

---

## DIRECTIONS

---

### NATIONAL HEALTH SERVICE, ENGLAND

#### The National Health Service (General Medical Services – Premises Costs) Directions 2013

#### CONTENTS

##### PART 1 GENERAL

1. Citation, commencement and application
2. Interpretation
3. Payments in relation to which these Directions apply
4. Payments in relation to which these Directions do not apply
5. General duties of the Board under these Directions
6. Financial assistance in circumstances not contemplated in these Directions

##### PART 2 PREMISES DEVELOPMENT AND IMPROVEMENT

7. Premises development proposals
8. Projects that may be funded with premises improvement grants
9. Projects that must not be funded with premises improvement grants
10. Initial consideration of premises development or improvement proposals
11. Documentation required in respect of premises developments or improvements
12. Priority funding projects and conditions attached to payments

##### PART 3 PROFESSIONAL FEES AND RELATED COSTS INCURRED IN OCCUPYING NEW OR SIGNIFICANTLY REFURBISHED PREMISES

13. Reimbursement of legal and other professional costs incurred in occupying new or significantly refurbished premises
14. Types of professional expenses that may be reimbursed
15. Value Added Tax on professional expenses

##### PART 4 GRANTS RELATING TO RELOCATION OF OR RE-MORTGAGING BY A CONTRACTOR

16. Repayment mortgage redemption or deficit grants
17. Costs that may not be funded with mortgage redemption or deficit grants
18. Matters that must be considered before determining mortgage redemption or deficit grant applications

19. Conditions attached to mortgage redemption or deficit grants
20. Borrowing costs relating to mortgage redemption or deficit costs
21. Costs that must not be funded under direction 20
22. Matters that must be considered before determining applications under direction 20
23. Conditions attached to payments under direction 20
24. Guaranteed minimum sale price payments
25. Agreement of a guaranteed minimum sale price
26. Grants relating to the cost of reconvertng former residential property
27. Circumstances where residential property re-conversion grants are not payable
28. Grants towards the cost of surrendering or assigning leases or to meet vacated leasehold premises costs and condition to be attached
29. Circumstances where an application of the type mentioned in direction 28 must be refused
30. Stamp Duty Land Tax payable on agreeing a new lease

## PART 5 RECURRING PREMISES COSTS

31. Leasehold premises rental costs
32. Amount of leasehold premises rental costs payable
33. Current market rents
34. Premiums affecting the lower rent rate
35. Equipment lease costs for leasehold practice premises
36. Borrowing costs
37. Conditions to be met if applications for financial assistance in respect of borrowing costs are to be granted
38. The prescribed percentage and aggregated cost elements
39. Amounts payable in respect of borrowing costs
40. Condition attached to payments in respect of borrowing costs based on a fixed interest rate loan
41. Notional rent payments
42. Amount of notional rent payments
43. Abatement of notional rent payments
44. Notional rent supplements
45. Amount of notional rent supplements
46. Payments in respect of running costs
47. Financial assistance towards service charges
48. Abatements in respect of contributions towards recurring premises costs from third parties
49. Payments in kind
50. Minimum standards condition attached to all payments under this Part
51. Accurate information condition attached to all payments under this Part

## PART 6 MISCELLANEOUS PROVISIONS

52. Direct payments to third parties
53. Time limitation for making applications

PART 7  
TRANSITIONAL, REVOCATION AND SAVINGS PROVISIONS

- 54. Interpretation
- 55. General transitional provision
- 56. Transitional provision in respect of payments
- 57. Revocation and savings

- 
- SCHEDULE 1 — MINIMUM STANDARDS FOR PRACTICE PREMISES
    - PART 1 — STATUTORY STANDARDS
    - PART 2 — CONTRACTUAL STANDARDS
  - SCHEDULE 2 — CURRENT MARKET RENTS AND NOTIONAL RENT ABATEMENTS
    - PART 1 — FACTORS COMMON TO ALL CURRENT MARKET RENT CALCULATIONS
    - PART 2 — FACTORS WHICH ONLY APPLY IN RELATION TO LEASEHOLD PREMISES
    - PART 3 — FACTORS WHICH ONLY APPLY IN RELATION TO NOTIONAL RENT CASES
  - SCHEDULE 3 — NOTIONAL RENT ABATEMENTS AND NOTIONAL RENT SUPPLEMENTS
    - PART 1 — NOTIONAL RENT ABATEMENTS
    - PART 2 — NOTIONAL RENT SUPPLEMENTS

The Secretary of State, in exercise of the powers conferred by sections 98A, 272(7) and (8) and 273(1) of the National Health Service Act 2006(a), gives the following Directions:

PART 1  
GENERAL

**Citation, commencement and application**

1.—(1) These Directions may be cited as the National Health Service (General Medical Services—Premises Costs) Directions 2013 and shall come into force on 1st April 2013.

(2) These Directions are given to the Board.

**Interpretation**

2. In these Directions—

“the 2006 Act” means the National Health Service Act 2006;

“the Board” means the National Health Service Commissioning Board(b);

---

(a) 2006 c.41; section 98A was inserted by section 49(1) of the Health and Social Care Act 2012 (“the 2012 Act”). By virtue of section 271(1) of the 2006 Act the powers conferred by these sections are exercisable by the Secretary of State only in relation to England.

(b) The National Health Service Commissioning Board was established by section 1H of the 2006 Act; section 1H was inserted by section 9 of the 2012 Act.

“contractor”, unless the context otherwise requires, means a person entering into, or who has entered into, a GMS contract with the Board or a person who is party to a GMS contract with the Board as a consequence of a property transfer scheme made under section 300 of the Health and Social Care Act 2012(a) (transfer schemes);

“District Valuer Service” means the District Valuer Service of the Valuation Office Agency(b), and “District Valuer” is to be construed accordingly;“

“estates strategy for investment prioritisation” means the strategy by which the Board determines how it will prioritise its programme of investment in practice premises, having regard to—

- (a) its general duties under Part 2 of the 2006 Act (health service bodies); and
- (b) its duty to secure the provision of primary medical services under Part 4 of the 2006 Act (medical services);

the “family member” of a person (P) means—

- (c) P’s husband, wife or civil partner;
- (d) a person who, not being married to P or P’s civil partner, has a relationship with P which shares the characteristics of marriage or civil partnership;
- (e) a person who, in relation to P, formerly fell within paragraphs (a) or (b);
- (f) P’s grandparent, parent, step-parent, child, step-child, or grandchild;
- (g) P’s brother, step-brother, sister, step-sister, aunt, uncle, nephew, niece or first cousin; and
- (h) the husband, wife or civil partner of any family member falling within paragraph (d) or (e);

“GMS contract” means a general medical services contract under section 84 of the 2006 Act(c) (general medical services contracts: introductory);

“Local Medical Committee” means a committee recognised under section 97 of the 2006 Act(d) (local medical committees);

“practice premises” means the premises specified in a GMS contract as the premises at which services are to be provided under the contract; and

“registered provider of social housing” has the meaning given by section 80(2) and (3) of the Housing and Regeneration Act 2008(e) (provider of social housing) and includes a private registered provider of social housing.

### **Payments in relation to which these Directions apply**

- 3. These Directions apply in relation to the payments made to contractors—
  - (a) in respect of premises developments or improvements;
  - (b) in respect of professional fees, and related costs, incurred in occupying new or significantly refurbished premises under Part 3 of these Directions;
  - (c) relating to the relocation of, or re-mortgaging by, the contractor; or
  - (d) in respect of recurring premises costs.

### **Payments in relation to which these Directions do not apply**

- 4. These Directions do not apply in relation to payments made to contractors under a GMS contract in respect of a plan drawn up in accordance with regulation 18(3) of the National Health Service (General Medical Services Contracts) Regulations 2004(a) (services generally).

---

(a) 2012 c.7.

(b) The Valuation Office Agency is an executive agency of HM Revenue and Customs.

(c) Section 84 of the 2006 Act was amended by paragraph 31 of Schedule 4 to the 2012 Act.

(d) Section 97 of the 2006 Act was amended by paragraph 41 of Schedule 4 to the 2012 Act.

(e) 2008 c.17. Section 80 was amended by S.I. 2010/844.

### **General duties of the Board under these Directions**

- 5.—(1) Before the Board makes a payment to a contractor under these Directions, it must—
- (a) enquire of the contractor whether the contractor is registered for Value Added Tax purposes and if so obtain the contractor's VAT registration number; and
  - (b) enquire of the contractor whether the contractor intends to claim a tax refund or allowance in respect of any element of the costs to which an application for financial assistance relates.
- (2) Where the Board makes a payment to a contractor under these Directions, it must—
- (a) only make the payment in the circumstances specified in these Directions;
  - (b) ensure that the payment is made under the terms of the contractor's GMS contract; and
  - (c) ensure that any conditions to which the payment is subject are included as terms of the GMS contract.
- (3) In exercising any of its functions under these Directions, the Board must have regard to any relevant standards or guidance, including guidance as to best practice, issued by or on behalf of the Secretary of State.

