

Mark Drakeford AC / AM  
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol  
Minister for Health and Social Services



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref SF/MD/1157/13

Jocelyn Davies AM  
Chair of the Finance Committee

21<sup>st</sup> March 2013

Dear Jocelyn,

Thank you for your letter of 12 March requesting further information relating to the Finance Committee's inquiry into Asset Management. Your letter followed the evidence provided by the former Health & Social Services Minister to the Finance Committee on 6 March 2013.

### **Capital to Revenue Transfer**

A list of the projects contributing to the capital to revenue transfer is attached at Annex A.

### **Collaboration**

*The Wales Infrastructure Investment Plan* sets out the need for public sector bodies to focus on the opportunities for cross cutting collaboration. *Together for Health* sets a clear direction in this regard for the NHS, as it describes the need for simplified integrated services and for the NHS to work well with all partners, including Local Government and the Third Sector, to design services around people and not organisations. *Together for Health* requires the NHS to involve its partners in planning to secure the best possible services and the best use of resources.

NHS bodies continue to be proactive in terms of identifying opportunities for and the benefits of collaboration. You have asked for further information regarding projects in development which will enhance collaboration. The Cylch Caron Project in Tregaron was described in the evidence paper, and this brings together health, social care and housing in one facility.

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Regarding other developments across Wales, the Llanrwst campus development in North Wales is on an old school site and includes a primary care centre, 40 bed extra care facility and offices for the NHS and local authority. The SA1 - Beacon Centre for Health in Swansea will include a new harbourside health centre, a dental practice, pharmacy, the Swansea University School of Medicine and Health Board services.

In terms of working with the Third Sector, we recently provided match funding to Tenovus to purchase a 2nd Mobile Cancer Support Unit. The Unit will provide cancer support services across Wales targeted where they are needed most. The Unit is taken around Wales and set up by Tenovus at agreed locations, with Local Health Boards and Velindre NHS Trust supplying the specialist nurses and making the necessary arrangements to ensure that patients receive targeted treatment closer to home.

### **Estatecode**

This link to this guidance is shown below.

<https://publications.spaceforhealth.nhs.uk/stream.php?id=1s6rrZo6snsG68qp3R8034q1584qqA439p3j35>

### **Land Transfers – Legal and Financial Issues for the NHS**

The Land Transfer Protocol notes that each transfer and disposal needs to take account of the relevant legal, budgetary and accounting implications for each transaction. However the principal basis of valuation should be disposal or transfer at open market value.

The relevant legal powers for the NHS are set out in Paragraph 13 of Schedule 2 of the 2006 NHS Wales Act. This states that LHBs can acquire and dispose of properties. However they need the consent of Welsh Ministers to do so for each transaction. Paragraph 14 of Schedule 3 of the Act allows trusts to do the same but no Ministerial consent is needed.

You will note that there is no mention of a valuation basis in the NHS Wales Act. This becomes relevant when we consider the requirement of the Estatecode, which is the best practice guidance issued to NHS bodies in Wales on all aspects of managing their land and property. Estatecode requires that concessionary sales should obtain Ministerial approval where the concession is greater than £100,000. However, it should be noted that this is not a legal requirement.

As discussed at the Committee evidence session, we also need to consider the financial and accounting issues. If an LHB wants to dispose of a property at less than market value, then the difference between market value and the proposed disposal proceeds under current accounting rules is recognised as a loss. This loss is recognised as part of the organisation's financial performance and it is a revenue charge. If NHS bodies are to meet their statutory financial targets, then the loss will need to be recovered from savings generated elsewhere from their operations. There is therefore the question as to whether it is appropriate for NHS bodies to have an additional financial burden placed upon them in terms of furthering the asset transfer and collaboration agenda.

The position is further complicated by the H M Treasury accounting rules regarding transfer and disposals to other bodies, which can be classed as gifts. Health bodies have fairly limited powers in their ability to gift in that they can only do so for health purposes.

Finally, if we identify that a gift is taking place, then state aid and public procurement rules may be engaged.

## **Disposals**

Since the evidence paper was submitted, the number of disposals in 2012-13 has increased to 26, with receipts of £8.042 million generated. Further details are provided in Annex B.

The service change plans will inevitably have an impact on the number of disposals, particularly as organisations are looking to move services out of poor and inappropriate buildings into modern facilities.

Now that organisations have started to come out of consultation, the impact on the number of disposals can be better articulated, as well as considering the use of the Land Transfer Protocol.

## **Invest to Save**

The repayable nature of the Invest to Save Fund means that it is only suitable for use in certain circumstances, namely where revenue savings are generated. As discussed at the Committee evidence session, the Invest to Save lead within the Welsh Government has recently discussed the Fund with NHS Directors of Finance, and will continue to explore the scope to access funding in the future.

With regard to NHS asset management projects, the Invest to Save Fund is already supporting Cardiff & Vale University Health Board with its "Estates Strategy and Space Utilisation Study". Funding of £41, 250 has been provided to consider the estate infrastructure required to support the Health Board's specific service strategies and operational plan. This will include a specific space utilisation exercise at the University Hospital of Wales.

The benefits of this work will be shared with other NHS bodies to inform more widely the development of NHS Estates Strategies and to promote the use of the Fund. The work will also be shared across the public service through the National Assets Working Group.

I hope the above information is helpful.



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