

Worcestershire Royal Hospital PFI Factsheet - March 2015

In light of media interest in the cost of PFI schemes, the following information sets out the basic facts around the Worcestershire Royal PFI scheme.

- Contract signed with Catalyst Healthcare (Worcester) Holdings Ltd during 1999
- Shareholders were Bovis Lend Lease / ISS / HBOS
- Worcestershire Royal Hospital was opened in March 2002 with a contract that runs for 30 years to March 2032, at which time ownership transfers back to the NHS at a nil cost and in an 'as new' condition
- Total Funding required to cover construction costs, interest during construction, design fees and other professional fees = £107.7m
- PFI Annual Charge at commencement of contract (98/99 price levels) £m

○ Availability Charge	7.2
○ Lend Lease Hard FM	2.8
○ ISS Soft FM	4.6
○ Siemens Managed Equipment	2.3

Grand Total	16.9
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- The availability charge of £7.2m per annum over a 30 year period is the most appropriate comparator to the initial capital investment of £107.7m, since the other components relate to service provision. Much like a mortgage, the total availability payments over the contract term exceed the initial investment, due to the interest payments associated with spreading the cost. The one aspect of the availability payment that is not equivalent to a traditional mortgage is that it also provides for the building and engineering elements to be replaced when they reach the end of their useful life. These lifecycle costs account for circa £24m over the contract term.
- Had the Department of Health been able to fund the project instead of using the PFI route, then the comparable annual capital charge costs + annualised lifecycle costs is estimated at £6.8m. The extra cost of the PFI charge was considered reasonable at the time in the context of a transfer of construction and operating risk.
- Since the commencement of the contract, a number of further variations have been negotiated.

e.g. Provision of services to the Newtown Road properties	£2.5m
Increases to the Bill of Quantities – Equipment services	£2.8m
Radiotherapy Unit/Surgical Clinical Decisions Unit (SCDU)	£0.6m
- After allowing for all service variations and inflation, the total annual charge for 2014/15 is £29.5m

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