### **Financial assistance in circumstances not contemplated in these Directions**

6. These Directions do not prevent the Board from providing such financial assistance as it thinks fit in order to pay, or contribute towards, the premises costs of a contractor in circumstances that are not contemplated by the payment arrangements set out in these Directions, such as where—
- (a) the contractor is providing services under a temporary GMS contract;
  - (b) an emergency need for financial assistance in respect of premises costs arises in circumstances that could not reasonably have been foreseen;
  - (c) the contractor needs temporary accommodation (whether in the form of portable premises or an existing building) while new practice premises are being built or existing practice premises refurbished; or
  - (d) the financial assistance relates to contractual arrangements for the provision of primary medical services under section 83(2) of the 2006 Act(b) (primary medical services).

## **PART 2**

### **PREMISES DEVELOPMENT AND IMPROVEMENT**

#### **Premises development proposals**

- 7.—(1) Where a contractor has a proposal for—
- (a) the building of new premises to be used for providing primary medical services;
  - (b) the purchase of premises to be used for providing primary medical services;
  - (c) the development of premises which are used or are to be used for providing primary medical services (or for significant changes to existing development proposals);
  - (d) the sale and lease back of premises used for providing primary medical services;

---

(a) S.I. 2004/291, amending instruments are S.I. 2004/2694, 2005/893, 3315, 3491 and 3315, 2006/1501, 2007/3491, 2008/528 and 1700, 2009/2205 and 2230, 2010/22, 231, 234, 478, 578 and 1621, 2012/970, 1479, 1909 and 1916, and 2013/363.

(b) Section 83(2) was substituted by paragraph 30 of Schedule 4 to the 2012 Act.

- (e) the increase of the existing floor area of premises used for providing primary medical services which would lead to an increase of a payment made to the contractor under these Directions; or
- (f) premises improvements, which are to be the subject of a premises improvement grant application,

and it puts that proposal to the Board as part of an application for financial assistance in respect of the proposal the Board must consider that application.

(2) Subject to direction 32(4), the Board must not agree to fund any proposal under paragraph (1) where—

- (a) a contract has been entered into, or
- (b) work has been commenced,

and that contract or work has not been subject to prior agreement with the Board.

### **Projects that may be funded with premises improvement grants**

8. The types of premises improvement projects that may be the subject of a premises improvement grant include—

- (a) improvements to practice premises in the form of building an extension to the premises, bringing into use rooms not previously used to support delivery of primary medical services or the enlargement of existing rooms;
- (b) improving physical access to and within practice premises, and alterations or additions made necessary by the Equality Act 2010(a);
- (c) improving lighting, ventilation and heating installations (including replacement of other forms of heating by central heating) of practice premises;
- (d) the reasonable extension of telephone facilities within practice premises (but not the initial purchase or replacement of telephone systems);
- (e) the provision of car parking required for patient and staff use, subject to the number of parking spaces being agreed by the Board (access to and egress from each parking space must be undertaken without the need to move other vehicles);
- (f) the provision of suitable accommodation at the practice premises to meet the needs of children and elderly or infirm people;
- (g) fabric improvements to practice premises such as double glazing, security systems and work required for fire precautions and other statutory building requirements;
- (h) refurbishment of a building not previously used for the provision of primary medical services but which is to be used as practice premises on a temporary basis;
- (i) improvements which are necessary in connection with emergency planning, such as the provision of electronic storage facilities at a location remote from the practice premises or the installation of a connection for an emergency generator;
- (j) improvements which are necessary to meet infection control or decontamination requirements at practice premises, including the installation of specialist floor covering in areas used for the treatment of patients; and
- (k) the installation of a water meter.

### **Projects that must not be funded with premises improvement grants**

9. The Board must not agree to fund the following expenditure with a premises improvement grant—

- (a) any cost elements in respect of which a tax allowance is being claimed;

---

(a) 2010 c.15.

- (b) the cost of acquiring land, existing buildings or constructing new buildings;
- (c) the repair or maintenance of premises, or the purchase, repair or maintenance of furniture, furnishings, floor covering (with the exception of the specialist floor covering referred to in direction 8(j)) and equipment;
- (d) restoration work in respect of structural damage or deterioration;
- (e) any work in connection with the domestic quarters or the residential accommodation of practitioners, caretakers or practice staff, whether or not it is a direct consequence of work on surgery accommodation;
- (f) any extension not attached to the main building by at least a covered passage way;
- (g) improvements designed solely to reduce the environmental impact of premises, such as the installation of solar energy systems, air conditioning, or replacement windows, doors or facades; and
- (h) any work made necessary as a result of fair wear and tear.

#### **Initial consideration of premises development or improvement proposals**

**10.**—(1) Before determining whether a proposal from a contractor for premises development or improvement of a type mentioned in direction 7 should be included in the Board's estates strategy for investment prioritisation the Board must—

- (a) consult the Local Medical Committee (if any), for the area in which the development or improvement is to take place, about the proposal;
- (b) satisfy itself that the proposal—
  - (i) is required to support, and will support, the delivery of the services that the contractor has agreed to provide under its GMS contract, and
  - (ii) will provide a safe and secure environment for the delivery of those services;
- (c) satisfy itself, where appropriate in consultation with the District Valuer Service, that the proposal represents value for money;
- (d) if the premises are held on a lease or a licence—
  - (i) satisfy itself that the contractor has adequate security of tenure and, for premises held on a lease, the unexpired portion of the lease is at least as long as the period of guaranteed use (see direction 12(4)(d)(i) and (ii)), and
  - (ii) satisfy itself that a contractor intends to occupy the premises for at least as long as the period of guaranteed use (see direction 12(4)(d)(i) and (ii)) and will enjoy protection under Part 2 of the Landlord & Tenant Act 1954(a) (security of tenure for business, professional and other tenants) for that period;
- (e) have regard to any relevant standards issued by or on behalf of the Secretary of State and, where a contractor is proposing to depart from those standards, satisfy itself that—
  - (i) the departure is reasonable in the circumstances, and
  - (ii) the premises will nevertheless meet the minimum standards in Schedule 1.

#### **Documentation required in respect of premises developments or improvements**

**11.** The Board must refuse an application for financial assistance in respect of a premises development or improvement proposal from a contractor unless—

---

(a) 1954 c.56. In Part 2 of the Landlord and Tenant Act 1954, sections 24A to 24D, 31A and 41A were inserted by section 3 of the Law of Property Act 1969 (c.59) and amended by S.I. 2003/3096; sections 29A, 29B and 37A were inserted by S.I. 2003/3096; sections 29 and 40 were substituted by S.I. 2003/3096; and section 43A was inserted by section 3 of the Law of Property Act 1969.

- (a) where the nature of the work is such that, in the opinion of the Board, it requires architect's plans for the development or improvement to be drawn up, the contractor supplies the Board with such plans;
- (b) where the nature of the work requires building work, the contractor—
  - (i) carries out a tendering process for a building contractor to undertake the work, resulting in at least three written quotes, and
  - (ii) agrees with the Board which of those written quotes represents best value for money;
- (c) the contractor supplies to the Board copies of any necessary planning and building regulations consents; and
- (d) where the premises development or improvement is to premises that are held on a lease or a licence, the contractor supplies the Board with a copy of the written consent to the development or improvement of the landlord or licensor, as appropriate.

#### **Priority funding projects and conditions attached to payments**

12.—(1) Where the Board determines that a proposal from a contractor for premises development or improvement of a type mentioned in direction 7 is to be included in the Board's estates strategy for investment prioritisation, and is to be one of its priority funding projects, the Board must seek to finalise a project plan with the contractor.

(2) Where the financial assistance is by way of a premises improvement grant, the Board must not commit itself to covering less than 33% or more than 66% of the total cost of the premises improvement, plus any Value Added Tax for which the contractor cannot claim a refund.

(3) The Board must only agree to a finalised project plan with the contractor where the requirements specified in paragraph (4) are met.

