

Whittington Health NHS Trust Strategic Estate Partnership (SEP)

Frequently Asked Questions

Whittington Health NHS Trust's newly announced SEP differs from traditional partnerships with the private sector. A Strategic Estate Partnership (SEP) is an emerging model which establishes an independent and equal joint venture between a Trust and a private partner. Risk and reward are shared, with the collective goal of analysing the Trust's property estate and identifying ways of investing in new housing, health facilities and its long-term future.

The aim of the SEP is to enable Whittington Health NHS Trust to redevelop its Maternity and Neonatal Services, upgrade Community Children's Services and offer good quality, affordable housing in London for local residents and staff. The programme is paid for by adapting existing assets and a cross-subsidy model, which reduces estate management risk and carries no cost for the Trust.

This project will help Whittington NHS Trust adapt to the needs of the community, support essential medical staff and expand the services offered to patients.

The following document outlines the most frequently SEP related questions focused around three key areas:

- What is it?
- Who is the private sector partner?
- How will the SEP benefit Whittington Health Care NHS Trust?

The Requirement

What does the Trust need to do?

The Trust needs to improve the quality and utilisation of its estate to support the delivery of outstanding clinical services, and improve our staff and patients' experiences.

In February 2016, the Trust Board approved a five year estate improvement strategy for its main hospital site in Islington and 30 community locations. In order to achieve the ambitious transformation of our estate, we require the expertise, resource and funding options that the private sector can provide.

We did not want a PFI deal, and so reviewed the alternatives. Following legal advice the Board decided that the Strategic Estate Partnership (SEP) model provides an equitable solution for the Trust and the taxpayer.

How will a Strategic Estate Partnership help achieve the Trust's aims?

The Partnership will support Whittington Health NHS Trust to deliver a highly cost effective, efficient low carbon emissions estate that is aligned with the Trust's clinical strategy. This will involve the SEP in the following principal activities:

- Redevelopment of Maternity and Neonatal services

- Staff residences
- Modernisation and rationalisation of the community estate
- Specialist Community Children's services in Islington and Haringey

The Partnership

On 4th October 2017, Whittington Health NHS Trust Board approved the procurement of a Strategic Estates Partnership (SEP) set up as a Joint Venture (JV) with Ryhurst Ltd. A contract will be awarded subject to NHS Improvement approval.

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 Estate 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

What are the benefits of SEPs?

SEPs provide a means of investing, optimising and adapting existing property portfolios and operations to meet the changing needs of the community. SEP's achieve this by:

1. **Patient focus:** the SEP allows the Trust to focus on what it does best; caring for patients. It brings in expert private sector support in property finance, management of estate portfolios and project management to work alongside the Trust. Cheshire & Wirral Partnership NHS Trust used an SEP model to develop Ancora House, a new 26 bed child and adolescent mental health facility. The SEP brought in commercial expertise to manage the procurement of the facility, ensuring the best value for the Trust and enabling the clinical team to provide highly specialised, patient centred care for young people and their families.

2. **Shared risk and responsibility:** one of the biggest differences between SEPs and previous models is the shared approach to risk and reward. Both organisations pool resources and work together for the greater good. The structure of ownership in an SEP is deliberately based on a 50:50 split with decision-making, risk and reward shared as appropriate to match the contributions made or risk taken. An example is Red Rose Corporate Services, a joint venture between Lancashire NHS Foundation Trust and Ryhurst, which saved £5 million in revenues and improved space utilisation by 39%, enabling the creating of a new 154-bed residential mental health facility and a Care Hotel to support frail and elderly patients, both of which better meet the changing needs of the local community.
3. **Transparency:** the Trust needs to have complete confidence in the partnership. The SEP is an open agreement and perhaps most crucially, it is non-exclusive. Entering an SEP does not tie the Trust to specific contractors. Instead, it provides the freedom to explore options, protecting the Trust from the binding agreements often associated with PFI deals.
4. **Skills and talent:** attracting and retaining the skills and talent the NHS needs today, and in the future, is critical. The partnership structure enables NHS professionals to work with private sector experts and expand their skills in areas such as finance, planning, operations and project management. Long term, this ensures the NHS can negotiate favourable commercial terms and make the most of its property portfolio.

Can any Trust form a JV?

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

Non FT Trusts need NHS Improvement (NHSI) 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. Whittington Health NHS Trust is the third non FT Joint Venture partnership of this type to be agreed.

How long will the SEP last?

In the case of Whittington's partnership the agreement has been signed for 10 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 PCT, 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 PCT, 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 Whittington's 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. Whittington Health 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 the 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 four SEPs:

- Lancashire Care NHS Foundation Trust (Red Rose Corporate Services (RRCS)), established 2010 (www.redroseccs.co.uk)
- Cheshire & Wirral Partnership NHS Foundation Trust (Villicare), established 2013 (www.villicare.co.uk)
- Isle of Wight NHS Trust (Wight Life Partnership), established 2014
- North West Anglia NHS Foundation Trust (Cambridgeshire Estates Partnership), established 2016

Since its formation in 2010, RRCS has delivered:

- £5m revenue savings on Hard and Soft FM and increased quality of the services provided through outsourcing
- Meeting and exceeded the Trust's estates related Cost Improvement Programme targets year on year

- Up to 50% reduction in consultancy costs on capital projects
- Saved over £20m capital costs by renegotiating the ProCure21+ project for The Harbour
- Increased use of the Trust's existing corporate and clinical facilities by 39%
- Created a step change in the management of the estates and property function
- Achieved 'Admitted Body Status' and carried out the successful transfer of LCFT estates staff into RRCS via TUPE, protecting NHS pensions
- Delivered £40m+ of minor capital projects
- Continually challenged the opportunities to create savings and improved facilities and maintenance savings year on year
- £300k saving through Market Testing of the Trust PFI FM contract

