Meadowgreen GP Surgeries in Troon.

The Portland Medical Practice building, on Dukes Road, Troon, and the Meadowgreen satellite surgery on Deveron Road, Troon, have been offered for sale to the Board. The owner of the premises and former senior GP partner has now retired and wishes to dispose of the premises by April 2025. The remaining partners do not wish to take ownership and, in accordance with the GP Premises Code of Practice, have requested that the Board step in to acquire the premises to ensure the continued

delivery of General Medical Services in Troon. This paper is presented to seek NHS Board approval to acquire these premises.

## 2.2 Background

Following the retirement of the GP Principal and premises owner in 2019, the current practice GP partners agreed to an initial short-term lease with the owner/landlord. The long-term plan, in line with the 2018 GMS Contract and GP Premises Code of Practice, was that the health board would step in and acquire the premises at an appropriate time, in line with any natural review periods of the premises lease. This would ensure the continued provision of general medical services in the local area.

It is proposed that these acquisitions be expedited before 31 March 2025 to take advantage of additional in-year capital funding offered by the Scottish Government. These premises were included in the Business Continuity Plan submitted to SG for approval on 31 January 2025 and SG supports funding these acquisitions as they align with priorities originally scheduled for a later year.

The Board's "Do Minimum Business Continuity Option / Business Continuity Plan (BCP)" which was submitted to Scottish Government in January 2025 outlined an anticipated cost of £1.2m for the purchase and compliance improvement works for both properties. SG has brought forward capital funding for the purchase into the financial year 2024-25 and funding for the compliance works will be sought via the BCP process in later years.

## 2.3 Assessment

The Board is not the only interested party in the buildings. The Practice have been approached by a Pharmacy chain who are showing interest in the properties and have approached Primary Care colleagues to assess the likelihood of the Practice remaining in both locations, in order to assess their options for investment.

Due to uncertainties surrounding the future accounting treatment under International Financial Reporting Standards (IFRS 16), it would be more cost-effective for the Board to own the premises outright rather than capitalising rental payments, which would effectively result in paying for the lease twice. While the Scottish Government has agreed to fund IFRS16 costs for 2025/26 they have not made a commitment for future years.

Additionally, if the pharmacy chain or another investor were to acquire the premises, the Board's bargaining power as a tenant would be significantly reduced. A new landlord may adopt a stronger commercial stance, potentially increasing rental costs, altering lease terms, or imposing long-term tenancy commitments that could limit future flexibility should the Board need to relinquish the premises.

The Health Board's Property Adviser has conducted a valuation, and following discussions with the owner, the purchase price has been agreed as follows:

Portland Surgery -	£210,000
<u>Meadowgreen Surgery -</u>	<u>£140,000</u>
<b>Total -</b>	<b>£350,000</b>

This price aligns with the Market Value of the properties.

From an infrastructure perspective, the likelihood of securing funding for a new Health and Wellbeing Centre in Troon in the near future appears low. Current advice from the Scottish Government is to assume this will not happen. Therefore, from a service standpoint, it is essential to ensure the continued delivery of General Medical Services (GMS) in Troon using the existing premises. Purchasing both sites would allow the Board to meet this requirement.

The Practice currently covers all operating costs for the premises, and this arrangement is expected to continue if the Board assumes ownership. The Practice would remain the tenant, with all liabilities covered under a lease reflecting actual costs for rent and service charges.

Property Services have explored alternative properties in Troon, but all available commercial spaces have significant limitations. Additionally, any new property would require extensive refurbishment to meet current standards, making the process prohibitively expensive and time-consuming. This would jeopardize the security of premises needed for GMS delivery in the interim.

The building survey and purchase condition report was prepared by RGA Associates and reviewed by Estates alongside earlier data from the Strategic Asset Management System.

Estates' analysis identified necessary work to bring the buildings to NHS standards and estimates the total rectification cost at **£546,212** (inclusive of VAT), broken down as follows:

<b>Risk</b>	<b>Meadowgreen</b>	<b>Portland</b>	<b>Total</b>	<b>Timescale for Repair</b>
<b>High</b>	<b>£90,190.00</b>	<b>£107,481.25</b>	<b>£197,671.25</b>	<b>12 Months</b>
<b>Moderate</b>	<b>£94,406.25</b>	<b>£93,333.75</b>	<b>£187,740.00</b>	<b>12-48 Months</b>
<b>Low</b>	<b>£0</b>	<b>£5,691.25</b>	<b>£5,691.25</b>	<b>48 Months +</b>
Statutory Compliance	<b>£72,476</b>	<b>£82,626</b>	<b>£155,102</b>	<b>12 Months</b>
<b>Total</b>			<b>£546,212.25</b>	

The **high-risk** defects are recommended to be addressed within the first year of purchase. It is proposed that these will be funded through the BCP funding.

