

## **The future of services and buildings in community Hospitals – implementation update and NHS Property Services**

### **Overview**

This is to provide an update on the future of services and the 12 community hospital buildings involved in the 2016 transfer of ownership from Northern Devon Healthcare Trust to NHS Property Services.

This report is provided jointly by NHS Northern, Eastern and Western Devon CCG (NEW Devon CCG) and NHS Property Services.

### **Update on the transfer of ownership**

Background information on the transfer of the hospitals can be found in Appendices 1-4, which contain the written information previously submitted to the committee, correct at the time of writing.

In 2016, NEW Devon CCG awarded its contract to provide clinical community services in the eastern locality of Devon to the Royal Devon and Exeter NHS Foundation Trust (RDEFT).

As part of this process, the Department of Health decided that ownership of the 12 hospitals where the majority of these services are provided would be transferred to NHS Property Services from the previous healthcare provider, Northern Devon Healthcare Trust (NDHT).

The properties involved in the transfer were: Axminster Community Hospital, Honiton Hospital, Tiverton Hospital, Seaton Community Hospital, Budleigh Salterton Community Hospital, Exmouth Community Hospital, Sidmouth Hospital, Ottery St Mary Community Hospital, Crediton Hospital, Moretonhampstead Hospital, Okehampton Hospital and Whipton Hospital.

The transfer of the 11 hospitals owned on a freehold basis – all the above except Tiverton – completed on 1 December 2016. The transfer of the Private Finance Initiative (PFI) leasehold interest for Tiverton Hospital is expected to complete imminently.

This process means NHS Property Services has become the landlord of the properties and therefore ownership remains in the NHS.

NHS Property Services is wholly owned by the Secretary of State for Health and any funds generated are reinvested back into our National Health Service to help improve the estate and support frontline patient care.

### **Facilities management (FM) services**

Services known as ‘soft FM’ (eg cleaning, portering) are provided by RDEFT while ‘hard FM’ (buildings maintenance) is provided by NHS Property Services using a number of contracted suppliers.

## Future service provision and use of the buildings

The NHS in Devon is moving towards a model of care that focuses on community and home-based services – similar to that offered by Devon County Council.

In 2017, NEW Devon CCG made a decision to reduce inpatient beds in Community Hospitals in Eastern Devon by 71, from 143 to 72. By directing this ‘bed-based’ investment towards home-based and community care when individuals are well enough to be out of hospital, the support and workforce would be better placed to help people remain at home or return to their homes, and the right care, to be as independent as possible.

Those remaining beds in community hospitals were to be used for intensive rehabilitation, shortening length of stay and ensuring people are able to regain their independence as quickly as possible.

The community hospital sites affected by these changes were Honiton, Seaton, Exeter and Okehampton. and there are 72 beds remaining in Tiverton, Sidmouth, and Exmouth. The RD&E and the CCG have been closely monitoring the impact and outcomes of these changes and that peoples’ needs are being met in a safe and timely way.

As part of the NHS family, the role of NHS Property Services is to work with commissioners to meet their healthcare estates requirements.

The type of healthcare estate needed depends on the type of services that are being provided and the way in which they are delivered.

Deciding what type of services to provide and how to provide them is the responsibility of healthcare commissioners – CCGs and NHS England. Healthcare providers, the organisations chosen by commissioners to deliver that healthcare, can also play a role in the process.

In addition to owning the properties, NHS Property Services provides professional estates services and information to colleagues at local CCGs and providers to help them develop their plans.

The CCG is working with partners in health and care to assess how new and emerging models of care can continue to meet the needs of the population and the implications that this has for the way in which services are configured and delivered. The implications for all resources and current service provision can then be assessed, including the need for space in buildings and facilities. This will allow the CCG to take a view on what space is required in the future and how this can be best accommodated in local communities.

In terms of future plans for the buildings, NHS Property Services will continue to hold them as facilities for local healthcare as long the CCG says they are needed. NHS Property Services only disposes of properties that have been declared surplus to NHS requirements by commissioners and none of these buildings has been declared surplus.

