

**Lewisham Healthier Communities Select Committee Meeting**  
**18<sup>th</sup> March 2014**  
**Briefing on Trust PFI Schemes in Operation**

## 1. Introduction

The purpose of this report is to provide a brief summary on the Private Finance Initiative (PFI) schemes operated by the Trust at Lewisham Hospital (LH) and Queen Elizabeth Hospital (QEH).

## 2. PFI Schemes

The Trust presently has 3 PFI schemes in place: Lewisham Riverside Building, QEH Woolwich Building and QEH Medical Equipment.

## 3. What is a PFI?

A PFI is effectively a long-term lease under which the Trust has contracted with a provider for the provision and use of an asset such as a building or collection of medical equipment. A specific feature of the PFI contract is that the provider takes responsibility for the maintenance and routine availability of the asset over the life of the contract.

At the end of the PFI contracts ownership of the buildings automatically transfers to the Trust and, in the case medical equipment, an option to buy may be exercised.

## 4. PFI Asset Values and Costs

The table below summarises the main financial and comparator figures for each of the PFI contracts:

	Lewisham Riverside Building	QEH			LGT Total
		Woolwich Building	Medical Equipment	Total	
	£'000	£'000	£'000	£'000	£'000
Service	1,811	12,611	1,397	14,008	15,819
Interest Payment	4,608	12,416	246	12,662	17,270
Debt Repayment	1,387	1,332	2,731	4,063	5,450
<b>Annual Unitary Payment (UP)</b>	<b>7,806</b>	<b>26,360</b>	<b>4,374</b>	<b>30,734</b>	<b>38,540</b>
Monthly Payment	651	2,197	365	2,562	3,213
	<b>PFI Committed Payments</b>				
	#	#	#	#	#
Contract Years (Operating Term)	33	31	15		
	£'000	£'000	£'000	£'000	£'000
Total Payments over Term	303,653	858,821	60,347	919,168	1,222,821
Total Payments from 2013-14 onwards	258,637	591,911	16,227	608,138	866,775
	<b>PFI Costs Relative to Income</b>				
	£'000	£'000	£'000	£'000	£'000
Total Operating Income	241,470	217,790 <sup>1</sup>	217,790 <sup>1</sup>	217,790 <sup>1</sup>	459,260
	%	%	%	%	%
<b>UP as %tage of Total Operating Income</b>	<b>3.23%</b>	<b>12.10%</b>	<b>2.01%</b>	<b>14.11%</b>	<b>8.39%</b>
	<b>Asset Values</b>				
	£'000	£'000	£'000	£'000	£'000
Opening Capital Value	57,959	83,755	-	83,755	141,714
Assets Provided	-	-	25,017	25,017	25,017
Total Value of Assets Provided	57,959	83,755	25,017	108,772	166,731
	£'000	£'000	£'000	£'000	£'000
Net Book Value as at 31 Mar 2013	50,977	127,208	- <sup>2</sup>	129,292	180,269

1. This is an approximation as SLHT did not report income at a site level
2. No value is shown as the QEH Medical Equipment was off-balance sheet

The key points to highlight from the table include:

- The relative low value of the Riverside PFI cost as a percentage (3.23%) of Lewisham total operating income
- The overall (14.11%) higher relative value of the Woolwich (12.10%) and Medical Equipment PFI costs (2.01%) as a percentage of QEH total operating income.

## **5. Summary**

The Department of Health (DH) has agreed to provide on-going PFI support funding under the agreement covering the dissolution of South London Trust and merger of QEH. Support totalling £73.0m of support has been earmarked over the next 5 years; 2013-14 (£12.2m), 2014-15 (£12.7m), 2015-16 (£15.6m), 2016-17 (£16.0m) and 2017-18 (£16.5m).

The purpose of the PFI support is to mitigate some of the additional burden that the overall QEH PFI cost represents as a percentage (14.11%) of total operating income.