

Asset management in the NHS in Scotland



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Auditor General for Scotland

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Note:

Prior to September 2007, the Scottish Administration was generally referred to as the Scottish Executive. It is now called the Scottish Government. When dealing with the earlier period, this report refers to the Scottish Executive. Recommendations for the future refer to the Scottish Government.

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Part 1. Setting the scene



Capital expenditure in the NHS has increased significantly and the way assets are managed in the NHS is changing.



The NHS in Scotland has nearly £5 billion worth of assets

1. In 2007/08, the NHS held fixed assets worth nearly £5 billion.¹ Most of these assets relate to the estate (land and buildings) which was worth £4 billion. Other significant fixed assets are vehicles, medical equipment and information management and technology (IM&T) (Exhibit 1).² The NHS also leases assets which it does not own under lease agreements such as Public Private Partnerships (PPPs).³ Forty-seven PPP projects have been signed by NHS bodies, worth £1.1 billion. These include hospitals and health centres.⁴

Capital expenditure has more than trebled in the past five years

2. The NHS purchases assets using capital rather than revenue funds. Capital investment in assets in the NHS has more than trebled in cash terms in recent years, from £132.5 million in 2003/04 to £428.8 million in 2007/08.⁵ This will continue to rise to £598 million by 2010/11 (Exhibit 2, overleaf).⁶ Asset maintenance can be funded through both capital and revenue funding.

Effective asset management can improve service delivery

3. Effective design and use of assets can improve service delivery in the NHS. Assets which are in the right place at the right time, suitable for

their purpose and well maintained will positively support service delivery and enhance service users' experiences. Effective asset management can:

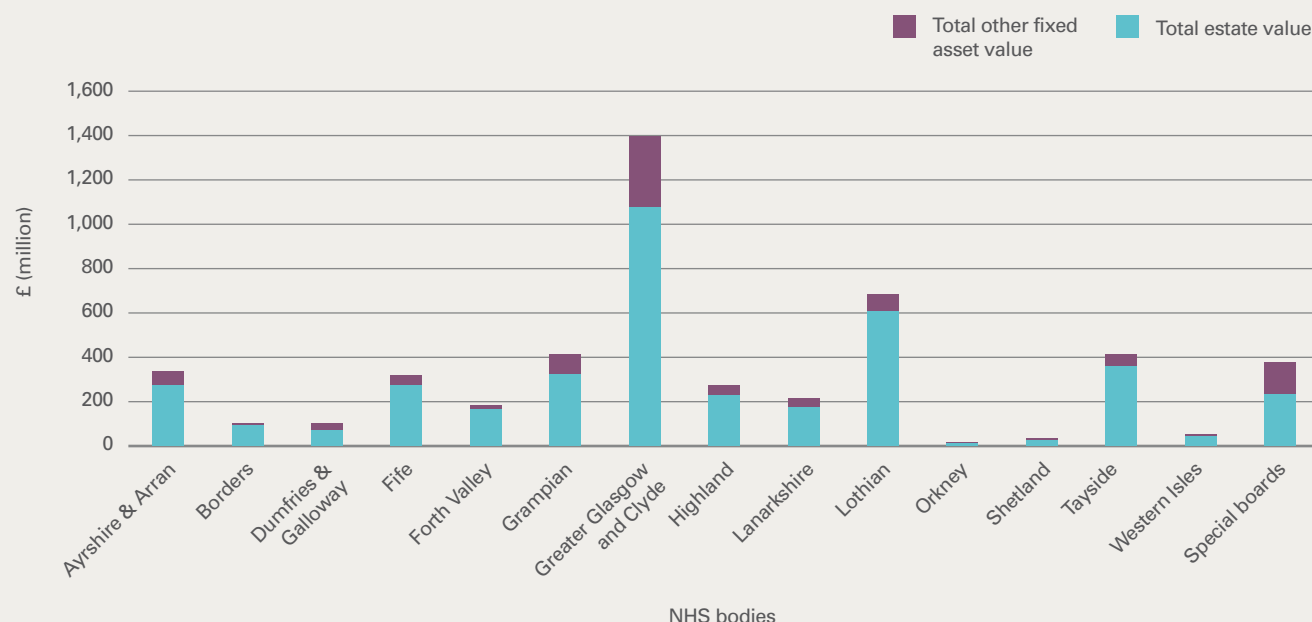
- improve care for people who use NHS services
- provide safe, secure and appropriate assets that support service requirements and contribute to achieving Scottish Government policies on health and sustainability
- ensure the NHS achieves value for money from its management of assets.

4. To ensure this happens, NHS bodies need to manage their assets

Exhibit 1

The value of the NHS estate as a proportion of the total value of assets, by NHS body

The value of the estate accounts for the vast majority of NHS bodies' assets.



Source: Unified NHS Board Summary Accounts 2007/08

1 Unified NHS Board Summary Accounts 2007/08.

2 Medical equipment is that costing over £5,000 and is bought from NHS bodies' capital budgets.

3 PPP involves the public sector leasing assets or services from the private sector over a fixed time period (generally 25 to 30 years). Public bodies pay a yearly charge (the unitary charge) over the life of the contract, at the end of which the asset is transferred to public sector ownership.

4 Total number of PPP deals and their capital value figures, Financial Partnerships Unit, Scottish Government, July 2008.

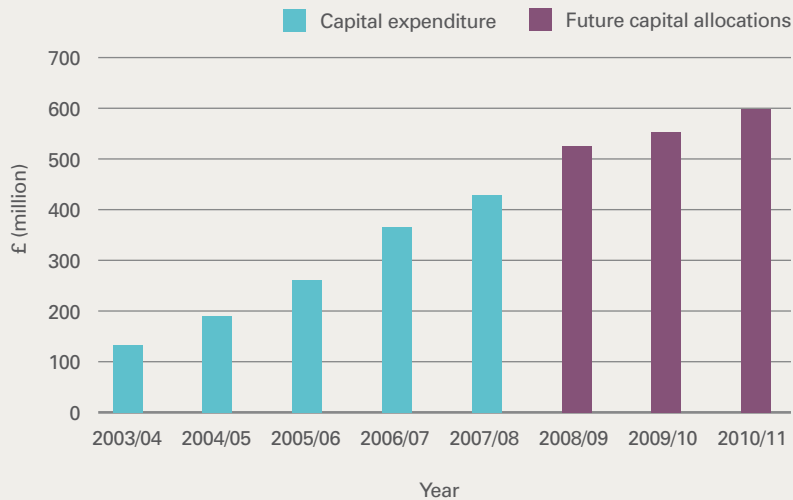
5 Capital expenditure is spending on assets costing more than £5,000 where the benefits last more than 12 months. Generally, this will be expenditure on assets such as the estate, transport or equipment.

6 These figures do not include funding for PFI or PPP contracts or the additional funding for the Southern General Hospital in NHS Greater Glasgow and Clyde.

Exhibit 2

Gross capital expenditure and future capital allocations, 2003/04 - 2010/11

Capital investment has increased significantly in recent years and is due to rise further.



Note: This expenditure excludes capital projects funded through Private Finance Initiatives or Public Private Partnerships.

Source: *Unified NHS Board Summary Accounts 2003/04 - 2007/08* and *Scottish Government, Capital Allocations*, press release, March 2008

strategically. Good practice suggests that there are three key questions that NHS bodies should be able to answer in order to do this (Exhibit 3).

5. Answering these questions involves managing assets at every level in the NHS – from the strategic level where decisions are taken about the long-term requirements for assets; through to the day-to-day management of assets by service managers.

6. There are five key elements to asset management (Exhibit 4):

- Planning – what assets are required and when.
- Acquisition – how assets are funded and which partners might be involved.
- Operation and maintenance – ensuring assets are maintained and performing adequately.
- Disposal – what the best future use is for an asset.
- Performance management and monitoring – collecting and managing data to inform asset management.

A number of bodies are involved in managing NHS assets

7. The main bodies involved in managing assets in the NHS are:

- NHS boards, which have direct responsibility for managing their assets in a way which supports the planning and provision of health services for their local population
- Community Health Partnerships (CHPs) or Community and Health Care Partnerships (CHCPs), which involve NHS bodies and councils working together to improve services locally, for example, moving from acute to community-based services. CHPs and CHCPs are subcommittees of NHS boards

Exhibit 3

Effective asset management

Good practice suggests that there are three key questions that NHS bodies need to be able to answer if they are to manage their assets effectively.

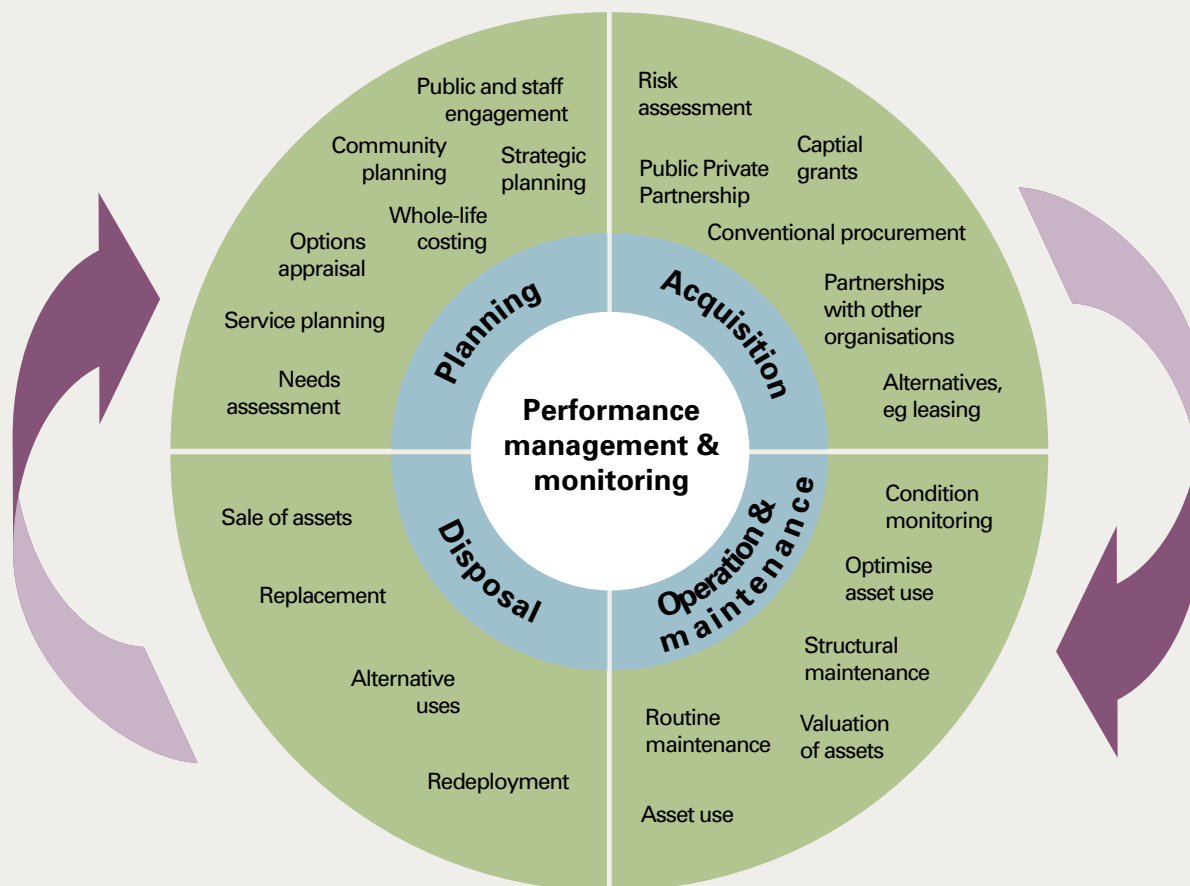
- What is the current position? NHS bodies should establish a baseline position that identifies their current assets and how well these are contributing to supporting service delivery. For example, what condition the assets are in and how suitable they are.
- What are the plans for healthcare in the future and what assets are needed to support current and future service needs?
- Is there a strategy that outlines how the NHS body will move from its current position to its future position? This means developing an action plan that covers future asset acquisitions, disposals and maintenance.⁷

Source: Adapted from *Towards Better Management of Public Sector Assets*, Sir Michael Lyon, 2004

Exhibit 4

The key elements of asset management

There are a large number of issues to consider within each key element of asset management.



