

# NHS estates

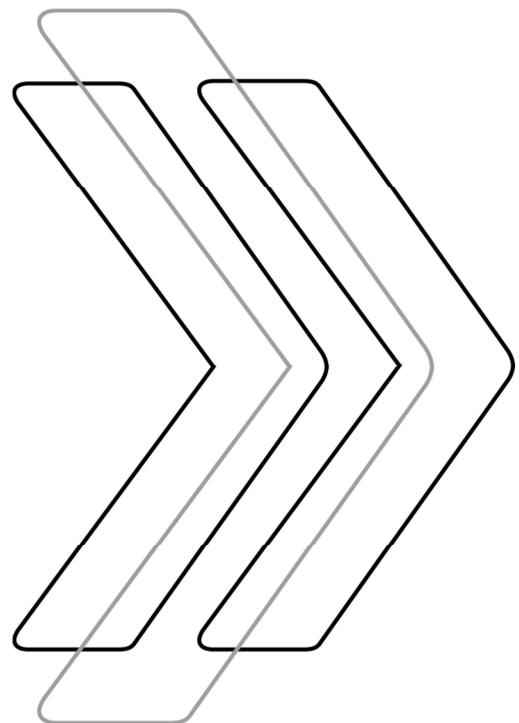
## Review of the evidence

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This report was commissioned by the Department of Health

This independent report was commissioned by the Department of Health. The views in the report are those of the authors and all conclusions are the authors' own.

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# Introduction

The government considers the NHS estates to have a key role in delivering efficiency, and in supporting the transformation of services set out in the *NHS five year forward view*. To enable the estates to fulfil this role, the government is intending to develop a long-term strategy for their use. As a first step, it has commissioned Sir Robert Naylor to undertake an independent review of NHS estates and property.

This report sets out the findings of an evidence review in relation to estates strategy, commissioned to support the work of Sir Robert Naylor's review. It includes evidence on the approach to developing a strategy, and the different components required for an effective strategy. It also identifies the skills and capability involved in estates strategy development, and provides examples of some of the models for estates development that have been used in the NHS and elsewhere in the public sector (both in the United Kingdom and abroad).

# About the research

This evidence review was commissioned by the Department of Health as part of the independent review of NHS estates and property being undertaken by Sir Robert Naylor. The objective of the review and the approach to research are set out below.

## Objectives

The evidence review was intended to address the following questions.

1. How do you set an estates strategy for the NHS, what are the key components of the estates strategy, and how can this be linked to planning services/capacity?
2. In terms of skills/capability for estate planning:
  - what are the skills required, in terms of setting national and local strategy and for delivery
  - where should these sit – national, regional or sub-regional level?
3. What examples are there of different models to drive change in the NHS estates and the degree to which these examples achieved their objectives, in terms of:
  - funding models and incentive structures
  - structures used, eg, joint ventures.

## Approach

The research included:

- a rapid review of white and grey literature relating to the development and implementation of estates strategy, and models used to deliver estates strategy. The review included literature on the NHS and other public services, and both UK and international literature (English language only)
- a small number of conversations with those with experience of developing and implementing estates strategies and projects.

## A note on the review

### *Evidence*

The literature search identified a range of material on the development of estates strategy, relating to both the private and public sectors (primarily outside of the NHS). This material identified a broad consensus on the approach to estates strategy and asset management, in terms of both approach to development, the components of an effective strategy, and the skills involved. This evidence and examples form the basis of a good practice approach to estates strategy in several parts of the public sector. However, within the time available for the review, the evaluative evidence identified in relation to the outcomes of these approaches was more limited. In some cases the evidence relates to programmes which are still in their infancy, and therefore making an assessment of their outcomes is not yet possible.

### *Terminology*

The review incorporated material from a range of sectors (both public and private) which have adopted different terminology in relation to estates strategy. Several terms are used within this report, however in practice they are likely to be overlapping and represent similar approaches.

# Background and context

To date the approach to the NHS has been led primarily by local NHS organisations, guided by centrally developed standards and guidance, and informed by national policy priorities.

This section provides some background on current ownership arrangements for the NHS estate, as well as the key NHS and wider government policy and initiatives which are currently guiding NHS estate development.

## Ownership of the NHS estates

Ownership of the NHS estates is distributed between the following organisations.

### *NHS trusts and foundation trusts*

The vast majority of the NHS estates is owned by individual NHS trusts and foundation trusts which are accountable for its performance. Ownership arrangements vary slightly between NHS trusts and foundation trusts.

- NHS trusts are required to seek approval from NHS Improvement for any capital investment or property transaction which exceeds its delegated limit, or in order to retain disposal proceeds above this level.
- Foundation trusts may dispose of their land or buildings, although approval is required from NHS Improvement where this relates to estate used to deliver essential services. Foundation trusts may retain all proceeds from the disposal of their estate, and have greater freedom to enter into property transactions, such as joint ventures, than NHS trusts.

(Department of Health 2014)

### *NHS Property Services*

NHS Property Services, which is wholly owned by the Department of Health, owns and has responsibility for approximately 3,500 buildings previously owned, leased or managed by primary care trusts and strategic health authorities. NHS Property Services has two key roles:

- providing support services, such as cleaning and catering, across the estates in its ownership
- strategic estates management, including:

- the leasing of land/property
- modernising facilities
- buying new facilities
- selling facilities the NHS no longer needs.

Beyond its own portfolio, NHS Property Services provides strategic estates management support to commissioners and sustainability and transformation plans (STPs), the multi-year service plans being developed by 44 STP ‘footprints’.

(NHS Property Services 2014)

### *Community Health Partnerships*

Like NHS Property Services, Community Health Partnerships (CHP) is wholly owned by the Department of Health. It is responsible for:

- managing the LIFT programme, holding investment assets in each of the 49 LIFT companies across England
- providing strategic estates advice to commissioners. As part of this role, CHP is working with the local NHS and the wider public sector to help with the development of local strategic estate plans (see below).

(Community Health Partnerships 2016)

### *GPs and private sector organisations*

Ownership arrangements for GPs premises vary. Some primary care estate is owned by GPs, who own the premises they work in, while the rest is in the ownership of NHS Property Services or CHP or, for those developed under Third Party Development (3PD) schemes, by the private sector.

The estates used by the Department of Health and its arm’s length bodies is part of the civil estate, and not classified as part of the NHS estates.

## National and NHS policy on estates

The context for a strategy for the NHS estates is provided by a set of NHS and wider government policies. These are outlined below.

### *National policy: wider government*

In addition to policy developed for the NHS specifically, the following wider government policies have also influenced the development of the NHS estate.

## *One Public Estate*

This is a cross-government initiative led by Local Government Association (LGA) and the Cabinet Office. The initiative aims to support improved estates management through the development of partnerships across government departments and bodies. The objectives include:

- delivering more integrated and customer-focused services
- creating economic growth
- reducing running costs
- generating capital receipts
- public sector sharing of estate.

The initiative offers funding to support programme development, technical support, access to a network of local and central government One Public Estate practitioners and dedicated regional support from LGA and the Government Property Unit.

## *Housing and Planning Act 2016*

Legislation was introduced in 2016 to support the national housing target by freeing up land and simplifying planning processes. The Act extends powers to dispose of land and use of land for housing. Specifically:

- Part 6 of the Act supports improving and simplifying planning in England while Part 8 deals with new duties in respect of public authority land, as well as extending powers to dispose of certain land
- NHS trusts and foundation trusts are outside the scope of this Act though the Secretary of State for Health could seek to include them through regulations.

## *Spending Review and Autumn Statement 2015*

As part of a wider government commitment to releasing enough land to build 150,000 homes by 2020, the Autumn Statement committed the NHS to finding £2 billion from NHS land sales by 2020/21 and releasing land for 26,000 houses (HM Treasury 2015). As part of this programme, the Department of Health committed to a review of surplus land within the NHS (NHS Improvement 2016) and an annual data collection of NHS land that is surplus or potentially surplus through the estates and facilities management information system.

