*To be completed by PMO*

# PAPER

 (Agenda Item)



**COVER SHEET**

Please complete all fields.

**Date of Meeting:** 27th November 2013

**Title:** PCT Property Transfer

**Executive Summary:**

The purpose of this paper is to update the Board of the current status of the Transfer of Property from the PCT to Oxford Health.

In January 2013 a paper outlining those properties that, in accordance with the property transfer guidance, Oxford Health would have a right to seek transfer off was presented to Trust Board. The paper identified the requirement for MONITOR to approve any proposed transfer, as a significant transaction. Details of outstanding queries and clarifications identified during the due diligence reviews were also provided, together with an Action Plan to resolve the issues. The Board:-

 (i) Approved the significant transaction submission to MONITOR

 (ii) Noted the outstanding queries and clarifications, and the associated Action Plan

A further paper was issued to Board in March 2013, detailing the progress of the due diligence work undertaken to date.

Following approval of the transfer from MONITOR, the following properties were transferred to the Trust on 1st April 2013, notwithstanding the finalisation of outstanding due diligence works:-

Abingdon community Hospital (Freehold)

Didcot community hospital (Freehold)

City Community Hospital (Leasehold)

Wallingford Community Hospital (Freehold)

Wantage Community Hospital (Freehold)

Witney Community Hospital (Freehold)

Bicester Health Centre (Leasehold)

Cornwallis House (Freehold)

Orchard Health Centre (Freehold)

Raglan House (Leasehold)

St Barnabas Clinic (Freehold)

South Parade Health Centre (Freehold)

The following risks are associated with the transfer of these properties:-

|  |  |  |
| --- | --- | --- |
| **Risk** | **RAG** | **Status** |
| Risk that CCG will not provide required funding to support the maintenance of the properties |  | Although funding was agreed with the PCT in March 2013 the CCG have undertaken their own due diligence. This has now been completed and the CCG have verbally indicated there are no material differences. Formal confirmation is being sought. |
| Potential cost pressure in relation to certain costs previously capitalised by the PCT for which funding will not transfer e.g. winter salting of sites at c. £120k |  | A review of the estimated maintenance funding required is being undertaken. |
| Failure to secure income from 3rd party sub-tenants |  | Approximately £100k could be at risk. Actions are being taken to maximise income received. |
| Failure of NHS PS to complete agreed FY13 capital works due to short fall in legacy funding |  | Review of projects at risk of non-completion/ implementation ongoing to determine potential impact |
| Unfunded responsibility for Witney Health Centre (transferred in error) |  | Transfer Document amendment to be progressed |
| Inability to develop / dispose of land adjacent Wallingford Community Hospital due to requirement to provide option to DoH |  | Awaiting legal documents from DoH. |

These risks should be considered with regard to the benefits to the Trust of accepting the transfer of these properties:-

(i) Ability to develop key properties to support the Trust’s clinical strategy and service delivery models (as outlined in the Estates Strategy)

(ii) Ability to dispose of properties as required to support service delivery models

(iii) Ability to consider and adopt differing service delivery models, without concern that CCG will require delivery from existing properties (currently if NHS PS properties are not utilised the CCG are required to meet the resultant funding gap)

It is suggested that the benefits to be gained from the transfer of these properties out way the impact of the identified risks.

**Actions Required:DELETE THIS BOX?**

**Recommendation:** To note the risks and benefits and formally approve the transfer of the properties from the PCT.

**Author and Job Title:** Claire Dalley, Director of Estates and Facilities

 Paul Dodd, Deputy Director of Finance

**Lead Executive Director:** Mike McEnaney, Director of Finance

1. **Introduction**

Following the disestablishment of the PCT’s on 31 March 2013, the following properties were transferred to the Trust, under Schedule 2 of the Transfer Agreement:-

Abingdon community Hospital (Freehold)

Didcot community Hospital (Freehold)

City Community Hospital (Leasehold)

Wallingford Community Hospital (Freehold)