Source: Audit Scotland adapted from *Sustaining our assets: Government Asset Management Policy Statement*, Department of Treasury and Finance, State Government Victoria, 2000

- NHS special boards, which provide and support services across the NHS in Scotland. Health Facilities Scotland (part of NHS National Services Scotland) is responsible for helping NHS bodies operate effectively in areas such as estate management and the procurement of equipment
 - three regional planning groups, which are responsible for planning, funding and implementing services across NHS board boundaries
 - health directorates and other divisions within the Scottish Government, which provide funding for assets and develop policies and guidance for NHS bodies on asset management.
- Developments in national health policy are changing the way assets are managed in the NHS**
- 8.** How assets are managed in the NHS is ultimately driven by health policy. The key policies are set out in *Better Health, Better Care*, including:
- a fundamental shift in the way the NHS works from a hospital-focused service to one that is community based, with more healthcare being provided in local areas, for example, GP practices or community health centres
 - greater integration with other service providers, such as councils, to jointly plan and deliver services.⁸
- 9.** Achieving the aims of *Better Health, Better Care* will require significant changes in the way that assets are managed and used in the NHS ([Exhibit 5, overleaf](#)). For example, many of the services currently provided in hospital outpatient departments, such as rehabilitation, will increasingly be provided in GP surgeries or community hospitals. These local health facilities may need additional space, equipment, staff and other support services to provide these services. All NHS bodies have plans to redesign their services along these lines and their investment programmes reflect these principles.

8 *Better Health, Better Care*, Scottish Government, 2008.

Exhibit 5

Asset implications of national health policy

Better Health, Better Care has significant implications for NHS assets.

Key aspects of Better Health, Better Care	Asset implications
More care in GP practices, pharmacies or community health centres Provision of core services in rural hospitals	Improvement or building of community facilities to allow space to be used for various services
	Increased need for wider range of equipment and IM&T in community facilities
	Need to reorganise vehicle routes to take account of changed locations of care
Increased public involvement	Increased need to consult and involve the public in asset decisions, particularly around the estate
Focus on travel management	Need to examine the way vehicles are managed to improve economy, efficiency and effectiveness
Commitment to reducing carbon footprint	Need for sustainable buildings and a focus on energy management of all assets
Increasing use of e-health	Increased need for IM&T
Commitment to the Fair for All equality and diversity agenda	Need to ensure equality and diversity issues are mainstreamed in asset management practices

Source: Audit Scotland adapted from *Better Health, Better Care*, Scottish Government, 2008

About the study

10. This report examines how the NHS is strategically managing its assets to support effective service delivery. In [Part 4](#), we comment in particular on how NHS bodies ensure that they achieve value for money in managing the estate which makes up around 80 per cent of the value of NHS assets. We have undertaken studies in recent years examining the management of medical equipment in the NHS and information management and technology (IM&T) in the NHS.⁹ Audit Scotland's 2008 report on major capital projects contains a number of recommendations aimed at improving how these projects are managed across the public sector, including the NHS.¹⁰ The National Audit Office

carried out the last national audit of the NHS estate in Scotland in 1999, prior to devolution.¹¹

11. The objectives of our study were to:

- assess the extent to which the Scottish Government provides strategic direction to NHS bodies on asset management in general and assures itself that the NHS estate is being used in the most economic, efficient and effective way
- evaluate how well NHS bodies strategically manage all of their assets to ensure effective service delivery
- comment on the way in which the NHS manages its estate. Specifically we:

- reviewed the extent to which NHS bodies are achieving value for money from their estate

- examined how well NHS bodies work with other organisations to ensure efficient and effective use of their estate.

12. In carrying out this study, we:

- analysed published national data and collected data from all 14 NHS boards and five special NHS boards
- interviewed a range of staff at five NHS boards, the Scottish Government, Health Facilities Scotland and Architecture and Design Scotland

⁹ *Better Equipped to Care? Follow-up report on managing medical equipment*, Audit Scotland, February 2004 and *Informed to Care: Managing IT to deliver information in the NHS in Scotland*, Audit Scotland, November 2006.

¹⁰ *Review of major capital projects*, Audit Scotland, June 2008.

¹¹ *The NHS in Scotland: Making the most of the Estate*, National Audit Office, February 1999.

- reviewed national and board-level documents relating to asset management.¹²

13. The report is organised into four parts:

- Setting the scene (Part 1).
- Strategic role of the Scottish Government Health Directorates (Part 2).
- Strategic planning and management by NHS bodies (Part 3).
- Delivering value for money from the NHS estate (Part 4).

14. In the report, we refer to data collected from 14 NHS boards and five special boards. In some instances not all NHS bodies responded to all questions, either because the questions were not applicable or because they were unable to answer them. Where this is the case, this is referenced in a footnote. We use the terms NHS bodies in the report to refer collectively to NHS boards and special boards.

Key messages

- Significant investment of £3 billion by the Scottish Government between 2003 and 2011 is allowing NHS bodies to undertake a major asset redesign and improvement programme.
- NHS bodies are beginning to manage their assets more strategically but need to demonstrate more clearly the links between clinical strategies and asset strategies. Most NHS bodies have some basic information on their assets but not all actively measure the performance of their assets.
- There is no complete picture of the quality of the NHS estate across Scotland. Information from 11 NHS bodies shows that the majority of the estate is

of satisfactory quality although around a third will require major upgrading in coming years. NHS bodies spend differing amounts on maintenance and there is no link between condition of the estate and maintenance budgets.

- In relation to assets, the Scottish Government Health Directorates (SGHD) is primarily responsible for developing policies and guidance, monitoring the implementation of these, and allocating and monitoring capital expenditure. The SGHD does not have policies and guidance for all assets and there is limited monitoring of the way NHS bodies are managing their assets. The SGHD assesses bids for capital investment but there could be stronger monitoring of outcomes.
- The NHS is beginning to work with other public bodies on joint approaches to estate management but there are a number of challenges to overcome. The SGHD needs to build on early work to encourage joint development of the estate. The new 'hub' initiative aims to stimulate joint working across the public sector.

Key recommendations

The Scottish Government should:

- ensure that work being undertaken on asset management by different parts of the Scottish Government is coordinated and that good practice is shared across the different portfolio areas.

The SGHD should:

- provide policies and guidance for all types of assets and update its current policies and guidance to reflect changes in the NHS and the development of new health policies

- routinely collect information from NHS bodies on the performance of their assets

- ensure momentum is maintained in the development of the new national estate computer system
- ensure momentum is maintained in developing the hub initiative to support joint working across the public sector.

NHS bodies should:

- develop strategies for each type of asset and then develop a corporate asset management strategy and plan, which links with their clinical strategies
- ensure they assess estate condition, statutory compliance, functional suitability, and space utilisation on a regular basis
- ensure all information is held electronically
- review their performance management arrangements and, where required, develop performance measures and targets for assets
- ensure that consideration of whole-life costing is a requirement for all investment decisions and that they budget for maintenance throughout the life of the asset.

¹² The special boards included in the data return were the National Waiting Times Centre, National Services Scotland, the Scottish Ambulance Service, Health Scotland and the State Hospital. The five NHS boards where we interviewed staff were Dumfries and Galloway, Fife, Grampian, Greater Glasgow and Clyde, and Lothian.

Part 2. The strategic role of the Scottish Government Health Directorates



There is limited monitoring of the way NHS bodies are managing their assets.



Key messages

- The SGHD is primarily responsible for developing policies and guidance to help NHS bodies manage their assets. Policies and guidance exist for IM&T and estates, but the estates guidance needs to be updated. There is no overall policy for equipment and there are no national policies or guidance for vehicles.
- Monitoring of the way NHS bodies manage their assets is limited and performance information on assets is not routinely collected by the SGHD. Bids for capital investment are assessed by the SGHD but monitoring of the outcomes of major capital projects should be strengthened.
- The SGHD carried out some initial work in 2005 to encourage joint development of the public sector estate by the NHS and councils, but little progress has been made in taking that work forward. The SGHD has been focusing more recently on the hub initiative. NHS bodies and councils need to work together more strategically to develop the public sector estate.

15. The SGHD is responsible for:

- setting the overall strategic direction of the NHS
- providing a clear statutory and financial framework in which NHS bodies can deliver care
- holding NHS bodies to account for their performance
- getting assurance from NHS bodies that they are planning and delivering care economically, efficiently and effectively.

16. In relation to assets this means:

- developing policies and guidance, in conjunction with Health Facilities Scotland, that set out the framework in which NHS bodies should manage their assets. This includes setting key performance indicators and identifying and disseminating good practice
- monitoring the implementation of policies and guidance by NHS bodies, including the management of assets, to get assurance that care is being planned and delivered in a way that maximises economy, efficiency and effectiveness
- allocating and monitoring capital expenditure
- promoting joint working across the public sector in relation to assets.

Responsibility for NHS assets lies in different parts of the SGHD

17. There are a variety of directorates and divisions within the SGHD and the wider Scottish Government whose work has an impact on how assets are managed in the NHS ([Exhibit 6, overleaf](#)). The directorates and divisions carry out this work in consultation with other parts of the SGHD and the wider Scottish Government. The roles of the directorates and divisions in relation to asset management are:

- the Property and Capital Planning Division, responsible for developing and reviewing policies, strategies and guidance for NHS bodies relating to the estate and medical equipment. It is also responsible for allocating and managing capital investment and sponsoring the development of the hub initiative ([paragraph 37](#))
- the eHealth Directorate, responsible for developing and reviewing policies, strategies and guidance for NHS bodies relating to areas such as IT systems and information and records management

- the Health Delivery Directorate, responsible for providing capital expenditure to NHS boards related to specific equipment programmes such as the National Diagnostics Collaborative
- the Joint Future Unit, responsible for promoting the development of joint premises between NHS bodies and the rest of the public sector. It is part of the Partnership Improvement and Outcomes Division, which promotes joint working between public bodies, particularly the NHS and councils
- the Primary Care Division, responsible for developing and reviewing policies and strategies for the primary care estate in conjunction with the Property and Capital Planning Division.

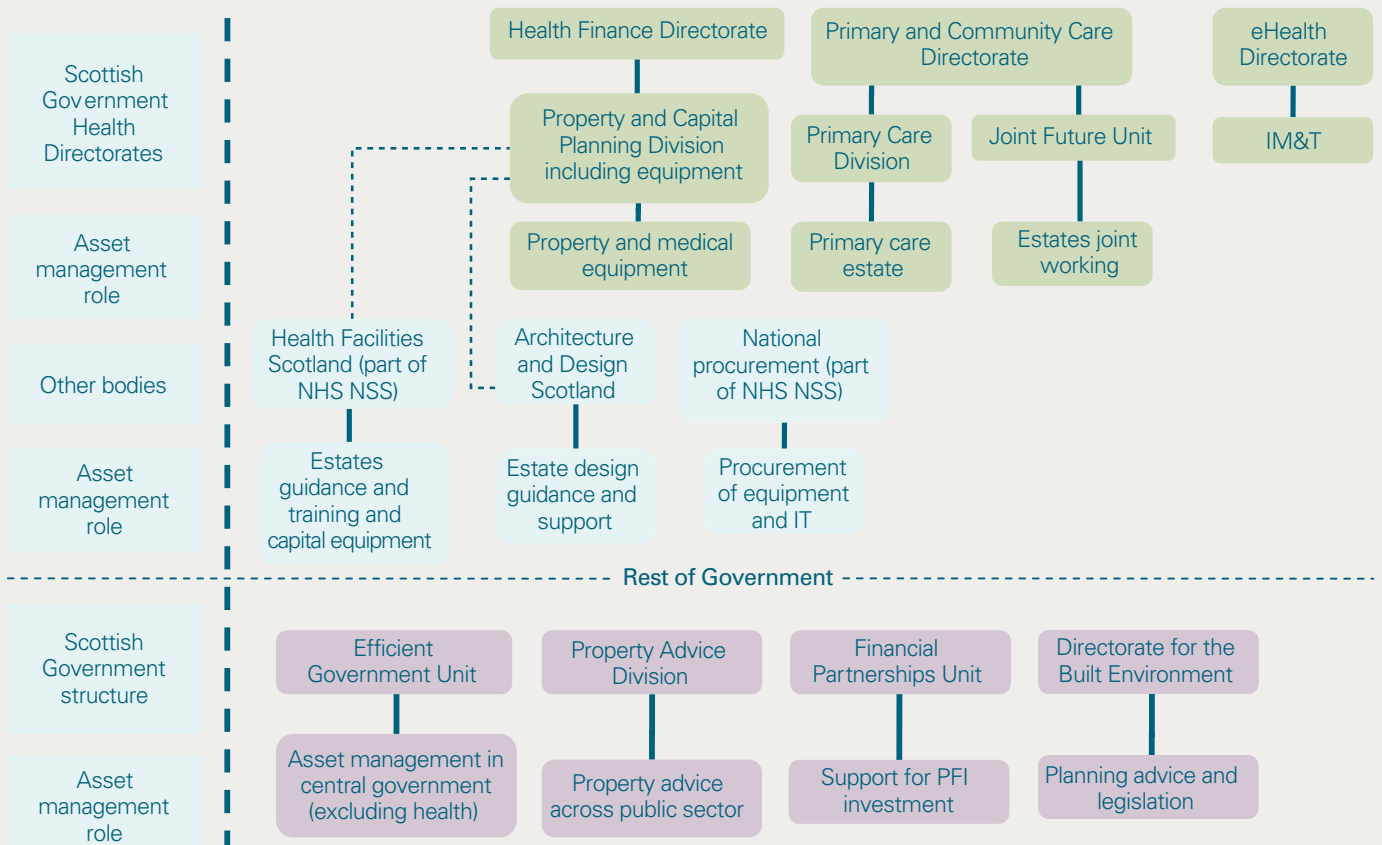
18. In addition, linked to the SGHD are:

