# Rocketing cost as Reid agrees more PFI projects

PFI Hospital projects worth £4 billion were given the go-ahead by Health Secretary John Reid during the summer, many of them reflecting the massive cost inflation of PFI chemes since the first wave was rubber-stamped back in 1998.

The new projects include:

■ Bedfordshire and Hertfordshire (£880m) – A major acute service reconfiguration in the Hertfordshire area, including plans for redevelopment and expansion at Watford and a new hospital at Hatfield, incorporating a new cancer centre for Bedfordshire & Hertfordshire.

■ North Bristol and South Gloucestershire (£310m) – Options include the relocation of specialist acute services onto a single site in North Bristol / South Gloucestershire, complemented by a network of new community facilities and community hospitals.

■ Papworth Hospital NHS Trust (£148m) Options include redeveloping the existing Papworth site or co-locating with Addenbrookes on the "Cambridge Biomedical Campus."

■ Sandwell and West Birmingham Acute Trust (£591m) - New acute sector facilities including development of community based alternatives to hospital care.

■ Maternity and Childrens Hospital in Leeds (£204m) - Key to the Trust's strategy of locating acute services onto a single main hospital site.

■ Hillingdon Hospital redevelopment (£271m)

■ North Mersey Future Healthcare Project (£1,008m) - The North Mersey Future Healthcare Project involves :

● the redevelopment of facilities at the Royal Liverpool Children's Hospital incorporating the concept of a 'Children's Health Park,

● the redevelopment of the Royal Liverpool University Hospital (at a cost of £499m),

● an elective care centre and additional ward facilities at University Hospital Aintree

● and the further and improved provision of mental health facilities.

■ Northwick Park and St Marks (£305m) - The project will redevelop the site to create a 'state-of the art' 600 bed acute hospital.

## Carlisle confession: PFI design a cock-up

CARLISLE's troubled Cumberland Infirmary was "too small" when it was built, and will need to be redesigned – its Trust Chief Executive has now admitted.

Unions and campaigners argued long and loud that the project would create chaos for lack of beds and would make it impossible to fund expended services in the community.

But the £87m project forged ahead regardless, and opened in 2001 as the first PFI hospital in England.

It is not the first in which management have been forced to admit their predecessors got it wrong: Durham's Dryburn Hospital has also been admitted as a planning foul-up, and Bishop Auckland's PFI Hospital has since been subject of repeated debates on how it can be downgraded to play a role in the local health service.

Despite the fact that it stands next to a former hospital block which could be refurbished relatively cheaply to supply the missing 100 or so beds that should have been included from the start, the Carlisle hospital now seems likely to be supplemented by a new hospital in Whitehaven, also to be funded through PFI.

Whether this will be any better planned remains to be seen.

# Paddington: four long years of PFI failure

**By Jean Brett, Chair, Heart of Harefield Campaign**

FOUR YEARS after it was hard sold as being up and running by 2006, the Paddington Health Campus lacks both an Outline Business Case and Outline Planning Permission, despite having drawn up and submitted both in 2000.

How could such a flagship scheme have regressed this far?

The answer lies in the basic flaws in the original business plan, the unwise choice of a constrained inner London site for the development, and the inefficiency of the project's management.

Nor can the buck be passed on this occasion to a PFI "partner": no such partner exists, nor has one yet been advertised for.

Yet despite this track record of failure and the damning findings of an independent review in September, there have been no resignations. This is, after all the world of business, not the NHS.

The September 2004 review of the project was conducted jointly by the National Audit Office, the Treasury, and the Department of Health.

It was triggered by the rise in cost from an initial estimate of £360 million to £800 million. The review was charged with finding the reasons for this huge discrepancy in the figures, and the process by which it had arisen.

On September 6, Sir John Bourn, the Auditor General, wrote to the MP who had raised concerns over Paddington's soaring costs and gross mismanagement, saying that there had indeed "been shortcomings in the way the Paddington Health Campus scheme has been run".


