

20th March 2015

Dear Doctor,

Revised Premises Directions

We have been engaged for several months in discussions on premises cost directions for Wales to support the desperate need in Wales for an improvement in the General Practice estate.

There has been some movement in terms of improvement grants and identifying funding and we hope to hear of further projects to improve premises for patient services in the coming months using this mechanism.

Unfortunately we have been unable to persuade Welsh Government on a number of key issues affecting premises in particular:

- Trade waste reimbursement. Trade waste was included in business rates (fully reimbursed) until the last ten years and is now separately chargeable. Many LHBs have still reimbursed as would seem only fair but the new directions will specifically exclude this, costing every practice in Wales thousands of pounds a year.
- Notional rent reviews. These have always been able to go up or down and this is made more explicit. However there is no such downward review clause for third party developers, which skews the playing field even further away from practice premises ownership. We requested that the first notional rent assessment be considered a baseline but even this reasonable request was not accepted.
- Borrowing cost reimbursement. Reimbursement rates are set at 1.5% over base – a totally unobtainable rate in the market effectively making new build under the cost rent scheme unaffordable for GPs.
- Stamp Duty Land Tax. Whilst this is reimbursable on material change we need a commitment that it is always reimbursable given the risk it might be charged on simple partnership change.
- Valuation of premises only as business premises. We have long argued that purpose built premises are not simple business premises requiring as they do a higher build standard and in our view a more realistic valuation to reflect build costs. It is also not possible to value on the basis of residential value where this is higher than the business value. This is the reason that it

Ysgrifennydd Cymreig/Welsh Secretary:

Dr Richard JP Lewis, CStJ MB ChB MRCP MFFLM Dip IMC RCS(Ed) PGDip FLM

Prif Weithredwr/Chief Executive:

Keith Ward

Cofrestrwyd yn Gwmni Cyfyngedig trwy Warant. Rhif Cofrestredig: 8848 Lloegr
Swyddfa gofrestredig: BMA House, Tavistock Square, Llundain, WC1H 9JP.
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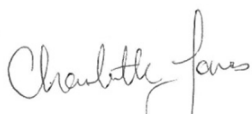


takes so long for the rental value to exceed the cost of borrowing the build cost and why in less attractive areas it may never do effectively leaving GP owners permanently subsidising NHS estate.

We have written to Welsh Government again in a last attempt before the new regulations are set to improve the situation for GPs but have said that if agreement cannot be reached the new directions will be imposed and in no sense negotiated or agreed with GPC Wales.

On a related matter we have heard that LHBs are approaching practices to appeal their business rate assessments in order to reduce the reimbursement cost for the LHB. Only GPs can do this as the occupiers of the premises. Given the concern that a lower business rates assessment may be used to support reducing notional rent to the practice and also regarding the fact that LHBs are transferring the costs of trade waste, previously met by them through rate reimbursement, to the practice, GPC Wales strongly advises practices that cooperation with these requests does not seem to be in their best interests.

Best Wishes,



Dr Charlotte Jones
Chair, GPC Wales