

Wight Life Partnership

Frequently Asked Questions

The following paper outlines the most frequently asked questions focused around 3 key areas:

- What is it?
- Who are Ryhurst?
- How does it deliver benefit to the Isle of Wight?

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What is Wight Life Partnership?

Wight Life Partnership (WLP) is a Strategic Estates Partnership (SEP) set up as a Joint Venture (JV) between Isle of Wight NHS Trust and Ryhurst

What is a Joint Venture?

A JV involves two or more parties pooling their resources and expertise to achieve a particular goal.

The risks and rewards of the enterprise are also shared. There are a variety of JV models but generally a JV can provide:

- More resources and access to specialist skills
- Greater capacity
- Increased technical expertise
- Access to new markets
- Access to additional sources of finance
- New solutions to financial and operational challenges

What is a Strategic Estates Partnership?

A SEP uses the legal form of JV but has been developed to help the NHS to:

- Better utilise its estate
- Improve the quality of building essential for clinical service
- Align the estates strategy with delivery of the Trust's clinical strategy
- Improve the patient environment and experience
- Provide an equitable solution for the tax payer

Can any trust form a JV?

NHS Foundation Trusts (FT's) can enter into a JV partnership arrangement. Indeed Monitor encourages FT's to improve their estate and improve their revenue position by exploring alternative funding routes.

Non FT Trusts need the Trust Development Authority approval, although the 'Transforming Community Services: Enabling new patterns of provision' document issued by the Department of Health in January 2009 confirms that joint venture solutions is an approach the Secretary of State would be supportive of. Wight Life Partnership is the first non FT Joint Venture partnership of this type to be agreed.

How long will the SEP last?

In the case of Wight Life Partnership the agreement has been signed for 15 years with the potential to extend it by a further 5 years.

Is it the same as PFI?

No. The Trust is in full control over what happens through the SEP and either side can end the agreement at any stage if it is not working. The partnership is non-exclusive and as such if the Trust believes that using the SEP will not provide benefit to a project there is no requirement to use it.

There are a variety of different procurement models in use across the public sector.

- **PFI** (Private Finance Initiative) usually involves the public sector securing a private sector partner to finance, design, construct and maintain a new or refurbished building for a specified period. A 'Project Co' Special Purpose Vehicle (SPV) is established specifically for the project and this receives a payment to cover the cost of the building and contracted services by means of a unitary charge. At the end of the contract period, the building is handed back to the Trust partner maintained to the agreed standard, who then assumes all property ownership risks.
- **Procure21+** is a procurement method for publically funded NHS capital schemes. An NHS Trust can select a principal supply chain partner from the Procure21+ framework without having to use the OJEU tender process. The costs of developing and funding the scheme are borne by the Trust, with the comfort of a guaranteed maximum price. All risks of property ownership rest with the Trust from completion of the construction phase.
- **NHS LIFT** is a vehicle for improving primary care facilities. Having selected a private sector partner, the CCG, partner and Community Health Partnerships (on behalf of DH) form a new limited company. Known as a LIFTCo, this company owns and maintains the building and leases the premises to the CCG, GP's, local authority, social services, etc. for an agreed period, usually between 25 and 30 years. At the end of the lease the PCT has the option to acquire the building.

Unlike all of the above models the SEP JV approach offers both a funding and procurement route for specific projects and a whole estate development and management solution. The formation of Wight Life Partnership offers a flexible approach to risk transfer as well as the ability to access new sources of finance, reduce revenue costs and meet current/future environmental and energy management targets. The Isle of Wight NHS Trust becomes a partner in developing and maintaining the estate which is aligned to its service strategy, securing an equitable share in the risks and rewards of property ownership. All new projects undertaken by Wight Life Partnership, whether for capital developments or services, will undergo a 'value for money' test to ensure best value is achieved by the Trust.

Has this approach worked elsewhere?

Yes. Ryhurst has two operational SEPs with Lancashire Care NHS FT, creating Red Rose Corporate Services, and Cheshire and Wirral Partnerships NHS FT, creating Villicare.

RRCS has delivered:

- £1.6m per annum savings across hard and soft facilities management (FM)

- £3m in savings through space utilisation projects; this was achieved by rationalising the number of sites and reducing backlog through vacating sites which were no longer required – a 39% increase in effective use
- Renegotiation of FM contracts delivering improvement in Service Level Agreements (SLAs) and Key Performance Indicators (KPIs) which also improved the patient environment
- Delivering the new £52m Harbour mental health unit
- Reduced consultancy costs by 50%

Villicare is delivering:

- An estate development control plan
- Surplus land disposal options
- Trust wide IT solution
- Space utilisation work to assess best use of property and accommodation
- The new £14m CAMHS unit

Is the Trust “selling the family silver”?

Unlike some models which seek to secure ownership of land and buildings, Wight Life Partnership has been specifically designed to ensure that the valuable Trust estate is retained. Where surplus estate is identified, Wight Life partnership will work to achieve the best possible value, whether from disposal or creating an income stream for the Trust.

