



New hospital Yes, PFI No!

Let's cut through the spin. The welcome news that the Dept of Health will contribute around £100m towards the cost of the new Royal Liverpool and Broadgreen hospitals makes three things clear:

- The Private Finance Initiative (PFI) is **not the only game in town**
- The Joint Staff-side unions and Keep Our NHS Public were **absolutely right to oppose PFI**, a campaign including patients and pensioners which has lasted over 5 years and will continue.
- **The plan still involves a PFI scheme**, which will cost around £324m more than public finance for the same hospital, when the high interest debt is paid over 30 years. But it will be around £215m cheaper than the original plan. **That's money which would have disappeared from the local health economy if the old PFI plan had sailed through without opposition.**

Demo after demo outside the Royal has kept the issue alive. Originally, the Trust failed to mention PFI while "consulting" the public, until KONP campaigner Sam Semoff won a court decision forcing a fresh consultation. The scheme was approved in April 2010 but the Outline Business Case was kept secret until after the General Election. It contained many dubious calculations and faced another legal challenge. Cllr Joe Anderson told Radio Merseyside (17 Nov 2010) *"I know it doesn't provide Value for Money now or in the future, but it's the only game in town"*. The facts were never tested in court, but they were examined by the Treasury Select Committee and exposed by BBC Panorama. Finally, as hospitals went bust in South London, Whiston & St Helens and around Britain, the penny dropped: **PFI means one hospital for the price of two. It guarantees profits to banks and private shareholders, and has first call on Trust finances, coming before clinical need. PFI is a danger to our health, for generations to come.**

So where are we now?

- A Draft Appointment Business Case was approved by the Dept of Health and Treasury, but the Royal won't let the public see it. **Why not?**
- A loan from the European Investment Bank is possible, but not certain. Without it, PFI will be used to finance £211m and we think the repayments over 30 years will cost £324m more than public finance for the same project. PFI will give a 7.44% return on investment, but Gov't long-term borrowing is at 3% interest (or less). The extra cost is money taken out of the health economy on Merseyside. **Why should we accept that?**
- The preferred bidder Carillion has a dreadful record of blacklisting construction trade unionists and racist bullying of healthworkers. **Should this firm build our new hospital?**



► Finances

On 2 May, Chief Exec Aidan Kehoe issued a briefing to staff at the Royal. He wrote:

The new hospital will cost about £335m, of which the Trust, with assistance from the Department of Health, will contribute £124m. The private sector will raise the remaining funding and it is expected that the European Investment Bank will make a significant contribution to this.

This means the private sector will raise funds for £211m. Unless the EIB loan is forthcoming at lower interest rates than PFI, this is a £211m PFI scheme. Until the Trust publishes the new plan, we can only use the information from the Outline Business Case, with current data on bank lending. With those assumptions:

- The Unitary Charge (payment for the PFI scheme at current prices) will be £28m / year.
- The total cost of this PFI scheme will be £1015m over the lifetime of the project
- The total cost of public finance for the same hospital would be £691m, i.e. £324m cheaper
- The PFI project will be equivalent to borrowing at a 7.44% rate of interest. But the government could borrow at a 30 year bond rate of 3.03%, or 2.65% for 25 years.

So the PFI will more than double the interest rate, and will cost £324m more than public finance.

Q: Why should we accept that when PFI is not the only game in town?

Aidan Kehoe also stated "annual payment made to the Trust's private sector partner will be less than 6% of Trust income". But this omits the cost of services (e.g. cleaning, catering) not included in the PFI, as well as the capital charges arising from the non-PFI finance.

Q: What % of Trust income will the new hospital cost if "Soft FM" and Capital Charges are included?

Although the numbers have changed from the OBC, the underlying problems remain: PFI is far more expensive than public finance.

Q: Pressure from inside and outside the hospital forced £100m from the Dept of Health. Why stop there?

► **Affordability**

Questions to the Trust Board in January remain unanswered:

Efficiency Savings

According to NHS North of England, last Sept. the Royal assumed they'll achieve £93m in Efficiency Savings by 2016, £8.5m more than the national 4% annual targets. NHS North of England said

*the viability of the Trust and the affordability of the project is directly related to the Trust's ability to find and realise future CIPs [Efficiency Savings] and given the high level nature of the forward plans **this must be identified as a risk.***

Q: What level of Efficiency Savings is assumed now? Has any hospital made that level of savings?