Among the review findings were:

■ The scheme was not deliverable for the price set out in the original Outline Business Case.

■ The project team could no longer be certain that the preferred option in the original Outline Business Case remained best value for money.

■ There was no definition of an affordability envelope within which the scheme had to remain. This contributed to the scheme having a lack of focus and permitted cost drift.

■ The project as reviewed by the team in February 2004 was probably not affordable as it did not have the required definition nor the clear support of the local health community.

■ The annual revenue gap for the reviewed project was £48 million.

This is an extraordinary catalogue of errors in an NHS scheme which employed a Project Manager on a high salary, backed up by an in-house team.

Added to this was £6m of public money spent on external consultants and the close interest which the Chief Executives of the Trusts concerned were supposed to be taking in the project.

Yet despite a barrage of bad publicity from informed quarters, it took a 3-pronged external review to uncover what efficient management should have prevented happening.

Three months after the publication of the independent review report, the necessary new Outline Business Case for the Paddington Campus is still awaited.

This is despite Julian Nettel, the Chief Executive of St Mary's Trust, working on it full time.

The crux of the problem has always been the lack of space on the Paddington site to accommodate not only St Mary's, but also the Royal Brompton and Harefield Hospitals. Disgracefully, the breaking up of the Western Eye Hospital, part of St Mary's, is still being considered as one way to ease the space problems on the selected site.

While chasing the fantasy of a huge hospital complex, NHS management ignored the fact that Harefield Hospital could not and would not be moved into London.

It was always better that resources should be focused on the priority of rebuilding St Mary's, the district general hospital for Paddington.

Until there is any accountability in the NHS, public money will continue to be squandered on projects like the Paddington Campus, which from the outset lack viability.

Even the independent report clearly lacks any teeth to force a change, leaving the much-criticised management intent upon the same path, rather than learning from past blunders.

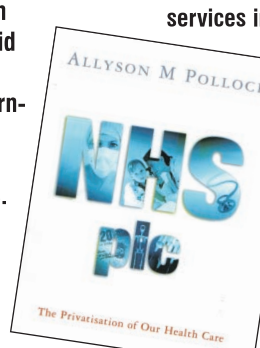
The tragedy with the Paddington project is that it raises such serious questions over the calibre of the most senior NHS management who have been involved in the last four years of fiasco.

● **Contact Heart of Harefield Campaign c/o 12 High St, Harefield, UB9 6BU. Phone 01895 824689.**

# BOOKSHELF

## The must-read book for all NHS campaigners

*NHS plc, The Privatisation of Our Health Care*, by Allyson M Pollock, Verso £15.99.




**A NEW book by outspoken academic Allyson Pollock lifts the lid on the scale and pace of the government's privatisation of a growing share of the NHS.**

**Professor Pollock, whose School of Public Policy at University College London has been prominent in challenging the Private Finance Initiative and the more recent policy of Foundation Hospitals, opens up the book with a hard-hitting Who's Who of the big-hitters from the private sector who have been welcomed in to key policy roles and around the NHS by Tony Blair and his ministers.**

**Chapters deal with the market-style policies introduced first by the Tories and now again by New Labour, the extent of the privatisation of services including almost all long-term care of older people, and the inroads that have been made into primary care.**

**It's a fascinating read – if a little depressing for trade unionists who have been on the receiving end of so many of the attacks.**

**At least LHE has consistently been on the right side of the arguments on PFI and Foundation Trusts: and we will fight on against cuts, closures and any further privatisation.**



## Coming soon: the searchable HE archive


**The promised CD-ROM carrying a searchable back file of all 60 issues of Health Emergency – going back to 1984 – has been delayed in production, but will be available in the New Year. The price will be £25 to affiliates and supporters, and £75 to other organisations and individuals.**

