

DRAFT

Lanarkshire NHS Board

14 Beckford Street
Hamilton ML3 0TA
Telephone 01698 281313
Fax 01698 423134
www.nhslanarkshire.co.uk



MINUTE OF THE MEETING OF THE PROPERTY COMMITTEE HELD ON WEDNESDAY 30 JULY 2008 AT 8.30 AM IN THE COMMITTEE ROOM, LANARKSHIRE NHS BOARD, 14 BECKFORD STREET, HAMILTON.

PRESENT: Mr P K Corsar, NHS Board Chairman (Chair)
Mr J A Anning, Non Executive Director
Mr W Sutherland, Non Executive Director
Mrs S Smith, Non Executive Director
Mr H Sweeney, Employee Director

IN ATTENDANCE: Mr T Davison, Chief Executive
Mr I A Ross, Director for Strategic Implementation, Planning and Performance
Mrs S Goldsmith, Director of Finance
Mr N J Agnew, Corporate Affairs Manager/Board Secretary
Mr A Goor, Deputy Director of Finance
Mr G Johnston, Head of Management Services
Mr P Sim, McClure Naismith (for Item 5)
Mr J Hackett, Currie & Brown (for Item 5)

APOLOGIES: Mr T Currie, Non Executive Director

ACTION

1. WELCOME

Mr Corsar welcomed members and attendees to the Inaugural Meeting of the Property Committee.

2. TERMS OF REFERENCE

The Committee considered its Terms of Reference, approved by the NHS Board on 25 June 2008.

In discussion, the need was highlighted to ensure that the Estates Strategy to be developed by the Capital Investment Group would enable the Board to deliver its Corporate Objectives. Mr Ross acknowledged this requirement, and confirmed that it would be explicitly articulated in the Estates Strategy which, following consideration by the Capital Investment Group, would be brought to

the Property Committee for consideration.

Mrs Goldsmith confirmed that the financial values contained in the constituent elements of the Committee's Remit reflected a combination of Government and NHS Lanarkshire Financial Standing Orders. She also explained that the clause within the Terms of Reference stating that all Board Members would have the right of attendance at meetings of the Committee, except if the Committee resolved otherwise, should in reality be invoked only infrequently, eg where an issue before the Committee for consideration involved a Partnership issue with either or both of the Local authorities, where the attendance of the Leaders of the Authorities might raise a conflict of interest.

Mr Corsar explained that the requirement for the Committee to review its own performance, effectiveness, including running costs, and Terms of Reference on an Annual basis, and to produce an Annual Report to the NHS Board, would apply to all of the Governance Committees.

Next part out of place

Clause 2.3 of the Remit *To review all proposed property acquisitions, disposals and leases in accordance with the NHS Property Transactions Handbook, ensuring that due process has been followed to permit Board approval to proceed*, would be expanded to explicitly include Standard Business Cases for construction with a value of greater than £500,000.

Given the explicit requirement for the Property Committee to ensure compliance with the NHS Property Transactions Handbook, an arrangement would be made to hold a summary workshop training event for Committee Members on the key elements of the Property Transactions Handbook.

Mr Ross

It was agreed that the discharge of the Committee's Remit would, as required, include site visits with an appropriate level of professional input.

3. PROPERTY TRANSACTIONS

The Committee considered a paper on Property Transactions.

Mr Ross explained that the paper was intended to inform the Committee of the current position in relation to Property Transactions to date, viz: Law Hospital disposal; Birkwood Hospital; Stonehouse Hospital; Kirklands House; Alexander Hospital; Kirkwood Clinic, Coatbridge; Hartwood Hospital disposal; Hartwoodhill Hospital; and purchase of 19 Douglas Street, Hamilton.

He highlighted in particular the Law Hospital disposal and reported on the ongoing interest of the 2 Developers. He also confirmed that the purchase of the Douglas Street premises would be concluded by the end of July.

Mr Sutherland sought clarification on the risk assessment in relation to the financial implications of the constituent elements of the Capital Programme, and the selection of professional Property Advisers for projects.

Mrs Goldsmith confirmed that the issue of risk around the financial implications of projects would be explicitly addressed within the Estates Strategy. Mr Ross confirmed the intention that the draft Strategy would be available by the end of the Calendar year.