- Health Facilities Scotland, responsible for coordinating and developing facilities and estates guidance; providing training to NHS bodies in strategic and operational estates issues; facilitating networking groups such as the Scottish Property Advisory Group; and leading specific projects such as the procurement of a new estates computer system for NHS bodies. It has also recently extended its remit to include capital medical equipment
- Architecture and Design Scotland, which can assist health bodies during the procurement process by providing support and by commenting on designs in development. It also provides support to board members and senior NHS staff and supports the NHSScotland design champions' network. It has a three-year agreement with the SGHD to provide these services.

Exhibit 6

Structure of the SGHD in relation to asset management

Different parts of the SGHD have responsibility for different aspects of asset management.



Note 1: Health Facilities Scotland receives some funding from the Property and Capital Planning Division. Architecture and Design Scotland is linked by a framework agreement.

Note 2: There is no designated responsibility for vehicles in the SGHD.

Source: Audit Scotland

The SGHD provides policies and guidance on asset management but not all assets are covered and some need to be updated

19. The SGHD has a range of policies and guidance in place to help NHS bodies manage their IM&T and estates assets. However, although there is some guidance for NHS bodies on how to manage their equipment, there is no overarching policy to summarise and coordinate this. There are no national policies or guidance for NHS bodies which describe how they should manage their vehicles.

20. In 2008, the SGHD introduced a national eHealth strategy which incorporates IM&T. This strategy sets out how eHealth will contribute to meeting national health policy aims. Targets and performance indicators related to this are currently being developed for NHS bodies. Audit Scotland will be carrying out a follow-up study in 2009 to its earlier report *Informed to care: Managing IT to deliver information in the NHS in Scotland*.¹³

21. The main policy for the NHS estate is the national Property Management Policy which was

introduced in 1999.¹⁴ This introduced a requirement for NHS bodies to develop estates strategies. The policy now needs to be updated to take account of the changed structure of the NHS (eg, the introduction of unified NHS boards); the shift in the balance of care from acute to community services; and recent policy initiatives such as the mainstreaming of equality and diversity issues. The SGHD is due to publish a revised Scottish Capital Investment Manual during January 2009 which will require NHS bodies to consider equality and diversity issues in their business cases for capital projects.

¹³ *Informed to care: Managing IT to deliver information in the NHS in Scotland*, Audit Scotland, November 2006.

¹⁴ *Property Management Policy*, MEL 1999(44), Scottish Executive, 1999.

There is limited monitoring of the way NHS bodies are managing their assets

22. The SGHD does not require NHS bodies to submit any regular returns on the performance of their assets except for the annual submission of capital investment programmes. The Property Management Policy requires NHS bodies to produce five mandatory performance measures but they are not routinely collected or monitored by the SGHD and there is no annual analysis of NHS bodies' asset strategies. The required performance measures are:

- essential and non-essential property held
- compliance with statutory requirements
- physical condition of essential and non-essential property
- functional suitability of essential and non-essential property
- space utilisation of essential and non-essential property

We consider the way in which NHS bodies use performance indicators to help them manage their estates assets in [Part 4](#).

23. NHS bodies are required to submit data to Health Facilities Scotland on their overall carbon dioxide emissions, fuel usage and energy usage. These include data relating to the estate, IM&T and vehicles. Aside from this, the SGHD does not require NHS bodies to provide performance information on each of these types of asset.

Medical equipment

24. The 2006 Audit Scotland report *Better equipped to care? Follow-up report on managing medical equipment* recommended that the then Scottish Executive Health

Department specify its reporting requirements to health boards.¹⁵ This would support national monitoring of the management of medical equipment.

25. The SGHD has collected information from NHS bodies on their progress in implementing the recommendations of the report. Returns are requested on a six-monthly basis and the SGHD follows up any issues arising with NHS bodies as necessary.

The NHS estate

26. Until 1996, the Scottish Office had performance targets in place for the NHS estate. However, since then there has only been one national target which relates to the estate – a two per cent reduction in energy usage per year between 2001 and 2010. NHS bodies report their performance on this target annually to Health Facilities Scotland. In 2006/07, the NHS achieved a reduction of 1.9 per cent against the previous year, and there has been an overall reduction of 8.1 per cent since 2003/04. For 2009/10, NHS Scotland has set a national performance target to reduce emissions over the period to 2011. Our report *Improving energy efficiency* examined this area in more detail.¹⁶

27. The SGHD has mandatory performance measures for the NHS estate which NHS bodies are required to use to assess the performance of their estate ([paragraph 22](#)). However, the last national data collection exercise was conducted in 2000 and the SGHD does not routinely collect any data on estate performance.

28. The Scottish Executive and the Property and Environment Forum (which became Health Facilities Scotland) piloted a property management system in 2003 in an attempt to establish common data collection procedures for estates across all NHS bodies. This would have supported national monitoring of estate performance. However, due to technical problems, the system

was not rolled out across the country and the project lost momentum. The SGHD is currently procuring a new computer system which will contain a common dataset that all NHS bodies will be obliged to complete and keep up to date. This is expected to be rolled out in 2009.

The SGHD assesses bids for capital investment but there could be stronger monitoring of outcomes

29. The SGHD determines the level of capital investment allocated to each NHS body by regularly collating NHS bodies' financial plans and capital plans. These are discussed with each NHS body and funding allocations are made. For amounts over £5 million (or £10 million for NHS Lothian and NHS Greater Glasgow and Clyde), NHS bodies submit bids to the SGHD. The Capital Investment Group, led by the Property and Capital Planning Division, assesses bids against criteria such as affordability, value for money and consistency with NHS bodies' strategic plans. The group also monitors the progress of projects once they have been approved through to their completion.

30. The SGHD requires NHS bodies to specify in their capital investment bids what the cost of the project will be and the expected time the project will take to be completed. There is currently no requirement to specify the expected build and design quality of the project but the revised Scottish Capital Investment Manual will make this a requirement. There is also a national design quality policy which promotes the importance of design in the procurement and refurbishment of healthcare premises.¹⁷ NHS bodies are also expected to specify the benefits for service delivery that will result from the investment. The recent Audit Scotland report on major capital projects recommended a number of areas of good practice in the management and governance of major capital projects ([Exhibit 7, overleaf](#)).¹⁸

¹⁵ *Better equipped to care? Follow-up report on managing medical equipment*, Audit Scotland, February 2004.

¹⁶ *Improving energy efficiency*, Audit Scotland, December 2008.

¹⁷ NHS HDL (2006) 58 *A policy on design quality for NHSScotland*, Scottish Executive, 2006.

¹⁸ *Review of major capital projects*, Audit Scotland, June 2008.

Exhibit 7

Good practice in management and governance of major capital projects

Key features of good practice include:

- Prior to projects being approved for construction, they should be soundly researched, planned and fit well with the Scottish Government's strategic objectives and policy priorities.
- Projects should be well organised with clear aims, objectives and delivery arrangements.
- Competent, experienced teams should be appointed to deliver projects, with good leadership and properly defined roles and responsibilities. There should be a sound appreciation of risk and an effective strategy to manage and mitigate it.
- An effective partnership with suppliers, with their appointment based on a well-designed and well-executed competition.
- Accountability and transparency with regard to the progress of the project.
- At all stages of a project, there should be a clear focus on outcomes and how it will support and improve business performance.

Source: *Review of major capital projects*, Audit Scotland, 2008

31. To assess how effectively a capital project has been delivered, NHS bodies can measure whether it was completed on time and within budget and to what extent it meets expectations about the quality of the build. These measures can be assessed by post-project reviews and post-occupancy evaluations. The Scottish Public Finance Manual requires post-project reviews to be undertaken but the SGHD does not monitor the extent to which NHS bodies are undertaking these.

32. It is difficult to assess how changes to assets affect clinical outcomes due to the wide number of other factors involved but there are some indirect measures that can be used; for example, a reduction in the length of time for laboratory results to be processed and reported due to improved efficiency in the way vehicle routes are managed.

The SGHD could be more closely involved in other work on assets being carried out across the Scottish Government

33. The SGHD participates in formal discussions with the rest of the Scottish Government about nationally important infrastructure projects, such as the new Southern General Hospital in Glasgow, through the Infrastructure Investment Group. For initiatives that are less strategic, the mechanisms for sharing good practice and identifying opportunities for joint working are less formal.

34. There is some evidence of partnership working between the NHS and the rest of the Scottish Government on assets but there remain areas where there could be closer involvement. For example, the School Estate Management Plans initiative has produced guidance on developing school estate strategies and a standard approach to assessing suitability. These are areas in which the SGHD needs to update its NHS policies and guidance. The Efficient

Government Unit is undertaking work to standardise approaches to asset management and embed good practice in central government and it is important that the SGHD is fully involved in this work.

35. The SGHD and Health Facilities Scotland meets other UK health organisations every three months in order to discuss issues around NHS estates and to share guidance. There is a project in progress to establish web-based guidance on health estates matters that is applicable across the UK.

The SGHD needs to build on early work to encourage joint development of the public sector estate

36. The Joint Future Unit promotes joint working between the NHS and the rest of the public sector, including the development of joint premises. In 2003, a Short Life Working Group on Joint Premises Development in Primary and Community Care produced a report examining progress in developing joint premises in community care.¹⁹ The report found that the joint use of assets was hindered by the need for individual organisations to demonstrate best value through, for example, achieving highest value for the disposal of assets. It also found that the amount and type of information collected by the NHS and councils were inconsistent. The report recommended that, where appropriate, the public sector should pursue projects that are in the interest of the wider community even though they may not represent best value for one single organisation. It also recommended that joint property databases should be developed.

37. The Joint Premises Project Board was set up to implement these recommendations and includes representation from the Scottish Government, NHS bodies and councils. In 2005/06, this board developed a list of data which public sector bodies should hold for their properties and a toolkit to

¹⁹ *Report of the Short Life Working Group on Joint Premises Development in Community Care*, Scottish Executive, 2003.

help bodies develop joint estates projects. However, the board has met infrequently since then and no further work has been done to build on these developments. Very few NHS bodies have developed common datasets or used the toolkit. The Scottish Government has more recently been developing the hub initiative. This is a new approach aimed at stimulating joint working across the public sector.