## **Market Rent**

In April 2016, NHS Property Services moved to market rent charging, which was introduced to help improve understanding of the true cost of occupation. It is only by knowing these costs that they can be addressed.

The move to market rents is consistent with initiatives being introduced more widely across central government to improve utilisation and value for money in property occupancy.

The market rent model offers benefits for our customers and the NHS – including:

1. It helps the NHS understand the true cost of occupation and reflect these transparently.
2. It informs decisions about the best location for services and investment.
3. It drives better and more efficient use of space.

CCGs receive a corresponding uplift in their funding from NHS England to cover any increase in rental levels arising from the introduction of market rent.

## **Community contributions**

Funding for projects from community groups or Leagues of Friends has always been voluntary and remains so, regardless of who owns the building. Projects funded by Leagues of Friends are generally to provide enhancements above and beyond the basic building requirements that NHS Property Services provides as landlord.

Items of equipment funded by community donations are generally owned by NHS healthcare providers, as opposed to NHS Property Services.

Community donations towards buildings or equipment are always hugely appreciated by the NHS, but the buildings or equipment remain in the ownership of the NHS (whether this is an NHS Trust, NHS Foundation Trust or NHS Property Services).

It is important to remember that over time, patients and the community release value from donations by benefiting from the use of the building or equipment supported by the donation, but the donation does not in itself provide rights of ownership. It is also important to remember that the NHS generally meets the on-going costs – including insurance, cleaning and maintenance – associated with a building or piece of equipment and that buildings and equipment have a limited lifespan.

NHS Property Services is always happy to work with local communities to consider local circumstances in specific cases.

## **Investment**

NHS Property Services has begun a programme of investment in the properties that transferred and continues work on its wider Devon estate. NHSPS will continue to work with the CCGs and provider organisations to prioritise work to ensure investment supports commissioning plans and taxpayers' money is spent wisely.

Work carried out so far includes a £123,000 project to address external backlog maintenance issues at Budleigh Salterton Community Hospital, which contributed towards the opening of the Budleigh Health Hub in autumn last year.

### **List of Appendices**

- **Appendix 1** – Report to the committee prior to NEW Devon CCG and NHSPS attendance at the meeting of 19 September 2016.
- **Appendix 2** – Information submitted to the committee in response to questions arising further to NHSPS and CCG attendance at the meeting of 19 September 2016.
- **Appendix 3** – Responses to questions submitted to the committee meeting of 19 January 2017.
- **Appendix 4** – Responses to questions arising further to New Devon CCG and NHSPS attendance at a briefing session for members held on 20 June 2016.

Note: Appendices are correct at the time of writing.

## **Appendix 1 – Report to the committee prior to NEW Devon CCG and NHSPS attendance at the meeting of 19 September 2016:**

### **Overview**

This paper is to provide general information about NHS Property Services.

It also includes details regarding the transfer of 12 community hospitals to NHS Property Services as part of NHS Northern, Eastern and Western Devon Clinical Commissioning Group's plans to award its contract for community services to the Royal Devon and Exeter NHS Foundation Trust (RDEFT) for the Eastern locality of Devon.

This information is provided further to a briefing given to members of the committee at County Hall in Exeter on 20 June, 2016.

### **About NHS Property Services**

NHS Property Services manages, maintains and improves NHS properties and facilities, working in partnership with NHS organisations to create safe, efficient, sustainable and modern healthcare and working environments.

NHS Property Services is a limited company created as part of the 2013 health reforms and wholly owned by the Secretary of State for Health. It is responsible for managing 3,500 NHS properties, worth an estimated £3 billion. The portfolio covers around 10 per cent of the NHS estate in England and was inherited from the 161 Primary Care Trusts and Strategic Health Authorities which were abolished as part of the 2013 health reforms. It comprises mostly clinical premises such as health centres, GP practices and community hospitals but also includes office buildings.

