

## **Audit Committee AC 02-03(p2)**

**Date:** 27 February 2003

**Time:** 14:00

**Venue:** Committee Room 2, National Assembly for Wales

### **Report of the Auditor General for Wales: The Renewal and Disposal of Property Held by the National Health Service in Wales**

#### **The Welsh Assembly Government's response to the recommendations of the Audit Committee, following the presentation of their report on 12th December 2002.**

The Welsh Assembly Government is grateful for the report. We welcome the findings and offer the following response to the nine recommendations in the Report.

#### **Recommendation i.**

Within the new strategic context, the NHS Wales Department works closely with the NHS Wales property holding bodies to deliver real results in modernising and upgrading the estate.

*Agreed. The intention to work together to deliver real improvements was reflected in the circular which issued The National Estates Strategic Framework. This stated " The Welsh Assembly Government recognises that the extent of the problems facing the NHS Estate is too great to be addressed by any single organisation and consequently the National Strategic Estates Framework requires actions of all organisations involved in the delivery of healthcare. Improvements in the quality of the estate will only occur with the Welsh Assembly Government, NHS Trusts, Local Health Groups, Local Health Boards and other stakeholders all working in partnership" The Framework itself sets out the key responsibilities for the NHS Directorate, Welsh Health Estates and NHS property holding bodies in driving forwards improvements within the NHS Estate. The new performance management system gives much improved baseline data and will help both property holding bodies and the Welsh Assembly Government to track progress towards the performance targets and to examine areas of difficulty and offer help when required. Already the Department and Trusts meet quarterly to review progress with key areas and the first round of Annual Strategic Estates Review is currently underway. The aim to work in partnership to deliver improvements will be further advanced through the establishment (signalled in the National Estates Strategic Framework) of the Estates Development and Capital Investment Boards.*

## **Recommendation ii.**

The NHS Wales Department raises the awareness of Trusts on the scope for working closely with voluntary and charitable organisations to procure more appropriate accommodation for the delivery of healthcare.

*Agreed. The NHS Wales Department has recently introduced Strategic Estates Reviews with Trusts and, as part of that process, has requested details of where partnerships with charitable and voluntary organisations have assisted in the procurement of new facilities. The reviews are likely to be completed by April 2003.*

*The information obtained from these reviews will be considered in light of the NHS Wales Department's policy document "Building Strong Bridges" (October 2002) which sets a framework for maximising opportunities for NHS Wales and the voluntary sector to work more closely together. The NHS Wales Department will promulgate examples of good practice identified to the Service by the end of the summer and these will assist the NHS in developing more successful partnership arrangements with charitable bodies and the voluntary sector.*

*In addition, the NHS Wales Departments' Estate Management Policy (issued in 2000), currently being revised and updated (due for release before turn of financial year), will formally require the Service to include charitable funds and voluntary donations within its estate strategy supporting documentation.*

## **Recommendation iii.**

The Auditor General for Wales considers carrying out an investigation into PFI funded projects in the NHS Wales to assess whether the proposed benefits were being realised.

*We look forward to working closely with the Auditor General for Wales on any such review.*

## **Recommendation iv.**

Contracts for Private Finance Initiatives in the NHS Wales follow the latest good practice and, in particular, provide for profit sharing and risk transfer in ways that deliver value for money to the taxpayer.

*Accepted. Guidance on the process for refinancing of PFI schemes, including the treatment of risk transfer and possible profit, is produced by the Office of Government Commerce and applies in Wales. The Assembly has highlighted this guidance to Trusts and can provide further advice if required. The*

*application of current guidance allows for the sharing of any profits which result.*

### **Recommendation v.**

The NHS Wales Department monitors closely the new arrangements introduced to control the extent of any transfer of capital funds to revenue by Trusts.

