Introduction to the LIFT Model and Process

Prepared for

London Borough of Barnet

Prepared by: [redacted – s40(2) FOIA]

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Elevate Partnerships Limited

Contents

Section One – Background and Business Model

History

- Elevate Partnerships Limited (Elevate) is a company formed as a public private partnership between Barnet, Enfield & Haringey Primary Care Trusts, Community Health Partnerships and gbconsortium, a private sector consortium consisting of Assura LIFT Holdings, Galliford Try Partnerships, Bilfinger Berger Project Investments and Sapphire Primary Care Developments, all of whom bring a wide range of expertise and experience in developing innovative and flexible public sector infrastructure.
- The establishment of Elevate in 2004 has enabled the PCTs and its public sector organisations to provide modern, high quality premises from which local providers can offer a greater variety of services for the local community, that not only meet the demands of today, but are flexible enough to meet the future needs of the communities across this part of North London.
- The General Manager – Anne Thain joined Elevate in January 2009 and is responsible for the management of the company. The General Manager is also responsible to Elevate's Board of Directors, all of whom represent their organisations' interest in the LIFTCo. Anne has worked within the healthcare industry since 1980 and brings a wealth of experience in Nursing, Business and General Management, Business Set up and Development as well as large scale service redesign.
- Elevate's chair is Stephen Jacobs OBE who has worked in urban regeneration for the past 20 years in both the voluntary and the statutory sector. Stephen is known for his innovative approach to regeneration work within inner-city areas that result in the delivery of major capital projects. It was for this work that he was awarded an OBE.

Business Model and Structures

- As stated above, the Barnet, Enfield & Haringey LIFTCo is the establishment of a public-private partnership joint venture company which works with local organisations to provide bespoke, tailor-made facilities

- The LIFT business model allows a range of buildings to be procured, from small GP practices to one stop primary care centres to community hospitals and multi-million pound, multiple agency, health & well being community centres that often incorporate leisure facilities

- The LIFTCo shareholding is as follows:
  - 20% Barnet, Enfield & Haringey PCTs are the local public sector organisation
  - 20% Community Health Partnerships on behalf of the Department of Health
  - 60% GBConsortium is the private sector consortium partner made up of Assura Lift Holdings, Galliford Try Partnerships, Bilfinger Berger Project Investments and Sapphire Primary Care Developments.

- LIFT assets are owned by the public-private partnerships, run by the LIFTCo and leased/rented to service providers. This frees up the public sector to concentrate on service strategy and commissioning. The public sector, however, still has a 40 per cent stake in the ownership of the assets through its shareholding in LIFTCo. So the assets are therefore NOT exclusively owned by the private sector

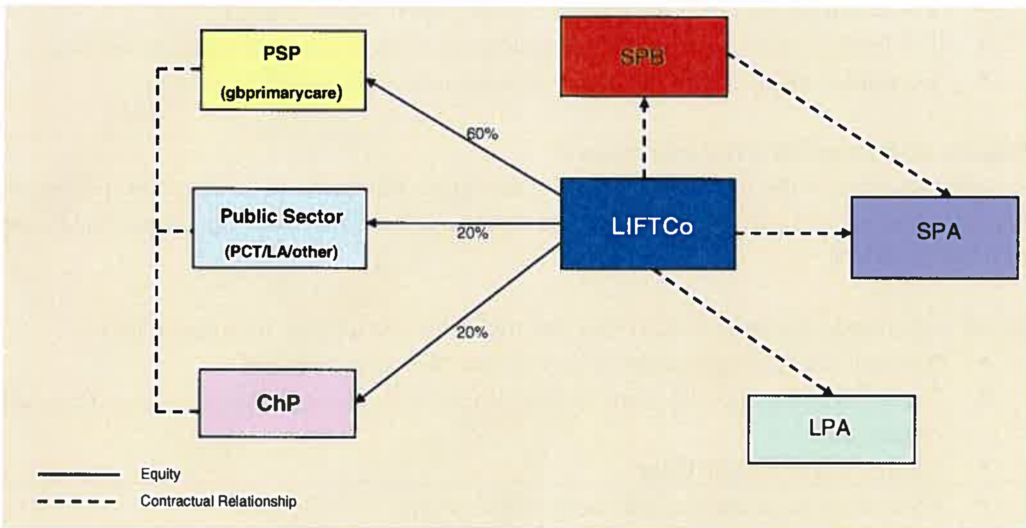
- The business model enables NHS Trusts, Local Authorities and other Stakeholders to meet their health and community care targets through the provision of facilities; integration within the community; rapid access to private sector services through the provision of partnering services.

