



## HSE Board Briefing Template

<b>Subject:</b> HSE Board Delegation – Proposed Changes to Board Approval Thresholds for Property Transactions					
<b>Submitted for meeting on:</b> 31 March 2023 (following consideration and input from ARC 24 March 2023)					
<b>Name &amp; title of author:</b> Dean Sullivan – Chief Strategy Officer					
<b>Why is this information being brought to the Board’s attention?</b> Following review and discussion with the Audit & Risk Committee (ARC) at their meeting on the 24 March, this paper sets out recommended changes in relation to certain property transactions and delegation of authority in this regard by the Board.					
<b>Is there an action by the Board required, if so please provide detail?</b> To consider the position noted below and, if agreed, to approve the recommendations made.					
<b>Please indicate which of the Board’s objectives this relates to;</b> <ul style="list-style-type: none"><li>▪ The development and implementing of an effective Corporate Governance Framework, incorporating clinical governance and a performance management and accountability system; <input checked="" type="checkbox"/></li><li>▪ Developing a plan for building public trust and confidence in the HSE and the wider health service; <input type="checkbox"/></li><li>▪ Ensuring the HSE's full support for and implementation of the Government's programme of health reform as set out in the Sláintecare Implementation Strategy; <input checked="" type="checkbox"/></li><li>▪ Exercising effective budgetary management, including improving the value achieved with existing resources and securing target saving, with the objective of delivering the National Service Plan within Budget. <input checked="" type="checkbox"/></li></ul>					
<b>Brief summary of link to Board objectives.</b> The proposed changes to Board approval arrangements will help streamline Board processes and support more responsive and efficient implementation of transactions.					
<b>Background - provide context in order to ensure that the Board fully understand the issue.</b> Following recent engagements with ARC it has been suggested that it might be appropriate to change arrangements for property transactions requiring EMT/ARC/Board approval. This paper makes recommendations in this regard.  Governance of all HSE Property Transactions is determined by the requirements of the HSE Board, statutory obligations, regulatory frameworks, Departmental Circulars, Codes of Governance and relevant best practice procedures. This governance is currently set out in the HSE Property Protocol as approved by ARC in Q4 2022 and reflects relevant authority delegated to the CEO and in turn to the National Director of Capital & Estates.  The HSE Property Protocol was revised and strengthened significantly in 2022 by Capital & Estates and was introduced with effect from the 1 January 2023 for all HSE-related property transactions.  HSE Property Transactions are currently categorised and approved to the following thresholds:					
<table border="1"><thead><tr><th>Transaction Category</th><th>Value &amp; Approval Threshold</th></tr></thead><tbody><tr><td>Category 1</td><td>Transactions up to €1.0m (National Director Capital &amp; Estates approval)</td></tr></tbody></table>	Transaction Category	Value & Approval Threshold	Category 1	Transactions up to €1.0m (National Director Capital & Estates approval)	
Transaction Category	Value & Approval Threshold				
Category 1	Transactions up to €1.0m (National Director Capital & Estates approval)				

Category 2	Transactions €1.0m to €2.0m (National Director Capital & Estates approval) (proposals are required to undergo a more onerous appraisal)
Category 3	Category 3 – Transactions over €2.0m (Board approval)
Category 3A	Category 3A – Nominal value and below/above market value transactions, etc. (Board approval)

The National Director of Capital & Estates has delegated authority from the CEO to approve transactions up to **€2m** (CAT 1& 2).

CAT 3 transactions (i.e. above €2m) are recommended by the Property Review Group (PRG) and approved by the National Director of Capital & Estates and submitted, via the EMT/ARC, to the HSE Board for approval.

In addition, Board approval is currently required for the following CAT 3A property transactions:

- a property disposal at a nominal value;
- a property disposal below the valuation determined by a Valuer acting for the HSE;
- a property acquisition above the valuation determined by a Valuer acting for the HSE;
- disposals over €150,000 where an auction or competitive bidding process has not been used;
- the highest bid is not the bid accepted following an auction or competitive tendering process.

#### Update

The current threshold for Board approval of Property Transactions was set 17 years ago (2005) at €2m. The €2m Board approval threshold does not have a basis in legislation and the appropriate threshold level may be set/reset by the Board. Given the current inflationary environment, and the restructuring of the HSE into Regional Health Areas, it is timely to consider if the Board threshold level should be amended.

#### Analysis of Property Papers to the HSE Board in 2022

In 2022, 65 papers submitted by Capital & Estates to the HSE Board for approval via the HSE EMT and ARC.

These included:

- proposed property transactions (55)
- Capital Plan related matters including contract awards over €10m (10).

All 55 property papers brought forward were within the Board approval categories outlined above.

