FINANCIAL STATEGY & Private Finance Initiative

The Voluntary Code

NARRATOR:
It was only a matter of time before the public accounts committee and the National Audit Office took a close look at what was going on. The outcome was the introduction of a Voluntary Code

MARCUS DAVISON:
The code was meant to be a code of practice between government departments and PFI companies, that 50% of refinancing gains should accrue to each party, in other words it needed to be written in to new contracts - and also that refinancings on PFI contracts which had not been concluded under the code but previously, that the companies in the PFI industry should voluntarily sacrifice 30% of their gains.

BRUCE WHITE:
The upside is it meant that there was a frame work within which refinancings would take place, and that the public sector then had a perfect defence to the criticism of windfall gains for the private sector - that they were following policy and they were getting their share.

NARRATOR:
Calderdale Hospital was also refinanced. The Trust's share of the deal was £2.7 million.

MARK BREARLEY:
Effectively that £2.7m is being amortised across the rest of the concession agreement and so there is a slight benefit each year to the Trust for entering into the refinancing.

NARRATOR:
Other contractual kinks in PFI are still being ironed out.

At Calderdale, Catalyst Healthcare provides non-core services such as parking, security and maintenance. These are made up of soft services like cleaning and catering and hard services, that is, maintaining facilities. Charges for all these are rolled into the annual fee the Trust pays.

Soft service charges are reviewed every five years.

KEITH SEYMOUR:
Within the contract there is a provision for a routine review of the value for money of those services …. Catalyst will undertake a benchmarking exercise and if we fail to agree on the outcome we have the option of moving to a market testing arrangement

MARK BREARLEY:
Some of the hard facilities management elements of it are linked to the whole-life costing model that the concession uses for the assets so therefore they're not applicable for the same kind of market testing.

NARRATOR:
Hard services costs are fixed, even if they're not competitive.

KEITH SEYMOUR:
The issue that we have around that is capital works so if there's any development work to be done on the scheme they are normally contracted through … Catalyst. That means in effect that if we want capital works doing we don't routinely expose them to competition.

NARRATOR:
So obtaining value for money in hard services is an ongoing concern. In a worst case, a Trust might be forced to take funds away from clinical services to meet its financial obligations. But at Calderdale they seek to avoid this.

MICAHEL DAVIS:
We genuinely want to see the hospital thriving and the beds full because we then have a very healthy long-term relationship. If our client is under financial stress it's inevitable that part of that pings back to us even though the contract says they can't reduce the mortgage. There are ways that we can collaborate, and we're willing to do so.

KEITH SEYMOUR:
The reason it's worked is because of the partnership working we do have a shared objective, a shared set of objectives and once we share the objective, it's much easier to overcome the obstacles.