## *NHS policy*

Relevant NHS policy and initiatives, set out below, provide the following high-level objectives for the NHS estates:

- supporting current and future service needs, including supporting integration of services within the NHS and between the NHS and other sectors
- increasing efficiency and delivering savings
- enhancing patient experience
- identifying the estate as an enabler.

### *NHS five year forward view*

The *NHS five year forward view* (Forward View), published in October 2014 (NHS England *et al* 2014), envisages the estates as having a role in supporting implementation of new care models and in improving efficiency. To achieve this, commissioners are required to develop local estates strategies in collaboration with local partners. Local health economies are being encouraged to create local estates forums to support the development of these plans. Support is being provided to local areas (clinical commissioning groups (CCGs) and STPs) by Community Health Partnerships and NHS Property Services (Department of Health 2015).

### *General practice forward view*

The *General practice forward view* was published in April 2016 and sets out the government's plans for transforming general practice. Plans include support for the development of the primary care estate and infrastructure, including through capital investment (NHS England *et al* 2016).

### *The Estates and Technology Transformation Fund (primary care)*

The fund is intended to support improvements in GPs' premises and infrastructure, with the aim of improving and expanding out-of-hospital care. In January 2015 GPs were invited to submit bids for investment to the fund, and in October CCGs were invited to put forward plans for future investment (NHS England 2016a).

### *Carter review*

Lord Carter's review of operational productivity and performance in NHS acute hospitals identified estates as one of the areas trusts should focus on as part of an overall drive to increase productivity and improve efficiency (Carter 2016). The impetus to achieve provider-level efficiencies through estates planning has since been incorporated in the NHS planning guidance as part of the 'must do' priorities for achieving financial sustainability of the NHS (NHS England and NHS Improvement 2016).

### *Healthy New Towns programme*

The Forward View highlighted the opportunity provided by new town developments to improve population health and integrate health and care services, in particular due to the absence of any legacy constraints. The Healthy New Towns programme aims to take forward

this opportunity by working with local areas to develop new approaches to designing towns and developments, including the delivery of services, and sharing the learning generated (NHS England 2015b).

NHS England invited developments to submit expressions of interest by September 2015, from which 10 demonstrator sites were selected (NHS England 2016b).

- The programme is intended to be locally led. Plans are being developed locally and vary significantly, partly depending on the size of the sites.
- The focus is on innovation and transformation. The programme is attempting to promote a permissive culture whereby local areas feel able to test new ideas.
- There is a specific interest in making use of underutilised estate, including looking at options for developing long-term revenue streams as well as disposal.
- NHS England is providing a support role, which includes convening expertise at a national level, co-ordinating government departments, supporting the development of local governance arrangements, helping to identify and engage appropriate stakeholders, and specialist input into design. It is also providing support with capacity as required.
- NHS England is not running an assurance process. The intention is for the sites to be evaluated in the long term, but the programme is still in its infancy and there are no pre-agreed outcome measures.

The following are key features of the programme:

- partnership working – the intention is for providers, CCGs, the local authority, developers and others to come together early to facilitate placed-based planning. It is hoped that this partnership approach will be a long-term legacy of the programme, and may support other projects in future. The ability for sites to deliver their plans, including the strength of partnership arrangements, was one factor considered during the selection process.
- Plans are long term – the nature of these projects means that multi-year planning is essential, and it is acknowledged that results will not be immediate.
- Community engagement – this needs to extend beyond specific development projects to ensure that these don't become isolated, but are supported as part of wider change.

## Current approach to NHS estates strategy

Under current arrangements, beyond the policy and guidelines outline above, there is no further national strategy for the NHS. Estates strategy is developed at an organisational or local level.

Historically NHS trusts and foundation trusts have developed organisational estates strategies, (it became mandatory for trusts to have an estates strategy in late 1990s, following a National Audit Office report).

More recently, commissioners have been encouraged to act as the primary drivers for local estates strategies (Department of Health 2015), although other initiatives, such as the development of sustainability and transformation plans (STPs), suggest that providers will continue to play a key role in this.

Local estates strategies are informed by:

- The policy framework set out above (NHS and wider government), and operational approaches which follow from these – such as those outlined in the NHS planning guidance, the Vanguard programme and Sustainability and Transformation Plans.
- National guidance, including:
  - two Health Building Notes (Department of Health 2014) and Developing an Estate Strategy dated (Department of Health 2005) which set out guidance for NHS trusts, foundation trusts and other NHS organisations on achieving efficiency savings and reducing costs in NHS estates. Trusts are required to report on their estates annually through the Estates Return Information Collection (ERIC).
  - guidance for CCGs (published in June 2015) to support the development of local estates strategies by the end of December 2015 (Department for Health 2015).

### *Challenges*

The following factors have been identified as playing a key role in NHS organisations' approach to the estates to date. Some of these can act as barriers to a more strategic approach.

#### *Dispersed ownership*

As suggested above, currently ownership of NHS estates is widely dispersed, and has been subject to change. This can make change on a large scale difficult (Grant 2015). This also

means that there is considerable variation in the approaches taken in different areas; with some areas significantly more innovative than others.

### *Lack of flexibility*

The physical nature of the estate means it lacks flexibility.

- As well as large sites and buildings, the estate incorporates small parcels of land/areas within buildings. This can limit alternative uses.
- Many buildings are highly specified and difficult to adapt (Grant 2015).
- Where NHS organisations own buildings developed under PFI (Private Finance Initiative) or the Local Improvement Finance Trust (LIFT) this can place additional constraints on the use of the estate and arrangements are not flexible enough to support a long-term estates strategy (Imison *et al* 2008; Edwards and Darch 2007).

### *Changing policy context*

Changes in policy mean that, compared with private sector organisations, NHS organisations (and other public bodies) can find it difficult to develop and implement long-term estates plans. Similarly, changes in the structure of the NHS have meant that property has been transferred between organisations, often with poor records and leading to a loss of corporate memory (Grant 2015).

### *Political pressure*

Political pressure can undermine clinical strategy as the primary driver for the approach to the estate. Some approaches become high risk, particularly disposals, while others become a political imperative – for example, in the case of LIFT (Imison *et al* 2008). ‘Localism’ is also a problem; hospitals are considered to be local assets, which can make reconfiguration difficult (Grant 2015).

### *Culture/mindset*

The estate is not always treated as a strategic asset, and the public sector is inherently risk averse (Grant 2015). Estates planning is not core NHS business and not prioritised (this issue is discussed further in the section on skills and capability).

### *Skills and capability*

NHS organisations often lack strategic or “entrepreneurial” estates skills, focussing instead on the technical aspects of estate management (Edwards 2013) and, linked to the point above, estates/estates personnel role in strategy development is often limited. Historically there have also been problems with recruitment and retention of estates personnel in the NHS (May and Askham 2005) (these issues are discussed further in the section on skills and capability).

### *Funding*

There are multiple issues related to funding.

- The tariff system encourages full utilisation of trusts' estate which helps drive efficiency, but discourages a more innovative approach, for example that might result in more patients being treated outside an acute setting (Edwards and Darch 2007).
- There are pressures on funding for capital development (*see below*).
- Accountancy rules are not enabling. Issues raised include the negative impact of writing-off estates for demolition on income and expenditure (reserve value) and the failure to reflect capital receipts and sale of surplus land as income.

### *Challenges of joint working*

There are some barriers to joint working, which inhibit the development of estates strategies that go beyond individual NHS organisations. This has been noted in the context of joint working with the housing sector, where cultural differences and different approaches to risk have been a barrier to cross-boundary projects (Beirne and Molyneux 2012).

It has also been suggested that the NHS is not good at determining (or valuing) the wider public benefits of estates projects that cut across public sector boundaries, and should form part of the business case for estates development (Beirne and Molyneux 2012).

### *Current pressures*

In addition to the longer-term factors described above, the following issues are immediate challenges for NHS organisations and local areas seeking to develop their estate.

### *Capital funding*

There is currently significant pressure on funding for capital development and maintenance in the NHS. In response to financial pressures across the system, in recent years there has been a growing tendency to redirect the Department for Health's capital allocation to support revenue costs (Dunn *et al* 2016). There has also been pressure on local capital spending, with organisations being encouraged to defer non-essential capital projects (Dunhill and Calver 2016). Similarly, STPs have been encouraged to minimise their capital requirements and, as far as possible, make use of alternative sources including non-government sources and 'PF2' private finance schemes (West 2016).

