



Collaboration between Registered Providers and NHS Trusts: Building an Asset

This Viewpoint looks at the sale of NHS land due to come to the market in the next few years, and offers a perspective on how Registered Providers involved in the development of Extra Care Housing can better engage in the process.

It is based on a presentation made on increasing the supply of Extra Care Housing and use of surplus NHS estate at a Willmott Dixon's Care Sector lunch for industry leaders on 25 May 2012.

Written by **Adrian Prest**, ExtraCare Solutions for the Housing Learning and Improvement Network and the Foundation Trust Network

July 2012



Foundation Trust Network

Introduction

The starting point for this Viewpoint is the fact that, under the Coalition Government's health reform agenda, the NHS is being asked to save £20 billion from their budget. In order to help achieve this, the NHS is actively exploring ways in which it may dispose of land it owns that is now surplus to requirements. Additionally, reform of the NHS estate is necessary in some areas in order to support future patterns of health provision, such as an increase in out of hospital care and integration with health and social care services.

In order to be clear to the readers of this paper, it is important to state that views expressed in this paper are those of the author and are not necessarily those of ExtraCare Solutions, the Housing Learning and Improvement Network or the Foundation Trust Network.

I would also like to add that the Viewpoint is written from the standpoint of a property developer as I think this will give a fresh perspective on how Registered Providers (housing associations) involved in developing extra care housing can better engage in the process of the sale of NHS land due to come to the market in the next few years.

Policy Context

The focus in this section is on Government, Planning Policy and Procurement. In particular, the Department of Health (DH) published a note earlier this year concerning the release of public sector land and identified sufficient surplus land to build new homes, working with the Homes and Communities Agency (HCA) to try and speed up the disposal process that is often slow and cumbersome.¹ This is a continuing process and new land disposals are currently under consideration including those being considered by NHS Foundation Trusts, Primary and NHS provider Trusts.² A further letter was issued by the DH in May that showed that under existing land disposal arrangements, discussions with the Homes and Communities Agency (HCA) could result in increasing build capacity for an additional 12,000 homes.³

It is clear that there is an urgency to better coordinate and streamline the process of land disposals as far as possible although it is assumed that this is in order to maximise the capital receipt at the earliest opportunity with the added benefit of creating new residential dwellings and resultant job creation that is in many cases in local trades.

However, at the same time, with the publication of the National Planning Policy Framework⁴ and an encouragement that local authorities should plan for a mix of housing based on current and future demographic trends, including for older people, planning policy is undergoing a series of changes. It is too early to tell how these changes will affect the disposal of public sector land. However, early indications from leading house builders suggest that, as a result of greater community engagement, planning applications are becoming slower and more contentious.

It has also been noted that the Planning Inspectorate, who administer the planning appeals process, are heavily recruiting new planning inspectors in anticipation of a far greater

¹ - Department of Health (12 January 2012). *Accelerating the release of public sector land for development*

² - Department for Communities and Local Government (2012), *Accelerating the release of surplus public land: one year on*

³ - Department of Health (31 May 2012). *Planning for property and estate transfer*

⁴ - Department of Communities and Local Government (2012). *National Planning Policy Framework*

number of planning appeals. In addition to the recent changes in policy, it should be pointed out that many Section 106 planning agreements and Community Infrastructure Levies are proving more contentious than in the past especially in the context of social housing and viability arguments.

Indeed, the disposal process at the current time tends to be quite localised and involves the local NHS stakeholders and, in many cases, a local or regional property agent. To my knowledge, the NHS has not chosen to appoint a selling agent to act for them on a national basis to date.

Typically each NHS Trust or Foundation Trust is seeking to achieve 'best value' from a disposal. In most cases, this is the highest price and the preference is frequently for an unconditional purchase assuming satisfactory title to the land. However, it is also worth noting that there is no automatic assumption that the land will be released for affordable housing, including extra care housing. Indeed, in certain cases, a planning consent for redevelopment already exists or a planning brief has been agreed with the local planning authority in the absence of any wider strategic housing market assessment and/or link to the social services authority's Market Position Statement, as recommended by the Housing LIN.⁵

It is therefore incumbent on the purchaser to satisfy themselves as to whether or not the planning consent or brief is appropriate for the proposed development or if there is a good possibility of amendments to the brief or consent being agreed subsequently, such as for extra care housing.

