

HOW TO RELEASE AT LEAST £183 MILLION FROM PRIMARY CARE ASSETS ALONE



"The Health and Social Care Bill signals significant change ahead. Trusts are already looking to unlock savings and improve service through estate rationalisation. The DoH's announcement it is to form a property company to look after all the non-clinical, PCT assets, highlights its desire to drive better value from the NHS estate. However, the element that will be centrally managed is only a small percentage of the total estate. Trusts still have a major opportunity to unlock greater savings, and create a more efficient overall solution for the local health economy."

Karen Prosser

Executive Summary

- Plans are already being made in relation to the transfer and future ownership of health buildings
- Trusts are increasingly focused on developing an estates strategy which provides buildings which are fit for purpose and value for money
- Immediate consideration is needed to identify the best long term asset strategy and how to unlock optimum value
- Recognising the inter-relationships between land values, future flexibility, efficiency and clinical excellence will be key.

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Whilst the Health Social Care Bill continues to undergo changes which will undoubtedly become part of a revised bill during its passage, it is clear that plans are still being made in relation to the transfer and future ownership of health buildings. The recent document issued by the Department of Health (DoH) 'PCT Estate - future ownership and management of estate in the ownership of the Primary Care Trusts in England' provided a clear timeline, with the transfer of assets expected to be signed off by the Department.

This is supported by the recent indication from the Government Property Unit that trusts should dispose of assets they do not need for their own delivery of clinical services and the DoH's announcement it is forming a property company to look after all the non clinical assets which currently belong to the PCT. There is an obvious desire to drive better value from the estate. However, the element that will be centrally managed is only a small percentage of the total. With significant estate within Acute, Community and Mental Health Trusts, that may no longer be required to deliver effective clinical services, trusts have an opportunity to unlock greater savings and create a more efficient overall solution for the local health economy.

We are now seeing much more interest from trusts to focus on developing an estates strategy which provides buildings which are fit for purpose and value for money over the long term, meeting the expected health for now and the future, when there will be a requirement to deliver services closer to home. This means estates must be efficient in terms of specialist use, but just as importantly, in terms of long term operational costs. With the tight timeframe provided to sign off the plans by the DoH, immediate consideration is needed to identify the best long term asset strategy and to establish how optimum value can be unlocked to deliver the greatest return.

What is the future?

The Government paper is clear that accommodation needs to transfer to the NHS body which occupies over 50% of the building and is required to fulfil their role as a healthcare provider delivering clinical services. At this stage, LIFT and PFI assets will remain outside of this arrangement.

It is recognised that there will be some degree of efficiency in space usage and that after the transfer some assets may become redundant. The option remains with the Secretary of State to step in at this stage and reacquire the estate. Should this option not be taken then the assets may be disposed of. Careful consideration will be needed here to optimise the value which can be obtained from disposals.

The opportunity

We find that the more traditional approach to disposing of assets fails to realise the full value. For example, rather than simply looking to find the best price possible to provide a short term one off capital receipt, trusts need to look at enabling longer term efficiencies across the estate by developing a completely integrated strategy linked to the short, medium and longer terms needs of the local community.

Our NHS service and estate research demonstrated that of the 4.67 million sqm of assets declared by PCTs, 7.6% or 398,177 sqm of this was classed as un-utilised. Some of this will be central to a building and therefore could not be easily removed from the overall estate, but, our assumptions are that if only 50% of this could be released (recognising the average asset value across the NHS estate of £1,027 per sqm) an indicative average value of more than £183 million of capital receipts could be achieved. This would be alongside an average saving of £34.66 million per annum on cost of energy and hard and soft FM services.

In addition to the un-utilised estate for PCTs, a further 6.14% of Acute Trust estate (a total of £1.23 million sqm) and 7.36% of Mental Health estate (308,626 sqm) could be unlocked. Providing an even greater opportunity to create value through a combined, area-wide estate strategy. Any surplus capital could then be used to improve healthcare delivery for the local community.

Six step process

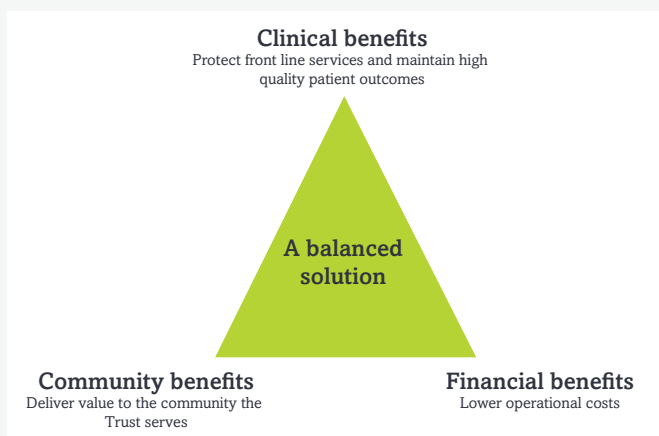
Trusts should consider adopting a six step process, which recognises the interrelationship between land values, efficiency and clinical excellence, to unlock the full latent value over the long term.

This more strategic approach does not simply focus on transaction values, but creates a solution that optimises the clinical, community and financial benefits over the long term. Such a solution should clearly link estate strategy with clinical services strategy and is likely to involve: portfolio rationalisation / development; disposal options linked directly to the agreed strategy; the appropriate reorganisation of hard and soft service procurement to meet the realigned estate.

The six steps are:

- 1: Identify how property is aligned to the organisations visions and objectives.
- 2: Identify the opportunities for change within the property estate through retention, investment and disposal.
- 3: Refine and develop the options for disposal. Consider the development capacity, value, cost and risk of alternative disposal and joint venture scenarios. Test and validate different routes to realising value.
- 4: Build and present the case for change within the estate, by modelling value generation through disposal or private sector investment in the retained estate and the benefit to clinical services. Models such as local asset backed vehicles can be tested against more traditional disposal routes to understand their impact.
- 5: Agree and present an integrated business plan showing the long term benefits of the proposed change.
- 6: Develop and deliver an implementation strategy for asset disposal or private sector investment. Coordinate the procurement process and contract preparation.

The opportunities to achieve savings and improve service delivery are large but will only appear once - planning to get maximum benefit has to be the right option for both trusts and communities.



To find out more, please contact

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“Through effective asset management an indicative average value of almost £183 million of capital receipts could be achieved. This would be alongside an average saving of £34.66 million per annum on hard and soft FM services.”

Karen Prosser - Partner, Head of Health Sector