

**NHS 24
BOARD MEETING**

**26 AUGUST 2019
ITEM NO. 10.4
FOR ASSURANCE**

**ESTATES STRATEGY –
CLYDE CONTACT CENTRE**

Executive Sponsor:	Director of Finance and Performance
Lead Officer/Author:	Deputy Director of Finance
Action Required	<p>The Board is asked to review and consider the business case process.</p> <p>The Board is asked to confirm support for the options being considered.</p>
Key Points	<p>This is as a consequence of the Golden Jubilee National Hospital (GJNH) advising they require the current NHS 24 space to support the expansion of the elective centre site at this location by middle of 2020.</p> <p>Formal notification was given by GJNH in July that NHS 24 should vacate by July 2020.</p> <p>The need to incorporate other sites into the Business Case due in part to the Lease ending in November 2022 on Cardonald and the need to an estate that facilitates our growth plans.</p>
Financial Implications	<p>It is too early in the process to provide an estimate on cost. Cost will be an important component as each option is assessed for value for money as will confirmation of funding source from Scottish Government.</p>
Timing	<p>The assumption is that NHS 24 should have an approved preferred option by the end of 2019 with the aim to have vacated the GJNH site by July 2020. This is subject to those timescales being practical.</p>
Contribution to NHS 24 strategy	<p>Options will be assessed against criteria that align to the NHS 24 strategy. The preferred solution will be the one that maximises the delivery of NHS 24 strategic priorities.</p>
Contribution to the 2020 Vision and National Health and Social Care Delivery Plan (Dec 2016)	<p>Property and facilities considerations are enabling capability factors in delivering the NHS 24 contribution to the 2020 vision and National Health and Social Care Delivery Plan.</p>

Equality and Diversity	NHS 24 takes account of equality and diversity departmental requirements in relation to property and facilities issues.
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1. RECOMMENDATION

- 1.1 The Board is asked to review and consider the approach being taken to developing the Estates Business Case. This includes consideration of the response to the termination letter received from GJNH (appendix 1).
- 1.2 The Board is asked to confirm support for the approach including the possibility to co-locate with other Public Sector bodies or have a single site in the west.
- 1.3 The Business Case is in a draft format and will be completed as we move through the process. NHS 24 should receive a list of potential properties in the West in August and following from that more detail will be gathered on suitable sites prior to the full options appraisal being provided to the Committee.

2. BACKGROUND

- 2.1 NHS 24 are developing a Business Case to determine the short-medium term estate options. GJNH has officially given notice as is required under the Civil Estate Occupancy Agreement for Crown Bodies. The Occupancy Agreement recommends (section 3.22) a notice period that would equate to March 2021 but GJNH have requested July 2020. The Occupancy Agreement stipulates that "reasonable time targets should be agreed" and urges the occupier and landlord to come to agreement.
- 2.2 NHS 24 recognises that the Elective Centres' programme is a national priority and will work in partnership with GJNH and our other partners to find the most appropriate solution for all concerned. The timing will be considered in the context of maintaining the accountabilities of the NHS 24 Board to deliver safe and effective access to our services for the people of Scotland.
- 2.3 The lease for Caledonia House expires in November 2022 and this is factored into the Business Case as we seek to assess what our estate should look like over the coming years.
- 2.4 A cross Directorate project Estates Programme Group (EPG), has been established with the main objective to ensure seamless relocation of staff with minimal disruption to services. There is varied representation from NHS 24 including staffside. Relocation meetings have been taking place every 2 weeks and there is a communications plan to ensure engagement with all staff.