(4) The specified requirements are that the project plan includes—

- (a) a payment schedule ("the project payment schedule") setting out the financial assistance to which the Board has committed itself in respect of the project and that project payment schedule is included in any payment schedule in the contractor's GMS contract;
- (b) a condition which has the effect of making payments to the contractor under that payment schedule subject to a requirement that the contractor adheres both to the specifications for the project which are set out in the finalised project plan and to any standards to be met during the development or improvement work which are set out in the finalised project plan;
- (c) a condition which has the effect of making payments to the contractor under that payment schedule subject to a requirement that the contractor, when carrying out the development or improvement work, does not depart significantly, in the Board's view, from the version of the project in the finalised project plan (which may be varied with the consent of both parties);
- (d) a condition (unless such a condition is unreasonable in the circumstances) that has the effect of making the payments to the contractor under that payment schedule subject to a requirement that the contractor guarantees that the premises will, once the development or improvement work has been completed, remain in use for the delivery of NHS services—
  - (i) for projects costing up to £100,000 plus Value Added Tax for at least 5 years,
  - (ii) for projects costing between £100,000 and £250,000 plus Value Added Tax, for at least 10 years; and
  - (iii) for projects costing over £250,000 plus Value Added Tax, for at least 15 years;
- (e) where the development or improvement work is in respect of premises held on a lease or under a licence by the contractor, a condition (unless such a condition is unreasonable in the circumstances) that has the effect of committing the contractor to repaying a proportion of the grant ("the repayable amount") should the premises cease to be used to



provide NHS services before the 5, 10 or, as the case may be, 15 year period of guaranteed use has expired.

(5) In paragraph (4)(e), the repayable amount is to be calculated by multiplying the amount the Board has paid by the fraction produced by dividing the amount of time (expressed in whole and part years) left before the 5, 10 or, as the case may be, 15 year period of guaranteed use has expired, by 5, 10 or, as the case may be, 15 years.

### PART 3

#### PROFESSIONAL FEES AND RELATED COSTS INCURRED IN OCCUPYING NEW OR SIGNIFICANTLY REFURBISHED PREMISES

##### **Reimbursement of legal and other professional costs incurred in occupying new or significantly refurbished premises**

13. Where—

- (a) a contractor has procured newly built practice premises or refurbished existing practice premises;
- (b) actual or notional rent payments are to be paid to the contractor in respect of those premises by the Board pursuant to these Directions on completion of the building or refurbishment work; and
- (c) the contractor makes an application to the Board for reimbursement in respect of the professional expenses referred to in direction 14,

the Board must consider that application for financial assistance and, in appropriate cases (having regard, amongst other matters, to the budgetary targets it has set for itself), grant that application.

##### **Types of professional expenses that may be reimbursed**

14. In the case where—

- (a) notional rent payments are to be paid in respect of newly built or refurbished practice premises, the reimbursable professional expenses are—
  - (i) the reasonable costs of engaging a project manager to oversee the interests of and give advice to the contractor, up to the maximum reimbursable amount, which is 1% of the total reasonable contract sum relating to the construction or refurbishment work;
  - (ii) reasonable surveyors', architects' and engineers' fees, which, taken together, may be paid up to a maximum reimbursable amount, which is 12% of the total reasonable contract sum relating to the construction or refurbishment work; and
  - (iii) reasonable legal costs in connection with the purchase of a site (where applicable) and the construction or refurbishment work; or
- (b) the practice premises are, or are to be, leasehold premises, the reimbursable professional expenses are—
  - (i) the reasonable costs of engaging a project manager to oversee the interests of and give advice to the contractor, up to the maximum reimbursable amount, which is 1% of the total reasonable contract sum relating to the construction or refurbishment work, and
  - (ii) the reasonable legal costs incurred by the contractor in connection with agreeing the lease or a contract for the lease.

##### **Value Added Tax on professional expenses**

15. Where—

- (a) the Board decides to grant an application for reimbursement in respect of the professional expenses mentioned in direction 14; and
- (b) Value Added Tax has been properly charged in respect of the amount that the Board has decided to reimburse,

the Board must provide the contractor with financial assistance, under its GMS contract, to cover the cost to the contractor of that Value Added Tax (but excluding any Value Added Tax for which a refund can be claimed by the contractor).

## PART 4

### GRANTS RELATING TO RELOCATION OF OR RE-MORTGAGING BY A CONTRACTOR

#### **Repayment mortgage redemption or deficit grants**

**16.—(1)** Where a contractor—

- (a) agrees to relocate to leasehold premises approved by the Board in its estates strategy for investment prioritisation; and
- (b) makes an application in writing to the Board for a mortgage redemption or deficit grant in respect of a repayment mortgage to cover all or a proportion of the following—
  - (i) a mortgage deficit which arises, after owner-occupied practice premises are sold, because the actual sale price of the premises was not sufficient to clear the outstanding mortgage on the property, or
  - (ii) mortgage redemption fees that the contractor may incur as a result of the sale or re-mortgage of such premises; and
- (c) includes in that application all reasonable information required of it by the Board to determine the application, including details of the amount of the outstanding mortgage that was used to build or improve the property,

the Board must consider that application for financial assistance and, in appropriate cases (having regard, amongst other matters, to the budgetary targets it has set itself), grant that application.

**(2)** Where a contractor re-mortgages practice premises and—

- (a) the contractor is in receipt of financial assistance under direction 36 in respect of those premises;
- (b) the existing mortgage is a repayment mortgage at a fixed rate of interest;
- (c) the new mortgage is a repayment mortgage at a lower rate of interest than the existing mortgage, and for no more than the amount outstanding under the existing mortgage;
- (d) the contractor makes an application in writing to the Board for a mortgage redemption grant to cover all or a proportion of mortgage redemption fees that the contractor may incur as a result of the re-mortgage; and
- (e) includes in that application all reasonable information required of it by the Board to determine the application, including details of the existing mortgage and the new mortgage,

the Board must consider that application for financial assistance and in appropriate cases, (having regard, amongst other matters, to the budgetary targets it has set itself, and to the likely savings to be made in the level of financial assistance given under direction 36 as a result of the re-mortgage), grant that application.

#### **Costs that may not be funded with mortgage redemption or deficit grants**

**17.** The Board must not agree to cover the following costs or liabilities of a contractor with a mortgage redemption or deficit grant—

- (a) any proportion of a mortgage deficit that has arisen through—
  - (i) arrangements entered into by the contractor which result in mortgage repayments not being made for any period (“payment holidays”), or
  - (ii) reduced loan repayments not reflected in the amount the Board pays in respect of borrowing costs under direction 39;
- (b) any borrowings or redemption charges not connected with the original purchase of land, building works or subsequent improvements to the premises (for example furnishings, fittings and equipment, including IT and telephone systems).

**Matters that must be considered before determining mortgage redemption or deficit grant applications**

18. Before determining an application for a mortgage redemption or deficit grant from a contractor, the Board must obtain professional advice and be satisfied that—

- (a) negotiations with the lender have limited the extent of any deficit or redemption charges;
- (b) options for change of use for the property have been considered and where appropriate, outline planning permission sought or obtained;
- (c) a proper process has been undertaken to identify a suitable third party developer and a site for the new leasehold premises;
- (d) the timing of the grant is appropriate to maximising the opportunity for a sale which will coincide with completion and occupation of the new leasehold premises; and
- (e) the sale of the premises is adequately advertised and the best price obtained,

and the Board must deduct from any amount that it would otherwise be prepared to pay by way of a mortgage redemption or deficit grant the surrender value of any endowment policy cover linked to the mortgage on the premises.

**Conditions attached to mortgage redemption or deficit grants**

19. Although, for accounting purposes, a mortgage redemption or deficit grant is to be treated as a payment to the contractor, the Board must ensure that payment of the grant is made subject to the following conditions—

- (a) the contractor must consent to the Board sending the grant directly to the lender;
- (b) the contractor must provide the Board with sufficient details to enable it to do so;
- (c) the contractor must provide the Board with the information it needs from the lender to determine whether any endowment policy cover is linked to the mortgage on the premises, and if so, its surrender value; and
- (d) the contractor must not be in receipt of financial assistance under direction 20 in respect of the same mortgage.

**Borrowing costs relating to mortgage redemption or deficit costs**

20.—(1) Where a contractor, which is not in receipt of a mortgage redemption or deficit grant—

- (a) agrees to relocate to leasehold premises approved by the Board in its estates strategy for investment prioritisation;
- (b) takes out a loan to cover—
  - (i) a mortgage deficit which arises, after owner-occupied practice premises are sold, because the actual sale price of the premises was not sufficient to clear the outstanding mortgage on the property, or
  - (ii) mortgage redemption fees that the contractor may incur as a result of the sale or re-mortgage of such premises, or a third party takes out a loan to cover those costs or

fees on its behalf and the contractor is obliged to meet the third party's liabilities in respect of the repayment of that loan;

- (c) makes an application in writing to the Board for financial assistance towards meeting its, or the third party's, regular payments to repay the loan; and
- (d) includes in that application all reasonable information required of it by the Board to determine the application, including details of the amount of the outstanding mortgage that was used to build or improve the property,

the Board must consider that application for financial assistance and, in appropriate cases (having regard, amongst other matters, to the budgetary targets it has set itself), grant that application.