### *Risk appetite*

The public sector has been traditionally seen as risk adverse (Grant 2015). Policy initiatives encouraging rationalisation of estates have put increasing pressure on identifying surplus

estate for sale. Although relatively low risk, this may offer poor value both in terms of capital release and long-term value. Where sale of estate is not deemed to be financially beneficial, organisations may tend towards under-declaring surplus estate or opting for a period of inertia in lieu of a change in circumstances. Conversely, strategies aimed at developing estates and surplus land for long-term gain such as investment in keyworker housing, or supported and residential care facilities and wider co-location of health facilities have the potential to deliver greater value and in some cases capital gains or ongoing sources of income, but in which the risk is often greater, particularly in the early stages and where returns are likely to be realised over a longer period of time. Inherent in these schemes is the risk that not all will be delivered. Indications are that financial pressures may place limitations on organisations seeking to adopt this approach (Dunhill 2016; Thomas 2016).

### *Timescale*

The evidence on strategic estates planning is that this needs to reflect a long-term approach, with one organisation identifying three to five years as a minimum timescale. Although policies such as the rationalisation of estate to support national housing strategy have set a date of 2020 to achieve this, policies such as the operational planning guidance and most recently the STP process have framed estates strategies (at least in the initial stages) within a one to two-year period. Timescale is a key defining feature of an estates strategy; some outcomes such as rationalisation are likely to be achievable in the short period (although they may not offer value for money) but others such as longer-term development and partnerships will require substantially longer.

### *Competing priorities and leadership*

There are multiple initiatives in progress with implications for the NHS estates. It is often not clear the extent to which these initiatives overlap or align. Not only do these risk creating competing priorities, but appear to provide mixed messages in terms of principles, aims and scope as well as to where the leadership for local estates strategy lies.

Under the direction of NHS Improvement, providers have been tasked with the identification of surplus land and space for housing committed to by the Spending Review (HM Treasury 2015). Provider and commissioner-level estates and facilities management has also been identified as a key component of financial efficiency savings and a ‘must-do’ in the recent operational planning guidance (NHS England and NHS Improvement 2016).

The new models of care set out in the Forward View suggest a number of changes to NHS premises, such as those required to support the expansion of primary and community services on hospital sites (Hempsons and NHS Providers 2016). NHS England highlighted the need for a different approach to the estate in implementing the Forward View, and indicated support would be provided in relation to: planning future estate needs, utilising existing estate,

releasing value from surplus land, and developing new facilities (NHS England 2015a). The development of these care models by vanguard sites is typically being led by provider organisations. However, in addition to this activity, the Forward View has tasked commissioners with developing local estates strategies. Clinical commissioning groups have the option of working together to develop a plan, and are encouraged to collaborate with a wide range of local stakeholders (Department of Health 2015).

In addition to this, STPs are being taken forward by 44 STP footprints of varying size. STP leadership varies between different areas; in some cases a leader has been selected from an NHS provider organisation, and other cases a CCG has provided the STP lead (a small number of STP leaders come from local government). In developing these plans, STP footprints are being encouraged to identify opportunities for better use of the NHS estates, including disposal and opportunities for creating long-term revenue streams (NHS England *et al* 2015).

The range of initiatives is contributing to competition between different policy priorities for capital.

# Developing an estates strategy

This section sets out the evidence on the development of an estates strategy including: its purpose; the key components of strategy; the process for developing a strategy, including who should lead this process; what's required to develop a strategy; and governance arrangements required to support this process.

## Purpose

The fundamental premise of good property asset management is clear alignment of business and asset management strategies to ensure assets best support the key business goals and objectives (Royal Institution of Chartered Surveyors 2012). Drawing on a number of examples of estates strategy development and best practice guidance, the following are identified as important.

- A clear estates strategy, reflecting wider departmental priorities and used to develop local and regional estates strategies (National Audit Office 2010a). This may include cross-government strategies, those of individual government departments, local (place-based), or relevant organisations (Edwards 2013; Beirne and Molyneux 2012).
- The overarching purpose is to ensure that the estate can meet the current and future needs as outlined in overarching wider strategic plans for the service as a whole (National Audit Office 2005b).
- An estates strategy should reflect a longer-term planning horizon. This can help prevent plans from being disrupted by short-term pressures (National Audit Office 2010b; Department of Health 2005). How the strategy is delivered can subsequently be broken down into individual programmes that operate over the short-, medium- and long-term.
- Estates strategies should be considered part of an organisational change process (Royal Institution of Chartered Surveyors 2012).

## What are the components of an estates strategy?

Our review of estates strategy development, best practice and evaluations highlights several core components.

- **A strategic overview** – estates strategies should align with and reflect the aims of any wider organisational or strategic planning. This includes a reflection of future forecasting including the planned need, expectations of future provision and political direction (National Audit Office 2010b). The strategy will be used to inform individual investment plans (Department of Health 2005).
- **Alignment with clinical strategy** – as part of the above, estates strategies should align with clinical strategy (at all levels), rather than being developed in isolation, driven by cost concerns, or based on existing buildings (Department of Health 2015, 2014b, 2005; Edwards 2013; Beirne and Molyneux 2012; Czerniak 2012; Ellis 2012 ).
- **Customer focus** – a clear understanding of what ‘customers’ require and value. This includes those who currently use estates and those who may use estates in the future (Kilner 2014b; Local Government Association and Cabinet Office 2014; Royal Institution of Chartered Surveyors 2012; Baber 2011; Westminster Sustainable Business Forum 2011a).
- **Clear case for change** – linked to the above, and key to implementation (Royal Institution of Chartered Surveyors 2012; National Audit Office 2005b).
- **Understanding of the estates value** – an understanding of the role and value of estates within the context of other strategies, eg, funding and sustainability, social value, value to the taxpayer (Smulian 2015; Lowrie 2014; Kilner 2014a; Thomson and Wilkes 2014; National Audit Office 2010a, 2010b; Lind and Lindqvist 2005).
- **Flexibility** – any estates strategy needs to be able to respond to potential changes in demand or requirements over time. Where this does not happen, the estate becomes a constraint (Niven 2015a; National Audit Office 2010a, 2010b; Baillie 2009; Greggor 2009). It is particularly important for the estate to be flexible enough to be able to adapt to changes in technology (Greggor 2009).
- **Understanding risk** – understanding the risk appetite of the stakeholders involved (May 2016; Royal Institution of Chartered Surveyors 2016; Public Finance 2015; Smulian 2015; National Audit Office 2012; Lind and Lindqvist 2005).
- **Governance** – a strategy should include clear systems of governance and responsibilities. This includes relevant government, and organisational bodies (National Audit Office 2016a; Royal Institution of Chartered Surveyors 2016; Local Government Association and Cabinet Office 2014).
- **Clarity on outcomes** – estates strategies should include desired outcomes (specific and wider benefits) and set out the approach that will be used to measure performance (National Audit Office 2016a, 2010b, 2010a; Royal Institution of Chartered Surveyors 2016, 2012; Westminster Sustainable Business Forum 2011a Department of Health 2005). Performance criteria might include: improvements in the quality of the

operational estate over time, improvements in revenue costs, improvements in use, and improvements in the quality of the environment for patients (Department of Health 2005).

## How is an estates strategy developed?

### *Approach and process*

The emphasis may be on buildings and land, but in practice having a clear strategic vision, and considering ‘how’ estates use can be optimised to achieve this, benefits from considering a variety of approaches. The Ministry of Defence, for example, commissioned a number of business case options for the rationalisation of estate in order to explore which offered the greatest potential value for money (National Audit Office 2005b).

There should also be some room for ‘creativity’ when developing an estates strategy, for example, being prepared to consider options for delivering NHS services from non-NHS assets (Edwards 2013; Grant 2015), and ensuring that as far as possible there are no ‘sacred cows’ when it comes to disinvestment or disposal (Ellis 2012).