3 PROCESS

3.1 There is a defined process that NHS 24 is required to follow as a National Board.

The following are the key stages in the acquisition of property:

- Statement of Need
- - 5.9 The decision to acquire property should be driven by a Holding Body's overall strategic plan for the delivery of healthcare. The need for additional property must be established after a systematic review of existing property as required by a Holding Body's Property and Asset Management Strategy.
- Space Audit
- - 5.10 In the majority of cases the requirement will be for land to be developed for a specialised use. The area of land required will be identified from a detailed analysis of the service provision required to meet the strategic objectives of the Holding Body.
 - 5.11 Where property to be acquired is of the type found generally on the market, e.g. offices, then the space audit should identify:
 - Number and function of all staff to be accommodated and any other specialised space such as conference rooms, records storage, etc.
 - The underlying objective must be stated e.g., Health Board offices.
 - The date of occupation must be established together with the period of occupation.
 - As property is a relatively inflexible asset often requiring a long-term commitment any potential breaks or variations in the requirement that can be anticipated over the life of the project should be highlighted at the beginning in order that provision can be made for this.
 - Holding Bodies should be aware that any break option in a commercial lease will have a direct impact on rental.
 - 5.12 The above criteria will enable a wide range of alternative options to be considered including different locations, types of properties and tenures. The space audit together with the statement of need will give a clear direction to the search and forms the foundation for any instruction to Property Advisers when appointed to identify suitable properties.
- - 5.13 A financial appraisal is necessary to demonstrate that investing in the new accommodation is affordable to the Holding Body. An initial option appraisal in line with the Scottish Capital Investment Manual should be undertaken to establish the comparative costs of the various options in Net

Present Value (NPV) or Net Present Cost (NPC) terms. A more detailed financial appraisal should follow for each option short-listed.

- Property Search

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5.14 Holding Bodies should initially consider whether or not property is available from other Holding Bodies within the immediate area. If no such accommodation is available Holding Bodies can consult SG Property Division to ascertain whether there is suitable existing property available within the Scottish Government estate or the Government's Civil estate. These procedures are designed to ensure that public money is not wasted in acquiring a property on the open market when suitable property exists within the wider public sector estate.

- 5.15 When no suitable property is available from within the public sector the Property Adviser will undertake a search of the property market to establish a long list of suitable land and/or buildings.

- Identification of Shortlist - Financial and Option Appraisals

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5.16 The long list of options will need to be reduced for full evaluation to a number that provides a real choice but is manageable - at least 3 options are recommended. Costs may not have been explicitly identified at this stage but sufficient information should be available to sift the long list and eliminate options which are clearly unaffordable or which would result in inferior service provision when compared to other options.

- 5.17 The costs to be appraised for the Shortlist of options will include:

- for new build the construction costs including cost of land, consultants' fees, fitting out, etc;
- for existing properties the purchase price and expenditure in adapting the property to meet the specific needs of the Holding Body;
- rent, service charge, rates, annual repair costs, insurance if appropriate (including capital charges);
- transaction costs e.g. professional fees, premiums paid on lease etc;
- estimated repairs both immediate and cyclical and decoration;
- in the case of leases any future costs for dilapidations;
- running costs, services, cleaning, security costs, etc;
- staff costs, travel relocation expenses, removal costs;
- any unusual or onerous lease conditions; and
- any penalties for break options in any lease.

- 5.18 A decision should not be taken on a particular solution before a range of options has been fully considered and appraised. All costs should be as at the date of the appraisal and must be on a comparable basis throughout the appraisal period which must be defined. No adjustments should be made for future inflation but future significant relative price changes should be included in the calculations.
- 5.19 The Shortlet of options should also be subjected to sensitivity testing i.e. the options are tested to see how they respond to changes such as an unexpected rise in costs, the exercising of lease break options or premature termination.
- Agreement of Purchase Price/Heads of Terms Under Lease
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- 5.20 It is most important that negotiations are not hampered by premature or ill-considered contacts with the existing owner. An owner/landlord must not be given the impression that his site is essential - this may inflate his expectations of the selling price or rent. When enquiring about the availability of a property, Holding Bodies or their Property Advisers should simply inform the owner (or his agents) of the Holding Body's possible interest in acquiring the property. Conditions of any kind should not be discussed to ensure that the Property Adviser's later negotiations are not prejudiced.
- 5.21 If purchase is identified as the preferred option the Holding Body should advise the Legal Adviser and Property Adviser (or other adviser if alternative arrangements have been agreed with the Health and Social Care Directorates). The Property Adviser should carry out negotiations with the owner with appropriate support from the Legal Adviser. The Holding Body should ensure, by consulting the planning authority, that planning consent exists or will be forthcoming for the proposed use of the property (whether or not that is different from its existing use).
- 5.22 When acquiring property by lease the Property Adviser should negotiate and provisionally agree Heads of Terms. All correspondence should be copied to the Legal Adviser and, in the case of transfers between Crown Bodies, to the District Valuer (if he is not already participating in the negotiations as Property Adviser) or to the Property Adviser as appropriate.
- 5.23 Whether acquiring property by purchase or by lease it is advisable to have a second option which can be pursued should negotiations for the preferred option fail.
- 5.24 Holding Bodies must ensure that the chosen property is technically suitable for the intended use. This will involve obtaining a full building survey. The appointed Property Adviser, building consultant or the Holding Body's own staff may be able to supply the necessary advice.
- 5.25 The advice of the Legal Adviser must be obtained on all terms for purchase or lease before a binding commitment is entered into.
- Completion of Legal Arrangements

