

Midlothian Integration Joint Board



Thursday 7th December 2017 at 2.00pm

Developing a policy for healthcare infrastructure contributions from housing developments in Midlothian

Item number: 5.3

Executive summary

This paper sets out the case for working with Midlothian Council to develop an approach to securing financial contributions from new housing developments in Midlothian towards healthcare infrastructure costs that arise as a consequence of that new development.

Board members are asked to:

- Agree to the principle of developing with Midlothian Council an approach to securing financial contributions from new developments (house building) in Midlothian for healthcare infrastructure (buildings) costs that arise as a result of new housing.
- Note the impact from population growth on existing services and infrastructure
- Note the expected requirement for the equivalent of three new healthcare facilities across Midlothian incorporating General Practice and Dental services to respond to the population growth
- Agree the impact on healthcare infrastructure is distinctly different between the Shawfair Development Area and the rest of Midlothian and contributions will be sought differently between these areas.
- Note the limitations in overall capital funding available to NHS Lothian from Scottish Government and the risk there will be insufficient capital funding available for the required infrastructure in Midlothian.

Report

Developing a policy for healthcare infrastructure contributions from housing developments in Midlothian

1 Purpose

This paper sets out the case for working with Midlothian Council to develop an approach to securing financial contributions from new developments in Midlothian for healthcare infrastructure costs that arise as a consequence of that new development.

2 Recommendations

- Agree to the principle of developing with Midlothian Council an approach to securing financial contributions from new developments (housebuilding) in Midlothian for healthcare infrastructure (buildings) costs that arise as a result of new housing.
- Note the impact from population growth on existing services and infrastructure.
- Note the expected requirement for the equivalent of three new healthcare facilities across Midlothian incorporating General Practice and potentially dental services to respond to the population growth.
- Agree the impact on healthcare infrastructure is distinctly different between the Shawfair Development Area and the rest of Midlothian. Furthermore to request to Midlothian Council that if the Council do agree to secure contributions towards healthcare that there is a differentiation between these areas.
- Note the limitations in overall capital funding available to NHS Lothian from Scottish Government and the risk there will be insufficient capital funding available for the required infrastructure in Midlothian

3 Background and main report

In Scotland the planning system is plan led. The Local Authority prepares a single local development plan for its administrative area which allocates land for new development (for example housing and industrial development) and also contains policies against which future potential developments are assessed. The Local Development Plan also identifies potential infrastructure required where necessary to accommodate new development. A new housing development for example may require a new primary school to accommodate the pupils arising from the development.

The Town and Country Planning Acts provides a mechanism through Planning Obligations or Section 75 Agreements (as they are sometimes known) for developers to make financial contributions to Local Authorities towards necessary infrastructure that their development is giving rise to. Where a Council is minded to approve a planning application for a housing development but that housing development is only acceptable if an offsite infrastructure need is mitigated it would be necessary for the developer to enter into a legal agreement with the Council to pay contributions towards identified infrastructure at specified trigger points, for example on completion of the first house.

The use of Planning Obligations is guided by Scottish Ministerial Circular 03/2012 – Planning Obligations and Good Neighbour Agreements. The Circular contains 5 tests which must all be met for an obligation to be acceptable

The tests are:

- Necessary to make the proposed development acceptable in planning terms
- Serve a planning purpose and where it is possible to identify infrastructure provision requirements in advance, should relate to development plans
- Relate to the proposed development either as a direct consequence of the development or arising from the cumulative impact of development in the area
- Fairly and reasonably relate in scale and kind to the proposed development
- Be reasonable in all other respects

Therefore having regard to the above tests a development can only be required to contribute to mitigating what the development itself gives rise to and the level of contribution to be paid needs to reflect the proportionate cost of meeting that need.

The Proposed Midlothian Local Development Plan was formally examined by the Scottish Ministers in summer 2017 and the Plan with minor modifications was approved by the Council for adoption in September 2017. Given that this point has been reached it is anticipated that the Plan will be formally adopted by the Council prior to the close of 2017 and will represent the settled approach of the Council to proposed new development for the coming years.

