

## Single Site Valuation

**Trust Board**  
**30<sup>th</sup> January 2025**

<b>Presented for:</b>	Decision
<b>Presented by:</b>	Jenny Ehrhardt, Director of Finance
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<b>Previous Committees:</b>	Audit Committee 17 Jan 2025

<b>Our Annual Commitments for 2024/25 are:</b>	
Reduce wait for patients	
Reduce Healthcare Acquired Infections by 15%	
Reduce our carbon footprint through greener care	
Use our existing digital systems to their full potential	
Strengthen participation and growth in research and innovation	
Deliver the financial plan	✓
Be in the top 25% performing Trusts for staff retention	

<b>Risk Appetite Framework</b>				
<b>Level 1 Risk</b>	<b>(✓)</b>	<b>Level 2 Risks</b>	<b>(Risk Appetite Scale)</b>	<b>Risk</b>
Workforce Risk		Choose an item.	Choose an item	Choose an item.
Operational Risk		Choose an item.	Choose an item	Choose an item.
Clinical Risk		Choose an item.	Choose an item	Choose an item.
Financial Risk		Financial Reporting Risk - We will deliver sound financial management and reporting for the Trust with no material misstatements or variances to forecast.	Minimal	↔ (same)
External Risk		Choose an item.	Choose an item	Choose an item.

Key points	
1. This paper advises Board members of the assessment criteria and evidence to support the Single Site Valuation methodology for the Trusts annual valuation in line with accounting standard IFRS 13.	For decision / re-affirmation

## 1. Summary

The purpose of this paper is to provide a summary of the assessment criteria and the associated evidence regarding our Single Site Valuation methodology to support the Trust Board in re-affirming a decision it took in March 2018 to adopt St. James's as the single site for estate valuation purposes. The Single Site Valuation methodology was reviewed in detail by both the Audit Committee and the Trust Board in March 2024 as part of the year end process for 2023/24, where it was agreed the methodology continued to be the appropriate valuation methodology for the Trust. As part of the year-end process for 2024/25, this paper was taken to the Audit Committee on 17<sup>th</sup> January 2025 and was supported by the committee.

## 2. Background

The Trust Board decided in March 2018 that our valuation, which is based on the cost of a modern equivalent replacement, would also be based on the assumption of a single site, i.e. St James's. Single site valuation assumes that all current services would be re-provided from an entirely new facility built to the latest healthcare design standards and benefitting from synergistic floor area and land savings. As work has progressed for BtLW and as part of our annual review of this decision, it is appropriate to reflect on whether the decision to use the St James's site for asset valuation purposes remains valid.

Mazars are required by auditing standards and National Audit Office guidance to challenge the assumptions underpinning significant estimates and judgements which impact the financial position to be reflected in the accounts. In previous years Mazars have raised a few queries and have been comfortable with the responses provided. As we approach the 2024/25 audit, they would like confirmation the board has considered management's belief that it is right to retain St James's as our single site for the time being.

It is worth noting there are likely to be some changes to the annual valuation requirements in 2025/26. DHSC are in discussions with HM Treasury regarding whether annual valuations are necessary given the expense and resource required to carry out this theoretical exercise. The Trust provided feedback via the Consultation process but no official guidance has yet been issued. The changes will not affect the current financial year (2024/25).

## 3. Summary of Guidance and Assessment Evidence

The DHSC Group Accounting Manual (GAM) sets out the following guidance when approaching annual valuations in line with IFRS 13.

DHSC GAM Guidance	Trust Assessment / Evidence
For specialised assets, current value in existing use must be interpreted as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. The methodology used will be	The Trust's estate is specialised, held for providing healthcare services and remains in use.