Mr Ross explained that the selection of professional Property Advisers for each individual project, or “bundles” of projects, was the subject of tendering exercises. He also confirmed the involvement of the District Valuer in property matters. Mrs Goldsmith explained that both Local Authorities operated with substantial in-house property functions, and she undertook to explore with the Local Authorities the potential for the Board accessing these functions on a shared services basis.

Mrs Goldsmith

4. CAPITAL PROGRAMME 2008 - 2013

The Committee considered a paper on the Capital Programme 2008 – 2013.

Mr Ross explained that the paper was provided to update the Property Committee on the Planned Capital Programme approved by the Board in March, as follows:

- Airdrie Resource Centre
- Bellshill Resource Centre
- Coatbridge Dental and Integrated Resource Centre
- Carluke Resource Centre
- Learning Disability Assessment and Treatment Centre, Kirklands Hospital
- Caird House - Adults with Complex Needs
- Coathill Hospital – Adults with Complex Needs
- Monklands Hospital – Mental Health Services
- Douglas Street
- Monklands Hospital – redevelopment

He drew members’ attention to the Appendix to the paper which outlined in detail the projects and their current status.

5. AIRDRIE RESOURCE CENTRE

The Committee considered a report on Airdrie Resource Centre.

Mr Ross explained that the paper was intended to inform the Committee of the current position regarding the development of the Airdrie Resource Centre and the proposal to sign a Development Agreement with AWG Limited. He reminded members that the Outline Business Case for Airdrie Resource Centre was approved by the Board in March 2007. He advised that to move to Final Business Case approval stage, further design work was required and that to assure both parties as this work was undertaken, a Capital Development Agreement must be signed. He explained that the papers before the Committee, which outlined the legal, financial and technical issues and risks associated with the signing of the Development Agreement at that stage, had been prepared by the General Manager for Property and Support services, working with McClure Naismith (Legal Advisers), and Currie & Brown (Technical Advisers). He explained that the current estimated cost (pre-tender), of the Development was £29.777m, which exceeded the current Capital Plan forecast. He stressed that the Capital Plan would be revised to ensure that along with the continuing drive to identify savings the project would remain affordable when taken alongside all other capital commitments.

Mr Hackett presented and spoke to a paper setting out the current position of the development for the Airdrie Resource Centre, including: the background and current status; the development cost summary; the development risks and issues and the Actions. He explained the circumstances which could result in a hold on demolition and highlighted the financial implications of holding demolition for 6 months. He acknowledged the risk of increased costs at tender stage, but reassured the Committee that the inclusion in the current estimated cost of a 6% Optimism Bias was reasonable.

Mr Sim highlighted key legal elements of the Development Agreement, including the Developer's security around the construction costs and the retail units, and the primary, step-in right which the Board would have to complete the development in the event of circumstances arising which would impact upon the Developer's ability to continue.

Mr Davison highlighted as the two material issues for consideration, potential cost escalation and the need for assurance about the way in which cost would be contained in line with estimates, and the financial exposure to the Board arising from a 6 months hold on demolition.

Committee Members acknowledged these issues as the most material. It was recognised that the issue around a hold on

demolition, whilst being a potential exposure for the Board, did not impact on the signing of the Development Agreement.

Mr Ross stressed that further work would continue to identify savings against the current estimated pre-tender cost for the project, and confirmed further dialogue with the developer about demolition.

Mrs Goldsmith reminded members that the Outline Business Case approved by the Board in March 2007 set out options, and confirmed that the option under consideration was the only one which was considered to be viable. Mr Davison reminded members that a fundamental consideration in this regard was the agreement with the Local Authorities that Community Health facility developments would, where possible, be town centre located.

The Committee supported the signing of the Development Agreement to enable the project to proceed to completion of the Full Business Case (FBC) for consideration by the NHS Board in early 2009, subject to further dialogue with the Developer about demolition and further work on cost containment. **Mr Ross**

6. ARRANGEMENTS FOR FUTURE MEETINGS

In accordance with the Committee's Terms of Reference, meetings would be arranged, as necessary, to fulfil its remit.

NJA/OD
6 August 2008