(2) Where a contractor re-mortgages practice premises and—

- (a) the contractor is in receipt of financial assistance under direction 36 in respect of those premises;
- (b) the existing mortgage is a repayment mortgage at a fixed rate of interest;
- (c) the new mortgage is a repayment mortgage at a lower rate of interest than the existing mortgage, and for no more than the amount outstanding under the existing mortgage;
- (d) the contractor takes out a loan to cover mortgage redemption fees that the contractor may incur as a result of the re-mortgage of the premises, or a third party takes out a loan to cover those fees on its behalf and the contractor is obliged to meet the third party's liabilities in respect of the repayment of that loan;
- (e) the contractor makes an application in writing to the Board for financial assistance towards meeting its, or the third party's, regular payments to repay the loan; and
- (f) includes in that application all reasonable information required of it by the Board to determine the application, including details of the existing mortgage and the new mortgage,

the Board must consider that application for financial assistance and in appropriate cases (having regard, amongst other matters, to the budgetary targets it has set itself, and to the likely savings to be made in the level of financial assistance given under direction 36 as a result of the re-mortgage), grant that application.

#### **Costs that must not be funded under direction 20**

21. The Board must refuse an application of a type mentioned in direction 20 if the loan covers—

- (a) any proportion of a mortgage deficit that has arisen through—
  - (i) arrangements entered into by the contractor which result in mortgage repayments not being made for any period ("payment holidays"), or
  - (ii) reduced loan repayments not reflected in the cost rent reimbursement;
- (b) any borrowings or redemption charges not connected with the original purchase of land, building works or subsequent improvements to the premises (for example furnishings, fittings and equipment, including IT or telephone systems).

#### **Matters that must be considered before determining applications under direction 20**

22. Before determining an application of the type mentioned in direction 20, the Board must obtain professional advice and be satisfied that—

- (a) negotiations with the lender have limited the extent of any deficit or redemption charges;
- (b) options for change of use for the property have been considered and where appropriate, outline planning permission sought or obtained;
- (c) a proper process has been undertaken to identify a suitable third party developer and a site for the new leasehold premises;

- (d) the timing of the loan is appropriate to maximising the opportunity for a sale which will coincide with completion and occupation of the new leasehold premises; and
- (e) the sale of the premises is adequately advertised and the best price obtained,

and the Board must deduct from any regular payments that it would otherwise be prepared to pay, in granting the application, a regular and appropriate proportion of the surrender value of any endowment policy cover linked to the mortgage on the premises.

#### **Conditions attached to payments under direction 20**

23. Although, for accounting purposes, regular payments that the Board makes on granting an application of the type mentioned in direction 20 are to be treated as a payment to the contractor, the Board must ensure that the payments are made subject to the following conditions—

- (a) the contractor must consent to the Board sending the payments directly to the lender;
- (b) the contractor must provide the Board with sufficient details to enable it to do so;
- (c) the contractor must provide the Board with the information it needs from the lender to determine whether any endowment policy cover is linked to the mortgage on the premises, and if so, its surrender value; and
- (d) the contractor must not be in receipt of a mortgage redemption or deficit grant from the Board in respect of the same mortgage.

#### **Guaranteed minimum sale price payments**

24. Where—

- (a) a contractor agrees with the Board to relocate to leasehold premises approved by the Board in its estates strategy for investment prioritisation;
- (b) the relocation will, in the opinion of the Board, result in an improvement in the range and quality of services to be provided to patients by the contractor;
- (c) the Board and the contractor have agreed a guaranteed minimum sale price for owner-occupied practice premises that are being sold (“the previous premises”);
- (d) the Board is satisfied that the previous premises were placed on the open market with active marketing to sell them at the maximum price achievable on a date to coincide with the contractor’s move to new premises;
- (e) the Board is satisfied, having taken the advice of the District Valuer Service, that an increased offer (being an offer that was better than the one that was in fact accepted for the previous premises) could not reasonably have been achieved;
- (f) the Board is satisfied that the previous premises have not been sold to—
  - (i) the contractor or, where the contractor is an individual, a family member of the contractor,
  - (ii) a present or former partner in, shareholder in or employee of the contractor,
  - (iii) a family member of a present or former partner in, shareholder in or employee of the contractor, or
  - (iv) the employer of a family member of a present or former partner in or shareholder in or employee of the contractor; and
- (g) in appropriate circumstances (such as where the future planning use of the property is unclear)—
  - (i) the agreement for sale of the previous premises includes a clawback arrangement, and
  - (ii) the contractor has agreed with the Board an enforceable undertaking in the form of a condition in its GMS contract that it will use any clawback monies to repay all or a proportionate part (as is appropriate) of any payment from the Board pursuant to this direction,

if the sale price for the previous premises is less than the agreed guaranteed minimum sale price for the premises, the Board must provide to the contractor under its GMS contract financial assistance in the form of a payment equal to the difference between those two prices.

#### **Agreement of a guaranteed minimum sale price**

25. If the Board is considering agreeing a guaranteed minimum sale price with a contractor, it must—

- (a) seek the advice of the District Valuer Service on the actual sale price of the premises to be sold; and
- (b) only agree a guaranteed minimum sale price with the contractor—
  - (i) on the basis of the advice about the actual sale price of the property that it has received, and
  - (ii) having taken into account the options for change of use of the premises.

#### **Grants relating to the cost of reconverting former residential property**

26. Where a contractor has a proposal for reconverting practice premises which were previously the contractor's (or a partner in or shareholder in the contractor's) owner-occupied residential property back to residential use, and—

- (a) the property is no longer suitable for the delivery of primary medical services; and
- (b) the contractor has agreed to—
  - (i) move to premises suitable for the delivery of primary medical services,
  - (ii) rent out the reconverted premises through arrangements made by the contractor directly or through a registered provider of social housing for a minimum period of time, which is to be set by the Board and which the Board must set for a period that is commensurate to the level of grant awarded pursuant to an application of the type mentioned in this direction; and
  - (iii) the contractor makes an application to the Board for a residential property re-conversion grant towards the cost of the re-conversion,

the Board must consider that application for financial assistance and, in appropriate cases (having regard, amongst other matters, to the budgetary targets that it has set for itself) grant that application.

#### **Circumstances where residential property re-conversion grants are not payable**

27. The Board must ensure that payment of a residential property re-conversion grant is made subject to conditions to the following effect—

- (a) for the minimum period of time set by the Board in accordance with direction 26(b)(ii), any registered provider of social housing through whom the premises are or will be rented out, and any tenant to whom all or part of the premises are or will be rented out, must not be—
  - (i) the contractor or, where the contractor is an individual, a family member of the contractor;
  - (ii) a present or former partner in, shareholder in or employee of the contractor;
  - (iii) a family member of a present or former partner in, shareholder in or employee of the contractor; or
  - (iv) the employer of a family member of a present or former partner in, shareholder in or employee of the contractor; and
- (b) the contractor must not occupy all or part of the premises during the minimum period of time that has been set by the Board in accordance with direction 26(b)(ii).

**Grants towards the cost of surrendering or assigning leases or to meet vacated leasehold premises costs and condition to be attached**

28.—(1) Where a contractor which is moving or has moved to premises that are suitable for the delivery of primary medical services makes an application to the Board for a grant towards—

- (a) the costs reasonably incurred (including reasonable legal costs) that relate to—
  - (i) surrendering a lease with no more than five years of its term left to run, or
  - (ii) assigning a lease where surrender of the lease was not realistically possible, of leasehold premises that are or were practice premises but are not suitable for the delivery of primary medical services; or
- (b) vacated leasehold premises costs, for the 12 month period immediately following the contractor's vacation of the premises, that relate to the contractor's ongoing liabilities (or a partner in or shareholder in the contractor's ongoing liabilities) in respect of practice premises that are being or have been vacated because they are not suitable for the delivery of primary medical services,

the Board must consider that application for financial assistance and, in appropriate cases (having regard, amongst other matters, to the budgetary targets it has set itself) grant that application.

(2) In the case of vacated leasehold premises costs, the Board must ensure that any financial assistance given is subject to a condition to the effect that the contractor must continue to take all reasonable steps to surrender or assign the lease to a third party on reasonable terms.

