



MANAGING THE ESTATE OF THE NATIONAL HEALTH SERVICE IN WALES

Report by the National Audit Office Wales
on behalf of the Auditor General for Wales



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EXECUTIVE SUMMARY

- 1 The estate assets of the National Health Service in Wales (NHS Wales) exist to support the provision of health care services in Wales. The hospitals, health centres and clinics of the NHS Wales are used by nearly 90,000 people a week, provide some 15,000 beds for patients and are the working environment for its 55,000 directly employed staff. The NHS Wales estate occupies land of more than 1,000 hectares and comprises an estimated 900 properties. These include some 130 hospitals, over 350 health centres and clinics, 90 ambulance stations, and various administrative and support facilities.
- 2 The total existing use value of the estate held by trusts and health authorities totals some £1.2 billion. Some 90 per cent of this by value (£1.1 billion) is held by NHS trusts, the other ten per cent (£120 million) is held by health authorities. Nearly all of the health authority estate is property assessed as having no long term health care use (termed residual estate) and is managed by health authorities on behalf of the National Assembly for Wales (the Assembly). The cost to replace the entire NHS Wales estate with modern premises is estimated by Welsh Health Estates to be around £4 billion.
- 3 The effective and efficient management of the NHS Wales estate is essential for the delivery of quality health care services by health care professionals to the people that need them. The examination by the National Audit Office Wales sought to establish how well the NHS Wales was managing the estate assets, owned and occupied by NHS trusts and health authorities in Wales. This comprises buildings and land used for general hospital, specialist hospital and community care services. We did not look at the management of primary care estate assets held by general practitioners. We focused on:
 - ▶ reviewing estate management strategy and organisational arrangements, at Assembly, health authority and NHS trust level (Part 2); and
 - ▶ assessing estate management information and estate management performance (Part 3).

This report is the first of two examinations focusing on the NHS Wales estate. The second report will cover estate renewal, rationalisation and the disposal of surplus property.

Summary of findings and recommendations

Strategic management of the estate

- 4 A strategic approach to the management of the NHS estate in Wales is key to ensuring that decisions about the current use and future development of healthcare properties are soundly based. In the absence of a sufficiently robust strategic framework, there is a risk that estate management and development decisions are taken in an uncoordinated fashion. This in turn creates a risk that financial investment in maintaining and upgrading the estate may be misdirected. Welsh Office and Assembly guidance in recent years, drawing on good estate management practice produced by the NHS Executive in England, has consistently emphasised the need for NHS bodies who hold and manage property to develop and maintain robust estate strategies.
- 5 In our examination of the development of strategies by the Assembly and NHS trusts in Wales we found that:
 - ▶ The Assembly's NHS Directorate recognises the need for all NHS property holding bodies to have robust estates strategies and is taking steps to encourage this through its estate management policy for the NHS Wales, its estate strategy action plan, production and distribution of estate guidance, and related training.

- ▶ There has been no overarching estates strategy for the NHS Wales as a whole, setting out the various Wales wide aims, objectives, budgets and targets relating to the management of the estate. However, the NHS Directorate is seeking to address this omission through the preparation of a national estate development plan, which is due to be completed in March 2002.
 - ▶ There is scope for improvement in the timeliness of Assembly guidance on estate strategy and related matters issued to NHS Wales property holding bodies. Nearly all the estate management guidance promulgated in Wales is NHS wide guidance, or based on NHS UK-wide guidance, issued under cover of Welsh Health Circulars or Welsh Health Estates Letters. However, there is a significant time delay in the issuing of this guidance from the Assembly, with or without modification, causing confusion amongst NHS trusts in Wales as to what is applicable.
 - ▶ Actions by NHS trusts and health authorities in Wales to develop estates strategies have been patchy and tardy. To date only five of the 15 trusts have produced approved estate strategies. The Assembly issued a target of December 2001 for all NHS trusts to produce an estate strategy.
 - ▶ There is room for improvement in the quality of estate strategies: the emerging strategies so far produced and reviewed by National Audit Office Wales had significant shortcomings. Welsh Health Estates has recently provided training for trusts on completing their strategies.
- 6 We recommend that:
- i the Assembly's NHS Directorate expedite the production of a high-level strategy document for the NHS Wales estate as a whole. This overarching estate strategy document should include appropriate strategic targets, corporate priorities, capital and revenue expenditure projections, and key estate performance standards and benchmarks; and
 - ii the NHS Directorate assess the relevance of the generic good practice estate management guidance available and produce clear and definitive advice about its applicability in the context of administrative arrangements in Wales.

Estate management organisation and staffing

- 7 Assembly and NHS wide guidance emphasises the need for property holding bodies to designate clearly accountabilities and responsibilities for estate management within their organisations and to ensure that staff managing the estate are suitably qualified to carry out their responsibilities. The National Audit Office Wales sought to establish how well the organisation and staffing of estate management functions in the NHS Directorate, health authorities and NHS trusts in Wales enabled them to carry out their respective estate management responsibilities. We found that:
- ▶ NHS estate management has had a relatively low corporate profile within the Assembly's NHS Directorate despite the existing use value of the estate (£1.2 billion), the level of annual spending on the estate (over £300 million), and the technical and specialised nature of the property assets themselves. A review of the organisation of the NHS Directorate is underway and will be addressing this issue.
 - ▶ Welsh Health Estates is the central nucleus of professional NHS estate management expertise in the NHS Wales. Since its formation in 1996 its services have developed in response to client demand from both the NHS Directorate and NHS trusts and health authorities, rather than as part of a clear direction from the NHS Directorate about its main priorities. Even though the services offered by Welsh Health Estates are free to NHS property holding bodies, some are choosing to use the private sector instead.

- ▶ NHS trusts have developed widely differing approaches and structures for organising and staffing their estate management functions. The number of professional and technical staff employed at the trusts reduced during the 1990s as trusts sought to make financial savings as part of the drive to ensure they achieved break even and, in some cases, undergo financial recovery. The NHS Wales recognises that there are problems relating to the progressively older age profile of estate management staff, losses of staff and expertise, and the difficulties of recruiting suitably qualified new and younger personnel.
- ▶ Designated responsibility for the long term planning of the estate was held by a board level executive director at nine of the 15 trusts. At the other six trusts, an estates director or manager was responsible for long term planning of the estate, reporting directly to the chief executive or other board member.

8 We recommend that:

- i the NHS Directorate review the role, responsibilities and status of Welsh Health Estates, before the expiry of the current service agreement in March 2004, to determine the objectives and priorities for Welsh Health Estates;
- ii chief executives of NHS trusts in Wales ensure that they have access to suitably qualified estate professionals to advise on matters affecting the management and development of the estate under their control;
- iii staff with day to day operational responsibility for running and maintaining the estate receive appropriate professional and technical training and instruction, and that the performance of estates personnel in meeting their responsibilities is periodically evaluated.

Information systems for assessing estate management performance

- 9 The prime characteristics of a sound performance management system are the setting of performance targets and the measuring and reporting of performance against them. Individual NHS trusts and health authorities in Wales adopted different approaches to and systems for collecting and maintaining estate related information within their own organisations. The Assembly is developing a performance management system for estates for the NHS Wales that will be implemented in April 2002. We found that:
 - ▶ The NHS Directorate plans to develop a range of strategic targets for the management of the NHS Wales estate but has not yet done so. The lack of strategic targets for the NHS Wales estate other than those currently specified in the Assembly's strategic plan and NHS plan is a significant weakness in the current framework for managing the performance of the NHS Wales.
 - ▶ There is scope for improving the current system of estate performance reporting to the Assembly, particularly concerning the timeliness, range and quality of information gathered. The NHS Directorate expects the new performance management framework for the NHS Wales estate, to be implemented from 2002, to address many of the issues raised in this section of the report.
 - ▶ The reporting of estate management performance within NHS Wales trusts and health authorities varies in range and quality. Performance appraisal is largely a matter of local preference and inclination and performance reporting to board level is not a matter of routine or accorded an appropriately high profile.
 - ▶ Although there is some use of benchmarking by NHS trusts in Wales there is little consistency in the approaches adopted by different trusts, making wider performance comparisons difficult.

10 We recommend that:

- i trust chief executives accept personal responsibility for ensuring that trusts' data returns are complete, accurate, up-to-date and submitted on time, and sign off the returns to that effect, to reinforce ownership and accountability;
- ii estate performance reporting by NHS trusts in Wales to the NHS Directorate be expanded to include the key areas of functional suitability and space utilisation;
- iii Welsh Health Estates establish the necessary links with the appropriate bodies in Scotland and Northern Ireland to provide NHS trusts in Wales with comparative data to complement that already available regarding NHS trusts in England;
- iv NHS Wales property holding bodies consider adopting an integrated suite of mandatory key performance indicators and measures of estate management performance; and
- v the key outputs from the various estate management information systems should be standardised as far as possible, both within NHS trusts and for the transmission of data from trusts to Welsh Health Estates and to the NHS Directorate, to ensure consistency.

The performance of the NHS estate in Wales

- 11 The NHS Wales owns nearly all the estate it occupies and, for operational reasons, some trusts occupy, own and lease properties beyond their simple territorial boundaries. The administrative effort and costs associated with internal, inter-trust regulation of property occupancy on multi-ownership sites seems to us an unnecessary burden. External landlord and tenant relationships also need to be managed more actively. Trusts did not generally hold up-to-date or consistent assessments of the market value of individual properties within their estate. It is important that property owning bodies know the open market value of their estate in order to take sound decisions about estate management and development.
- 12 In the absence of comprehensive, centrally held information on key aspects of the performance of the NHS Wales estate, the National Audit Office Wales obtained this information through a questionnaire to all NHS trusts and health authorities in Wales which was completed by all. This generated information across the NHS in Wales in the key areas of statutory condition, physical condition, functional suitability, estate utilisation, and energy performance. The key findings in each area are as follows:
- ▶ **Statutory condition.** The condition of the estate as regards meeting statutory requirements is poor. Only half the estate held by NHS trusts in Wales reported fully meeting statutory health and safety, including fire safety, requirements at the time of our questionnaire. Furthermore, part or all of the estate at five trusts had not been surveyed for more than three years. Despite ongoing work on health and safety surveys, including fire safety survey work with Welsh Health Estates, NHS trusts have much still to do to achieve statutory compliance.
 - ▶ **Physical condition.** Surveys undertaken by NHS trusts on the physical condition of their estate indicate that considerable work needs to be done to meet the Assembly's target for 90 per cent of the active estate to be sound, operationally safe and exhibiting only minor deterioration by 2002-03. Overall, less than half the estate held by trusts was in this condition.
 - ▶ **Functional suitability.** NHS trusts assessed only half of their estate as fully or reasonably fit for purpose, and about a fifth of trusts' estate was below acceptable standard regarding fitness for purpose.

Overall conclusions

- 15 The management of the NHS estate in Wales is spread over many bodies. There is a lack of an overarching Wales-wide estate strategy, patchy development of local estate strategies at trust and health authority level and incomplete estate management guidance. Professional estate management personnel are thinly spread around the various health bodies. Furthermore, the role of Welsh Health Estates, the in-house body responsible for providing professional estate management and technical support services to NHS Wales property holding bodies and to the NHS Directorate, needs review and clarification.
- 16 The NHS Directorate has insufficient management information about the NHS Wales estate on which to base its strategy and spending priorities. Whilst trusts do provide some information annually to Welsh Health Estates, this information is relatively limited, not verified and survey work is not updated on a systematic basis. The condition of the estate gives cause for concern especially as statutory requirements are not being met in full at all trusts. The utilisation of the estate is also a matter of concern, with trusts' survey work to date indicating significant under-utilisation and thus potential scope for rationalisation and cost savings. The overall energy management performance of the estate has fallen short of national targets, and this matter will become more significant with the onset of the climate control levy.
- 17 National Audit Office Wales recognises that the NHS Directorate is in the process of developing a new strategic approach, reviewing the role of Welsh Health Estates and setting targets for the production of strategies by NHS trusts. We also recognise the important work done by staff within the sector to address recognised weaknesses. We particularly support the NHS Directorate and the NHS Wales in their development and implementation of new estate performance management arrangements, to be brought in from April 2002.

PART I: Introduction

The NHS Wales estate - background

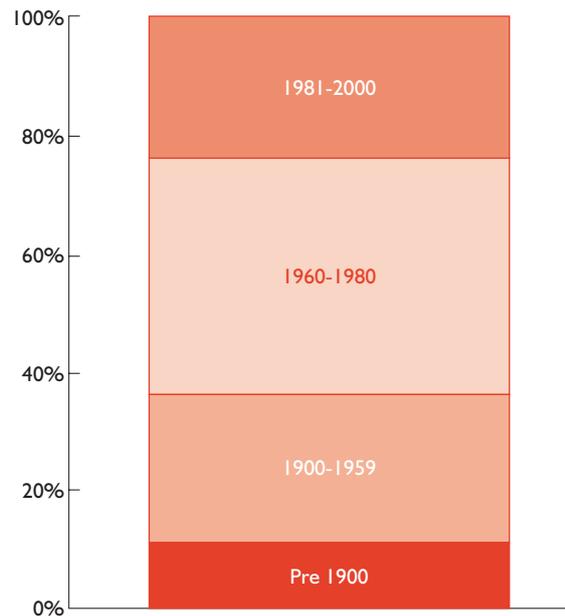
- 1.1 The estate assets of the National Health Service in Wales (NHS Wales) exist to support the provision of health care services in Wales. The hospitals, health centres and clinics of the NHS Wales are used by nearly 90,000 people a week, provide some 15,000 beds for patients and are the working environment for its 55,000 directly employed staff. The effective and efficient management of the NHS Wales estate is essential for the delivery of quality health care services by health care professionals to the people that need them.
- 1.2 The NHS Wales estate occupies land of more than 1,000 hectares and comprises an estimated 900 properties. These include some 130 hospitals, over 350 health centres and clinics, 90 ambulance stations, and various administrative and support facilities, including over 80 houses. The total building floor area of this estate is just under 2 million square metres. About 80 per cent of this is in acute and non-acute hospitals with the remaining 20 per cent in health centres and clinics, ambulance stations and staff housing. The built estate of the NHS Wales is about one tenth the size of that in England and about half the size of that in Scotland. In the last decade, the number of health sites in Wales has reduced by a quarter, including the disposal of over 40 hospitals and nearly 50 health centres and clinics, mainly in response to developments in the provision of health care services.
- 1.3 The estate assets of NHS trusts in Wales are mainly used for providing secondary (general hospital), tertiary (specialist hospital) and community care services. Practice partners rather than the NHS Wales own much of the estate used in primary care (local General Practice surgeries). The estimated existing use value of the NHS Wales estate is some £1.2 billion, equivalent to ten times the property value of the Millennium Stadium. Since 1990-91 the former Welsh Office and the National Assembly for Wales (the Assembly) have provided between £70 million and £130 million a year for spending on capital investment in the estate. In addition, NHS trusts and health authorities currently spend over £250 million a year to operate and maintain their estate. NHS trusts and health authorities in Wales also estimate that at least a further £320 million needs to be spent to bring their property assets fully up to operationally safe and sound condition.