Staffing Levels

In January the Trust revealed 600 jobs are to go, but denied any connection with the PFI.

Q: How many jobs will be lost with the current plan? Which jobs?

Length of Stay targets

The Royal aim to reduce the length of time patients spend in hospital. Last Sept they assumed by 2017/18 a length of stay equivalent to the 90th percentile of other teaching hospitals outside London. There are 15 such hospitals, so **they planned to come 2nd out of 15.** They're in 13th place now.

Q: What is the Length of Stay target now and why is it credible?

Activity levels

The design, staffing levels, and finance depend on guesstimated demand for hospital services. But as cuts begin to bite, the Out of Hospital strategy for community care may not reduce demand as planned. **Austerity** means higher unemployment, greater poverty, worse health and more need for hospital care.

Q: How will the hospital cope with increased levels of demand?

Transitional Support, Underwriting

The Royal hoped for £49.4m transitional funding to cover costs during construction. The CCG declined to underwrite £3.3m previously covered by the PCT.

Q: How much transitional funding is in place, from whom, and who is underwriting the £3.3m previously underwritten by the PCT?

Inflation

PFI payments are locked to the RPI inflation rate. The plan last Sept assumed 2.5%. The Office of Budget Responsibility now predicts RPI rising to 3.9% by 2017.

Q: What RPI does the Royal assume?

Mitigation

The Royal have a Mitigation plan when their assumptions fail. Last Sept it included £7m / year taken out of pay, terms and conditions. That's over £1,500 per person annually from 2017 onwards. Staff already face

the vicious Efficiency Savings. Cutting their pay and conditions to repay PFI will destabilise our NHS.

Q: What's the new Mitigation plan?

► **Carillion**

Blacklist and bullying

In 2009 the Information Commissioner seized a database of 3,213 construction workers used by 44 companies to vet new recruits and block employment of trade union and health and safety activists, almost all of whom were unaware they were on this list.

In June 2012 the GMB estimated that from Oct 1999 to Apr 2004 Carillion checked at least 14,724 names with the Consulting Association 'blacklist'.

The Commissioner confirmed that 224 UK construction workers were blacklisted by Carillion. This included workers based or seeking work in Birkenhead (2), Ellesmere Port (3), Kirkby (1), Liverpool (14), Merseyside (5), Warrington (1), and Wirral (5).

Prof. Keith Ewing (Kings College, London) called the blacklist '**the worst human rights abuse in relation to workers**' in the UK in 50 years.

At the Great Western Hospital in Swindon, built by Carillion under PFI, 150 workers, (mainly Asian women of Goan heritage); were subjected to racial abuse, bullying, and extortion. They work as cleaners, catering workers and ancillary staff. Carillion managers at GWH and their Employee Committee are mainly white.

In summer 2011, the workers joined GMB and told the union of racial abuse, intimidation and harassment, with supervisors demanding money, gold and goods to secure employment, extended leave (to travel abroad) and overtime. The women struck for over 21 days.

Carillion accepted that extortion took place, and told GMB they had "reluctantly accepted the resignation" of the Senior Supervisor at the centre of the shakedowns and extortion. Other perpetrators are still employed. Instead, Carillion disciplined 10 of the whistle-blowers who gave evidence of abuse.

Carillion health care and PFI

The Observer (5 Jan 2013) reported on the scandalous failure of care at Carillion's Surgicare centre in Hertfordshire, Three deaths of patients who had been admitted for routine treatment prompted an independent report before Christmas.

Carillion has been involved in several PFI schemes with financial problems: Darent Valley, Queen Alexandra Hospital (Portsmouth), John Radcliffe hospital (Oxford).

Q: Why is a company notorious for victimising trade unionists, racist bullying of healthworkers, medical failings at a private clinic, involved in several troubled PFI schemes... the preferred bidder for the Royal?

**Keep Our NHS Public
Merseyside**