38. Five 'hub companies' will be set up in Scotland which public sector organisations may use for new infrastructure projects. It is not yet clear how projects will be funded or how the companies will work although piloting should begin in 2009 in two areas and funding of around £40 million is being made available to pump-prime projects. The initiative aims to encourage joint working as public sector partners will be required to produce joint strategic plans before submitting projects to the hub company.

NHS bodies and councils need to work together more strategically to develop the public sector estate

39. We considered the way in which NHS bodies interact with their public sector partners in terms of their estate as this forms a large proportion of public sector assets. NHS bodies are beginning to develop joint estates strategies with other public sector partners. Twelve NHS bodies have strategies in development but only Grampian has a joint estate strategy that is fully completed and awaiting approval by its board ([Case study 1](#)).

40. Eight NHS bodies have formal procedures for carrying out joint estates projects with other public sector partners, six of which have mapped their estate against the estate of other public sector partners.²⁰ Five NHS bodies (Health Scotland, National Services Scotland, the State Hospital, Shetland and the Western Isles) only periodically inform other public sector partners of planned disposals.

Case study 1

Grampian joint public sector property group

A joint public sector property group was established in 2001 and consists of NHS Grampian, local councils, emergency services and universities. The aim of the group is to establish working relationships among these bodies so that property planning:

- supports the delivery of service strategies
- supports the achievement of the joint future agenda
- serves as a link between local and national public sector agencies, to achieve joint working within the property remit and deliver best value for the public purse
- focuses on strategic and performance issues
- encourages innovation and better ways of working and ultimately frees up capital and revenue resources from property to better support the delivery of service strategies.

The group has developed a joint property strategy which joins all individual estate strategies together to provide a means for achieving these aims.

Source: Background information, Grampian Joint Public Sector Property Group website, 2008

Case study 2

North West Kilmarnock Area Centre

The North West Kilmarnock Area Centre was built through collaboration between NHS Ayrshire and Arran, East Ayrshire Council and the Better Neighbourhood Services Fund programme. The centre brings together a wide range of core primary services and other public services including a new 'teach and treat' dental facility, mental health services and a nursery and family centre, social day care for older people, a community health café and a fitness suite.

The joint premises have opened up opportunities for joint working and addressed a number of potential future problems in the community. For example:

- East Ayrshire Council Social Work and NHS Adult and Elderly Community Mental Health Services now work together providing outreach services which were previously based in hospitals.
- The centre replaces 11 properties, many of which were in need of extensive upgrading and not designed for modern service delivery and joint working.
- Through the 'teach and treat' dental facility the centre provides local access to dental care in an area where dental health is poor and registration levels are low.

Source: Project information, NHS Ayrshire and Arran website, 2008

²⁰ The eight NHS bodies are Ayrshire and Arran, Borders, Dumfries and Galloway, Forth Valley, Grampian, Lanarkshire, Lothian and the Scottish Ambulance Service.

41. Planning and undertaking joint projects with other public sector organisations present a number of challenges to NHS bodies and their partners. For example, the requirement to achieve best value may cause difficulties in joint asset development. Accountable officers are expected to achieve the full market value when they sell assets but this may not be in the best interests of the wider community if another public sector body could use that asset. Goodwill is required from the selling organisation to accept that a cheaper transaction may be in the wider interest of the community.

42. There are examples of joint estates projects around Scotland. These include GP practices located beside pharmacies, council offices and police offices ([Case study 2](#)).

- monitor the extent to which NHS bodies are undertaking post-project reviews
- ensure that momentum is maintained in developing the hub initiative to support joint working across the public sector. NHS bodies should put in place joint strategies with councils to develop joint working on estates at a local level.

Recommendations

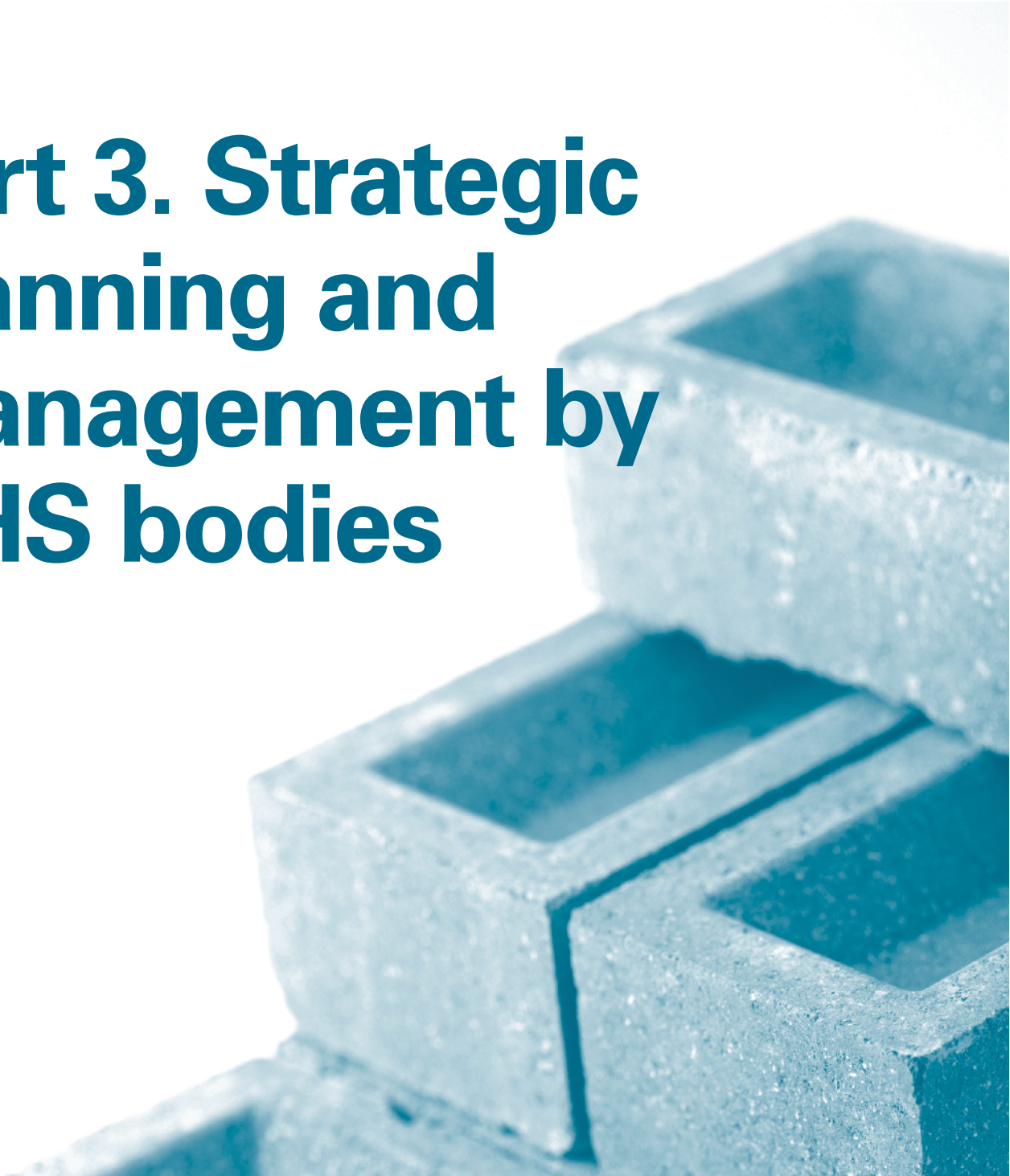
The Scottish Government should:

- ensure that work being undertaken on asset management by different parts of the Scottish Government is coordinated and that good practice is shared across different portfolio areas.

The SGHD should:

- provide policies and guidance for all types of assets and update its current policies and guidance to reflect changes in the NHS and the development of new health policies
- routinely collect information from NHS bodies on the performance of their assets
- ensure that momentum is maintained in the development of the new national estate computer system. Performance measures and estate targets should be developed in line with the introduction of the new system

Part 3. Strategic planning and management by NHS bodies



Not all NHS bodies have performance measures for their assets.



Key messages

- Although NHS bodies acknowledge that clinical strategies have significant implications for assets, only six NHS bodies have corporate asset management strategies or plans that show how clinical need is driving decisions on assets.
- Most NHS bodies hold basic information on their assets, such as their location, but fewer know the condition of their assets or their maintenance requirements. Eight NHS bodies store all of their asset information electronically, with a further ten still using paper records for some information.
- Most NHS bodies have structures in place for reporting performance information on assets but the performance measures and targets used vary. This makes it more difficult for NHS bodies to benchmark the performance of their assets.

Good management of assets helps service delivery

43. Clinical strategies and Local Delivery Plans set out NHS bodies' plans for how healthcare will be delivered and have significant implications for NHS bodies' assets. The way assets are acquired, used, managed, located and disposed of are affected by changes in the way care is delivered and where it is provided (Case study 3).

44. Assets have not had a high profile in the NHS in Scotland in the past. The Audit Scotland report *Better Equipped to care? Follow-up report on managing medical equipment* found that "strategic management of medical equipment needs to be given

Case study 3

Clinical objectives are driving changes to Foresterhill campus in Grampian

The driving force for service change and redesign in NHS Grampian is the Healthfit plan.²¹ A key objective of this is to move more services into the community to meet the needs of an ageing population.

The major health site in Grampian is the Foresterhill campus. This includes Aberdeen's main acute hospital, a children's hospital and a maternity unit. Many of the buildings in which these services are delivered are in poor condition and no longer fit for purpose.

Achieving Healthfit objectives requires a redevelopment of the Foresterhill site and provides the opportunity to address existing estate issues such as poor condition. Plans include locating hospital services in zones designed to help users move about the site efficiently and easily.

Source: Foresterhill campus Master Plan, NHS Grampian, 2007

a higher priority at national and local levels".²² Similarly, the NAO's 1999 report *The NHS in Scotland: Making the most of the NHS estate* found that the estate had a low profile among senior management.²³ There is now an increasing acknowledgement by senior management in the NHS that the proper management of assets is essential to support the delivery of care.

45. Research has found assets can have a direct effect on service delivery. For example, well-designed hospitals can reduce mental health patients' treatment times by 14 per cent.²⁴ Other research has found that 81 per cent of directors of nursing in England thought that staff facilities had an important or very important effect on performance.²⁵

46. All NHS bodies have a director with responsibility for the management of assets and in 11 NHS bodies each director sits on the board. If there is no director with responsibility for assets on the board, an NHS body needs to ensure that its board receives relevant information in other ways.

Only four NHS bodies have strategies for each type of asset

47. Asset strategies should describe the link between NHS bodies' clinical strategies and the implications for their assets (Exhibit 8). A corporate asset management strategy or plan pulls together individual asset strategies into one document to provide a coherent link between clinical strategies and local delivery plans and the management of each asset. Each asset strategy should be driven by clinical need and should provide a:

- basis for consultation with users
- basis for future decision-making on assets
- clear description of the direction the organisation wants to take with its assets
- a clear statement for communicating the direction to the rest of the organisation and other relevant partners.²⁶

48. Five NHS bodies have corporate asset management strategies or plans in place which cover all assets. While the SGHD does not require NHS bodies to produce corporate asset management

21 *Healthfit: Tomorrow's health today 2007/08*, NHS Grampian, 2007.

22 *Better Equipped to care? Follow-up report on managing medical equipment*, Audit Scotland, February 2004.

23 *Making the most of the NHS estate*, National Audit Office, 1999.

24 *The Architectural Healthcare Environment and its Effects on Patient Outcomes*, NHS Estates, 2003.