- - 5.26 Having considered the terms provisionally agreed by the Property Adviser and any comments from the Legal Adviser the final decision should be taken by the Holding Body. A meeting of interested parties is often invaluable in order to help reach a speedy decision.
 - 5.27 There may be occasions when normal procedures must be short circuited because the market is very active. In such instances a Holding Body should brief the Legal Adviser, the Property Adviser and (where notification to the Accountable Officer is required) the Scottish Government Health and Social Care Directorates in advance about the possibility of expediting the procedures. A final decision can then be taken speedily by telephone if necessary when a suitable property comes onto the market.
 - 5.28 Once a final decision is taken to acquire a property a formal offer should be submitted by the Legal Adviser on behalf of the Holding Body. The Legal Adviser is responsible for investigating the seller's title and carrying out the conveyancing. The Holding Body's payment in settlement of the transaction should be passed to the Legal Adviser for transmission to the seller. However it is the Holding Body which is ultimately responsible for protecting the Scottish Ministers' interests. Certification should also be completed at this point.
 - Fit-out Requirements
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 - 5.29 Where the preferred option is to lease existing accommodation it is good practice to have a Schedule of Condition prepared by a building surveyor and agreed by the landlord prior to occupation. This will record the condition and state of repair and decoration and assist with the assessment of any dilapidations claim by the landlord at the end of the lease. A Schedule of Condition will normally be annexed as a Schedule to the lease itself so that it forms part of the signed lease between the parties.
 - 5.30 Fit-out of a building can be an expensive item and Holding Bodies must ensure that adequate provision has been made for such costs in the initial option appraisals. Fitting out a new building or converting and fitting out an existing building is specialised work and SG Property Division can advise on appropriate surveyors or property consultants to supervise the work. Alternatively if agreed by the Health and Social Care Directorates supervision can be undertaken by the Holding Bodies' own staff.
 - Physical Relocation
- 3.1 NHS24 are current at the property search stage. The statement of need will be incorporated into the strategic case of the Business Case. However, this process has been driven by the end of tenancy agreements rather than NHS 24 demonstrating a need to change its accommodation.
- 3.2 An initial space audit has been done in conjunction with the National Boards Estates Collaboration and takes into account the new supervision model, new rotas and planned growth. It also assumes that the Boards currently co-

located with us on the ground floor of Caledonia House would wish to re-locate under any option that involves NHS 24 vacating Caledonia House.

- 3.3 A property search conducted by Avison Young is underway and will report back in August. The focus has been on sites in the Glasgow area and they will advise on the suitability of sites and technical details of the process.
- 3.4 As a National Board, approval from SG is required prior to entering into a commercial lease agreement. A Business Case, following the recommended Scottish Capital Investment Manual guidance is being produced. The aim is to present this for approval by the December Board at the latest.
- 3.5 The Business Case, once approved by NHS 24, is submitted to the property division of SG for evaluation. Before any heads of terms can be agreed the Cabinet Secretary for Health and Sport and Finance, Economy and Fair Work are required to approve.