The company aims to drive efficiency in order to offer occupiers, tenants and customers reduced costs in running properties and related services.

In 2015/16, core operating costs were reduced by more than £30 million and over the last two years, operating costs have been reduced by £84.6 million.

### **Every pound saved by the company is returned to the NHS.**

NHS Property Services has two main roles:

- Strategic estates management – acting as a landlord, modernising facilities, buying new facilities and selling facilities the NHS no longer needs.
- Dedicated provider of support services such as cleaning and catering.

### **Transfer of 12 Community Hospitals in Eastern Devon**

NHS Northern, Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) has set out plans to award its contract for community services to the Royal Devon and Exeter NHS Foundation Trust (RDEFT) for the Eastern locality of Devon.

As part of this process, the Department of Health decided that 12 properties will be transferred to NHS Property Services from the ownership of the existing healthcare provider, Northern Devon Healthcare Trust (NDHT).

The properties transferring are: Axminster Community Hospital, Honiton Hospital, Tiverton Hospital, Seaton Community Hospital, Budleigh Salterton Community Hospital, Exmouth Community Hospital, Sidmouth Hospital, Ottery St Mary Community Hospital, Crediton Hospital, Moretonhampstead Hospital, Okehampton Hospital and Whipton Hospital.

As part of the NHS family, the role of NHS Property Services is to work with commissioners to meet their healthcare estates requirements.

**NHS Property Services will therefore provide professional estates services to colleagues at NEW Devon CCG to help them develop their commissioning plans for the hospitals involved in the transfer, but it is important to be clear that decisions about service provision in these buildings, and their futures, rest with the CCG.**

NHS Property Services can only act on the wishes of commissioners (i.e. CCGs and NHS England) if they declare a site surplus to NHS requirements.

The transfer of community services is due to take place on 1 October 2016

The transfer of the ownership of community hospitals is due to take place on 1 December 2016.

Property managers are currently finalising a due diligence exercise as part of the transfer process and are working closely with NHS partners to agree leases with occupiers.

This process will see NHS Property Services become the landlord of the properties and therefore ownership remains in the NHS.

### **Community involvement**

Many communities and Friends groups have raised vital funds for their local hospital and this is always hugely appreciated by the NHS and patients.

However, the buildings themselves are owned by the NHS (whether this is an NHS Trust, NHS Foundation Trust or NHS Property Services) and charitable donations raised by leagues of friends and other groups are gifted to the NHS for a specific purpose. Patients and the community benefit from this specific purpose but the donation does not in itself provide rights of ownership.

NHS Property Services has about 270 hospital related properties nationwide and property and facilities teams work with NHS partners, local people, councils, charities and friends groups – and the organisation will work to achieve the same in eastern Devon.

### **Health hubs**

When the NHS requirements for each of the buildings involved in the transfer are confirmed, NHS Property Services will be able to consider the options available for working with other prospective tenants locally.

### **Market-based charging**

At the start of the current financial year, NHS Property Services moved to market-based rental charging on all freehold properties, which has been agreed with the Department of Health and NHS England.

The market rent model applies the property sector's standard method of charging and is a long-planned part of a move across the public sector to improve utilisation and value for money in property occupancy by putting publicly owned property on a level with privately owned alternatives.

The change has benefits for the NHS:

- It helps the NHS understand the true cost of occupation and reflect these transparently.
- It informs decisions about the best location for services and investment.
- It drives better and more efficient use of space.

The Department of Health has committed to meeting any increased property costs in the 2016/17 financial year arising from the introduction of market rent. Arrangements in relation to funding adjustments for 2017/18 and beyond will be considered by the Department of Health in conjunction with NHS England and NHS Improvement.

Charging market rents will provide the money needed for the ongoing renewal of the estate to the high standards that people rightly expect and NHS Property Services does not make a profit from its involvement. Any surplus funds are reinvested into NHS services.

The estimated annual rental value for all 12 hospitals is approximately £3.1million. This is based on 100% occupation at market rent.