Since its formation in 2013, Villicare has:

- Managed the procurement of the contractor for the development of Ancora House, delivering savings of £1.4m which enabled the addition of a Psychiatric Intensive Care Unit (PICU)
- Demonstrated ways of enhancing the value of surplus Trust sites
- Helped the Trust to understand its current IM&T service provision and identified potential improvements by procuring an IM&T Partner to improve services and deliver savings
- Worked with the Trust and other public sector organisations to identify alternative development solutions for shared occupancy sites to generate income and reduce capital investment

Since its formation in 2014, Wight Life Partnership has:

- Identified efficiencies, significant savings and improvements in the Trust's soft facilities management services
- Managed the procurement and appointment of a new car parking and security management contractor, enhancing user experience, reducing health and safety risk, investing in the parking environment and improving income for the Trust
- Developed and implemented an Agile Working and Space Utilisation policy
- Reviewed and offered a masterplan for the whole Trust estate in order to reduce costs, avoid investment in backlog maintenance and refurbishment, rationalise space and generate capital for the Trust
- Demonstrated specific development solutions for the Trust in key site locations to maximise commercial returns and deliver capital revenue

Is this a “sell-off”?

Unlike some models which seek to secure ownership of land and buildings, Whittington's Partnership has been specifically designed to ensure that the valuable Trust estate is retained. Where surplus estate is identified, the Partnership will work to achieve the best possible value, whether from disposal or creating an income stream for the Trust. Whittington Health NHS Trust will retain control over any decisions pertaining to land.

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.

There is no transfer of Whittington Health NHS Trust assets to the SEP, and 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 disposed of.

How is the SEP funded?

The SEP has been structured to allow the use and generation of its 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.

Are all SEPs the same?

No. SEPs are designed according to a Trust's specific set of requirements. In Whittington's case, the SEP is about planning the estate master plan and priority developments.

Will Whittington Health NHS Trust have to use Ryhurst's supply chain?

No. Whilst Ryhurst does have access to a long established network of supply chain partners, the Partnership agreement has no fixed supply chain.

Who is Ryhurst?

For over 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 Estate 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 Whittington Health NHS Trust to improve performance and efficiency by bringing new ideas and lessons learnt from experience elsewhere.

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, (2016/S 207-375472), in October 2016 for a Strategic Estate Partnership to “deliver innovative estate proposals (including commercial and income generating opportunities) at pace to maximise the value of the estate to support clinical strategy and integrated health and social care objectives that will improve the quality of care for patients and drive efficiencies in the Trust’s operations, maximise income or reduce costs to the Trust”.

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 2nd June 2017. 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 Trust and beyond.

What is Competitive Dialogue?

Competitive Dialogue is a way to procure a service or product. The Whittington Health NHS Trust entered dialogue with a number of bidders directly with the aim of developing alternative solutions to meet its requirements.

The dialogue was conducted in successive stages, and at each stage the number of bidders was reduced through the use of sophisticated scoring mechanisms, that comply with procurement law.

Bidders were scored at each stage of the tender and were invited to continue dialogue. Following several stages and narrowing down of bidders, the final stage is scored, and announcement of preferred bidder is awarded.

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 releases 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.

Stephen Collinson, Managing Director, Ryhurst says:

“Our job is to help provide a sustainable future for Whittington Health whilst maintaining the principles and values that are core to the NHS. We are committed to working together with stakeholders to offer our skills, resources and experience to deliver improved quality and utilisation of the Trust's estate, supporting the delivery of outstanding clinical services and improved patient experience.”

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
- 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 the 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 Trust'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.

Whittington Health NHS Trust has a non-exclusive agreement with Ryhurst meaning that it is always free to decide whether or not it uses the partnership to procure new and/or improved premises. Ryhurst 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 is the connection between Ryhurst and Rydon Group and Rydon Maintenance?

Ryhurst is one of the operating companies of the Rydon Group. Rydon is a privately owned, £270m turnover construction, development, maintenance and management group operating throughout England. Formed in 1978, with headquarters in Forest Row, East Sussex, and regional offices in Bristol, Dartford and Preston.

Ryhurst has its own Managing Director, Board of Directors and staff.

Rydon Maintenance is another operating company of Rydon Group with its own separate leadership and management team.

What benefits are there to Whittington Health NHS Trust and beyond?

Building on a wealth of experience in partnering

The new SEP will build on existing partnerships, and in some instances will become a contributor to them. For example, the North Central London (NCL) Sustainability and

Transformation Programme (STP) seeks to deliver the triple aims of health and wellbeing, care and quality, and finance and efficiency in the most integrated way across the health economy.

The Partnership will support the Trust's plans to maximise efficiencies through integrated engagement working to minimise boundary pressures, joining up care to make the best use of the Whittington Hospital and community sites and link acute, step-down, mental health, primary and social care to support the Trust to achieve their vision of "Helping local people live longer, healthier lives" and remain a central element of the delivery of the NCL STP, building on the existing relationships between local authorities, CCGs and providers.

What will Ryhurst give back to the local community?

As a specialist provider of health estate management services, Ryhurst works closely with NHS Trusts to develop ideas that address specific local need and to create a sustainable legacy for the long term and enhance relationships with local communities.

For more information, <http://www.ryhurst.co.uk/what-we-do/our-partnerships-projects-and-case-studies/charity-fundraising>

<http://www.rydon.co.uk/sustainable-development>