Northern Ireland Audit Office

The Management of Surplus Land and Property in the Health Estate

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
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for Northern Ireland

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The Management of Surplus Land and Property in the Health Estate

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J M Dowdall CB
Comptroller and Auditor General

Northern Ireland Audit Office
25 February 2004

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List of Abbreviations

Boards	Health and Social Services Boards
Trusts	Health and Social Services Trusts
VLA	Valuation and Lands Agency

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Introduction and Executive Summary

Background

1. The Department of Health, Social Services and Public Safety (the Department) has the statutory responsibility to provide or to ensure the provision of health and social care for the population of Northern Ireland. It carries out this responsibility through four Health and Social Services (HSS) Boards (the Boards), 19 operationally independent HSS Trusts (Trusts) and various other HSS agencies.

2. In order to provide the necessary facilities for patients, and to accommodate its staff and services, the health service requires an estate of land and buildings located in accordance with the needs of the community and the Department's healthcare objectives. Currently, the estate is estimated to comprise around 400 sites with a land area of approximately 1,142 hectares and a building floor area of approximately 1.5 million square metres.[1] The estate has an estimated market value of around £800 million and a total replacement cost in excess of £2 billion.

Allocation of Estate at Trust Formation

3. The formation of Trusts provided an opportunity to rationalise the health estate by matching provision of services to estate holdings. The Health and Personal Social Services (NI) Order 1991 enabled the Department to transfer to HSS Trusts assets including property and liabilities.

1. Health Estate Agency Annual Report and Accounts 2000-01

4. In December 1992 the Department issued guidance on the transfer of assets and liabilities[2] with the guiding principle that:

"the Trust should normally only take ownership of those assets which it requires to fulfil its functions."

The guidance stressed the following:

- Property should normally be transferred on a freehold basis. However, if a Trust had definite plans to take a property out of use shortly after its transfer, the freehold would remain with the Department and the property would be leased to the Trust;

- Where a Trust was not using a particular piece of land or property at the time of transfer but there were definite plans for it to be taken into use within two years, the land would be vested in the Trust. For example, where land was to be used for a hospital development for which the Department had granted Approval in Principle; and

- Where land or buildings were to be shared between a Board and a Trust (or between Trusts) ownership would follow the major user, with suitable leasing arrangements for the minor users.

5. In most cases this was a straightforward exercise but, in some cases, Trusts occupied only a part of a building or expected to use spare capacity at a future date. In such cases, the Department advised us that it had to take pragmatic decisions about allocating responsibility. Since their formation in the period 1993 to 1996 Trusts have been the main owners of assets held within the health service, including a proportion of surplus properties. Together they own about 60 per cent by value of all land and buildings held by health service bodies.

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2. *Transfer of Assets and Liabilities to HSS Trusts:* DHSS, 23 December 1992

6. In addition to Trusts, the Health Estates Agency, an executive agency reporting to the Department, manages the sale of surplus properties in the so called "Retained Estate" - i.e. the residue of the estate not allocated to Trusts which includes a range of properties such as those deemed surplus to long term healthcare requirements and Board and Agency administrative buildings.

Scope of Examination

7. The Department seeks to plan and manage the rationalisation of the HSS estate on a continuous basis.[3] In addition to the provision of new healthcare premises and facilities, this rationalisation involves the shedding of land and property that is surplus to current and planned future requirements. Under Resource Accounting and Budgeting arrangements[4] the sale of land and property can help to generate income needed to help fund ongoing investment in the estate. This Report examines the performance of the HSS in:

- matching their estates to operational needs (Part 2 of the Report);
- managing the overall disposal of surplus land and buildings (Part 3 of the Report); and
- disposing of individual properties once they have been identified as surplus (Part 4 of the Report).

8. To inform our enquiry, we conducted a survey of all Trusts. We reviewed cases and met key personnel across selected Trusts, the Department, the Health Estates Agency, and the Valuation and Lands Agency. We also looked at good practice elsewhere in the public sector across the United Kingdom and Ireland.

3. *Priorities for Action*, Department of Health, Social Services and Public Safety, March 2002
4. Resource accounting and budgeting is the new financial management and accounting regime which has been introduced in stages throughout the public sector. In particular, it represents a move from budgeting and accounting on a cash basis to controlling and accounting for expenditure on an accruals basis, while operating within strict financial controls.

Overall Conclusions

9. The health estate is large and varied; meets wide ranging and changing requirements; and the tasks of identifying and selling surplus property are challenging. Against this background, our Report shows that the Department and the Trusts need to take action to strengthen their management of the estate in order to drive down over-capacity. The main thrusts of our recommendations are:

- the need to complete the development of an integrated and forward looking strategy for the identification and disposal of surplus land and property which refines and reconciles local strategies into a regional overview. This should now be taken forward following decisions on acute hospital provision;

- the need to strengthen accountability for meeting the Department's objectives for the disposal of surplus property; and

- the need to explore ways of reducing the cost and time taken to dispose of surplus property while achieving the best price from the sale of property.

Main Recommendations

On Matching the Estate to Operational Needs (Part 1)

10. We acknowledge that the Department has taken action to establish a regional overview of estate requirements and rationalisation opportunities and that this will be informed by local trust Estate Control Plans. We recommend that the Department ensures Trusts produce Estate Control plans at the earliest opportunity and that it strengthens accountability by agreeing, with Trusts, rationalisation targets determined by assessment of estate needs (paragraph 1.13).

11. Having sufficient information about the estate is central to the development of an effective estate strategy and the setting of disposal targets. We recommend that the Department explores options to ensure that Trusts take action to bring about improvements in the availability of up-to-date management information on their property holdings including reviewing past experiments by Trusts in developing shared service arrangements for this task. (paragraph 1.14).

12. Disposal receipts are a key performance indicator for the Department in the management of surplus property across the health estate. We recognise the difficulties involved in establishing challenging targets for the disposal of surplus property. However, we consider that there are weaknesses in target-setting design at present which need to be tackled. To address these, we recommend that the Department ensures that Trusts establish disposal targets for their own estates based on reliable management information about their property holdings. This will assist the Department in setting realistic disposal targets for the overall estate and will provide property holders with more incentive to improve their sales performance. The work which the Department is currently carrying out with Trusts to deliver robust estate control plans should facilitate this process (paragraph 1.20).

On Managing the Disposal of Surplus Property (Part 2)

13. Valuation and Lands Agency (VLA) guidance states that the transfer of surplus property to another public sector body should not "unduly delay disposal" but gives no definitive period for negotiations before the holder can proceed with an open market sale. We recommend that VLA guidance should include indicative timescales for completion of negotiations between public sector bodies before a property is put on the open market. This would help to secure compliance with the requirements that surplus property should be disposed of as soon as possible (paragraph 2.5).

14. We recommend that Trusts should formally review proposed sale prices against pre-sale valuations, recording the reasons for any variations. Whether or not the VLA decides to adopt the range of valuations approach as favoured by its counterpart in Great Britain in any particular instance, it is essential that clients are advised of the basis of valuations and that they are regularly reviewed. This should address the difficulties encountered with lapses of time and will allow further details or better information to be factored into a valuation as time passes (paragraph 2.17).