**Circumstances where an application of the type mentioned in direction 28 must be refused**

29. The Board must refuse an application of the type mentioned in direction 28 where—

- (a) the costs to which the application relates were incurred without the prior approval of the Board;
- (b) the leasehold premises are owned by or leased from an NHS trust or Foundation trust, or from NHS Property Services Limited<sup>(a)</sup>;
- (c) the leasehold premises are wholly or partly owned by, or are leased from—
  - (i) the contractor or, where the contractor is an individual, a family member of the contractor;
  - (ii) a present or former partner in, shareholder in or employee of the contractor,
  - (iii) a family member of a present or former partner in, shareholder in or employee of the contractor, or
  - (iv) the employer of a family member of a present or former partner in, shareholder in or employee of the contractor;
- (d) in the case of costs of assigning a lease, surrender could be agreed with the landlord, unless professional advice has been obtained and the conclusion of that advice is that surrender or assignment is not cost-effective;
- (e) in the case of vacated leasehold premises costs—
  - (i) surrender could be agreed with the landlord, or
  - (ii) assignment to a third party could be agreed with the landlord and is realistically possible, unless professional advice has been obtained and the conclusion of that advice is that surrender or assignment is not cost-effective; or
  - (iii) the costs relating to liabilities in respect of the vacated leasehold premises have not been agreed with the landlord.

---

(a) NHS Property Services Limited is a company formed under section 223 of the 2006 Act under registration number 07888110. Section 223 was amended by paragraph 117 of Schedule 4 to the 2012 Act and by S.I. 2009/1941.

### **Stamp Duty Land Tax payable on agreeing a new lease**

#### **30. Where—**

- (a) contractor agrees with the Board to relocate to or additionally occupy leasehold practice premises approved by the Board in the Board's estates strategy for investment prioritisation;
- (b) the relocation or additional premises will, in the opinion of the Board, result in an improvement in the range and quality of services to be provided to patients by the contractor; and
- (c) the contractor makes an application to the Board for financial assistance to cover the cost of any Stamp Duty Land Tax incurred by the contractor as a consequence of signing a lease to occupy premises,

the Board must consider that application for financial assistance and, in appropriate circumstances (having regard, amongst other matters, to the budgetary targets it has set for itself), grant that application.

## **PART 5**

### **RECURRING PREMISES COSTS**

#### **Leasehold premises rental costs**

##### **31. Subject to the following provisions of this Part, where—**

- (a) a contractor which rents its practice premises makes an application to the Board for financial assistance towards its rental costs; and
- (b) the Board is satisfied (before the lease is agreed or varied), where appropriate in consultation with the District Valuer Service, that the terms on which the new or varied lease is to take effect represent value for money,

the Board must consider that application and, in appropriate cases (having regard, amongst other matters, to the budgetary targets it has set for itself), grant that application.

#### **Amount of leasehold premises rental costs payable**

**32.—(1)** Subject to the following provisions of this Part, where the Board grants the application, the amount that it must pay in respect of a contractor's rental costs for its practice premises is—

- (a) the current market rent for the premises, plus any Value Added Tax payable by the contractor if this is properly charged to the contractor by the landlord (but excluding any Value Added Tax for which the contractor can claim a refund); or
- (b) the actual lease rent for the premises, plus any Value Added Tax payable by the contractor if this is properly charged to the contractor by the landlord (but excluding any Value Added Tax for which the contractor can claim a refund),

whichever is the lower amount.

#### **Current market rents**

**33.—(1)** The Board must determine the amount of the current market rent of leasehold premises in accordance with Parts 1 and 2 of Schedule 2.

(2) Having regard to the fact that current market rent levels in some areas of deprivation may be too low to provide—

- (a) sufficient returns to support new capital investment in practice premises; or



- (b) sufficient support for existing premises that meet the minimum standards set out in Schedule 1,

the Board may in such circumstances, having taken advice from the District Valuer Service, add an appropriate supplement to the amount it would otherwise pay as the current market rent of practice premises, in order to provide sufficient returns or support.

- (3) The Board must reduce payments of the supplement in paragraph (2) in line with any increases in the current market rent until such time as the supplement is extinguished.

#### **Premiums affecting the lower rent rate**

34.—(1) Where the actual lease rent for practice premises, plus any properly chargeable Value Added Tax, is only lower than the current market rent for those premises because, in the calculation of the current market rent for the premises, the Board includes the value of a premium paid by the tenant, the amount to be paid by the Board pursuant to direction 32 is the current market rent for the premises rather than the actual lease rent.

(2) In considering the actual lease rent in paragraph (1), the Board must disregard any element of that rent which would not be included in an assessment of current market rent, and must, when adding any properly chargeable Value Added Tax, disregard any part of that Value Added Tax for which the contractor can claim a refund.

#### **Equipment lease costs for leasehold practice premises**

35. Where—

- (a) a contractor has entered into an agreement (whether as part of an agreement to lease practice premises or otherwise) to lease equipment, furniture or furnishings; and
- (b) the nature and level of the costs of leasing the equipment, furniture or furnishings (including any arrangements for increasing the amounts payable), together with the period of time for which these costs are payable, were agreed by the contractor and the Board before the agreement was made, and—
  - (i) the period of time does not exceed the remaining term of the lease of the practice premises, and
  - (ii) the Board obtained professional advice before reaching agreement with the contractor; and
  - (iii) the contractor makes an application to the Board for financial assistance towards those costs,

the Board must consider that application for financial assistance and, in appropriate circumstances (having regard, amongst other matters, to the budgetary targets it has set for itself), grant that application.

#### **Borrowing costs**

36. Subject to the following provisions of this Part, where a contractor—

- (a) incurs borrowing costs as a result of purchasing, building or significantly refurbishing its practice premises; and
- (b) makes an application to the Board for financial assistance towards meeting those costs,

the Board must consider that application and, in appropriate cases (having regard, amongst other matters, to the budgetary targets it has set for itself), grant that application.

**Conditions to be met if applications for financial assistance in respect of borrowing costs are to be granted**

37.—(1) Where the contractor's borrowing costs relate to new practice premises or the significant refurbishment of an existing building, the Board must only grant an application of the type mentioned in direction 36 if the conditions in paragraph (2) are met.

(2) The conditions referred to in paragraph (1) are—

- (a) in respect of the building work, the contractor—
  - (i) carries out or carried out a tendering process for a firm to undertake the work, resulting in at least three written quotes, and
  - (ii) agrees or agreed with the Board which of those written quotes represents or represented best value for money;
- (b) the amount of financial assistance applied for has been calculated by applying the prescribed percentage to the necessary level of loan incurred (or that would have been incurred had the contractor not wholly or partly funded the project with its, or its partners' or shareholders', own resources) and agreed with the Board, to meet the aggregated cost elements to build, fit-out and equip the premises; and
- (c) the loan (being any loan actually taken out by the contractor) is secured by the contractor and is for a term of no more than 25 years.

**The prescribed percentage and aggregated cost elements**

38. For the purposes of direction 37(2)(b)—

- (a) the prescribed percentage is—
  - (i) if the loan is a fixed interest rate loan (for the duration of loan period), the 20 high year gilt rate issued by the Bank of England(a) plus 1.5%;
  - (ii) if the loan is not a fixed interest rate loan (for the duration of the loan period), the Bank of England Base Interest Rate(b) plus 1%; or
  - (iii) if the contractor is financing the building or refurbishment scheme wholly or mainly from its (or its partners' or shareholders') own resources, that which the Board determines as representing best value for money;
- (b) the cost elements that may be aggregated include—
  - (i) site purchase,
  - (ii) building works,
  - (iii) reasonable surveyors', architects' and engineers' fees, and reasonable legal fees arising out of the purchase of the site (where applicable) and the building or refurbishment, which, taken together, may be paid up to a maximum reimbursable amount, which is 12% of the total reasonable contract sum relating to the construction or refurbishment work,
  - (iv) the reasonable costs of engaging a project manager to oversee the interests of and give advice to the contractor, up to the maximum reimbursable amount, which is 1% of the total reasonable contract sum relating to the construction or refurbishment work,
  - (v) any rolled-up interest incurred on loans taken out to procure the premises,
  - (vi) local authority and planning application fees necessarily incurred,
  - (vii) purchase or lease costs of adequately fitting-out and equipping the new premises, and

---

(a) The 20 high year gilt rate may be obtained at the Bank of England's website, <http://www.bankofengland.co.uk/boeapps/iadb/newintermed.asp>, and entering the code IUMLNPY in the search box.

(b) The Base Interest Rate may be obtained at the Bank of England's website, <http://www.bankofengland.co.uk/boeapps/iadb/newintermed.asp>, and entering the code IUMBEDR in the search box.

- (viii) Value Added Tax and Stamp Duty Land Tax, where properly charged in relation to the above, but excluding any part of the Value Added Tax for which the contractor can claim a refund.