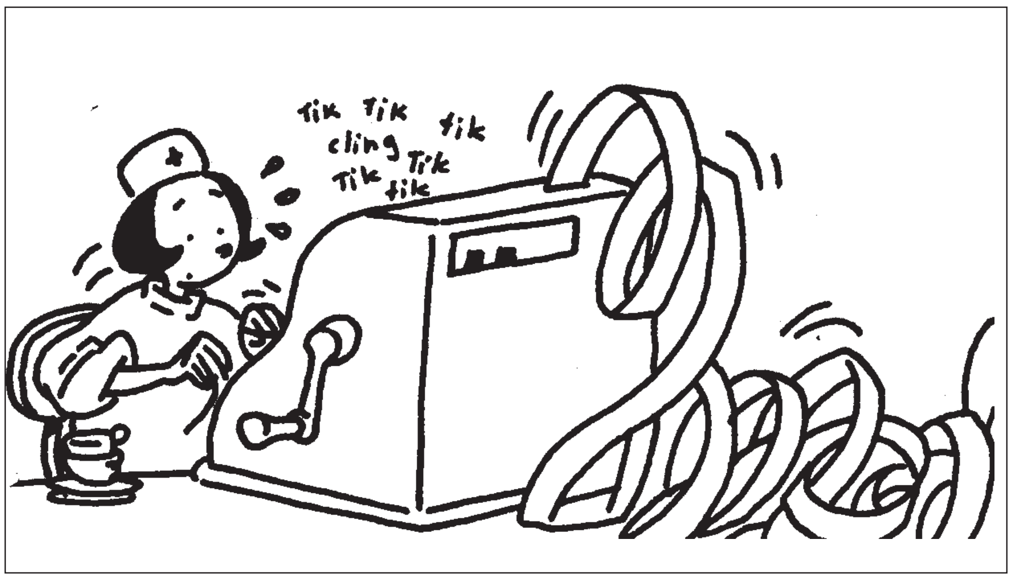
## Is there a doctor in the organisation?

LHE's Information Director John Lister has been awarded a PhD at Coventry University.

His 120,000-word thesis on market-style reforms in health care systems around the world was written over 5 years in collaboration with LHE.

Readers will be relieved to know that *Health Emergency* has decided NOT to serialise it in the next 25 issues

*Lister disguised as parrot*




# Accountants flown in to salvage first floundering Foundation

A firm of hard-nosed New York-based business trouble-shooters has been brought in to sort out the growing financial crisis in the first failing Foundation Trust.

Bradford Teaching Hospitals NHS Foundation Trust had already run up a growing cash shortfall, and was predicting a £4 million deficit after just six months as one of the very first Foundation Trusts to get the go-ahead from the independent regulator (the office established to scrutinise the running of foundation trusts, now known as Monitor).

Despite the fact that this level of deficit is modest compared with many NHS Trusts, Monitor decided to step in.

The company, Alvarez & Marsal (A&M), was chosen and called in by Monitor: but the costs of flying in a team of "turnaround management consultants" will have to be paid by the Bradford Trust.

Monitor claimed there were advantages in bringing in advice from outside the NHS: but staff in the Bradford Trust are likely to see it differently.

Certainly A&M are well outside the NHS: their own website says their approach centres on helping to "stabilise financial and operational performance by developing and implementing comprehensive profitability and working capital [sic!].

"A&M's involvement reassures creditors that the company is taking important steps to address its problems and maximise its value."

Insofar as this jargon makes any sense, it underlines the concerns of campaigners who fought against Blair's government ramming through the establishment of Foundation Trusts.

The policy scraped a wafer-thin majority in the Commons last year, with 62 Labour MPs voting against. Among the arguments raised against Foundations was that not only would they gain additional "freedoms" denied to other Trusts, creating a 2-tier NHS, but they would be encouraged to act like normal businesses.

In particular they would be free to pick and choose which services to provide and which to withdraw; and free to embark on asset-stripping – and, if all went horribly wrong, there was a real chance that some could go bust.

As if to underline precisely these fears, A&M go on to itemise some of the policies in which they specialise, which include:

- Implementing cash conservation guidelines and controls
- Identification and disposal of non-core assets
- Development and review of cost-reduction initiatives

Bradford bosses will no doubt be encouraged to learn that the firm will also help out with "pre-bankruptcy planning".

