



## **Capital Review – Call for Evidence**

A submission from The LIFT Council

September 2010

### **Introduction to The LIFT Council**

The LIFT Council, the representative body for private sector partners in LIFT schemes, is delighted to contribute to this consultation on all areas of the Department for Education's capital spending. LIFT is a government-endorsed finance scheme based on long term joint ventures at national and local level to improve investment in primary and social care services in England.

The Council currently comprises 11 organisations or more than 95% of the private sector investors in LIFT ventures in England. Our role is to provide private sector investors in LIFT with a platform for debate and decision-making on all issues relating to LIFT. The organisation provides a mouthpiece for communication with Government and drives forward the development of this valuable delivery mechanism for primary healthcare. The LIFT Council, formerly LIFT LOBI, was formed in March 2005 and has since built a major profile in the public policy arena.

The LIFT market is now very mature, having been in existence for 7 years and delivered over 250 projects to the value of over £2 billion. The LIFT Industry operates at a national level as a single body through the LIFT Council: this enables it to respond to national governmental objectives and to propose national solutions that can be implemented quickly and efficiently across LIFTCo areas. LIFTCos are already delivering education projects and as a mature joint venture can be used to generate investment and expertise into school infrastructure.

### **How do you think the Government should allocate capital for schools building in the future?**

For the purposes of this response, we will not comment on how or whether the Department should use a formula-based or other allocation mechanism to devolve capital to local authorities and/or schools, neither will we comment on a detailed level how capital should be targeted in line with Government policies.

However, the LIFT Council would like to bring to the Department for Education's attention the great potential of LIFT to play a key role in future school building projects. LIFT is able to deliver a wide range of projects in education settings. There are numerous examples of LIFT schemes offering services such as leisure facilities, Children's Centres, literacy and ICT facilities. For example LIFT projects were among the successful recipients of the then Department's £220 million co-location fund. A number of LIFT projects received the funding which is aimed at 'innovative local capital projects that enable the co-location of two or more services' for children, young people and families.

LIFT companies (LIFTCos) are ideally placed to deliver education projects within their areas. LIFTCos are already fully procured in accordance with EU Procurement Legislation. Legal opinion has confirmed that LIFTCos could legitimately deliver education projects under existing

contracts. LIFTCos have already built social care, leisure and other facilities for local authorities as well as joint service centres for multiple public sector tenants. Building or refurbishing primary and secondary schools can easily be incorporated as core business for LIFTCos. The LIFT industry considers that LIFTCos are the best and most efficient vehicle to deliver education projects, responding flexibly to the need for new and refurbished primary and secondary schools.

LIFTCos already exist as corporate joint ventures with the local public sector, including local authorities. The companies all have shareholder agreements, Business Plans, supply chains and funding streams already in place. All LIFT companies are required to have Strategic Services Delivery Plans (SSDPs) with their local partners, reviewed and revised on an annual basis.

For all LIFTCos, the aim of the annual SSDP is “to plan healthcare, social care and other local authority services that meet the needs of the population in the Area.” Where existing SSDPs do not include education services, it is clear that they should. The SSDP underpins the Business Plan for each LIFTCo - it is the ideal platform to blend education projects with all other projects and services that LIFTCos are delivering to form a coordinated delivery plan for local community assets.

LIFTCos could absorb education projects in to their Business Plans with little or no adjustment to their existing overhead base. LIFTCos are mature companies, most having already reached a break-even or profitable position, with experienced staff, knowledgeable and committed directors and a management structure capable of supporting a pipeline of additional projects with a negligible effect on overhead costs. The substantial annual costs to operate LEPs under the BSF model would simply not be required if LIFTCos delivered the education programme, resulting in more money being spent on schools.

LIFTCos have existing supply chains in place. Having delivered numerous projects already, the supply chain can secure in-built efficiencies from standardised design approaches, construction supply chain savings and cohesive and experienced team working.

### **How do you think the Government should reduce the bureaucracy and simplify the processes associated with capital investment?**

Procuring PPP project costs a lot of money. Figures for Building Schools for the Future procurement have been well publicised. Competing bidders can easily spend £1 million plus each on PFI bids; local authorities can spend as much on procurement teams and advisers. Whilst all new projects, even where partnerships currently exist, require appropriate due diligence to ensure the probity of public expenditure, millions of pounds could be saved on each initial procurement if existing structures are used instead. LIFTCos are already fully procured.

In avoiding a fresh procurement, local authorities would save considerable time and money. New PPP ventures generally take 18-24 months to procure, some even longer. All of this time could be saved by using existing LIFTCos. LIFTCos are flexible with regard to the type of projects they can deliver and how those projects can be delivered.

LIFTCos have delivered new build, refurbishment and minor capital projects for PCTs and Local Authorities. LIFTCos have entered in to Lease Plus Agreements, Land Retained Agreements, commercial leases, design and build contracts, minor works contracts and surplus asset transfer agreements. Leases have been entered in to on standard or bespoke terms with locally appropriate durations.

This flexibility enables LIFTCos to respond to the procurer’s objectives with the best value for money option for achieving the required outcomes, with no requirement to adopt a standard contract. This distinguishes LIFT from PFI. LIFTCos can deliver education schemes and demonstrate transparent, bespoke local solutions based on existing and experienced partnership foundations.

LIFTCos have developed differing models for the procurement of principal construction contractors. Whilst some have chosen to demonstrate value for money through the efficiencies that can be achieved through the award of a long term contract to one construction company, others have market tested or tendered each project. LIFTCos would be able to enter in to appropriate local arrangements best suited to local authorities' requirements. In order to ease the transitional period to LIFT procuring schools projects, our view is that open and transparent tendering of construction contracts would best facilitate the launch of the new framework for delivery.

### **Other comments**

At the present time not all local authorities have LIFTCos in their areas. However, this does not mean an expensive and time-consuming new procurement. The Department of Health already has in place an 'Express LIFT' Framework Agreement with the top 7 LIFT partners signed up. Express LIFT companies can be established under the Framework in 4-6 months from start to finish and procurement costs are very low. Schools and local authorities would then have the choice as to whether to include ICT services within their projects, unlike under the previous Building Schools for the Future regime.

In light of the Department of Education's free schools policy and priority to increase the number of Academies we would also like to bring to your attention the fact that Academies can be delivered via LIFT. Contractors already appointed can be contracted by LIFTCos with no marginal cost to the build of the new Academies.

Using a LIFTCo facilitates the Education Estate as an inclusive element of a Community based approach to assets, maximising utilisation, improving access, creating community "ownership" and enhance the overall community benefit.

We would also like to bring to the Department of Education's attention the fact that LIFTCos have also consistently been able to secure funding from both the bank debt and the bond markets throughout the credit crunch. Primarily as a result of developing longer term relationships with funders, as opposed to the one-off nature of funding PFI projects which is open to opportunism, LIFTCos have maintained credit lines at the best possible rates in the market to keep the pipeline of projects flowing. The funding markets would welcome the flow of education projects through LIFTCos, enabling them (through short development timeframes and known pipelines of projects) to maximise the efficient utilisation of credit and keep pricing competitive.

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