Employing the most appropriate strategy will ensure the best outcome longer-term. Potential approaches include:

- strategic management of estate, eg, public asset management, framework agreements, public-private partnerships
- disposal
- ‘spend to save’
- efficiency, eg, use of space, optimisation of income, carbon reduction, benchmarking
- running of the estate – maintenance, operations, procurement
- workplace productivity – improved workplace, mobile working.

In terms of process, developing an estates strategy should comprise the following broad stages.

- Developing an understanding and categorising the current estate, including its performance, using robust data (*see below*).
- Assessment of future needs/where we want to be – this will require input from a wide range of stakeholders (*see below*). As above, this should begin with the strategic vision and be driven by the clinical strategy. It should also involve developing performance criteria.

- An analysis of the gap between current and required provision – this will help identify key priorities for change, and determine a plan for investment/disinvestment.
- Identification of options for delivering on key priority areas. These should be assessed to determine their viability, fit with overarching objectives, as well as the financial implications.

(Department of Health 2015, 2014b, 2005)

### *Who should set estates strategy?*

Evidence shows that there is value in setting the objectives for an estates strategy at a national level, considering the infrastructure for managing and delivering on objectives, and the capacity at all levels. However, governance and autonomy at a local level can be important for optimising delivery within the context of local requirements.

A review of approaches to guidelines and standards for health care building across Europe found that the level at which guidelines and standards are determined typically mirrors the political organisation of each country. The review concluded that in terms of ensuring that their facilities remain aligned with their service model, organisations need access to independent and expert advice, and individually may struggle to keep up with the latest thinking (European Health Property Network 2011).

Evidence on the advantages of national and local direction are set out below.

### *Central direction*

Evidence suggests that some form of centralised direction is beneficial. This may exist at a national level or, depending on political arrangements, at a level beneath this. In all scenarios this is distinct from the local level, which involves small numbers of organisations.

- National direction helps ensure consistency, and encourages a focus on national priorities. In the Netherlands, for example, the de-centralisation of responsibility for planning led to a decline in progress against ambitions to manage acute bed numbers (Kroneman *et al* 2016).
- Evaluation of estates management strategies by the National Audit Office has stressed the need for strong national leadership and support to drive change and ensure that strategy objectives are translated on the ground. Learning from the disposal of land programme, for example, has seen a strengthening of governance structures at a national level (National Audit Office 2016a).
- The scale offered by a centralised approach provides some benefits, such as sharing standards, developing a common approach to challenges, and reducing duplicative

thinking. The approach in Northern Ireland, where a well-established, centralised in-house design team works closely with local trusts, has led a simplified design process and elimination poor design elements (European Health Property Network 2011). Similarly, Austria found that a centralised approach resulted in a more consistent approach to design, more reliable estimates on projects, and avoiding repeating research (European Health Property Network 2011).

- A review of the different approaches across Europe to developing guidelines and standards for health care buildings (European Health Property Network 2011) concluded that where design and construction of facilities are managed centrally by a body that also approves estates plans, there is a tendency to be over prescriptive and innovation can be stifled.

### *Local direction*

- Local autonomy is important given local differences and can help ensure estates strategy is responsive to local needs (Department of Health 2015; National Audit Office 2010b; Lind and Lindqvist 2005). A local approach encourages more distinctive strategies and more innovation, and can encourage joint working across local public sector organisations (Beirne and Molyneux 2012; Westminster Sustainable Business Forum 2011b).
- Locally-led approaches have the potential to fulfil wider government objectives such as social value (Thomson and Wilkes 2014; Royal Institution of Chartered Surveyors 2012).
- Independent decision-making in relation to design in Finland led to designs that are more responsive to patients compared to countries with a more centralised approach. However, this has also increased the gap between the best and the worst quality designs (European Health Property Network 2011)
- A review of the different approaches across Europe to developing guidelines and standards for health care buildings (European Health Property Network 2011) concluded that smaller units or regional health estates departments – such as Northern Ireland, individual Australian states, some Italian regions – can develop distinctive, high-quality estates strategies, if they have strong leadership, organisational stability and in-house capability.

### *What's required to develop an estate strategy?*

#### *Robust data*

Across the board, the clear message is that effective estates strategies requires robust data including an understanding of the current estate, its use and performance. Where this is not

available from the outset, strategies should incorporate appropriate plans outlining the data that is required, how it will be obtained and how it will be used to inform strategic planning.

Data that organisations have found valuable in informing decisions includes:

- size of estates portfolio
- type of property
- condition – including age, functional suitability and flexibility
- value and cost effectiveness
- use – in terms of how it supports care, and in particular which estate is supporting ‘core’ activity, including how heavily a site is used
- a detailed spending analysis, including what is spent and by whom
- ‘customer experience’ including patients and staff
- sustainability
- tenure and the nature of legal arrangements with any occupiers.

In addition to this, a detailed spending analysis including what is spent and by whom can be valuable in understanding who and how decisions are made. Finally, asset mapping is frequently reflected as an important component of an estates strategy, particularly if the potential strategy is considering estates over a geography or place-based approach.

Lack of data has been flagged as a key issue in being able to ensure decisions relating to management of estates are efficient and in assessing ongoing performance (National Audit Office 2016a, 2010a, 2010b, 2007). Strategies seeking to use estates more effectively across multiple stakeholders have placed particular emphasis on transparent sharing of data (Thomson and Wilkes 2014; National Audit Office 2012; Westminster Sustainable Business Forum 2011b).

### *Stakeholder engagement*

A further requirement is of the need to involve relevant stakeholders at an early stage. Within health care organisations, it is important that a range of financial and business managers are involved in the development of estates strategies, as well as clinical staff (Department of Health 2005). Clinical involvement is particularly valuable where there is a risk of challenge from the public, and being able to articulate the case for change (*HSJ* 2013). In the context of US health care organisations, it is argued that involving the appropriate range of stakeholders in the estate planning and delivery will help ensure that estates plans are aligned to clinical

plans, and that all stakeholders are bought into their delivery (Campobasso and Kucharz 2012).

Identification and engagement of external stakeholders is also important. Many of the local developments from the One Public Estate programme are characterised by up-front investment in local relationships including the development of shared agendas, identification of priorities and in some cases, creation of framework agreements for collaborative decision making (Smulian 2015; Niven 2014). Guidelines on property asset management highlight cross-organisational planning as an imperative for gaining maximum advantage from assets (Royal Institution of Chartered Surveyors 2012).

The need for collaboration with stakeholders outside the NHS is also emphasised in guidance for commissioners on the development of local estates strategies (Department of Health 2015, 2014b), and has also been highlighted in the context of joint working with the housing sector (Beirne and Molyneux 2012).

### *Governance and accountability arrangements*

Evidence on the governance structure associated with estates strategy varies with the relevant aims of the strategy and models employed. The examples we have reviewed include those which have been led at a cross-government and departmental level, to those in which local leadership has been key. What is clear is the need to ensure governance and accountability at all levels. Learning from the Foreign and Commonwealth Office and the disposal of public land through the DCLG have shown the need for strengthened governance arrangements at a departmental and cross-departmental level in order to provide improved support and focus on estates issues (National Audit Office 2016a, 2010a) and in being able to drive change at a local level. At a local level, a number of local authority-led estates programmes – as part of the One Public Estate programme – have also employed the use of governance frameworks to accelerate collaborative working in the long term and as a means of driving strategic decision-making.

A progress review of the LIFT programme suggests that these findings are not distinct from those experienced by the NHS. The review found that, although local accountability was achieved through strategic partnering boards, there was no organisation in place to oversee the performance of the boards, and consequently the review recommended the establishment of overall oversight arrangements to strengthen accountability (National Audit Office 2005a). Similarly, a National Audit Office review of PFI and other major projects in several sectors, including the NHS, noted that although there were project assurance processes in place, these had rarely resulted in projects being halted. The report welcomed the establishment of the Major Projects Authority and the revision of HM Treasury approval processes, but also highlighted the need for greater assurance from senior members within government departments (National Audit Office 2011).

