

# Healthcare Finance Insights

## #89: The 7 Dimensions of Estates Optimisation

Estates optimisation sits on both the transformation and turnaround agendas. Though there may be short-term wins to be had in turnaround, I believe the really big benefits come in the medium to long-term schemes that can be tackled as transformation projects.

And the stats around NHS Estates are mind-boggling.

The DH believe there is land equivalent to more than 900 football pitches owned by the NHS that isn't really needed, while The King's Fund and the Health Foundation, have estimated that the NHS surplus estate, which is immediately saleable, could be worth as much as £700 million.

So there's a lot to go at.

Firstly, let's be clear on the objective - the aim of estates optimisation is to create a smaller and significantly better estate that effectively supports staff in providing healthcare to patients. This needs to be examined across medical capability, efficiency and value release.

This is also a shared task - commissioners should be just as involved as providers. Indeed Sustainable Transformation Plans (STPs) and Integrated Care Systems (ICS) are meant to bring significant change to the way health and social care are delivered.

Starting with the Five year Forward View the NHS has been tasked with embracing significant transformation from existing models of health and social care.

And lastly all this transformation needs to happen without impacting existing services or patients.

Estates optimisation may involve co-location with other public services or the creation of more flexible, multifunctional locations. This should be seen as an opportunity not only to get the size of the estate right, but also as a positioning exercise in order to ensure that the service gets the maximum returns from any transformation.

Much NHS property was established for a very different era of need. Medical staff are becoming more agile and with this the requirement for healthcare estate is changing. It's sensible that not only substantial reductions in operating costs are required but also that a more systematic approach to estate rationalisation is taken.

There should also be a focus on the utilisation of buildings in the retained estate in order to increase efficiency and reduce the reliance on building new facilities when re-providing accommodation as the estate is rationalised.

And it's not simply a matter of straight disposal. There are other opportunities available, such as partnering with commercial bodies or applying long leaseholds with the potential for revenue gain.

We've identified a number of dimensions that NHS organisation should consider if they want to maximise their approach to estates optimisation. To be clear, getting to a successful outcome does mean taking an holistic approach across all the dimensions that affect estates decisions.

Whilst any estates decisions can be straight forward we would advise that if you're making strategic decisions that you get advice from the appropriate people, and bear in my that this may in practice mean a number of different advisors.

### **1). Think Big**

Don't tinker round the edges. Big transformations come about through big thinking. It's worth spending some time considering all your options and also taking your inspiration from a number of sources – i.e. schemes in the commercial world, schemes in healthcare abroad etc. etc.

### **2). Get Expert Advice**

Once you've done your 'blue sky' exercise I think it's important that you retain professional advisors to guide you as you begin to put together schemes. This does not need to be exorbitantly expensive, but it will save you money and time in the long run.

### **3). Do your research.**

A thorough understanding of the population you serve and their current and future healthcare needs will inform your estates planning process – what are your capacity demands, what do your forecast demographics look like?

Benchmarking forms a big part of this. By looking at similar organisations you can begin to develop a target operating model and then test this with your own demographic data. This in turn will inform clinical and organisational change programmes.

### **4). The Integration Game**

Just because your services are located in certain places now doesn't mean they always should be. Bringing together complimentary services,

especially across an STP/ICS footprint can make huge inroads into your estates' costs. It can also help to manage demand – for example, bringing together GPs and primary care services in a single location can stem the number of people turning up at A&E.

## 5). Taking Care Of Business

Having an integrated estates strategy across an STP/ICS not only helps you to operate more efficiently, it also means you can identify those parts of the estate that can be rented or sold off and thus generate revenue.

This is a bit chicken and egg, but revenue generated through these means can then be used in turn to fund estate infrastructure such as car parks, pharmacies, retail premises, student accommodation and residential housing. Many of these assets will then become revenue generating themselves.

## 6). We Have The Technology

Increasingly technology is enabling changes in estates usage and adaptability. Smart building are becoming the norm. Is there interoperability between your IT systems? Many IT infrastructures develop in an ad hoc fashion over time and often a review and restructure of IT architecture can have a significant benefit in terms of estate efficiency and utilisation.

## 7). Friends Of The Earth

Sustainability should be at the heart of any estates optimisation. There is always an environmental and financial benefit to estates schemes that are socially sustainable and environmentally friendly.

In conclusion, we have seen many different estates optimisation schemes taking places across the NHS and these are having significant benefit. The secret is to choose knowledgeable partners and seek out other organisations that you can benchmark against, and lastly share your own successes with colleagues elsewhere in the service.



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