

Medical malpractice risk

How changing case law, technology and product liability are reshaping claims

Fertility

The team at Mansfield asks whether the UK is still an attractive market

Neighbourhood health

Mills & Reeve's Jennifer Lewis examines the opportunities for investment

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How are investors adapting to shifts in publicly-funded healthcare?

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The NHS's plan for 250 neighbourhood health centres hinges on private investment but, as **Jennifer Lewis**, real estate partner at Mills & Reeve, argues, unlocking strong investor appetite will require a more commercially viable model and a clearer route through the system



Investing in healthcare premises unlocking neighbourhood health

Health centres are a recession-proof investment with secure returns supported by NHS funding. However, the intricacies and nuances of working within the NHS system often discourage investors. Breaking down these barriers will be key to realising the ambitious NHS plan for 250 new health centres by 2035 while also opening opportunities for investors.

Hospital to community

The government's 10 Year Health Plan for England centres on a fundamental 'left shift' in care, moving activity away from hospitals and into community settings, with the aim of providing more preventive, joined up and accessible services closer to where people live. This model seeks to end 'hospital by default', reduce pressure on acute services, and enable hospitals to focus on complex and specialist care, while multidisciplinary neighbourhood teams deliver more routine, proactive and long term care locally. A key element of this strategy is the rollout of 250 neighbourhood health centres (NHC), which will act as local hubs bringing together a wide range of services, including GP care, diagnostics, mental health, rehabilitation and social care reducing unnecessary hospital visits and enabling more personalised care within communities.

NHS Property Services (NHSPS) has already been very clear that the first step is optimisation of the existing estate to enable accelerated delivery with 27 NHCs envisaged by 2027. Where the locality does not have any suitable buildings (and this may be one building or a cluster or a hub and spoke model) then new builds will be considered.

How have past health centres been delivered?

Health centres have typically been delivered by third-party developers, GP-led schemes, NHS-owned prop-

erties and around twenty years ago, through a privately financed model similar to PFI - NHS Local Improvement Finance Trust (LIFT).

However, for the past few years development of health centres has slowed due to difficulties in getting the costs of building to stack up against the returns. Although there is a secure return (in the form of rent reimbursement) the levels of rent are constrained by the requirements of the NHS Premises Cost Directions.

It is widely recognised that significant barriers remain to investment in the primary care estate. In September 2024, the British Property Federation (now RE:UK) highlighted these challenges in its report Building Healthy Futures: Strengthening our Healthcare Estates, identifying the absence of a system-wide approach and accounting rules that constrain NHS capital investment as key barriers. It is clear the combination of IFRS 16 and capital spending constraints presents challenges, often requiring alternative approaches to transaction structuring, alongside the additional cliff-edge pressures associated with the NHS financial year end.

Refurbishment, extension and upgrade

NHSPS recently released figures to say that some buildings in the primary care estate are only utilised 40% of the time. Aside from the fact this underutilised space might be in the wrong area (and many GP practices will be bursting at the seams) the other issue is the lack of ongoing investment in some of these premises which often require significant refurbishment and, where space allows, extension.

There is an opportunity for investors who are willing to engage in the refurbishment and extension of existing premises as it is often the case that practices can agree new lease terms to reflect the investment. Lease terms

for health centres are typically 20-plus years giving good security and a reliable rent return over this period.

A new form of PPP?

NHS England has confirmed it is looking at a new form of PPP to deliver some of the NHCs and we expect more detail when they go out for market engagement in the Autumn (as confirmed at the recent NHS Confederation conference). What this will look like is currently unconfirmed, but it is promised that it will address some of the issues with the LIFT programme. These included perceived high costs and often underutilised buildings.

However, a PPP scheme usually requires a substantial estate to make the numbers stack up and many share the view that health centres are not big enough to justify this form of investment. It may be that the schemes are set up not centre by centre but in clusters to be more attractive to investors.

Discussion on this issue featured at this year's UKREiF with attendees reflecting concerns about the speed of delivery, ownership structure and learning the lessons of LIFT.

Opportunities for investors

The government's targets for new NHCs are ambitious but will not be realised without private investment. Encouragingly, investor appetite is strong, with both capital and contractor interest evident, including through the emergence of industry groups such as the Neighbourhood Health Forum. For investors, this represents a compelling opportunity: secure, long-term returns insulated from wider market volatility. However, delivery will hinge on addressing the practical barriers, including navigating the NHS landscape and, critically, establishing a commercially realistic PPP model backed by a credible pipeline of projects.