### **Investment in the health estate**

Projects to keep our buildings statutorily and lease compliant and in a good state of repair, are carried out by NHS Property Services in line with our obligations as a landlord.

Larger schemes, typically major multi-million pound projects, such as new buildings, extensions and major refurbishments, are requested by our customers. Up-front funding is normally provided by NHS Property Services, but in some cases we work with third-party development partners. These capital projects are led by commissioners and, if approved, delivered by NHS Property Services.

By way of local example, NHS Property Services has recently completed a £4.2 million refurbishment of two wards at the Glenbourne Unit in Plymouth.

Nationally, NHS Property Services invested £55.4 million through the capital programme in 2015/16 to improve the property portfolio. Of this, £21.1 million related to new or refurbished buildings requested by customers within the NHS, and £34.3 million related to ensuring the estate managed by NHS Property Services is safe, warm, secure, and operates efficiently.

### **Further information**

More details about NHS Property Services are available on the organisation's website, [www.property.nhs.uk](http://www.property.nhs.uk)

### **Appendix 2 – Information submitted to the committee in response to questions arising further to NHSPS and CCG attendance at the meeting of 19 September 2016:**

#### **1. Properties in the Devon area where NHS Property Services has a freehold or leasehold interest.**

The freehold ownership of the following hospitals is transferring to NHS Property Services (NHSPS) from Northern Devon Healthcare Trust (NDHT) on 1 December 2016: Axminster Community Hospital, Honiton Hospital, Seaton Community Hospital, Budleigh Salterton Community Hospital, Exmouth Community Hospital, Sidmouth Hospital, Ottery St Mary Community Hospital, Crediton Hospital, Moretonhampstead Hospital, Okehampton Hospital and Whipton Hospital. The leasehold of Tiverton Hospital (PFI), is also transferring to NHSPS from NDHT on the same date.

The transfer occurs because NEW Devon CCG has awarded the service provision contract in the hospitals to a new provider, changing from NDHT to Royal Devon and Exeter Foundation Trust (RDE). The decision to transfer the hospitals to NHSPS was made by the Department of Health.

Other properties in Devon (not including Plymouth City Council area) where NHS Property Services has a freehold or leasehold interest:

Property	NHS PS Tenure	Street	Town
Tavyside Health Centre (part)	Leasehold	The Quay Centre, Abbey Rise	Tavistock
St Leonards Practice (part)	Leasehold	Athelstan Road	Exeter

Westexe Children's Centre (part)	Leasehold	Cowick Street	Exeter
Withycombe Centre	Freehold	Withycombe Centre	Exmouth
Stowford Rise Community Centre (part)	Leasehold		Sidmouth
Blackmore Health Centre	Freehold	Blackmore Drive	Sidmouth
Blackmore Health Centre (Car park adjacent)	Leasehold	Blackmore Drive	Sidmouth
Raleigh Building, Express Diagnostics	Leasehold	Research Way	Derriford, Plymouth
Pomona House	Leasehold	Oak View Close	Torquay
9 New North Road (The Clocktower Surgery)	Leasehold	New North Road	Exeter
Lescaze Offices (part)	Leasehold	Shinners Bridge	Dartington, Totnes
Larkby Evergreen Matford Lodge & Coach House	Leasehold	Victoria Road Park	Exeter
Ilfracombe Police Station (part)	Leasehold	Princess Avenue	Ilfracombe
Unit 1 Exeter International Office Park	Leasehold	Exeter International Office Park, Exeter Airport	Clyst Honiton, Exeter
Crown Yealm House (part)	Leasehold	Pathfields Business Park	South Molton
County Hall (part)	Leasehold	Topsham Road	Exeter
Chestnut Avenue Family Centre (part)	Leasehold	Magnolia Avenue	Exeter
Buckfastleigh Health Centre (part)	Leasehold	Bossell Road	Buckfastleigh
Brunel Dental Centre	Leasehold	Brunel Road	Newton Abbot
12 Boutport Street (part)	Leasehold	Boutport Street	Barnstaple



