

# Shedding light on LIFT

**David Parker** sheds light on a substantial government programme and its effect on your business

Local Improvement Finance Trusts, or LIFTs as they are commonly known, now affect approximately 50 per cent of the UK population, yet many pharmacists know very little about what they are and what they may mean for business.

In the late 1990s, studies showed that, as a result of chronic under-investment, a large proportion of the existing primary-care estate was considered either too small or inappropriate for delivery of modern services. The capital outlay required to remedy this situation over a short period of time could, however, only be made available through significant sacrifices to other public expenditure programmes.

LIFTs were created in order to address these problems. The first principle of the LIFT approach is to overcome the capital funding problem by involving private sector investment and external financing or bank loans in a consortium style approach to developing new premises (not dissimilar to a Private Finance Initiative). Aside from the capital funds this would put at the disposal of the PCT, it was hoped that LIFT would bring the vast experience present in the private sector under the umbrella of a single, government-led initiative. Using this approach, the Department of Health announced that it could achieve a step-change in the standard of primary-care premises. In tangible terms, the step-change that was envisaged at the outset was the creation of 500 one-stop primary care centres and the upgrade or refurbishment of 3,000 GPs premises by 2004 (NHS Publications and Policy Guidance, LIFT prospectus, July 5, 2001).

## How does LIFT work?

In practice, LIFT is simply a framework that has been designed by the government that PCTs can choose to adopt if they so wish. A LIFT starts, therefore, with a PCT, or collection thereof, announcing that they want to use this procurement route for the delivery of their primary care premises. The PCT will then, using several sample projects, invite interested "private sector parties" to tender to become partners with them in a development company that will be granted a contract to develop all PCT-led schemes for the next 20 years. That company is called a LIFT company.

A LIFT company will typically have the following shareholders:

- PCT (20 per cent)
- Partnerships for Health\* (20 per cent)
- Private sector (60 per cent)

(\*Partnerships for health is a public sector body that operates in all LIFTs. Its practical role is to

help with best practice and consistency across all LIFT programmes)

Because the LIFT is a development company in its own right, it can access all the external financing that is available to any normal private sector development company. Crucially, this means that the actual capital outlay for a PCT on any given project can be as little as 2 per cent of the capital costs of the project, the remainder coming from other shareholders or bank loans. Thus, the previously cash-strapped PCT may find itself with the funds to deliver a significant number of new developments in a short space of time.



Drawing for a Barnsley LIFT building

## Lift impact

Relocation or redevelopment of GP premises should be a constant concern of any pharmacy proprietor. If you own an average pharmacy, with 80 per cent of your turnover coming from NHS dispensing, it is essential that you are well placed with respect to the source of prescriptions and that you have your finger directly on the pulse with regard to any potential changes in the status quo. When your pharmacy is located within a region with LIFT status this becomes even more important for two reasons:

1. *The level of development activity is likely to be high* — the fact that funds are more readily available, and that the biggest shareholder is a profit-driven member of the private sector, means that your previously stable commercial situation can very rapidly be turned on its head

2. *The scale and ambition of some of the projects is significant* — which means that situations can arise where two or three separate GP practices can be brought under the roof of one new development, leading to a possible "winner takes all" commercial stand-off between several pharmacies

## What should you do

There are a number of things you should do. First, you should find out whether your pharmacy sits within one of the existing LIFT regions. This can be checked very simply on the DH website: [www.dh.gov.uk](http://www.dh.gov.uk) by typing "List of LIFT schemes" into the search box.

If your PCT is part of LIFT then contact the PCT person responsible for LIFT (the PCT will have a director on the LIFT company board). Ask them for a list of all schemes under consideration currently and medium term. Most PCTs will have a list of priorities in terms of those premises and/or areas requiring attention. This information is not particularly sensitive and you can usually be pretty open with the PCT as to your reasons for inquiry.

If there are any proposed schemes in your area, find out as much detail as possible:

- How advanced are the plans?
- Has the location of the development been agreed?
- Which surgeries are expected to be involved and which have actually signed up as tenants?
- When is the development to go live?
- Are there plans for a pharmacy on site?

Armed with this information and a simple audit of where your NHS items are coming from, you should be able to assess the impact that the new development could have on your business. This will, to a large extent, depend on how closely your competitors are watching the situation and what their potential responses are. It will also depend on the general disposition of the particular LIFT company (or more particularly the PCT) towards pharmacy and how the development impacts on it. Some LIFT companies take a very hard commercial view on any pharmacy premises within LIFT developments and make them available on a straightforward "best offer wins" basis. Some others may have a formal or informal shortlist of preferred suppliers who will be offered the pharmacy space before all others. On the other hand, many LIFT companies take a more sympathetic approach to the impact the development will have and will, to some extent, try to limit the commercial damage done to existing contractors. Some may even decide that there is no need for a pharmacy on site whilst others may be happy to discuss the idea of a consortium pharmacy operating on site.

Although there is no one single action that will mitigate all the risks that LIFT may expose you to, the simple and over-riding one of being aware of local plans, and your available responses, is a must.

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