The Market

The mainstream housing market in 2012 helps define the scope of Registered Providers being involved in the disposal process of NHS land on the basis that Trusts are seeking 'best value'.

Recent residential research reports from Savills and Knight Frank⁶ outline a number of themes in the mainstream market that have emerged in the last few years:

- House building has been concentrated in more affluent areas of the country with a shift towards more houses instead of apartments;
- The lack of mortgage availability and the continuing prevalence of 'buy to let' investors has significantly increased the demand in the private rented sector;
- There is little likelihood of significant numbers of residential units being built in less affluent areas where any return on investment, typically a 'yield' may be less, being driven by the private sector in the short to medium term.

Registered Providers

The ability of Registered Providers (RPs) or housing associations to engage in the development process is in my view going to depend on a number of factors:

- Geographical location (more affluent localities will be favoured);

⁵ - Housing LIN/ADASS (2011). *Strategic Housing for Older People: Planning, designing and delivering housing that older people want*

⁶ - www.savills.co.uk/research and www.knightfrank.co.uk/residential/research/

- An understanding of the development process at board level and having a development team capability (in-house or external consultants);
- Scale and balance sheet of the organisation (bigger the better in general terms e.g. £100m plus);
- An ability to offer unique selling points that have a potential health 'dividend' e.g. extra care housing, supported housing, experience in public/private partnerships, previous relationships or consortia working with the NHS;
- Experience in the private for sale sector, such as mixed tenure or outright sale developments;
- A modern ethos that reflects recent changes in HCA capital funding.

Typical Projects –two examples

It is worth noting that disposals of NHS land have been relatively few in the recent past and therefore RPs have not always been in a position to collaborate extensively to develop former health estate. However, two examples of where there have been positive outcomes include:

Example One - Townlands Hospital, Henley-on-Thames

This is a good example of collaborative working and a preferred bidder has recently been selected to develop the project.

The background is that the existing Community Hospital developed its site over many years and a major redevelopment solution has been under discussion for the past 20 years. And, in this case, it became clear that a Community Hospital had to be retained on the site for the project to receive the support of the local community. In addition, the provision of affordable housing on the site is likely to be contentious as there is a direct correlation between the amount of affordable housing and the receipt to NHS.

A care home was specified as part of the bid as a re-provision of an existing care home no longer deemed fit for purpose. The new 60 bedroom care home will be run by the same charity as the existing care home and the local authority will be the primary customer.

At the outset of the OJEU bidding process there were 12 bidders reduced to five and finally to two short listed bidders – namely Kajima Partnerships) and Amber Infrastructure. Furthermore, a number of Registered Providers worked in consortia on this bid but only one made it to the final five bidders.

Amber Infrastructure was selected as the preferred bidder on Henley, and Kajima was selected by the same PCT on the redevelopment of the Community Hospital at Bicester.

The conclusions that I draw from this recent bidding process is that the sale of NHS land in affluent areas will attract a high number of bidders and that a demonstrable track record and an excellent balance sheet are prerequisites for success as a preferred bidder.

In this instance, the preferred bidder has to submit a planning application and achieve planning consent within tight time constraints in order to achieve financial close. Up until the close of the deal, the bidder is at risk on all costs including bid costs.

Example Two – St Luke’s Hospital, Muswell Hill

The second example is that of the sale of the 6 acre site formerly known as St Luke’s Hospital in Muswell Hill in North London. In this case, Knight Frank was instructed as the agents acting for the NHS Trust Camden and Islington NHS Foundation Trust to obtain ‘best value’ for the site.

There were six parties bidding for the site and three parties were Registered Providers. A planning brief was available for the site that had been developed in consultation with the local planning authority. In this case, the winning bidder was Hanover Housing Association, a leading provider of high quality retirement housing and related services for older people. Furthermore, the purchase was on an unconditional basis at a price of £26 million as reported in the Estates Gazette recently.

It will be interesting to see in both examples the schemes that receive planning consent in the context of recent planning policy changes.

Planning issues

One further example that I would like to mention is where a Section 106 agreement is no longer appropriate for the circumstances.

A house builder had agreed to sell a 1 acre site to a local PCT in order for a new Primary Care Centre to be built as part of the original section 106 agreement. It became clear that the PCT had no intention of building the Primary Care Centre and the house builder was concerned that they would be blamed by the local community if the Centre was not built.