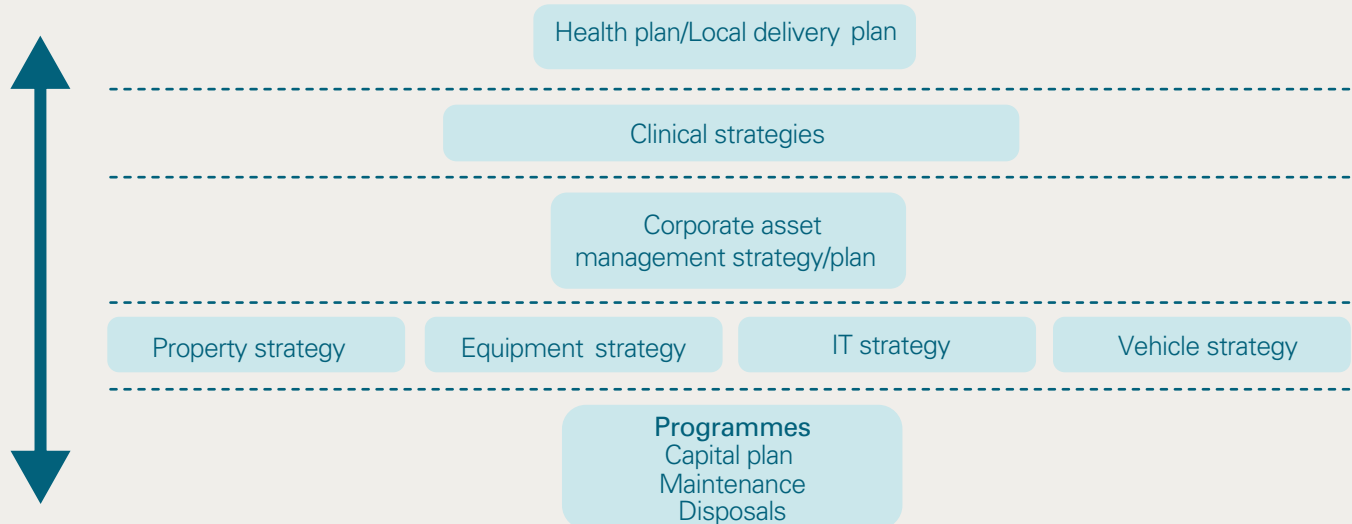
25 *The role of hospital design in the recruitment, retention and performance of NHS nurses in England*, The Centre for the Built Environment, 2004.

26 *RICS Public Sector Asset Management Guidelines: A guide to best practice*, Royal Institute of Chartered Surveyors, 2008.

Exhibit 8

The role of asset strategies within the wider organisation

Asset strategies should link directly to corporate aims and objectives.



Source: Audit Scotland adapted from *Introductory Guide to Asset Management*, CIPFA

strategies, they are seen as good practice in the management of assets. Most NHS bodies have completed or approved strategies specifically for estates and IM&T but less have approved equipment or vehicle strategies (Exhibit 9). Only Forth Valley, Lothian, Orkney, National Services Scotland and the Scottish Ambulance Service have approved strategies for each type of asset where appropriate. Few strategies have been assessed by NHS bodies to ensure they take account of all relevant equality and diversity issues.

Estates strategies are variable in quality and coverage

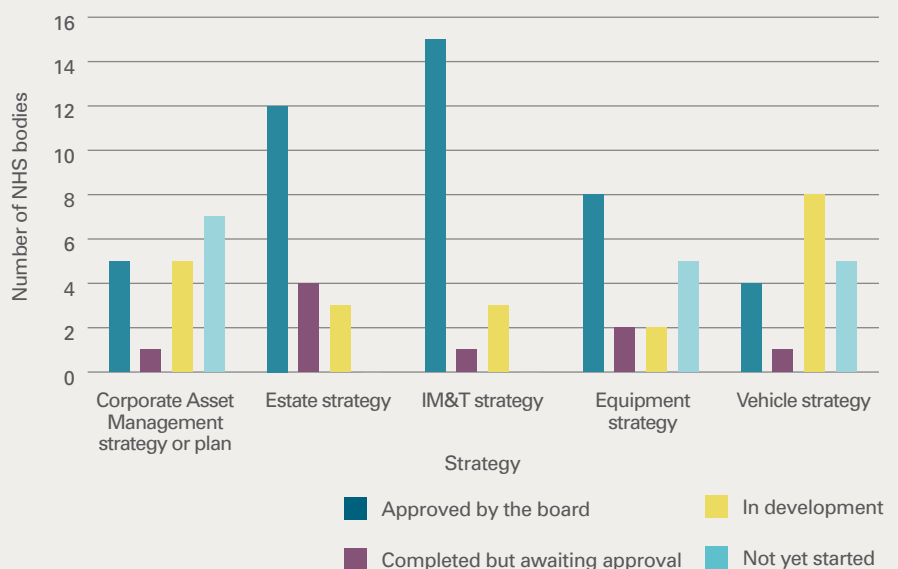
49. As estates make up the bulk of NHS assets, we reviewed NHS estates strategies in more depth to assess their quality. Unlike other assets, NHS bodies have been required to produce estates strategies for a number of years to 'ensure that NHS property is used efficiently, coherently and strategically to support Government plans and clinical needs'.²⁸ The NHS Property Management Policy sets out a number of criteria that strategies should contain but none of the strategies we examined met all of these criteria (Appendix 1).

²⁷ For consistency, we have used the term 'estate' to refer to 'property strategies'.
²⁸ *Property Management Policy and other related matters*, MEL (1999)44, Scottish Executive.

Exhibit 9

Development of asset strategies

Most NHS bodies have estate and IM&T strategies but few have an approved corporate asset management strategy or plan.²⁷



Source: NHS bodies' asset management data return to Audit Scotland, 2008

50. Few NHS bodies include the primary care estate that is not owned by NHS bodies in their estates strategies. These are facilities owned by GPs, dentists, pharmacists and opticians. While these facilities are not the responsibility of NHS bodies, they need to incorporate these facilities into their overall planning. Most Community Health Partnerships (CHPs) and Community Health and Care Partnerships (CHCPs) are only just beginning to consider developing estates strategies for their area. This means that NHS bodies are not currently considering the whole estate in their strategies.

51. Staff, patients and other public sector partners (such as councils) are affected by changes in the way estates are managed and used. NHS bodies are required to consult on the development of service strategies, which drive estates strategies. Although there is no requirement for NHS bodies to specifically consult on their estates strategies, clinical users, such as doctors, are almost always consulted in the development of estates strategies. However, ten NHS bodies did not consult their patient forum when developing their estates strategy and seven did not consult other public sector partners.

Most NHS bodies hold some basic information on their assets but fewer have details of their condition or maintenance needs

52. Taking decisions such as when to replace assets, refurbish them or dispose of them all require appropriate information, such as their location and condition. The data should be complete, current, correct, consistent and readily accessible.²⁹ The Audit Scotland report *Better equipped to care? Follow-up report on managing medical equipment* and the NAO report *The NHS in Scotland: Making the most of the NHS estate* found that in the past NHS bodies held limited information on these assets.³⁰

53. Most NHS bodies now have basic information on their assets such as

their location and number but they are less likely to know the condition of their assets, the maintenance required and plans for replacement ([Exhibit 10](#)). Some IM&T assets and vehicles may be held on lease agreements and are therefore replaced after a set time. However, five NHS bodies did not know the condition of their medical equipment.

54. Eight NHS bodies store all of their asset information electronically. Ten still use paper records to store at least some information and this makes it more difficult and time-consuming to collate and monitor the information.³¹

Not all NHS bodies have performance measures for their assets

55. Most NHS bodies have structures in place for reporting information on assets. This allows performance issues to be identified and addressed and the effect of investment or change programmes to be assessed by senior management. Most NHS bodies provide management information to heads of division on a monthly basis. Grampian and Tayside, however, only provide information to heads of division on the performance of equipment on an annual basis. Tayside also only reports annually on the performance of IM&T and vehicles, meaning that information for decision-making may not be as up to date as it could be.

56. Not all NHS bodies have performance measures relating to assets. Fourteen have performance measures in place for their estate but fewer NHS bodies have measures for equipment, IM&T and vehicles ([Exhibit 11](#)). We discuss the performance of the estate in detail in [Part 4](#).

57. Most NHS bodies benchmark some aspects of asset performance but the variability in the type of measures used by NHS bodies means that there are very few core aspects measured across the country. Thirteen NHS bodies benchmark the performance of their estate but less than half benchmark the

performance of their vehicles, IM&T and equipment. Shetland, Tayside, the State Hospital and Health Scotland do not benchmark any of their assets. The SGHD is currently undertaking work on benchmarking and the development of the new asset management system should help to ensure that NHS bodies are collecting common information on assets.

Recommendations

NHS bodies should:

- develop strategies for each type of asset and then develop a corporate asset management strategy or plan which links with their clinical strategies. NHS bodies should use national guidance where it exists or other sources of good practice such as CIPFA and RICS Public Sector Asset Management Guidelines
- ensure that their estates strategies meet good practice criteria as set out in the NHS Property Management Policy
- establish procedures with CHPs for gathering data on the independent estate (GPs, dentists, pharmacists and opticians)
- ensure they have procedures in place setting out when, and in what way, estate condition, statutory compliance, functional suitability and space utilisation will be assessed
- assess estate condition, statutory compliance, functional suitability and space utilisation according to the agreed procedures
- ensure all information on assets is held electronically
- review their performance management arrangements and, where required, develop performance measures and targets for assets.

29 *RICS Public Sector Asset Management Guidelines: A guide to best practice*, Royal Institute of Chartered Surveyors, 2008.

30 *Better equipped to care? Follow-up report on managing medical equipment*, Audit Scotland, February 2004; *Making the most of the NHS estate*, National Audit Office, 1999.

31 Information from NHS Dumfries & Galloway was inconclusive.

Exhibit 10

Asset information arrangements

Most NHS bodies hold basic information on assets but not all keep it electronically.

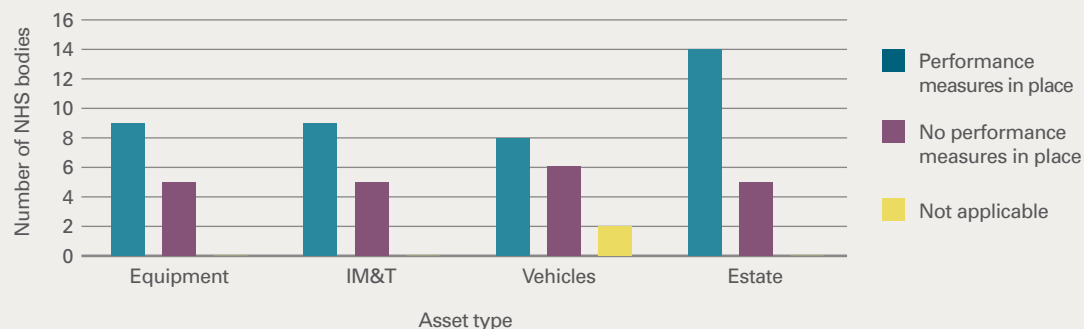


Note: Where the total category does not add up to 19 this indicates a non-response by NHS bodies.
 Source: NHS bodies' asset management data returns to Audit Scotland, 2008

Exhibit 11

Existence of performance measures for assets

Not all NHS bodies have performance measures relating to assets.



Note 1: Where the total does not add up to 19 this means some NHS bodies did not respond to the question.
 Note 2: National Services Scotland and Health Scotland are labelled as 'not applicable' as they stated they do not have any vehicles.
 Source: NHS bodies' asset management data returns to Audit Scotland, 2008

Part 4. Delivering value for money from the NHS estate



The NHS estate is in need of significant maintenance investment.



Key messages

- More than two-thirds of the NHS-owned estate was built before 1980. There is no complete picture of the quality of the NHS estate across Scotland. Information from 11 NHS bodies shows that the majority of the estate is of satisfactory quality although around a third of the estate will require major upgrading soon.
- NHS bodies do not consistently benchmark the performance of their estate although there are a wide range of performance measures available. NHS bodies only partially meet national value for money indicators.
- The NHS estate is in need of significant maintenance but not all NHS bodies know the level of maintenance required. Most NHS bodies are still primarily reacting to, rather than planning, maintenance. NHS bodies use whole-life costs in their business cases but they are not budgeting for long-term maintenance for major capital projects.
- Disposals of assets have decreased since 2006/07 when they reached a peak of £51 million.
- NHS bodies need to give greater consideration to the wider sustainability agenda and current good practice in design policy. The NHS estate is not sufficiently accessible for disabled people and NHS bodies need to integrate equality and diversity issues more fully into estate management practices.

