

the private finance initiative in the NHS

What is it?



What will a PFI hospital be like?



What's wrong with it?



What will the PFI cost?



What's the alternative?



What can be done now?



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The aim of the Private Finance Initiative is to encourage private investment in major public building projects.

In the NHS, the PFI is now being used to build 15 new acute hospitals.

It seems like a good idea. But money never comes without strings attached. So will the PFI be good medicine for the NHS?

What is the PFI?

Under the PFI, building projects which would previously have relied on public money are financed by the private sector. It largely replaces the system which has worked well for the last 50 years, in which new hospitals have been paid for directly by public money.

Under the PFI, a private sector consortium pays for a new hospital. The local NHS trust pays the consortium a regular fee for the use of the hospital, which covers construction costs, the rent of the building, the cost of support services and the risks transferred to the private sector.

This means that most new NHS hospitals will be designed, built, owned and run by a consortium or grouping of companies. The NHS will employ some of the staff – mainly doctors and nurses – and will rent the building and other facilities from the consortium for at least 25 years.

A consortium usually consists of a construction company, a bank or financier, a facilities management contractor and consultants.

The appeal of PFI for the government is that the cost of the hospital does not appear as an immediate lump sum payment in public expenditure.

The PFI is also being used for schools, social services and roads.



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What will a PFI hospital be like?

Most of the staff – certainly the domestics, catering, porters, security and maintenance staff – will be employed by a private contractor. Quite possibly they will be joined by the receptionists, secretaries and laboratory technicians. In some hospitals you won't meet an NHS employee until you get to the ward.

It will probably have a private wing and maybe even a separate private hospital next to it. If it's a new addition to a larger hospital, the consortium may well have taken over the running of the

old part too. Equipment and facilities will be shared between NHS and private patients.

On the evidence of PFI schemes so far, new PFI hospitals will have fewer beds than the services they replace.

The medical care will remain free, for now, but even within the public part of the hospital there will be a growing introduction of charges, perhaps presented as optional extras. If you want better food or more privacy then you will have to pay for it.

What's wrong with it?

NHS hospitals will be privatised

The quality of hospital care depends on all the staff working as a team. Poorer employment conditions for those working for PFI consortia will reduce morale, teams will not work effectively and the quality of the service will fall.

In the long run the consortia will push for *all* staff – including the doctors and nurses – to be employed by private companies.

Service planning will be distorted

Hospital services will be planned by private companies, not by health authorities, and they will provide as many beds as are profitable. These companies will want to build big new hospitals to make big profits. They will be much less keen to build smaller, locally accessible community facilities.

Community services will lose out

The PFI locks the NHS into paying for new super-hospitals for many years. But in the future more and more health services will be provided in the community, and resources should be diverted towards public health promotion and disease prevention.

Democracy will be impossible

PFI schemes are shrouded in secrecy. 'Commercial confidentiality' is the excuse used to keep trade unions and patient organisations at arms length. NHS trust boards, whose own democratic accountability is limited, will become junior partners in running the hospital.

And as PFI schemes can be sold like any other commercial property, essential parts of the NHS could be owned by multinational companies accountable only to investors around the world.

Conditions will worsen for staff

Existing staff will transfer to the PFI consortia with some legal protection, but this will only last for a while. Jobs, pay and conditions will be squeezed to achieve 'efficiency savings' for the trust and to boost profits for the consortia.

The experience of the past decade of competitive tendering suggests that most of those who lose out will be women, who make up 72% of NHS support staff. NHS policies on equal opportunities for staff, health and safety at work or promoting a healthy hospital environment will be sidelined.



In a PFI hospital, the only NHS employees left may be the doctors and nurses.

What will it cost?

The PFI is an expensive way to finance new hospitals. It is a 'build now, pay more later' scheme.

- To pay for the building work, the private companies will have to borrow the money from banks at a higher rate of interest than government funded schemes.

- The private companies will need to make a profit on the scheme, otherwise they wouldn't be involved. Since private building companies have always built hospitals, there is no scope for saving money on building costs, unless of course quality standards are allowed to fall.

- The PFI involves the private sector taking over the financial and operational risk of a hospital – for which they charge a price – but the risk could just as easily be borne by government, for free.

- The costs to the taxpayer of simply planning and negotiating a PFI scheme run into millions of pounds.

- The costs of the first schemes have been far in excess of what was budgeted.

