

The truth about the lies that encouraged NHS PFIs

Patrick Hennessy

The Telegraph's Political Editor

26 March 2011

Labour ministers only paid £5 billion of the £65 billion "spent" on building more than 100 hospitals between 1997 and 2010. The rest of the money, some £60 billion, must still be repaid by the taxpayer - with some of the gigantic debt lasting for more than 30 years.

The highest profile case concerns Barts and the London NHS Trust project, signed by ministers 2006, which provided two new hospitals in the capital. By the time the coalition took office four years later nothing at all had been repaid - leaving an outstanding bill of £5.3 billion. The project to develop Barts into a "centre of excellence" for cancer and cardiac treatment and to build a new hospital at The Royal London, was started in 2006 - but payments will not even commence until 2013-14 and will not be finished until 2048. By that time, it will have cost £5.3 billion despite only having a "capital value" of £1 billion, according to the Treasury.

Under the schemes, instead of the government raising money upfront, a private company is given a lengthy contract to build a school or hospital and then provide related 'services' to the public sector. The Government leases the building for the length of the contract before it goes back into public ownership. Any change, however small, to the building or service provided can be charged at sky-high rates, allowing the company to make a profit.

New analysis of official figures shows that Labour initiated PFI contracts to build 103 new hospitals between 1997 and 2010. The party proclaimed at the time of the last election it has been responsible for a "new generation" of hospitals in Britain. The total "unitary charge" payments for these hospitals was £5.1 billion. However, many projects will not be fully paid off for more than two decades - with the last one not "completing" until 2048. The total accumulated "unitary charge" payments for the hospitals will be £65.1 billion - meaning that only 7.8 of the total was actually paid for before Labour left office.

Costs have escalated because of rising fees and additional charges for maintenance, cleaning and catering. According to official figures, the NHS currently pays back £1.25 billion each year - but this figure will increase until 2030 when it is expected to hit £2.3 billion.

Poorly negotiated PFI contracts have already led to examples of waste including Queen Elizabeth Hospital in Woolwich having to have 64 visits a year from pest controllers even if there are no pests to control. When there are pests, the trust must pay for further visits. In another example, officials at the Central Middlesex Hospital in north west London said that, on average, contractors charged it £210 to install an electric socket.

Senior Labour figures including Gordon Brown strongly defended using PFI schemes while in power but, more recently, leading shadow ministers have admitted errors.

John Healey, the shadow health secretary, said earlier this month: "There is definitely a case for saying we were poor at PFI, poor at negotiating PFI contracts from the outset."

Andy Burnham, a former health secretary who is now shadow education secretary, said last year: "We made mistakes. I'm not defending every penny stroke of the PFI contracts we signed."

Jesse Norman, a Conservative MP and member of the Treasury select committee, accused Labour of "extraordinary hypocrisy". Their PFI bill for hospitals will cost every working family in Britain £3,600, according to Mr Norman's figures. PFI schemes were started by the last Conservative government under John Major in the early 1990s. However, they mushroomed under Labour with Gordon Brown, as Chancellor, using them as a way of meeting his own public borrowing rules.

Mr Norman said:

"This shows extraordinary hypocrisy. The last Government claimed to be investing in public services. In fact their true investment was less than one tenth of what they claimed. Labour didn't manage to pay for even one new PFI hospital on their watch. Labour maxed out the nation's credit card with a £60 billion bill for new hospitals, loading future generations with staggering debt repayments. After bringing the country to the brink of bankruptcy, they now have no credible plan to clear up the mess they left us with. Their approach – to spend less without making any reforms at all – would leave the NHS in crisis."