- The LIFTCo is a registered company and operates it's business through three main agreement structures:
    - The Strategic Partnering Agreement (SPA)
        - Is a 20 year agreement between Elevate and all Stakeholders that enables the LIFTCo to develop affordable, value for money new projects to meet local needs and for the private sector to provide services that complement those of the public sector in the locality.
        - Provides exclusivity to Elevate for all primary care facilities
        - Enables joint working with other stakeholders outside of the exclusivity
        - It is normal practice for Local Authorities to participate in the SPA at different levels that range from options to consider LIFT as a procurement route through to exclusivity. In the case of Elevate, the London Borough of Barnet have signed the SPA to participate at level 2 (see appendix 1 for details of Local Authority Involvement in LIFT)
    - The Shareholders Agreement (SHA) prescribes procedures and processes for the management and operation of the LIFTCo to meet the requirements of all the shareholders.
    - The Lease Plus Agreement (LPA) is based on a commercial lease with additional provisions to benefit the public sector (or GP) tenant. These include a duty to provide premises suitable for specified use(s), building maintenance for the term of the lease, a guaranteed right to buy at the end of the term, and a facility for making rent reductions for non-availability of specified facilities.
    - Alternatively, the Land Retained Agreement (LRA) is more akin to a traditional PFI whereby the land is retained by the public sector

Finally, the Governance of the LIFTCo is scrutinised by the Strategic Partnering Board (SPB), -a local public sector body which includes representatives from the participants of the SPA across Barnet, Enfield & Haringey PCTs and the local Councils. This Board is established to promote a collective approach to understanding local needs of the populations served by planning and then delivering an integrated service strategy. This strategy then guides the LIFTCo business development plan, thus ensuring that the infrastructure is developed in the right place and tailored to meet the different requirements of the public sector organisations and the populations they serve.

The following graphic is intended to illustrate the structure, relationships and investment between Elevate Partnerships Ltd and the SPB

LIFT Structure



Benefits of the LiftCo Model

- Robust governance and control processes ensures that the client brief is delivered
- Transparency and open approach reassures client and demonstrates value for money
- Efficient delivery vehicle for infrastructure
- Standardised process and legal documents reduce duplication amnd waste
- LiftCo is a long term stakeholder committed to meeting the needs of its clients
- National expertise is translated into locally tailored solutions
- An established supply chain facilitates early engagement, learning and continuous improvement year on year, scheme on scheme (see appendix 2)
- Enables links to be forged with regeneration intiatives that promote integration and supporting the organisations to meet health and community targets
- Cross subsidy and economies of scale improve affordability and value for money

Section Two – Joint Working

Aims of Joint Working

- To provide sustainable and maintained facilities and infrastructure that will enhance the delivery of community and health services to the local population for the lifetime of the facility
- To ensure that all stakeholders are involved and engaged at the earliest opportunity
- To improve the environment for the user and public alike
- To demonstrate value for money on an "open book" basis
- To demonstrate continuous improvement year on year, scheme on scheme
- To reduce duplication and waste of resources and expediture

Project and Programme Governance

In order to achieve the aims stated above, the approach taken to project and programme governance must be sufficiently robust to ensure that affordability and value for money can be demonstrated