The estate accounts for most of the asset value of the NHS in Scotland

58. The value of the estate has increased from £3 billion in 2001/02 to £4 billion in 2007/08.³² The NHS

owns over 1,800 properties and 2,900 hectares of land.^{33,34} There are currently a number of large capital programmes ongoing, notably those in Greater Glasgow and Clyde, Grampian and Forth Valley, which are designed to improve and update the NHS estate.

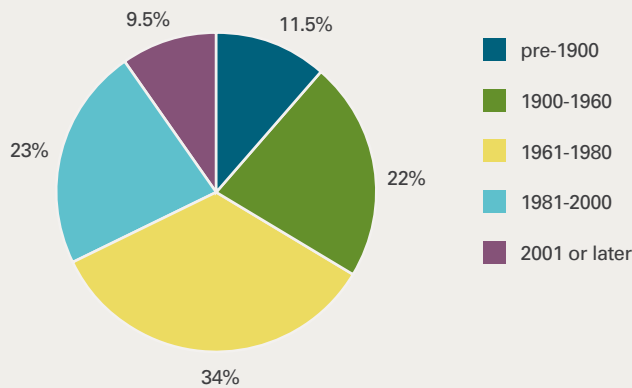
The bulk of the NHS-owned estate was built before 1980

59. More than two-thirds of the NHS-owned estate in Scotland, excluding PPP-funded assets, was built before 1980 and 11 per cent before 1900 (Exhibit 12). More than half of the estate owned by NHS bodies is acute hospitals (Exhibit 13).

Exhibit 12

The age profile of the NHS-owned estate in 2008

More than two-thirds of the NHS-owned estate was built before 1980.

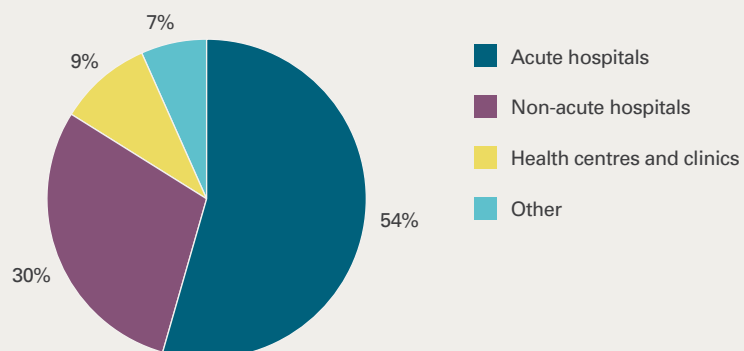


Note: Does not include estate funded through PFI/PPP. NHS Greater Glasgow and Clyde did not return any data for this exhibit.
Source: NHS bodies' asset management data returns to Audit Scotland, 2008

Exhibit 13

Profile of the NHS-owned estate

The majority of the NHS-owned estate supports acute services.



Note: 'Other' includes for example, residential accommodation for doctors.
Source: NHS bodies' asset management data returns to Audit Scotland, 2008

32 *Property Performance Review*, Scottish Executive, 2000; Unified NHS Summary Board Accounts, 2007/08.

33 The number of properties and the land area is based on our data survey of 19 NHS bodies.

34 NHS bodies' asset management data returns to Audit Scotland, 2008.

The majority of the NHS estate is of satisfactory quality although around a third will require major upgrading soon

60. There are four main categories used for assessing how well the NHS estate is performing – physical condition, statutory compliance, functional suitability and space utilisation. These identify what condition the estate is in; to what extent the estate complies with statutory legislation such as fire regulations; how suitable the estate is to support the services being delivered; and how well used the estate is, for example underused or overcrowded. The SGHD's Property Management Policy states that surveys on these should be carried out every five years and provides guidance for this (see [Appendix 3](#) for an explanation of how these should be assessed). Almost all NHS bodies have surveyed their estate in the last five years, but only 11 returned data.³⁵ It is therefore not possible to accurately assess the current quality of the entire NHS estate. A partial assessment of the NHS estate suggests that the majority of the estate is of satisfactory quality, although around a third will require major upgrading in coming years.

61. We found that, for the 11 bodies that could provide data:

- Seventy per cent of the estate is in satisfactory condition (categories A and B) although 29 per cent will require major upgrading soon and another one per cent is in serious risk of imminent breakdown
- sixty-nine per cent of the estate is fully compliant with statutory requirements

- seventy-seven per cent of the estate is suitable to support the services being delivered, although 20 per cent is not suitable for the purposes required and another three per cent is unacceptable in its present condition
- sixty-three per cent of the estate is adequately used, but 23 per cent is underused, three per cent is empty and 11 per cent is overcrowded ([Exhibit 14](#)).

NHS bodies do not consistently benchmark the performance of their estate

62. It is important that NHS bodies assess estate performance to identify how economically, efficiently and effectively the estate is performing. This includes being able to benchmark with other bodies and identify good practice. There are a wide range of measures available to assess estate performance but NHS bodies do not consistently use these. These include:

- mandatory SGHD performance indicators ([paragraph 22](#))
- UK Audit Forum – Value for money in public sector corporate services indicators ([Appendix 2](#))
- National Audit Office (NAO) – office accommodation indicators ([Appendix 2](#))
- NAO – indicators used in *The NHS in Scotland: Making the most of the estate* report ([Appendix 2](#)).³⁶

63. The national *Property Management Policy* sets out mandatory performance indicators which NHS bodies should use. The SGHD needs to update these indicators to take into account

recent developments in NHS estate management. NHS bodies do not consistently use these indicators to assess the performance of their estate and the SGHD does not routinely collect this information.

64. The majority of NHS bodies use some form of performance measures and indicators although Ayrshire and Arran, Borders, Shetland, Tayside, and the State Hospital do not use any indicators to assess the performance of their estate. The most commonly used indicators relate to estate quality, for example, the condition and suitability of buildings. Other than this there is little consistency among NHS bodies in the types of indicators used.

65. If the new national estates computer system is rolled out successfully to all NHS bodies this should allow consistent indicators to be used. It is therefore important that the data specification for the system considers the type of indicators that will be used.

Information collected by NHS bodies on the independent estate is limited

66. GPs, dentists, pharmacists and opticians generally own their own premises but receive funding from NHS boards towards rent and some maintenance. It is important for NHS boards to receive information about these premises in order to assure themselves that patient care is being provided in appropriate settings, and for CHPs to be able to take informed decisions about primary care in their area.

67. All NHS boards know the number and location of independent primary care premises. Most NHS boards hold some information on the condition, statutory compliance, suitability and space utilisation of independent GP premises but have little information on dentists, pharmacists and opticians.

³⁵ The NHS bodies that returned data to us were Ayrshire and Arran, Borders, Forth Valley, Highland, Lanarkshire, Lothian, Tayside, the National Waiting Times Centre, State Hospital, the Scottish Ambulance Service and National Services Scotland. Tayside's data are an estimate based on 2001 data. Of the NHS bodies that did not return data – Grampian, Greater Glasgow and Clyde and Orkney are currently undertaking estate surveys; Fife holds its data in a different format; and Dumfries and Galloway, Shetland, Western Isles and Health Scotland did not return any data.

³⁶ *The NHS in Scotland: Making the most of the estate*, National Audit Office, 1999.

Exhibit 14

The quality of the essential estate 2008³⁷

A partial picture shows that the majority of the estate is of satisfactory quality.



Note 1: Base is 11 NHS bodies (see footnote 37). Data from Forth Valley are based on estate owned; the other NHS bodies are based on estate used (owned plus any leased or rented).
 Source: NHS bodies' asset management data returns to Audit Scotland, 2008

Tayside is the only NHS board which has detailed information on all these aspects for all four service provider groups. Borders does not hold this specific information on these groups, but it does hold other data on the independent estate.

NHS bodies only partially meet national value for money indicators 68. The UK Audit Forum's *Value for Money in public sector corporate services* provides a series of statements for public sector organisations to assess the extent to which they are achieving value for

money from their estate.³⁸ As part of this study NHS bodies assessed themselves against key elements that they should be demonstrating if they are achieving value for money from their estate. The majority of NHS bodies reported that they meet some

37 The data are based on returns from Ayrshire and Arran, Borders, Forth Valley, Highland, Lanarkshire, Lothian, Tayside, National Waiting Times Centre, State Hospital, National Services Scotland and the Scottish Ambulance Service. Although the NHS bodies included in this exhibit have all used these ratings, they may have used different ways of assessing these aspects to arrive at their final scores.
 38 *Value for Money in public sector corporate services*, UK Public Sector Audit Agencies, 2007.

Exhibit 15

Estate value for money indicators

The majority of NHS bodies meet some of these indicators.

Estate management value for money indicator	Yes	No
For the last financial year, planned property maintenance costs equate to 60 per cent or more of total property maintenance costs	7	9
There is a formal environmental management system in place covering all significant administrative buildings	7	12
The organisation has the ability to zone buildings in terms of heating to reduce energy consumption	14	5
A comprehensive professional development programme is in place for professionally qualified property management staff which ensures that they receive at least five days of continuing professional development (relevant accredited training) per annum	11	8
The officer responsible for property services reports directly to a member of the corporate/executive team and there is an identified individual at board level with responsibility for the estate	15	4
The organisation has clear and well publicised arrangements for staff who have property related queries, and all queries are logged and monitored	16	2
Staff and user 'built environment' satisfaction surveys are undertaken at least annually and the results are published and developed into an action plan which is monitored and regularly reviewed	3	16
Surveys of the estate in relation to sufficiency, suitability, condition and costs have been carried out in the last five years and inform the capital strategy and plan and these are updated according to risk	14	5
The organisation does not allocate individual 'owned' desks to staff who work in the office less than 50 per cent of their time, and regularly monitors workstation utilisation	8	11
The organisation has undertaken an assessment of property requirements across the organisation within the last three years and has identified property that is either currently surplus to requirements or will become surplus within the next three years and has a plan agreed by the board to address this surplus.	17	2

Note: 19 bodies assessed themselves and between 16 and 19 responded to each question.
Source: NHS bodies' asset management data returns to Audit Scotland, 2008 using Corporate Value for Money indicators, UK Audit Forum, 2007 (unaudited)

of these indicators but only the National Waiting Times Centre reported meeting them all (Exhibit 15).

The NHS estate is in need of significant maintenance investment

69. Where NHS bodies have not kept up with maintenance requirements, the amount it would cost to bring the estate back to its original condition is known as backlog maintenance. This provides an indication of the condition of the estate.³⁹ Sixteen NHS bodies provided details of their backlog maintenance requiring attention over the coming years, totalling £512 million (Exhibit 16). This figure excludes Greater Glasgow and Clyde, which is currently undertaking estate surveys; the State Hospital as it is undergoing an almost complete rebuild; and Western Isles. The extent of backlog maintenance varies and there is no direct link between the amount that NHS bodies spend on maintenance and the size of their backlog maintenance. Five NHS bodies (Dumfries and Galloway, Highland, Lanarkshire, Shetland and Western Isles) do not have a specific strategy for addressing their backlog maintenance.

Maintenance budgets are increasing but vary across the country

70. Maintenance budgets have increased overall by 16 per cent in cash terms over the past two years, from £46 million to £55 million.⁴⁰ However, the percentage of NHS bodies' operating costs which is spent on maintenance is decreasing.⁴¹ Most NHS bodies reported that revenue funding for maintenance will be a fairly or very significant challenge in managing their estate in future years.⁴²

71. NHS bodies spend differing amounts on maintenance (Exhibit 17). In 2007/08, maintenance budgets for the estate owned by NHS boards varied from £5.65 per square metre in Western Isles to £33.59 in Grampian.

³⁹ Buildings would never generally be raised back to their original standard as service requirements will most likely have changed since the building was built. Therefore the backlog maintenance figure can only provide an indication of the condition of the estate. NHS boards address backlog maintenance in different ways including maintenance funded from revenue budgets and capital programmes, designed to improve and update the NHS estate.

⁴⁰ Base for maintenance budgets is 17 NHS bodies. Greater Glasgow and Clyde and Orkney did not provide figures for 2006/07.