15. Given that costs of sales are available in the financial statements of both the Department and the Trusts, we consider that the Department should establish a routine system to oversee the disposal of surplus property assets across the health estate. Monitoring variations in cost and reviewing any unusually high cost patterns should help to improve control over sales costs and disposal timescales (paragraph 2.20).

16. The Department needs to ensure that capital charging arrangements do prove to be an effective incentive for Trusts in identifying and disposing of land and buildings that are surplus to requirements. We recommend that the Department monitors the operation of the system closely during the bedding in of resource budgeting (paragraph 2.24).

17. Strategic planning will provide a firm basis on which to base investment and site disposal decisions so that receipts are used to best effect for the health services as a whole. In order to develop such an approach, we recommend that the Department reconsiders the link between Trust asset disposal and capital allocation to ensure that the distribution of a receipt benefits the local health economy to the greatest extent. We recognise, however, that such a restriction might not be appropriate in all cases, for example, where use of the full receipts is necessary to allow the decanting of services from properties to be sold (paragraph 2.33).

18. In all future disposals of surplus property, we recommend that the Department and Trusts should ensure that the use of proceeds realised from the sale of surplus property complies with Departmental guidance in relation to capital resource cover and that only the profit element (i.e. proceeds over and above the net book value of the asset) is used for revenue purposes (paragraph 2.38).

On the Disposal of Individual Properties

19. The protracted nature of deliberations over the fate of Knockbracken underlines the importance of taking timely action to address the factors which influence the disposal of surplus property in order to establish greater control over the process. We recognise that in the interests of achieving an optimum outcome in these important decisions, delay can sometimes be unavoidable but it is important that when this occurs there is a clear recognition of the costs, in terms of opportunities foregone, which delay imposes on the health service (paragraph 3.6).

20. We recommend that guidance produced both by the VLA and the Health Estates Agency is strengthened in regard to this issue. This should help to ensure that property holders selling surplus property within the health services are in a position to take advantage of the best possible disposal terms. VLA has advised us that it intends to issue further internal guidance to ensure its valuers are aware of their own obligations and those of disposing clients in regard to researching what other public sector land ownerships may adjoin a site identified for disposal, in order to achieve, where possible, the maximum benefits from the assembly of a larger site with greater development potential (paragraph 3.10).

Part 1

Matching the Estate to Operational Needs

Strategic Direction

1.1 The property requirements of the Department, Boards and Trusts are continually changing as they reorganise their activities in response to changing circumstances. It is essential, therefore, that the Department has a clear overall strategy for the estate. An estate strategy helps to outline the action needed to bring an estate into line with current and future needs, based on an assessment of the property currently held.

1.2 The Department's Corporate Planning process has for a number of years set as a broad priority *"the rationalisation of the HPSS estate"* and places the onus on Trusts to ensure that their individual estates meet their operational needs. In 2000, the Department developed a draft *Capital Investment Strategy* which proposed that:

"By March 2001 each HPSS Trust to have agreed, with the Department, an Estate Strategy to include a rationalisation plan with specific targets for divestment of surplus estate."

Estate Control Plans

1.3 Current Corporate Planning documentation[5] requires Trusts to develop Estate Control Plans and timetabled programmes for the disposal of any surplus land and property by the end of March 2003. An individual Trust's Estate Control Plan is intended to be a database of the properties it holds and should contain detailed

5. *Priorities for Action*, Department of Health, Social Services and Public Safety, March 2002.

information such as the location, size, age, condition of property and the level of occupancy. The aim of these plans is to assist the Trusts in planning the future use and development of individual sites, and as a by-product they may identify properties which are surplus to requirements.

1.4 Regular review of the estate allows Trusts to identify potentially surplus property and put plans in place to dispose of it at best value. In carrying out their estate management activities, Trusts are required to take account of guidance issued by the Health Estates Agency, known as the *Land Transactions Handbook*. This advises Trusts to take active and continuous steps to justify the retention of all current land holdings and recommends that a formal surplus property audit should be carried out every three to five years. Trusts also have access to *Estatecode*, the equivalent guidance issued in Great Britain. Following this guidance requires Trusts to review their estate annually to gauge, inter alia, its physical condition, its compliance with statutory standards, its functionality and its occupancy intensity against the service needs of the Trust.

1.5 Guidance contained in the NHS Controls Assurance Programme standard on building, land, plant and non-medical equipment, effective from May 1999, also requires English Trusts to review their estate annually to assess the condition, suitability and life expectancy of its assets. In addition, the guidance requires Trust boards to be notified of the results through an annual report, with recommendations which are linked to estate strategies, including priorities for improvement, development or disposal. The Department told us that it intends to implement this guidance which it issued to Trusts for consultation in September 2003.

1.6 We examined estate planning procedures at six of the 19 Trusts:

- Down Lisburn
- Causeway
- South and East Belfast

- North and West Belfast
- Sperrin Lakeland
- Craigavon Area Hospital

1.7 We found that most of these Trusts had been struggling to produce estate control plans, or develop similar estate planning processes, leaving them ill-equipped to identify surplus holdings. While we found that Trusts fully recognised the importance of undertaking a review of their estate holdings, in some cases resource constraints were identified as a barrier to their completion. In our view, mutually supportive working across a number of Trusts may provide a cost-effective way of dealing with the problem.

1.8 At the time of our survey in mid-2001, only the Craigavon and the North and West Belfast Trusts had produced estate control plans (one of which was not fully completed at that time). Others had only carried out limited review of a property or a group of properties within their estate portfolio. In the case of Sperrin Lakeland Trust, the estate control plans predated Trust formation. The Department told us that it has now received Estate Control Plans from the Down Lisburn, and Causeway Trusts. South and East Belfast Trust expects to have its new estate strategy completed by the end of 2003 while Sperrin Lakeland Trust has a document which requires further completion.

1.9 The Department told us that it is currently monitoring the return of Estate Control Plans and actively following up those Plans not yet submitted and those which do not contain the appropriate information. These Plans will be challenged by a working group of Departmental and Health Estates Agency staff set up to develop a strategy for the disposal of Trust property who will ensure that Trusts have undertaken robust and defensible overviews of their estate. The Department has also recently written separately to Trusts seeking information about surplus property and this will be used to inform discussions about Estate Control Plans.

1.10 Having an Estates Control Plan should better equip Trusts to identify and dispose of surplus property. They play an essential role in sharpening future rationalisation decisions by alerting Trusts on a regular, updated basis to options in their estates. Failure to address the need for strategic direction increases the risk of poor handling of surplus property and delayed sales. Moreover, in the absence of ongoing strategic review of the estate, the Department will be unable to provide a central overview of estate requirements and rationalisation opportunities and, therefore, will have no basis for assessing progress towards its priority of rationalising the estate. With individual Trusts not yet in a position to set specific targets relating to the size of their estates, the Department has not yet been able to put in place firm accountability arrangements linking the performance of Trusts to the Department's high level priority of rationalisation of the health estate.