**Moderate-risk** defects are recommended to be resolved within approximately two years to ensure the Board complies with statutory obligations and mitigates risks to patients and staff. It is proposed that these will be funded through the BCP funding.

**Low-risk** defects will be managed as part of long-term estate planning, considering lifecycle and deterioration factors.

### **2.3.1 Quality/patient care**

Purchasing the properties would secure ownership, ensuring the continued provision and resilience of GP services. The Board would assume responsibility for maintenance and domestic services, ensuring the properties are maintained and cleaned to NHS standards. Overall, this acquisition would enhance patient services.

### 2.3.2 Workforce

Practice staff would remain employed by the GP Practice, ensuring stability by removing any uncertainty over tenure. The only consideration is that if the Practice directly employs a cleaner, they will transfer to the Board's employment under TUPE regulations. If cleaning services are provided through a commercial contract, the contract would end, and a new cleaner position would need to be advertised.

### 2.3.3 Financial

The total purchase cost is **£350,000** as agreed with the owner, as set out above. This has been agreed to be funded by Scottish Government via capital.

The Estates' identified necessary work to bring the buildings to NHS standards at a cost of **£546,212**. This has been included within the BCP submitted to SG for approval.

The purchase of Portland and Meadowgreen Surgeries will have recurring financial implications for the Board which is expected to be offset by income received from the GP practice. The recurring costs are estimated as follows:-

**Property Services** – There is a rates liability of **£15,290**, which will be covered through the Rent and Rates reimbursement from the Primary Care Management budget.

**Estates** – In addition to the capital costs related to building improvements, there will be ongoing recurring expenses for utilities, supplies, services, and maintenance contracts, approximately **£27,400**.

**Clinical Support Services** – Existing domestic service staff will either transfer to the Board under TUPE or be made redundant by the Practice, requiring the Board to assume responsibility for domestic services. Based on floor area, CSS estimates the costs for cleaning (TUPE transfer), sanitary bins, and gardening at **£19,300**.

#### Property Recurring Revenue Costs

Service	Cost (£)
Property Services	15,290
Estates	27,400
Clinical Support Services	19,300
<b>Total</b>	<b>61,990</b>

There are no costs to **Digital Services**, as IT is provided to all GP premises under the GP Contract, and telephony is managed by the Practice.

**Clinical Waste** is the responsibility of the Board, with a contract already in place for Portland and Meadowgreen Surgeries. This cost is covered by Primary Care, so is not to Infrastructure and Support Services (ISS) and is a nominal sum.

Estates and Clinical Support Services have been fully engaged in the process and have confirmed the operational costs required to deliver hard and soft FM services to Portland and Meadowgreen Surgeries.

All operating costs are expected to be pass through charges to the GPs once the Board takes ownership and will be formalised via a lease with the Practice.

#### **2.3.4 Risk assessment/management**

There is a risk that the owner may sell one or both properties to an alternative buyer intending to repurpose them. If the Board does not secure ownership it will face a significant increase in costs, associated with leasing the property and will have little control of the terms of the lease and associated liabilities.

#### **2.3.5 Equality and diversity, including health inequalities**

The proposed purchase would not alter existing services or how they are delivered. Additionally, there would be no impact on equality and diversity. The primary risk lies in not purchasing the property.

#### **2.3.6 Other impacts**

- Best Value – purchase of the properties would align with the Best Value themes
  - Effective partnerships
  - Governance and accountability
  - Use of resource and
  - Performance management
- Under the Code of Practice for the new GP Contract, it is assumed that Health Boards should take ownership or assume head tenancies of GP premises.

#### **2.3.7 Communication, involvement, engagement and consultation**

There would no impact on patient services as a result of the purchase that would require communication or engagement.

#### **2.3.8 Route to the meeting**

This has been previously considered by the following groups as part of its development. The groups have either supported the content, or their feedback has informed the development of the content presented in this report.

- ISS Extended Management Team, virtually January 2025
- Infrastructure Programme Board Advisory Group, virtually approved 19th February 2025
- Infrastructure Programme Board, virtually approved 4th March 2025
- Corporate Management Team, 25th March 2025

### **2.4 Recommendation**

For decision. Members are asked to approve the purchase.

### **3. List of appendices**

Not applicable.