Bluecoats Children's Centre (part)	Leasehold	Borough Road, Burwood	Torrington
Bideford Hospital (part)	Leasehold	Abbotsham Road	Bideford
Unit 2, Bay House	Leasehold	Riviera Park, Nicholson Road	Torquay
Barnstaple Health Centre (part)	Leasehold		Barnstaple
Trelawney Clinic	Freehold	Ham Drive	Plymouth
The Quay	Leasehold	Plymouth Road	Tavistock
Unit 3, The Hayloft	Leasehold	Puslinch, Yealmpton	Plymouth
The Byre	Leasehold	Puslinch, Yealmpton	Plymouth
Syrena House	Freehold	284 Dean Cross Road, Plymstock	Plymouth
St Olafs Chapel (Car Park)	Leasehold	Puslinch, Yealmpton	Plymouth
Plymstock Clinic	Freehold	Plymstock Clinic	Plymouth
Plympton Clinic	Freehold	Plympton Clinic	Plymouth
Pinewood Ward - Plympton Hospital	Freehold	Pinewood Ward - Plympton Hospital	Plymouth
Meadowpark Health Centre	Freehold	Meadowpark	Exeter
Lee Mill	Freehold	Lee Mill Unit	Ivybridge
Hillcrest	Freehold	Hillcrest	Honiton
Foxhayes Practice	Freehold	Civil Service Car Park	Exeter
Culm Valley Integrated Centre For Health	Leasehold	Willand Road	Cullompton
Colyton Health Centre	Freehold	Colyton Health Centre	Colyton
Bull Meadow Clinic	Freehold	Bull Meadow Clinic	Exeter
Barnes Greenways Bungalow Belmont Hospital	Freehold	Barnes/Greenway Bungalow	Tiverton

The properties in the table are not involved in the above transfer. Most will have been previously owned by the former Primary Care Trusts and Strategic Health Authority and transferred to NHSPS ownership as part of the health reforms of 2013.

It is important to be clear that NHS Property Services is simply the landlord or leaseholder of these properties and does not determine what services are commissioned or provided in them or whether they are to be retained or released. These decisions are taken by healthcare commissioners, ie clinical commissioning groups or NHS England.

## **2. What happens to disposal receipts?**

Proceeds from the sale of properties are reinvested in the NHS. These are not ring-fenced for local use but commissioners in Devon can submit a business case for funding new facilities.

## **3. Donations/equipment given by the community or leagues of friends.**

Many communities and Friends groups have raised vital funds for their local hospital and this is always hugely appreciated by the NHS and patients.

However, the buildings themselves are owned by the NHS (whether this is an NHS Trust, NHS Foundation Trust or NHS Property Services) and charitable donations raised by leagues of friends and other groups are gifted to the NHS for a specific purpose. Patients and the community benefit from this specific purpose but the donation does not in itself provide rights of ownership.

Donated items of equipment are generally owned by the NHS trusts or organisations providing healthcare.

## **4. Blackmore Health Centre, Sidmouth**

NHS Property Services is working closely with the practice on a number of business issues. Agreement with the practice has been reached on the main issues of rent and service costs that were raised at the committee meeting. The rent charged has not changed and members will be aware that GP practices are reimbursed for the costs of their rent, rates, water charges and clinical waste by NHS England.

Regarding the ownership of the practice, doctors from the surgery approached NHS Property Services in 2014 with a request to acquire the premises.

This was declined as it is in the interests of the NHS that NHS Property Services retains ownership of the property to ensure it can be used for NHS healthcare for as long as commissioners need it, and allows a strategic approach to be taken when managing the local NHS estate.

NHS Property Services is focussed on delivering premises improvements and a number of options are being considered. These include redeveloping the site to provide a purpose-built surgery with flats above it. This would ensure patients can receive treatment in a modern building and would offset some of the development costs. Parking issues and the potential

need for expansion space will also be taken into consideration as part of ongoing discussions with the practice.

