

NHS PFI is not NHS PLC

Lord Warner, Minister of State, Department of Health

Patients expect and deserve bright, modern, clean environments, whether they are funded by public or private funds. The private finance initiative (PFI) and other public private partnerships, such as NHS Local Improvement Finance Trust (LIFT), are allowing us to ensure that more and more NHS patients experience fit for purpose facilities during their treatment.

Thanks to PFI, the NHS is in the middle of the biggest hospital building programme in its history. After years of under-investment, the infrastructure of the NHS is at last being modernised and made fit for the twenty-first century.

A total of 80 major PFI hospital building projects worth over £16 billion have been given the go-ahead since 1997. Around a third of these projects – 24 in total – are already built and operational. The great majority opened their doors to patients on or ahead of schedule.

Critics argue that PFI makes these hospitals more expensive and that the investment risk is not in practice borne by the private sector. However, the Government's spending watchdog, the National Audit Office (NAO) has twice confirmed that PFI delivers value for money. The NAO's reports on the business cases for the Dartford and Gravesham and West Middlesex PFI schemes confirmed that both projects are value for money, offering savings of £5.1m and £5.5m respectively. Just as importantly, the NAO revisited the Dartford and Gravesham scheme now it is open and confirmed in its report, published earlier this year, that the private sector partner has, to quote, "delivered the facilities and services contracted for, and to a quality that overall has been satisfactory."

On behalf of taxpayers, the NHS must always make sure it gets best value for money and that money is spent wisely. This includes making sure that the design of buildings is not only fit for purpose now, but that they are suitable for generations to come. The NHS is encouraged to think about how today's hospital designs will work in the future. Mechanisms requiring this are built into the business case development process for both PFI and public capital funded hospitals.

There are also sensible checks in place to avoid NHS cash disappearing into the private sector due to delays or unforeseen circumstances. In the event of any projects running behind schedule or over cost, PFI transfers risks onto the private sector. Taxpayers do not have to foot the bill of cost overruns, design faults, servicing and maintaining projects over the lifetime of the contract. The private sector is only paid once the facility is built and operational to the agreed standard and is subject to penalties and deductions if ongoing service and maintenance falls below agreed standard.

This is not to say that we cannot do more to make sure public private partnerships evolve to meet the NHS' changing requirements. NHS LIFT schemes in primary care are already allowing a long overdue investment to take place as part of the extra £1 billion promised in the NHS Plan to renovate GP premises, build new one stop primary care centres and other primary care facilities.

The NHS LIFT approach involves the local health economy – a primary care trust (PCT) or a cluster of PCTs – developing a strategic plan which incorporates its local primary care service needs and relationships with, for example,



intermediate care and local authority services. Based on the strategic plan, the NHS runs a competitive process to select a private sector partner for the next 20 years. The NHS and private sector then set up a joint venture company to manage the NHS LIFT project. They all own a share of the company and jointly have an interest in its long-term success. The NHS LIFT approach establishes a long-term sustainable relationship focused on delivering primary care investment and services and involves the private sector where it can add most value.

In all, there are 50 NHS LIFT projects at various stages. These schemes have delivered over 20 buildings already open to patients, with another 10 or so expected to be open during this summer. This level of activity is expected to continue across future years. The next challenge for NHS LIFT is to deliver a new generation of modern NHS community hospitals. These state of the art centres will provide diagnostics, day surgery and out patients facilities closer to where people live and work.

PFI and NHS LIFT are about adopting the best possible approach to delivering universal, comprehensive healthcare in up to date facilities, which is free at the point of delivery. Public private partnerships like PFI and NHS LIFT are not a laboratory for market-based policy, nor are they a means of unnecessarily channelling funds to big business. They are a practical, tried and tested, value for money way of ensuring the "old NHS" gets new facilities fit for the future.