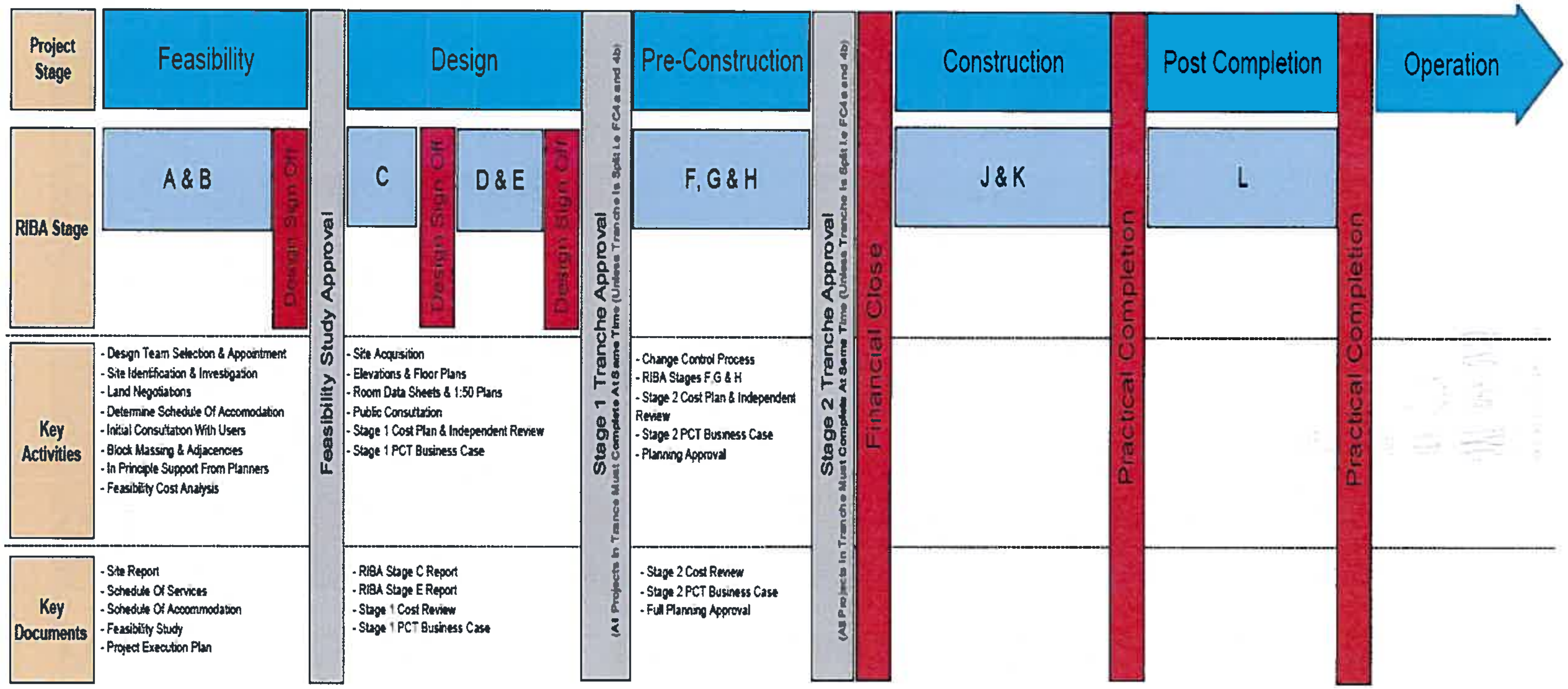
In our experience, we have found that the most successful way to achieve this is:

- Named senior responsible officers from each organisation
- The establishment of a joint project board with senior representatives from all organisations
- Clarity of the Client Brief
- Clear lines of accountability and responsibility
- Jointly agreed timetable with critical milestones identified
- Client representation on all workstreams
- Gateway review processes at key stages within both the design and build phases to ensure that the client brief, affordability and value for money is being met and can be demonstrated

The following graphics are intended to demonstrate:

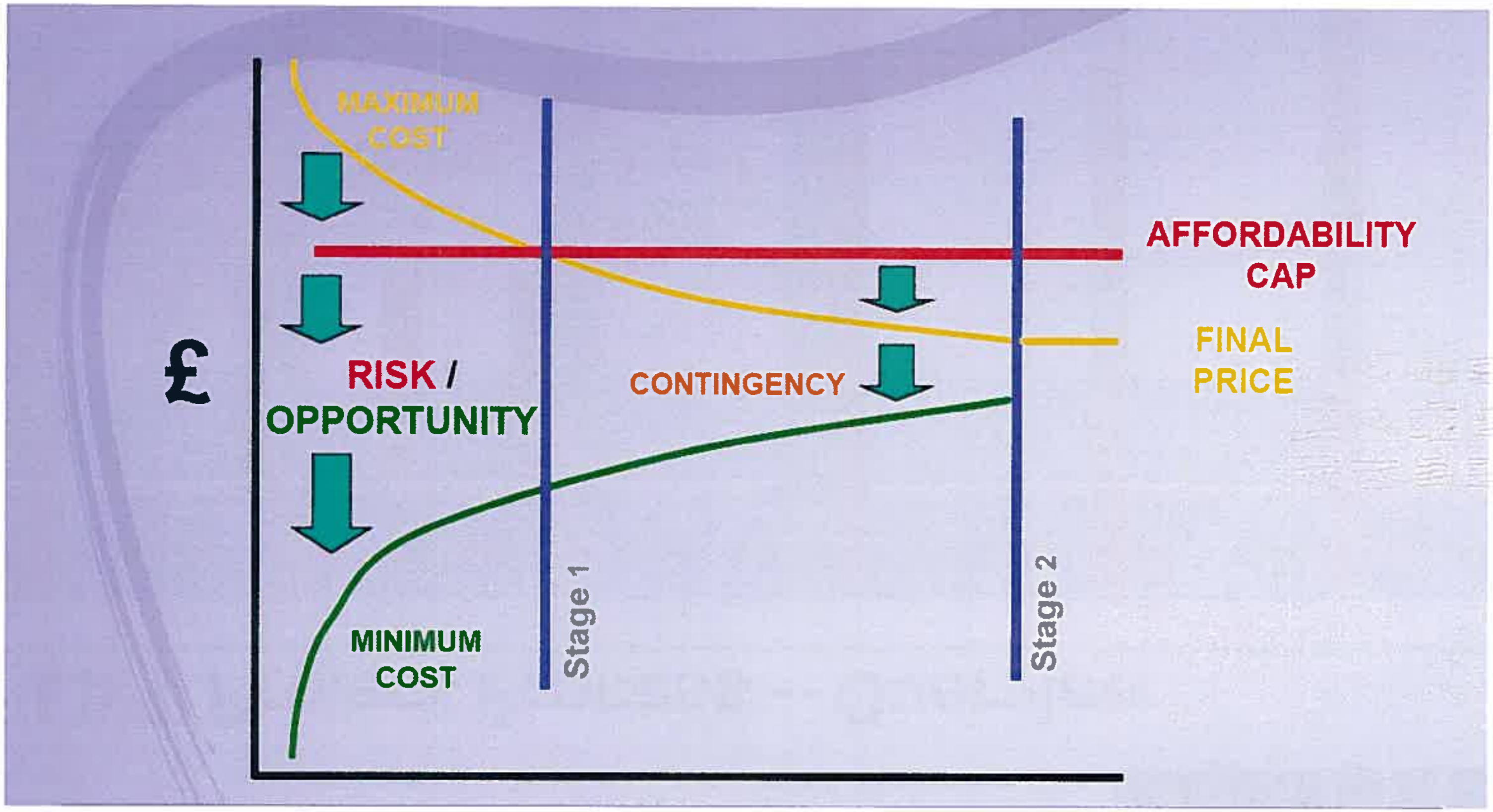
- The key stages of the project process
- How early engagement and contractor involvement ensures affordability targets are met
- A simplified proposed joint project structure