1.11 The Department told us that the lack of a comprehensive overview of the estate has to be seen in the context of major health service developments in recent years which have altered the requirement for hospitals and related properties. In particular, in June 2001 the Acute Hospitals Review Group identified recommendations for the future of hospital services in Northern Ireland. Following this, *Developing Better Services*, which involved a major consultation exercise and which was completed in October 2002, set out a broad regional plan for the development of acute services for consultation. The outcome of the consultation process was announced in February 2003 and set out specific investment plans across the full range of hospital and related services. Health and Social Services Boards, in consultation with Trusts and other key stakeholders, are developing implementation plans to take forward this ambitious programme of investment amounting to some £1.2 billion over the next ten years.

1.12 The Department's view is that without this exercise it would not have been possible to undertake a credible, overarching strategy for estate development. The former uncertainty with regard to the future pattern of hospital services, and its implications for primary and community-based services, have led to a reluctance by the Trusts and the Department to make pre-emptive declarations of surplus property when the land/buildings in question may be required to implement restructuring proposals. The Department now hope to have a draft Capital Investment Strategy ready for consultation by June 2004. We welcome this as a positive development which should lead to the establishment of an improved information base to facilitate the development of disposal strategies and performance management targets.

1.13 We acknowledge that the Department has taken action to establish a regional overview of estate requirements and rationalisation opportunities and that this will be informed by local Trust Estate Control Plans. We recommend that the Department ensures Trusts produce Estate Control Plans at the earliest opportunity and that it strengthens accountability by agreeing, with Trusts, rationalisation targets determined by assessment of estate needs.

1.14 Having sufficient information about the estate is central to the development of an effective estate strategy and the setting of disposal targets. We recommend that the Department explores options to ensure that Trusts take action to bring about improvements in the availability of up-to-date management information on their property holdings including reviewing past experiments by Trusts in developing shared service arrangements for this task.

Reducing the Size of the Health Estate

1.15 In recent years the health service has been through a period of substantial change. This has meant alterations to service configurations which have had implications for the use of the health estate. While we acknowledge that these changes may not necessarily lead to simple reductions in the size of the health estate, we consider that modernisation of the health service represents an opportunity to identify and dispose of those parts of the estate which have become surplus to operational needs. Despite this, the extent to which the size of the estate has changed to reflect the changing requirements of the health service is not clear and we have been unable to draw any firm conclusions about the extent to which reductions in the size of the estate have kept pace with the changing requirements of the health service.

1.16 As indicated at paragraph 1.14, making such a judgement is hindered by the paucity of comprehensive and up-to-date information quantifying the scale of non-essential land and buildings within the health estate and the extent to which they have been disposed of. However, in the draft *Capital Investment Strategy* the Department does believe that there is still significant scope for progress in rationalising the health estate. This clearly underlines the importance of property holders ensuring that they keep the size of estate holdings under regular review.

Targets for Disposal Receipts

1.17 The Department's draft *Capital Investment Strategy* produced in 2000 contained the following performance target for receipts to be obtained from the disposal of property, covering both Trust estates and the Retained Estate:

" By the financial year 2002-2003 to have the capacity to increase the proportion of the resources available to general capital from £16 million to £24 million year-on-year, utilising proceeds from sales to augment public expenditure provision."

We asked the Department what the outcome was in 2002-03 and it told us that there has never been a direct correlation between proceeds from sales and the level of general capital allocated directly to Trusts. In practice, the amount available in general capital has been governed by other pressures. In 2001-02 the general capital allocation was £22 million; in 2002-03 it was £18 million; and in 2003-04 it was £24 million.

1.18 In England, NHS Estates has exceeded targets agreed with the NHS Executive for the disposal of its retained estate since 1996-97. In total, £1.2 million in surplus property in the retained estate was sold in the period from 1996-97 to 2000-01[6] . In Wales net proceeds from the sale of surplus property across all NHS bodies raised a total of £53 million in the period 1992-93 to 2001-02. However, from 1996-97 to 2000-01, NHS Wales was consistently unable to meet its internal forecasts for receipts from property sales[7].

1.19 The establishment of an overall target for both Trust estate and Retained Estate is good practice and is intended to give the Department greater control over sales receipts and strengthen the accountability of property holders. However, we consider that the target may not be particularly effective as an incentive to Trusts and other property holders to release surplus property:

- Given the weaknesses which remain in relation to estate review and planning within Trusts (see paragraphs 1.4 to 1.10), the target cannot yet be based on an accurate assessment of the likely value and timing of receipts. As a result, there is no specific efficiency improvement reflected in the target;

- Market conditions could change significantly, affecting the timing and amount of a disposal receipt, and hence performance against target. Moreover, given that the number and value of disposals in the programme could fluctuate year-on-year, the difficulty of achieving the target will vary. A better indication of overall sales performance should combine the existing targets for disposal receipts with supplementary targets for the cost of sales and, possibly, the number of properties disposed of.

6. *The Management of Surplus Property by Trusts in the NHS in England*, National Audit Office, 2002
7. *The Renewal and Disposal of Property held by the NHS in Wales*, National Audit Office Wales, 2002

1.20 Disposal receipts are a key performance indicator for the Department in the management of surplus property across the health estate. We recognise the difficulties involved in establishing challenging targets for the disposal of surplus property. However, we consider that there are weaknesses in target-setting design at present which need to be tackled. To address these, we recommend that the Department ensures that Trusts establish disposal targets for their own estates based on reliable management information about their property holdings. This will assist the Department in setting realistic disposal targets for the overall estate and will provide property holders with more incentive to improve their sales performance. The work which the Department is currently carrying out with Trusts to deliver robust estate control plans should facilitate this process (see paragraph 1.9).

Part 2

Managing the Disposal of Surplus Property

Selling Surplus Property

2.1 When the Trusts were formed, from 1993 onwards, they took control of the operational property assets necessary to provide health services in their localities, including responsibility for the identification and disposal of their own non-essential estate. As pointed out at paragraph 6, the Health Estates Agency manages the sale of surplus properties which have not been transferred to the Trusts.

Mandatory Preliminaries to Sale

2.2 Under guidance from the Valuation and Lands Agency (VLA)[8], public sector bodies in Northern Ireland are obliged to notify the Agency of property identified as surplus, so that it may firstly circulate details to other relevant public bodies who may have an interest in acquiring the property. This means the public sector is not put in the position of competing on the open market to acquire property already in public sector ownership. If another public sector body wishes to acquire the property and can *"prove strong and exceptional reasons of public interest and immediate need"*, the property will be transferred on the basis of a payment of open market value as assessed by VLA. VLA guidance states that *"this arrangement will not unduly delay the eventual disposal"*. To help ensure this, VLA has advised us that it intends to amend its guidelines to trusts to include advice that legal documentation and title information should all be collated and checked

8. The Valuation and Lands Agency is an Executive Agency of the Department of Finance and Personnel. One of its main functions is to provide a valuation, estate management and property data service to the public sector.

by a solicitor prior to the trust submitting documentation to support the disposal of a property. We examined how these preliminaries had been conducted with relation to the disposal of the Banbridge Hospital site.

Case Example 1: The Banbridge Hospital

The **Banbridge Hospital** was identified as surplus to requirements in May 1995. However inpatient services were not fully withdrawn until December 1996 and outpatient services continued until a new polyclinic was operational. In May 1998 VLA made a formal approach to Banbridge District Council, who had registered an interest in acquiring the property, to explore this option further. At the Council's request, they were initially given three months to conclude negotiations, later extended to an end date of 31 October 1998. The Council did not meet the revised deadline and subsequently approached the Trust for a further one year extension to enable them to complete a feasibility study.

