

April 2006

GPC

General Practitioners
Committee

NHS LIFT - Local Improvement Finance Trust (England only)

Guidance for GPs

BMA 

NHS LIFT- Local Improvement Finance Trust (England Only)

Introduction

This guidance is aimed at General Practitioners who are considering entering into occupation of premises built or refurbished under an NHS LIFT Project. This guidance provides an overview of how NHS LIFT operates and suggests various aspects of LIFT schemes that GPs should consider fully before agreeing to participate in any LIFT Project.

Background

The NHS LIFT scheme was set up in 2001 in order to provide high quality, fit-for-purpose primary care premises for the provision of a modern integrated health service. The innovative aspect of LIFT, in procurement terms, is the creation of a strategic partnering relationship between the public sector and a LIFTco - a joint venture between the private sector participant, the public sector and Partnerships for Health (a joint venture between Partnerships UK and Department of Health) as shown in figure 1. This new approach to public, private funding aims to provide modern primary care facilities across local health economies where previously there have been low levels of investment.

With the announcement of the fourth wave of schemes in December 2004 (bringing the number of schemes up to 51 nationwide), and on the back of the positive report published by the National Audit Office on LIFT, we can expect to see more schemes procured through this model and see the development of similar models for other sectors. The LIFT scheme is currently an England only initiative however the other devolved nations are considering developing similar schemes.

The Department of Health states that the key benefits of NHS LIFT are:

Flexibility: NHS LIFTs will offer GPs flexible lease arrangements (currently GPs are often tied into long leases). This should help attract more GPs to work in inner city areas.

Scale and speed: NHS LIFTs will help deliver a significant number of new premises in a short period of time.

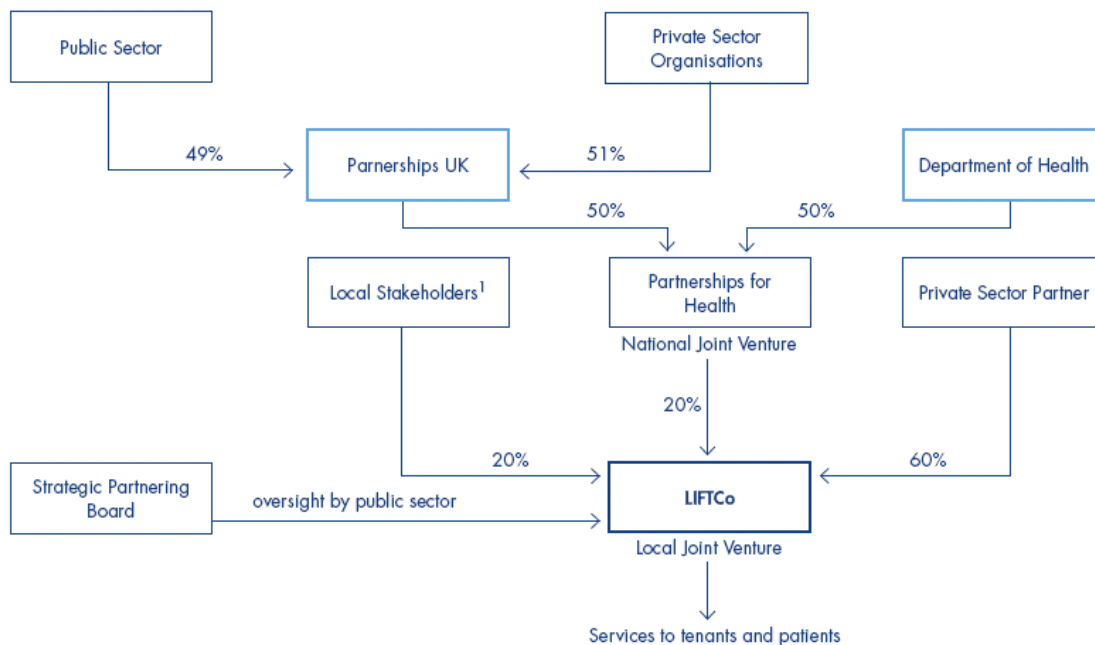
Integration of services: Patients expect to find as many of the services they need in one place as possible. NHS LIFTs will actively seek to co-locate additional services and facilities (for example space can be used by a range of related health care professionals as well as social services).

Common approach: avoiding individual GP practices or local teams having to develop an approach and all the documentation for each scheme, Pfh is establishing a common approach that LIFT schemes across the country can adopt.

The majority of LIFT schemes are operational but few practices are open for business due to the large number of buildings still currently undergoing construction. Whilst most GPs welcome the opportunity to work in new purpose built practices, there has been some concern over how successfully LIFT schemes have been implemented at a local level.