The following is a breakdown of these papers:

Transaction Type	No. of Papers	Total Value of Transactions
Freehold Acquisition	8	€51,139,300*
Freehold Disposal	10	€37,100,800**
Leasehold Acquisition	28	€275,409,566
Nominal Lease Granted	9	€1,700
<b>Total</b>	<b>55</b>	<b>€363,651,366</b>



Recognising the volume and value of transactions noted above, the impending change of organisation structures, and the competing demands on the agenda of ARC and the Board, it is now appropriate that consideration be given to the potential revisions to the current arrangements. Options in this regard are outlined below, as discussed with ARC at their meeting on 24 March.

## Revised Board Approval Arrangements - Options Considered by ARC:

1. Maintain existing Board threshold at €2m
2. Increase Board threshold in line with 'inflation' to €3m
3. Increase Board threshold to €10m
4. Delegate full authority of Board threshold to CEO
5. Delegate authority in relation to nominal/low value transactions

### 1. Maintain Existing Board Threshold at €2m

Further upward pressure is expected on property transaction values as a result of the current inflationary pressures which will drive construction and property lease costs higher. Leaving the threshold at this level is likely to lead to an increased number of transactions requiring EMT/ARC/Board approval.

### 2. Increasing Board Threshold in line with indices to €3m

The Central Statistics Office records a CPI increase of some 29% from 2005 to 2023 resulting in a present day value of €2.6m. Separately, the Society of Chartered Surveyors of Ireland indicates an SCSi Construction Price Index increase of some 60% over the same period which would translate to a threshold value of some €3.2m. On this basis an increase of the threshold to €3m may be considered appropriate, but this essentially maintains the status quo. Based on 2022 transactions, the number of papers recommending acquisition over €3m would have reduced from 36 to 26 going to the Board. This option is not recommended.

### 3. Increasing Board Threshold to €10m

Increasing the threshold for Board approval of property transactions to €10m would result in a reduction in property papers being presented to the Board – based on 2022 transactions, the number of papers relating to transactions in excess of €2m would have reduced from 36 to 10 going to the Board. This is the option preferred by ARC, subject to certain reporting requirements which are described in the Conclusion section below.

### 4. Removing Board Threshold.

This would result in a full delegation of the Board's reserved functions for all property transactions to the CEO. This option is not recommended.

### 5. Delegation of Authority in relation to other transactions

As noted above, in addition to transactions above €2m, the Board currently reserves the function to approve the following:

- (i) A property disposal at nominal value (16 Board papers in 2022, all of which went to charities, approved housing bodies or local authorities)
- (ii) a property disposal below the valuation determined by a Valuer acting for the HSE.
- (iii) a property acquisition above the valuation determined by the Valuer acting for the HSE;
- (iv) disposals over €150,000 where an auction or competitive bidding process has not been used;
- (v) where the highest bid is not the bid accepted following an auction or competitive tendering process.

Following discussion with ARC, delegation of authority in relation to transactions at nominal value, as described at (i) above, is recommended for Board consideration and approval.

No change is proposed to those categories of transaction described at (ii) to (v) above.

## Highlight any implications that the Board should be made aware of in its consideration such as;

- **Current status**  
Seeking Board approval.
- **Budget**  
None
- **Resources**  
None
- **Impact to delivery of services**

This proposed change to the approval of transactions up to €10m and a subset of CAT 3A transactions will allow the HSE Capital & Estates to function with more agility and flexibility in delivery the appropriate facilities in a timely manner.

- **Corporate Plan**

Prompt decision making in dealing with property transactions and to deliver accommodation is a key enabler for person centred services in the right place at the right time in line with the objectives of the HSE Service & Corporate Plan 2021 – 2024.

- **Sláintecare**

The proposed changes support the reform programmes as outlined in Sláintecare Action Plan 2022 by providing coordinated, integrated, effective approach to delivering services.

- **Social factors (e.g., impact on specific area such as the elderly, disabilities)**

This proposal will have a positive social impact in the speed with which transactions up to €10m and nominal/low value transactions to charities, local authorities and AHB's can now proceed.

- **Technological factors**

None

- **Legal factors**

None

### **Conclusion**

Taking account of the above, there is potential to reduce the number of transactions requiring consideration and approval of the EMT/ARC/Board whilst at the same time retaining an appropriate degree of oversight and control. These options and proposed changes were discussed in detail at the recent ARC meeting on the 24 March 2023 and the following changes are recommended:

- (i) Increasing the CAT 3 threshold for property transactions from €2m to €10m.
- (ii) Removing the requirement for Board approval of a subset of CAT 3A transactions, specifically those which relate to property disposals (freehold and leasehold) at nominal value to charities, approved housing bodies or local authorities, subject to the requirement that such transactions relate to the objectives of the HSE and the delivery of Health and Social Care.
- (iii) As part of these changes, it is proposed that HSE Capital & Estates will issue a summary report on transactions approved between €2 - €10m and low value/nominal CAT 3A transactions to EMT and ARC on a quarterly basis.

For illustration, if these changes had been adopted in 2022, the number of transactions requiring consideration by ARC/Board would have reduced from 55 to 13.

### **Recommendation**

The Board is asked to consider the position noted above, and to approve the recommended changes to property transaction approval arrangements.