



## **FINANCIAL STRATEGY & Private Finance Initiative**

*Proving a PFI will Work*

### **NICK CLARKE**

The Trust's project team is now in the final stages of the lengthy negotiations it's had with its preferred bidder and their financiers, but before these could even begin the Trust had to prove to itself and to Government that the project made strategic sense and offered the best value for money, an exercise requiring a thorough analysis of the options open to them.

### **DAWN STEPHENSON**

We eventually narrowed a long list of ten options down to three options which was basically a 'do a minimum option' which was to sell one of the sites and keep the site at the Infirmary which we are, which where we are, we are now, and one at the General, and then the other two options was build a new hospital with public money, or build a hospital with private money. So, as a team we worked through the options and then as Finance Director I had to go away, gather all the relevant information – looking at capital, of course, maintenance, look at cost of providing services, and try and build up the details behind the spreadsheets.

### **NICK CLARKE**

The option analysis required them to cost the risks of building and operating the hospitals. This is money the Trust could save under PFI as many of these risks will be transferred to the private sector. Answers needed to be found to a multitude of questions, ranging from: what's the likelihood and cost of replacing a broken window – to what's the potential financial impact of a change in Health and Safety Regulations?

### **DAWN STEPHENSON**

We actually got together a group of the senior managers in the Trust and looked at what risks we have at the moment, and set up a matrix, and then said, right, when we actually move with the private sector which remains, remain with the Trust, which go to the private sector and which are shared. And then we went through that saying, well, what's the probability of it actually happening? And also is it a critical risk or, you know, so on a one-ten we rated things one low, and ten critical and, again, on a probability of it happening. We also then went through and said right, can we actually quantify that, can you actually put a pound note against it? So we went through and then we sat down, and then the difficult job was actually trying to price up the risks.