The general view from GPs in areas where NHS LIFT is operating is that the benefits of LIFT are yet to materialise, with many claiming that LIFT schemes are expensive and slow. Inevitably when establishing new initiatives with the expectation of quick results, there have been some management problems which have resulted in delays. Some changes have already been made as a result; the initial timetable of 12 months for establishing the LIFTco has been extended for subsequent schemes to 15 months. The fast roll out of the LIFT scheme meant that the second and third waves began before the first wave had completed negotiations, giving little opportunity to learn from past mistakes and subsequently many schemes have suffered from similar delays. It is important that an effective review of the LIFT process is established before further schemes are developed.

Figure 1 Overview of LIFTco Structure



Source: National Audit Office

¹Primary Care Trusts, Local Authorities, General Practitioners who wish to take a shareholding.

Flexibility and Lease Plus Agreements

One of the advantages of entering NHS LIFT schemes is claimed to be the lease plus agreement (LPA). This lease agreement was designed specifically for the public sector and general practice; and it includes conditions such as shared liability for insurance, non payment for non availability. One of the advantages of the lease plus agreement is that maintenance costs are the responsibility of the LIFTco not the PCT or the GP. The LIFT scheme guarantees that the building will be well maintained during the life time of the project.

The standardised nature of the LPA does mean that in some cases it is less bespoke than the traditional third party development (3PD) lease schemes and the rent is higher. The increase in rent should not be significant provided the lease payment is fully reimbursable via the GMS

premises costs directions. If however the lease payments reimbursement ceases, the liability for payment will remain with the tenant. The lease should therefore contain a clause about rental reimbursement. Given that most LIFT practices will have better facilities the rent payments are likely to be higher than for a non-LIFT practice of a similar size.

Another factor to take into account is the service charges on the building. The service charge includes cleaning, security and utilities costs. There have been significant increases in the service charge costs on LIFT schemes, which affect all occupants of the LIFTco building. This is unavoidable but GPs can ask for transitional payments, or for financial assistance, under paragraph 47 of the premises costs directions, from the PCT which may help to cover the difference in costs for an interim period. As many service charges are agreed before the completion of the building, GPs should be aware that initial figures are estimates and could therefore be inaccurate. GPs should only be paying "real costs" and should therefore negotiate with LIFTco over the service charge levied.

The Department of Health has stated that its clear policy is for PCTs to fully reimburse GPs all lease plus costs (including service charges) that they incur under LIFT schemes. They are aware that there are some issues surrounding the local implementation of this policy and will, if necessary, revisit the guidance.

To make schemes more affordable it is suggested that LIFTcos generate third party income which, in the longer term can be used to plug funding gaps and reduce the rent levels paid by other tenants. For example, cafes, vending machines, internet training facilities and complementary therapists occupying space within the building are treated as forms of third party income. Pharmacy, however, is likely to be the most significant source of third party income.

The LIFT scheme also aims to provide GPs with flexible lease arrangements (currently GPs are often tied into long leases) in order to help attract more GPs to work in inner city areas. However the standard method of occupation is a leasehold agreement for a term of up to 25 years. This is not as flexible as some would have hoped, particularly if there are no break clauses given. Some GPs have successfully negotiated 5 year break clauses with the PCT holding the head lease, in order to minimise medium term GP liabilities. These are clauses in the lease agreement, which give the tenant the opportunity to terminate the agreement at certain defined intervals. There are also concerns over the ability to service the LIFT scheme over 25 years given the private interests and there is a fear that private sector debt will always be given priority to NHS funds. In the majority of cases the GPC recommends that the PCT should hold the head lease with the LIFTco and that GPs have an underlease with the PCT. GPs should always have input to the leasing arrangements to ensure that the lease is sufficiently flexible for their needs and should always take expert legal advice before signing any agreement.

When entering into a underlease plus agreement with the PCT, consideration should be given to:

- Clarification of reimbursable costs; for example buildings insurance and relocation costs
- Compensation for poor performance of landlords; where GPs are the tenants of LIFTCo they are entitled to deductions from the rent due but the arrangements for GPs occupying LIFT buildings with underlease plus agreements are less clear. GPs should

therefore ensure that there is a clear provision in the underlease that requires the PCT to obtain the deductions and pass them onto the GP

- Non NHS use; there is a provision in the lease plus agreement enabling GPs to use the premises for non-reimbursable uses and other uses with the landlords consent. GPs need to consider if such a clause should be included in the underlease
- Negotiations between GPs and PCTs; there has been a trend in some areas to leave negotiations to the final weeks before the move in date. This has resulted in some GPs moving into buildings without having signed an underlease, which is clearly a situation that should be avoided
- Single-handed GPs may find that if the PCT holds the head lease, the flexibility of the LIFT scheme may be limited due to restrictions on under-letting imposed by the PCT. Single handed GPs should also consider the arrangements in the lease for bankruptcy and forfeiture of the lease.