LIFT Project Process – Overview



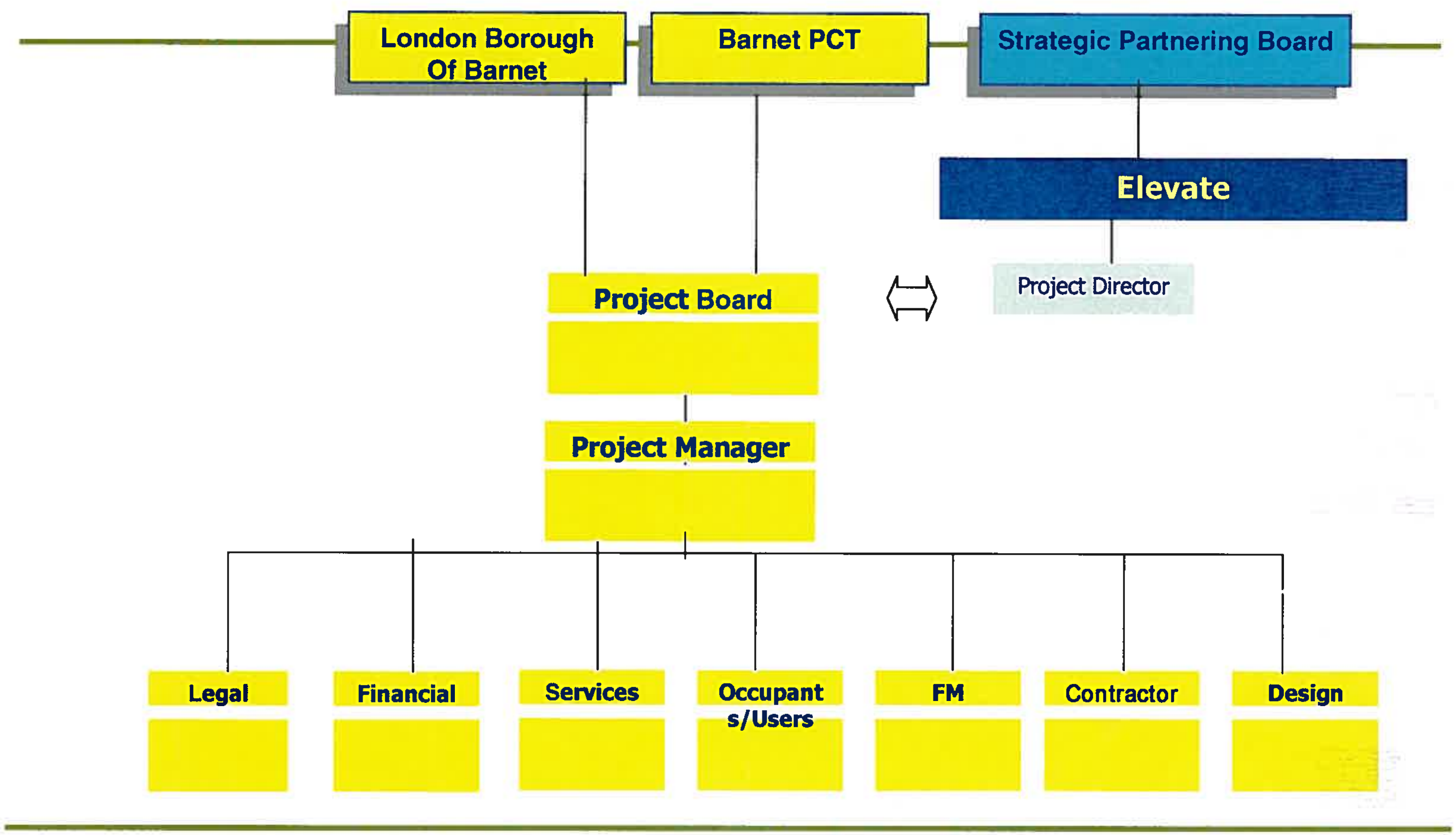
ELEVATE PARTNERSHIPS

New Projects – The Two Stage Process



Proposed Brunswick Park Project Structure

ELEVATE PARTNERSHIPS



Section Three – Appendices

APPENDIX 1

OPTIONS FOR INVOLVEMENT OF LOCAL AUTHORITIES IN NHS LIFT

[ ]NHS LIFT

APPENDIX 1

ELEVATE

Introduction

The Local Authorities of [ ] (the Councils) have joined in the OJ notice process for the procurement of a private sector partner for the [ ] LIFT and are participating in the evaluation and selection process.

This paper sets out the options for involvement in LIFT by each of the Councils. It has been prepared to assist them in coming to their own conclusions.

The options

The principal options for each Council are:

- no involvement at all;
- to take up Lease Plus Agreements in respect of individual premises without signing the SPA - discussed further at point 3;
- to agree to become a Participant in the Strategic Partnering Agreement (SPA) without exclusivity - discussed further at point 4;
- to agree to become a Participant in the SPA offering a degree of exclusivity - discussed further at point 5; and/or
- take up shares in the joint venture company (Liftco) established to take the [ ]LIFT forward This option can either be combined with options 2 and 3. It is discussed further at point 6.

Level 1 - To take up Lease Plus Agreements in respect of individual premises without signing the SPA

If the lease pluses are in the early years of the project the Council should be able to argue that for procurement purposes the arrangement falls within the original procurement in which the Council is a contracting party.

However, as the Council has not signed the SPA, the Council will not be committed to giving the Liftco "first refusal" on new builds or refurbishments of new premises. Thus as time elapses the Council may become more vulnerable to a claim that the original procurement and the audit trail is time expired. This is particularly the case if the Council does not take up any lease pluses in the early years and therefore has in effect retained a long term option to take up the lease pluses with no proactive involvement in the interim.

The counter argument to this is that the original process envisages long term arrangements and therefore later schemes are contemplated by the original procurement. However this argument is weakened by the fact that the Council has not committed to this by signing the SPA.