In 1999 VLA reassessed the value of the property and increased their original valuation from £500,000 to £900,000. As a result of representations from the Council, this valuation was later reduced £725,000, to allow for the estimated cost of demolition and site clearance. (The property had once been a workhouse and burial sites had been identified, whose handling also needed to be taken into consideration.) The revised valuation was presented to the Council on 6 December 2000 for consideration. The Council then lobbied the Minister in an attempt to secure a further reduction in the purchase price, based on social gain from the Council's development of the site. The Minister wrote to the Council on 12 March 2001 rejecting this request. The site was eventually acquired by the Council for £725,000 in January 2002 .

2.3 Despite the efforts of the Craigavon Area Hospital Trust to secure the site by boarding up windows and doors, removing fire escapes and engaging a security firm, vandalism was an ongoing problem for the Banbridge hospital site. From the withdrawal of services at the site until its sale, the Trust spent approximately £77,000 on maintenance and security costs.

2.4 NIAO is concerned at the amount of time that elapsed from the identification of the project as surplus in 1995 and the withdrawal of inpatient services in December 1996 until the sale of the Banbridge hospital site in January 2002. In the first place this not only delayed the realisation of sale receipts but also resulted in the costs of sale escalating because of the need to secure and maintain the property for longer during the sale process. We would also point out that, in instances such as this, there is a risk that the sale price of a property may be decreased due to deterioration in its fabric although we recognise that in some cases sale values may also improve over time . While the Department accepts that, until ownership of a property is transferred, the maintenance and security of an empty property is an expensive responsibility it has told us that, in this instance, local political involvement contributed to the protracted negotiations about the transfer of this property.

2.5 VLA guidance states that the transfer of surplus property to another public sector body should not "unduly delay disposal" but gives no definitive period for negotiations before the holder can proceed with an open market sale. We recommend that VLA guidance should include indicative timescales for completion of negotiations between public sector bodies before a property is put on the open market. This would help to secure compliance with the requirements that surplus property should be disposed of as soon as possible.

2.6 VLA has accepted this recommendation in general and intends to amend its guidelines in order to provide clearer guidance as to what will be expected of bodies proposing to acquire a surplus property, and that reasonable time limits will be applied to the process from inception to completion of the transaction. Each case will be dealt with on its own merits and where the case involves complex or time-consuming issues the normal time limits would be adjusted accordingly. VLA would seek to agree with both the disposing client and the intending purchaser mutually acceptable timescales within which all such action should be included.

2.7 If no other public sector bodies have an interest in acquiring the surplus property then it will be offered for sale on the open market. Guidance from the Health Estates Agency states that once a property has been declared surplus to requirements it should be sold as soon as possible and at the best price reasonably obtainable. There are various stages involved in selling a property once it has been formally declared surplus and programmed for disposal. These include the Trust or the Health Estates Agency, in the case of the Retained Estate, obtaining an estimated market value and initial advice from the VLA, and professionally marketing the property having decided in conjunction with the advisors on the appropriate method of sale (e.g. private treaty, auction, competitive tender).

Sale of Trust Properties

2.8 Since the formation of Trusts in 1993, nine Trusts have sold twenty-six properties realising sale proceeds of around £12m (see Appendix 1). Transactions undertaken by two Trusts account for more than £9m of these receipts:

- Down Lisburn Trust has realised £5.2m from the sale of nine properties; and
- South and East Belfast Trust has realised £3.8m from the sale of five properties.

2.9 The figures indicate high levels of disposal of surplus land by some Trusts, and little or no activity by others. We recognise that the health estate is large and varied, and meets varied and changing requirements. For instance, patterns of need and the way in which health services are provided at local and regional levels, may change over time. As a result, some Trusts may anticipate using their current estate holdings to the full, while others declare surpluses. Among the latter group of Trusts, some may have properties which are highly marketable while others may not.

2.10 The Trusts provide annual estate returns to the Department indicating the utility of the buildings in use in terms of how much is 'overcrowded', 'satisfactory', 'underused' or 'empty'. This information gives some guide as to the use of property in Trust ownership. However, we are unable to draw any firm conclusions from it on the relative progress of Trusts in disposing of properties. This again highlights the importance of the Department and Trusts having sound information on property holdings that clearly identifies the extent to which land and buildings are surplus to requirements.

Sale of Property in the Retained Estate

2.11 Figure 1 shows that in the ten years between 1993-94 and 2002-03, the Health Estates Agency raised over £22 million from 148 sales covering 344 acres of property.

Figure 1: Sale of Retained Estate Surplus Property

	Number of Sales	Acres	Sale Proceeds (£m)
1993-94	30	45	2.2
1994-95	26	78	4.3
1995-96	25	28	1.6
1996-97	15	52	3.3
1997-98	11	7	1.2
1998-99	14	38	1.9
1999-00	5	21	0.8
2000-01	6	9	2.5
2001-02	11	52	1.9
2002-03	5	14	2.5
TOTAL	**148**	**344**	**22.2**

Source: Health Estates Agency

2.12 The Department told us that it was difficult to determine how many disposals would be required to sell all of the potential surplus property. For example, estate at Knockbracken retained and South and East Belfast Trust, Gransha/Stradreagh

(Foyle Health and Social Services Trust) and Tyrone and Fermanagh (Sperrin Lakeland Trust), which comprises some 600 acres would ultimately result in numerous individual disposals. While it would be possible to describe geographic sites, it is not consistently the case that these are disposed of as a single entity and in the case of larger sites, it is unlikely that disposal can be completed in one transaction and may require initial 'pump priming' capital investment by the Department.

Sales and Best Price

2.13 Before offering a property for sale, guidance from the Health Estates Agency advises vendors to obtain an open market valuation from the VLA in order to establish a price guide. We examined the relationship between valuations and prices reported by Trusts for a range of properties sold in the last few years on the open market in order to assess if any appeared to have been undersold. As Figure 2 demonstrates, we found that in all eight cases we looked at, prices exceeded valuations.

