

P3 THE BRITISH EXPERIENCE

PETER HOLDEN

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HEALTH CARE PROJECTS Ltd
3 White Oak Square
Kent BR8 7AG
www.hcp.co.uk

Main Points For Discussion

- What is P3 (PFI)
- Inception and the reasons behind P3
- Controversy surrounding the process
- Early problems and concerns
- The process and the issues raised
- Developments over its 16 year history
- The present day
- Perceived benefits; “are there any”?

What is P3 (PFI)

- Commissioning Capital works through finance raised through the private sector.
- Private consortium fund, design and build the facility.
- Private Facilities Management providers carry out all non clinical services.
- Health Service pays combined annual fee (Unitary Charge)

Inception and the reasons behind P3

- Introduced in the UK in 1992 by the then Conservative government
- Huge backlog maintenance deficit
- Poor delivery of capital schemes
- Lack of central capital
- Transfer of risk
- Return to core business

Early controversy and problems

- Condemned by opposition parties
- Condemned by Trade Unions
- Financial controversy
 - Treated as off balance sheet
 - High revenue cost

Health estates professionals and their perceptions

- How would I know what the mood was?



**Facilities management professionals
and their perceptions**

THE

DARK

SIDE

Facilities management Professionals and their perceptions

- Employee concerns
 - Scapegoat for condition of the estate?
 - Changing market place
 - Loss of jobs
 - Loss of professional development

Early problems

- Lack of consistent approach to project delivery
- Inexperienced teams
- Little central guidance regarding contract development
- Out of date technical guidance
- Unwillingness to pool information

The process and the issues that it raised (Internal)

- Health Authorities / Boards required to submit a “Public sector comparator”
 - Problems due to the very different estate assumptions employed.
 - Resulted in underestimation of construction costs.
 - Not very helpful to the bidding consortia
 - Never used where P3 bid has failed

The process and the issues that it raised (External)

- Wide canvassing of both financial and construction industries
 - Formation of bidding consortia (SPV's)
 - Inexperienced bidding teams
 - Significant support required from NHS teams
 - Lengthy process subject to Political interference
 - No refund of bid costs for the unsuccessful consortia

Process Development (The Centre)

- A complete overhaul of available technical guidance
- Exemplar contracts
- Expanded Payment Mechanisms and Performance Specifications
- Much more emphasis on the patient experience
- Re-evaluation of scheme size
- Greater surety regarding cost and time
- The ability to roll upgrades / renovations in to the contract

Process Development (External)

- Fewer larger consortia
- The formation of specialist SPV management companies
- Greater concentration on cost control and service delivery.
- Commercial attitude towards estate management.
- Greater commitment towards staff training and development

The present day

- Is P3 still the only game in town?
- Changing environment
 - Competitive dialogue
 - Retention of employment
 - Retention of soft FM and resulting problems!

The present day scale of investment

- As of April 2007 85 NHS P3 projects were commissioned capital value £8.5 Billion
- Projected to increase to 126 projects with a capital value exceeding £15.5 Billion by 2013 / 2014

(Health Service Journal)

Present day issues

- The selection time of consortia still too excessive
- Sharing of information still needs to improve
- Greater attention needs to be given to lifecycle replacement at design stage and following construction.
- Obsolescence

Present day issues

- Escalating Revenue costs
 - In 2005/06, the NHS made PFI payments of £470 million to PFI consortia
 - By 2013/14, if all 126 schemes in the current programme are in operation, PFI payments are expected to increase to approximately £2.3 billion a year.

(Health Service Journal)

Career prospects better or worse?

- There are never any guarantees
- Plenty of opportunities to contribute throughout the process
- Opportunities to advance careers and training
- People with your specialist skills are in demand

Long term estate and facilities management benefits are there any?

- Updated technical guidance
- Fully maintained estate
- Forward planning for capital replacements
- Ongoing craft and professional training
- A more consistent approach to long term estate management and soft FM management

Long term Health Service benefits are there any?

- Fixed Unitary Charge
- No unexpected additional maintenance costs
- Modern adaptable purpose built facilities
- The assurance that the estate will be fully maintained and upgraded as required throughout its life
- The ability to change given poor service provision

Leading to?

Trading Places



Trading Places



Trading Places



But more importantly

- **HAVE THE COMMITMENT AND RESOURCES TO MAINTAIN THE ESTATE IN THIS CONDITION FOR ITS LIFE TIME**



Thank you



Questions