At the most basic level, governance should support the promotion of a strategic approach to asset management. Estates strategy should be developed and held accountable at the highest level, ensuring that estate needs actively reflect local or organisational needs (Royal Institution of Chartered Surveyors 2016; National Audit Office 2010a; Department of Health 2005). We identified different approaches to governance including:

- governance over respective service areas and their assets, eg, ‘corporate landlord’, ensuring a coherent approach which reflects the aims of the estates strategy (Lowrie 2014; Westminster Sustainable Business Forum 2011a).
- co-ordinating property-related procurement (National Audit Office 2010b, 2005b; Lowrie 2014; Westminster Sustainable Business Forum 2011b).
- using property standards and controls, developed to support public property asset management to ensure property use and management, is in line with estates strategy (Royal Institution of Chartered Surveyors 2016; Lowrie 2014).

Many of the case studies included in this report highlight examples of these types of governance being employed at national and local levels, suggesting that this is less about specific types of governance being relevant at particular levels, and more about an approach that sees governance and accountability arrangements as a set of functions which serve to oversee and hold to account delivery of the overarching strategy at each level.

# Skills and capability

## Skills required

The skills and capabilities required for development of estates strategy – planning, decision-making, and management – vary dependent on the model of governance, strategic focus and mechanism of delivery. Those who have embarked on substantial estates strategies have found that traditional skills, including technical knowledge and timely and efficient project management, are no longer sufficient (Alwani-Starr 2014). Guidelines produced by the Royal Institution of Chartered Surveyors (2012) outline a range of skills that are required to support good property asset management.

Corporate/strategic estate management skills include:

- a broad, but not necessarily detailed, knowledge and understanding of property matters, reflecting the strategic, rather than technical focus of this role
- an understanding of core business of an organisation and the environment it operates in
- corporate leadership skills
- change-management skills, including property and organisational change
- customer skills, including negotiating, influencing, motivating, inspiring, competing and selling.

Skills around strategic property management are noted to be particularly important in making the move from the day to day oversight of estate, to a more long-term strategic approach and a proactive approach to achieving financial, service and efficiency benefits (Westminster Sustainable Business Forum 2011b).

Depending on the approach, specific skills that may also be required for decision-making around:

- acquisition and disposal
- creating property assets
- Property asset improvement or changes to maintenance regimens
- assessing values and projecting future rental income.

Finally, a number of skills may be required for the delivery of estate management programmes, including:

- principles of property management and construction management
- principles, practices and techniques of project/change management and construction/property project management (which are not the same thing)
- assessing and managing corporate risk
- assembling and managing an integrated project team and allocating roles and responsibilities.

## Skills in the NHS

There is a perception among a number of commentators that, currently, the NHS lacks many of the skills required to develop an estates strategy which can meet the objectives set out above (for example Edwards 2013; Gregory and Moore 2012; NHS Estates 2003).

Specific issues identified in relation to the NHS and wider public sector include the following.

- The estates function and/or estates personnel often have operational skills but play a limited strategic role.
  - Estates and facilities management staff often concentrate on operational issues, rather than developing 'entrepreneurial management skills' (Edwards 2013).
  - Unlike in many private sector organisations, estates personnel are often not involved at board level or in senior management decisions (Ellis 2012).
- Low organisational expectation of estates and facilities functions, which are seen as low value (May and Askham 2005).
- Job is not ambitious or engaging, which can result in low motivation (May and Askham 2005).
- Lack of value and career structure in the NHS; recruitment issues (May and Askham 2005).
- Limited property expertise, leading to criticisms that the NHS has not been able to achieve an appropriate return on land sales and other transactions (Edwards 2013). This was noted in the context of LIFT schemes, where research found that many primary care trusts lacked the skills required to maximise value for money on these schemes (Imison *et al* 2008)
- An National Audit Office review on NHS Property Services found that, in relation to achieving the best possible return on disposals, all but one disposal had been at or above the market value estimate (National Audit Office 2014)

A qualitative study on recruitment and retention of NHS estates and facilities staff found that these issues in part reflect an approach to estates in the NHS where the focus is on operational function to support clinical needs as opposed to estates management as part of a strategic function (May and Askham 2005). This in turn had a negative impact on recruitment and retention of estates staff in the NHS.

While particular issues around skills capability and capacity may be unique to the NHS, evidence indicates that other issues are reflective of wider problems across the public sector. A roundtable on public sector asset management described the gap in strategic estates management skills as systemic as a result of the emphasis on generalised programme management and job descriptions, highlighting the potential of incentivising sector-specific expertise and career paths as a mechanism for addressing this (Royal Institution of Chartered Surveyors 2016). A review of PFI and other projects also concluded that public sector organisations (including those in the NHS) often lack the skills required to make decisions on complex projects. This can put the public sector at a disadvantage when negotiating with the private sector, and jeopardise the realisation of benefits. It also found that local organisations can lack the contract management skills necessary to handle complex issues which arise (National Audit Office 2011).

## Where should estates capability be located?

Skills requirements need to match the strategic approach to estate. Pooling skills in a central property function has been highlighted as being valuable in ensuring a strategic approach, and providing appropriate support and measures to incentivise service directorates to critically assess their property use (Westminster Sustainable Business Forum 2011a). However, what is clear is that even with a level of centralisation around decision-making, ‘client-side’ capacity and skills in being able to assess and express ongoing estate requirements efficiently and effectively are an important requirement.

Studies from a number of sectors have shown the following.

- The Ministry of Defence established a central property function, but found practical skills shortages, including quantity surveyors, safe systems of work and facilities managers (National Audit Office 2010b).
- One Public Estate is a central initiative, organised on a regional basis. Stakeholders in local government-led, place-based approaches have capitalised heavily on the wider skills available, eg, planning, procurement, housing management.
- Government Property Unit – this is an organisation within Department for Communities and Local Government (formerly the Cabinet Office) that supports estates strategy across government departments and with regional representatives. The

unit has staff from the former Officer of Government Commerce, and benefits from having some private sector property asset management specialists (Royal Institution of Chartered Surveyors 2012).

- Local government – although the overarching agenda of One Public Estate is set nationally, local areas have the flexibility to develop strategy relative to local priorities. The emphasis placed on energy management as a result of the carbon levy has highlighted a gap in associated energy and environmental management skills and new posts have been established as a result.
- NHS – the centrally located Private Finance Unit played a valuable role and developed significant expertise by supporting local organisations to manage PFI maintenance contracts by providing specialist input when complex issues arose, and by sharing best practice (National Audit Office 2010b).

## Value of in-house capability

The identification of skills shortages in strategic estates management in the public sector make the need to develop in-house capacity clear. This capacity can be developed but can also be built by capitalising on available skills and mechanisms for sharing and disseminating expertise.

- Programmes such as Total Place and its successors, One Public Estate and the Capital Assets Pathfinder programme, have led to the development of a significant level of expertise within the public sector (Royal Institution of Chartered Surveyors 2012).
- In-house capacity has the advantage of preserving the link between the clinical/operational strategy and the estates strategy, and can help to encourage a ‘holistic’ approach to the estate (Pollard 2012).
- In-house capacity often has a more comprehensive and established knowledge of an organisation and its people (Royal Institution of Chartered Surveyors 2012).
- Examples of existing in-house capabilities include:
  - the Government Property Unit, which has developed significant skills and expertise over time – providing important strategic and facilitation skills for estates strategy development and delivery. With the National Audit Office the unit has developed a property asset management capability assessment model to assist organisations to measure and monitor their property asset management
  - development of property management within local government has capitalised on available skills within relevant departments including housing, planning

and procurement. Place-based approaches across stakeholder groups have also had the advantage of maximising resources and reducing duplication.

Beyond the dedicated structures for estates management in the NHS there is some evidence that estates capacity and capability may also be developing as a result of the increased focus on estates. Recent papers from NHS Improvement highlight the role of the Operational Productivity Directorate in leading approaches on estates and facilities improvement (Sewell-Jones 2016). This includes the development of a portal supporting identification of good practice and benchmarking with additional support for staff to facilitate local service level improvement.

## External support

In a number of cases external support may be necessary or desirable due to a lack of available skills in-house, or particular strengths, knowledge and capabilities of external stakeholders. Examples suggest that external support has been particularly valuable where specific skills are required, in relation to commercial capability.