NHS England has indicated that in principle it would continue to reimburse the practice for these costs if a new development were approved.

**Appendix 3 – Responses to questions submitted to the committee meeting of 19 January 2017:**

**1. How much is each individual community hospital being charged for rent by NHSPS?**

Further to the information provided in July, market rent values for the individual hospitals remain commercial in confidence while lease negotiations are being concluded.

**2. How much is the rental income for NHSPS nationally compared with the amount spent on maintenance?**

In 2016/17 our budgeted rental income is £408 million. This includes freehold and leasehold income.

For leasehold properties, we normally hold a head lease on behalf of the NHS. The level of rent we have to pay our superior landlord is set out in the terms of this lease. We recover this cost by invoicing our customers for the same amount (plus a 5% management charge to cover our costs). Our customers' rents will be subject to the same review patterns as our head lease.

In 2016/17, our budgeted spend on 'Hard Facilities Management' (normally referred to as 'Hard FM'), which is mainly for routine, small-scale maintenance, is £98 million. These are direct costs and do not include overheads such as the salaries of our FM teams. It is also important to note that the £98 million does not include the money spent on larger maintenance projects that become part of our Construction Project Management (sometimes known as 'Capital') programme. The forecast CPM spend for 2016/17 is £60 million and typically funds a range of projects from new roofs and boilers to refurbishments and new-builds.

**Appendix 4 – Responses to questions arising further to New Devon CCG and NHSPS attendance at a briefing session for members held on 20 June 2016**

**1. Please explain the role of NHS Improvement or send an explanation of the NHS landscape.**

The creation of NHS Improvement was announced in July 2015 by the Secretary of State for Health. Further information can be found here: <https://improvement.nhs.uk/>

A useful guide to the NHS landscape was produced by the King's Fund in 2013. It can be viewed, along with supplementary notes regarding changes since the animation was published on this page: <http://www.kingsfund.org.uk/projects/nhs-65/alternative-guide-new-nhs-england>

**2. Request that the NHS looks at possibility of providing accommodation for nursing/medical students.**

NEW Devon CCG and NHS Property Services will consider any options available for providing this type of accommodation as part of the CCG's evolving Strategic Estates Plan.

**3. What will the market rents be for the hospitals?**

As stated at the briefing, the estimated rental value for all 12 hospitals is approximately £3.1million. This is based on 100% occupation at market rent.

**4. What is the market rent for each hospital?**

Market rent values for the individual hospitals are commercial in confidence while lease negotiations are ongoing.

**5. Re: Supplementary information in response to a general discussion and concerns about distribution of nationally pooled funds for improvement projects by NHS PS.**

Certain works, typically small-scale projects to keep our buildings statutorily and lease compliant and in a good state of repair, are carried out by NHS Property Services in line with our obligations as a landlord. Larger schemes, typically major multi-million pound projects, such as new buildings, extensions and major refurbishments, are requested by our customers. Up-front funding is normally provided by NHS Property Services, but in some cases we work with third-party development partners. These capital projects are led by commissioners and, if approved, delivered by NHS Property Services.

**6. Can you provide case studies of the spending of the proceeds of market rent?**

Market rent was only introduced in the 2016/17 financial year and as such we would be happy to provide examples of where it has provided funds for the renewal of the estate when they become available. In the interim, members may be interested to know that NHS Property Services has recently completed a £4.2million refurbishment of two wards at the Glenbourne Unit in Plymouth.

**7. Do you have a national figure for how much money you have spent/are spending to maintain your hospitals nationally/how much are you spending on maintenance?**

In 2015/16 NHS Property Services spent approximately £25million on repairs and maintenance across its portfolio. NHS Property Services also invested £55.4 million through its capital programme in 2015/16 to improve the property portfolio. Of this, £21.1 million related to new or refurbished buildings requested by customers within the NHS, and £34.3 million related to ensuring the estate managed by NHS Property Services is safe, warm, secure, and operates efficiently.