Protracted negotiations ensued where it became clear that there was very little dialogue between the planning authority and the PCT.

However, on a positive note, the final outcome was to bring in a Registered Provider who contracted with the house builder to build a 64 unit affordable Extra Care scheme instead of the Primary Care Centre.

New Opportunities

Where will the opportunities arise for Registered Providers and how can they be secured?

A good deal has been written about how the NHS currently disposes of its estate. I would encourage readers to look at a paper prepared by One Housing Group from the viewpoint of a leading Registered Provider.⁷

To quote from that paper “More work is needed on pulling together the evidence that supports an integrated approach to health, social care and housing. Good practice examples need to be costed and extrapolated across the economy”.

To seize opportunities Registered Providers must look at the following ideas in the short and medium term:

- Develop a business plan to work in collaboration with leading bidders/funders from the private sector. These could include house builders, project finance houses, Infrastructure funds and PPP specialists

⁷ - Beirne, K and Molyneux, P (2012). *Making Creative Use of the NHS Estate*. One Housing Group

- Focus on the unique selling points of RPs. I see these as the following:
 - Long term relationships with local stakeholders including local authorities and importantly local communities
 - Track record of working with local planning authorities to deliver schemes
 - Strong balance sheet with experience of working with other agencies
 - A regulated organisation with a clear ethos and access to long term funding

Business Development

In terms of pro-active business development, approaching local NHS Foundation Trusts in particular is a good way to understand their future plans including service re-provision. The Trusts have considerable autonomy and are increasingly influenced by the local community.

On the other hand, PCT's are currently uncertain about their future role in Estates matters, a situation that should become clearer in the next few months.

Conclusion

It has become clear whilst preparing this paper that the disposal of surplus NHS Estate is becoming a higher priority for the Government and NHS bodies. This is partly due to the stated intention to make savings from the NHS budget but also to encourage more house building by the Government.

However, what is not clear is whether or not the method of sale of land will be subject to change or indeed if there is a major opportunity for RPs to become involved prior to the sale process in each instance. At the time of writing, the recent announcement in the government's care and support White Paper⁸ of an additional £200m over 5 years from the Department of Health to develop specialist housing may provide the catalyst for some RP to identify some of the opportunities that could exist to make use of former NHS Estate and become better networked with local Trusts.

My own personal conclusion is that RPs need to be prepared to be pro active and in many cases to work with the private sector to become increasingly involved with the sale of the NHS Estate.

Future Briefings

In conjunction with the Housing LIN and partners, further briefings on new opportunities and details of collaborative ventures in the current market will be placed on the website when detailed information becomes available.

Acknowledgements

I am grateful for the helpful comments received by Debbie Waldron at Willmott Dixon; Paul Betts and Mark Redhead at the Foundation Trust Network; and Jeremy Porteus, Director of the Housing LIN.

The views expressed in this paper are those of the author, and not necessarily those of the Housing Learning and Improvement Network, or the Foundation Trust Network.

⁸ - Department of Health (2012), *Caring for our future: reforming care and support*.

About the Foundation Trust Network

The Foundation Trust Network (FTN) is the trade association and collective voice for NHS foundation trusts and those working to achieve foundation trust status. We have 215 member organisations providing care across the acute, mental health, ambulance and community services. More information can be found at: www.foundationtrustnetwork.org

About the Housing LIN

Previously responsible for managing the Department of Health's Extra Care Housing Fund, the Housing Learning and Improvement Network (LIN) is the leading 'knowledge hub' for a growing network of housing, health and social care professionals in England involved in planning, commissioning, designing, funding, building and managing housing, care and support services for older people and vulnerable adults with long term conditions.

For further information about the Housing LIN's comprehensive list of online resources and shared learning and service improvement opportunities, including site visits and network meetings in your region, visit www.housinglin.org.uk

The Housing LIN welcomes contributions on a range of issues pertinent to housing with care for older and vulnerable adults. If there is a subject that you feel should be addressed, please contact us.

Published by

Housing Learning & Improvement Network
c/o EAC,
3rd Floor, 89 Albert Embankment
London SE1 7TP
Tel: 020 7820 8077
Email: info@housinglin.org.uk
Web: www.housinglin.org.uk