Please note that it is still possible that the Council would be entitled to enter into traditional forms of leases of specific properties at a later stage (this can only be done as an Underlease to, say, a PCT – Liftco will want a Lease Plus) since traditional property transactions are not caught by the EU procurement rules. However this would be dependent upon:

- establishing the transaction as a property arrangement. This may be difficult where the Council has any real input into the specification of the premises they are leasing and certainly the expectation of the lease plus documentation (that forms part of Lift) is that they should. The more the Council control the nature of the premises the greater the risk that the transaction will be regarded as the procurement of works caught by the EU Regulations.

  Furthermore the nature of the lease plus agreement means that the arrangements may also be regarded as a procurement of services rather than a traditional property arrangement; and

- Satisfying local authority probity and best value requirement. It is of course quite possible that these could be met by valuation advice on the rent and other terms of the lease.

Level 2 - Agree to be a Participant in the Strategic Partnering Agreement (without exclusivity)

Under this option the Council would largely be reserving its position giving itself the right to include future arrangements for social care premises in the LIFT but without an obligation to do so. If the local authority was willing to investigate this as an option it would probably require a more detailed review of the SPA by the local authority's legal advisers to assess whether any other more general commitment contained in the SPA may need to either be accepted by the local authority.

Since the Council would not be obliged to offer schemes to Liftco in later years the time elapse argument referred to at point 3.2 may apply, making later schemes vulnerable to the claim that the original procurement is time expired. However the Council may have a stronger counter argument since by signing the SPA it has set out a framework for a longer term relationship with Liftco. This relationship includes committing to participating in the Strategic Partnering Board and reserving a right to require Liftco to enter into lease plus arrangements, without a commitment to do so.

