

The Naylor Review

Insights and Analysis from The Whitehouse Consultancy
April 2017

The Naylor Review

10 Second Summary:

- This briefing summarises Sir Robert Naylor’s comprehensive analysis of the NHS estate – an important but often forgotten part of the health sector.
- The report calls for the NHS to take advantage of private investment in developing primary care premises.
- The recommendations are likely to be influential in Whitehall. Action is already underway, including the creation of a new NHS Property Board.
- Political challenges will be key barriers to implementation – the private sector must therefore be a proactive partner to ensure risks are mitigated.

Background

Sir Robert Naylor was announced as the Government’s estates ‘tsar’ in February 2016. Having served as Chief Executive of University College London Hospitals Foundation Trust for more than sixteen years, Sir Robert earned the moniker ‘Bob the Builder’ from health commentator Roy Lilley for leading the dramatic remodelling of the estate during his tenure.

With a strong track-record, it was no surprise when Sir Robert was asked by Jeremy Hunt to advise the Department of Health (DH) on how to make the NHS estate fit for the delivery of Simon Steven’s Five Year Forward View (FYFV). The starting point for this Review was to identify the best route for meeting two DH targets set during the last Comprehensive Spending Review:

- **Release £2bn of assets for reinvestment**
- **Deliver 26,000 new homes**

Whilst the estate is considered an important but often overlooked part of healthcare, meeting these targets by the March 2020 deadline has helped to focus minds in Whitehall. It is

understood that releasing £2bn of surplus land is achievable, building on the [2016 Lord Carter Review](#) which has encouraged trusts to reduce efficiencies in their estates. The delivery of 26,000 new homes presents a sterner challenge, given the demand for housing in the costliest areas for development across London and the South East.

In addition to meeting these two targets, the Review also presented Sir Robert with the opportunity to undertake a forensic examination of the disjoined NHS estates landscape.

Sir Robert earned the moniker ‘Bob the Builder’ for leading dramatic remodelling of the UCLH estate

Having concluded the initial findings and prepared recommendations last October, five months passed before publication. What caused the delay? Many will point to Brexit and its debilitating effect on the Whitehall machine, but the significance of the Review’s recommendations offer better explanation. Had Sir Robert and his team produced an anodyne summary of the state of the NHS estate, it could have been released immediately. Sir Robert however offers a critical view on the design and delivery of healthcare within England, presenting the sector with uncomfortable but important questions. **The consequence is a report that has wider relevance and importance for healthcare leaders and patients alike.**

The State of the NHS Estate

The team behind [the Naylor Review](#) outline the variation in the NHS estate across England, with the research finding that too often patients are being seen and treated in inadequate facilities:

- **Nearly 20% of hospital trust estates predates the formation of the NHS;**

- Backlog maintenance has risen in recent years and now presents a **£5 billion liability** to the system;
- **£10 billion in extra capital is required** to enable the delivery of STP plans;
- **The Estate is highly fragmented.** The two-main governance organisations in healthcare property - NHS Property Services and Community Health Partnerships - own just 15% of the total land.
- There are over 7,600 GP practices in England. Many of these are single handed or small GP practices and **ill-equipped for the shift to out of hospital care**; and
- There is a **lack of strategic leadership** in place to deliver the changes required.

Main Recommendations

At just 38-pages and containing 17 recommendations, the report does not dwell on the issues facing the current system, instead efficiently outlining a vision for the future NHS estate that can deliver improved outcomes for patients and the taxpayer. The Review recommends that Sustainability and Transformation Partnerships (renamed from Sustainability and Transformation Plans) are treated as the key structure for delivering improvements.

What's happened already?

The Department of Health has already acted on several recommendations, establishing the new NHS property body in shadow form since November, and developing an incentive scheme to support the retention of land sales for reinvestment.

During the Spring Budget, Philip Hammond announced that the Government will invest £325 million over the next three years to support investment in STPs which offer the strongest case for improvements. This is a significant development – indicating that the arguments in favour of prioritising certain STPs has become a prevailing view within Whitehall. But the

approach carries political risk - and ministers will want to ensure assessment criteria is watertight if they are to avoid criticisms of favouritism towards particular footprints.

Recommendations in detail

Improving capability and capacity

Establish a powerful new NHS Property Board

This will bring together the functions of NHS Property Services, Community Health Partnerships and other fragmented property capabilities into a single (as yet unnamed) organisation that will be the key voice on healthcare estates matters.

Encourage and incentivise local action

STPs must develop affordable estate plans

The report recognises that STPs are at different stages of development, and suggests that the new NHS Property Board supports the delivery of footprints' estate plans.

Retain capital receipts locally

The report identifies significant opportunities in commercially executed disposals – which could generate between £2bn and £5.7bn. Each STP must have assurances from government that capital raised from the disposal of surplus land will be retained within the footprint.

Vacated land should be prioritised NHS staff homes

Sir Robert proposes that new homes are leased for a period consistent with an employee's NHS contract. One option for delivery is the creation of a bespoke NHS housing association.

Funding and national planning

Substantial capital investment is required

The £10bn required could be met with contributions from three sources: property disposals, private capital (for primary care) and HM Treasury.

HM Treasury should introduce a '2 for 1' scheme

This match-funding programme will address the lack of current incentive for trusts to make better-use of available land.

