



FINANCIAL STRATEGY & Private Finance Initiative#

Calderdale: Preparing the bid

KEITH SEYMOUR:

We had to make some very hard decisions about our priorities during the design process and we prioritised and we took a very clear decision that we would make space available for clinical services but the amount of space that's been available for ancillary services, for staff support areas, for example changing, storage, those things are constrained and that was purely financial.

NARRATOR:

The affordability of a scheme is a major consideration. Each year, for the 30-year concession period, the Trust must pay Catalyst a fee, known as the unitary charge. This includes the mortgage payment plus costs for services such as buildings maintenance, cleaning and parking.

MICHAEL DAVIS:

The original bid, I recall our offer was about £15m pounds a year and in the event they couldn't afford that so there were negotiations around how we reduce some scope, look at things differently, the concession agreement was extended in the term and we depreciated the hospital over a longer period which made it more affordable. We ended up at signing at about £13m pounds per annum for what's called the unitary charge, the unitary payment and then with inflation because that goes up every year and variations during the construction period... it's just over £20m

NARRATOR

However, the Trust can reduce its annual payment to the concession company if services aren't up to scratch.

BRUCE WHITE:

That contract has a payment mechanism built into it and they're known as performance measurement systems, PMS's. What that effectively does is it analyses, not necessarily all, but most of the services which you are obliged to deliver pursuant to contract and to the extent that the service is below a certain standard, that PMS will kick in and will reduce your payment

An obvious example a corridor not being clean is not going to be as big a deduction as a ward not being clean or an operating theatre not being available for use.

MARK BREARLEY:

So theoretically and practically the concession's income stream is at risk if either the facilities are not available or they're not performing at the standards that are expected.