Value for Money

There are concerns amongst GPs that over the 25 year life span of the LIFT scheme that it could prove to be more expensive than notional renting of equivalent premises based on current and recent inflation rates. There is currently not enough information to prove conclusively that LIFT a more expensive option and further research into this should be undertaken.

The value for money of a LIFT project needs to be judged on the basis of whole life costs (taking operation, life cycle, replacement and maintenance costs into account as well as construction costs) and how well it meets objectives, including local health priorities, delivery to time and budget, the quality of the building in structural and functional terms and flexibility of use over time. The most prevalent alternative to LIFT is third party development. Direct comparison between the financing terms is not possible because of the difference in structure - whole-life costs are not measured in third party developments. Moreover the financial structure and terms of third party developments vary greatly from one development to another. It is more meaningful to make comparison with similarly sized PFI projects.

Completion of LIFT schemes

The first LIFT schemes to be completed were less challenging projects that could be achieved relatively quickly. However the quickest scheme still took 14 months to complete. Later projects are likely to address LIFT's long term aims to provide patients with an integrated health and social care service and will take longer. LIFT is supposed to be a quick method for developing primary care practices. However, the schemes have taken longer than expected. Several lessons were learned from a review of the initial wave of LIFT schemes and this should hopefully reduce the amount of time it takes to set up LIFTco's in future, which should answer one of the main complaints of GPs.

Another problem that has been encountered in some areas is that new LIFT premises are standing empty, either due to a lack of GPs signing up to the scheme or because they have walked away before completion of the project. This has happened because of poor consultation with local doctors and LMCs, and errors in the design of buildings. For LIFTco to be successful, local stakeholders, including the LMC, need to be properly consulted. It is recommended that the Strategic Partnering Board should always include a member of the LMC, this has not always happened and the effectiveness of these boards has been found to

vary greatly. The expertise in LIFT that has been developed by Local LIFT Clinical Champions and other participants needs to be disseminated across the profession and interested parties in order to prevent these problems arising in the future. The GPC is currently compiling a list of GPs with experience in LIFT who would be willing to offer advice to GPs on local LIFT schemes.

Procurement outside the LIFT Scheme

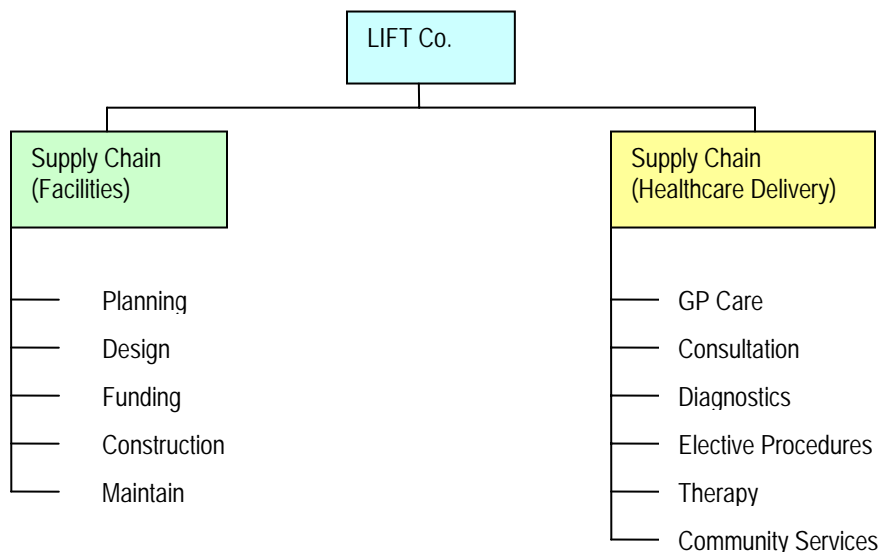
It is recognised that LIFT may not be the best method of procurement for all areas, but overall it does offer some advantages particularly in those areas which had difficulty in procuring primary care services using the traditional methods of central funding, third party developments and PFI.

There is no compulsion for GPs to enter the LIFT scheme and GPs should be able to fund and re-provide practice premises under the current mechanisms available under present GMS regulations. LIFT may be less appealing to GPs attracted to third party development, as they do not retain their capital asset and tend to lose overall control of the development. In reality many GPs working in areas with LIFT schemes have found that funding for such developments is limited or non-existent due to the investment in the LIFT Scheme. Primary Care Organisations are more in favour of LIFT developments, because it allows the development of a local strategic plan for the delivery of healthcare.