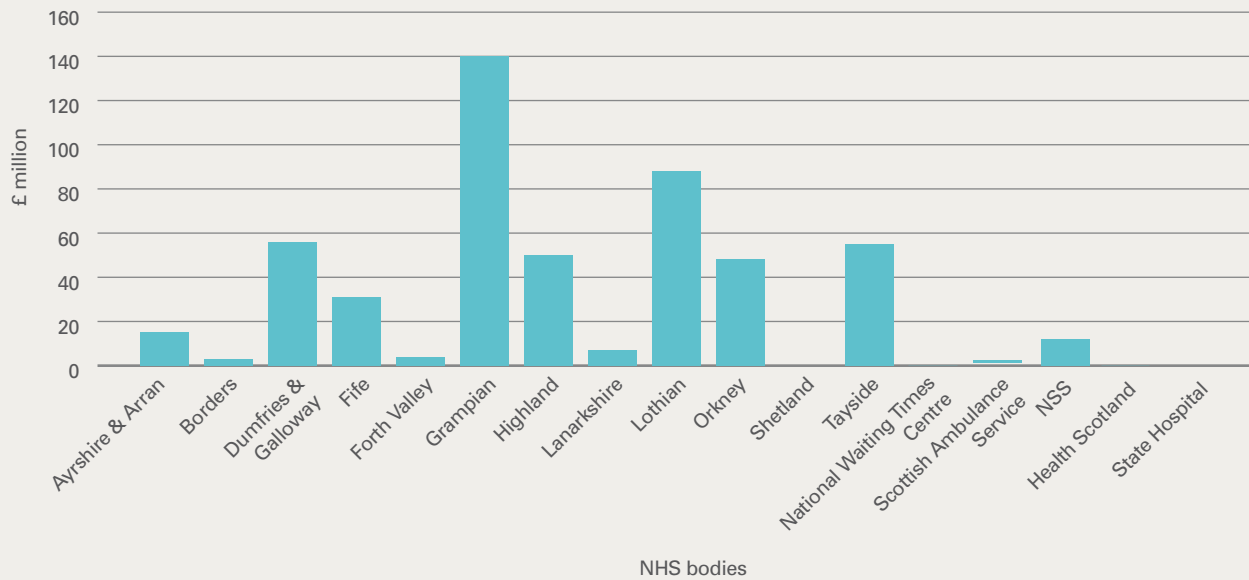
⁴¹ Unified NHS Board Summary Accounts 2006/06 and 2007/08.

⁴² Based on 18 NHS bodies for planned maintenance and 15 NHS bodies for reactive maintenance.

Exhibit 16

Backlog maintenance by board, 2007/08

Backlog maintenance varies between NHS bodies.

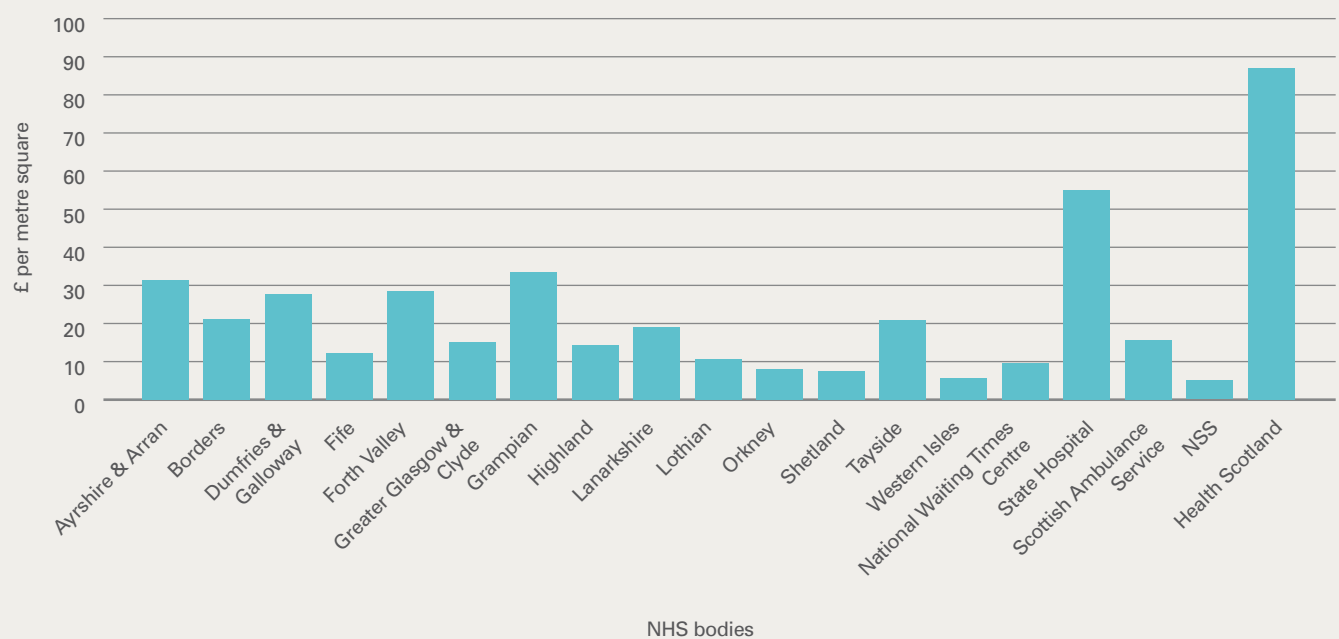


Note: No data was provided for Greater Glasgow and Clyde, and Western Isles.
Source: NHS bodies' asset management data returns to Audit Scotland, 2008

Exhibit 17

Maintenance budgets per board by square metre

Maintenance budgets vary between NHS bodies.



Source: NHS bodies' asset management data returns to Audit Scotland, 2008

Among the special health boards, the figures ranged from £3.99 per square metre in National Services Scotland to £86.96 in Health Scotland. These figures do not include maintenance costs for buildings built using PFI/PPP as maintenance costs are normally included in the annual unitary charge paid by the NHS body.

Most maintenance is reactive rather than planned

72. For NHS bodies to gain the maximum value from their assets and to ensure their expenditure is efficient, the majority of maintenance should be planned. Good practice suggests that maintenance costs should be 60 per cent planned and 40 per cent reactive.⁴³ Only nine NHS bodies could provide a breakdown of their maintenance expenditure between planned and reactive maintenance. Of these, the split between planned and reactive maintenance varied among NHS bodies. For example, 90 per cent of Shetland's maintenance budget was reactive in 2007/08 compared to 25 per cent of Greater Glasgow and Clyde's budget.

73. Although there is a requirement for NHS bodies to include targets for improving the physical condition of their estate, it is not clear how some NHS bodies can fulfil this given that some could not provide information on their planned maintenance. If maintenance is not planned and funded for the non-PFI/PPP estate, there is a risk that the estate will deteriorate in comparison with the PFI/PPP estate. Maintenance is built into PFI/PPP contracts which should mean that the buildings remain in good condition.

Exhibit 18

Disposals of NHS assets 2004/05 - 2007/08

Sales (of assets) and profits rose significantly until 2006/07 and have since declined.



Source: Unified NHS Board Summary Accounts, 2003/04-2007/08

NHS bodies use whole-life costs in their business cases but are not budgeting for long-term maintenance for major capital projects

74. The construction cost of a building is only 2.5 per cent of the lifetime cost of that building and its services.⁴⁴ All investment has long-term revenue and capital costs for NHS bodies. These are known as whole-life costs. These include maintenance, utilities, staffing and capital charges, most of which are funded from NHS bodies' revenue budgets.⁴⁵ NHS bodies should be considering and committing to funding the whole-life costs for their investment in estates projects if they are to properly plan and manage the acquisition, running and disposal of their estate.

75. NHS bodies are now required by the SGHD to consider the whole-life costs of major capital projects and there is also evidence that this costing concept is being used for investment decisions which do not need approval

by the SGHD. However, there is little evidence that NHS bodies are budgeting to meet the costs of maintenance that is planned and carried out on the estate at required intervals over the life of the asset.

Disposals of assets have decreased since 2006/07 when they peaked at £51 million

76. In 2007/08, NHS bodies disposed of assets with a net book value of £9 million, generating a profit of £1 million.⁴⁶ This is a significant decrease from 2006/07 when NHS bodies disposed of assets with a net book value of £51 million, generating a profit of £82 million (Exhibit 18). 2006/07 was the last year that profits from the sale of assets could be used to fund revenue expenditure and, from 2007/08, any profits have had to be used for capital expenditure.

NHS bodies need to give greater consideration to the wider sustainability agenda

77. The sustainability agenda includes social, economic and environmental

43 *Value for Money in public sector corporate services*, UK Public Sector Audit Agencies, 2007.

44 *NHS Scotland Design Champions' Network Induction and Resource Pack*, Architecture and Design Scotland and the Scottish Executive Health Department, 2006.

45 Capital charges reflect the cost of capital. This is the wearing out of assets (depreciation) and money tied up in assets and not available for use elsewhere.

46 Unified NHS Board Summary Accounts, 2007/08.

factors. This means that NHS bodies must consider issues such as:

- the impact of the design of the estate, for example:
 - the effect of the estate on users' wellbeing, such as the effect of a lack of daylight on staff motivation and patient health
 - the efficiency of building design, for example, the time it takes for staff to walk between different parts of hospitals
 - the wider social effects of locating buildings in areas of deprivation or regeneration, for example, in generating employment
- how the estate responds to future changes in the way services are delivered
- how energy efficient the estate is
- how easily accessible the estate is for users.⁴⁷

Many NHS bodies are not complying with SGHD design policy

78. NHS bodies are required to have design action plans which set out how they will ensure sustainable design is integrated into procurement and building processes. They must also have a design champion at board level. NHS bodies are beginning to raise the profile of design issues and the majority have appointed design champions. However, less than half of NHS bodies reported having design action plans in place.

79. Previously, the NHS estate has developed in a piecemeal fashion with new construction or refurbishments on a site dealt with as separate projects, often because changes were made over a long time period. The 2006 national Design Policy

introduced the concept of master planning to try to ensure that NHS bodies had an overview of all projects on a site and how they related to each in terms of cost and design. Most NHS bodies are currently undertaking master planning, with Fife, Lanarkshire, the Scottish Ambulance Service and the State Hospital having completed master plans for all sites.

The NHS estate is not sufficiently accessible for disabled people

80. Healthcare services should be delivered in well-designed environments which allow patients, staff and visitors to feel safe, secure and comfortable. Buildings therefore need to provide good access for all, meet expectations in terms of privacy and dignity, and help to reduce infections and minimise accidents. The location of healthcare facilities should not discourage or prevent sections of society from accessing the services.

81. This means NHS bodies need to consider issues such as:

- physical access to healthcare locations for disabled people
- appropriate design of the estate and signposting to ensure people can move easily around the building.

82. The Disability Discrimination Act (DDA) puts a duty on public organisations to ensure all buildings can be accessed by disabled people. It addresses compliance issues in the context of 'reasonable adjustments' which often means that minor systematic changes in practices and procedures or offering a service in a different way can be sufficient. The DDA includes not only physical access, such as ramps, but also lighting; the colour of facilities for people with visual impairments; and

hearing loops for people with hearing impairments. Almost all NHS bodies have carried out accessibility audits on their estates and most reported that their estate is not completely DDA compliant.

83. Although investment in the estate will improve levels of DDA compliance, the advanced age of much of the estate means that NHS bodies face significant challenges in ensuring they can meet DDA requirements.

NHS bodies need to integrate equality and diversity issues more fully into estate management practices

84. NHS bodies are required to consider equality and diversity issues through statutory race, gender, and disability legislation designed to ensure discrimination does not take place. The introduction of the Disability Equality Duty in 2006 introduced a new requirement on NHS bodies to not only consult relevant disability groups on service delivery issues but to involve disabled people in the planning and monitoring of policies.

85. All NHS bodies consider equality and diversity issues when planning and implementing capital estates projects although Forth Valley, Grampian, Highland, Western Isles, the State Hospital and Health Scotland only sometimes consider equality and diversity issues. Twelve NHS bodies sometimes involve disabled people in planning estates projects but only Borders, Lanarkshire and NSS always involve disabled people. Grampian, Western Isles, the State Hospital and the Scottish Ambulance Service have not involved disabled people in planning estates projects.