Level 3 - Agree to be a Participant in the Strategic Partnering Agreement (with exclusivity)

This would commit the Council to the terms of the SPA, including involvement on the Strategic Partnering Board.

The exclusivity obligations in the SPA, as currently drafted, covers new build and capital projects for the enhancement of facilities required for primary and community based health and social care in the area. The Council would need to clearly define the precise extent of exclusivity (e.g. in relation to its social services premises, leisure, libraries etc.) and in particular what exclusions (if any) are to apply.

The exclusivity provisions mean that the Council will be obliged to put new schemes (insofar as they fall within the defined scope) to LIFT through the life of the SPA and therefore it should not be subject to arguments that the original procurement is time elapsed when entering into schemes in later years (compare point 3.3).

This would offer the greatest commitment to LIFT in terms of establishing a long term partnership with Liftco in the delivery of more integrated health and social care provision and potentially for other shared facilities. It will also attract a greater commitment from Liftco partners both in terms of bidding interest and commitments towards the partnering services to develop the Participants future requirements. It is desirable but not essential in terms of delivering the overall aims of LIFT.

Level 4 - Become a shareholder in Liftco.

The Shareholders Agreement envisages local health and social care stakeholders being able to become shareholders in the company, even where they are Participants to the SPA but this would not appear to offer any particular advantage to the Council in terms of future service provision. Any shareholding that the Council or other local health economy stakeholder took in the company is envisaged to be part of a minority shareholding and associated membership of the Board that has influence over the company's operations and planning of future requirements, but is within the context of a private sector controlled company.

Shareholding may be acquired, for example, in return for assets transferred into the Liftco (obviously, at a best consideration value). To the extent that the value of assets transferred exceeded the shareholding, the excess value could be taken in cash or other forms of investment in the company.

Demonstrating Market Value in Construction

Galliford Try is currently involved in the early design stages of the Finchley Memorial Hospital. By having this early involvement the company can both assist with design optimisation and resolve "buildability" issues at a point in the design process that ensures a more cost effective design solution is realised with significantly reduced risks for all parties and a significantly reduced overall construction period.

Engaging with the contractor at this very early stage is known as Early Contractor Involvement (ECI) which is a procurement model promoted by the Office of Government Commerce and used by a number of public sector agencies including, for example, The Highways Agency. The benefits of this process are acknowledged by Community Health Partnerships. However, this proposal takes the process one stage further providing even greater benefits to the PCT than can be realised in a conventional ECI process. A diagrammatic representation of the ECI process will be found in the Attachment A to this proposal and a flow chart of the overall process at Attachment B.

ECI is a proven route for delivering Value for Money (VFM). This will be achieved through synergies generated from within an integrated team drawn from contractor, designer, Elevate and PCT personnel coming together from the earliest stages of the design and construction process. The process will maximise the opportunity for delivering the scheme on time, at the optimum price to deliver true VFM overlaid with an independent third party endorsement of market price attainment, enhanced by the achievement of minimum waste (the cost of which is too frequently overlooked or ignored). Ultimately it will deliver a satisfied end user much faster than can ever be achieved by a conventional procurement process..

The core of this proposal comprises 5 key ingredients:

1. Up to Financial Close the parties will adopt the principles of the PPC 2000 / NEC procurement route. This will generate an agreed and audited cost base and price to achieve the requirements of Stage 1 approval.

2. The employment by the PCT of Davis Langdon LLP (DL) who have already produced the initial cost plan. DL is the client's representative, reviewing and controlling the cost base for the project up to agreement of the contract sum. DL will have unfettered access to all prices received by the company from its supply chain. DL will be given open access for meeting with and interviewing key subcontractors, as necessary. They will be able to evaluate costs in the context of market prices.

3. Between Stage 1 and Stage 2 approvals, the company will work with its supply chain and DL on a totally open book basis in order to refine the design and construction efficiencies and thereby to reduce the overall cost of the building. In the event that there is any residual risk remaining at the end of this process, the company is willing to discuss options of how this residual risk can be equitably shared.