Both the Trust and Ryhurst agree that there is no universal solution to identifying how best value is achieved by the partnership and that there are likely to be a range of solutions which must be tailored to each project undertaken.

The partnership agreement has been structured to ensure the Trust has the appropriate rights to appropriate compensation in the event land and/or buildings are transferred or disposed of.

How is the SEP funded?

The SEP has been structured to allow the Trust to use their own funds to develop and/or improve facilities. However, where these funds are not available, the partnership would access capital in the commercial markets utilising mechanisms such as funding competitions to secure the most competitive funds.

The funding approach to each individual capital project will be influenced by:

- The type of project (new build or refurbishment)
- The risk profile of the project
- The size of the facility required
- The tenor (loan length) required
- The covenant strength of the Trust

Ryhurst, together with its financial advisors BDO, has extensive experience in securing external finance from banks and institutional investors to innovatively fund and develop capital schemes to the NHS. Funding may also be provided by the JV shareholders, and this shareholder capital could take the form of cash, land or a mixture of the two.

Who are Ryhurst?

For nearly twenty years, Ryhurst has specialised in providing land and asset solutions for the health and social care markets. Ryhurst has evolved from delivering new facilities to the NHS via Private Finance Initiative (PFI) to providing a full breadth of property management and development services through our Joint Venture Strategic Estates Partnership model.

Ryhurst is the market leader in developing and delivering this form of partnership with the NHS having formed the first whole estates partnership in 2010. Ryhurst recognises that the ownership, management and operation of estates within the NHS present a unique challenge that requires specialist knowledge. Through these partnerships Ryhurst has developed significant experience in managing the estates of other Trusts and can help the Isle of Wight NHS Trust to improve performance and efficiency by bringing new ideas and lessons learnt from experience elsewhere.

As part of the Rydon Group, Ryhurst has the ability to draw upon internal expertise in land, planning and development (mixed use, private for sale and cross-subsidy), enabling us to provide our clients with a one-stop-shop for the whole estate.

Ryhurst also has an extensive supply chain network spanning specialist healthcare markets, such as healthcare planning and extra care providers, to commercial retailing and parking operators. These relationships provide access to a wealth of expert information and knowledge to deliver robust options appraisals and inform potential solutions for partner Trusts.

Further information about Ryhurst can be found at www.ryhurst.co.uk/

How were Ryhurst selected?

The Trust published an OJEU notice, (2014/S 4-3932), in January 2014 for a Strategic Estates Partner to “provide an intelligent estates strategy function to assist the Trust with estates rationalisation; capital programme planning, financing, procurement and construction project management; and also strategic transformation planning; procurement and contract management of associated FM services.”

Ryhurst were selected following an open competition, overseen by the Trust’s procurement services partner and a process of competitive dialogue with announcement of the Preferred Bidder on 30th October 2014. The bids were scored by a panel to select a partner with the intention of using that partnership to improve quality, drive down costs, increase income and to deliver even better care to the patients of the Island and beyond.

What is OJEU?

OJEU stands for the Official Journal of the European Union. This is the publication in which all tenders from the public sector which are valued above a certain financial threshold according to EU legislation must be published.

The EU public procurement directives (EU Directives) set out the legal framework for public procurement. The primary objective of these directives is to open up sufficient competition between supplier with a secondary objective to ensure that public contracts are awarded fairly, transparently and without discrimination.

In the UK these EU Directives have been implemented into law by regulations, specifically for this form of procurement is the **Public Contract Regulations 2006**. The regulation covers organisations and projects that receive public money. Organisations such as Local Authorities, NHS Trusts, MOD, Central Government Departments and Educational Establishments are all covered by the legislation.

OJEU can use a variety of procurement routes. For NHS projects these have tended to be focused around the use Private Finance Initiatives (PFI), Frameworks such as Pro Cure 21+, Local Improvement Finance Trust (LIFT) and Joint Ventures (JV).

Further information can be found at www.ojeu.eu

What benefits does the Ryhurst offer bring to the Trust?

Ryhurst's SEP offer has been designed specifically for the NHS. The key principles of this unique model are that it:

- Creates a balanced partnership between an NHS Trust and Ryhurst, in which both parties become equal shareholders in a new company whilst ensuring the Trust has influence over decision making in the JV
- Is based on a strategy for the whole Trust estate, which release revenue to fund improved clinical services
- Reduces or reuses surplus estate in order to create efficiencies, generate savings and capital receipts
- Shares risk and reward equally between both partners
- Has no fixed supply chain ensuring value for money and use of most appropriate specialists for each project.