86. Almost half of NHS bodies have not trained any of their estates

⁴⁷ The 2008 Audit Scotland report on *Energy Efficiency in the Public Sector* examined the performance of the NHS in relation to energy in more detail.

staff in equality and diversity. Only Ayrshire and Arran, Dumfries and Galloway, Orkney and the National Waiting Times Centre have trained the majority of their estates staff.

NHS bodies face pressures relating to the age of their estates workforce

87. The estates and maintenance workforce in Scotland is an ageing one. Fifty-eight per cent of estates staff are aged over 50 and only 14 per cent are under 40 (Exhibit 19).⁴⁸ This has implications for estates departments in NHS bodies as there will be a need for significant recruitment in coming years. Fifteen NHS bodies view shortfalls in their estate workforce as a very or fairly significant challenge in coming years but only half of NHS bodies currently have plans to address this. Health Facilities Scotland and NHS Education for Scotland are supporting undergraduate qualifications in facilities management which the SGHD hopes will help to ensure senior management capacity in NHS estates departments.

Recommendations

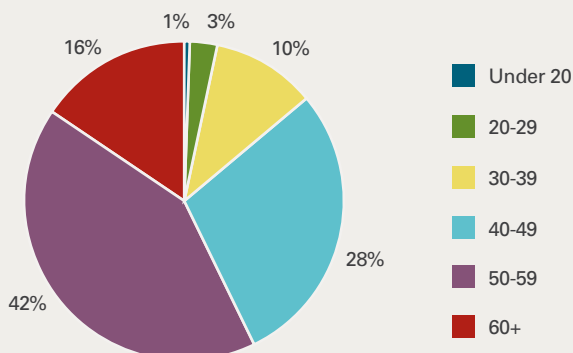
NHS bodies should:

- work with other NHS bodies and the SGHD to develop standard performance measures and targets for estates that they can use to benchmark performance with each other
- develop a strategy for addressing maintenance backlog, that is costed and is linked into the long-term financial strategy of the board
- identify the split between planned and reactive maintenance and identify causes where it is weighted towards reactive spend. They should develop a plan to address these causes

Exhibit 19

Age profile of estates and maintenance staff in 2007

More than half of the estates workforce is over 50.



Source: NHS Workforce Statistics, Information Services Division, 2008

- ensure that consideration of whole-life costing is a requirement for investment decisions and that they budget for maintenance throughout the life of the asset
- ensure they have design action plans in place and designated design champions as required by the design policy
- ensure they have a plan and timetable in place which outlines the level of estate compliance with the DDA, the financial requirements for achieving compliance, and the board's approach to achieving compliance
- integrate equality and diversity issues into estate management practices, ensuring that relevant stakeholders are consulted and involved, where relevant, on projects
- examine their estate workforce profile and start developing strategies to address any future capacity issues.

Appendix 1.

SGHD criteria for property strategies

SGHD Criteria – MEL 1999(44)

A holding body must have a property strategy.

Property strategy must be reviewed and updated annually.

A holding body's property strategy must be led by and be consistent with the extant Health Improvement Plan.

A trust's property strategy must be agreed with the health board.

The property strategy of a primary care trust or other holding body with equivalent responsibilities must include a section dealing with the non-NHS property from which primary care is delivered.

A holding body's property strategy must include targets for the translation of non-essential to surplus and its subsequent disposal.

A holding body's property strategy must contain a commitment to maintain compliance with existing statutory requirements and to achieve compliance as appropriate with new statutory requirements.

Where a holding body does not or cannot reasonably comply with existing statutory requirements, its property strategy must include identified solutions or reasonably acceptable alternatives.

A holding body's property strategy must identify physical condition, function suitability and space utilisation of both its essential and non-essential property.

A holding body's property strategy must include targets for improving physical condition, function suitability and space utilisation of its essential property where that is considered necessary to achieve the policy aims.

Appendix 2.

Estate performance indicators

UK Audit Forum's Value for Money in public sector corporate services¹

Total property costs (occupancy, operational and management) per square metre.

Total accommodation (square metre) per employee.

Property maintenance backlog as a percentage of average annual maintenance spend for the last three years.

Commissioner and user satisfaction index – a composite indicator compiled from the responses to a set of statements by commissioners and users:

Commissioner statements:

- the estates management function supports the overall objectives of the organisation
- the estates management function manages maintenance and capital programmes effectively (on time, budget and specification)
- the estates management function helps the organisation make best use of its accommodation
- the estates management function helps the organisation to reduce energy and water consumption
- the estates management function provides value for money.

User statements:

- the buildings/offices are easily accessible for staff, service users and visitors
- the buildings/offices are appropriate for my needs
- the buildings/offices are appropriately secured to protect people and property
- there is a clear point of contact for any buildings or accommodation related queries.

Management practice indicator – the number of practices that have been adopted by the organisation out of a possible total of ten (see Exhibit 15).

Cost of the organisation's estates management function by square metre and as a percentage of organisational running costs.

Total property occupancy/occupation costs (revenue) per square metre.

Total building operation (revenue) costs per square metre.

Percentage of property related capital projects completed within the project budget and timetable during the last three years.

Space use efficiency:

- workstations per full-time equivalent staff
- area (square metres) per workstation.

Average annual property capital expenditure over the last five years per square metre.

Total annual energy consumption (kw/h) per square metre.

Total annual water consumption (cubic metre) per square metre.

Total accommodation (square metre net internal floor area) over total accommodation (square metre gross internal floor area).

Percentage of solid waste that is recycled.

The percentage of buildings which are used by the public in which all public areas are suitable for, and accessible to, disabled people.

National Audit Office – Office Accommodation indicators²

Office accommodation cost per square metre.

Office accommodation cost per person.

Office accommodation cost per workstation.

Office rent per square metre.

Office space per person per square metre.

National Audit Office – indicators used in the report *The NHS in Scotland: Making the most of the NHS estate*³

Percentage of estate in operationally acceptable physical condition.

Percentage of building area fully compliant with safety and statutory standards.

Percentage of building area considered to be functionally suitable for its purpose.

Percentage of essential estate building area.

Percentage of essential estate land area.

1 *Value for Money in public sector corporate services*, UK Public Sector Audit Agencies, 2007.

2 *Improving the Efficiency of Central Government Office Accommodation*, National Audit Office, 2007.

3 *The NHS in Scotland: Making the Most of the NHS estate*, National Audit Office, 1999.

Appendix 3.

Measuring estate quality

Physical condition

The physical condition of the estate is determined by an assessment of the condition of a number of building elements including the structure, internal fabric, heating and ventilation and electrical systems. The appraisal is carried out for each of 19 physical elements. The ranking of the 19 elements is then combined to give one overall physical condition ranking. The average overall condition of each element is estimated to be in one of the following categories:

- A – the element is as new and can be expected to perform adequately for its full normal life
- B – the element is sound, operationally safe and exhibits only minor deterioration
- C – the element is operational but major repair or replacement will be needed soon, that is, within three years for buildings and one year for an engineering element
- D – the element runs serious risk of imminent breakdown
- X – a rating added to C or D to indicate it is impossible to improve without replacement.

Statutory compliance

The extent to which the property complies with safety and statutory standards requires an assessment of a number of factors, for example, food hygiene, compliance with health and safety requirements and relevant building standards and the adequacy of means of escape. The buildings are assessed under the following rankings:

- A – a new building which complies with all the statutory requirements and NHS in Scotland Firecode guidance
- B – existing buildings which comply with the statutory requirements and NHS in Scotland Firecode
- C – a building which falls short of A or B
- D – areas which are dangerously below A or B
- X – added to C or D to indicate that improvements are either impractical or too expensive to be tenable.

Space utilisation

Space utilisation surveys provide an indication of the extent to which the building area is used and can help in identifying those buildings where there is spare capacity and where there may be opportunities to rationalise the estate. Building areas are ranked as:

- 1 – empty
- 2 – underused
- 3 – adequate
- 4 – overcrowded.

Functional suitability

The functional suitability of the estate is an assessment of how effectively the site, building or part of a building, supports the delivery of current healthcare requirements. The assessment takes into account space relationships, services, amenities, location, environmental conditions and overall effectiveness. Poor functional suitability may be an unavoidable consequence of the building's age or design. Building areas are ranked as:

- A – high degree of satisfaction
- B – acceptable/reasonable: no major change necessary
- C – below an acceptable standard
- D – unacceptable in its present condition
- X – added to D to indicate the facility is so below standard (or so impossible to improve) that nothing but a total rebuild will suffice.

Source: SGHD

Appendix 4.

Self-assessment checklist for NHS bodies

The checklist on the next few pages sets out some high-level statements about asset management based on issues raised in the report. NHS bodies should assess themselves against each of the statements and consider which statement most accurately reflects their current situation. This approach will enable NHS bodies to identify what actions need to be taken forward.

- Not in place and action needed
- Not in place but action in hand
- In place but needs improving
- In place and working well.

Self-assessment for improving asset management

The last column in the checklist can be used to record sources of evidence, supplementary comments to support your assessment or to highlight areas of interest, etc.

Issue						
	No – action needed	No – but action in hand	Yes – in place but needs improving	Yes – in place and working well	Not applicable	
Are arrangements set out stating what type of performance information on assets should be provided to the board and when?						
Are there strategies for equipment, IM&T, vehicles and estate? If yes, was the strategy developed using national guidance and/or other sources of good practice such as the Royal Institute of Chartered Surveyors <i>Public Sector Asset Management Guidelines</i> ?						
Is there a corporate asset management strategy or plan that covers all assets?						
Does the estate strategy meet the criteria set out in the SGHD Property Management Policy?						
Are there agreed procedures in place with Community Health Partnerships for gathering data on the independent estate (GPs, dentists, pharmacists and opticians)?						
Are there procedures in place setting out when and in what way, surveys of the estate will be carried out for condition, statutory compliance, functional suitability and space utilisation?						

Issue					
	No – action needed	No – but action in hand	Yes – in place but needs improving	Yes – in place and working well	Not applicable
Are the performance measures for assets used by the board comparable with other boards to allow benchmarking?					
Is there a strategy for backlog maintenance and is this costed and linked into the long-term financial strategy of the board?					
Can the board identify the split between planned and reactive maintenance?: <ul style="list-style-type: none"> • How does the board's performance compare to good practice (60 per cent planned vs 40 per cent reactive)? • Can the board identify the causes of any weighting towards reactive spend? • Does the board have a plan to address any imbalance, and is this signed off by the board? 					
Are there criteria in place for capital investment bids that require: <ul style="list-style-type: none"> • whole-life costing to be considered and set out in business cases? • life-cycle maintenance to be considered and set out in business cases? 					

Issue					
	No – action needed	No – but action in hand	Yes – in place but needs improving	Yes – in place and working well	Not applicable
Is there a design action plan in place? If yes, has this plan been examined by Architecture and Design Scotland?					
Are there design champions in place at both board level and supporting technical level?					
Does the board have a plan and timetable which sets out: <ul style="list-style-type: none"> the level of estate compliance with the Disability Discrimination Act? the financial requirements for achieving compliance? the board’s approach to achieving compliance? 					
Are there plans in place to train all estate staff in equality and diversity issues?					
Are there procedures in place setting out when relevant stakeholders should be consulted and involved, who should be consulted and involved and at what stage in estates projects?					
Does the board have a strategy for addressing future estate workforce capacity issues?					

Appendix 5.

Project advisory group

Name	Organisation
David Bryson	General Manager, Operational Services, NHS Dumfries and Galloway
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Gerry Donald	Head of Strategic Planning, NHS Grampian
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Paul Leak	Joint Future Unit, Scottish Government Health Directorates
Craig Marriott	Associate Director of Finance, NHS Lothian
David McLuckie	Director of Estates and Facilities, NHS Borders
Alex McPhee	Executive Head of Finance and Asset Management, East Ayrshire Council
David Meikle	Head of Joint Future Unit, Scottish Government Health Directorates
Dr Bill Mutch	Medical Director, NHS Tayside
Michael Tornow	Policy and Research Officer, Directorate of Equalities, NHS Health Scotland

Members of the project advisory group sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

Asset management in the NHS in Scotland

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