Figure 2: Sales Prices and Valuations

Property	Pre-sale estimated value or reserve price (status/date)	Purchase Price (date)	Variation
Dhu Varren Children's Home Portrush (see also case study 3, para 2.36)	£150,000 (auction reserve at Nov 1996)	£830,000 (June 1998)	453%
Kilwarlin, Hillsborough (see also case study 2, para 2.26)	£1,000,000 (VLA estimate at Mar 1999)	£4,150,000 (Feb 2001)	315%
Antrim Street Day Centre Lisburn	£400,000 (VLA estimate at Mar 1999)	£550,000 (Jan 2000)	37.5%
77 Myrtlefield Park Belfast	£440,000 (auction reserve at June 1999)	£725,000 (June 1999)	65%
Marlborough House Belfast	£1,100,000 (auction reserve at June 1999)	£2,450,000	123%
Terrece Hill House Belfast	£500,000 (auction reserve at Mar 1997)	£691,000 (May 1998)	38%
Massereene Hospital (see also case study 5, para 3.7)	£400,000 (VLA estimate at Mar 1998 for 1.55 Hectare Housing site)	£2,500,000 (3.15 Hectare site actually sold May 2000 with retail planning consent)	525%
Firbeck Children's Home Belfast	£280,000 (auction reserve at June 1999)	£600,000 (June 1999)	114%

2.14 The effective marketing of property helps to ensure that there is a sound test of value and the comparisons set out in Figure 2 provide clear evidence that value for money was achieved in the disposal of these sites. The differentials between the pre-sale estimated value or reserve price and the final disposal price do, however, warrant some explanation. Sales figures can reflect rising prices and other significant factors, particularly where there may have been a lengthy interval between valuation and the completion of the sale, as indicated in Figure 2. These matters were discussed in some depth with the VLA and they advise that most of the examples quoted involved sale of development sites during a period of rapidly increasing land values. Where property values are rising in general, this can be reflected in exponential increases in development site values. Also, pre-sale estimates or auction reserve prices often, of necessity, reflect conservative assumptions as to potential planning consents and prevailing market conditions, in advance of exposure to the market. To illustrate some of these points through a few of the examples at Figure 2, in the case of Masserene Hospital, VLA's estimated value of £400,000 relates to the hospital site alone. Originally this was being disposed of as a single entity and £400,000 reflected its value as a housing site. Ultimately, however, this site was combined with adjacent land owned by Homefirst Trust, North Eastern Education and Library Board, and the North Eastern Institute of Further and Higher Education. This larger site made it big enough to cater for retail development and it was sold to a major food retail chain for £2,500,000. Turning to another of the examples, at the Dhu Varren Childrens Home site the pre-sale planning guidance was considerably bettered in actuality, as reflected in the price ultimately achieved. In the case of Kilwarlin house, the apparent variation is explained by both the passage of time during a volatile market and by the emergence of a more favourable planning scenario than was originally envisaged.

2.15 The principal reason for having a pre-sale guide price is to help to ensure probity and accountability. In our view the Department should consider strengthening the practice to take account of movements in price levels and improvements in available information since an initial valuation was provided. Best practice developed by the Valuation Office Agency (VOA) in Great Britain[9], commends the adoption of a more extensive use of valuations. These would encompass a range of figures, including the most likely price within an acceptable range, based on prospective uses of a property in current market conditions.

2.16 The VLA advised us that it is not convinced that it is necessary or appropriate to adopt this approach in all cases. While they do provide ranges of values in some

9. *The Management of Surplus Property by Trusts in the NHS in England* National Audit Office, HC 687, March 2002 paragraph 3.11

instances, such practice is only likely to be appropriate in the sale of major property holdings with redevelopment potential; also, the VOA guidelines in this respect refer specifically to categories of property within the NHS Estate in Great Britain. On the other hand, their equivalent guidelines in Northern Ireland cover the full range of public sector disposals, and only a relatively small proportion of these will comprise development sites. In its view therefore, providing a range of values as a matter of course may serve to create confusion, and may also cause problems with resource accounting procedures. As a result, it considers that assessing each case individually and providing a single valuation at any one time backed by an explanation of the underlying assumptions and best information available at that time should remain the practice in general terms, although noting the need to adopt the VOA alternative approach when appropriate.

2.17 We recommend that Trusts should formally review proposed sale prices against pre-sale valuations, recording the reasons for any variations. Whether or not the VLA decides to adopt the range of valuations approach as favoured by its counterpart in Great Britain, in any particular instance, it is essential that clients are advised of the basis of valuations and that they are regularly reviewed. This should address the difficulties encountered with lapses of time and will allow further details or better information to be factored into a valuation as time passes.

Managing the Costs and Timing of Sales

2.18 The disposal of surplus property within the health estate can incur a variety of costs: for example, those relating to site maintenance and security, professional fees for solicitors and estate agents and decontamination costs. In addition, for many of the larger sites, 'pump priming' investment is required by the Department in order to allow the decanting of existing assets. These costs are accounted for in Trust/Departmental financial statements and the proceeds from disposals are disclosed. However, we found that neither the Health Estates Agency nor individual Trusts proactively monitored separately the specific costs related to the disposal of their surplus properties. We consider that historical data on the costs of sales could provide a valuable insight into how efficiency savings can be achieved. They could also provide a basis for setting cost targets for disposals - overall for the complete health estate, for individual Trusts and for individual sales. In setting targets regard would have to be taken of the type of property being disposed of and market conditions at the time.

2.19 A key driver of the costs attached to the sale of surplus property can be the time taken to secure a sale. The findings from our examination of disposals, suggests that the time taken to sell properties is strongly influenced by factors which vary from sale to sale. However, the information available on when properties were declared surplus and when they were subsequently sold was not sufficient in all cases to enable us to analyse the time taken to dispose of them.

2.20 Given that costs of sale are available in the financial statements of both the Department and the Trusts, we consider that the Department should establish a routine system to oversee the disposal of surplus property assets across the health estate. Monitoring variations in cost and reviewing any unusually high cost patterns should help to improve control over sales costs and disposal timescales.

Incentives for Rationalisation

2.21 The Department operates arrangements to encourage Trusts to manage their property holdings more efficiently. These are the levying of capital charges and allowing Trusts to retain some or all of the proceeds from the sale of properties for re-investment in the local health economy. The Department has issued guidance that controls the re-investment of proceeds, taking into account the position of the individual Trust, the overall capital budget and regional capital priorities. Trusts can therefore only invest in other capital projects to the extent that they have received Departmental approval.

Capital Charges

2.22 HSS Trusts are subject to capital charges (overheads on property assets that reflect their capital value) on a notional basis. The objective of capital charging is to encourage managers to make the most efficient use of their physical resources by recognising that the continuing use of these resources has a cost.

2.23 Evidence gathered by the National Audit Office (see footnote 7) indicates that the present system of capital charges may not be providing the incentive intended for Trusts to identify non-essential estate for decommissioning and disposal. With the distribution of a Trust's capital funding allocations for any given year determined by the capital charges estimated for the year ahead, it was felt that the link between capital charges and disposals was not clear enough. However, with the introduction of Resource Accounting, Stage 2 from 2003-04, the scale of Trust capital charges impacts on the level of Departmental expenditure and they must be contained within the overall departmental budget. This provides an incentive at an overall HPSS level for the disposal of properties in order to benefit from the reduction in capital charges.

2.24 The Department needs to ensure that capital charging arrangements do prove to be an effective incentive for Trusts in identifying and disposing of land and buildings that are surplus to requirements. We recommend that the Department monitors the operation of the system closely during the bedding in of resource budgeting.

Trust Retention of Sale Proceeds

2.25 The Department told us that, when land and buildings are sold by Trusts, it has the authority to hold the proceeds. However, in all sales completed by Trusts to date the Department has granted authority to the Trusts to retain some or all of the proceeds to fund other capital projects within the Trust's business. The Department told us that this represents a considerable incentive to identify and dispose of surplus properties.

