

# The Management of Surplus Property by Trusts in the NHS in England



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
HC 687 Session 2001-2002: 21 March 2002

# executive summary & recommendations

- 1 In April 2000, NHS trusts<sup>1</sup> owned some 95 per cent by value of all land and property (8,750 hectares by area) in the NHS in England. At that date, the total NHS estate was valued at some £23 billion (existing use basis<sup>2</sup>). It has an estimated replacement value of £76 billion. Turnover in property assets is substantial. We found that NHS trusts obtained at least £380 million from the sale of surplus property in the three years 1997-98 to 1999-2000 and planned to sell surplus property worth over £700 million (at existing use value) from 2000-2001 to 2002-03. The Auditor General for Wales has looked at NHS Estate management and at NHS property disposals in Wales<sup>3</sup>.



- 2 Taking account of best professional practice, we examined:
  - how well the strategic environment in which Trusts operate promotes the effective identification and disposal of surplus property (Part 2 of the report);
  - how far value is achieved in actual sales (Part 3).
- 3 NHS trusts were established from 1991 and onwards. As this happened, only property thought to be required for their long term operational use was transferred to them. Remaining properties were retained by the Secretary of State in the so-called *retained estate*. Most of these properties have since been sold by NHS Estates, an executive agency of the Department of Health, which provides the policy lead on all aspects of estate management in the NHS. Targets for disposing of the *retained estate* have been consistently exceeded by NHS Estates.

<sup>1</sup> The term "NHS trusts" refers in this report to acute, community / mental health and ambulance trusts in existence at March 2000. We use the term "Trusts" to cover these NHS trusts, Primary Care Trusts (which began to be created in April 2000) and Care Trusts (which will begin to be established from 2002-03).

<sup>2</sup> NHS properties are not valued at open market value until declared "non-operational".

<sup>3</sup> *Managing the Estate of the National Health Service in Wales (November 2001)*. The results of a follow-on examination on the modernisation and renewal of the estate and the identification and disposal of surplus property in Wales will also be published in due course.

- 4 Most of the properties that would have remained in the *retained estate* after 2001-2002 are now subject to a sale through a Public Private Partnership initiative, expected to be operative in 2002-03, with a property portfolio worth up to some £400 million. Our work focused on the identification and disposal of surplus property owned by NHS trusts. We also directly tapped into experience and expertise built up by NHS Estates in selling the *retained estate* by including five large and complex sales by NHS Estates in a series of case studies in this examination.
- 5 Trusts frequently need to obtain planning consent for change of designated use to enhance prospective proceeds from disposals. This puts a premium on maintaining good liaison and contact with local planning authorities. We also looked at the interface between Trusts and English Heritage on the sale of historic and listed properties.
- 6 Our examination took place against a background of considerable change in the management of the estates function in the NHS and in the organisation of the NHS generally. In May 2000 the Public Services Productivity Panel and Department of Health published *Sold on Health*, a major review of the management of the NHS estate. This reinforced the lead policy, strategic and advisory role of NHS Estates, signalling a new, more corporate national framework for the estate in England. NHS Estates will in future assess the performance of Trusts against corporate objectives more closely than previously and promote more corporate outcomes.
- 7 We found much good practice:

## On strategic issues

- revised guidance on developing an estate strategy provides a generally good guide to rationalising NHS estate (paragraphs 2.2-2.4);
- a majority of NHS trusts reviewed their estate and reported the outcome to their boards sufficiently frequently to meet the requirements of a recently introduced Controls Assurance Programme Standard on buildings, land, plant and non-medical equipment (paragraph 2.14); and
- there was evidence, including examples in our case studies, that some NHS trusts and local planning authorities had worked well together to improve joint working and liaison on planning issues, in ways which are more widely applicable (paragraphs 2.30-2.32 and Figure 12);

## On obtaining best value from sales

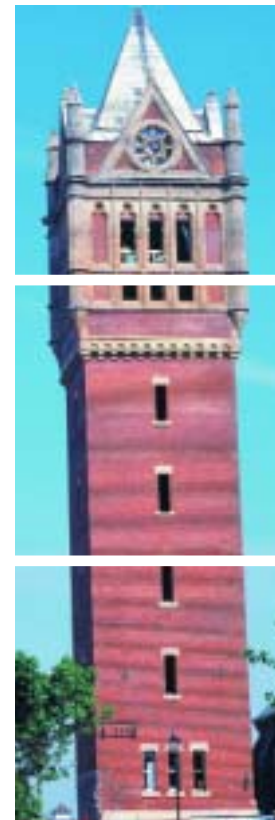
- evidence suggests that NHS trusts and their agents strove to maximise competition in accordance with NHS Estates' *Estatecode* guidance, achieving prices in most sales which comfortably exceeded valuations (paragraphs 3.2-3.8);
- our case studies pointed to some good practice, applied in the disposal of higher value and more complex property (paragraphs 3.16-3.32), including cost management (paragraphs 3.37-3.42).