The NHS should develop an investment plan by summer 2017

Value for money and the needs case for public and private capital should be prioritised.

The STP approach carries political risk – ministers will want to ensure the assessment criteria is watertight

Impact on Acute Sector

An advocate for the Accountable Care Organisation (ACO) model, Sir Robert believes the success of STPs is essential for making improvements to the health service, and has said that trusts must be intimately involved in new governance structures. The vast majority of the NHS estate is owned by individual trusts, and providers in the acute sector currently enjoy a high degree of independence over their estates – greatest among foundation trusts – including the ability to reinvest proceeds from the sale of their estate.

This situation is now likely to change. The Review suggests that the current financial mechanisms are not encouraging providers to take forward recommendations of the Carter Review, which called for trusts to operate with a minimum of 2.5% of unoccupied or underused space. Sir Robert is also mindful that trusts need to be incentivised to work collaboratively with primary and community care – given that the FYFV called for an enhanced role for these components of the NHS.

However, as outlined in our analysis, the route for formalising integration is not yet clear. STPs will lack the statutory footing to force acute providers to sell off surplus land to reinvest in primary care, and the report acknowledges that further changes will be required to address conflicts of interest across local health economies.

What are the next steps?

The Department of Health and 'NewCo' (see below) have commenced the process of working with individual trusts with the biggest opportunities to assess options for land disposals and improved utilisation in specific areas.

Spotlight on 'NewCo'

There has been speculation for several years of a possible merger between Community Health Partnerships and NHS Property Services. To many within healthcare, the existence of two separate but complementary organisations appears incoherent. Sir Robert's Review has effectively served to drive forward this merger.

In March 2017, the Minister for NHS Estates, Lord O'Shaughnessy, gave public backing for 'NewCo' to take over operation of the NHS estate. The implications could be wide-ranging for stakeholders across the healthcare estates sector, especially for those organisations that hold a financial stake in existing estates developments.

We understand that 'NewCo' will:

- Have an overall headcount of 60-100
- Retain CHP and NHS PS as subsidiary companies in some form
- Focus on providing independent advice to NHS organisations on strategic estates planning

Ian Ellis, Chairman of NHS PS, has agreed to act as interim chair for NewCo. The final structure of the organisation is subject to cross-departmental approval, with ministers in HM Treasury, the Department of Health, and the Cabinet Office involved in the negotiations.

Impact on Primary Care Sector

The report is likely to signal a transformation of the primary care landscape. The current delivery model of single handed and small GP practices is perceived as inconsistent with the developing service strategies to move more care out of hospital and into community settings. In response, the Review advocates the creation of large primary care partnerships, particularly in urban areas, with patient lists ranging from 30,000-50,000 – a view already endorsed by the Department of Health. This could result in a drastic fall in the number of GP surgeries, with one minister suggesting a reduction to just 1,500 'super-hub' practices, compared to the current 7,600 across England. The Naylor Review calls for further capital

investment in primary care and a refined business case approvals process. If granted, this would speed up the development of new primary care facilities designed to deliver integrated services through super-hubs.

Meanwhile, NewCo will shortly begin work with providers on the ground to advise on the optimal commercial models. This process will present opportunities, but also threats, for private investors in primary care.

Analysis

Was the report worth the wait? Whilst predicated on the need to support the delivery of 26,000 new homes and £2bn of assets, Sir Robert's report has taken the opportunity to outline a far-reaching vision for the NHS estate. Although it appears that none of the main recommendations have been watered-down by ministers, the report poses several challenging questions. These include:

- **Getting Treasury approval.** The '2 for 1' match funding is a clever proposition to incentivise disposals, but this must be reconciled with the Chancellor's desire to keep capital solutions off the Government balance sheet.
- **Working with local partners.** Calling for significant re-structuring of the primary and acute estate towards 'primary care networks' or 'super-hubs' is coherent with shifts to out-of-hospital care. But this is likely to encounter resistance from health practitioners and patients when the realities of GP amalgamations and hospital closures begin to bite. As we have already seen with the garbled release of the STPs, system reform must be stress-tested with the public first to avoid political backlash.
- **Ensuring consistent care.** The Government wants to reward STPs sound financial plans and offer more radical change, but there is also potential for this to exacerbate variations in care and patient outcomes across the country.
- **Putting the right structures in place.** The new property organisation is a logical creation, but it will control less than 20% of the NHS estate. The ability to drive transformational change across the other 80% will therefore depend on fundamental

changes to the local health economies within the 44 footprint areas in England. Theresa May and Jeremy Hunt's unwillingness to introduce major healthcare legislation in this parliament may put these plans into jeopardy.

- **Delivering private investment.** The report is a clarion call for private investors in primary care. However, in the fast-moving policy landscape, it will be vital to engage with those implementing Sir Robert's recommendations to ensure opportunities are realised.

During his tenure as Chief Executive of an NHS Foundation Trust, Sir Robert Naylor had experience of pushing through significant and controversial reforms to the estate. This track-record lends weight to an impressive report. The political challenges outlined above now present the biggest barrier to delivery. Private sector investors can therefore play an important role in driving forward implementation and giving ministers the confidence to grasp the opportunities presented by the Naylor Review.

To discuss how we can help your organisation please contact:

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