

Case Study

Recovering £140,000 in backdated rent for the NHS and securing a pharmacy provider for community

SITTINGBOURNE MEMORIAL HOSPITAL, KENT

Background

Site:

NHS Property Services owns the freehold on this Community Hospital, with various NHS occupiers.

Customers:

- Delmergate Pharmacy Ltd
- NHS Swale Clinical Commissioning Group (CCG)
- NHS England

NHSPS representatives:

- Aneta Ausareny, Lease Events Manager

The Challenge

The private pharmacy had occupied a space within the Community Hospital since 1997, on a lease provided by the former North Kent Community Healthcare NHS Trust.

Upon the lease expiring in February 2017, NHS Property Services (NHSPS) commenced renewal negotiations, with a new lease agreed for another 15 years.

There was also an outstanding rent review on the previous lease, from 2012, which had never taken place, and so at the time when the lease had expired, the passing rent was £11,000 per annum.

This rent was considered to be below the market 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

NHSPS Lease Events team and our professional advisors (BNP Paribas) engaged in negotiations with the tenant, agreed a form of new lease and that the rent will be determined by RICS PACT (Professional Arbitration on Court Terms) process. However, we reached agreement on the rent with the pharmacy before this was finalised.

We agreed with Delmergate Pharmacy Ltd that the rent should have been £28,000 p/a from 2012. We then agreed a new 15-year lease at £40,000 p/a from March 2018. This lease completed in August 2019, meaning we secured a total backdated rent of £144,700 for the NHS.

The Result

Securing the backdated rent and agreeing on our new rent will deliver over £700,000 for the NHS in the coming years, and the local community will now have a pharmacy provider for the next 15 years.

This case also provides excellent comparable evidence for other transactions with pharmacy occupiers, using our property expertise to put the NHS in a strong position when letting space.