The Ryhurst model builds on the positive features of existing procurement and delivery models and addresses the risk and reward imbalance in these. It achieves this by incorporating features that can deliver:

- Flexible access to capital funding streams not available to public sector care partners
- A 50% shareholding in the JV company, Wight Life Partnership LLP
- Separation of service delivery from the property management and development
- Shared accountability and an equitable risk and reward balance between the partners
- Trust control of what projects are undertaken by the SEP and meaningful input to company strategy and operational activities

- Value for money testing on every project carried out by Wight Life Partnership
- Flexibility in both scope and scale of JV company use
- A vehicle to drive asset use and management efficiencies and transfer the considerable risks associated with building, providing and maintaining facilities
- A total alignment of partner interests
- An accounting and tax structure that protects the care partner's specific status
- Flexibility in how the Trust delivers its clinical strategy through efficient and intelligent structure and use of the estates
- Solutions bespoke to the Trust's needs and tailored to meet the island's local circumstances

For example, the JV can take full responsibility for the development and delivery of a new capital scheme on a service inclusive lease basis. It can obtain the investment capital for the new healthcare facility and once service delivery has commenced it will manage and maintain the new or refurbished facility.

In meeting the associated lease costs the Trust will utilise budgets covering FM, energy, capital dividend payments, costs of borrowing, etc. Taken together the sum of planned or current spending should allow cover of the lease costs and enable a return on investment.

Does this mean the Trust has transferred responsibility to the private sector?

No. It is precisely the perceived inflexibility of previous Public Private Partnership (PPP) models that has caused many NHS Trusts to avoid using them.

Isle of Wight NHS Trust has a non-exclusive agreement with Wight Life Partnership meaning that it is always free to decide whether or not it uses the partnership to procure new and/or improved premises. Wight Life Partnership has no fixed supply chain which means it retains flexibility to choose the most appropriate and cost-effective method of procuring and financing each development or service.

What benefits are there to the Isle of Wight NHS Trust and beyond?

Building on a wealth of experience in partnering

Working within an island environment brings many challenges to delivering a full range of healthcare services, such as coping with a demography that other parts of the UK will not see for some years. The Isle of Wight NHS Trust has been successful in responding to these needs by integrating services to a greater extent than on the mainland, providing seamless pathways of care without the organisational barriers experienced elsewhere. This is evidenced by the Island having one of the best track records in the country for keeping people out of acute hospital – a useful measure of how well a health system is performing.

The Isle of Wight NHS Trust already works in partnership with a range of organisations to manage a wide variety of healthcare needs for the local population, including:

- The Trust is in partnership with Lighthouse Medical Ltd, a consortium of Island GPs, to provide the innovative Beacon Health Centre at St. Mary's Hospital

- Consultants working in our eye service also work at Southampton and our Ear Nose and Throat (ENT) specialists also work at Portsmouth
- We transfer some patients to Portsmouth following a heart attack for the insertion of a stent. Instead of staying for a week to 10 days in St. Mary's patients are now flown to Queen Alexandra Hospital and frequently discharged to home within two days with follow up treatment provided on the Island
- Portsmouth Hospitals provide renal dialysis services from accommodation at St. Mary's provided by Isle of Wight NHS Trust
- Our Emergency Department is now designated as a Trauma Unit dealing with patients with trauma but more specialised care is provided in Southampton which is the Trauma Centre for the south and takes patients from Dorset, Hampshire, the Island and Sussex
- We transfer patients with brain injuries or burns to specialist hospitals and some of the more specialist mental health treatments are provided on the mainland
- The Integrated Care Hub at St. Mary's works in partnership with Isle of Wight Council's social care and Wight Care teams
- The Friends of St. Mary provide shop and café facilities in the main hospital, a 'tea bar' in the Laidlaw Unit and the Ward Trolley service
- Sunlight Laundry provide the Linen Room service for the Trust

The new SEP will further build on these partnerships, and in some instances will become a contributor to them. For example the 'My Life a Full Life' programme with the Council and CCG provides a new way of working across health and social care. The SEP will help to further integrate the provision of services across the island with an efficient estates strategy aligned to the growth of the programme through targeted investment and support.

How will a SEP help Isle of Wight NHS Trust?

The Trust requires a modern estate that provides vibrant, fully serviced sustainable health care environments that retain the flexibility to support changing service demands.

Wight Life Partnership will support Isle of Wight NHS Trust to deliver a highly cost effective, efficient low carbon emissions estate that is aligned with the Trust's clinical strategy and integrated healthcare provision across the island. This will involve the SEP in the following principal activities:

- Review the current estate against the Isle of Wight NHS Trust clinical service strategy to identify the extent of alignment
- Produce detailed plans and layouts for both on and off-site solutions to achieve the service strategy
- Maximise the benefits of acquisition and/or disposal of land
- Procure and manage supply chain partners to deliver and maintain new facilities
- Procure and manage soft and hard facilities management services;
- Identify and secure capital funds to invest in new facilities that may not otherwise be accessible to the Trust
- Provide access to expertise, specialist knowledge and technical understanding that is not currently available with the Trust and exploit commercial opportunities available

Will Isle of Wight NHS Trust have to use Ryhurst's supply chain?

No. Whilst Ryhurst does have access to expertise within the Rydon Group and a long established network of supply chain partners, the Wight Life Partnership agreement has no fixed supply chain.

The SEP recognises that there are many skills available on the island and the intention is to utilise these where possible. All Wight Life Partnership supply chain partners will undergo a value for money test which will also consider where their engagement supports investment in the Island economy and skills development.