#### **Amounts payable in respect of borrowing costs**

39. Where the Board has decided to grant an application from a contractor for financial assistance in respect of borrowing costs pursuant to direction 36, and the Board has calculated the amount of financial assistance in accordance with direction 37(2)(b) ("the annual amount") in respect of the contractor's borrowing costs, the Board must each month provide financial assistance to the contractor in respect of those borrowing costs, based on one twelfth that annual amount, until—

- (a) the loan is paid off;
- (b) in the case of a loan that is not a fixed interest rate loan (for the duration of the loan period) twelve months have elapsed since the annual amount was last established, at which point a new annual amount is to be established for the next twelve months, based on a re-determined prescribed percentage, which is the Bank of England Base Interest Rate at the time the annual amount is recalculated plus 1%, being applied to the agreed level of borrowing;
- (c) alternative borrowing arrangements are entered into by the contractor, and where a contractor changes lender or re-negotiates lower loan costs, the amount payable by the Board shall be recalculated using the appropriate prescribed percentage in force at the time that the changed loan arrangements come into effect; or
- (d) the contractor elects not to receive any further payments under these arrangements (for example, in order to receive notional rent payments),

and the monthly amount is to be paid on the last day of the month, unless alternative payment arrangements are agreed between the Board and the contractor.

#### **Condition attached to payments in respect of borrowing costs based on a fixed interest rate loan**

40. Where a contractor is to receive payments in respect of borrowing costs under this Part, and those borrowing costs arise as a result of a fixed interest rate loan, the Board must ensure that the making of the payment is subject to a condition to the effect that the contractor must advise the Board of any change of lender or any reduction in the level of interest charged to its loan.

#### **Notional rent payments**

41.—(1) Subject to the following provisions of this Part, where a contractor that is an owner-occupier of its practice premises—

- (a) either—
  - (i) has repaid the loans secured on its practice premises, or
  - (ii) incurs borrowing costs as a result of purchasing, building or significantly refurbishing practice premises (or would have incurred such costs had the contractor not funded the project with its, or its partners' or shareholders', own resources) but elects not to receive any payments from the Board in respect of those borrowing costs; and
- (b) makes an application to the Board for notional rent payments,

the Board must consider that application and, in appropriate cases (having regard, amongst other matters, to the budgetary targets it has set for itself), grant that application.

(2) If a contractor has been in receipt of payments in respect of its borrowing costs pursuant to direction 39 but elects not to receive further payments pursuant to that direction and makes an application in accordance with this direction, the Board must grant that application and

make notional rent payments to the contractor under its GMS contract at an appropriate level and frequency.

#### **Amount of notional rent payments**

42.—(1) Where the Board grants an application of the type mentioned in direction 41, subject to the following provisions of this Part, the amount that it must pay to a contractor in respect of notional rent is the current market rental value of its practice premises, as determined in accordance with Parts 1 and 3 of Schedule 2.

(2) The Board must review the amount in paragraph (1) as part of a three yearly review of the contractor's notional rent, although this review may be brought forward if—

- (i) there is a change to the purposes for which the premises are used; or
- (ii) there is further capital investment in the premises, which has been agreed by the Board, and payments are to be made by the Board to the contractor in respect of that investment under its GMS contract.

#### **Abatement of notional rent payments**

43.—(1) Where—

- (a) capital has contributed to the cost of building or refurbishment work done in respect of the practice premises of a contractor, and
- (b) that capital was not borrowed or otherwise provided by the contractor,

on completion of the building or refurbishment work, the amount of the notional rent payable by the Board must be the abated notional rent for those premises, calculated in accordance with Part 1 of Schedule 3, rather than the full notional rent, determined in accordance with direction 42, but after the abatement period the full notional rent again becomes payable.

(2) The abatement period in paragraph (1) is, where the cost of the building or refurbishment work is—

- (a) up to £100,000 plus Value Added Tax, a period of 5 years;
- (b) between £100,000 and £250,000 plus Value Added Tax, a period of 10 years;
- (c) more than £250,000 plus Value Added Tax, a period of 15 years.

#### **Notional rent supplements**

44. If a contractor—

- (a) is an owner-occupier of its practice premises and is in receipt of payments in respect of its borrowing costs which are paid by the Board pursuant to direction 39, and—
  - (i) the contractor makes further capital investment in the practice premises and that investment (including the details of the finalised project plan) had the prior approval of the Board but
  - (ii) the current market rent (and so the notional rent) for the practice premises remains lower than the repayments in respect of borrowing costs being made; or
- (b) rents its practice premises and is in receipt of payments in respect of its actual lease rent which are paid by the Board pursuant to direction 32, and
  - (i) the contractor makes further capital investment in its practice premises, and
  - (ii) that investment (including the details of the finalised project plan) had the prior approval of the Board,

and the contractor makes an application to the Board for a notional rent supplement, the Board must grant that application and make notional rent supplement payments to the contractor under its GMS contract at an appropriate level and frequency.

### **Amount of notional rent supplements**

45. Where the Board grants an application of the type mentioned in direction 44, the amount that it must pay to the contractor as a notional rent supplement is the value of the enhancement of the current market rent for the premises arising from the further capital investment, which is to be determined (or abated) in accordance with Schedule 2 and Part 1 of Schedule 3.

### **Payments in respect of running costs**

46.—(1) Where—

- (a) a contractor is in receipt of payments pursuant to this Part in respect of leasehold rental costs or borrowing costs, or by way of notional rent payments;
- (b) the contractor actually and properly incurs the costs which are or relate to—
  - (i) business rates,
  - (ii) water and sewage charges,
  - (iii) charges in respect of the collection and disposal of clinical waste, or
  - (iv) a utilities and services charge which covers the matters in paragraph (2);
- (c) those costs are not covered in the other payments that the contractor is receiving pursuant to these Directions, and

the contractor makes an application to the Board for financial assistance towards meeting any or all of these costs, subject to direction 47, the Board must consider that application and, in appropriate cases (having regard, amongst other matters, to the budgetary targets it has set for itself), grant that application.

(2) The utilities and services charge in paragraph (1)(b)(iv)—

- (a) may include a service charge under a lease or a charge levied under separate arrangements made by a contractor which is an owner-occupier,
- (b) must cover—
  - (i) fuel and electricity charges,
  - (ii) building insurance costs,
  - (iii) costs of internal or external repairs, and
  - (iv) plant, building and grounds maintenance costs.

### **Financial assistance towards service charges**

47. The Board must deduct from any amount that it would otherwise be required to pay in respect of a service charge pursuant to an application of the type mentioned in direction 46—

- (a) an average (calculated on the basis of the previous year's costs) amount that the contractor paid in respect of—
  - (i) fuel and electricity charges,
  - (ii) insurance costs,
  - (iii) costs of internal or external repairs, and
  - (iv) plant, building and grounds maintenance costs,

calculated by reference to the same time period as the period in respect of which the service charge is payable; or

- (b) if suitable and sufficient information is not (or does not become) available to calculate the average referred to in paragraph (a), 40% of the amount otherwise payable.

#### **Abatements in respect of contributions towards recurring premises costs from third parties**

48. Where a contractor's practice premises, or any part thereof, are or form part of premises that are owned or rented by any person other than the contractor, and that person—

- (a) is required by any agreement (which includes a licence or a lease) to make or makes any contribution towards any recurring premises costs in respect of which the Board is providing financial assistance to the contractor in accordance with this Part; or
- (b) is required by any agreement (which includes a licence or a lease) to pay or pays to the contractor any amount—
  - (i) by way of rent in respect of the practice premises or any part thereof, or
  - (ii) in respect of the running costs of the practice premises,

the Board must set off that contribution or that amount, equitably, against the payments made to the contractor pursuant to this Part.

#### **Payments in kind**

49.—(1) Where a payment that is to be made pursuant to this Part would be abated, or abated by a greater amount, if instead of receiving money or obtaining a pecuniary advantage a contractor, or a member or employee of a contractor, receives a payment in kind, the Board must take into account the value of the payment in kind in determining the amount of the payment to be made pursuant to this Part.

(2) The Board is to take all reasonable steps to agree with the contractor the value of the payment in kind and must justify the value it does determine.

#### **Minimum standards condition attached to all payments under this Part**

50.—(1) If a payment is to be made by the Board pursuant to this Part, the Board must ensure that the making of the payment is subject to a condition to the effect that the practice premises in respect of which the payment is made meet the minimum standards set out in Schedule 1.

