

NHS LOCAL IMPROVEMENT FINANCE TRUST

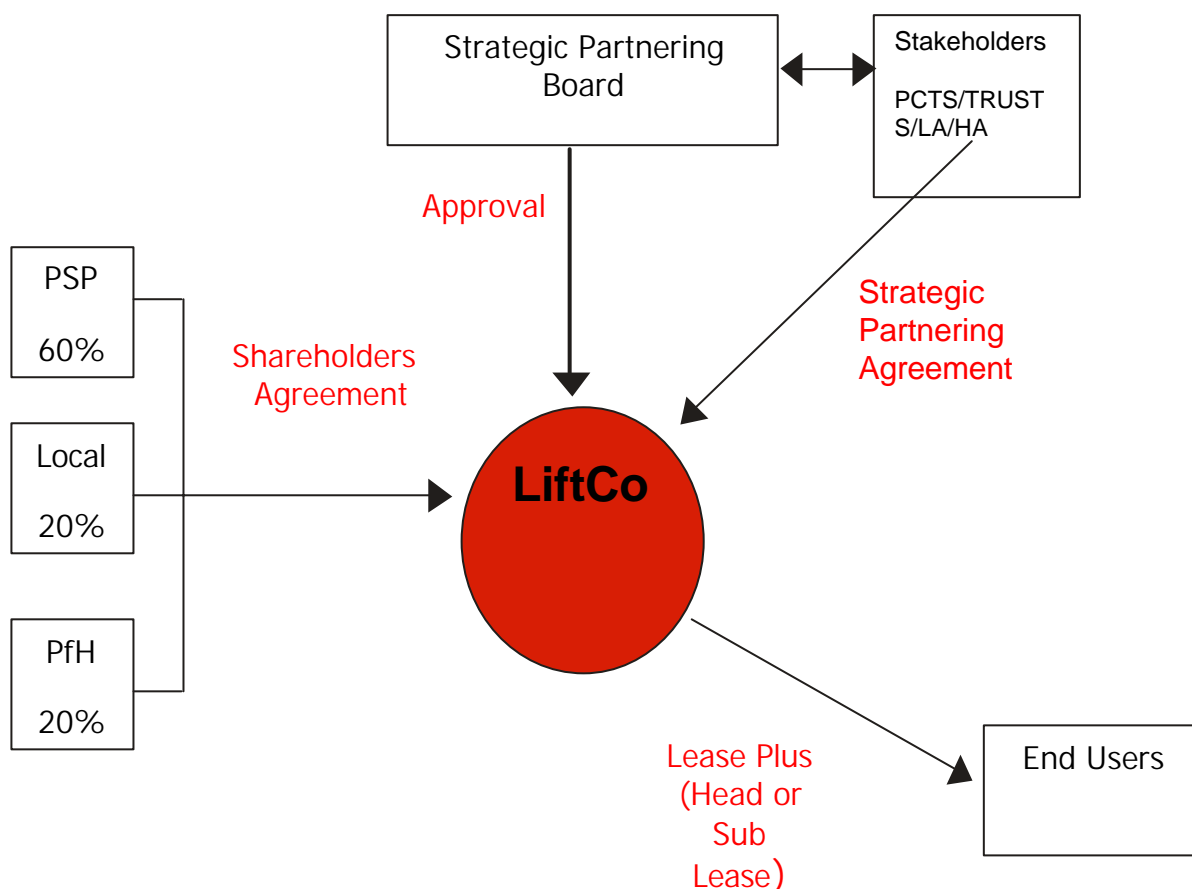
1 SUMMARY

- 1.1 This report provides an overview of the nature and purpose of a NHS Local Improvement Finance Trust (NHS LIFT).
- 1.2 Members are requested to approve the Council's participation in the local LIFT, at level 1.

2 OVERVIEW OF FUNCTION AND PURPOSE OF LIFT

- 2.1 The Secretary of State for Health has recently announced wave 4 of NHS Local Improvement Finance Trust (LIFT). NHS LIFT is a new capital investment programme designed to improve primary and community-based health and social care. It is a major opportunity to improve what are generally poor local facilities in partnership.
- 2.2 NHS LIFT is a new approach to the delivery of service development and capital investment for community-based health and social care. The initiative is designed to assist with the delivery of a 'step-change' in primary care. Local stakeholders will enter a public-private partnership (PPP) agreement to own and develop fully maintained property for primary, community and social care users. Essentially, LIFT provides the NHS with a vehicle for financing the new build or renovation of existing properties. This vehicle's use can be extended to partner organisations which have signed up at the appropriate level.

2.3

LIFT STRUCTURE

2.4 The creation of a LIFTCo requires, in the first instance, participating organisations to sign up at one of 4 levels of commitment.

- Level 1 – Named in OJEU notice as a contracting authority, but not signing the Strategic Partnership Agreement (SPA) with LIFTCo.
- Level 2 – Named in OJEU notice as a contracting authority, signs SPA but doesn't grant exclusivity to LIFTCo.
- Level 3 - Named in OJEU notice, signs SPA and grants exclusivity.
- Level 4 Named in OJEU notice, signs SPA and takes an equity share in LIFTCo.