8 We did, however, note some areas for further possible action by NHS Estates (Figure 1).

**1 Areas for further action**

Estate Strategies:	Report paragraphs
a Setting targets for all Trusts to achieve estates strategies to exemplar standards	2.5-2.11
b Strengthening elements in estate strategy guidance to improve information in regard to disposal programme plans	2.2-2.4
<b>Estate review and report to the board</b>	
c Ensuring consistency and clear support in guidance for the principle that Trusts should review their estate at least annually	2.12-2.17
d Establishing whether there is a persistent concentration of sales completed at the year-end and investigating the value for money provided by these sales	2.20 & 2.21
<b>Managing liaison and contacts with local planning authorities</b>	
e Encouraging Trusts to report good practice and to continue to develop and improve contact and ways of working with local planning authorities	2.24-2.32
<b>Obtaining best prices</b>	
f Strengthening guidance on the best use of pre-sale valuations	3.6-3.12
g Consideration of more extensive use of valuations encompassing a range of figures, including a most likely price within a range of acceptability	3.11
h Scope to complete some sales more quickly with potential to bring forward receipts and reduce sales costs	3.13-3.15
i Improving the basis for management and review of sales by recording sufficient standard information on time to sell properties	3.13
j Making best use of NHS Estates' new Knowledge Network to record good practice and lessons arising from sales	3.16-3.32 & 3.37-3.42
k Creating a named clearance house arrangement to improve notification procedures for priority purchase sales	3.28 & 3.29
<b>Managing costs of sale</b>	
l Improving routine systems for monitoring the costs of sale and investigating outcomes	3.36

9 Recommendations arising from our analysis, linked to each of the Areas for further action identified in Figure 1, are primarily aimed at NHS Estates, as the policy lead. We recommend that NHS Estates should:



## On strategic issues

- a set explicit targets for the achievement of estates strategies to exemplar standards by all those Trusts, including newly created Primary Care Trusts, which have not yet developed them, while continuing to explore options to develop shared service arrangements to support smaller Trusts.
- b strengthen its exemplar strategy guidance to cover the following points, in regard to disposal programme plans, including links to NHS Estates' *Estatecode* guidance:
  - identification of holding costs for surplus property, including any exceptional maintenance, security or other costs;
  - assessment of suitability for disposal of property in its present use and condition;
  - view on dates for disposal; and
  - allocation of responsibilities for the management and completion of sales.
- c review and where necessary amend existing NHS Estates' *Estatecode* guidance, exemplar strategy and Controls Assurance guidance to ensure consistency and clear support for the principle that Trusts should review their estate at least annually to identify surplus property and report it to the board.
- d in its new role in corporately overseeing all sales by Trusts:
  - investigate whether the concentration of sales completed at the year-end revealed in our survey of sales by NHS trusts is a persistent trend and provides value for money; and
  - consider any need to strengthen *Estatecode* guidance to require business cases for sales to identify and evaluate any exceptional risk involved in completing sales to a financial year-end deadline.
- e encourage Trusts to report good practice and to continue to develop and improve contact and ways of working with local planning authorities, to ensure that NHS interests are reflected fully in local development plans and that planning applications on particular sales are effectively handled.





## On obtaining best value from sales

- f while recognising that the key test of value remains whether a property has been properly marketed, strengthen *Estatecode* guidance on obtaining and making use of pre-sale valuations for their intended purpose as a price guide, to make clear that:
- Trusts should ordinarily obtain a pre-sale valuation, recording its date and basis in all cases;
  - where pre-sale valuations are affected by material factors during marketing (or simply become outdated in lengthier, more complex sales), Trusts should formally update and record amendments to it; and
  - Trusts should formally review proposed sale prices against pre-sale valuations, recording reasons for variations in all cases.
- g adopt more extensive use of valuations encompassing a range of figures, including a most likely price within a range of acceptability based on prospective uses in current market conditions, and amend *Estatecode* guidance accordingly.
- h in its new role in corporately overseeing all sales by Trusts, pay close attention to opportunities to speed up very lengthy sales, particularly those which are also higher value and more complex, due to the potential value in bringing forward receipts and reducing sales costs.
- i to improve the basis for management and review of sales, strengthen *Estatecode* guidance to propose that Trusts record sufficient standard information on time to sell properties, to include dates when:
- properties became non-operational;
  - properties were declared surplus to requirements;
  - selling agents were appointed;
  - planning application was made (if applicable);
  - planning consent was obtained;
  - properties were marketed;
  - offer was approved; and
  - sale was completed.
- j ensure that NHS Estates' new Knowledge Network includes an appropriate access point to enable Trusts to record good practice and lessons arising from sales for the benefit of future sales.
- k strengthen *Estatecode* guidance in regard to sales to priority purchasers by directing Trusts to a named clearing house contact in the local health economy (and to NHS Estates for properties that may be of interest to other government departments) to ensure that notifications of available properties to priority purchasers are more effectively handled.
- l in its new role in corporately overseeing all sales by Trusts, set up a routine system of monitoring costs and variations in costs, based on existing *Estatecode* requirements on Trusts to record the costs of sale, and review any unusually high cost patterns.