2.26 Although the Department has issued guidance which states that Trusts will be allocated proceeds from receipts with reference to the overall capital budget and regional priorities, the use of receipts as an incentive has meant that in practice a proportion of the receipts have been re-invested in the Trusts which have sold assets. The Department sees this as providing Trusts with an appropriate incentive to modernise their estate in circumstances where, in most cases, services have had to be re-located from the properties being sold and where the capital budget has not been available to meet acute estate needs which exist across the Service. The example of Kilwarlin House is a case in point:

Case Example 2: Kilwarlin House, Hillsborough

Kilwarlin House was a former residential home for the elderly that had been declared surplus in December 1993. This property was transferred into the ownership of Down Lisburn Trust when the new Trust was established in April 1994, on the basis that the Trust could develop the site into a headquarters. However, while this was the plan at the time of the transfer a business case had not been prepared and so a formal commitment could not be justified. An outline business case, which included Kilwarlin House among a number of options for Trust Headquarters, was not completed until October 1996. The Trust subsequently decided that it would be unacceptable to spend the estimated £200,000 (1994 prices) required to refurbish Kilwarlin House into office accommodation, in view of funding pressures on frontline patient services. During this time, Kilwarlin House had been used as a training centre on a part-time basis, and was then temporarily occupied by general practitioners during refurbishment of their premises. The Department told us that advice had been sought from the VLA as to the optimum time for sale. The Trust finally disposed of the property some 5 years after Trust formation, realising sale proceeds amounting to £4.15 million, £1.2 million of which was surrendered to the Department. From these proceeds the Trust was able to finance a new Day Procedures Unit and a new Accident and Emergency Unit at the Lagan Valley Hospital, as well as a new Children's Home.

2.27 Although in cases such as this it might be argued that the Trust received a unfair advantage in terms of competing regional priorities by being allowed to retain 70 per cent of the sale proceeds, the Department is of the view that its approval to retain sale proceeds represented a considerable incentive to maximize value by consolidating property and meeting local property needs. In addition, £1.2 million was returned to the Department for redistribution.

2.28 Departmental guidance states that the context within which sale proceeds are redistributed is the priority of capital projects within a regional context. In order that this guidance is seen to be applied transparently and impartially to all Trusts, we recommend that each disposal case should contain a file record demonstrating how the guidance has been applied in relation to the identification and disposal of surplus land and buildings.

2.29 As pointed out in paragraph 2.8, in recent years the sale of surplus property has been concentrated in two Trusts - Down Lisburn Trust and South and East Belfast Trust. These Trusts deliver services in areas where property values are particularly high which might be expected to encourage rationalisation of their property holdings, as it provides a potentially lucrative source of revenue to fund capital projects within their business.

2.30 For other Trusts, however, the ability to retain receipts from sales of their assets may not be of itself such a strong incentive. For example, North and West Belfast Trust provides services in an area of high deprivation and has particular difficulties with vandalism and derelict, unmarketable properties. In recent years the Trust has had buildings damaged to such an extent during civil unrest that they have had to be demolished. This includes Cairns House on the Glencairn Estate, which was demolished in 1998 following civil unrest in the area. This asset is in a location of low population density which has been further blighted by persistent civil unrest. The land at the Cairns House site is surplus to requirements, cannot be used for provision of other services, and has no open market value as reflected in the Trust accounts.

2.31 While it experiences difficulty in disposing of property assets, at the same time North and West Belfast Trust also has problems with overcrowding in some areas of its estate. In the latest returns made to the Health Estates Agency on property utilisation, 50.5 per cent of the Trust's buildings are recorded as operating at greater than capacity. This clearly demonstrates the limits sometimes associated with using receipts from sales as an incentive. However, the Department has informed us that, where Trust assets are unable to provide for the modernisation of the estate, additional resources can be made available from the Department's capital budget. Indeed, a business case for the modernisation of North and West Belfast Trust's estate is nearing finalisation and funding of £5.8m has been secured for Phase 1 of the scheme.

2.32 The potential retention of capital receipts will not, in itself, necessarily ensure that Trusts optimise the disposal of property. This points up the importance of strategic planning by the Department and property holders so that a clear vision is articulated of the size and shape of the health estate (see paragraph 1.12). This will provide a firm basis on which to base investment and site disposal decisions so that receipts are used to best effect for the health services as a whole.

2.33 In order to develop such an approach, we recommend that the Department reconsiders the link between Trust asset disposal and capital allocation to ensure that the distribution of a receipt benefits the local health economy to the greatest extent. We recognise, however, that such a restriction might not be appropriate in all cases, for example, where use of the full receipts is necessary to allow the decanting of services from properties to be sold.

2.34 In our examination of how the proceeds of surplus property sales have been applied we noted a decision by the Department to allow the South and East Belfast Trust to retain £2.9million from the auction of three separate properties in June 1999. This was done on the understanding that this money was to be used to finance a Community Treatment and Care Centres Project proposed by the Trust. However the business case for this project was not endorsed by the Department of Finance and Personnel until February 2001. South and East Belfast Trust are currently (2003) using these receipts to fund their programme of Community Treatment and Care Centres, the £2.9 million proceeds having remained invested in a Bank of Ireland Treasury Account since the sale in 1999.

2.35 We are concerned at the Department's decision to grant authority for the retention of sale proceeds to fund a project for which the business case had not been approved by either the Department or the Department of Finance and Personnel. Given Departmental guidance on the need to allocate the proceeds from property sales on the basis of regional capital priorities and the prevailing climate of acute financial pressures within the capital funding programme, we consider that the proceeds of some £3m should have been reinvested promptly into estate development priorities rather than held in a bank account for four years.

2.36 Our investigation also noted a case where capital proceeds were directed towards alleviating financial pressures on recurrent service provision by the Causeway Trust.

Case Example 3: Dhu Varren Children's Home

The Causeway Trust sold **Dhu Varren Children's Home** in Portrush in 1998, through public auction, for a purchase price of £830,000. The estimated value placed on the site by the VLA was £150,000 which was used as the auction reserve price (see Figure 2). The net book value of the property was £190,000. The Department granted the Trust approval to retain all the proceeds, which it used to provide additional funding for family and childcare services which were under considerable financial pressure at that time.

2.37 In this case there was a profit of £640,000 (£830,000 - £190,000) above the book value of the assets. Under the Trust finance regime, any profit on the sale of an asset is reported as income in the Trust's income and expenditure account and can be used to finance revenue expenditure in year, provided the Trust maintains its break-even position. On the other hand, the net book value of assets disposed of by Trusts (i.e. £190,000 in the above example) is available as a means of increasing capital expenditure in-year. According to Departmental guidance, to ensure that capital resource cover is directed towards meeting capital priorities, the additional capital cover arising from the disposal of fixed assets will be managed centrally by the Department and distributed as general or major capital.

In all future disposals of surplus property, we recommend that the Department and Trusts should ensure that the use of proceeds realised from the sale of surplus property complies with Departmental guidance in relation to capital resource cover and that only the profit element (i.e. proceeds over and above the net book value of the asset) is used for revenue purposes. 2.38

Part 3

The Disposal of Individual Properties

Introduction

3.1 The tasks of identifying and selling surplus land and buildings within the health estate are challenging. We examined a number of property disposals within both the Department's Retained Estate and Trust estates to illustrate the range of issues arising in such cases.