- 1.4 Key characteristics of the estate assets held by NHS trusts and health authorities in Wales are:

- ▶ some 95 per cent of properties are owned or occupied by the 15 NHS trusts in Wales, the remainder being owned or occupied by the health authorities or by the Assembly;
- ▶ there are a large number of relatively small hospitals, with only three of the 30 acute hospitals in Wales having more than 600 beds (including University Hospital Wales, Cardiff with over a thousand) and nearly half having fewer than 200 beds, while community hospitals may have as few as eight beds;
- ▶ more than three quarters of the built estate is more than 20 years old while one in ten properties was built before 1900 (**Figure 1**).

Figure 1

The age of the NHS estate in Wales



Source: NAO Wales questionnaire

1.5 Over the last decade the NHS Wales estate has been managed in the context of broader administrative changes and developments in the United Kingdom. These have included:

- ▶ the initial formation of self-governing NHS trusts over the period 1991 to 1996, following the NHS and Community Care Act 1990, which led, among other things, to
 - the transfer of ownership of active and operational property assets (i.e. those with a long term health service use) to trusts on formation,
 - the requirement for trusts to earn a six per cent return on relevant assets, mainly land and buildings, and
 - the levying of capital charges for the use of the estate, to increase awareness of the cost of owning assets and to act as an incentive for disposing of surplus property assets;
- ▶ the abolition of separate district health authorities and family health service authorities under the Health Authorities Act 1995, their replacement with multi-purpose health authorities and the placing of responsibility onto these health authorities for managing that part of the NHS Wales estate not transferred to trusts (known as the residual estate);
- ▶ the reconfiguration of NHS trusts in Wales in the late 1990s, involving a series of mergers that resulted by April 2000 in the formation of a total of 15 trusts comprising 13 combined acute and community trusts, one specialist trust and one ambulance services trust, and led to some property changing hands three times in seven years;

▶ the most recent set of NHS reforms, following the 1998 White Paper Putting Patients First and the Health Act 1999, which included

- the abolition of both the internal market within the NHS and of General Practitioner fund holding,
- the establishment of the new Commission for Health Improvement across the NHS in England and Wales, to promote good practice and high quality care, and
- the introduction of Health Improvement Programmes, drawn up by health authorities in partnership with NHS trusts, local authorities and local health groups, as new mechanisms for determining health care requirements in each health authority area and as the strategic context for the development of NHS trust estates in those areas.

The Assembly's policy and objectives for the NHS Wales estate

1.6 The former Welsh Office set up the NHS Wales Corporate Strategy Project in May 1998 to conduct an all-Wales service review. The purpose of the review was to assist the NHS Wales to develop a clearer sense of long term direction and ensure its long term sustainability. This resulted in the NHS Wales plan *Improving Health in Wales* that was endorsed by the Assembly in March 2001. The development of the plan was informed by and is driving the development of specific strategies for health care services in Wales (Figure 2). These service development initiatives all have potential implications for the future nature, size and location of healthcare premises and facilities in Wales. Specifically concerning the estate, the NHS Wales plan states that the people of Wales, and the

Figure 2

Major ongoing health care strategy initiatives

Acute services strategy. The Acute Services Development Group was established in May 1999 as part of the NHS Wales Corporate Strategy Project in response to concerns about the future of acute general hospital services in Wales. In its report *Access and Excellence* (June 2000) the group made a number of recommendations about the way these services should be delivered in future and about the need for increased capital investment in the estate.

Primary care strategy. The development of a Primary Care Strategy for the NHS Wales arose from the work of the Acute Services Development Group. It is addressing the scope and development of primary care in Wales (i.e. the health care services provided mainly by General Practitioners), including the role of the 22 local health groups in Wales. A consultative document was published by the group in July 2001.

Adult mental health strategy. The development of a new Adult Mental Health Strategy for Wales to replace the All Wales Mental Illness Strategy, written in 1989 when most mental health care was delivered in large institutions. The strategy was published in September 2001 following consultation.

Source: National Assembly for Wales

health professionals who care for them, have the right to expect health care to be delivered in a modern, well-maintained environment.

1.7 Since the Assembly took over the administration of the NHS Wales, the Assembly's NHS Directorate has developed a new strategic approach to the management of the NHS Wales estate. In 1999, it established an Estate Strategy Steering Group to review the management of the NHS Wales estate. Under the umbrella of this steering group, the NHS Directorate established specific review teams to consider the development of estate strategies, estate performance management and the arrangements for property disposal. The work of these review teams is ongoing. In May 2001, as part of the implementation of the NHS Wales Plan, the NHS Directorate established a finance and assets task and finish group that has taken on responsibility for overseeing the completion of the reviews of the NHS Wales estate.

1.8 In August 2000, following consultation with health authority and trust chief executives, the NHS Directorate issued a circular *Estate Management Policy for NHS Wales* to NHS trusts and health authorities in Wales. This advised them of the Assembly's estate management policy and the actions required of them to put this policy into action. The Assembly's estate management policy aims to ensure:

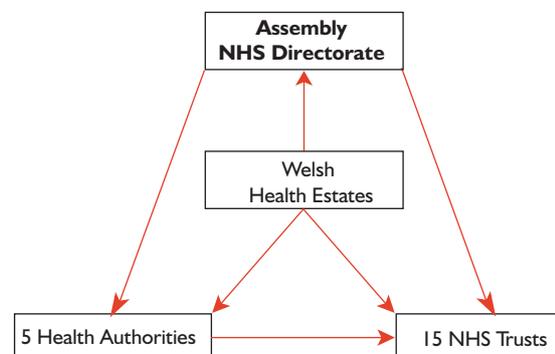
- ▶ the NHS Wales estate is defined by the needs of the people of Wales for health and health care services;
- ▶ the provision of a health estate that meets service needs, is fully utilised, fit for purpose and complies with all legal and statutory requirements; and
- ▶ that capital investment is strategically sound and properly directed to meet service needs.

NHS Wales estate management responsibilities and accountabilities

1.9 Since 1 July 1999, the Assembly has been responsible for the administration of the NHS in Wales. The Assembly currently exercises this function through the five health authorities in Wales, which are responsible for commissioning health services for their resident populations, and through the 15 NHS trusts in Wales which provide those health services. The main health services directly provided by the trusts are acute and community medical care, including hospital in-patient and out-patient services, specialist medical services and ambulance services but excluding primary care services provided at General Practitioners'

Figure 3

Relationships between Welsh health bodies responsible for the NHS estate in Wales



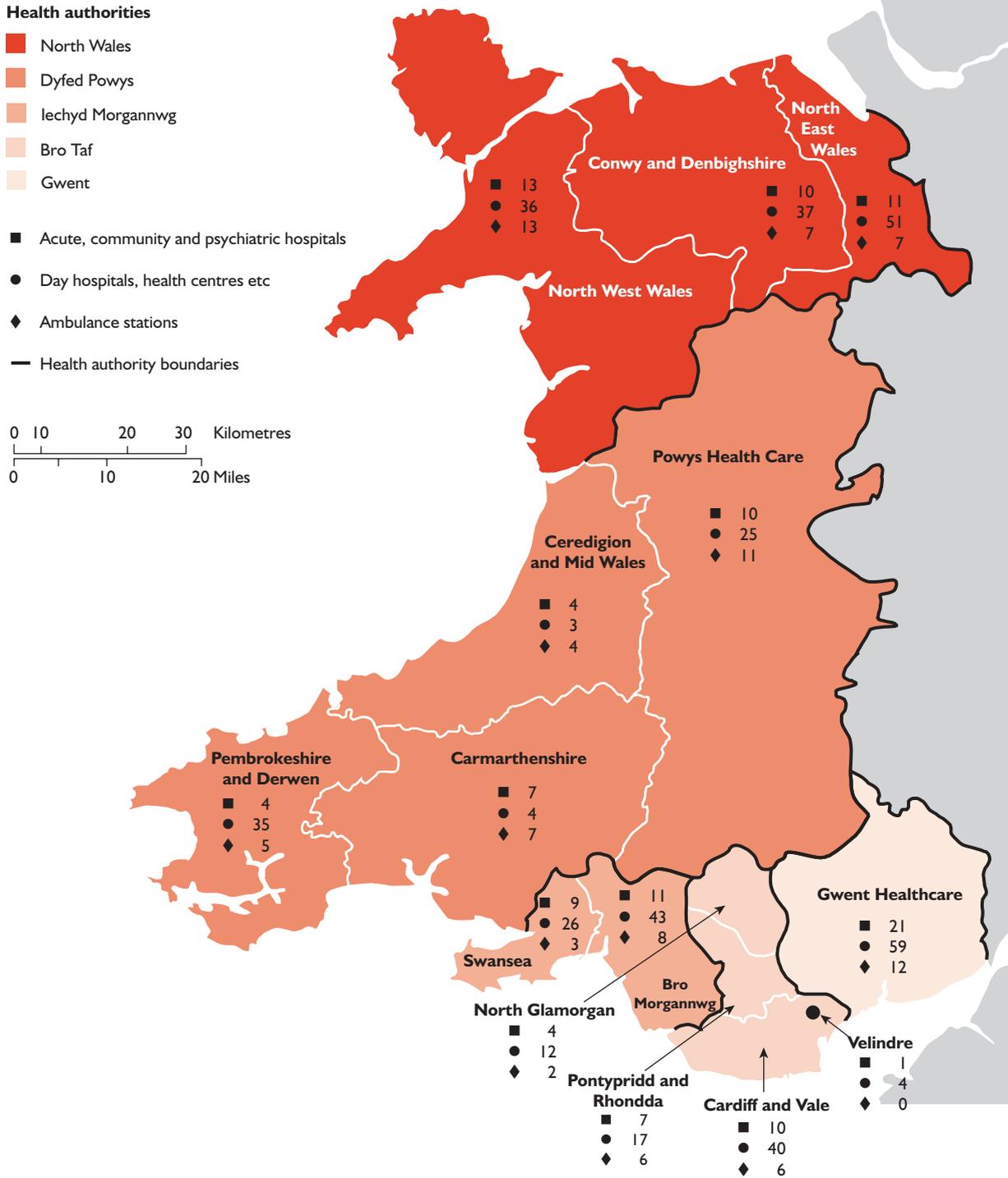
Source: National Audit Office Wales

surgeries. The following summary of estate management responsibilities and accountabilities is shown diagrammatically in **Figure 3**.

- ▶ **The Assembly's NHS Directorate** is responsible for the efficient, effective and economical use of all the resources of the NHS Wales, including the estate. It has overall responsibility for the development and management of the NHS Wales estate. The chief executives of health authorities and NHS trusts in Wales are directly accountable to the Assembly's NHS Director for the stewardship of public money and assets under their control.
- ▶ **Health authorities** in Wales are responsible for assessing the health care needs of the population in their areas, deciding on the location of health care services and developing health improvement programmes to plan and prioritise health services for their areas. This may bring about service changes leading to property being declared surplus to requirements. Health authorities are responsible for the efficient, effective and economical management of estate resources and assets under their control, mainly estate with no long term health care use.
- ▶ **NHS trusts** in Wales are responsible for the strategic management and the operational maintenance of estate assets under their control and ensuring the compliance of this estate with relevant statutory requirements. They are responsible for the efficient, effective and economical management of their estate resources and assets, primarily acute and community hospitals with essential and long term use.

Figure 4

NHS trusts in Wales



Note: 1. The Welsh Ambulance Services NHS Trust, based in North Wales, provides ambulance services for the whole of Wales.

Source: Welsh Health Estates

PART 2: Estate strategy and management organisation

- 2.1 A strategic approach to the management of the NHS estate in Wales is key to ensuring that decisions about the current use and future development of healthcare properties are soundly based. In the absence of a sufficiently robust strategic framework, there is a risk that estate management and development decisions are taken in an uncoordinated fashion. This in turn creates a risk that financial investment in improving and upgrading the estate may be misdirected and that the organisational and staffing arrangements for managing the estate may not be as effective and efficient as they could be.
- 2.2 This part of the report reviews:
- ▶ progress with the development and implementation of estate strategies for the NHS Wales; and
 - ▶ the organisation and staffing of estate management functions to enable the NHS Wales to deliver strategic objectives.

The development and implementation of estate strategies for the NHS Wales

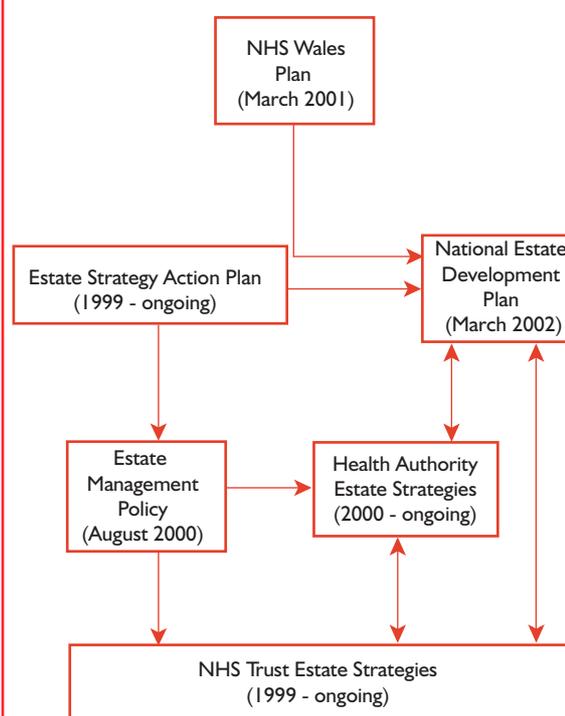
- 2.3 Welsh Office and Assembly guidance in recent years, drawing on good estate management practice produced by the NHS Executive in England, has consistently emphasised the need for NHS bodies who hold and manage property to develop and maintain robust estate strategies. In addition, the Assembly's estate management policy for the NHS Wales requires each NHS Wales property holding body to have an appropriate estate strategy that reflects the Assembly's policy aims, is achievable, affordable and demonstrates value for money.
- 2.4 Health care service needs are the driving force behind the development of estate strategies by NHS Wales property holding bodies. The main purpose of an estate strategy is to provide bodies that hold property with a sound framework within which to manage the use of their property assets, to plan for future capital investment to modernise their estate, and to respond quickly and flexibly to change. A robust strategic framework for the NHS Wales estate is essential to ensure that health care premises and facilities are of acceptable quality, appropriately located and in the right condition to support the delivery of health care services, and that appropriate resources are directed to estate management.