The Plan identifies the need through its content and policies the need for developments to contribute to necessary infrastructure. The Council is also in the process of preparing Supplementary Guidance on Planning Obligations to sit alongside the adopted Local Development Plan. The purpose of Supplementary Guidance is to provide detail on the infrastructure to be provided, the cost of such infrastructure and the levels of contributions towards that infrastructure.

Informal discussions have already taken place between NHS Lothian and officers of Midlothian Council about the potential for the forthcoming Supplementary Guidance containing provisions on seeking contributions towards healthcare infrastructure. If the Supplementary Guidance were taken forward containing healthcare contribution provisions this would then become a material

consideration in the assessment of planning application for new housing and would provide a basis for seeking contributions towards healthcare infrastructure.

In order to take forward the Supplementary Guidance with healthcare contributions provisions it will be necessary for the IJB to formally provide to the Council the basis for the infrastructure need – in essence the information contained in this report. That would allow the officers of the Council to formulate an approach to calculating healthcare contributions and including such an approach in the draft Supplementary Guidance which will contain similar approaches to education provision, transportation infrastructure and affordable housing amongst others

There has only been one S75 agreement in Midlothian relating to healthcare provision. This is for land within Shawfair Town Centre for a Healthcare facility. It does not contribute to the capital cost of the building.

4 Context – Population Growth

- 4.1 The population of Midlothian is predicted to increase the fastest across all Local Authorities in Scotland and is expected to increase by 25.7% from 2014 to 2039¹. This growth is mostly due to new housing.
- 4.2 The Midlothian Housing Audit (2016) describes that at 31st March 2016 there were 13,355 dwellings remaining to be built of the total housing supply agreed for the area between Midlothian Council and the South East Scotland Strategic Development Planning Authority. This will lead to a population increase of around 31,000.

4.3 Context – Impact on Service Provision

- 4.4 The macro economic situation leading to public sector funding constraints, a rising demand on health and care services from an ageing population, and an increasing prevalence of long term conditions are placing significant pressure on existing services.
- 4.5 All health and care services are under pressure and further population growth will add this pressure. General Practice is the most exposed of all health and care services because of the ease of access to the service, because it has the most contact with the population of any other part of the health or care system, and because it provides a 'cradle to grave' service which the whole population accesses.
- 4.6 All Midlothian General Practices have raised concern about population growth and there is significant public concern. At present 50% of practices have taken action to restrict access for new patients to their list to manage the risk. There is ongoing risk that practices will take further action and close to new patients and be taken over by the Health Board to manage – this situation has occurred in all other IJB areas within Lothian and other council areas across Scotland.

4.7 Further house-building in Midlothian will impact on General Practice in the following ways:

- In some practices there is a willingness to increase the list-size of the practice. This creates a short term pressure for the practice because there are periods of time when a new member of staff needs to be employed but there is insufficient income to the practice to fully cover staff costs.
- Some practices do not want to increase their list size. If there are no other practices in the area that have capacity and willingness to increase their list size then another practice may need to be established.
- Practices may want to increase capacity but are limited by their premises.

4.8 The Midlothian Health and Social Care Partnership and NHS Lothian have their opinion sought on new developments in Midlothian. The Midlothian Health and Social Care Partnership responds on their behalf and to date have not formally opposed new developments. This position may need to change as a result of the current situation with Midlothian General Practice.

4.9 Summary of the impact of House building on General Practice in Midlothian

4.10 The Midlothian Health and Social Care Partnership have taken action to increase capacity in General Practice in Midlothian which will accommodate some of the new population growth. These actions, which are all scheduled in 2017/18, are:

- A new clinic in Newtongrange in a building with a limited life.
- Expansion of Newbyres Medical Practice
- Expansion of Loanhead Practice

4.11 In addition there is planned expansion to Danderhall Medical Practice in 2019 and a new practice in Shawfair town centre circa 2024. This may not be the final model for service provision in this area.

4.12 Despite these developments there remains insufficient capacity within General Practice in Midlothian to provide General Medical Services to all the new residents anticipated as a result of house-building.

There may also be insufficient capacity to provide Primary Dental Services to the population due to increased demand from the new population.