Disposal of Surplus Property from the Retained Estate

3.2 Although Retained Estate remains in the ownership of the Department the responsibility for maintenance of such property is delegated to the relevant Trusts. As key stakeholders, therefore, the timely and smooth disposal of surplus property is important to Trusts. We examined the cases of two properties in the retained estate, whose disposal has been problematic.

3.3 The swift disposal of surplus property not only means reduced costs to the property holder. The timely realisation of sale proceeds will also help to relieve development pressures elsewhere within both the community and acute health services . Against this background we examined the factors which influenced the decision taken with regard to the surplus land at the Knockbracken Healthcare Park.

Case Example 4: Knockbracken Estate

At the formation of South and East Belfast Trust in April 1994, ownership of **Knockbracken Estate** was divided between the Department and the Trust. The element retained by the Department - which had an area of 143.5 acres - was considered surplus to the Trust's requirements and designated for disposal. This land is adjacent to areas which have been developed with extensive housing in recent times. Consequently, the potential gain from any sale at that time was considered to be substantial but since then it has been confirmed by the Department of Regional Development that the provisional assumptions regarding the potential for permission to develop Knockbracken for residential use were optimistic.

In 1995, the extent and location of future residential provision to meet the long term housing need for Belfast was indicated during the development of the Belfast Urban Plan and from that point forward, there has been little prospect of Knockbracken receiving planning permission for residential use. However, the possibility could not be completely ruled out because the planning position at that time was far from definitive and thus the VLA valuation reflected the best potential use based on prospective residential development that the land may have had.

From 1994, the Trust was keen that the entire estate remain within the health sector and the Department gave the Trust an undertaking that no action would be taken regarding the disposal until the Trust had the opportunity to submit a business case setting out its proposals for the development of the surplus land. With this in mind, the Knockbracken Estate Trust (KET), which had charitable status, was set up to identify options for the use of the estate which would provide a benefit to the community while seeking to maximise potential additional resources. The Board of KET included representatives from South and East Belfast Trust.

In May 2000, KET presented its proposals to the Department to use the land as a site for a "Positive Living Centre". The Department was unable to identify how the proposal would demonstrate value for money on the basis that the potential benefits of such a project could not be demonstrated to meet the opportunity costs which were estimated at that time to exceed £20m.

In September 2000, KET advised the Department that it proposed to develop the whole estate, including both retained and a portion of Trust owned land, as a healthcare park, in partnership with the private sector. This would incorporate light industry and IT services related to healthcare and complementary positive living. On the basis of the KET proposal, the Department signalled its intention to take this forward in conjunction with South and East Belfast Trust.

In December 1998, the Department of Regional Development's Draft Regional Strategic Framework indicated a long term policy commitment to strengthening the role of the Belfast Metropolitan Area Plan (BMAP) as the regional economic driver by maximising the employment potential of a number of key employment locations spread across the BMAP. One of these was the Purdysburn/Knockbracken area.

While the BMAP process is underway, the undeveloped land at Knockbracken is currently treated for development purposes as though it were green belt. Consequently, its disposal value will depend upon on the success of the joint Department - South and East Belfast Trust submission to have the site designated as a Strategic Employment Location (SEL) within the Plan. The Department/South and East Belfast Trust proposal was submitted to the Department of Regional Development in September 2002 and it is anticipated that, when the BMAP is published later this year the Plan will designate the land as a SEL. The submission will be made public at the time that the Plan is published to facilitate public discussion, of the Plan before it is finally adopted as policy. In the meantime, the Department is working with Invest Northern Ireland to determine the best way to take forward the development and disposal of the site should SEL designation be granted.

3.4 We recognise that the rationalisation of the health estate should be an integrated process which aims to take proper account of the needs of the various elements involved in any sale of surplus property in order that the disposal is coordinated and handled effectively and secures the best deal for the health estate as a whole. While the retained element of the Knockbracken estate had been earmarked for disposal, we acknowledge that the Department was following good practice in considering the alternative use of the entire site as proposed by the South and East Belfast Trust. This consideration provided it with the opportunity to ensure that resources would not be expended on an unnecessary disposal.

3.5 However, this property was first identified as surplus over eight years ago. Had it been possible for the Department to expedite the sale earlier, any receipts realised could already have been allocated for priority use elsewhere within the health and social services.

3.6 The protracted nature of deliberations over the fate of Knockbracken underlines the importance of taking timely action to address the factors which influence the disposal of surplus property in order to establish greater control over the process. We recognise that in the interests of achieving an optimum outcome in these important decisions, delay can sometimes be unavoidable but it is important that when this occurs there is a clear recognition of the costs, in terms of opportunities forgone, which delay imposes on the health service.

3.7 The case of the sale of the former site of the Massereene Hospital illustrates another set of potential problems associated with progressing and completing the sale of Retained Estate property in an urban setting.

Case Example 5: Massereene Hospital, Antrim

The Department declared part of the **Massereene Hospital** site surplus on 20 August 1997 when services were transferred to the new Antrim Area Hospital. The original site of 3.8 acres had rather restricted vehicular access and, in view of this, the Department of the Environment's Planning Service indicated that it was suitable only for residential development. As a result, the site was offered for sale, by private treaty, for that purpose.

However, in February 1999, when bidding reached £540,000, the property was withdrawn from the market. At that time, Antrim Borough Council had written to the VLA indicating that there might be an opportunity to assemble a larger, commercial development site involving the parcelling of adjacent lands belonging to the North East Institute of Further Education, the North-Eastern Education and Library Board and Homefirst Trust along with the Massereene site for potential retail development purposes.

The sale of this larger site for retail purposes (subject to planning permission) was again conducted as a private treaty sale. Five parties were involved in the bidding process and in an effort to draw the sale to conclusion interested parties were invited to attend a "private auction". Interested parties were notified by telephone the day before the sale.

A major food retailer which was the principal backer for one of the five bidders, wrote to the VLA to express concern at the way the sale was being handled. It stated that no parameters or basis had been set for the process, nor had the parties been informed in writing of the anticipated events thereafter. The letter further stated that it had advised the bidder to withdraw an offer of £2.15 million. The VLA did not notify Health Estates Agency about the correspondence.

The auction went ahead and was won by the bidder at a sale price of £3.01 million. However, this sale was aborted in October 1999 when the purchaser tried to negotiate terms on what was a non-negotiable contract. Again the major food retail chain wrote to the VLA stating that no indication was given at the time of sale that the contract was other than negotiable. The VLA pointed out that prior to the private auction bidders were given copies of a draft contract and made aware that sale of the property would be made on, or close to, the terms contained in that document. The Agency considered that the planning conditions which the successful bidder wished to impose on the contract were unacceptable.

The site was offered for sale again in May 2000 using the sealed tender method of sale. The major food retailer was the successful tender with a bid of £2.5million (see paragraph 2.14).