Progress with the development and implementation of the Assembly's estate management policy and strategy for the NHS Wales

- 2.5 In August 2000, the NHS Directorate issued the Assembly's estate management policy for the NHS Wales, which also advised NHS trusts and health authorities of the actions required of them to implement this policy (see paragraph 1.8). In addition, the NHS Directorate, in consultation with property holding bodies in the NHS Wales, has prepared an estate strategy action plan to guide implementation of the Assembly's estate management policy. The links between these overall policy and guidance documents and local NHS trust and health authority strategies is shown in **Figure 5**.

Figure 5

Key documents governing the management and development of the NHS Wales Estate



Source: National Audit Office Wales

2.6 We reviewed the NHS Directorate's estate strategy action plan and found that:

- ▶ the action plan is sound in approach in that it covers the key aspects of estate management (e.g. the development of estate strategies, estate management information systems and systems of performance management), it prioritises identified actions, and it specifies target dates and outputs required for these items;
- ▶ the planning and implementation of specific actions itemised in the plan has taken longer than initially scheduled, with indicative target dates being progressively revised (see **Figure 6** for examples), reflecting the fact that the action plan is a live document.

2.7 The Assembly has developed and published, in a number of sources, various Wales-wide aims, objectives, budgets and targets relating to the management of the NHS Wales estate. However, the Assembly's NHS Directorate does not have a single overarching estate strategy document for the NHS Wales, to complement its estate management policy and to provide consolidated 'top down' direction to inform the 'bottom up' development of estate strategies by NHS trusts and health authorities. Models for such a document are the strategies for information management and technology, *Better Information - Better Health*, produced by the former Welsh Office and published in March 1999 and the Assembly's NHS Human Resources Strategy published in November 2000.

Figure 6

Progress with selected action plan items

Review of property disposal strategy (priority 1 action) This is a review of the current arrangements, guidance and incentives for the identification, management and disposal of surplus properties in the NHS Wales estate. Originally scheduled for completion in September 2000, the review team produced a draft report in January 2001 and a revised report in June 2001, reflecting the comments of the Estate Strategy Steering Group. The report's recommendations were approved by Assembly ministers in October 2001.

Performance management system (priority 2 action) This is the development of a performance management system for the NHS Wales estate, based on a model developed in England by NHS Estates and drawing on existing and new performance indicators. Performance management reviews for property holding bodies in NHS Wales were originally scheduled for the end of 2000-01 but it is now intended that these will be established during 2001-02. The Estate Strategy Steering Group's performance management and review task team produced a report on the introduction of a performance management system for the NHS Wales estate in April 2001. The report's recommendations were approved by Assembly ministers in August 2001.

Property resource map (priority 3 action) This is the development of a resource map for NHS Wales property assets (including those owned by partner organisations with relevance for health and social care) to provide a comprehensive and up to date record of the NHS Wales estate and that of its service partners. Originally scheduled for completion in October 2000, a brief for the exercise was still being developed by the NHS Directorate in July 2001 for consultation with local authorities, voluntary organisations and other service partners.

Note: Priority 1 is high, priority 3 is low. The most recent draft action plan contains four priority 1, two priority 2 and three priority 3 actions.

Source: *NHS Wales Estate Strategy Action Plan*.

2.8 The NHS Directorate has commissioned Welsh Health Estates to carry out preparatory work on a high level estate strategy. The NHS Directorate intends to produce a draft national estate development plan for the NHS Wales by the end of March 2002.

Guidance on the development of estate strategies available to NHS trusts and health authorities in Wales

2.9 A key responsibility of the Assembly NHS Directorate is providing guidance on estate management and related matters for property holding bodies in the NHS Wales. Welsh Health Estates supports the NHS Directorate in this. Nearly all the estate management guidance promulgated in Wales is NHS wide guidance, or based on NHS wide guidance, issued under cover of Welsh Health Circulars or Welsh Health Estates Letters. **Figure 7** sets out key estate management guidance available to NHS trusts and health authorities in Wales.

2.10 Since the Assembly took on responsibility for the administration of the NHS Wales, there has been divergence in certain administrative arrangements between the NHS in England and in Wales. For example, primary care trusts exist in England but not in Wales and health authorities are being abolished in Wales but not in England. Consequently the NHS Directorate now needs to do more than in the past to ensure that the estate management guidance it issues to trusts and health authorities in Wales is appropriate to the administrative arrangements in Wales. In general, estate management guidance of a technical, operational or professional nature, including managerial good practice, tends to be universally relevant, whereas estate policy guidance tends to be specific to Wales.

2.11 The National Audit Office Wales reviewed estate strategy guidance issued in Wales. We also examined estate managers' awareness and use of this guidance at trust and health authority level on our visits to these bodies. We found that:

Figure 7

Key estate management guidance for NHS Wales property holding bodies

Estatecode:

Volume 1 (1993) - NHS wide guidance covering strategic asset management, estate investment planning, analysis of estate performance and asset maintenance.

Volume 2 (1994) - NHS wide guidance covering property transactions and including mandatory requirements and general principles to be followed, key processes to ensure accountability and value for money, risk assessment and use of private sector services.

Note: The Estatecode was first issued to and adopted by NHS property holding bodies in 1989, when it replaced the NHS Handbook on Land Transactions (1977). Volume 2 of the Estatecode was updated in July 2000 for England, but is not formally applicable to the health departments in Wales, Scotland or Northern Ireland. The Estatecode is being comprehensively updated and amended for re-issue by the NHS Executive, England, later in 2001.

Capital Investment Manual:

Issued in 1994, this NHS wide guidance provides guidance on project organisation, private finance, business cases, management of construction projects, commissioning health care facilities, information management and technology and post project evaluation.

Other technical guidance:

The NHS Directorate issues to NHS Wales property holding bodies a wide range of guidance on operational and technical matters of estate management, including:

- Hospital Technical Memoranda - guidance on the design, installation and running of specialised building components and building service systems;
- Hospital Building Notes - advice for project teams procuring new buildings and adapting or extending existing buildings;
- Concode - policy on contract procedures and methods of selecting contracts and commissioning consultants;
- Encode - planning and implementing energy efficiency in buildings;
- Firecode - policy, technical guidance and specialist aspects of fire precautions.

Source: National Assembly for Wales

- ▶ an exemplar estate strategy document was issued to NHS trusts in England by the NHS Executive in January 1996, but the document was not formally issued in Wales until April 1997, fifteen months later;
- ▶ a subsequent document on developing an estate strategy was issued to NHS trusts in England by the NHS Executive in December 1999, but the document was not formally issued to NHS trusts in Wales until March 2001, without modification and fifteen months later, after considerable debate about whether or not to adapt the publication to make it Wales-specific;
- ▶ on our visits to trusts, estate management staff varied in their awareness of what guidance on estate strategies was currently authoritative and applicable in Wales and in their use of the available guidance for developing their estate strategies;

- ▶ the estate strategy guidance was not issued to health authorities in Wales for action by them, and on our visits to health authorities staff with estate management functions were either unaware of the guidance or considered it irrelevant to their authorities' property holding responsibilities.

Action undertaken by NHS trusts and health authorities in Wales to develop local estate strategies

2.12 The National Audit Office Wales examined progress by trusts and health authorities with the development of estate strategies for their localities. We did this through our questionnaire survey of all NHS Wales trusts and health authorities, through our visits to selected bodies, and by monitoring progress with the development of estate strategies up to September 2001 (Figure 8). We found that:

Figure 8

Progress by trusts and health authorities with preparing estate strategies: status at September 2001

	Strategy status Developing	Final	Date strategy produced
Health authority			
Bro Taf	✓		
Dyfed Powys			
Gwent			
Iechyd Morgannwg	✓		
North Wales	✓		
Trust			
Bro Morgannwg	✓	✓	June 2000
Cardiff and Vale	✓		
Carmarthenshire	✓		
Ceredigion and Mid Wales	✓		
Conwy and Denbighshire	✓	✓	June 2000
Gwent Healthcare	✓	✓	2001
North East Wales	✓		
North Glamorgan	✓	✓	December 1999
North West Wales	✓		
Pembrokeshire and Derwen			
Pontypridd and Rhondda	✓		
Powys Health Care			
Swansea	✓		
Velindre			
Welsh Ambulance Services	✓	✓	October 2000

Source: National Audit Office Wales and National Assembly for Wales

- ▶ individual trusts had various estate-related plans inherited from pre-reconfiguration days and were at different stages of integrating, updating and adapting these to develop coherent estate strategies for their post-reconfiguration situations in accordance with Assembly requirements;
- ▶ to help trusts develop their estate strategies, Welsh Health Estates commissioned a series of training workshops for relevant estate managers which took place during May and June 2001;
- ▶ against a target date in the NHS Plan for each NHS trust in Wales to have an estate strategy in place by December 2001, at September 2001 five of the fifteen trusts had produced estate strategies within the past three years (Bro Morgannwg, Conwy and Denbighshire, Gwent Healthcare, North Glamorgan, and Welsh Ambulance Services) while the rest were at various stages of developing them;
- ▶ while health authorities in Wales were not required to meet a specific target date for producing estate strategies, at September 2001 two of the five health authorities (Iechyd Morgannwg and North Wales) reported to us that they were developing estate strategies appropriate to their property holding arrangements, while a third (Bro Taf) had carried out a high level estate review in late 2000.

2.13 During our visits to trusts we were told that the stresses of reconfiguration and the focus on financial recovery in recent years had been major factors inhibiting progress with the development of estate strategy matters. From our visits to health authorities we learned that few authorities actually saw a need to have estate strategies themselves, citing the relatively low value of their own property holdings in justification of this stance.

2.14 The National Audit Office Wales sought to assess the quality of estate strategies produced by NHS Wales trusts. We reviewed a sample of available strategies, in draft and final form, against a range of good practice criteria, specified in NHS wide guidance and the mandatory requirements set out in the Assembly's estate management policy document. We found that:

- ▶ links between estate developments and health care service strategies needed to be better articulated in the estate strategies;

- ▶ the affordability of planned estate development, to deal with maintenance burdens and to modernise the estate, needed to be more fully demonstrated, particularly with regard to projected revenue implications; and
- ▶ estate performance targets, indicators and comparative measures needed to be further developed in the estate strategies, particularly through the use of benchmarking.

KEY POINTS on the development and implementation of estate strategies

- ▶ The Assembly's NHS Directorate recognises the need for NHS property holding bodies to have robust estates strategies and is taking steps to develop this through its estate management policy for the NHS Wales, its estate strategy action plan, estate guidance and related training.
- ▶ There is no overarching estates strategy for the NHS Wales as a whole, which sets out the various Wales wide aims, objectives, budgets and targets relating to the management of the estate, although work is now being carried out on this and a national estate development plan is being developed.
- ▶ There is scope for improvement in the timeliness of Assembly guidance on estate strategy and related matters issued to NHS Wales property holding bodies.
- ▶ Actions by NHS trusts and health authorities in Wales to develop estates strategies have been patchy and tardy. At the end of September 2001, five of the fifteen trusts had produced estate strategies while others were developing them to meet a target of December 2001 for having them in place. Two of the five health authorities reported that they were developing estate strategies.
- ▶ There is room for improvement in the quality of estate strategies: the emerging strategies reviewed by National Audit Office Wales had significant shortcomings.

We recommend that:

- ▶ the Assembly's NHS Directorate expedite the production of a high-level strategy document for the NHS Wales estate as a whole. This overarching estate strategy document should include appropriate strategic targets, corporate priorities, capital and revenue expenditure projections, and key estate performance standards and benchmarks; and
- ▶ the NHS Directorate assess the relevance of the generic good practice estate management guidance available and produce clear and definitive advice about its applicability in the context of administrative arrangements in Wales.

Estate management organisation and staffing

2.15 Assembly and NHS wide guidance emphasises the need for property holding bodies to designate clearly accountabilities and responsibilities for estate management within their organisations and to ensure that staff managing the estate are suitably qualified to carry out their responsibilities. The NHS Wales has undergone considerable structural change in recent years and further restructuring is proposed for the future.

NHS Wales estate management and development functions within the Assembly

2.16 We reviewed the working of the estate management functions within the Assembly and found that:

- ▶ clear central responsibility for the management and development of the NHS Wales estate has remained relatively stable over the past five years, located in a dedicated estate management branch (currently termed the NHS Capital and Estates branch) staffed by people with estate management and capital programme management experience;
- ▶ within the NHS Directorate, the central corporate profile of NHS estate management is low in comparison with the central management of NHS information technology and of NHS human resources, which each have divisional status within the NHS Directorate and considerably more staff resources than the NHS Capital and Estates branch with a staff complement of seven;
- ▶ the NHS Capital and Estates branch has access to relevant in-house advice, information and support from elsewhere in the Directorate and the Assembly. It draws on both Welsh Health Estates and the Assembly's Estates Division for professional, technical and operational estate management advice and analysis to support its informed client role on NHS property issues within the NHS Directorate.

The role and responsibilities of Welsh Health Estates

2.17 Welsh Health Estates is responsible for providing the NHS Wales and the Assembly with a range of core professional and technical support services relating to the NHS Wales estate, covering estate management, building and engineering issues. It

carries out its services under a single agreement with the Assembly and is responsible to the Assembly's NHS Directorate for its performance under the agreement. The current service agreement between Welsh Health Estates and the Assembly is for the three year period ending 31 March 2004. The North Glamorgan NHS Trust administers Welsh Health Estates under a separate management agreement between the trust and the Assembly. Welsh Health Estates is funded by the Assembly which paid some £1.8 million for its services in 2000-01 and a further £90,000 in respect of external consultancy and legal services managed by Welsh Health Estates on behalf of the Assembly. Welsh Health Estates has some forty staff, about thirty of which are estate professionals, including architects, chartered engineers, chartered surveyors and other specialists.

2.18 We reviewed the role and responsibilities of Welsh Health Estates to ascertain what scope there might be for improving its delivery of services to the NHS Directorate and to the NHS Wales. In doing this we discussed the activities of Welsh Health Estates with officials within the NHS Directorate, with estate managers from NHS trusts (on our visits and in our focus group discussions) and with the Director of Welsh Health Estates. Our main findings and observations were that:

- ▶ since Welsh Health Estates was set up in 1996, it has provided a range of advisory and specialist services including land and property management, building procurement and building services and equipment engineering (excluding design or project management services which NHS Wales property holding bodies contract, if needed, from private sector firms). But it is neither intended nor able to be the sole, monopoly provider of all professional and technical estate management services for the NHS Wales;
- ▶ in recent years, the NHS Directorate had increasingly involved Welsh Health Estates in supporting ongoing Assembly-driven initiatives, for example in the work of the estate strategy, property disposal and performance management review teams;
- ▶ for its part, Welsh Health Estates wanted to move more in the direction of providing strategic, all-Wales professional and technical estate management services for the NHS Wales and the NHS Directorate, rather than day-to-day operational services for NHS trusts;

- ▶ nearly 80 per cent, by value, of the professional and technical services provided by Welsh Health Estates for 2000-01 were for the provision of Wales wide and Assembly support services and just over 20 per cent were for the provision of specific support services to NHS trusts, health authorities and local health groups in Wales;
- ▶ although cost free to NHS trusts and health authorities in Wales, in general the propensity for individual property holding bodies to use the services of Welsh Health Estates or to go elsewhere depended very much on individual bodies' past experiences of and personal preferences for Welsh Health Estates as a provider (see **Figure 9**);
- ▶ estate managers in NHS trusts looked to and were generally appreciative of the operational and technical services provided by Welsh Health Estates, but said they would use Welsh Health Estates more:
 - if it could respond more quickly to trusts' demands, particularly for urgent and ad hoc work;
 - if it was not working to two masters, i.e. the Assembly NHS Directorate and the NHS property holding bodies themselves, with the attendant risk of conflicts of interest.

