

# North Middlesex and UK PFI Hospital Market

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The financial close of the North Middlesex PFI hospital project earlier this month signals a continuation of health sector deal flow in the UK PFI market

The North Middlesex hospital project [\[Transactions Database\]](#), which has moved the scheme forward for Department of Health and Treasury approval.

Mid Essex Hospital Services NHS Trust named Bouygues Consortium preferred bidder in March 2004, it includes:

- Bouygues UK
- Ecovert FM
- HSBC Infrastructure Fund Management

Acute services will be centralised and modernised on the Broomfield Hospital site, as well as the associated project for the transfer and expansion of staff residential accommodation.

A bond will be launched and financial close is now expected by the end of the month or in September. Ambac is the monoline insurer for the bond.

Unfortunate news came last month when the University Hospitals of Leicester NHS Trust Board decided not to proceed with the [Leicester](#) PFI plan, after a nine-week review in which the pathway project was deemed no longer value for money.

The project value shot up to £921 million from £711 million and was subject to further costs over the concession.

Preferred bidder Triskelion Healthcare is now expected to engage in a legal battle to recover its bidding costs.

Triskelion Healthcare included:

- Laing
- Laing O'Rourke
- Serco

A spokesperson from Laing has told *IJ News*: "a lot of work has gone into the scheme and we will be looking to recover costs."

Carillion is currently suing Bradford Council for more than £40 million in unrealised profit after its successful bid was cancelled in February 2006 amid controversy over the bidding process.

This case has significance for PFI projects, such as Leicester, which are increasingly at risk of being axed or scaled back.

Under EU procurement rules regarding the competitive dialogue (CD) process, bid costs have shot up for PFI hospital projects, which may be detracting sponsors from the UK market.

For example, bid costs have soared for the £250 million [Enniskillen](#) Hospital PFI scheme in County Fermanagh, Northern Ireland, with bid costs rising by up to 40 per cent.

Despite the UK Treasury denying the reimbursement of bid costs on UK PFI projects, a new scheme is being piloted on the £374 million North Bristol acute hospital PFI scheme that may allow reimbursement.

The North Bristol NHS Trust has developed a detailed specification 'smart PFI' model, which bidding consortia will have to use when creating their own designs. Much of the design is in place before the project is advertised.

A tender was published on OJEU in May 2007 for the £336 million [Bristol](#) hospital PFI.

Conclusion

The North Middlesex PFI scheme is one of a few large hospital projects to have come to close in recent months that isn't a bond deal and is considered a relatively straight-down-the-line project, despite the delays.

The Leicester PFI cancellation is clearly a blow to the PFI hospital sector, however, the fact that the consortium intend to pursue legal action shows that the industry is not going to just roll over. Also the regular stream of PFI hospitals and health centres that have closed over the last six months is encouraging for the sector.

Although there is some resistance to the CD procedure and rising bid costs, the PFI sector is once again adapting to new regulations and is sure to continue bringing new hospitals to financial close over the coming months.

As for the changing nature of the beast, UK PFI is a constantly evolving model and is by no means perfect, with the latest additions of CD and the 'smart PFI' model piloted in North Bristol. However, one thing is for certain - the continued delivery of new PFI hospitals.

The North Middlesex project at a glance

Project Name	North Middlesex University Hospital redevelopment PFI
Location	North Middlesex, Edmonton, London, England
Description	The redevelopment will create a unified hospital building housing an emergency care centre with 48 beds; an acute care centre with 12 intensive care and 90 surgical beds; a diagnostic and treatment centre; and an outpatients department.
Sponsors	Bouygues Ecovert HSBC
Operator	Bouygues Consortium (Bynorth)
Project Duration	30 years plus three years 10 months construction
Construction Stage	Started on 6 August 2007
Total Project Value	£140 million
Total equity	£14 million
Equity Breakdown	HSBC - 85 per cent - £11.9 million Bouygues - 15 per cent - £2.1 million
Total senior debt	£126 million
Senior debt breakdown	Dresdner Kleinwort - £63 million RBC Capital Markets - £63 million
Senior debt pricing	LIBOR plus 70bp
Debt:equity ratio	90:10
Mandated lead arrangers	Dresdner Kleinwort RBC Capital Markets

Participant banks	HSBC
Legal adviser to sponsor	Berwin Leighton Paisner
Financial adviser to sponsor	Macquarie
Technical adviser to sponsor	Faber Maunsell
Legal adviser to banks	Allen & Overy - finance documents Berwin Leighton Paisner - project documents
Technical adviser to banks	Faithful & Gould
Legal adviser to NHS Trust	Pinsent Masons
Financial adviser to NHS Trust	Deloitte
Technical adviser to NHS Trust	Cyril Sweett Capita Group
Date of financial close	2 August 2007

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