



National Audit Office

The performance and management of hospital PFI contracts

Detailed methodology

June 2010

Detailed methodology

1 This document provides a detailed description of the methodology we used for our report *The performance and management of hospital PFI contracts* (HC 68, Session 2010-11). A summarised version of the methodology is in Appendix 1 of that report.

We have outlined below the main elements of the methodology used to produce this report

Census of Trusts

2 We surveyed Trusts with a PFI hospital. For the purpose of this study, we defined a PFI hospital as all, or part of a hospital, which has been designed, built and managed within the framework of a PFI contract, and that was operational at the time we planned our fieldwork (April 2009). We excluded some newly open and smaller projects that did not contain inpatient facilities from the population.

3 Our list of PFI hospitals was provided by the Department of Health (the Department). The Department approves all contracts with a value in excess of £35 million or that are considered particularly risky. We also added hospitals with smaller contracts that fell under the limits requiring Departmental approval (normally covering a very minor part of the hospital facilities) where details were volunteered by Trusts. There were thus 76 hospitals in our census, covering all the significantly sized contracts (**Figure 1** overleaf).

4 The survey was used to collect information on the three study questions:

- Are providers delivering performance as specified in the contract and meeting the needs and expectations of staff and patients?
- Are Trusts managing their contracts in line with best practice?
- What support do the Department of Health and Monitor provide to Trusts in managing their PFI contracts?

5 We used an online questionnaire to gain the views of Trusts on their contract's performance and management, and Private Finance Unit support. We sent the census to the Chief Executive of each Trust, requesting them to ensure that it was completed by the most relevant person at the Trust, on behalf of the Trust. In practice, it was mostly completed by the contract manager.

Figure 1

The 76 contracts covered by our report with capital value and annual unitary charge

Trust	Capital Value	Annual Unitary Charge 2008-09
	£m	£m
Avon & Wiltshire Mental Health Partnership NHS Trust	83	7
Barking, Havering & Redbridge Hospitals NHS Trust	238	42
Barnet & Chase Farm Hospitals NHS Trust	54	16
Berkshire Healthcare NHS Foundation Trust	30	5
Birmingham & Solihull Mental Health NHS Trust	18	7
Birmingham & Solihull Mental Health NHS Trust ^{1,2}	–	7
Brent PCT	22	3
Brighton & Sussex University Hospitals NHS Trust	36	4
Buckinghamshire Hospitals NHS Trust	45	15
Buckinghamshire Hospitals NHS Trust	47	14
Calderdale & Huddersfield NHS Foundation Trust	65	20
Cambridge University Hospital NHS Foundation Trust	76	7
Central Manchester and University Hospitals NHS Foundation Trust	512	30
Cornwall Partnership NHS Trust	10	3
County Durham & Darlington Acute Hospitals NHS Foundation Trust	10	2
County Durham & Darlington Acute Hospitals NHS Foundation Trust	48	10
County Durham & Darlington Acute Hospitals NHS Foundation Trust	61	14
Dartford and Gravesham NHS Trust	94	22
Devon PCT	10	2
Devon PCT ^{1,2}	–	1
Dudley Group of Hospitals NHS Trust	137	37
East & North Hertfordshire PCT	15	2
East Lancashire Hospitals NHS Trust	30	3
East Lancashire Hospitals NHS Trust	110	12
East London NHS Foundation Trust	15	2
Gloucestershire Hospitals NHS Foundation Trust	32	4
Hampshire PCT	36	5
Hereford Hospitals NHS Trust	64	13
Hull & East Yorkshire Hospitals NHS Trust	22	2
Hull & East Yorkshire Hospitals NHS Trust	67	4
Hull & East Yorkshire Hospitals NHS Trust ^{1,2}	–	2
King's College Hospital NHS Foundation Trust	76	19
Kingston Hospital NHS Trust	33	8
Leeds Teaching Hospitals NHS Trust	14	2
Leeds Teaching Hospitals NHS Trust	265	25
Luton & Dunstable NHS Foundation Trust	15	1
Newcastle upon Tyne Hospitals NHS Foundation Trust	299	25
Newham University Hospital NHS Trust	55	12
Norfolk and Norwich University Hospitals NHS Foundation Trust	158	45
North Cumbria University Hospitals NHS Trust	67	16
North East London Mental Health NHS Trust	11	1

Figure 1

The 76 contracts covered by our report with capital value and annual unitary charge continued