Estate management organisation and staffing in trusts and health authorities in Wales

- 2.19 NHS trusts in Wales own or occupy nearly 95 per cent of the NHS Wales estate. Health authorities in Wales own or occupy much less property but have important strategic estate management roles and responsibilities. The National Audit Office Wales sought to establish how well the organisation and staffing of estate management functions in health authorities and NHS trusts in Wales enabled them to carry out their primary estate management responsibilities.
- 2.20 Our questionnaire survey of all NHS trusts and health authorities in Wales sought information about the organisation and staffing of their estate management functions. We also visited seven out of the 15 trusts and each health authority to interview staff with various estate management roles and functions at these bodies. We reviewed the extent to which each trust and health authority had designated a suitably qualified professional to manage their estate, with access to Board level, and the extent to which estate management responsibilities and accountabilities were well defined within these bodies. We found that:

Figure 9

Factors influencing the use of Welsh Health Estates by NHS trusts

We found that the propensity of NHS trusts in Wales to use Welsh Health Estates' services was influenced by factors such as:

- ▶ the extent to which individual estate managers and staff in NHS trusts were aware of the services available from Welsh Health Estates, which varied significantly;
- ▶ the range and nature of services available from Welsh Health Estates, in competition with the professional services available from either the Assembly Estates Division, NHS Estates in England, from other trusts or from the private sector;
- ▶ the speed with which Welsh Health Estates was able to respond to individual trusts' demands, both urgent and less immediate, as these tended to be in peaks and troughs, could arise at short notice and might have to be dealt with quickly to satisfy the trusts' boards or health and safety inspectors;
- ▶ the time it might take for Welsh Health Estates to schedule and complete particular tasks, given its resources and workload;
- ▶ Welsh Health Estates' dual role in relation to NHS trusts, acting both as policeman (e.g. with audit and inspection activities at NHS trusts in Wales and estate performance reporting to the NHS Directorate) and as professional advisor (e.g. with operational and technical support to NHS trusts), which confused trusts about the primary role of Welsh Health Estates and led to trusts being concerned about potential conflicts of interest and about being over-inspected;
- ▶ in north Wales, the perceived remoteness of Welsh Health Estates (based in Cardiff) in contrast with the perceived nearness of NHS Estates, England (based in Leeds) and of other professional estates contractors and NHS trusts in north west and north central England.

Source: National Audit Office

for NHS trusts

- ▶ NHS trusts in Wales have developed widely different approaches and structures for organising and staffing their estate management functions to meet their different property holding circumstances, varying from:
 - Cardiff and Vale NHS Trust, with nearly 40 staff, under three different directors (all full board members), involved to varying degrees in estate management matters, including a design office, to
 - Pembrokeshire and Derwen NHS Trust, with some 25 staff directly involved in estate management under the director of finance and where, at the time of our examination, the trust was exploring the possibilities of partnership arrangements with the neighbouring Carmarthenshire NHS Trust, and
 - Powys Health Care NHS Trust, which had contracted out the majority of its estate management functions to the local authority, retaining a small estate management unit, headed by an estate manager, to provide the trust with an intelligent customer and contractor management capability;
- ▶ an executive director responsible for the long term planning of the estate was a member of the trust board at seven trusts (Bro Morgannwg, Cardiff and Vale, Carmarthenshire, Conwy and Denbighshire, North Glamorgan, Pembrokeshire and Derwen, Velindre), while a sub-group of the board, made up of executive and non-executive directors, was responsible for long term estate planning at two trusts (Ceredigion and Mid Wales, North East Wales);
- ▶ an estates director or manager responsible for long term estate planning reported directly to the trust chief executive at five trusts (Gwent Healthcare, North West Wales, Pontypridd and Rhondda, Swansea, Welsh Ambulance Services), while an estate manager with long term planning responsibility reported to another member of the board at one trust (Powys Health Care);

- ▶ the staffing of estates functions in all the NHS trusts in Wales that we visited had been reduced during the 1990s as these trusts sought to make financial savings as part of the drive to ensure they achieved break even and, in some cases, financial recovery. This led to a reduction in the number of professional and technical staff employed at the trusts;
- ▶ the time and resources allocated to continuing professional development and training for staff engaged in estate management activities in the trusts we visited varied between trusts. Concerns were expressed about the progressively older age profile of estate management staff, losses of staff and expertise, and the difficulties of recruiting suitably qualified new and younger personnel.

for health authorities

- ▶ individual health authorities had developed different organisational arrangements and devoted different levels of resources to staffing the estate management functions within their organisations to meet their different estate management responsibilities, for example
 - at Bro Taf, the authority had a full time facilities manager, responsible for the health authority's estate and reporting directly to the chief executive,
 - at North Wales, the chief executive was responsible for long term estate planning, the director of finance for short term estate planning and the implementation of estate plans, and the estates manager (working one day a week) was responsible for day to day operational estate management,
 - at Dyfed Powys, the executive support manager (who was also the board secretary) was responsible for the estate, reporting directly to the authority's chief executive;
- ▶ health authorities had experienced reductions in professional estate management staff since 1995 as a result of reorganisation within the NHS Wales and the run down of estate management capacity within individual authorities. Some authorities currently have no in-house professional estate management personnel.

KEY POINTS on estate management organisation and staffing

- ▶ NHS estates management has a comparatively low corporate profile within the Assembly's NHS Directorate despite the value of the estate (over £1 billion), the level of annual spending on the estate (over £300 million), and the technical and specialised nature of the property assets themselves.
- ▶ However, a review of the central estates function is being carried out as part of the wider review of the NHS Directorate following the publication of Improving Health in Wales.
- ▶ Welsh Health Estates is the central nucleus of professional NHS estate management expertise in the NHS Wales. Since its formation in 1996, its services have developed in response to client demand from both the NHS Directorate and NHS trusts and health authorities, rather than as part of a clear direction from the NHS Directorate about its main priorities.
- ▶ The services offered by Welsh Health Estates are free to NHS trusts and health authorities. However, these bodies are not using Welsh Health Estates as much as they could and are buying in from the private sector some of the services that Welsh Health Estates could provide for free.
- ▶ Designated responsibility for the long term planning of the estate was held by board level executive directors at nine of the 15 trusts. At the other six trusts, an estates director or manager was responsible for long term planning of the estate, reporting directly to the chief executive or other board member.
- ▶ NHS trusts have developed widely differing approaches and structures for organising and staffing their estate management functions. The number of professional and technical staff employed at the trusts reduced during the 1990s as trusts sought to make financial savings as part of the drive to ensure they achieved break even and, in some cases, undergo financial recovery. The NHS Wales recognises that there are problems relating to the progressively older age profile of estate management staff, losses of staff and expertise, and the difficulties of recruiting suitably qualified new and younger personnel.

We recommend that:

- ▶ the NHS Directorate review the role, responsibilities and status of Welsh Health Estates, before the expiry of the current service agreement in March 2004, to determine the objectives and priorities for Welsh Health Estates;
- ▶ chief executives of NHS trusts in Wales ensure that they have access to suitably qualified estate professionals to advise on matters affecting the management and development of the estate under their control; and
- ▶ staff with day to day operational responsibility for running and maintaining the estate receive appropriate professional and technical training and instruction, and that the performance of estates personnel in meeting their responsibilities is periodically evaluated.

PART 3: Estate information and performance

- 3.1 NHS wide guidance emphasises the importance for property holding bodies to examine thoroughly their estate assets to assess how efficiently they are being used, what they cost to run and maintain, and how they could be adapted to meet future service needs. The guidance states that property and related assets must be managed to ensure they are fit for purpose and are used to their maximum productive capacity.
- 3.2 This part of the report examines how well trusts and health authorities in the NHS Wales manage and monitor the performance of the estate they hold. It looks at:
- ▶ the information systems in place in the NHS Wales for assessing estate management performance; and
 - ▶ what that estate management information reveals about the performance of the NHS Wales estate.

Arrangements for assessing estate management performance

- 3.3 Established good practice emphasises that the prime characteristics of a sound performance management system are the setting of performance targets and the measuring and reporting of performance against them. In Wales, the establishment of NHS trusts and the transfer of property to them during the early and mid 1990s was accompanied by a general disengagement by the Welsh Office from the detailed processes of estate management. Certain mechanisms whereby the Welsh Office monitored and reviewed the estate management performance of NHS trusts in Wales were also discontinued, including a significant reduction in the estate management data required to be reported by NHS Wales property holding

bodies to the Welsh Office. At the same time, individual NHS trusts and health authorities in Wales adopted different approaches to and systems for collecting and maintaining estate related information within their own organisations.

Estate performance targets

- 3.4 Since assuming responsibility for the NHS Wales, the Assembly has announced various actions it intends to take and results it aims to achieve in relation to improving the NHS Wales estate. These include:
- ▶ better management of the NHS Wales estate by March 2003;
 - ▶ improving the quality and efficiency of use of the estate;
 - ▶ commissioning work in the first quarter of 2001 to identify options for collective action by NHS trusts in Wales to deal with major backlog maintenance;
 - ▶ increasing the allocations of discretionary capital available to trusts by at least £10 million by 2005 to deal, in part, with significant backlogs of maintenance; and
 - ▶ addressing pressing problems of health and safety as a first priority for the capital programme in 2001-02.
- 3.5 In the context of these general aims and intentions, we reviewed the Assembly's strategic plan, *Better Wales*, and the NHS plan, *Improving Health in Wales*, for specific targets relating to the performance of the NHS Wales estate. Performance targets relating to the estate are set out in **Figure 10**. We noted that:

Figure 10

Performance targets relevant to the NHS Wales estate

Target	Body issuing target	Date set	Date to be met	Area	Result
90% of estate to be in at least condition B from a baseline of 60% at 1997/98	National Assembly	Jan 2000	2002/03	Physical condition	Ongoing
100% of trusts to have carried out space utilisation surveys on their property	National Assembly	Jan 2001	Dec 2001	Space utilisation	Ongoing
Reduction in primary energy consumption by NHS of 20%	Central government	1990	2000	Energy performance	8.7% reduction
Reduction in primary energy consumption by NHS of 15%	Central government	2000	2010	Energy performance	Ongoing



- ▶ the Assembly's strategic plan specifies nine health and well being targets. Of these, one relates to the NHS Wales estate (concerning its physical condition);
- ▶ the Assembly's NHS plan also includes one estate performance target (concerning space utilisation) but does not make the specific commitment to develop new performance targets for investment in estate maintenance;
- ▶ in addition to these targets there are two central government targets (relating to energy performance);
- ▶ the Assembly's NHS Directorate plans to establish a fuller range of targets in due course, covering the key areas of statutory compliance, physical condition, functional suitability, space utilisation and environmental performance of essential operational property throughout the estate.

Estate performance reporting by NHS Wales trusts and health authorities to the Assembly's NHS Directorate

- 3.6 The Assembly has recently developed a performance management framework for the NHS Wales, a main part of which is a set of national performance indicators being developed to support and be linked to health improvement programmes. NHS wide guidance recommends a range of estate performance indicators for use by NHS trusts on the condition and efficiency of the estate, covering estate financial performance and occupancy costs, space efficiency, asset productivity and deployment, and estate quality.
- 3.7 We reviewed the extent to which the performance management framework for the NHS Wales includes estate management performance indicators and measures. We noted that:
- ▶ the set of performance indicators in the current performance management framework includes seven indicators relating to organisational management areas, but none that are estate management indicators;
 - ▶ in accordance with the Assembly's estate management policy for the NHS Wales, the Assembly, in partnership with the NHS Wales, is establishing a performance management framework specifically for the management of the NHS estate. This will be implemented from April 2002. It will require property holding bodies to collate, analyse and retain information

in the appropriate form to allow their estate management performance to be comprehensively assessed. The framework will be supported by annual estate reviews, close monitoring and target setting.

3.8 The Assembly's NHS Directorate currently monitors the estate management performance of NHS trusts in Wales through a system of estate data returns submitted by the trusts each year to Welsh Health Estates. The estate data returns are used to produce two reports for the NHS Directorate, which are also issued to NHS trust chief executives:

- ▶ a general estate performance report, covering the physical condition of the estate, estimated backlog maintenance costs, compliance with statutory and safety requirements, and energy performance of each hospital or health site in operational use on the estate;
- ▶ a specific energy performance report, providing a year on year comparison of the energy consumption of hospitals in Wales against central government targets.

3.9 The National Audit Office Wales reviewed the estate data return system and the performance reports for the years from 1997-98 to 1999-2000 (the most recent year reported on as at June 2001). We found that:

- ▶ the returns covered the physical condition, safety and statutory requirements, and energy performance of the estate. However, the estate performance reporting system did not cover either the functional suitability or the space utilisation of properties, even though fitness for purpose is a priority property issue and space utilisation a key area for increasing building efficiency and identifying financial savings;
- ▶ Welsh Health Estates does not carry out validation of the information submitted in the trusts' data returns and relies on the trusts themselves to submit accurate information;
- ▶ Welsh Health Estates is concerned about the consistency and accuracy with which trusts report the costs of their maintenance backlogs, which is underlined by the significantly different figures for these costs reported by trusts to the National Audit Office Wales for our estate management questionnaire survey (see paragraphs 3.29-3.30);

- ▶ Welsh Health Estates encourages NHS trusts in Wales to compare themselves with analyses of information on NHS trusts in England, available from NHS Estates, England, but has no comparative data to offer trusts relating to Scotland or Northern Ireland;

- ▶ both the estate performance and energy performance reports for the financial year 1999-2000 were published in January 2001, nine months after the end of the year to which they relate, mainly because of delays in the trusts submitting completed returns to Welsh Health Estates; and

- ▶ from our visits to individual trusts and from our focus group discussions, we learned that estate managers did not wish to return to past reporting conditions when, in their view, a wide range of information had been collected from trusts for central monitoring with no perceived benefit to the trusts themselves.