But while the regulator has seen fit to intervene so publicly and dramatically, Ministers are predictably washing their hands of the whole business.

The Department of Health told the BBC it was all a matter for Monitor, while in the Commons Health Secretary John Reid has issued a statement refusing to answer parliamentary questions on any foundation trusts, declaring that:

"Ministers are no longer in a position to comment on, or provide information about, the detail of operational management within such Trusts. Any such questions will be referred to the relevant Trust chairman."

While the level of Foundation Trust autonomy has been questioned by the rapid Monitor intervention, Foundations are also far from locally accountable.

Indeed while Ministers look the other way as soon as things go pear-shaped, the 'elections' to the Bradford Trust's Board mobilised a puny 541 people – far short of one percent of the local population – to elect its 17 Governors.

Meanwhile the problems that have tripped up the Bradford Trust are set to trigger a wave of cash crises among front-line hospital Trusts across the country from next April.

As the trouble-shooters start measuring up assets for disposal, recommending which services the Trust should drop, and sizing up the workforce for redundancies, it is worth noting that Bradford's problems today will be those of many more Foundations and other Trusts in the months and years ahead.

If Blair comes back for a third term, he is committed to pressing all Trusts to become Foundations.

## Seeing stars?

**Government determination to press-gang the remaining Trusts into Foundation status is leading to a fresh volley of reforms to the already bruised NHS.**

**First it was announced that the bar would be lowered to allow 2-star Trusts to apply to become Foundations, instead of restricting it to the 3-star elite.**

**But then came an even bolder move – to sweep away the star ratings systm altogether, and bring in an even more complex system that nobody really understands.**

**That way EVERY Trust can be forced on board, no matter how bad their finances**

# Auditors to probe PFI windfall profits


*Private companies have always seen profit as paramount in PFI deals*

MASSIVE windfall profits coined in by PFI consortia from refinancing and selling on their stake in completed projects are to be investigated by the National Audit Office.

The so-called "secondary market" in PFI-built hospitals, roads, prisons, schools and other projects has expanded as the number of completed projects come on stream.

Latest estimates suggest that around £32 billion worth of schemes are now operational, and the Financial Times has argued that this could open up a market of as much as £6 billion worth of equity shares (up-front investment by PFI companies), carrying guaranteed, index-linked revenue from these projects, to be bought and sold.

So far at least £700m worth of deals are known to have taken place, most of them in the last two years.

And while straightforward refinancing schemes for PFI projects are now obliged to share some of the proceeds with the public sector, this does not apply to the booming market in equity – hence the NAO investigation.

The equity stakes are a relatively small component of a PFI investment (normally around 10 percent): but they can be very lucrative. Carillion, which sold on its stake Dartford's Darent Valley PFI hospital quadrupled its £4m investment in six years, generating a clear profit of £11m.

Investors expect to recoup around 10 percent each year on their stake in operational PFI schemes, while new projects commonly offer a rate of up to 15 percent – three times the level of return from conventional long-term investments.

And with minimal risk and the government/taxpayer footing the bill, it seems that the runaway costs of the next round of PFI hospital schemes will be putting a smile on the face of city slickers and shareholders for a generation to come.

## Plymouth anger over broken PFI promise

**MANAGEMENT have reneged on a pledge to keep exclude non clinical services from the £340m project for a new hospital in Plymouth, the largest scheme in the South West.**

**The plan is to build a new 280-bed elective care centre, and refurbish the existing Derriford Hospital.**

**But the GMB has protested that management plans to bring privatised support staff back in-house had been dumped without consultation.**

**Trust bosses responded that since the staff had been privatised for ten years, they would not be affected by the new project.**

**But since the scheme faces a massive £10m a year affordability gap, it is clear that private sector bidders are being given the nod and the wink to cut costs by 20 percent to bridge that shortfall – and this could only be done at the expense of support staff and the quality of the services they deliver.**