4. OPTIONS APPRAISAL

- 3.1 The EPG will play a key role in the options appraisal to identify the preferred option. Work has been done in advance of the property search but Identifying suitable accommodation will drive the options appraisal as the location and details of potential sites will be required in order to score the options.
- 3.2 In advance of the property search the EPG have agreed the benefit criteria and weighting of the non monetary benefits. These are highlighted below and each option will be assessed against these by the group:

Benefit Criteria	Agreed Weighting
24/7 Operational Capability	25
Provide Person Centred Care	15
Provide Safe & Effective Care to Patients	25
Safe, Effective Person Centred Workforce	25
Socio-Economic & Equality	10

- 3.4 The criteria reflect what is important to NHS 24 in relation to an appropriate estate to house staff. It is recognised that not all benefits can be monetised, so this will be used to assess the value for money merits of each option by having a clear and consistent approach to scoring.

- 3.5 The short list of options has also been agreed by the EPG. These are high level options that have allowed us to narrow the property search and focus on priorities given that certain timelines are not fully within our control. There will be numerous scenarios looked at under each option and each scenario will be assessed for value for money including a discounted cash flow (requirement of the business case process).

Option	Short List Options
1	Retain a site in Clydebank and current Cardonald site
2	2 sites within a reasonable travelling distance to be operationally defined within West of Scotland
3	1 single consolidated site in the West of Scotland
4	Look at geographic locations for reconfiguration of entire NHS 24 estate

4. PARTNER ORGANISATIONS

- 4.1 Discussions are ongoing with NHS Greater Glasgow & Clyde (NHS GG&C). This is twofold, GG&C have indicated that their out of hours team would wish to remain co-located with NHS 24 for any move from Caledonia House and also what GG&C will do in relation to Caledonia House. Discussions have been positive and GG&C are considering whether NHS 24 could take up more space or whether GG&C would wish to take all of Caledonia House or move prior to or on the lease end date.
- 4.2 Scottish Ambulance Services (SAS) have expressed a strong desire to remain co-located with NHS 24 and the property search has included the SAS requirements for any option that involves leaving Caledonia House.
- 4.3 Health Improvement Scotland (HIS) have also expressed a preference for the Death Certification Team to remain co-located with NHS 24. There is also an opportunity to rationalise some of the National Board estates and consolidate at the end of lease agreements into a Glasgow hub. This option is also being explored with partner organisations.
- 4.4 There have also been positive discussions with West Dunbartonshire Council, who are keen for NHS 24 to retain a presence in the location. Discussions are ongoing around potential sites and these will be considered as part of the business case process.
- 4.5 We will continue to have dialogue with GJNH and recent meetings have been productive. GJNH have been asked to consider whether NHS 24 could remain on site as an out of hours centre past the July 2020 deadline. This could be on an interim, longer term or contingency basis. If GJNH think it would be feasible from their perspective then this would become one of the scenarios under option 1 above.

5. TIMETABLE

5.1 Below is a draft indicative timetable. It highlights the urgency to ensure a viable preferred option is agreed and for it to pass through Governance routes to leave enough time to safely implement. Depending on the options there could be different or multiple timelines. This timeline focuses on the short-term need to re-locate the Clydebank staff.

Start Date	End Date	Task
June	October	Business Case developed - Short-listed options developed and assessed against agreed benefits criteria
October	November	Consultation - staff & stakeholders
November	December	Preferred option agreed by Board
December	February	SG approval of Business Case
January	April	Legal – process for agreeing Heads of Terms
January	April	Fit out requirements
April	April	enabling works
May	May	Final sign off – SG and Property owner
June	July	Transition/dual running
July	July	fully operational

6 FINANCIAL CONSIDERATIONS

6.1 It is too early in the process to have indicative costs or funding secured. Initial discussions have taken place with SG regarding funding and we will ensure they are regularly appraised. Capital funding is already allocated for 2020/21 but there is the possibility of slippage in other programmes and Health Finance are requesting additional capital for Health in the next spending review.

6.2 The Civil Estates Occupancy Agreement for Crown Bodies does have a section (3.23) that where "need" for financial assistance can be demonstrated that the owner of the site can offer contributions towards relocation costs including removal costs and costs to bring any new accommodation to the same standard as the current accommodation.

7. FUTURE STEPS

7.1 Complete the property search and the options appraisal process and incorporate into a business case.

7.2 Engage with partners including other Boards and Scottish Government to ensure that their requirements are met in full.