(2) If this condition in paragraph (1) is breached but the breach is capable of remedy by refurbishment of the premises—

- (a) a remedial notice should not be served in respect of the breach if, pursuant to a plan drawn up in accordance with regulation 18(3) of the National Health Service (General Medical Services Contracts) Regulations 2004(a) (services generally), action is already due to be taken which will remedy that breach and the timescale for taking that action under that plan has not yet elapsed;
- (b) before serving a remedial notice in respect of the breach, the Board must consult the Local Medical Committee (if any) for the area concerned; and
- (c) if a remedial notice is served, the notice period must be no more than 3 months unless in the Board's opinion the breach will require a longer period to rectify.

#### **Accurate information condition attached to all payments under this Part**

51. Where the Board grants an application under this Part, it must ensure that the payment is made subject to conditions to the following effect—

- (a) the contractor must make available to the Board any information which the Board does not have but needs, and the contractor either has or could reasonably be expected to obtain, in order for the Board to calculate the appropriate amount of financial assistance to be provided; and

---

(a) S.I. 2004/291; amending instruments are S.I. 2004/2694, 2005/893, 3315, 3491 and 3315, 2006/1501, 2007/3491, 2008/528 and 1700, 2009/2205 and 2230, 2010/22, 231, 234, 478, 578 and 1621, 2012/970, 1479, 1909 and 1916, and 2013/363.

- (b) all information supplied by a contractor to the Board pursuant to or in accordance with the condition set out in paragraph (a) must be accurate.

## PART 6

### MISCELLANEOUS PROVISIONS

#### Direct payments to third parties

52.—(1) Where a contractor and the Board agree, the Board must pay any amount that is due to the contractor as financial assistance under these Directions to a third party instead of the contractor, subject to a condition that the contractor ensures that it treats the payment for accounting purposes as a payment to it.

(2) If—

- (a) the payment from the Board to the third party is less than the amount that is due from the contractor to the third party; and
- (b) the contractor is due other payments from the Board as financial assistance under these Directions which are greater than or equal to the amount of the shortfall,

where the contractor and the Board agree, the Board must pay all or part of those other payments to the third party instead of to the contractor, subject to a condition that the contractor ensures that it treats the payment for accounting purposes as a payment to it.

#### Time limitation for making applications

53. The Board must only grant an application of a type mentioned in these Directions if the application is made within six years of the premises costs to which the application relates falling due.

## PART 7

### TRANSITIONAL, REVOCATION AND SAVINGS PROVISIONS

#### Interpretation

54. In this Part—

“the 2004 Directions” means the National Health Service (General Medical Services – Premises Costs) (England) Directions 2004(a); and

“Primary Care Trust” means a Primary Care Trust which was established and which subsisted immediately before the coming into force of section 34 of the 2012 Act (abolition of Primary Care Trusts).

#### General transitional provision

55. Subject to the following directions in this Part—

- (a) any act or omission by, or in relation to, a Primary Care Trust before 1st April 2013 in respect of the exercise of any functions of the Primary Care Trust under the 2004 Directions is deemed to have been an act or omission of, or in relation to, the Board; and
- (b) anything which, when these Directions take effect, is in the process of being done by, or in relation to, a Primary Care Trust in respect of, or in connection with the exercise by the

---

(a) The 2004 Directions were signed on 16th March 2004 and are available to download from the Department of Health website at [www.dh.gov.uk](http://www.dh.gov.uk).

Primary Care Trust of any of its functions under the 2004 Directions is deemed to have effect as if done by, or in relation to, and may be continued by, or in relation to, the Board.

#### **Transitional provision in respect of payments**

56.—(1) Where immediately before 1st April 2013, a Primary Care Trust was making payments to a contractor under Part 4 (grants relating to the relocation of a contractor), 5 (recurring premises costs), or 6 (supplementary provisions) of the 2004 Directions, the Board must continue to make those payments as if the 2004 Directions, as in force immediately before 1st April 2013, continued to apply, and those Directions are to be treated as directions to the Board.

(2) Where a contractor made an application for financial assistance under the 2004 Directions before 1st April 2013 but that application had not been determined by the Primary Care Trust—

- (a) where the costs, or any part of them, to which the application relates were incurred before 1st April 2013, the Board must determine the application and make any payments as if the 2004 Directions, as in force immediately before 1st April 2013, continued to apply, and those Directions are to be treated as directions to the Board;
- (b) where the costs to which the application relates were all incurred on or after 1st April 2013, the Board must determine the application and make any payments in accordance with these Directions.

#### **Revocation and savings**

57.—(1) Subject to the preceding directions in this Part, the 2004 Directions are revoked.

(2) Notwithstanding the revocation provided for in paragraph (1), the 2004 Directions, as in force immediately before 1st April 2013, continue to apply to the extent necessary for the purposes of directions 56 and for the purposes of assessing entitlement to, and any recovery of, payments arising under the 2004 Directions.

(3) For the purposes of paragraph (2) and the resolution of any matter which is pending under the 2004 Directions as at 31st March 2013—

- (a) any reference to a Primary Care Trust in the 2004 Directions is to be treated as if it were a reference to the Board;
- (b) the Board may do anything or continue to do anything which a Primary Care Trust could have done in relation to the 2004 Directions; and
- (c) the transitional provisions in Schedule 1 to the National Health Service (Primary Medical Services) (Miscellaneous Amendments and Transitional Provisions) Regulations 2013(a) apply in so far as is necessary.

Signed by authority of the Secretary of State for Health



Date

*Name*  
A member of the Senior Civil Service  
Department of Health

28 March 2013

---

(a) 2013/363.



## MINIMUM STANDARDS FOR PRACTICE PREMISES

## PART 1

## STATUTORY STANDARDS

**Health and Safety at Work Act 1974**

1. The contractor must comply with any obligations it has under the Health and Safety at Work Act 1974(a) (and legislation under that Act) including any applicable requirements regarding adequate standards of ventilation.

**Equality Act 2010**

2. The contractor must comply with any obligations it has under the Equality Act 2010(b) and should carry out any audits as to accessibility of the premises that may be necessary in order to enable it to comply with those obligations. The requirements of the Equality Act 2010 include taking such steps as are reasonable to—

- (a) provide for ease of access to the premises and ease of movement within the premises for all users of the premises (including wheelchair users);
- (b) provide adequate sound and visual systems for the hearing and visually impaired; and
- (c) remove barriers to the employment of disabled people.

**Fire precautions**

3. There should be adequate fire precautions, including provision for safe exit from the premises, designed in accordance with any requirements of the Building Regulations 2010(c) and agreed, where necessary, with the local fire authority.

**LOLER and COSHH Regulations**

4. The contractor must comply with any applicable requirements of the Lifting Operations and Lifting Equipment Regulations 1998(d) (“the LOLER Regulations”) or the Control of Substances Hazardous to Health Regulations 2002(e) (“the COSHH Regulations”) which apply to the premises.

**Miscellaneous requirements**

5. The contractor must comply with any applicable statutory requirements relating to—

- (a) the carrying out of a risk assessment and preparation of a management plan with regards to any risk of Legionella;
- (b) the carrying out of a risk assessment and preparation of a management plan with regards to any risk connected with or attributable to the presence of asbestos;
- (c) the testing of electrical equipment or appliances; and
- (d) the testing of gas appliances or pressure systems (including systems for medical gas).

---

(a) 1974 c.37.

(b) 2010 c.15.

(c) S.I. 2010/2214.

(d) S.I. 1998/2307, amended by S.I. 2002/2174, 2007/320 and 2008/1597.

(e) S.I. 2002/2677, amended by S.I. 2003/978, 2004/3386, 2006/557, 2007/1894, 2008/960 and 2852, and 2009/716.

## PART 2

### CONTRACTUAL STANDARDS

#### General standards

6. The contractor must comply with any requirements in the contractor's GMS contract<sup>(a)</sup> relating to maintaining—

- (a) adequate heating and lighting;
- (b) adequate facilities for older people and young children, including nappy-changing and feeding facilities;
- (c) internal waiting areas, with sufficient and appropriate seating to meet normal requirements;
- (d) adequate facilities for patients to communicate confidentially with staff including in person and by telephone;
- (e) fixtures and fittings in good repair;
- (f) adequate secure storage of drugs, records, prescriptions and statement pads;
- (g) adequate security arrangements, including arrangements for the security of the premises and security of the person;
- (h) adequate arrangements in consultation or treatment rooms (including rooms for the carrying out of minor surgery or the treatment of minor injuries) to support safe and secure provision of primary medical services, including privacy for consultations and the personal privacy of patients when dressing or undressing; and
- (i) adequate procedures for ensuring the continuing safety of practice premises, and the suitability of those premises for delivering primary medical services, including, where necessary, the carrying out of risk assessments of the safety and security of practice premises, and the development of business continuity plans to address any significant disruption to the delivery of primary medical services at the practice premises.