Gathering, analysing and reporting estate performance information within NHS Wales trusts and health authorities

3.10 The Assembly's estate management policy for the NHS Wales makes it mandatory for property holding bodies to:

- ▶ identify the physical condition, statutory compliance, functional suitability, environmental performance and space utilisation of both their essential and non-essential property;
- ▶ use means of assessing their own estate management performance through benchmarking and performance indicators; and
- ▶ ensure that estate management data are held in a secure, readable and readily updateable form, and that data can be supplied to the Assembly as required.

3.11 Current NHS wide guidance on estate management specifically advises NHS trusts and health authorities to gather information to analyse the performance of their estate. As a minimum the guidance advises that an estate database should cover fire safety and statutory requirements, physical condition, functional suitability, space utilisation and energy performance.

3.12 The National Audit Office Wales reviewed the systems in place at NHS trusts and health authorities for gathering, analysing and internally reporting on estate performance up to trust board level. We found that:

- ▶ trust management boards and chief executives were neither asking for nor receiving, as a matter of routine, periodic and comprehensive reports on key aspects of the management and performance of the estate assets for which they were accountable. Estate matters were usually considered only in relation to specific business case submissions for new capital investment;
- ▶ although Welsh Health Estates had in the past recommended that all NHS trusts in Wales carry out performance analyses based on a core suite of performance indicators, these were not mandatory, and were not widely in use. This significantly inhibits standardised analysis of performance between trusts;
- ▶ estate management departments in NHS trusts were collecting their own financial information relating to the estate for estate management and budgetary control purposes rather than relying on core financial systems, mainly because these systems did not give them the information they required;
- ▶ core financial data relating to the estate were collected and used differently by different trusts, thereby undermining meaningful performance comparisons between trusts and the perceived relevance and usefulness of benchmarking;
- ▶ 13 of the 15 trusts had undertaken some form of benchmarking in the last five years, whereby individual trusts compared their estate situations and performance with trusts elsewhere in Wales and further afield, but this was uncoordinated for Wales as a whole (see **Figure 11**);

Figure 11

Examples of benchmarking undertaken by NHS trusts in Wales

NHS trust	Health Care Facilities Consortium	National Performance Advisory Group	Building Maintenance Information	Welsh Health Estates	Others ¹
Bro Morgannwg		✓			✓
Cardiff and Vale	✓				✓
Carmarthenshire					
Ceredigion and Mid Wales	✓				
Conwy and Denbighshire		✓	✓		✓
Gwent Healthcare	✓		✓		
North East Wales		✓			✓
North Glamorgan				✓	
North West Wales	✓				
Pembrokeshire and Derwen	✓		✓		✓
Pontypridd and Rhondda				✓	
Powys Health Care					✓
Swansea		✓			
Velindre				✓	
Welsh Ambulance Services					

Note: 1. NHS Estates; NHS Benchmarking Reference Centre; Sheffield Hallam University Facilities Management Research Forum; informal arrangements with other trusts.

Source: National Audit Office questionnaire

- ▶ progress by the NHS Directorate with the development of guidance to encourage and assist trusts in undertaking benchmarking exercises was behind schedule: although planned for completion during 2000-01 the guidance had not been developed or issued as at end September 2001;
- ▶ electronic means of data gathering, analysis and reporting varied widely across NHS Wales bodies. Although most bodies used the NHS wide Works Information Management System to some extent, trusts had invested in and were at different stages of development and implementation with other information technology and computer software solutions for estate management purposes;
- ▶ as purchasers of healthcare services, health authorities were not overseeing the estate performance of the NHS trusts, as service providers, in their areas in a systematic way. None had set performance criteria for their trusts or set up robust mechanisms to influence the estate management performance of trusts;
- ▶ health authorities were not effectively assessing their own estate management performance: none reported having any written estate management plans, none had any performance measures to assess their estate management performance, and only two (Bro Taf and North Wales) formally reviewed how their estate was performing.

KEY POINTS on the information systems in place in the NHS Wales for assessing estate management performance

- ▶ The NHS Directorate plans to develop a range of strategic targets for the management of the NHS Wales estate but has not yet done so. The lack of strategic targets for the NHS Wales estate other than those currently specified in the Assembly's strategic plan and NHS plan is a significant weakness in the current framework for managing the performance of the NHS Wales.
- ▶ There is scope for improving the current system of estate performance reporting to the Assembly, particularly concerning the timeliness, range and quality of information gathered. The NHS Directorate expects the new performance management framework for the NHS estate, to be implemented from April 2002, to address many of the issues raised in this section of the report.
- ▶ The reporting of estate management performance within NHS Wales trusts and health authorities varies in range and quality. Performance appraisal is largely a matter of local preference and inclination.
- ▶ Estate management performance reporting to board level is not a matter of routine or accorded an appropriately high profile within any of the property holding bodies.
- ▶ Although there is some use of benchmarking, there is little consistency in the approach adopted by the NHS trusts in Wales.

We recommend that:

- ▶ trust chief executives accept personal responsibility for ensuring that trusts' data returns are complete, accurate, up-to-date and submitted on time, and sign off the returns to that effect, to reinforce ownership and accountability;
- ▶ estate performance reporting by NHS trusts in Wales to the NHS Directorate be expanded to include the key areas of functional suitability and space utilisation;
- ▶ Welsh Health Estates establish the necessary links with the appropriate bodies in Scotland and Northern Ireland to provide NHS trusts in Wales with comparative data to complement that already available regarding NHS trusts in England;
- ▶ NHS Wales property holding bodies consider adopting an integrated suite of mandatory key performance indicators and measures of estate management performance; and
- ▶ the key outputs from the various estate management information systems should be standardised as far as possible, both within NHS trusts and for the transmission of data from trusts to Welsh Health Estates and to the NHS Directorate, to ensure consistency.

The performance of the NHS estate in Wales

- 3.13** In their response to the recommendations of the House of Commons Committee of Public Accounts in 1988 on NHS estate management, the Government and the health departments stated that the key to the efficient management of the NHS estate was the collection and maintenance of comprehensive information about the estate. This section of the report examines what the management information collected and maintained by NHS trusts and health authorities in Wales tells us about the performance of the NHS estate in Wales. It concentrates on the NHS trusts in Wales because they own, occupy or otherwise manage nearly all the operational property of the NHS Wales.
- 3.14** In the absence of centrally held information on key aspects of the performance of the NHS Wales estate, the National Audit Office Wales carried out a questionnaire survey of all NHS trusts and health authorities in Wales. We used the information we gathered to supplement and compare with that available within the NHS Directorate and at Welsh Health Estates from current performance reporting exercises. The results of this survey are set out in the appropriate paragraphs below. We did not carry out our own property surveys but sought to establish the extent to which property holding bodies themselves had carried out relevant survey work.

Property tenure and valuation

- 3.15** NHS wide estate management guidance recommends that trusts and health authorities compile and maintain property inventories, with special emphasis on large or potentially valuable sites. Ideally these inventories should contain adequate information on the location, tenure, value of and liabilities associated with each property held. We sought to establish the extent to which NHS trusts and health authorities in Wales used their property inventories to:
- ▶ manage actively the income they received and expenditure they incurred in relation to the properties they owned and occupied; and
 - ▶ keep well informed about the value of their estate assets for making estate management and development decisions.

The tenure of the NHS Wales estate

- 3.16** Welsh Health Estates maintains a Land and Property Portfolio, which is the central land and property register for all property holding bodies in

the NHS Wales. The portfolio was set up in 1984 and is regularly updated on a rolling basis. It contains plans of the location and legal status of all freehold and leasehold property held by trusts and health authorities. Each trust and health authority has a copy of this information relating to their estate, in electronic and hard copy format, for local property management use.

- 3.17** On our visits to NHS trusts and health authorities in Wales we reviewed the use of ownership and tenancy records relating to their property holdings. We found that:
- ▶ 98 per cent of the NHS Wales estate by value is held freehold and only two per cent is leasehold;
 - ▶ multiple ownership and occupancy at individual property sites was significant in some instances, leading to the need for various management agreements to regulate property use and maintenance, e.g. West Wales General Hospital, Carmarthen (**Figure 23**, page 38);
 - ▶ only two of the seven trusts we visited (Gwent Healthcare, North West Wales) actively managed their ownership records, for example to take advantage of such opportunities as lease break points to manage estate rationalisation;
 - ▶ as landlords, NHS trusts in Wales had tried in the past to establish a standard tenancy agreement with General Practitioner and other tenants to safeguard their rights and responsibilities, including securing appropriate rental income, but the implementation of this had failed with the result that individual tenancy and occupancy agreements varied widely across the estate;
 - ▶ as tenants, the NHS trusts we visited had achieved varying success in establishing and negotiating the terms of licence agreements with General Practitioners to safeguard their rights and responsibilities and stating, among other things, what rental and other costs it was appropriate for the trusts to bear.

The value of the NHS Wales estate

- 3.18** NHS trusts and health authorities need to know various values of their property assets, in addition to those required for financial accounting purposes, to help make informed decisions about estate management and development. The main valuations they need to be aware of include the market value (i.e. the price the commercial market is prepared to pay), the existing use

value (i.e. depreciated replacement cost of the asset) and the full replacement cost of the asset (i.e. the cost to rebuild a property, in current prices).

3.19 We reviewed centrally and locally maintained property records for the NHS Wales and found that:

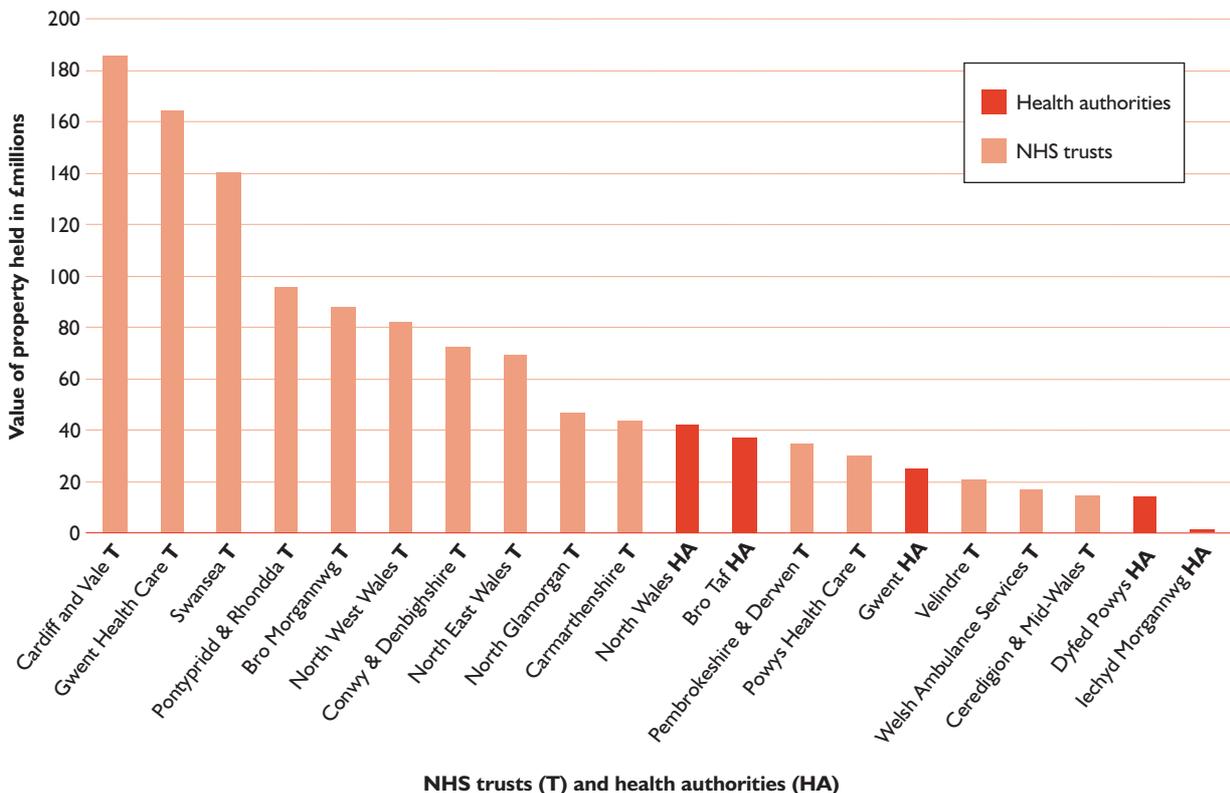
- ▶ the Valuation Office Agency last undertook a revaluation of the entire NHS estate in Wales, at the request of the Welsh Office, as at 1 April 1999, and the estate is due for another periodic revaluation in 2003;
- ▶ the total existing use value of the estate held by trusts and health authorities totals some £1.2 billion, 90 per cent of which by value (£1.1 billion) was held by trusts; the other 10 per cent (£120 million) was held by health authorities, nearly all of which is estate that does not have a long term health care use (and termed residual estate);
- ▶ the Valuation Office Agency assessed the open market value of the NHS Wales estate as a whole to be £270 million as at 1 January 2001, as a result of a specific exercise requested by the

NHS Directorate, but for operational estate management purposes individual NHS bodies were not made aware of the open market value of their individual properties;

- ▶ the cost to replace the entire NHS Wales estate with modern premises is estimated by Welsh Health Estates to be around £4 billion;
- ▶ three trusts are the major property owners in the NHS Wales, together holding estate with existing use value of some £490 million, 44 per cent of the total for all the 15 trusts,
 - Cardiff and Vale, with an estate valued at some £185 million,
 - Gwent Healthcare, with an estate valued at £164 million, and
 - Swansea, with an estate valued at £141 million;
- ▶ five trusts (Bro Morgannwg, Conwy and Denbighshire, North East Wales, North West Wales, Pontypridd and Rhondda) hold property valued at between £50 and £100 million, while

Figure 12

The existing use value of property held by NHS trusts and health authorities in Wales



Source: Valuation Office Agency, 1999

the remaining seven (Ceredigion and Mid Wales, Carmarthenshire, North Glamorgan, Pembrokeshire and Derwen, Powys Health Care, Velindre, Welsh Ambulance Service) hold property valued at between £15 and £50 million, the smallest being Ceredigion and Mid Wales;

- ▶ of the five health authorities, North Wales held most property (£42 million) and Iechyd Morgannwg held the least (£1 million).

Figure 12 shows the existing use value of property held by NHS trusts and health authorities in Wales.

KEY POINTS on the tenure and valuation of the NHS Wales estate

- ▶ The NHS Wales owns nearly all the estate it occupies and, for operational reasons, some trusts occupy, own and lease properties beyond their simple territorial boundaries.
- ▶ The administrative effort and costs associated with internal, inter-trust regulation of property occupancy on multi-ownership sites seems to us an unnecessary burden and cost. Consequently, we consider there may be merit in reviewing the distribution of property ownership across the NHS Wales estate as a whole, to establish what scope there may be to eliminate complexity in owner-occupier arrangements at multi-ownership sites.
- ▶ There is scope for NHS trusts in Wales to do more to put their external landlord and tenant relationships onto contractually robust footings and to use their tenancy records more actively as a means to making better use of their estate.
- ▶ Knowing the current open market value of property on the NHS Wales estate is important to enable trusts in Wales to take sound decisions about estate management and development. However, trusts did not generally hold up-to-date or consistent assessments of the market value of individual properties within their estates.