*Agreed. The NHS Finance Department is already closely monitoring the new arrangements and have in place a system whereby all Capital to revenue transfers must be requested through the Assembly and a detailed explanation for the transfer needs to be provided. NHS Finance then require the host Health Authority to agree to the transfer and to effectively audit the Trust's request. The NHS Finance Department will seek approval from the Minister for Health & Social Services for these transfers. The overall process is thus enabling a firm degree of control to be kept on such movements of funding.*

### **Recommendation vi.**

The Head of the NHS Wales Department reports to us in 12 months time on progress with the disposal of the remaining residual estate.

*Agreed. The Director NHS Wales Department will provide a note to the Audit Committee during November 2003 on progress against an already existing plan for the disposal of the remaining residual estate.*

### **Recommendation vii.**

The NHS Wales Department takes all reasonable steps to ensure that there are no more cases where sale costs significantly exceed sale proceeds.

*Agreed. The NHS Wales Department has introduced a series of measures regarding property, all of which should help to ensure that surplus NHS property is disposed of as efficiently as possible. These measures include:*

*The issue of a Property Management Policy to the NHS emphasising the Services' responsibilities in respect of all matters involving property;*

*The transfer of the management of the disposal of the Residual Estate, currently managed by Health Authorities, to a dedicated team of specialist property surveyors at Welsh Health Estates;*

*The requirement of NHS Trusts to identify non-essential estate and develop disposal strategies for all surplus property;*

*The introduction of annual disposal review meetings and the requirement that any significant Trust disposal is supported by a project team that must include a member of Welsh Health Estates' specialist property team;*

*Recently introduced new incentive arrangements for Trusts to dispose of surplus property. These measures ensure that Trusts that carefully manage sale costs will receive a direct financial incentive for doing so.*

*In addition, many disposal strategies are predicated on the transfer of patients and staff to new facilities with most large disposals having a direct relationship with a specific Business Case requiring capital investment. The NHS Wales Department will give consideration to streamlining the Business Case approval process to enable the system to be more responsive to the needs of the Service.*

*Whilst it is recognised that the inherent weakness in the property market for many of the surplus healthcare buildings in Wales may mean that sale costs exceed sale proceeds, the NHS Wales Department believes that the measures highlighted above will ensure that such instances will be kept to an absolute minimum.*

### **Recommendation viii.**

The NHS Wales Department, supported by Welsh Health Estates, urgently develops disposal targets for NHS Wales property holding bodies that are both challenging and realistic and that all possible efforts are made to reduce the average time taken to dispose of surplus properties.

*Agreed. The NHS Wales Departments' Estate Management Policy (issued in 2000) requires the Service to maintain current estate strategies that include a rationalisation plan with targets for the disposal of surplus property. The policy is currently being revised and updated (due for release before turn of financial year) and will include a further requirement for Trusts to indicate how non-essential estate will transfer to surplus property.*

*The measures described in vii will help to reduce the time taken to dispose of surplus property but of particular importance in this context is the time between the property being decommissioned (empty) and the formal sale of the asset. It is critical that the transfer of the property to its new owner limits the NHS's liability for the maintenance, upkeep and security of the property to an absolute minimum. Again, it is the NHS Wales department's view that the measures described above will address this key area of concern.*

## **Recommendation ix.**

The NHS acts vigorously to identify under utilised and unsuitable properties for disposal. We also recommend that the Head of the NHS Wales Department reports back to this Committee in 12 months time on progress towards realising the additional £30million.

*Agreed. NHS Trust Estate Strategies (recently submitted) are required to address the identification of underused/unsuitable properties. Trusts have identified non-essential hospital estate but substantial capital investment is often needed to reprovide new/modern facilities in order to release potentially surplus estate. This is particularly important to realise in respect of achieving the '£30 million' which cannot be viewed as a stand alone figure unconnected with other aspects of the NHS. The Director, NHS Wales Department will, as requested, provide a note to the Audit Committee in November 2003 advising of the latest situation in this regard.*