Examples of organisations which have pursued specific approaches as part of their strategy include:

- Barts Health NHS Trust– the trust’s energy efficiency programme has commissioned relevant support and skills from other organisations, then subsequently enhanced in-house skills (Westminster Sustainable Business Forum 2011b)
- joint ventures with the private sector, for example, the Isle of Wight NHS Trust’s strategic estates partnership where a private sector partner has been brought in to help trust evaluate and rationalise its estate (Pulse 2016)
- Bournemouth Development Company established a strategic public–private partnership bringing together Bournemouth Council’s land assets with development management services from long-term master planning to managing individual sites development (Westminster Sustainable Business Forum 2011b).

Reports suggest that external support may increase the speed of execution in delivering public sector property partnerships and estate rationalisation (Westminster Sustainable Business Forum 2011b). However, the use of external support to deliver key estates and facilities management has to be balanced with the risk of undermining the development of in-house estates roles (May and Askham 2005). A review of public-private partnership models concluded that these partnerships could enable health care organisations to concentrate on

delivery of clinical services, but also risked undermining the alignment between the clinical model and infrastructure (Barlow *et al* 2013).

The value of external support may also depend on the nature of the relationship between the public sector and supplier. A 2010 review of hospital PFI contracts carried out by the National Audit Office found that although relationships between trusts and contractors were generally positive, few had progressed beyond traditional client–contractor relationships to relationships where partners were working together to identify mutually beneficial performance and efficiency improvements (National Audit Office 2010c). Indeed, an important characteristic of the estates partnership model now being adopted in the NHS and wider public sector is that partners are placed on an equal footing (Building Better Healthcare 2015).

# Delivery models

This section provides some examples of models that have been used to develop the estate in a range of sectors.

## Funding and incentives

Estates strategies are as much about obtaining value for money by estates management and generating funding as they are about capital programmes. Effective delivery of an estates strategy aims to consider how different contracting models, incentives and available funding align with the aims and principles of the strategy to get the best outcome. The following reflect a range of strategic approaches taken by organisations to achieve their defined outcomes.

### *Access to funding*

Funding capital investment and development is a key consideration.

- Public–private partnership
  - The University of Hertfordshire separated its core (research and teaching) from non-core business (student housing) and established a contract with a private sector company to design, finance and operate accommodation for 50 years. The company took the demand, construction and operational risks. The transaction was off the balance sheet and stimulated investment of £170 million. The university got a capital receipt upfront and £30 million over time. At the end of the contract it is returned to the university for £1 (May 2016).
  
- Access to affordable debt
  - Use of specialised funding sources to support improvement of estate or development, eg, Salix or the London Green Fund for environmental efficiency (Westminster Sustainable Business Forum 2011a).
  
  - Access to centralised funding sources via the Independent Trust Financing Facility enabled The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust to obtain a loan to fund their part in a 50/50 joint estates venture with an external contractor.

### *Establishing a market*

In developing a new approach to public sector real estate management, the Swedish government opted to establish a market approach to optimise management and drive efficiency (Lind and Lindqvist 2005).

- State-owned properties were allocated to a number of entities (government run for special-purpose buildings, eg, universities; private sector real estate for general office space). These entities lease their properties to authorities on conditions similar to those on the open market. Authorities are free to rent premises from private firms. Each unit has economic targets based on return on value, as well as operational standards. Rental contracts are predominately for five to ten years.
- Local authorities and councils have also introduced internal markets. Public organisations rent their premises from a real estate unit that finances its activities from internal rents. Real estate units at local and regional level are often given the goal of helping users to reduce costs and find ways of using property more efficiently eg, through co-location.
- The market-like approach is likely to have resulted in quicker reduction in the amount of space required by public organisations, which in areas such as education (universities) has resulted in a reduction in the cost of real-estate per pupil.
- There are challenges around doing this for ‘special-purpose buildings’, evidence of local authorities bypassing central policy, and the market has not always served to manage risk effectively.

### *Income generation/commercialisation*

The focus on not only ensuring estate is fit for purpose and able to meet organisational requirements but also on efficiency has led many to consider how using existing estate can optimise income generation. This in turn can be used to support development of larger capital investment or projects delivering social value. We have identified a number of examples including:

- letting, which can use property solely for income, or in order to fulfil a wider need or public service role
- several local authorities have adopted a strategy of disposing of properties that provided low return on the capital tied up and investing in buildings likely to provide more substantial rental income. Although this approach does involve risks, in the long-run the resulting portfolio can prove to be lower risk because it is better balanced and managed. When embarking on commercial ventures, contracts must include a clear

exit strategy with property seen as a liquid asset that can be disposed of if priorities change (Public Finance 2015).

- capitalising on resources and intellectual property – Woking Council formed a private–public partnership to capitalise on its community combined health and power networks, extending provision across a wider geography and to private customers, while Suffolk Council has installed photovoltaic equipment across its school estate with associated Feed-in Tariff, generating funds for other fabric and heating improvement projects (Westminster Sustainable Business Forum 2011b). Higher education institutions have also focused on making facilities more accessible to business including provision of conference, leisure and residential facilities (Niven 2015a).

### *Contracting to improve estates management*

The Ministry of Defence implemented regional prime contracts to improve the way its estate is maintained. The objective was to improve supply chain management, and incentivise payment mechanisms, continuous improvement, economies of scale and to establish a partnership approach to management. The transfer of responsibility for maintenance has been associated with more effective identification and addressing of health and safety issues (National Audit Office 2010b).

### *Improving efficiency*

The need to ensure that estates strategies consider and support not only how estate is used, but also ensure that it is used in the most efficient way is notable.

Higher education institutions such as the University of Hertfordshire have focused on generating operational savings through an estate efficiency and effectiveness agenda – ‘running the university like a business’, not spending every pound earned, and creating a surplus to re-invest in services (May 2016).

The Carbon Reduction Commitment has been a strong incentive to develop estates strategy and improve management. In practice this has included a range of measures such as optimising use of space and energy efficiency. Measures taken by organisations include:

- including the price for carbon emissions when setting future budgets to incentivise investment in more sustainable estate (Westminster Sustainable Business Forum 2011a)
- property asset charging (internal recharge) to encourage maximising use of space and sharing responsibilities between organisation and occupants (Royal Institution of Chartered Surveyors 2012; Westminster Sustainable Business Forum 2011a)

- co-location and use of shared space– although this can mean just using space efficiently, often it has been seen as an opportunity to bring together services to create a single point of access providing a more focused and effective approach and reducing costs and staff time, eg, the Kent Gateway Programme (Westminster Sustainable Business Forum 2011a). Examples from the university sector include consolidating analytic equipment to free up space and create a first class facility (Niven 2015a).
- Spend to save – eg, investing in re-fitting existing space over new build in order to deliver more extensive efficiency on estate (Westminster Sustainable Business Forum 2011a).
- Aligning use of estate with income generation. Understanding how space is used, by whom and when has led to decisions in higher education institutions that optimise availability and use of space, such as increasing specialised space to generate research income while decreasing general space (Alwani-Starr 2014; Niven 2015b).

## Structures for estates management

Some degree of centralisation appears to be beneficial in enabling a more directive approach and being able to make greater financial savings and organisational efficiencies (National Audit Office 2012; Westminster Sustainable Business Forum 2011b). However, there is no single model that can be adopted universally to best effect, with examples of national points of centralisation (particularly of expertise and accountability) and local mechanisms for decision making and the collective use of property.

The field of public property asset management is growing and is well researched including guidelines and implementation standards (Royal Institution of Chartered Surveyors 2016, 2012). Public property asset management covers a range of different models, including local property management boards and pooled asset vehicles. Despite apparent similarities, models for public property asset management should not be confused with those of private asset management. Managing stakeholders takes time, resources and knowledge of policies and regulations. Delivering services under a public property management model is a challenge and becomes more complicated due to unique incentive structures embedded within its relationships.