The Future of LIFT

In the future LIFTco organisation could deliver much more than premises, using APMS and existing GP services, a wider range of activity will be administered and developed by LIFTco, as demonstrated in figure 2.

Figure 2: Possible future development of supply chains within LIFT schemes.



The LIFT model has undergone some changes in its fourth wave that makes it very attractive to APMS providers. Partnerships for Health are encouraging PCTs to increase the number of privatised services offered by LIFT schemes. All of the fourth wave schemes have stated that

the LIFTco may also provide facilities management services to other buildings within the contracting authorities estate. This could potentially include local authority buildings, hospitals, councils and acute NHS trusts. The fourth wave tenders for LIFT schemes also include a provision for clinical services, which means that LIFT companies could engage private medical companies to provide GP or district nursing services.

Private companies may also see LIFT as an opportunity to enter the healthcare market. If such a company has a major stake in LIFTco, they may use the APMS contracting route as a way of providing primary care services.

This could potentially reduce the public sector role in primary care services and will be monitored by GPC.

Recommendations to GPs considering entering LIFT Schemes

The national audit office supported LIFT following its review of the scheme in May 2005. It stated that LIFT is an attractive way of securing health improvements in primary and social care and that it is an effective procurement mechanism for such primary care. It did however recommend a strengthening of local management frameworks and the establishment of a framework for evaluating and reviewing LIFT so that further lessons can be learnt. Until a complete and systematic review of LIFT has been undertaken we cannot fully comment on its successes or failings. Following feedback from members we can, however, make several recommendations to those GPs considering LIFT schemes:

- GPs should consider the proposed benefits of involvement with a LIFT scheme against all the available options. LIFT schemes will not necessarily be the best option for all areas or practices and where GPs can provide evidence of increased value for money through an alternative scheme this should be supported by the PCT.
- GPs also need to become involved in negotiations regarding the lease within LIFT in order to obtain a flexible lease agreement that suits their needs, in particular:
 - A clause relating to rental reimbursement should be included in the lease
 - It is recommended that the PCT holds the head lease with LIFTco in most circumstances
 - GPs should negotiate with LIFTco over service charges and consider if necessary asking for transitional payments or financial assistance from the PCT

In addition GPs must become proactive tenants if they are to gain the full advantages of the LPA lease.

- When considering entering a LIFT scheme GPs should ensure that the LMC has been consulted over the proposal.
- When entering a LIFT scheme, GPs will obviously want to seek professional advice. It is strongly recommended that this should be from those with previous experience in setting up a LIFT Scheme. This should help prevent the increases in cost and delays that some of the initial LIFT schemes experienced.

With the recently-launched White Paper promoting the use of primary care it is likely that LIFT will continue to be one of the major sources of primary care procurement. It is important that GPs undertake thorough research into the suitability of LIFT for their practice before entering the scheme.

Additional information on LIFT can be found at:

Department of Health Website

<http://www.dh.gov.uk/ProcurementAndProposals/PublicPrivatePartnership/NHSLIFT/fs/en>

Full Report by NAO on "Innovation in the NHS :Local Improvement Finance Trusts"http://www.nao.org.uk/publications/nao_reports/05-06/050628.pdf

NHS LIFT:Lease Plus Agreement, Guidance for GPs

[http://www.bma.org.uk/ap.nsf/Content/nhsLIFT0603/\\$file/NHSLIFT.pdf](http://www.bma.org.uk/ap.nsf/Content/nhsLIFT0603/$file/NHSLIFT.pdf)

Glossary of Terms

APMS	Alternative Providers of Medical Services
Headlease	A lease granted out of a freehold property. There may be subsequent leases (underleases) created out of the headlease.
GMS	General Medical Services
LIFT	Local Improvement Finance Trust
LIFTco	The joint venture company limited by shares, whose shareholders are a PSP, local health and social care stakeholders and Pfh established to develop fund and manage LIFT projects and to act as landlords to each LPA.
LPA	Lease Plus Agreement
Partnership UK	A joint venture between H M Treasury and private sector companies
PfH	Partnership for Health - a joint venture between the Department for Health and Partnerships UK. Responsible for implementation of LIFT as well as being an equity investor in each LIFTco.
PFI	Private Finance Initiative - provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. Contracts typically last for 30 years, during which time the building is leased by a public authority.
PSP	Private Sector Partner
SPA	Strategic Partnering Agreement between LIFTco and the members of the SPB.
SPB	Strategic Partnering Board - a steering board of the local health and social care.
Underlease	A further lease of the whole or part of a property granted by an existing tenant of a property.
3PD	Third Party Developments