2.5 The Primary Care Trusts (PCTs) are obligated to grant exclusivity and become a shareholder in LIFTCo. Local Authorities could become a shareholder in LIFTCo without granting exclusivity. Sign up at level 2 or above secures a seat on the Strategic Partnering Board the purpose of which

is to influence the direction and commission of the work of LIFTCo and monitor developments.

- 2.6 Each of the local stakeholders will have a Strategic Partnering Agreement (SPA) with LIFTCo that includes details of the proposed developments that each organisation is planning to be delivered using LIFTCo.
- 2.7 Sign up at level 1 registers the Council's interest and reserves its ability to develop further involvement, but does not expose it to any financial or other risks. However, by the end of 2005, a decision would be needed on whether to progress to level 2. Sign up at level 1 would place the Council under no obligation to proceed further but, provided it is party to the evaluation process to select the private sector partner, it keeps the options open to progress to level 2.
- 2.8 LIFTCo itself is a joint venture property development and management company owned by shareholders; 60% by the identified LIFT Private Sector Partner, 20% by an amalgamation of local organisations (the 2 PCTs as a minimum), and 20% by Partnerships for Health (PfH). The shareholders each contribute Directors to the Board of LIFTCo who discharge the governance function.
- 2.9 LIFTCo will also be structured to enable other stakeholders including, for example, GPs, to be shareholders where this is appropriate to the local circumstances.
- 2.10 LIFTCo will have the exclusive right to provide new facilities to level 3 stakeholders, the strategy for which must be set out in an annual Strategic Service Development Plan (SSDP), so long as the Strategic Partnering Board can be satisfied that the LIFT company's proposals meet the approval criteria.
- 2.11 LIFTCo secures the finance, builds and owns the buildings. To achieve this it sources 90% of the required investment from the financial markets and the remaining 10% from the shareholders.
- 2.12 LIFTS are expected to provide serviced accommodation, suitable for use by health and social care professionals and practitioners to deliver services. The accommodation may be provided from new, refurbished or existing premises. The LIFT company is expected to enter a 'Lease Plus' agreement with the occupants of the accommodation. Lease Plus is akin to a conventional lease, but there is the additional requirement on the LIFT company as landlord to take the responsibility for the repair, maintenance and insurance of the premises throughout the term.
- 2.13 LIFTCo has a finite life of the greater of 25 years or the expiry of any ongoing lease-plus agreements and derives a revenue stream from lease income over a period of 20 years, at the end of which there is an option for the public sector to purchase the asset from LIFTCo.

- 2.14 LIFTCo will create opportunities for access to capital that are not currently available to the local health and social care community. It is critical, however, that organisations are prudent in identifying the ongoing revenue consequences of creating new and improved premises. The key document in the first stages of implementing LIFT is the Strategic Service Development Plan. This will outline the overall strategy for the local health and social care community, and then drill down to identify specific planned solutions at a local level. This document must be produced by the PCTs and formally signed up to by August 2005.

3 FUTURE DECISIONS

- 3.1 Sign up by the Council at level 1 places no obligation on the authority; it merely leaves the door open for further joint working should the Council wish to develop schemes in conjunction with health partners.
- 3.2 Should the Council wish to develop schemes within the LIFT umbrella it would need to sign up at level 2 or above. This would impose an obligation on the authority to enter into a Strategic Partnering Agreement with LIFTCo which may or may not grant exclusivity in developing schemes. It would also secure the Council a seat on the Strategic Partnering Board the remit of which is to inform where, which and when properties are built. Further insight into the costs and benefits on such working are needed before the Council would be in a position to determine whether it would be prepared to enter into a Strategic Partnering Agreement, grant exclusivity for schemes to LIFTCo or become a shareholder in LIFTCo.

4 DISCUSSION

- 4.1 LIFT is a new funding mechanism to enable the NHS and partner organisations to access the private sector funding needed to build or refurbish outdated or inadequate facilities.
- 4.2 The sign-in at least at level 1 by key local partners, including Local Authorities, is seen as essential to the success of the project.
- 4.3 Although primarily designed for health and social care developments, other organisations are able to use LIFT as a source of capital funding for schemes, subject to sign up at an appropriate level.

5 RESOURCE IMPLICATIONS/RISK IMPLICATIONS

- 5.1 There are no resource implications for sign up at level 1, other than officer attendance at occasional Project Board meetings.
- 5.2 As previously mentioned, a decision would be needed by December 2005 whether to progress to level 2. This is likely to entail taking specialist legal

advice. The costs for this will need to be investigated and any decision to progress beyond level 1 would be subject to a further Committee report.

- 5.3 Failure to at least register an interest at level 1 now will preclude the Council from participating in LIFT at a later stage and thus cut off a potential source of capital financing.

6 RECOMMENDATION

- 6.1 It is proposed that the Committee **RESOLVES**

That the Council signs up to the Southend and Castle Point & Rochford LIFT programme at level 1.

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Background Papers:-

None

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