4. At Financial Close the PPC2000 / NEC procurement route would cease to apply and the close would take place on the current version of the LIFT contract incorporating the cost plan produced by Davis Langdon LLP on the basis of mutually agreed cost elements. This would be inserted into the contract. The company would then take ownership of this cost as a lump sum for the construction phase.

5. During the contract execution phase, the company believes it will be to the benefit of all parties to retain the integrated team and to continue to seek ways of improving the outturn result for this important building.

APPENDIX TWO

In the company's opinion, this solution gives Barnet PCT a number of tangible cost benefits:

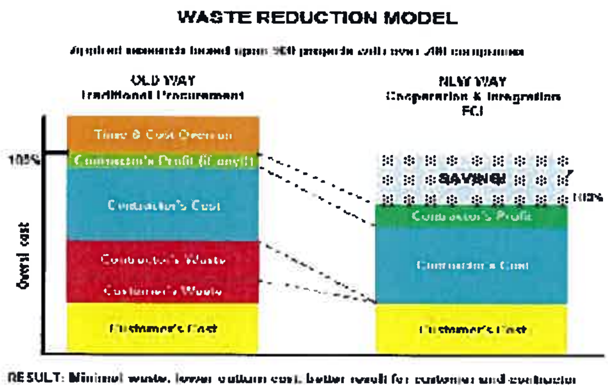
a) The project will be built by a company known to Elevate and Barnet PCT as having a proven track record of delivering high quality buildings and which rigorously honours its obligations.
b) The knowledge that the maximum cost efficiency for the design has been driven into the lump sum price;
c) The process has avoided the very significant time and cost impact of undertaking a full tender process;
d) an open book on Galliford Try Partnerships and its supply chain;
e) independent assessment and confirmation that all aspects of the price are consistent with market conditions;

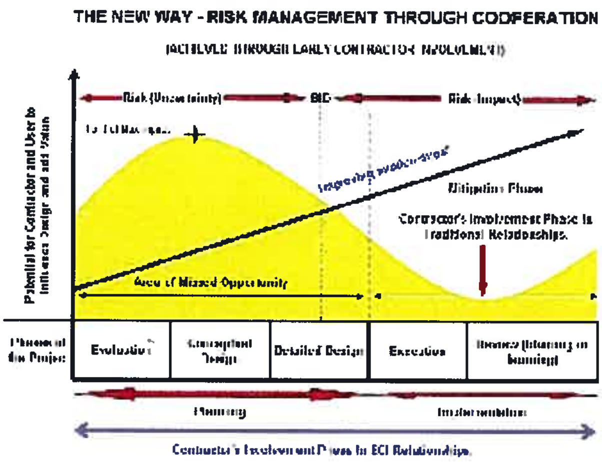
Galliford Try Partnerships Limited, 5 November, 2008

ATTACHMENT A

The ECI Process

The Result Of Adoption of the ECI Process





Note: the upturn towards the end of the project is the learning phase for delivering continuous improvement into the next project, assuming a reasonable phasing to preserve continuity of experienced staff.

ATTACHMENT B

Process Flow Chart

Barnet PCT employs Davis Langdon to evaluate and verify all cost data obtained/used by Galliford Try Partnerships.

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Davis Langdon would attend Design Team & Project Team meetings to review & assess what the costs of the project are likely to be.

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Once the Design is completed to a detailed enough stage, GTP would agree and send out for all subcontract / supply chain packages to obtain prices.

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When the prices start coming back from GTP's supply chain Davis Langdon would then start reviewing and evaluating these costs in the light of current market conditions right through to finalising the cost plan + meeting key subcontractors where necessary.

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Once Davis Langdon has carried out the market evaluation of the scheme and the design is complete a final cost plan will be agreed prior to Financial Close and inserted into the LIFT contract.

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After Financial close Galliford Try Partnerships will take on the risk of the final cost plan as a Lump Sum contract.