depreciated replacement cost on a modern equivalent asset basis. (Chapter 4, Annex 4 Para 4.174)	
Is the asset a specialised asset (i.e. those for which no active market exists)?	There is no active market for purchasing existing hospitals.
Is the asset currently in use?	The hospital is currently providing healthcare services.
The asset should be valued on a depreciated replacement cost on a modern equivalent basis.	Cushman and Wakefield value the estate on a depreciated replacement cost basis assuming the replacement would be built to modern equivalent standards.
The modern replacement asset should have the same productive capacity as the property being valued. (Chapter 4, Annex 4, Para 4.423)	The SJUH site has the identified space to rebuild a hospital which can provide the current productive capacity in it's entirety.
Where the practical requirements of healthcare delivery, for example, require that a hospital is located on the same geographical site it now occupies, the valuation must be based on that site and not an alternative. (Chapter 4, Annex 4, Para 4.437)	Healthcare services are required to be delivered from within the City of Leeds. Therefore we have deemed our existing site as appropriate for valuation purposes rather than considering new and alternative sites.
There is no guidance specifying the Trust must rebuild a like for like replacement and the Trust is therefore able to assume long term aspirations can be met as part of the theoretical replacement valuation.	The Trust has a long term aspiration to consolidate all services on to a single site, as evidenced in a business case which was put together a number of years ago, to consolidate all services on the SJUH site. Funding was not available at this time, however this remains a long term aspiration for the Trust.

For information, the Trust's assumptions around short, medium and long term timescales are set out below. The Group Accounting Manual (GAM) does not specify any specific timescales around this and we are compliant with the GAM guidance and the below assumptions are based on our judgement in the context of annual valuations.

- Short term                      0 - 15 years
- Medium term                    15 - 25 years
- Long term                        25 years +

In addition to the guidance set out by the DHSC Group Accounting Manual, the Trust has considered the following considerations as part of determining the single site valuation methodology:

The Trust is pursuing a major building project on the LGI site	The replacement of buildings at the LGI is a major upgrade to dilapidated estate which is no longer fit for purpose. This does not change the Trusts long term aspirations to centralise all services to a single site should
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	<p>the funding become available. This underpins our single site valuation assumption.</p> <p>Internal auditors have accepted the two issues of practical short to medium term replacement and long term vision are entirely separate.</p> <p>The GAM makes no reference to any development on one trust site precluding another from being the practical choice for single site valuation purposes.</p>
Is SJUH the appropriate site to be assumed as our proposed single site?	<p>SJUH is the only practical site within our existing estate which can accommodate delivery of all the Trust's healthcare service obligations.</p> <p>SJUH is accessible to both the local and regional population we serve.</p> <p>The Pathology Service redevelopment and consolidation is clear recognition that SJUH remains a practical location for delivery of health services and is a step towards consolidation.</p> <p>Bexley Wing, as a major PFI provided facility which is mid contract would have to be specifically re-provided in any change from SJUH to an alternative site for valuation purposes. This would inevitably push the estate value and capital charges up.</p>
Is there any management bias in retaining SJUH as a single site for valuation to reduce capital charges?	<p>There is no bias but there is an absolute obligation for management to demonstrate that it is doing everything possible, within the bounds of the financial regime in which it must operate, to deliver against our control total. We are comfortable we have sought a valuation which is in line with the DHSC GAM and the valuation rules and that is not artificially or unnecessarily high.</p>

#### 4. Financial Implications

Valuing the estate on a single site basis will minimise any financial implications for the trust. The 2024/25 valuation will be carried out as a full onsite valuation by Cushman and Wakefield. Any financial impact will not be known until this exercise is carried out and will then be evident in the year end accounts.

## **5. Risk**

Valuing the estate on a single site basis is consistent with previous years and therefore does not change the risk position for the annual revaluation exercise.

## **6. Communication and Involvement**

This paper is being reported to the Trust Board and will support informing the accounting policies for the year end accounts.

## **7. Equality Analysis**

We do not believe there to be an impact on staff, communities or populations groups as a result of this decision.

## **8. Publication Under Freedom of Information Act**

- This paper has been made available under the Freedom of Information Act 2000.

## **9. Recommendation**

It is recommended that the Audit Committee support the decision made in 2018 to continue with a single site basis for estate valuation and to retain St James's as the single site for that purpose.

**Martin Campbell Smith**  
**Associate Director of Finance**  
**and**  
**Sarah Medus**  
**Head of Capital Finance**  
**21<sup>st</sup> January 2025**