Wantage Community Hospital (Freehold)

Witney Community Hospital (Freehold)

Bicester Health Centre (Leasehold)

Cornwallis House (Freehold)

Orchard Health Centre (Freehold)

Raglan house (Leasehold)

St Barnabas Clinic (Freehold)

South Parade Health Centre (Freehold)

1. **Current Position**

**Financial position**

The properties that transferred from the PCT were brought into the Trust’s accounts (Statement of Financial Position) with an effective date of 1 April 2013 following the audit of Oxfordshire PCT accounts, at a value of £39.0m. This was £1.5m higher than previously estimated due to the final valuation process. The transfer has resulted in an increase in non-current assets of £39.0m, matched by a £14.2m increase in the revaluation reserve and £24.8m increase in I&E reserve.

In March 2013, the Trust agreed with the PCT that revenue funding would be transferred to the Trust in relation to the transferred properties. The Trust requires funding of £0.8m to cover costs associated with the Service Level Contract and ongoing maintenance costs (total £0.8m). Although the funding to be transferred was agreed with the PCT, Oxfordshire CCG were not prepared to release this funding until they had undertaken their own due diligence on the financials. The CCG are now close to completing their due diligence work and they have verbally indicated that they have not identified any material differences to the Trust’s figures. However, as previously reported, there remains a potential cost pressure in relation to certain costs previously capitalised by the PCT for which funding will not transfer e.g. winter salting of sites at c. £120k and there remains a risk to the recovery of c. £100k sub-tenant income.

It has also emerged that capital works initiated by the PCT in FY13 in relation to these properties have not yet been completed and are currently work in progress. The cost of the outstanding works is estimated at £0.3m. The orders were generated by the PCT and the contractual obligation for the cost of these works should therefore fall to the CCG as ‘successor body’. However, the properties are now the responsibility of the Trust. The funding for these works is yet to be agreed.

**Legal Position**

Schedule 2 of the Transfer Agreement requires the Trust to enter into an option agreement with the Department of Health in relation to the football field adjacent to Wallingford Hospital. Details of the proposed legal document have not yet been agreed, and information is awaited from the Department of Health.

The Transfer Agreement transfers ownership of Witney Health Centre to the Trust in error. A variation to the transfer document requires progressing to correct this error.

1. **Risk Summary**

The risks associated with the outstanding financial and legal issues are summarised below:-

|  |  |  |
| --- | --- | --- |
| Risk | RAG | Status |
| Risk that CCG will not provide required funding to support the maintenance of the properties |  | Although funding was agreed with the PCT in March 2013 the CCG have undertaken their own due diligence. This has now been completed and the CCG have verbally indicated there are no material differences. Formal confirmation is being sought. |
| Potential cost pressure in relation to certain costs previously capitalised by the PCT for which funding will not transfer e.g. winter salting of sites at c. £120k |  | A review of the estimated maintenance funding required is being undertaken. |
| Failure to secure income from 3rd party sub-tenants |  | Approximately £100k could be at risk. Actions are being taken to maximise income received. |
| Failure of NHS PS to complete agreed FY13 capital works due to short fall in legacy funding |  | Review of projects at risk of non-completion/ implementation ongoing to determine potential impact |
| Unfunded responsibility for Witney Health Centre (transferred in error) |  | Transfer Document amendment to be progressed |
| Inability to develop / dispose of land adjacent Wallingford Community Hospital due to requirement to provide option to DoH |  | Awaiting legal documents from DoH. |

1. **Benefits**

The transfer of these properties results in the following key benefits for the Trust.

(i)Ability to develop key properties to support the Trust’s clinical strategy and service delivery models (as outlined in the Estates Strategy

(ii) Ability to dispose of properties as required to support service delivery models

(iii) Ability to consider and adopt differing service delivery models, without concern that CCG will require delivery from existing properties (currently if NHS PS properties are not utilised the CCG are required to meet the resultant funding gap)