4.13 To assess the impact on practices it is necessary to understand that practice boundaries overlap significantly. This provides choice for patients but crucially it means that house building in one community can have an impact on a General Practice in another community. There is a knock-on effect in a chain that links communities to the West of the IJB area (e.g. Penicuik) in an arch through Bonnyrigg to communities in the East (e.g. Gorebridge). It is also important to understand that the interconnection does not extend to the North of the Edinburgh Bypass to include the towns in the Shawfair Development Area. Here, the city-bypass acts as a barrier for patients registering with a practice on the opposite side of the barrier (e.g. patients in Dalkeith choosing to register at

Danderhall). Consequently, in assessing the impact of house building then Midlothian needs to be viewed as two distinct areas – the Shawfair Development Area and the rest of Midlothian.

5 Midlothian (south of the City of Edinburgh-Bypass only)

5.1 There are 11 practices in this area. This can be grouped in to four clusters which include communities which are served by the practices in the cluster. There is overlap between clusters because some practices have boundaries which encroach into another cluster but in general most patients live within the same cluster the practice is located in. The four clusters are:

- Cluster A: Penicuik and Roslin
- Cluster B: Loanhead and Bonnyrigg
- Cluster C: Gorebridge, Mayfield and Pathhead
- Cluster D Dalkeith

The Midlothian Housing Audit (2016) provides information on house building within each cluster and this is used to estimate population growth:

Table: Number of Dwellings planned within each cluster

Cluster	2016-2021	21/22	22/23	Post 2023
A	1329	385	316	605
B	1384	220	194	415
C	1329	181	146	1105
D	662	38	0	0
E	915	253	240	3410
Total	5619	1077	896	5535

Table: Population growth anticipated within each cluster (2.35 residents per dwelling – figure provided by MLC Planning Department)

Cluster	2016-2021	21/22	22/23	Post 2023
A	3,000	900	700	1,400
B	3,200	500	500	1,000
C	3,100	400	300	2,600

D	1,500	100	0	0
E	2,100	600	600	8,000
Total	13,200	2,500	2,100	13,000

- 5.2 There are two main constraints within General Practice that prevent growth in the number of registered patients to the practice – the building may restrict growth or the partners of the practice may have a self-determined ceiling on the list size. NHS Lothian or the IJB or HSCP cannot require a practice to take on more patients so this ceiling is important to consider assessing potential new capacity within General Practice.

Table: Capacity Ceiling and anticipated year when ceiling is reached

Cluster	Practice List Size (1/1/17)	Ceiling	Spare Capacity	Planned population growth in cluster	Estimate year when ceiling is reached
A	22,256	25,500	3,200	6000	2021
B	27,000	29,900	2,900	7200	2021
C	30,500	36,000	5,500	6400	2025*
D	9,700	9,700	0	1,600	2017

*requires the reprovision of the new Newtongrange Clinic

- 5.3 The previous table provides a guide to the impact of house-building. Patient-factors (e.g. choosing a particular practice) and practice factors (e.g. a restriction to new registrations) will change the impact to each cluster. The table shows that there is expected to be insufficient capacity in Clusters A&B by circa 2021. In Cluster C there will be insufficient capacity by circa 2025 but this is dependent on the replacement of the Newtongrange Clinic which opens this year in an NHS building that is being refurbished. There is no additional capacity in Dalkeith but this situation may change as the practice recruits more clinical staff and can increase their list-ceiling.
- 5.4 All house-building in Midlothian south of Edinburgh by-pass affects all four clusters. As an example: If 400 fewer houses (circa 900 new patients) were built around Gorebridge then practices in Pathhead and Newbattle would have more capacity to take on patients within their catchment from Dalkeith and Bonnyrigg. This would then provide more capacity in Cluster D to take on more patients from Cluster B which would allow practices in Cluster B to take on patients within Cluster A (particularly from Bilston and Rosewell). This would then create more capacity in Cluster A which may mean it will take longer in Cluster A for the ceiling to be reached.
- 5.5 Overall there is expected to be a shortfall collectively in Clusters A-D by 2023. The expected population growth is 14,200 and the spare capacity in practices

from planned developments in 2017/18 is 11,600. This presents a gap of 2,600 patients which will increase post-2023 to 7,600.