And with PFI contracts guaranteed for 25 years or more, any future savings in the NHS will have to come from other services.

What's the alternative?

The traditional method of paying for new hospitals – through government borrowing – remains the cheapest and best. The PFI will end up costing the taxpayer more for a worse service.

A high quality, cost-effective, appropriate and accountable health service can only be financed properly through taxation.

What can be done now?

The PFI should be abolished.

But the government has already given approval to many schemes with others in the pipeline. We need to argue against the policy in principle and campaign to stop or modify individual PFI projects.

This can be done by:

- Building alliances between hospital workers, other health workers who will be affected by PFI schemes, patients and community organisations.
- Lobbying MPs and councillors, particularly those in the Labour Party.
- Campaigning for NHS trusts to explore public sector funding, which still remains an option, or for health authorities to examine community-based ways to deliver the service.
- Ensuring health authorities use their power to influence the scope and quality of service a PFI hospital will provide.
- Supporting trade union efforts to minimise the transfer of staff to PFI consortia and to protect their conditions of employment.



Good health care demands good teamwork – but that may be harder in a PFI hospital.

The Private Finance Initiative aims to attract private sector investment to major public infrastructure projects, like schools, hospitals and roads.

To date, the Labour government has approved 15 acute hospital PFI schemes in England. Three hospital PFI schemes are also underway in Scotland.

The hospital schemes in England, together with their capital value, are listed below.



Experience so far suggests that the costs of the PFI to taxpayers and patients are likely to be high.

The costs of the schemes are rising dramatically compared to original plans. The average increase in estimated cost from the 'outline business case' is 72%.

The new hospitals generally contain 20-40% fewer beds than those they replace. Beds in Hereford and North Durham are projected to fall by around 40%.

Over-budget PFI hospital schemes are being bailed out by taking money from community services. West Kent Health Authority cut funding allocated to child health, physical disability and mental health services after endorsing the local PFI project.

The costs of PFI contract negotiation have been estimated to be seven times higher than for traditional tendering. Bromley Hospitals Trust spent £3m on PFI negotiations.

Action is necessary now to prevent the PFI causing long-lasting damage to the NHS. To avoid such harm, the government must:

- Increase local government and NHS capital spending programmes and allow public bodies more flexibility in their investment strategies.
- Terminate the Private Finance Initiative immediately, except possibly for major infrastructure projects.
- Replace the Public Sector Borrowing Requirement (PSBR) with the General Government Financial Deficit (GGFD).

Where PFI schemes do proceed, the following safeguards should be in place:

- Exclusion of operational services from all planned PFI projects. Where PFI schemes proceed, they should permit in-house tenders.
- Ownership of facilities must revert to the public body at the end of the PFI contract.
- Principles of best value should apply to the planning and implementation of all PFI projects.
- Providing facilities for the exclusive use of private users should not be permitted in PFI schemes. Public users should be guaranteed priority over private users of all dual use facilities.
- Public bodies and PFI consortia should jointly agree to maintain national terms and conditions, recognise trade unions and implement best practice employment policies, including equal opportunities and health and safety policies, for the duration of the PFI contract.
- The PFI process must be democratised by requiring all PFI schemes to be subject to genuine consultation with the public, users, community organisations and trade unions with full disclosure of PFI plans, assessments, commitments and contracts.
- All PFI projects should be subject to full social and economic comparability with public sector options and reviewed against detailed specifications and tender evaluation based on social needs and service requirements.

CENTRE for PUBLIC SERVICES

1 Sidney Street
Sheffield
S1 4RG
Tel: 0114 272 6683
Fax: 0114 272 7066

The Centre for Public Services is an independent non-profit organisation, established in 1973. It is committed to the provision of good quality public services by democratically accountable public bodies implementing best practice employment and equal opportunities policies.

The Centre has unrivalled experience of working with local authorities, public bodies, trade unions and community organisations on developing strategies to retain and improve public services.

Socialist Health Association

16 Charles Square
London
N1 6HP
Tel/fax: 0171 490 0057

The Socialist Health Association was founded in 1930 with the aim of campaigning for the introduction of a comprehensive national health service. Since the start of the NHS in 1948 it has supported the essential principles of the health service: health care available to all on the basis of need, funded from general taxation.

It is affiliated to the Labour Party and plays an important role in developing the party's health policy. Membership is open to any individual or organisation sympathetic to the aims of the SHA.

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