Ministers have accepted Sir Robert Naylor's recommendation for private sector funding of NHS primary care estate and the three largest companies in the sector have offered to stump up the cash, so what is hampering progress? asks **Ann McGauran**

Breaking new ground

Last summer three private property firms offered to invest more than £3.3bn in new NHS primary care facilities. Insiders have noted progress since then - but at a frustratingly slow rate. What needs to happen to speed up the pace of deals?

The vision from the three companies was a grand one. They said the cash could fund up to 750 new primary care centres and provide a key way to modernise the NHS estate. What have been the positive developments so far, and which factors are holding things up?

The offer from Primary Health Properties, Octopus Healthcare and Assura of upfront capital funding came following recommendations in Sir Robert Naylor's 2017 review of NHS estates.

He said the £10bn capital investment needed to transform the whole NHS estate should be funded by allocations from the Treasury, NHS property disposals and private capital investment for primary care. These recommendations were welcomed by the government.

Harry Hyman is managing director of Primary Care Properties. Does the funding model he's proposing fit the requirements of the NHS?

He described the offer as 'a very straightforward form of third party ownership of the properties, with the risk associated with the ownership taken by the landlord'. The GPs and other primary care providers move into specially-built premises as tenants and the developer retains ownership of the buildings.

In his view it's a 'weapon in the armoury that's needed in order to modernise the NHS estate' and a 'very efficient way of allowing GPs and GP bodies like Vanguards and commercial companies that are now operating GP contracts to be the tenants in the buildings'. He said it removes the requirements for the NHS or the GPs themselves to provide the capital for the new buildings.

The approach taps into 'private sector capital which comes from pension funds and other investment institutions - long term capital that wants to invest in the infrastructure of the NHS'.

He said each of the developers he speaks to has more deals in their portfolio than they did this time last year. It's not a 'tsunami of activity', he added - 'but I certainly think we should begin to see more deals crossing the line as the quite complex approval processes within the NHS finally enable these projects to take place'.

A GREAT OPPORTUNITY IS BEING MISSED TO LOCK INTO RELATIVELY LOW INTEREST RATES AND TO START ON A PROGRAMME OF MODERNISATION

Hyman believes a 'strategic view' is needed about what infrastructure investment is necessary...'and that a great opportunity is being missed to lock into relatively low interest rates and to start on a programme of modernisation which would have enormous benefits for the regional economy of Britain and would help transform the way primary care is delivered'.

Looking at returns

Sir Robert Naylor believes it's time for the government and the Department of Health and Social Care to carry out an options appraisal and a cost benefit analysis to 'look at all the options that are open to them and they need to identify the most cost effective option to take the agenda on primary care forward'.

He acknowledged there was 'a fair degree of frustration in the marketplace' about the pace of uptake of the private companies' offer. He highlighted two aspects of the proposal – that the companies retain ownership of the asset.... 'and for that they want to get a return on their investment of about 6%'. He said this is at a time when current bank rates are 'down at a fraction of 1%'. He emphasised that if private sector players were serious about the proposal 'they would need to do much better than 6% - that's what we used to pay on PFI schemes'.

The next step, he adds, is to identify what their [the companies] best offer is, compare that to alternatives and 'ask the Treasury again whether they are willing to put up the capital themselves'.

He concludes this is an unlikely step for the Treasury, because 'if they do it will be on the government's balance sheet'. He said the model being proposed by Primary Health Properties and others is 'clearly off the balance sheet but it's relatively expensive'.

Sir Robert says he's had informal discussions with one major pension fund which has suggested it might be willing to invest up to £5bn 'at much lower interest rates than are proposed by this offer from Primary Health Properties'. He adds he has also had informal discussions with sovereign wealth funds - particularly in the Middle East - 'very interested in investing cash into infrastructure in the UK and particularly into healthcare'.

Empty words

An Assura-sponsored report from the think tank Reform on the primary care estate emphasised interviewees' consistent view that when building new premises 'GP partners should have the choice to invest in property or rent facilities'. The report by a team including Daniel El-Gamry - *A design diagnosis: reinvigorating the primary care estate* - also said private finance 'is not the only option'.

Dr Krishna Kasaraneni is a member of the executive team of the BMA's General Practitioners Committee.

He said while there have been commitments from the private sector to invest in premises, 'the fact the government machinery has not been forthcoming with matching that for the ongoing revenue costs tells us where we are with premises. There have been a lot of empty words and not much commitment to make a real difference to the state of GP premises going forward.'

CEO of Assura Jonathan Murphy told a recent forum that the third party development – or 3PD - model where the companies retain ownership of the buildings and charge rent 'is part of the solution'. He added: 'None of us is trying to pretend that we are the only answer. All we are asking is that we are at the table and that we are considered as one of the options.'

Murphy said Assura is 'now busier than we have been for five years in terms of doing schemes – with 12 (3PD) schemes on the ground that we are working on at the moment'.

Responding to Dr Kasaraneni's criticisms, he said: 'I guess I'm holding on to the more optimistic end, that the revenue funding he references will come through. But property is on the agenda and is being discussed as a major issue and for me that's hugely positive.'

He says the government has yet to come up with a rule to deal with how its contribution to the cost of the building would work.

'If we only fund 80% of the building we should only get 80% of the rent. The detail around those rules is still being worked out. It's quite a technical area, but quite crucial.'

He is 'encouraged' by the requirement for the 44 sustainability and transformation partnership (STP) areas to prepare their detailed estates plans by the summer, and that Assura has 'contributed to that process and offered our assistance'.

Decisions ahead

According to Sir Robert Naylor, the most important reason for the delay is the fact that the NHS 'hasn't yet decided what its service model is'.

He added: 'So there are 44 STP areas and they have to decide what they want locally and those plans have to be all brought together in geographical communities - like London for example. London has to decide what model of care it wants for the future.'

Until the STPs have decided what their service strategy is it's not possible to 'really determine the estates strategy', he continued. 'NHS England need to make a decision on what their future service configuration should be like, and the estates strategy should flow from that. Not the other way round.'

He concluded: 'I understand that Harry [Hyman] and others are being patient, but they are ahead of the game. They want to start building properties before we have a coherent strategy, and that's the wrong way round.'