5.6 Options to address this gap are:

- Support practices to continue to expand their list sizes – this may require refurbishment or extension to the existing building or relocation of non-practice staff to another local facility. It also requires the support from practices which may not be forthcoming and is beyond the control of the NHS Board, IJB and HSCP.
- Relocate the Newtongrange Clinic into a new facility. The current building after refurbishment has a limited lifespan of around 7 years. The site of the building does not allow for the facility to be developed to meet the longer term needs of the community.
- Establish a new practice to reduce pressure within Cluster A, B and D – this will require land and capital funding to build a new health centre.

6 Shawfair Development Area

- 6.1 Danderhall Medical Group is the only practice currently serving this area. This practice has 3000 patients and a self-determined ceiling of 6000. The population growth in this area is 10,800. The current plan to accommodate this growth is to expand the existing practice building and to build a new practice in Shawfair Town Centre. Land for this practice will be provided under a S75 agreement with the developer. This may not be the final model for service provision in this area.

7 NHS Dental Provision

- 7.1 House-building may reduce access to NHS dental services in Midlothian. There are 16 dental practices across Midlothian offering a combination of NHS and private dental services. There is currently not a reported issue of access to NHS dental services but there is a risk that as the population increases that there will be insufficient capacity for NHS dental services unless the existing dental practice can expand (both staffing and buildings). Further analysis of this is required. If expansion is not possible the population increase may lead to practices changing their business model and withdrawing from NHS provision as demand for private provision increases. This would widen health inequalities.

To mitigate this risk the IJB and NHS Lothian should develop additional dental facilities in Midlothian which would provide NHS dental services. Further work is required with the local dental providers to assess the impact and their ability to absorb population growth.

8 Financial Impact on NHS Lothian and the Integration Joint Board from House Building

- 8.1 In Midlothian there is two specific capital or non-recurring costs that are a direct result of new house building: capital costs resulting from the refurbishment or

extension of existing practice building, or construction of new practice buildings; and a non-recurring 'LEGUP' contribution to help growth.

LEGUP

- 8.2 Practices receive income for each registered patient. As the number of patients registered with a practice increase there are points in this growth where there are too many patients for the existing practice to meet their health needs but there is not enough income to employ a new member of staff. In this situation a budget in NHS Lothian is available for practices but demand for this funding as a result of house building from across Lothian significantly exceeds the budget.
- 8.3 NHS Lothian recently tested the market to establish a new practice. One requirement in the business case of the successful applicant was an non-recurring payment of £50 per patient to support the practice to recruit staff ahead of required practice income. This matches the previous level of support received by some practices with growing patient numbers. Practices have received this support where there was a planned increase required to a practice's population. This equates to £25,000 per 500 patients.
- 8.4 The Midlothian population is estimated to increase by over 30,000 residents. The potential cost of meeting this through the LEGUP arrangement is £1.5million.

Capital Costs

- 8.5 Capital costs are not delegated to the IJB therefore these costs are incurred by NHS Lothian if a new practice building is constructed or if an existing building requires extension or refurbishment.
- 8.6 Where a development proposal is otherwise acceptable, but cannot proceed due to deficiencies in infrastructure and services, any or all of which will be created or made worse as a result of the development, planning applicants can be required by the Council to make provision for full or part contribution towards the costs of addressing such deficiencies.
- 8.7 Midlothian Council can enter into Planning Obligations with developers. If a healthcare contributions policy was adopted by the Council and contributions secured these would be provided to NHS Lothian. NHS Lothian has previously entered into one S75 legal agreement in Midlothian. This requires the developer to provide land for a practice building within Shawfair town centre.
- 8.8 One challenge is establishing that a proposed development will create or make worse a deficiency of infrastructure. In the case of the Shawfair S75 agreement because there was no infrastructure in the area and a new town was being created (of nearly 4000 dwellings). Therefore it was straightforward to establish that a new practice was required. In other developments in Midlothian it is more difficult for two reasons:

- 8.9 A development of a small number of dwellings may be accommodated within existing services but cumulatively across Midlothian all the new developments will create substantial deficiencies in healthcare services.
- 8.10 A development in one community may create a deficiency in that community which can be resolved by solution in another community. This occurs because practice boundaries overlap and most cover more than one community. It is possible that a development in community A could be accommodated within General Practice by investment in the practice in Community B. Another example is that non-General Practice services could be moved from one practice to a building in a different practice.
- 8.11 The case has been made in this paper to demonstrate that there are two distinct areas in Midlothian where any house building in these areas has a negative impact on General Practice regardless of whether the nearest practice has sufficient capacity to take on new patients residing in the new development: e.g. a housing development in Gorebridge may contribute to a deficit in provision in Penicuik or Loanhead.
- 8.12 This paper has identified that without capital investment there is a shortfall in General Practice capacity in Shawfair Development Area of 10,800 patients and a shortfall in the rest of Midlothian of 7,600 residents. In addition the temporary accommodation of the Newtongrange Clinic will need to be replaced.
- 8.13 Whilst NHS Lothian must retain flexibility on the final capital option to meet this shortfall it is likely that the following developments are required:
- Danderhall Practice expansion – estimate capital cost: £1M
 - Shawfair Health Centre – estimated cost £3M
 - A new practice south of Bonnyrigg or refurbishment or expansion of existing practices – estimated cost is £3 for the new practice.

9 Capital Funding in NHS Lothian

- 9.1 NHS Lothian receives an annual formula capital allocation for all capital projects below the Board's delegated limit of £5m. In 2017/18 this allocation was £23.5m, and although there is currently no certainty over future capital budgets it is unlikely that the allocation will increase significantly in the short to medium term.
- 9.2 Against this capital budget, NHS Lothian must prioritise proposed Primary Care schemes against requirements for backlog maintenance, medical equipment replacement, eHealth infrastructure and acute projects under £5m. Health Boards cannot borrow, so additional capital budget can only be generated through capital donations, receipts from capital disposals or contributions from partner organisations and other third parties.

- 9.3** The NHS Lothian Property and Asset Management Strategy recognises the requirement for investment, and the 5 Year Property and Asset Management Investment Programme includes circa £5m per year for GP Modernisation. However this investment programme is significantly overcommitted, routinely by £10m against available funding, and there is a risk that the three new practices in Midlothian will not be prioritised for capital funding within the timescales required without identifying additional funding models.
- 9.4** Within Midlothian, there is work progressing to develop a Property Strategy for the Health & Social Care Partnership, which will aim to respond to the wider opportunities through integrated working. Further information about the Strategy will be presented at a future Midlothian IJB meeting.

10 Draft Midlothian Policy on Healthcare and New Housing Development

- 10.1** In all areas across Midlothian it is anticipated that there will be inadequate primary healthcare provision to cater for projected population change. As noted above it is recommended that the Midlothian Integration Joint Board's position is that where this is directly related to the impact of new residential development, the developer should make a proportionate financial contribution towards additional capacity.
- 10.2** It is anticipated that Midlothian Council will seek to secure developer contributions towards the costs of meeting primary healthcare infrastructure necessary as a consequence of new development. Contributions can only be sought where insufficient capacity is a direct or cumulative consequence of the new development
- 10.3** Through working with the Midlothian Health and Social Care Partnership, Midlothian Council has identified the impact on primary health care infrastructure across Midlothian. The impact of new housing in Midlothian is distinctly different between the Shawfair Development Area (SDA) and the rest of Midlothian. In the SDA there is a direct pressure on existing facilities resulting from the scale of house building in this area. In the rest of Midlothian there is a cumulative impact from house building.
- 10.4** The level of contribution that will be expected will clearly depend on the scale and type of improvement required to address any predicted shortfall in capacity. There will be differing solutions for the areas affected. Further analysis will be led by Midlothian Health and Social Care Partnership.
- 10.5** With the exception of the Shawfair Development Area the majority of housing developments by themselves will not warrant a new facility or even an extension to an existing facility. However the cumulative impact of all developments will overwhelm the capacity of existing primary care provision in the area.

10.6 Rates and Procedures

Safeguarding sites and provision of new facilities

Land is identified as being required to be safeguarded for community facilities (which could include healthcare facilities) at two sites allocated for residential development in the Midlothian Local Development Plan. One of these sites is in Bonnyrigg the other is in Gorebridge.