Commentators on NHS estates management have drawn attention to the potential of asset management approaches such as:

- creating one or more not-for-profit property management companies to hold assets for small and medium-sized hospitals, the community assets currently held by NHS property services, and potentially other local assets belonging to other parts of the public sector (Edwards 2013)

- establishing a not-for-profit special purpose vehicle to pool public sector real estate across a local health economy, with a mandate to use these assets strategically to improve out-of-hospital care (Grant 2015).

Both these examples reflect models that have been developed and deployed within the public sector. The following provides an overview of individual examples and established models for estates management identified over the course of the review.

### *Locally/regionally led models for estate planning*

#### *Public land commissions*

HM Treasury suggested the Greater Manchester Land Commission as a way of ensuring it was known how large the public estate is, both operational and non-operational, how it is used, and what could be released (Smulian 2015). As part of its work the commission:

- has compiled a database of public assets including Ministry of Defence and Department of Health land
- has established framework models for procurement and other estates management areas
- aims to achieve better value through land assembly as the ‘marriage’ of several sites may be greater than they are worth individually.

#### *Local strategic property forums*

Local strategic property forums present a mechanism for public sector organisations to come together, enlarging the property pool available and enabling the strategic matching of service delivery needs to property (Westminster Sustainable Business Forum 2011b).

The NHS is currently pursuing this approach through the development of Local Estates Forums. Evidence from other sectors suggests that:

- Local Strategic Property Forums should be composed of representatives from as many service-providing bodies as possible to reflect the geographical and demographic characteristics of the locality, including the county and district councils, police, fire, health services, the Government Property Unit and relevant voluntary sector organisations
- Local Strategic Property Forums create a common database of local property, services and contractual arrangements that can be accessed and updated by all partners for the storing, mapping and viewing of asset data for strategic decision-making

- Local Strategic Property Forums can create a Pooled Property Partnership Board within their locality to enable strategic control, planning and management of public sector properties in the locality as a quasi-single estate
- public sector organisations can subsequently explore the viability of establishing a Public Property Company as a separate entity, with responsibility for common public operational assets to maximise the potential benefits from shared property use and management.

### *Framework agreements and joint protocols*

Local government estates programmes strongly advocate this approach as a means of creating a unified body under which property management can be considered and collaborative projects can be accelerated in the long term. Examples include the following.

- Cambridgeshire established a project board with an asset-focused stream of work within their Total Place co-operation of multiple partners. The board aimed to develop a common asset management strategy. As part of the project, partners are also scoping possibilities for establishing a public sector property company within Cambridgeshire (Westminster Sustainable Business Forum 2011a).
- As part of the One Public Estate initiative, all public sector agencies and the national civil departments in Worcestershire are signed up to a joint protocol, led by Worcester County Council, that all partners follow to underpin common action. The partners have built a county-wide property database with GIS data for estates management. They are developing a project to co-locate district and county offices, the public library, a Job Centre, a new leisure centre, a new health centre and a combined Policy and First response station in a new Civic Centre (Westminster Sustainable Business Forum 2011a).

### *Regional Improvement and Efficiency Partnerships*

Nine Regional Improvement and Efficiency Partnerships (RIEPs) were established in 2008 as part of National Improvement and Efficiency Strategy for Local Government. Funding for these bodies was subsequently withdrawn and only three RIEPs remain. Evidence suggests that the RIEPs were particularly successful in fostering collaboration and partnerships around capital assets (Local Government Association 2011). RIEPs:

- are organisations led by the local authority and the wider public sector to reform and transform local public services. They are a mechanism to provide an integrated, sector-led approach to improvement and efficiency at a regional, sub-regional and local levels

- are supported by an initial investment of £185 million from the Department for Communities and Local Government.
- are responsible for formal decision-making and for specific resource allocation decisions through their boards, which comprise chief executives and senior colleagues from local authorities representing the mixed district, county and single tier make up of region. They have programme leads for each workstream to shape and deliver core objectives, each led by a regional chief executive
- provide pump-priming support and external facilitation to ensure that there is a clear shared vision amongst stakeholders and a strong foundation is in place for programmes embarking on a partnership approach to asset management, before detailed implementation starts
- take asset management approaches include forming property alliances; framework contracts and managed frameworks for construction; identifying opportunities to collaborate on procurement.

### *Public sector property partnership*

A number of councils have established public sector property partnerships to support the implementation of planned estates improvement and property management plans across stakeholders. The Essex Property Partnership is one example.

- A collaborative examination of the potential to enhance property and an exploration of whether use of property resources could be improved was undertaken by key local stakeholders. The results, supported by a GAP analysis, enabled stakeholders to assess and identify financial efficiencies that could be delivered by improving use of the assets available.
- The Essex Property Partnership, comprising the county, district and unitary councils, health services and other bodies, was formed to oversee delivery of the programme. The Partnership includes a Professional Advisory Group, which brings together the heads of property and asset management across the county and enables them to advise on the programme (Westminster Sustainable Business Forum 2011b).

### *Public-private partnership models*

Public-private partnership models are often highlighted as potential sources of capital investment, but can also be beneficial in providing key skills, enabling longer-term and large-scale projects and risk sharing (Efficiency Exchange 2014). Long-term strategic joint venture partnerships with the private sector can also generate financial, environmental and social

benefits from property rationalising and regeneration of sites, including where appropriate, an initial asset transfer and financing through a pay-as-you-save scheme (Thomson and Wilkes 2014; Westminster Sustainable Business Forum 2011b).

A number of different public–private partnership models are currently operating within the NHS. These are outlined below. However, there is very limited evidence on the outcomes of these models.

### *Strategic estates partnerships*

These typically involve a 50/50 partnership between a foundation trust or NHS trust and a private partner, to support the delivery of an estates strategy. The Wight Life Partnership LLP is an example of a strategic estates partnership formed between the Isle of Wight NHS Trust and private sector company Ryhurst, which was selected through a competitive tender exercise.

The key features of this model are:

- the establishment of a joint venture to manage and develop the trust’s site, separating this from service delivery
- the trust and Ryhurst are equal shareholders in the joint venture. This means accountability is shared equally, and there is an equitable balance of risk and reward between the partners. The partnership is underpinned by a 15-year agreement, with the potential to extend it by a further 5 years
- the partnership is intended to support development and management of the trust’s overall estate. This includes reviewing the estate to determine alignment with the trust’s clinical strategy. The partnership is also responsible for procuring and managing supply-chain partners to deliver new facilities, and to maintain the site. It aims to reduce or re-use surplus estate in order to increase efficiencies, and general savings and capital receipts
- the partnership also provides a funding and a procurement route for all new projects. However, the trust’s agreement with Ryhurst is non-exclusive, and therefore it may choose different partners to work on particular projects as appropriate
- the partnership is also responsible for identifying and securing capital funds to invest in new facilities that the trust may not otherwise be able to access. This includes accessing capital through commercial markets, for example, through funding competitions
- through Ryhurst, the partnership is also intended to provide the trust with technical and commercial expertise.

(Isle of Wight NHS Trust 2014)

### *Local asset-backed vehicles*

Local asset-backed vehicles are another example of partnerships with the private sector which are used across the public sector, including in the NHS, which:

- are mid- to long-term joint ventures between the public and private sectors that can involve one or more public sector partners
- have land provided by the public sector in exchange for capital investment, skills and experience from the private sector
- have a set of objectives and plan for delivering them agreed by the partners in the joint venture. Investments can be sold to release capital, or retained to generate on-going revenue
- can facilitate estate rationalisation, and consequently drive efficiency
- can save time and costs on procurement by appointing a long-term partner to support multiple projects.

(Sweeney 2015)

Examples of local asset-backed vehicles include the Bournemouth Development Company, a public–private partnership established to use the council’s assets to promote inward investment and regenerative and sustainable developments which improve the future value and create a platform for local growth. The partnership represents a 50/50 split over 20 years overseen by a board of equal representation. The land assets of the council are matched in value by capital from the private company and provide a further lever for third-party finance (Westminster Sustainable Business Forum 2011b).

These structures were highlighted by organisations developing long-term strategic plans as enabling, allowing the potential pooling of NHS estates across a wider geography and the ability to develop a range of long-term solutions according to need and risk appetite. Joint ownership was highlighted as important in driving forward change, but risks were also flagged around arrangements, particularly around strategic estates partnerships, that could result in the rapid accrual of fees from consultancy, feasibility and negotiation activities.