We recommend that:

- ▶ NHS trusts in Wales adopt a more proactive approach to managing their landlord tenant relations, with particular emphasis on ensuring rental costs are minimised where they are tenants and rental income is maximised where they are landlords.

The condition of the NHS Wales estate

3.20 Assessing the condition of the NHS estate involves looking at three different aspects:

- ▶ the condition of the estate in respect of statutory health and safety requirements, including fire safety;
- ▶ the physical condition of the buildings and related services on the estate; and
- ▶ the estimated cost of bringing the estate up to fully safe and sound condition, usually termed the maintenance backlog.

Statutory condition: health and safety requirements and building standards

3.21 The NHS Wales estate is required to comply with all health and safety requirements, including fire precautions and building standards. The legislation on statutory condition is complex and constantly evolving, providing a major challenge for the management of the NHS Wales estate. **Figure 13** lists major United Kingdom wide legal obligations that have affected the NHS estate in the past decade.

Figure 13

Major legal obligations affecting the NHS Wales estate

- ▶ The removal of Crown Immunity in 1991 placed a legal obligation on the NHS Wales to comply with all relevant statutes, including those relating to health and safety requirements and building standards for health care premises.
- ▶ The Disability Discrimination Act 1995 introduced further legal obligations affecting the fabric of public buildings, including the requirement by 2004 to make reasonable alterations to buildings to accommodate the needs of disabled people.
- ▶ The Climate Change Levy, first announced in the 1999 budget as part of the Government's commitment to reduce the United Kingdom's emissions of greenhouse gases, applies a charge to all non-domestic energy supply accounts from April 2001 to encourage more efficient use of energy within buildings.

3.22 Meeting statutory and safety standards is the first priority of all property holding bodies in Wales and is the main driver of maintenance spending. It is the one area of estate performance that is enforced through legal sanctions. Chief Executives of trusts, health authorities and other health service providers are responsible for meeting health and safety, including fire safety requirements at their properties. Health authorities also have a duty of care to ensure that patients who receive services contracted to trusts are treated in a safe environment. Achieving full compliance with statutory and safety requirements can result in

major capital expenditure. On the other hand, non-compliance can result in the closure of a building or significant restrictions on operational use, which can also be very costly. **Figure 14** sets out case studies illustrating health and safety problems and solutions at particular hospital sites in Wales.

3.23 **Figure 15** shows the results of the statutory condition surveys undertaken by trusts and reported by them for the National Audit Office Wales' estate management questionnaire survey. It shows the percentage floor area of hospitals and other NHS buildings assessed as achieving each condition grade.

3.24 We found that:

- each of the 15 trusts had surveyed all their hospitals but three had not surveyed all of their other buildings;

Figure 14

Health and safety issues at four hospital sites in Wales

Prince Charles Hospital, Merthyr Tydfil

The main current issue at this hospital is asbestos and fire-safety, though the hospital has had 10 health and safety notices imposed in recent years, two of which are being dealt with at estimated cost of £17 million. Dealing with the asbestos and fire safety problem is being handled as part of a wider refurbishment and re-investment package for the site, including a decant facility, which it is estimated will cost £60 million overall, including monies already earmarked for the scheme.

Ysbyty Glan Clwyd, Rhyl

This hospital was built at the same time and to the same plan as the Prince Charles Hospital, Merthyr Tydfil. Significant deficiencies in fire compartmentation exist at the site, compounded by the use of asbestos as a fire inhibitor in hospital construction, which was identified in 1997. The estimated costs of rectification have risen from £14 million in 1998, to £36 million in 2000, to £51 million in 2001, including other building works to be undertaken while these deficiencies are addressed. The problems are likely to take about eight years to rectify. Meanwhile, Conwy and Denbighshire NHS Trust have spent some £200,000 a year on removal of asbestos in a way that posed no risk to patients and staff.

Nevill Hall and District Hospital, Abergavenny

This hospital is a good example of a high maintenance backlog due to progressive reductions in maintenance spending on the site over a number of years. This contributed to a number of health and safety notices being raised. These had been cleared by the time of the NAO visit. A significant upgrade programme is now in the pipeline.

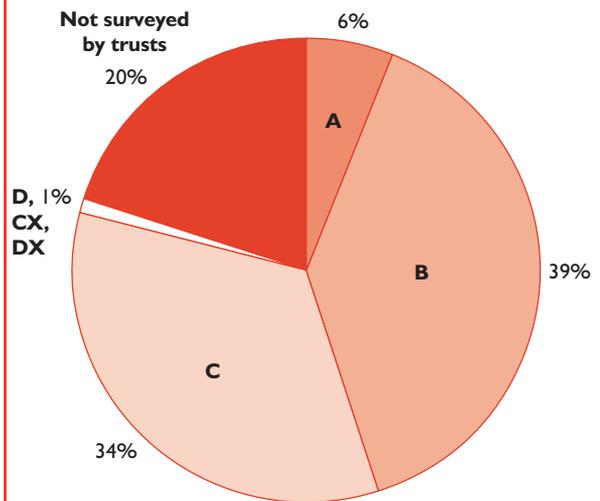
Ysbyty Gwynedd

Copper pipe corrosion in cold water and hot water systems were identified on the site in 1993, since when leaks have increased and the problem has expanded. The corrosion problem had been known about in Scotland since 1983. The direct cost of rectification at Ysbyty Gwynedd is estimated at over £2 million, and will take more than two years to complete. Business case approval is being sought for a total of £8 million, to include other remedial and improvement measures as part of a wider package of upgrading. The copper pipe corrosion problem is also extensive at Wrexham Maelor Hospital, and existed at the now demolished Ely Hospital, Cardiff.

Source: NHS Wales and Assembly

Figure 15

Statutory condition for 15 NHS trusts



- A: A new building which complies with all the statutory requirements and Firecode guidance.
- B: Existing buildings which comply with Firecode and statutory requirements.
- C: A building which falls short of A or B.
- D, CX, DX: Areas which are dangerously below either A or B standard. X added to C or D indicates that because of the nature of the building, improvements to structural fire precautions and means of escape are either impractical or too expensive to be tenable.
- Not surveyed.

Note: grade condition definitions are taken from NHS wide guidance (Estatecode Volume 1, 1993, Analysis of estate performance, paragraphs 13-19 & Appendix 1).

Source: NAO Wales questionnaire

- ▶ six trusts had surveyed all of their property within the previous year with a further two having completed more than half their properties;
- ▶ two trusts (Powys Health Care, Welsh Ambulance Service) had not surveyed all their property for more than five years while a further two (Cardiff and Vale, North Glamorgan) had left part of their property for this long;
- ▶ one fifth of the total estate was reported as not having been surveyed at the time of our questionnaire survey, although trusts told us that these were largely their non-essential properties (i.e. those properties with an identified use of less than five years);
- ▶ a third of surveyed property fell short of full compliance with statutory requirements;
- ▶ one per cent of the estate was assessed as either dangerously below standard or uneconomic to repair, amounting to some 23,000 square metres and equivalent to a medium sized hospital;
- ▶ the beyond economic repair rankings are for properties held by three trusts (Bro Morgannwg, Pembrokeshire and Derwen, Powys Health Care).

3.25 In April 1995 the Welsh Office told NHS property holding bodies in Wales to supply an annual certificate of Firecode compliance with the aim of achieving full compliance with statutory fire legislation and Firecode standards by April 2000. They were to submit a programme of works prioritising areas of highest risk. However, we found that no trust had achieved full compliance with Firecode standards by April 2000. Welsh Health Estates is undertaking a programme of work to determine the present extent of compliance or non-compliance and to identify areas of highest risk so that a targeted programme of remedial work can be costed and undertaken.

The physical condition of the estate

3.26 NHS guidance requires that property holding bodies have a complete picture of the condition of their buildings, associated engineering services and external works in order to develop operational programmes and a maintenance and minor works strategy. Nineteen separate elements are aggregated to form one ranking. Examples are the condition of the internal and external fabric of the building as well as the roof, lifts, drainage and electrical systems.

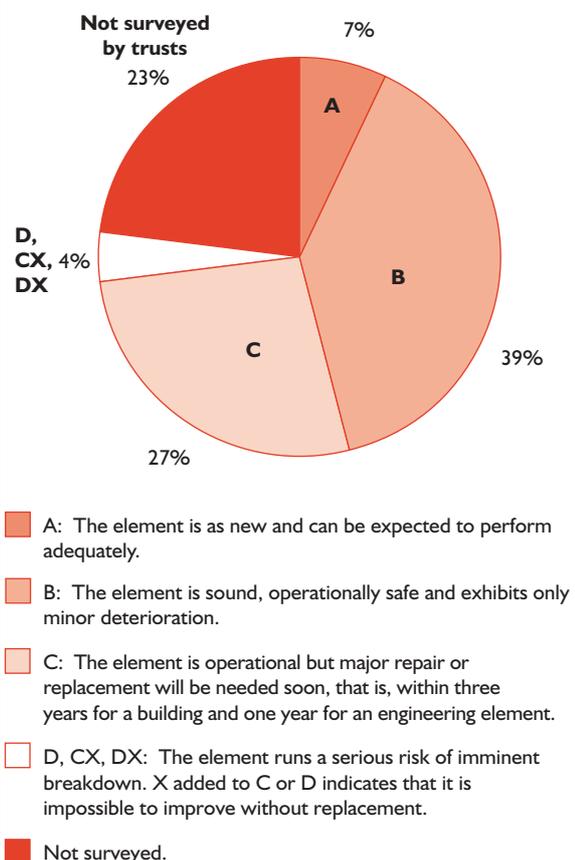
3.27 **Figure 16** shows the results of physical condition surveys undertaken by trusts and reported by them for the National Audit Office Wales questionnaire

survey. It shows the percentage floor area of buildings achieving each condition grade. We found that:

- ▶ at the time of our questionnaire, almost a quarter of the total area of the estate had not been surveyed by trusts, including two trusts not supplying data at the time of our questionnaire, both of which have since completed surveys;
- ▶ five trusts had completed a full survey within the previous year and four had carried out partial surveys within five years, while for three trusts (Ceredigion and Mid Wales, North Glamorgan, Powys Health Care) the data provided was more than five years old;
- ▶ over a quarter of the estate will need major work within the next three years to make it sound;
- ▶ four per cent of the estate is close to breaking down and may not be viable for repair.

Figure 16

Physical condition data for 15 NHS trusts



Source: NAO Wales questionnaire

3.28 The National Assembly's first strategic plan, *Better Wales*, includes a priority to improve the physical condition of the NHS estate. From a baseline of 60 per cent of the active estate being of at least condition grade B (i.e. sound, operationally safe and exhibiting only minor deterioration) in 1997/98 the current target is for 90 per cent of the estate to be in this condition by 2002/03. Our questionnaire survey showed that, excluding the areas that had not been surveyed by trusts, 75 per cent of the total area for essential buildings (those with an expected useful life beyond the next five years) were assessed by trusts as at least condition grade B. However, considerable further work needs to be done by trusts to undertake more comprehensive surveys and to achieve the Assembly's condition target.

The maintenance backlog of the estate

3.29 The Assembly and the NHS Wales define the backlog maintenance burden for the NHS Wales estate as the total amount that property holding bodies estimate they need to spend to bring all their properties up to condition grade B in the statutory safety and physical condition categories, including energy upgrading costs. On the basis of NHS trusts' estate performance returns, Welsh Health Estates has calculated the costs of achieving statutory and physical condition grade B across the whole estate to be some £318 million as at 1999/2000. This figure has reduced from an estimated £340 million in 1997-98, mainly because of the disposal of properties rather than because of upgrading through new investment.

3.30 From our questionnaire survey we found that:

- ▶ overall, trusts estimated they have just over half the funding they require to bring their entire estate up to condition grade B (i.e. to make it sound, operationally safe and exhibiting only minor deterioration);
- ▶ on the basis of information reported to us by 14 trusts (excluding Welsh Ambulance Services who did not supply a figure) the NHS Wales needs an estimated £365 million to upgrade the entire estate to statutory and physical condition grade B, including related energy performance upgrading;
- ▶ thirteen trusts reported to us that they had allocated £158 million over the next five years for this purpose (excluding North Glamorgan NHS Trust which did not supply a figure as its main site needs major refurbishment, for which they have received substantial funding).

Figure 17 shows the amounts that individual trusts estimate they need to spend to bring their estate up to statutory and physical condition grade B, including energy upgrading costs, at 31 March 2000, and the amounts they have allocated to addressing this backlog maintenance burden over the five years from 2000-01 to 2004-05.