- 10.7 Where a new site is required for a healthcare facility, in addition to the provision of land, there may be a residual requirement for developer contributions to assist in meeting the demand for healthcare facilities that arise as a direct or cumulative consequence of these developments.

10.8 Expansion of existing facilities

- 10.9 In the Shawfair Development Area new housing allocations will have a direct impact on existing healthcare facility in Danderhall. There is an option to expand the existing healthcare accommodation. Where expansion is an option, developer contributions will be sought to enable the provision of health care facilities to residents of new developments. In the rest of Midlothian the expansion of existing facilities may be required depending on the final model decided by the Midlothian HSCP.

10.10 Cumulative impact on existing facilities

- 10.11 Where the cumulative impact of new developments is such that it places pressure on the capacity of existing GP practices requiring them to expand to serve new patients generated by new housing or the establishment of new practices, Section 75 contributions may be sought to address this in future years. The whole area of Midlothian that falls out with the Shawfair Development Zone has been identified by the Midlothian HSCP where the pressure on existing General Practices is above the collective capacity of existing practices.

11 Policy Implications

This report will provide the context and basis for Midlothian Council to seek to include a provision on securing financial contributions from new housing developments in Midlothian within its forthcoming Supplementary Guidance on Planning Obligations towards healthcare infrastructure.

12 Resource Implications

- 12.1 If healthcare contributions are not successfully secured from housing developers then the full cost of future capital developments required to meet the needs of the new population will have to be fully met by NHS Lothian.

13 Risk

13.1 Capital funding constraints

There may be insufficient capital funding available in NHS Lothian for the additional healthcare infrastructure required in Midlothian to meet the requirements from the new house building. This policy and its intention to seek proportionate contributions from house-building developers will contribute to mitigate that risk. Failure to secure sufficient capital funding may result in NHS Lothian and the Midlothian Integration Joint Board requiring to formally oppose future planning applications in Midlothian.

13.2 Workforce constraints

There are workforce constraints that may impact on a new practice being adequately staffed. New models of care may need to be considered, for example the community-hub model in development in Musselburgh.

13.3 Revenue funding constraints

There may insufficient revenue funding for the healthcare services required by the increasing population. General Practices may require LEGUP to increase capacity and this has a potential cost for the Midlothian IJB of £1.5M. The policy outlined in this report attempts to mitigate this risk by seeking contribution from house-building developers for LEGUP.

13.4 Reduced access to General Practice

Failure to adequately increase capacity in General Practice to match the population increase may result in practices placing restrictions on new registrations or returning their contract to NHS Lothian.

13.5 Reduced access to NHS dental services

There is a risk that requires further discussion with Midlothian community dental practitioners that the existing service provision is not sufficient for the increased population and that this may lead to reduced access to NHS dental services.

13.6 Securing Contributions via Midlothian Council

The ability to secure healthcare contributions towards additional medical buildings capacity is contingent upon Midlothian Council successfully adopting Supplementary Guidance on Planning Obligations and that Guidance containing a requirement for new housing developments in Midlothian to contribute towards healthcare. The Supplementary Guidance will be required to be subject to formal consultation with local communities and developers and will require approval by the Scottish Government. Therefore the successful implementation of a healthcare contribution policy is subject to the above

If a healthcare contributions policy is adopted by Midlothian Council that would provide the basis for the Council securing financial contributions from new housing developments in Midlothian. Developers would be required to enter into Planning Obligations with the Council to pay contributions towards additional healthcare infrastructure. Once such obligations have been completed it is open to developers to apply to modify or discharge (remove the requirement) obligations and where such applications are refused to make an appeal to the Scottish Ministers. Therefore the ability to successfully secure contributions on an individual basis needs to be considered in the context of this framework.

14 Involving people

- 14.1 There have been many meetings with people living in Midlothian where concern has been raised about access to General Practice. This policy seeks to help address these concerns by securing funding to support increased capacity in primary healthcare provision.

15 Background Papers

- 15.1 No background papers

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DATE	23/11/2017

Appendices: *None*