

Case Study

Recovering £575,000 in backdated rent for the NHS and setting a strong precedent for letting to private occupiers

BLYTH HEALTH CENTRE, NORTHUMBERLAND

Background

Site:

Blyth Health Centre in Northumberland, an NHSPS freehold, on which Blyth Pharmacy Ltd. holds a lease.

Customers:

- Blyth Pharmacy Limited
- NHS Northumberland CCG

NHSPS representatives:

- Aneta Ausareny, Lease Events Manager
- Ben Gammer, Senior Property Manager

The Challenge

We began negotiations with this private pharmacy on a lease renewal on the Blyth Health Centre site back in 2012, with various complications making it a lengthy process. The form of lease was eventually agreed upon, but not the rent, which had originally been set far below the market rate and wasn't delivering the best value to the NHS.

We need to ensure that private occupiers are paying a fair price for the NHS space they occupy, in order for us to properly manage and optimise the NHS estate.

The Solution

The NHS Property Services (NHSPS) Pharmacy and Lease Events team referred the case to the Professional Arbitration on Court Terms (PACT) for determination. PACT Arbitrator ruled in NHSPS' favour, determining the initial rent at £98,000 – a 791% increase from the passing rent of £11,000. The private occupier was also ordered to pay 62.5% of PACT costs.

The Result

This ruling resulted in £575,000 backdated rental payment to the NHS, which Blyth Pharmacy Ltd. paid upon completion of the lease. They are now on a lease for the next 3 years which will deliver a further £294,000 to the NHS.

This case provided excellent comparable evidence for other transactions with private occupiers, putting the NHS in a strong position when letting space.

