

## **Management of SHA and PCT Administrative Estate**

### **Issue**

This paper sets out a framework for the management of the SHA and PCT administrative estate and for decisions in respect of the future office requirements for the NHS Commissioning Board (including Commissioning Support Units), Clinical Commissioning Groups and ALBs at sub-national and local level.

### **Background**

The Health & Social Care Bill will result in the abolition of SHAs and PCTs together with a requirement for local offices for the NHS CB (including Commissioning Support Units) and Clinical Commissioning Groups, and sub-national and local offices for other ALBs. Information received in September 2010 indicated that there were over 550 separate SHA and PCT properties used for administrative purposes. The Department recognises there is a need for robust governance arrangements to be put in place in respect of both decisions for the future of these properties and decisions for the future location of the NHS CB (including Commissioning Support Units), Clinical Commissioning Groups and ALBs. The ultimate aim is the provision of fit for purpose accommodation and at the same time, ensuring optimum use of the estate to maximise savings.

### **Overriding Principle**

The Government Property Unit (GPU) National Property Controls apply to all DH and ALBs property decisions including the NHS CB, even when a Special Health Authority. These Controls are set out in Annex 1 attached but the principal ones are:

- Cabinet Office and Treasury approval required for spending over £100,000 on the signing of new leases, renewal of existing leases and non-exercise of break options.
- The space standards of 8sqm net internal area/FTE and a ratio of 8 workstations for 10 FTEs.

These bodies will also be subject to the Department's Property Asset Management (PAM) processes for all transactions whether above or below £100,000<sup>1</sup>.

For SHAs and PCTs, the space standards will apply. However, rather than GPU, DH will provide the assurance and approval process led by the SRO PCT Estate with input from the SRO DH/ALB Accommodation and ICT required on signing (regardless of value) of all new leases, renewal of existing leases and non-exercise of break options.

### **Principles of Estate Management**

The following principles of estate management will also apply:

- Retain freeholds rather than leaseholds unless there are robust reasons for doing otherwise.

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<sup>1</sup> Copies of the PAM Board 'terms of reference' can be obtained from [chris.hardy@dh.gsi.gov.uk](mailto:chris.hardy@dh.gsi.gov.uk)

- Seek to utilise those properties with longer leases but to have regard to break clauses.
- Seek to retain those properties that have the greatest flexibility for use and are in the most accessible locations.
- Seek to dispose of those properties that have the greatest cost per sq m. unless there are good operational location reasons for not doing so.
- If a multi-floor property is being vacated, seek to vacate on a floor-by-floor basis so as to maximise savings e.g. empty rates relief.
- Threshold for occupancy of any property not to drop below 50% unless it can be let to a third party.
- Seek to utilise NHS accommodation before considering other property within the Government estate unless the NHS property has attractive market potential.
- Potentially surplus property identified to the GPU at the earliest possible date to maximise potential for reuse within Government.

### **General Principles in Relation to Location**

The following principles will apply in respect to the location of the NHS CB and other ALBs<sup>2</sup>:

- No decisions about sub-national or local locations (and geographical boundaries) should be taken in isolation.
- Location decisions at the sub-national office level will be ratified by the Cross-Cutting Transition Programme Board.
- Location decisions below the sub-national office level will be ratified by the Department's SRO PCT Estate with input from the SRO DH/ALB Accommodation and ICT.
- The NHS CB and PHE should align their geographic boundaries at the sub-national level, as per the current SHA cluster areas.
- All other Health and Social Care organisations large enough to have a sub-national structure should align to the four SHA cluster areas.
- Use should be made of existing accommodation.

The following principles will apply in respect of the location of the headquarters for clinical commissioning groups and commissioning support units:

- It is for CCGs to determine where their administrative headquarters should be located.
- In making that decision, CCGs should aim to use the existing NHS estate, unless the case for alternative provision can be made on value for money grounds. This must demonstrate that not only is the proposed alternative value for money, it must also take into account the opportunity costs of not using existing NHS estate. It will be the responsibility of the SHA lead to determine the value for money of any proposals.

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<sup>2</sup> The 'Design of the Commissioning Board' document published on 26 January 2012, indicates that there will be no separate 'sub-national' locations for the NHS CB as the four commissioning sector teams (based on the existing SHA cluster areas) will be co-located with the main Leeds and London sites. There will be 50 local offices of the Operations Directorate to reflect the current PCT clusters. Some sector staff may work alongside local office teams. Other ALBs may have a requirement for sub-national offices.

- Proposals for use of the former SHA or PCT estate will need to be ratified by the Department's SRO PCT Estate.
- The cost for CCG administrative headquarters will be sourced from CCG running costs.
- Whilst VFM must remain the prime driver, the expectation is that commissioning support units will not be co-located with the local operations offices of the NHS CB.
- Whilst VFM must remain the prime driver, the expectation is that CCGs will not be co-located with the local operations offices of the NHS CB.