KEY POINTS on the condition of the NHS Wales estate

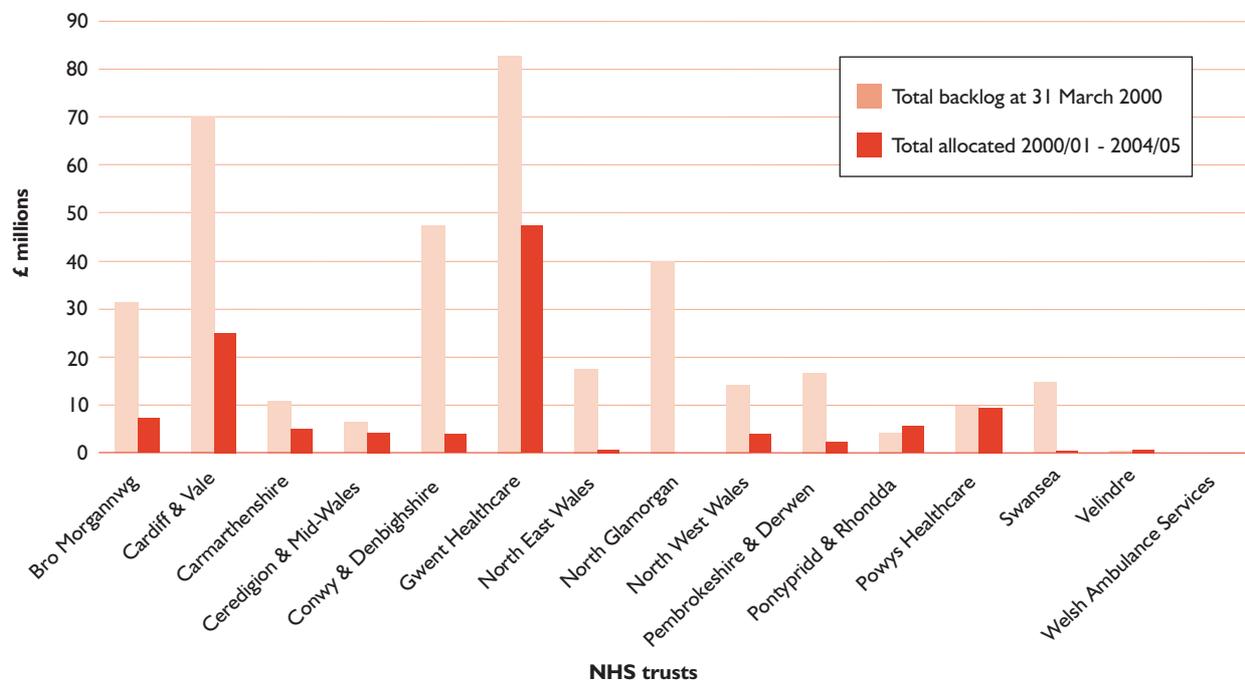
- ▶ The condition of the estate as regards meeting statutory requirements is poor. Only half the estate held by NHS trusts in Wales reported as fully meeting statutory health and safety, including fire safety, requirements at June 2000 while one fifth of the estate had not been surveyed at this date. Furthermore, part or all of the estate at five trusts had not been surveyed for more than three years. Despite ongoing work on health and safety surveys, including fire safety survey work with Welsh Health Estates, NHS trusts have much to still do to achieve statutory compliance.
- ▶ Surveys of the physical condition of the estate held by NHS trusts indicate that considerable work still needs to be done to meet the Assembly's target for 90 per cent of the active estate to be in at least physical condition grade B (i.e. sound, operationally safe and exhibiting only minor deterioration) by 2002-03. Overall, less than half the estate held by NHS trusts was in at least physical condition grade B at June 2000, although nearly a quarter of the estate remained to be surveyed.
- ▶ On the basis of trusts' estate performance returns for 1999-2000, Welsh Health Estates calculated that the estimated costs of achieving statutory and physical condition grade B for the trusts' estate (i.e. being compliant with statutory requirements, sound, operationally safe and exhibiting only minor deterioration) were £318 million. Trusts reported to the National Audit Office Wales that, as at 31 March 2000, the full cost of achieving statutory compliance and physical condition grade B would be some £365 million.

We recommend that:

- ▶ property holding bodies ensure that their information on statutory and physical condition is as complete and up to date as possible and that expenditure to improve the condition of properties is undertaken as part of an overall strategy for estate improvement across Wales; and
- ▶ the Assembly and the NHS Wales consider the merits of adopting a minimum standard for physical condition (say achieving condition grade C) in assessing the backlog maintenance requirement to help prioritise spending on improvement work, taking into consideration the need to avoid significant investment in premises for which there is not a long term service requirement.

Figure 17

Investment required and allocated by NHS trusts in Wales to upgrade their estate to condition grade B



Notes: 1. All trusts provided figures with the exception of Welsh Ambulance Services.

2. Physical condition grade B is where the buildings and associated plant are sound, operationally safe and exhibit only minor deterioration. Statutory condition grade B is where existing buildings comply with statutory requirements and Firecode guidance.

Source: NAO Wales questionnaire

Functional suitability of the estate

3.31 There are a number of factors affecting the extent to which properties are fit for purpose. These include such things as its location in relation to centres of population and public transport, walking distances between facilities, the adequacy of privacy for patients and staff, and environmental conditions like the levels of heating, lighting, ventilation and noise.

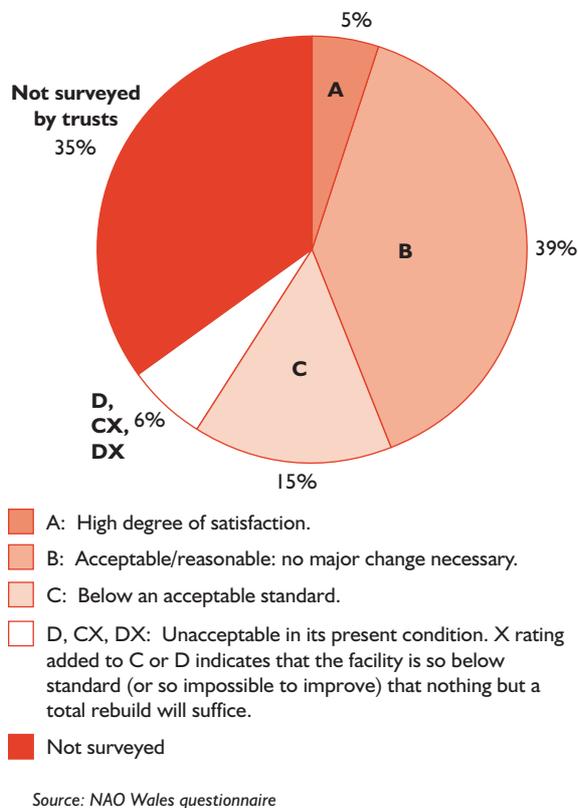
3.32 **Figure 18** shows the results of our questionnaire survey of functional suitability at all NHS trusts. It shows the percentage floor area of hospitals and other buildings assessed by trusts as achieving each functional suitability grade. We found that:

- at the time of our questionnaire survey, over a third of the area of trust buildings had not been surveyed by trusts, including four trusts (Ceredigion and Mid Wales, North West Wales Swansea, Welsh Ambulance Service) that had not carried out functional suitability studies at all and one trust (Velindre) where only part of the estate had been surveyed;

- more than half of the trusts had not surveyed their properties for functional suitability within the last 5 years, equivalent to 35 per cent of the total building area in square metres;
- three trusts had carried out a full survey (Gwent Healthcare, North East Wales, and Pontypridd and Rhondda) and a further one had assessed most of their estate in the previous year (Bro Morgannwg), but four trusts had not surveyed all or part of their estate in the last five years (Cardiff and Vale, Conwy and Denbighshire, North Glamorgan, Powys Health Care);
- a fifth of the estate is classified following surveys as either below acceptable standards or unacceptable.

Figure 18

Functional suitability at 15 NHS trusts



KEY POINTS on the functional suitability of the NHS Wales estate

While trusts assessed almost half of their estate as fully or reasonably fit for purpose, about a fifth of trusts' estate was below acceptable standard regarding fitness for purpose. Moreover, 35 per cent of properties had not been surveyed at the time of our questionnaire, despite the emphasis in Assembly policy objectives and in NHS wide estate management guidance on demonstrating fitness for purpose.

We recommend that:

property holding bodies ensure that their information on functional suitability is as complete and up to date as possible and that expenditure to improve fitness for purpose is undertaken as part of an overall strategy for estate improvement.

3.33 The various provisions of the Disability Discrimination Act 1995 that deal with the provision of goods, facilities and services have been coming into force progressively since 1996. The crucial change most likely to affect the NHS Wales estate will be coming into force in 2004. This will require owners of buildings providing services for the public to make structural changes if necessary. The Assembly has recognised that all trusts will need to carry out full surveys or audits of their buildings together with risk assessments and undertake all remedial works necessary. The Assembly's rough estimate is that full implementation of the Act will cost some £20-25 million.

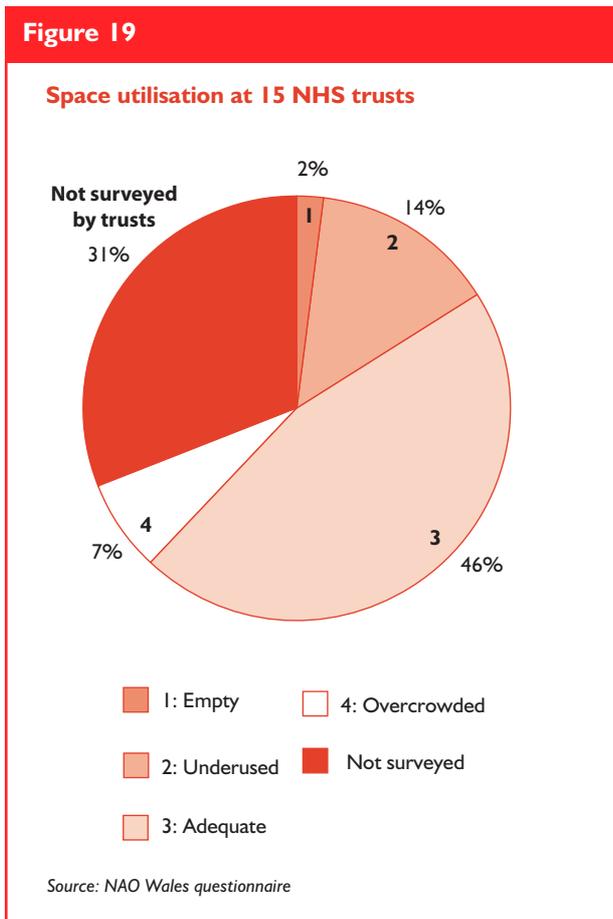
Estate utilisation

3.34 Substantial revenue savings are possible by eliminating underused space and taking advantage of any spare capacity so that no more space is held than is necessary for present and planned future needs. Conversely, under provision of space also needs to be eliminated as this can hinder the delivery of health care services. Consequently it is important that property holding bodies conduct periodic and comprehensive utilisation surveys to identify under-utilised or over-utilised premises, and to inform estate rationalisation plans.

3.35 The results of our questionnaire survey of space utilisation at all NHS trusts in Wales are shown in **Figure 19**. It shows the percentage floor area of hospitals and other buildings assessed by trusts as meeting each utilisation grade. We found that:

- ▶ one third of the estate had not been surveyed for space utilisation and thus the scope for improved utilisation and financial savings had not been examined for a significant proportion of the estate;
- ▶ four trusts had surveyed all their estate in the year before our questionnaire (Gwent Healthcare, North East Wales, North West Wales, Pontypridd and Rhondda) and two trusts had surveyed all their estate within the last three years (Bro Morgannwg and Carmarthenshire);
- ▶ one trust (Velindre) had completed a partial survey 3-5 years ago while a further six trusts (Cardiff and Vale, Ceredigion and Mid Wales, Conwy and Denbighshire, North Glamorgan, Pembrokeshire and Derwen, and Powys Health Care) had surveyed some or all of their property more than 5 years ago.
- ▶ two trusts (Swansea, Welsh Ambulance Service) had not done any space utilisation surveys at all;

Figure 19



3.36 Of the two thirds of the estate that had been surveyed we found that:

- ▶ two thirds of the trusts' estate surveyed was assessed as adequately used;
- ▶ twenty per cent of the trusts' estate surveyed was assessed as underused;
- ▶ three per cent of the surveyed estate was assessed by trusts as empty;
- ▶ ten per cent of the surveyed estate was assessed as overcrowded; and
- ▶ the figures for hospitals were not significantly different from the above results for all properties surveyed.

3.37 If the results for the two thirds of the estate which had been surveyed at the time of our questionnaire are taken as representative of the estate as a whole, then nearly a quarter of the estate could be either underused or empty. We estimate that the cost to the NHS Wales of holding on to this underused and empty estate could be around £25 million a year in potentially avoidable expenditure. We arrived at this estimate on the basis that, while the running costs of nearly a quarter of the NHS Wales estate are some £60 million a year, it is more realistic to put the cost burden of such property

at some 10 per cent of the £250 million total annual running costs of the NHS Wales estate. This is because most of the poorly used or vacant estate is likely to be already identified as non-essential, to be not fully operational and on minimum care and maintenance.

3.38 Conversely, if our findings for the two thirds of the estate surveyed by trusts at the time of our questionnaire are representative of the whole estate, then a tenth of the estate could be overcrowded. This would mean that operational efficiency could be at risk of being significantly impaired in these parts of the estate.

3.39 **Figure 20** gives some illustrative examples of good practice in space utilisation noted from our visits to individual trusts.

KEY POINTS on the utilisation of the estate

- ▶ The Assembly is keen for NHS trusts in Wales to demonstrate that they are using their existing property assets effectively before making new investment in the NHS Wales estate. A key action in the NHS Wales plan is for all trusts to have reviewed the utilisation of the existing estate by December 2001.
- ▶ Almost a quarter of the surveyed estate was assessed by trusts as underused or empty, although just over one third of the total estate held by trusts was not surveyed as at June 2000.
- ▶ If the results for the two thirds of the estate which has been surveyed are representative, we estimate that estate running costs of around £25 million a year could be avoided by making better use of underused property, putting empty property on minimum care and maintenance, and by declaring property to be non-essential and potentially available for disposal. These running cost savings could then be made available for investment in improving the maintenance of other parts of the estate. We recognise that NHS trusts may need to incur costs and deal with operational and administrative constraints to realise these potential savings in practice, and that this will take time to achieve.

We therefore recommend that:

- ▶ NHS trusts carry out regular space utilisation surveys to cover all their estate on a rolling basis (in addition to the current utilisation review being undertaken under the NHS Wales plan), the results of which should be reported to trusts' executive boards at least annually.

Figure 20

Examples of good practice in space utilisation at NHS trusts in Wales

Withybush Hospital, Pembrokeshire - maternity unit

Obstetrics and maternity, based in wards 5 and 6, had low bed occupancy averaging only 40 per cent; the maximum occupancy on two occasions was only as high as 60 per cent in the whole of 1998/99. They held a total of 40 beds but there were health and safety problems and an operating theatre that had not been used for two years. Furthermore, there was not enough staff to support the wards. As part of a hospital wide project to rationalise services, the Refocusing on the Patient Initiative, they consulted widely and concluded that they could reduce the number of beds to 25 and make the operating theatre available to Surgical Day Hospital, freeing 700 square metres. By carrying out this work, facilities were released to enable the development of other schemes at the site, such as the Ambulatory Care Centre.

University Hospital of Wales, Cardiff - ambulatory day surgery unit

A sizeable elective and ambulatory day surgery is being developed at UHW by filling in the car park area under the main building and keeping the existing two theatres. It will increase capacity from the 10-12,000 patients that it currently sees every year to accommodate 20,000 patients using 84 trolleys in a 24 bedded ward with 8 theatres. The new service will include emergency day theatre and an extension of day cases e.g. gall bladder removal can be done in 24 hours rather than 3 days. They expect it to be biggest day surgery unit in the UK and maybe even Europe.

Energy performance

3.40 The NHS estate in Wales is a significant consumer of energy, using energy in 1999-2000 equivalent to 40,000 homes. Hospitals in Wales have been monitoring energy performance against defined targets since 1984/85. Achieving reductions in energy use are not simple as there are many pressures working against it. Energy consumption increases year on year by some three per cent due to increasing use of new technology and demand for high energy consuming machinery, like air conditioning.