3.8 We understand that dealing with issues associated with the disposal process is largely a matter for the VLA and the estate agent that it appoints to take a sale forward. It is important and prudent, therefore, to have full regard to the judgement of the marketing agent on the conduct, handling and timing of a sale. However, we are surprised that the concerns raised by the food retailer were not communicated to the Health Estates Agency as the disposing body. Concerns about the propriety of the conduct of a sale have the potential to draw the property holder into litigation. In view of this we believe that it would have been appropriate for the Health Estates Agency to have had the opportunity to discuss the pros and cons of proceeding with the sale with the VLA. It is important to the effective management of the sale of surplus land and buildings that the VLA seeks to maximise constructive contact with property holders in the health service at each stage in the disposal process.

3.9 We consider, also, that the disposal of Massereene Hospital could have been more effectively handled had the VLA explored, at the outset, the potential for parcelling it with adjacent property into a site more attractive to prospective buyers. In order to obtain the best price when disposing of sites, it is important that proposals for the future use of land which adjoins surplus property on the health estate are investigated in order to widen as far as possible the options for maximising potential sale proceeds.

3.10 We recommend that guidance produced both by the VLA and the Health Estates Agency is strengthened in regard to this issue. This should help to ensure that property holders selling surplus property within the health services are in a position to take advantage of the best possible disposal terms. VLA has advised us that it intends to issue further internal guidance to ensure its valuers are aware of their own obligations and those of disposing clients in regard to researching what other public sector land ownerships may adjoin a site identified for disposal in order to achieve, where possible, the maximum benefits from the assembly of a larger site with greater development potential.

Innovative Approaches to Surplus Property

3.11 In considering the rationalisation of their empty, underused or unsuitable accommodation, we identified a number of instances where Trusts have taken positive steps to maximise the use and potential of surplus properties.

Case Example 6: The Great Hall, Downshire Hospital

When the Down Lisburn Trust was formed, the Trust did not include the main **Downshire Hospital**, a listed building, as estate necessary for service delivery. The Department told us they transferred ownership to the Trust because the building did not fill the criteria for retained estate.

The Down Lisburn Trust undertook an investment appraisal of options for development of the Great Hall within the Downshire Hospital. The Trust decided to undertake an extensive restoration of the Hall to its former Victorian character, including renovations to the stage area to facilitate arts and musical productions. This would enable the Trust to provide a unique, high quality, flexible, community facility, available for hire at a competitive rate. The regeneration programme cost almost £1 million pounds, of which £800,000 was granted from the Heritage Lottery Fund. The renovations took a year to complete and the Great Hall received its official opening in May 2001.

The Trust had intended that a private limited company, registered as a charity, would take forward the promotion and administration of the Great Hall, under an agreement which would ensure that the Trust carried no liability in terms of the business of the Great Hall, but would share in any profits made. In the event, this did not happen and the Trust now manages the Great Hall as a routine part of the estate.

We recognise that Down Lisburn Trust has conserved and restored an important Victorian building which could have been an immediate and ongoing liability in terms of maintenance, protection from vandalism, and health and safety, into a potentially self-supporting venue for the arts. However, such a project is resource intensive, in terms of developing and appraising options, securing necessary planning approvals, etc. Careful management of the risks associated with the project is also required eg. the success of the project is highly dependent on the Trust successfully procuring resources to support the initial capital outlay, and subsequently transferring the full risk to another body.

Case Example 7: Community Treatment and Care Centres

In addition to a large operational hospital site, South and East Belfast Trust held more than 70 properties outside the Hospital grounds. A condition assessment completed by the Trust in 1997 identified a need for £5 million to be invested in these properties to bring them into line with statutory standards. In the face of this huge investment, the Trust Board approved a major review of the way the Trust was delivering its services in the community, to consider whether it could rationalise its estate holdings while maintaining or improving services.

The Review concluded that the delivery of services via "Community Treatment and Care Centres" (CTCCs) was the way forward. These would for the first time bring together under one roof treatment, care and information services which were currently provided from various community-based facilities such as clinics and health centres scattered throughout the geographical area covered by the Trust.

This method of delivery offered several advantages for service delivery:

- As most outreach staff spend a significant portion of their working day out of the workplace, the staff would be operating in a shared working environment which will reduce the accommodation required;
- Service delivery from one centre would prevent the duplication of facilities required under the current regime;
- The ease of accessibility for local people means that the CTCCs would provide an excellent location for consultant outpatient clinics, thus potentially alleviating some pressure on the acute hospitals; and
- A new computer system would provide staff with a single computerised source of information on individual patients. They would be able to retrieve this data remotely, thus freeing staff from traditional modes of working with manual records, transported from an office base.

Another major benefit identified by the Trust was that the project would be self-financing. The Trust anticipated that the sale from the properties that will become surplus because of CTCCs would generate the investment needed to build the centres. NIAO is pleased to note that these plans, recently approved by the Department of Finance and Personnel, have also been endorsed by the NHS Estates Agency in Leeds as examples to lead the way in the development of new models for the delivery of health and care services across the United Kingdom.

Appendix 1
(paragraph 2.8)

Sale of Properties

Trust	TOTAL SALES £
Armagh & Dungannon	90,000
Belfast City Hospital	1,311,000
Causeway	875,013
Craigavon Area Hospital Group	Not yet agreed
Craigavon & Banbridge Community Trust	80,000
Down Lisburn	5,228,446
Foyle	340,000
Newry & Mourne	190,000
North & West Belfast	60,000
South & East Belfast	3,811,000
TOTAL	**11,985,459**

List of NIAO Reports

Title	NIA/HC No.	Date Published
2002		
Northern Ireland Tourist Board Accounts 2000/01 } Travelling People: Monagh Wood Scheme }	NIA45/01	26 February 2002
Indicators of Educational Performance and Provision	NIA48/01	21 February 2002
NIHE:Housing the Homeless	NIA55/01	21 March 2002
Repayment of Community Regeneration Loans	NIA59/01	28 March 2002
Investing in Partnership - Government Grants to Voluntary Bodies	NIA78/01	16 May 2002
Northern Ireland Tourist Board: Grant to the Malone Lodge Hotel	NIA83/01	20 May 2002
LEDU: The Export Start Scheme	NIA105/01	2 July 2002
Compensation Payments for Clinical Negligence	NIA112/01	5 July 2002
Re-Roofing of the Agriculture and Food Science Centre at Newforge	NIA24/02	17 October 2002
The Management of Substitution Cover for Teachers	NIA53/02	12 December 2002
2003		
The Sheep Annual Premium Scheme	NIA 75/02	6 February 2003
The PFI Contract for the Education and Library Board's New Computerised Accounting System	NIA99/02	20 March 2003
Areas of Special Scientific Interest	NIA103/02	27 March 2003
Financial Auditing and Reporting: 2001/02	NIA 107/02	3 April 2003
The Use of Operating Theatres in the Northern Ireland Health and Personal Social Services	NIA111/02	10 April 2003
Investigation of Suspected Fraud in the Water Service	HC 735	26 June 2003
Management of Industrial Sickness Absence	HC736	1 July 2003
Encouraging Take-up of Benefits by Pensioners	HC737	3 July 2003

Title	NIA/HC No.	Date Published
2004		
Navan Centre	HC 204	29 January 2004
The Private Finance Initiative: A Review of the Funding and Management of Three Projects in the Health Sector	HC 205	5 February 2004
De Lorean: The Recovery of Public Funds	HC 287	12 February 2004
Local Management of Schools	HC 297	19 February 2004

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