

# Estates rationalisation

## NHS London

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"This work was challenging due to the need to achieve buy in from trust chief executives and estate directors, the logistics of visiting a large number of trusts within a tight time period and the need to rapidly interpret a wide range of data. The Grant Thornton team met these challenges head on and delivered a very high standard of work. The team responded with agility to new issues and requests and worked effectively with a range of partners, including the Treasury's operational efficiency team, and took an innovative and pragmatic approach to support NHS London in addressing a longstanding challenge of significant economic impact."

**Paul Baumann**  
Director of Finance, NHS London

The NHS estate in London is valued in the order of £6 billion, though management of the estate has been fragmented and suboptimal. The estate is complex, with some 2,000 sites across London and only 5% of the estate identified for disposal by 2011. Urgent and radical action was required to address an increasing difficulty in obtaining capital finance for investment requirements and high expectations of productivity improvement.

Grant Thornton was engaged to undertake an estates review for the strategic health authority, NHS London, which focused on how maximum benefit can be realised for the NHS in London from the property portfolio at a time of declining land values and sales volumes.

Our initial work comprised a strategic options analysis on how the London estate could be managed more effectively, focussing on the design and evaluation of joint-venture structures with the private sector for project finance, and the preparation of a robust strategic business case. This included the identification and analysis of key accounting, legal/vires, political and property related due diligence issues, many of which rendered the use of a joint venture structure prohibitive.

Following on from this, we undertook a review of the NHS estate for a pilot sector (South West London). The objectives were to identify the scope for performance improvement in asset management and to advise on the implementation of identified solutions.

We worked closely with HM Treasury's operational efficiency programme property team, which resulted in a case study on our work being published in the Budget 2009 report. We also collaborated with a specialist consultancy, which analysed clinical requirements and activities to derive a statistical 'frontier' of best practice for efficient space utilisation.

During this work, Grant Thornton developed a bespoke methodology to assess the efficiency of estate utilisation, including an opportunity cost calculation based on current market valuations of empty or under-occupied land and buildings. This was contrasted with each trust and PCT's own estates strategy and how far this strategy identified action to resolve under-utilisation.

After completion of the pilot, we were engaged to roll out the strategic review across the whole of London. This involved data collection and validation with all 59 NHS trusts and PCT's in London, and resulted in a demonstrably more robust evidence base for decision-making. We then developed an outline delivery plan for unlocking value in the London estate.

The outcomes of our work included: the synthesis of multiple data sources; resolution of material data errors/omissions; calculation of the opportunity cost of under-utilised estate; and the assessment of strategies and management arrangements.

Importantly, this assignment enabled us to identify a core cohort of major opportunities across the London estate to be realised through the sale of surplus properties and land and release capital as well as encouraging more productive use of assets.

### Further information

For further information, please visit our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), or contact:

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