3.41 The government introduced targets for a 20 per cent reduction in primary energy consumption by the year 2000 compared with 1990-91. However, in 1999/2000 the reduction achieved by NHS Wales trusts was in the order of 8.7 per cent, a significant shortfall of 11.3 per cent below target for that ten year period. We estimate that this shortfall against target represented a notional cost to the NHS Wales as a whole of some £12 million in expenditure on energy over the decade. A new target from central government is for a 15 per cent decrease in primary energy consumption from April 2000 to March 2010. The Assembly is currently reviewing the application of this figure in Wales.

3.42 From April 2001, the Climate Control Levy will be applied to improve energy efficiency. A 12 per cent increase on electricity costs and 25 per cent increase in gas costs will be added to all non-domestic energy supply accounts. To offset this increase in energy prices, employers will see a reduction of 0.3 per cent in their National Employers Contributions. The NHS Wales overall is unlikely to suffer a major impact from these arrangements as it employs a lot of staff. However, individual NHS trusts in Wales will still be under pressure to use energy more efficiently to

keep their energy costs down. This may well require individual trusts to make capital investment in energy efficient equipment and renewable forms of power.

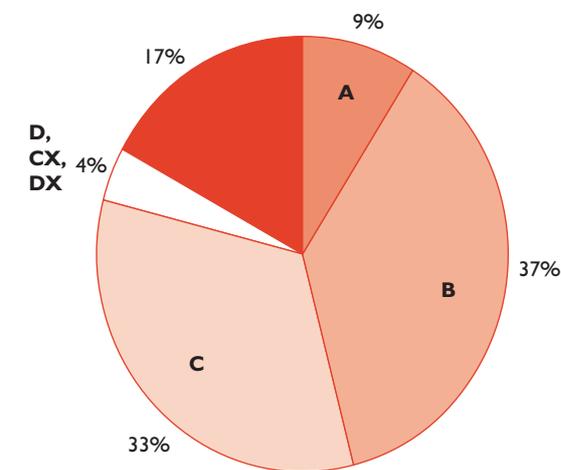
3.43 The results of the National Audit Office Wales questionnaire of trusts' energy performance are shown at **Figure 21**. It shows the percentage floor area of buildings assessed by trusts as achieving each energy performance grade.

3.44 We found that:

- ▶ 17 per cent of the NHS Wales estate had not been surveyed by trusts for energy performance;
- ▶ eight trusts said that they had surveyed all of their properties in the previous year (Bro Morgannwg, Carmarthenshire, Ceredigion and Mid Wales, Conwy and Denbighshire, Gwent Healthcare, Pembrokeshire and Derwen, Pontypridd and Rhondda);
- ▶ two trusts (Cardiff and Vale, Velindre) had surveyed most of their estate in the past two years, and a third (North West Wales) had surveyed all its estate within the past five years;
- ▶ one trust (Swansea) was undertaking survey work at the time of our questionnaire;
- ▶ two trusts (North Glamorgan, Powys Health Care) had not carried out energy performance surveys in the previous five years;
- ▶ a tenth of the total NHS estate had been constructed with energy efficiency in mind; over a third of the estate had undergone a co-ordinated energy conservation programme; and a third of the estate had some energy measures incorporated on an ad hoc basis; and
- ▶ four per cent of the estate had seen no energy conservation measures at all.

Figure 21

Energy performance for 15 trusts



- A: Buildings constructed in accordance with Building Regulations 1985 and Approved Document L - 'Conservation of Fuel and Power'.
- B: A building which has undergone a co-ordinated conservation programme (defined).
- C: A building in which some energy measures may have been incorporated on an ad hoc basis.
- D, CX, DX: A building where no energy conservation measures have been carried out.
- Not surveyed by trusts

Source: NAO Wales questionnaire

3.45 All the trusts we visited have carried out some form of energy saving measures. Case study examples are set out in **Figure 22**. We estimate that if all NHS Wales trusts could achieve a two to three per cent annual saving in current levels of energy consumption (the average annual levels achieved by Cardiff and Vale and Pembrokeshire and Derwen trusts), the NHS Wales would save some £200,000 to £300,000 each year in energy costs. We recognise that some investment in new plant would be required, but much could be done simply through good housekeeping measures.

Figure 22

Examples of energy savings measures undertaken at NHS trusts in Wales

Cardiff and Vale NHS Trust

Cardiff and Vale NHS Trust reported to us that it had achieved a reduction in total energy used of 18.3 per cent over the ten year period 1990-91 to 1999-00, partly through drastic rationalisation of energy inefficient parts of the estate, as well as through the implementation of their energy policy. The former University Hospital of Wales NHS Trust employed an Energy Officer from 1997 whose remit now covers the Cardiff and Vale NHS Trust. He has to achieve energy savings in order to cover his salary.

Pembrokeshire and Derwen NHS Trust

At Wityhush Hospital, now part of Pembrokeshire and Derwen NHS Trust, an energy reduction programme has been running since 1982. The trust reported to us that it had secured a reduction in energy consumption of 60 per cent over the 18 year period to 2000. This was achieved primarily through replacing the steam generation system with combined heat and power plants and improving insulation.

Source: NHS Wales

KEY POINTS on the energy performance of the NHS Wales estate

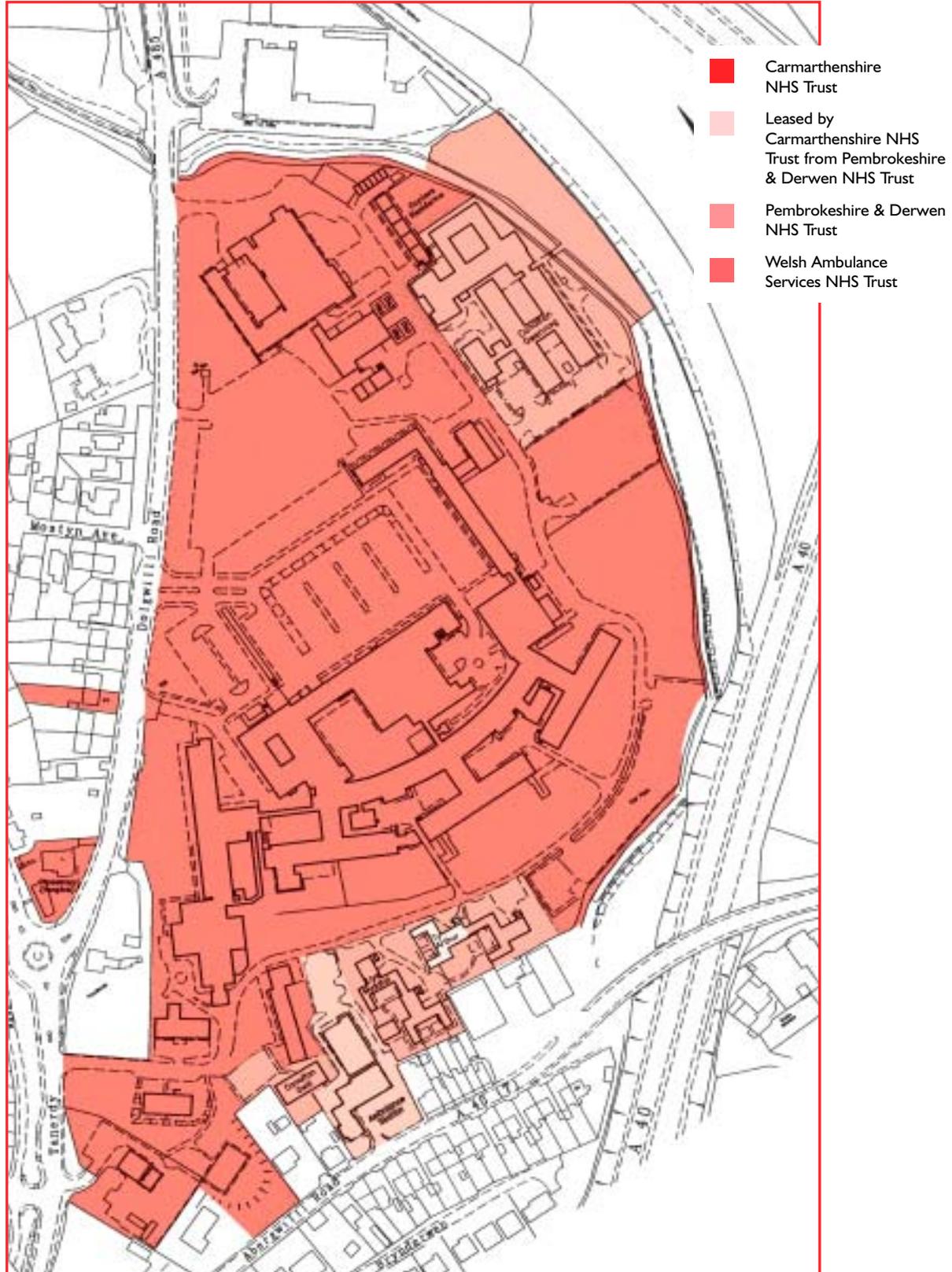
- ▶ Against a central government target for a 20 per cent reduction in primary energy consumption over the decade 1990-01 to 1999-2000, NHS Wales trusts achieved an 8.7 per cent reduction overall. Had the trusts achieved the target we estimate that the NHS Wales would have saved an estimated total £12 million in energy costs over this ten year period.
- ▶ However, energy performance was the area where trusts had done most to obtain up to date and comprehensive survey data. This is commendable because cost savings from careful energy management are important and can be considerable.
- ▶ Nevertheless, the performance of individual trusts in achieving more efficient use of energy and in investing in energy saving plant varied significantly. There is still much that can be done by trusts to monitor and reduce their energy costs.

We recommend that:

- ▶ trusts give priority to energy saving measures, from simply promoting energy consumption awareness to investing in energy efficient plant, as even a 2-3% annual reduction for the NHS Wales as a whole could save some £200,000 to £300,000 each year. We recognise that NHS trusts may need to spend in order to save to improve their energy performance.

Figure 23

West Wales General Hospital, Carmarthen



Source: Welsh Health Estates

APPENDIX I: Methodology used by the National Audit Office Wales

- 1 In carrying out its examination the National Audit Office Wales:
 - ▶ Interviewed officials in the Assembly responsible for estate management and related matters, and examined relevant Assembly papers, including considering the work of the Estate Strategy Steering Group and its various review teams;
 - ▶ Interviewed officials in the NHS in Wales responsible for estate management and with direct experience of using estate services within the NHS in Wales and reviewed emerging estate strategies produced by NHS trusts and health authorities;
 - ▶ Drew on the information and expertise within Welsh Health Estates to inform its analysis of the operational performance of property holding bodies within the NHS in Wales, including reviewing estate performance information submitted to Welsh Health Estates by NHS trusts in Wales;
 - ▶ Conducted a questionnaire survey of all fifteen NHS trusts and all five health authorities in Wales to obtain information about the value, size, condition, functional suitability, space utilisation and energy use of the estate;
 - ▶ Visited seven of the fifteen NHS trusts and each of the five health authorities in Wales to examine the operation of estate management arrangements and practices on the ground. This included visiting around 40 hospital sites, health centres and clinics.
- 2 The National Audit Office Wales facilitated two focus groups made up of estate management professionals in the NHS in Wales to help us develop our conclusions and recommendations.

APPENDIX 2: Summary of the relevant Public Accounts Committee recommendations on NHS estate management (1988) and the government's response

Committee concern
HC 481 1987/88

Government response
CM 533

Current position in Wales
noted in this report

On strategic planning

The Committee stressed that it was a necessary requirement that the three Health Departments (Scotland, England and Wales) ensure that health authorities and boards link estate matters with service plans and were surprised that this was a deficiency in present strategic plans.

The Health Departments readily acknowledge the Committee's comments about the need to link estate matters with service plans. The Departments share the Committee's view that substantial savings can be achieved through the planned programme of rationalisation which includes making effective use of existing property.

There is no overarching, high level strategy for the NHS Wales estate, though a national estate development plan is under development. Most NHS trusts and health authorities in Wales are developing estate strategies appropriate to their local post-reconfiguration property holdings. The Assembly has set a target of December 2001 for NHS trusts to have estate strategies in place. Links between service strategies and estate matters in emerging estate strategies need to be better articulated.

On management information on the NHS estates

The Committee were concerned that surveys of the condition of NHS property were not reliable or generally kept up to date; that the use of space within the buildings had not generally been assessed; and that even when the information was available it was not always used. The Committee expected the Health Departments to seek action through their review processes to ensure that surveys of condition, suitability and use were completed locally and kept up to date. They considered it was equally important that the findings were evaluated and used to inform the strategic planning of the authorities and boards concerned.

The Health Departments acknowledge the Committee's concern about estate surveys and are taking action, in line with its recommendations, to ensure that health authorities complete and update their condition surveys and consider seriously whether property is suitable for its purpose and whether space is efficiently used.

In Wales, District Health Authorities were asked to establish a minimum database and work is proceeding to implement this requirement by 1 April 1989. The Data:

- (i) to be kept and used by Districts will include:
 - ▶ site location and ownership
 - ▶ value
 - ▶ catchment population
 - ▶ area (site area, surplus area)
 - ▶ building information (type, age, condition, cost of upgrading, etc.)
 - ▶ functional suitability, space utilisation, etc.
 - ▶ assets other than land and buildings
- (ii) to be reported to Welsh Office will include:
 - ▶ property transactions
 - ▶ forecast transactions for the next three years capital projects.

Surveys of the condition, utilisation and suitability for purpose of properties on the NHS Wales estate were not sufficiently complete or up to date to fully inform strategic estate management and development at local or all-Wales levels. Certain mechanisms for the central monitoring and review of the estate management performance of property holding bodies in Wales were discontinued in the 1990s. New Assembly initiatives in estate performance management will be in place from April 2002, aimed at addressing current deficiencies in monitoring and review.

On estate condition

The Committee noted the poor condition of much of the NHS estate and considered it unsatisfactory that accommodation categorised as "inoperable" or "unacceptable" should be used for patient care.

The Committee's conclusions that it is unsatisfactory for accommodation categorised as "inoperable or unacceptable" to be used for patient care is accepted by the Health Departments.

The physical condition of the NHS Wales estate varies widely, but over a quarter of the estate is assessed as in need of major repairs within the next three years. The condition of the estate in relation to meeting statutory requirements is poor. The Assembly has set a target for 90 per cent of its active estate to be sound, operationally safe and exhibiting only minor deterioration by 2002-03.

In summary, the Government confirmed that the health departments believe that the key to the efficient management of the NHS estate is the collection and maintenance of comprehensive information. All aspects of estate management have been incorporated into the annual review process (and its equivalent in Wales) which was introduced in accordance with the recommendation of the Management Inquiry (Griffiths Report) to strengthen accountability within the NHS. The Health Departments will ensure that health authorities:

- ▶ complete, maintain and use their estate databases;
- ▶ comply with relevant statutory standards;
- ▶ maintain their estate to an acceptable condition;
- ▶ rationalise their estate in line with strategic plans and;
- ▶ identify surplus property and dispose of it correctly.