### *Examples of nationally led programmes for estate management*

The following case studies reflect a range of different approaches that have been explored as part of the wider learning in this document.

### *Foreign and Commonwealth Office*

- Key considerations in developing a strategy included: flexibility to respond to change and new priorities; fit for purpose, ie, balancing access with safety; considers impact of fluctuating exchange rates on funds available.
- Criteria for performance:
  - clear strategy reflecting wider departmental priorities and used to develop local and regional strategies
  - accurate comprehensive financial information on revenue and capital expenditure feeding into the strategy and routinely reviewed for improvements
  - clear processes and responsibilities for identifying, evaluating and implementing changes. Single point of responsibility for estates and funding
  - clear structures for working with and charging other users of the estate.
- Foreign and Commonwealth Office-appointed qualified director of estates and security to enhance expertise.
- Detailed analysis of internal capacity to deliver estates.
- Committee to bring together information to manage and improve capital expenditure.

(National Audit Office 2010a)

### *Ministry of Defence*

- Estates strategy focus on: improving poor quality of accommodation; adjusting to the changing nature of the armed forces and defence requirements; and new requirements for training and deployment; rationalising estate.
- Defence Estates established as the supplier organisation and the estate occupiers (army, navy, air force) as 'customers'. Customers were represented by customer estates organisations which determined their requirements and secured funding for them from the Ministry of Defence.
- Integrated estate management plans developed to reflect the relative priorities across the defence estate, and the needs of single sites and services.
- New contractual arrangements put in place to improve delivery of estates services, including regional prime contracts for large estates improvement, PFI for water services, functional prime contracts to deliver projects, and standalone contracts.

- Regional prime contracting took 5 years and a team of 50 to implement. It affected around 500 defence estates staff and took £15 to 20 million to develop. This was accompanied by a major change programme.

(National Audit Office 2010b, 2005b)

### *Higher education institutions*

- The ‘Diamond Review’ on efficiency, effectiveness and value for money in higher education institutions has been a key driver (Universities UK 2015).
- Choices such as disposal, change of use or relocation are often not available to universities where older buildings are embedded within the campus. Higher education institutions have to work to adapt, refurbish, demolish or replace buildings to meet supply/demand, minimising time lag and comparatively fixed stock of space.
- Estate environment and facilities are key drivers of choice for students and for hosting business and research collaborations.
- The review focused on:
  - space utilisation – fitness for purpose; matching supply and demand
  - ways in which estate use matches income generation, eg, optimising space for research; bringing together labs to create centre for analytics
  - investment, quality and appropriateness of built environment
  - energy efficiency
  - how estate is managed.

Examples of estates strategies cover a 10-year period.

(May 2016; Niven 2015a; Alwani-Starr 2014; Efficiency Exchange 2014; Kilner 2014a, 2014b)

### *Swedish public sector real estate – original system and models considered*

In the original Swedish system government owned almost all public sector property. The Central Building Authority was responsible for building and maintaining all properties. Individual organisations submitted budget proposals for larger premises or estates improvements to the authority. If authorised this was passed to the Department of Finance (Treasury). Funds, if approved, were then allocated to the authority to manage. Key issues included:

- buildings did not cost organisations, leading to high demand but no efficiency

- new budget systems could not factor in estate considerations
- the Central Building Authority operated as a monopoly and it was unclear if or how efficient this was. The authority also received criticism around the level of bureaucracy and perceived favouritism.

As part of the wider considerations the government explored a range of options.

Decentralisation of control through sale of property to individual authorities was dismissed as:

- providing less efficient property management, as estates would be non-core activity, and with small real-estate units being difficult to operate professionally
- potentially leading to strategic behaviour by authorities as a result of operational demands and leading to adverse consequences, eg, reducing expenditure on maintenance during financial pressures.

The potential sale of all property to the private sector to be subsequently let back to specific authorities was also dismissed on the grounds that:

- this strategy was deemed too risky for special-purpose buildings, eg, universities, and represented too great a loss of control
- there were difficulties in writing good long-term contracts.

(Lind and Lindqvist 2005)

### *Denmark's hospital transformation*

In 2007, the Danish government established a Quality Fund to support the development of new, modern hospitals, intended to be a central feature of a new health and care infrastructure. The fund formed part of a wider government ambition to increase out-of-hospital care and reduce length of stay.

Operation of the fund:

- plans for new hospitals were developed at a regional level (by the five regions within Denmark).
- an expert panel was established at a national level. This reviewed regional plans as well as individual construction project proposals, and made recommendations to government as to which projects should receive funding
- some productivity (but not quality) metrics were established at a national level
- planning and management of construction projects took place at a regional level

- no additional funding was provided to projects beyond the level originally agreed, and funding was provided at various milestones. In principle this funding could be withheld where a project had not progressed as planned.

Outcomes associated with the funding programme included the following.

- The cost of original plans submitted to the Quality Fund far exceeded the available budget. Although these were negotiated down, this led to some problems during the delivery of the plans.
- The government was criticised for not having achieved the desired level of efficiency through the programme. This was attributed to the absence of nationally set quality metrics, enabling organisations to deliver savings by cutting costs, rather than through genuine improvements in efficiency.

(Murray *et al* 2015)

# Conclusion

A review of the evidence identified the following key messages in relation to the current state of estates strategy in the NHS, and the key components of a comprehensive approach to strategic planning.

For the NHS, the key challenges are as follows.

- It is unclear what the long-term strategic vision is for the NHS beyond the *NHS five year forward view*. It is clear from the evidence that there is a need for a long-term estates strategy.
- There is no overarching estates strategy for the NHS. Instead, there appears to be a patchwork of estates strategies, with individual approaches and guidance for providers, CCGs, local areas (through Local Estates Forums) and most recently STPs.
- Linked to this, it is not clear where leadership for NHS estates strategy lies. Different initiatives place responsibility with different parts of the system, and national decisions on funding do not always support stated objectives on estates development
- Skills and capacity in estates strategy and management in the NHS largely reflects traditional skills, including technical knowledge and project management. This is unlikely to be sufficient and developing skills and capacity is a key issue in rolling out a more extensive estates strategy.
- Many local areas have established structures for place-based estates strategy and partnership working. However, to date the health sector has often been absent from these.

In order to develop an estates strategy for the NHS, evidence suggests that the following are needed.

- **A long-term vision for the NHS**, as this will form the basis of any estates strategy, and consequently will determine the approach to developing and delivering that strategy. However, evidence suggests that there is no single model that can be adopted universally to best effect.

- **A clear understanding of the current NHS estate**, in terms of size, type of properties, use, value and ownership. More data is needed in order to make informed decisions about management.
- **Clarity on leadership for estates strategy** at different levels within the system. This should promote the long-term vision for the NHS, and ensure that approaches to the estate across the system are aligned and clear lines of accountability are established.
- **Access to the appropriate range of skills**, this includes technical and commercial skills, and in particular strategic estates skills. While it may be appropriate to source the former from external suppliers and other partners, including those in the private sector, it is important that **strategic estates skills are developed within the NHS**. These need to be embedded throughout the system, including at a national and local level.
- **Capitalising on existing expertise**. Under the One Public Estate initiative (and previous incarnations) government departments and local government have taken significant steps towards a strategic approach to estates management. A considerable body of expertise now resides within the public sector
- **A holistic approach**, which considers the breadth of estates management. Space use and environmental efficiency, as well as real estate, can provide increased opportunities to maximise outcomes.
- **Partnership working**. There are likely to be far greater opportunities and value gained from working across government and in partnership than working in silos. This applies at all levels (locally and at central government level); between organisations within the health sector; and between health services and other government bodies.
- **Some degree of centralisation**, particularly in terms of setting overall principles, objectives and standards, appears to be beneficial in enabling greater financial savings and realising organisational efficiencies. However, some local autonomy is important in ensuring an estates strategy is responsive to local needs.
- **Appropriate governance** and decision-making processes across the system. These will depend on the approach to delivery.

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