#### Decontamination and infection control

7. In complying with any requirements regarding decontamination or infection control, the contractor should have regard to the Health and Social Care Act 2008, Code of Practice on the prevention and control of infections and related guidance<sup>(b)</sup>, and to the following—

- (a) clinical wash hand basins should be connected to running hot and cold water (ideally distributed through elbow, knee or sensor-operated taps);
- (b) the premises, fixtures and fittings should be maintained in a clean and hygienic condition;
- (c) there should be adequate lavatory and hand hygiene facilities; and
- (d) arrangements for the disposal of clinical waste should comply with applicable requirements and take into account applicable guidance.

---

(a) Paragraph 125 of Schedule 6 to the National Health Service (General Medical Services Contracts) Regulations 2004 (S.I. 2004/291; a relevant amendment is S.I. 2013/363) requires a contractor to comply with all relevant legislation and have regard to all relevant guidance issued by the Board, the Secretary of State or Local Authorities in respect of the exercise of their functions under the 2006 Act.

(b) Issued by the Secretary of State under section 21 of the Health and Social Care Act 2008 (c.14). The code is available to download from the Department of Health's website at [www.dh.gov.uk](http://www.dh.gov.uk).

## CURRENT MARKET RENTS AND NOTIONAL RENT ABATEMENTS

### PART 1

#### FACTORS COMMON TO ALL CURRENT MARKET RENT CALCULATIONS

1. Current market rent calculations for notional rent purposes differ from current market rent calculations for actual leasehold premises pursuant to direction 33.

2. However, in both cases, the District Valuer must consider what might reasonably be expected to be paid by a tenant for the premises at the valuation date. The aim will be to arrive at a rent which can be agreed between the contractor (or his or her representative) and a third party in willing negotiation. For these purposes, it must be assumed that neither party is seeking to take advantage of the fact that—

- (a) the contractor's remuneration is so arranged that this rent and any VAT payable is reimbursed separately; and
- (b) at any one time only one contractor is permitted to be in the market to use the premises for practice purposes.

3. In determining a figure for any current market rent, the following will also apply—

- (a) where the practice accommodation forms part of an owner-occupied residence but does not include areas which are used regularly but not exclusively for practice purposes, the current market rent will be assessed for the practice accommodation only, but as part of the whole premises and not increased or reduced to reflect any advantage or disadvantage there may be in the fact that the practice accommodation is not in separate premises;
- (b) where the practice accommodation forms part of a residence owned or rented by a person not connected with the contractor, the current market rent will be assessed in respect of the practice accommodation only and is to reflect any advantage or disadvantage there may be in the fact that it is not in separate premises;
- (c) where the practice accommodation forms part of an owner-occupied residence and includes areas which are used regularly but not exclusively for practice purposes, the current market rent will be assessed as at (a) above but with an agreed percentage added of the current market rental value of any area used regularly but not exclusively for practice purposes having regard to the extent and frequency of such use and any modifications made to facilitate that use;
- (d) subject to paragraph 4(e), where car parking spaces are provided at the practice accommodation, the number of car parking spaces to be included for the purposes of assessing the current market rent must be limited to the number of spaces agreed by the Board (access to and egress from each parking space must be undertaken without the need to move other vehicles);
- (e) where improvements have been made to the practice accommodation and those improvements are designed solely to reduce the environmental impact of the premises, such as the installation of solar panels, air conditioning, or replacement windows or doors, those improvements must be disregarded for the purposes of assessing the current market rent.

## PART 2

### FACTORS WHICH ONLY APPLY IN RELATION TO LEASEHOLD PREMISES

4. The District Valuer must first have regard to the actual terms of the lease. In the case of the payment provisions—

- (a) the amounts payable must be adjusted to take account of appropriate deductions in respect of the following—
  - (i) any amount referable to residential accommodation, except where this is to be taken into account in accordance with paragraph 3,
  - (ii) other non-practice accommodation (unless the Board has specifically agreed that no deduction is to be made in respect of it),
  - (iii) furniture or moveable equipment included in the rent costs,
  - (iv) services or other facilities included in the rent costs,
  - (v) the value of any responsibility of the landlord in respect of internal repairs or decoration,
  - (vi) any amount referable to water rates, where the tenant is responsible for paying the landlord's share and recovers that share from the landlord;
- (b) the amounts payable must be adjusted to take account of appropriate additions in respect of the following—
  - (i) the value of any responsibility of the tenant in respect of external repairs and maintenance, or for insurance of the building,
  - (ii) any premium paid by the tenant,
  - (iii) any Value Added Tax paid by the tenant where properly charged to the tenant by the landlord (but excluding any part of that Value Added Tax for which the contractor can claim a refund) and approved by the Board prior to payment by the tenant,
- (c) relating to reviewing rental payments, the Board must—
  - (i) review its assessment of the current market rent for the property when the landlord undertakes a rent review provided for in the lease, unless the landlord's review does not result in a change to the level of rent charged (an assessment on the basis of vacant possession will not be appropriate on a rent review, unless the terms of the lease so provide or the property market can be shown not to distinguish between vacant and tenanted premises);
  - (ii) review its assessment of the current market rent for the property when the terms and conditions of the lease are varied, even if this variation does not result in any change to the level of rent charged;
  - (iii) if the rent review is linked to an index, such as the Retail Price Index, adjust the amount it pays in accordance with that index, provided it received a copy of the lease on offer before it was agreed and it agreed to the indexing arrangement, having taken advice from the District Valuer as to its appropriateness; and
  - (iv) when reviewing its assessment of the current market rent under paragraph (i), require a rent review memorandum, signed by the landlord and the contractor, recording the change in the level of rent charged, and have regard to that change as so recorded (but no other) when carrying out its review;
- (d) if the lease rent is inclusive of rates (including water rates), the current market rent must also be inclusive of the rates so included; and
- (e) where, in the case of existing leasehold premises, a rental value for car parking spaces has been included in the rent charged by the landlord, this rental value will continue to be included in the assessment of the current market rent until the term of the lease expires or the lease is varied to exclude that rental value from the rent charged.

## PART 3

### FACTORS WHICH ONLY APPLY IN RELATION TO NOTIONAL RENT CASES

5. If the premises are owner-occupied premises, the following assumptions are to be made by the District Valuer about the nature of the notional lease upon which the notional rent payments are to be based. This notional lease—

- (a) is to be for a term of 15 years, with rent reviews every three years (but subject to the assumption that if the rent falls as a result of such a review it does not fall below the level of the rent initially charged);
- (b) includes a covenant that the tenant undertakes to bear the cost of internal repairs and decoration and the landlord undertakes to bear the cost of insuring the building and of carrying out external repairs and maintenance;
- (c) does not include a service charge, or like payment for such items as upkeep, maintenance (including lift maintenance where appropriate), cleaning and heating of common parts;
- (d) is for vacant possession (for the purposes of the initial assessment but not for the purposes of the notional rent review, unless the terms of the lease so provide or the property market can be shown not to distinguish between vacant and tenanted premises);
- (e) is exclusive of rates;
- (f) includes a right for the tenant to assign or sublet the whole premises, subject to landlords consent which is not to be unreasonably withheld;
- (g) allows the premises to be used for practice purposes only.

## SCHEDULE 3

Directions 43 and 45

### NOTIONAL RENT ABATEMENTS AND NOTIONAL RENT SUPPLEMENTS

#### PART 1

#### NOTIONAL RENT ABATEMENTS

1. Where capital has contributed to the cost of building or refurbishment work done in respect of practice premises, and the capital was not borrowed by or provided by the contractor, the notional rent payable in respect of those payments is to be abated (in proportion to the level of the capital contribution) as follows—

- (a) determine the current market rent for the premises prior to improvement ( $Pu$ );
- (b) determine the current market rent for the whole of the improved premises ( $Pi$ );
- (c) subtract one from the other ( $Pi - Pu$ ), which will produce the current market rent value of the enhancement ( $I$ );
- (d) determine the amount of the capital provided by the contractor as a proportion of the whole cost of the improvement, expressed as a percentage ( $A$ );
- (e) ( $A$ ) is then to be enhanced by adding 10% to cover normal landlord expenses, which is then applied to ( $I$ ) and the resultant is added to ( $Pu$ ).

2. Accordingly, expressed as a formula, the post-improvement notional rent is—

$$I \times (A+10)\% + Pu$$

## PART 2

### NOTIONAL RENT SUPPLEMENTS

3. Where a notional rent supplement is to be calculated, the amount of that supplement, expressed as a formula, is:  $I \cdot (A+10)\%$ .