### **Responsibilities**

The following overall responsibilities will apply:

- The Department's SRO DH/ALB Accommodation and ICT will be responsible for the provision of accommodation, including ICT, at the national/sub-national level, as appropriate, for the NHS CB and other ALBs.
- Individual ALBs will be responsible for the provision of their accommodation at the local (i.e. below sub-national) level, and will be required to work with the nominated SHA leads to agree their strategies. There is an expectation that this should primarily be sourced from the existing NHS estate.
- SHAs will have a corporate role and in particular will prepare a strategy for each SHA and PCT administrative building that will ensure a managed transfer for each property to the future owner or occupier including the NHS CB (including the Commissioning Support Units), Clinical Commissioning Groups, other ALBs or other NHS body.

### **Governance Arrangements**

The following governance arrangements shall apply:

#### **SHAs**

- SHAs will ensure that during transition there is one point of contact in relation to this exercise with experience of dealing with property related matters.
- **By 16 March 2012**, SHAs will have prepared an initial strategy for each SHA and PCT administrative building and reported for approval by the Department's SRO PCT Estate (with input from the SRO DH/ALB Accommodation and ICT). The initial strategies will incorporate proposals for use of the estate, at a local (i.e. below sub-national) level by the NHS CB (including Commissioning Support Units) and other ALBs, with whom the SHAs will need to work closely.
- The strategy will be updated and reported to the Department on a quarterly basis and the second iteration will include proposals for use of the estate by Clinical Commissioning Groups and Commissioning Support Units.
- SHAs may use the accompanying template (an amended version of the SHA/PCT admin data collection issued on 23 August 2010) or amend their own versions of that template to include the new columns (N to T).
- Until transferred to another holding body, SHAs shall be responsible for ensuring that both SHA and PCT administrative buildings are being

properly managed and that the Overriding Principle and the Principles of Estate Management referred to above are being adhered to.

- Ensuring the proper disposal of any surplus administrative property in accordance with DH guidance, the Directions issued on 16 February 2011, Estatecode, and Managing Public Money subject to best value considerations.

### Department of Health

The Department shall be responsible for:

- Agreeing the SHA strategy for each SHA and PCT administrative building
- Responsibility through the SRO PCT Estate with input from the SRO DH/ALB Accommodation and ICT to oversee the implementation of the agreed strategies by the SHA, producing and reporting on a consolidated national position and be ultimately accountable for the successful operation of the governance and control regime.
- The provision of accommodation, including ICT, for any NHS CB and ALB at a sub-national level.
- Office support and facilities management services for the NHS CB and other ALBs where this is available under a shared services model at a sub-national level.
- The approval of capital expenditure relating to the provision of accommodation, including ICT, for the NHS CB and other ALBs at the sub-national level.

### NHS CB and other ALBs

- The NHS CB and other new ALBs will identify a lead person to deal with property related matters.
- In conjunction with the SHA, to agree the local (i.e. below sub-national) locations for their office requirements and to obtain approval from the Department.
- Working with the SHAs, to be responsible for the provision of the local office accommodation requirements (including ICT), and adhering to the Overriding Principle and the Principles of Estate Management referred to above.
- All accommodation to be provided within budgets set by the Department.

Level		Organisation(s)		Ratified by
National	>	NHS CB & other ALBs	>	Cross-Cutting Board
Sub-national	>	Other ALBs	>	Cross-Cutting Board
Local offices (ex-SHA/PCT)	>	CB/ALBs    CCGs    CSUs Strategies co-ordinated by SHAs	>	SRO PCT Estate (Lead); SRO DH/ALB Estate/ICT

### Funding

The SHAs will need to ensure that the funding for the running and management costs relating to the individual properties transfers to the body that is holding that property in the future.

## **Annex 1 – Government Property Unit Property Controls**

### **Property**

#### **Delegated Limit**

HM Treasury will not normally approve spending without Cabinet Office agreement on:

- the signing of new leases,
- renewals of existing leases,
- the non-exercise of lease break options,
- any new property acquisitions (including those made through a Public Finance Initiative provider),
- new build developments,
- sale and leaseback,
- and any freehold sales as part of national property controls

(subject to a de minimus of £100,000 whole life cost on the property commitment concerned).

#### **How will this work?**

- As a guideline, any permitted lease renewal should demonstrate a minimum 25% reduction in initial rent in the current market, and Government Property Unit (GPU) must agree the rent review and/or uplift mechanism.
- All major refurbishments and new acquisitions of workspace should adhere to the workplace standards for office space of 8sqm NIA / FTE or less and a ratio of 8 workstations per 10 FTEs or less.
- All new facilities management (FM) contracts and contract extensions must be approved by the FM Category Board, and meet with the GPU FM compliance criteria.

#### **Process**

GPU, working to the MCO, will review future property requirements and known leasehold events i.e. where there is a lease break or expiry, to establish ambition of efficiency savings. Where operational necessity requires the acquisition or retention of land or property, justification must be provided by completing a standard template available from:

[NationalPropertyControls@ogc.gsi.gov.uk](mailto:NationalPropertyControls@ogc.gsi.gov.uk)

The template should be returned to the same email address sufficiently in advance (this will vary according to the size and complexity of the holding, from approximately three months before a break trigger date, to two years before a medium to large office holding) of the date the decision is required by, to allow for a review process to take place and alternative solutions to be explored (which typically takes four weeks). HMT will not normally grant approval unless GPU have agreed the decision. Surplus freehold assets marked for disposal must be placed on the Register of Surplus Public Sector Assets. New FM contracts or renewals must be brought to the attention of the FM Category Board via a compliance criteria form.