Trust	Capital Value	Annual Unitary Charge 2008-09
	£m	£m
North West London Hospitals NHS Trust	69	7
Northamptonshire Teaching PCT	28	2
Northumberland, Tyne & Wear NHS Trust	24	1
Northumberland, Tyne & Wear NHS Trust	32	5
Northumbria Healthcare NHS Foundation Trust	18	2
Northumbria Healthcare NHS Foundation Trust	55	7
Nottingham University Hospitals NHS Trust	17	3
Nottinghamshire Healthcare NHS Trust	19	2
Nuffield Orthopaedic Centre NHS Trust	37	5
Oxford Radcliffe Hospitals NHS Trust	134	19
Rotherham, Doncaster & South Humber Mental Health NHS Foundation Trust	15	2
Rotherham, Doncaster & South Humber Mental Health NHS Foundation Trust ^{1,2}	–	1
Salisbury Health Care NHS Foundation Trust	24	3
Sandwell & West Birmingham Hospitals NHS Trust	26	3
Sheffield Teaching Hospitals NHS Foundation Trust	35	3
Sherwood Forest Hospitals ²	326	15
South London NHS Trust (Bromley)	118	33
South London NHS Trust (Queen Elizabeth)	96	22
South Tees Acute Hospitals NHS Trust	122	30
South West Essex Teaching PCT	30	3
St George's Healthcare NHS Trust	46	8
St Helens Hospitals NHS Trust	338	30
Surrey PCT	29	3
Sussex Partnership NHS Trust	22	4
Swindon & Marlborough NHS Trust	100	21
Tees, Esk & Wear Valleys NHS Trust	16	1
The Ipswich Hospital NHS Trust	36	3
The Lewisham Hospital NHS Trust	72	6
The Whittington Hospital NHS Trust	32	4
University College London Hospitals NHS Foundation Trust	422	43
University Hospital of South Manchester NHS Foundation Trust	67	23
University Hospitals NHS Trust Coventry & Warwickshire NHS Trust	379	63
Wandsworth PCT	75	12
West Middlesex University Hospital NHS Trust	60	12
Worcestershire Acute Hospitals NHS Trust	87	25

NOTES

1 Capital value figures not available in Department of Health data.

2 Unitary charge figures not available in HM Treasury data, figure taken from NAO Survey.

Source: Capital value figures from the Department of Health, Unitary charge figures from HM Treasury

6 Accompanying the online questionnaire was a spreadsheet which aimed to capture quantitative data on the Performance Management Systems, resourcing and value testing results.

7 The survey was conducted between April and June 2009 and we received responses from 75 contracts (a response rate of 99 per cent).

8 The survey was developed in conjunction with the Department and was piloted by five Trusts. Outliers were subject to validation work and verified through telephone calls to a sample of survey respondents, to confirm our understanding of the questions and answers.

Census of ProjectCos

9 We surveyed all ProjectCos responsible for a PFI hospital. This was used to triangulate evidence on the three key study questions.

10 We used an online questionnaire to gain the views of ProjectCo's on their contract's performance and management and Private Finance Unit support. This was sent to the ProjectCo manager as identified by either the Partnerships UK database or the Trust's contract manager. The survey was conducted between April and June 2009 and we received responses from 59 ProjectCos (a response rate of 79 per cent).

Trust case studies

11 We visited eight Trusts with a PFI hospital:

- to triangulate evidence provided by the Trust survey;
- to gain a more in-depth understanding of contract management activities, good practice and challenges faced; and
- to conduct a walk-through of contractual documentation, procedures and controls.

12 The NAO, in consultation with the Department, selected five Trusts which would provide case studies covering the range of diversity in contracts by age, location, size and scope. We conducted semi-structured interviews with each Trust's senior management, contract managers, ProjectCo managers, sub-contractor managers, and representatives of clinical staff of the following hospitals:

- Dudley Group of Hospitals.
- Hereford County Hospital.
- Oxford Radcliffe Hospitals.
- Buckinghamshire Hospitals NHS Trust.
- University College London Hospitals.

13 We also conducted limited walkthrough testing of the controls at each of the case studies, to confirm our understanding of how the interviewees had explained they managed the contracts.

14 We then selected a further three Trusts for case study visits based on survey responses that identified best practice or challenges faced. We conducted focused semi-structured interviews of Trust contract management, ProjectCo and sub-contractor staff to gain a more in-depth understanding of these issues and practices. These case studies were:

- Hull and East Yorkshire Hospitals.
- King's College Hospital.
- St Helens and Knowsley Hospitals.

15 Case study findings were triangulated with survey results and shared with the Trust to reach an agreed and cleared position.

File review of the Department and Monitor's documents

16 We reviewed working files at the Department and Monitor to gain information on the role they play in the operational support to PFI hospitals.

Comparative analysis of cost and performance data

17 We analysed Estates Returns Information Centre (Eric)¹ data for PFI and non-PFI hospitals to compare occupancy levels and the range and average costs of core services. We included all PFI hospitals when analysing estates maintenance costs, but we excluded PFI hospitals with only maintenance services for the analysis of hotel services. Facilities such as GP surgeries and treatment centres were excluded from non-PFI comparator group to generate a better comparison.

18 We worked closely with the Estates Returns Information Centre to understand their data capture processes and the limitations of the data. The Centre undertakes a validation exercise on the data, but it is widely acknowledged that some erroneous data remains. We therefore cleaned the data, removing values that we judged to be implausible. This did not affect our conclusion that the costs were similar.

¹ Eric 2008, The NHS Information Centre.

Relative Efficiency Analysis

19 The NAO worked with the University of York's Centre for Health Economics to analyse the difference in costs across the core services delivered by PFI contracts (estates maintenance, cleaning, catering, laundry and portering) and conclude which Trusts have the most efficient contracts in terms of cost per outputs such as meals served, or square meter of hospital cleaned.

20 This work drew on existing data from the Estates Returns Information Centre and Patient Environment Action Team.² These hold site level data on costs and performance levels. We used a statistical technique called Data Envelopment Analysis to estimate the most efficient contracts for each of the core services, taking into account costs and performance levels achieved. Further explanation of this method can be found on our website.³

² Patient Action Environment Teams data 2009, National Patient Safety Agency.

³ www.nao.org.uk/pfi-hospitals-2010