

Homerton University Hospital NHS Foundation Trust
Hackney College
Defoe Building, Room 10
50 Hoxton Street
N1 6LP

Date: 10th October 2016

Email: foi@homerton.nhs.uk

Dear Sir or Madam,

Ref: FOI 2785

Thank you for your recent Freedom of Information request regarding the Homerton Pathology Lab.

The Trust can provide the following information:

I am writing on behalf of Hackney People's Assembly Against Austerity. HPAAA wholeheartedly supports the Homerton Hospital. As our local hospital it is vital to comprehensive national health provision to our community.

We are concerned, therefore, to hear of the problems that have arisen in the provision of the new pathology lab. I would be grateful if you would provide some answers as to how this situation has arisen and the current state of affairs in relation to the contract.

We understand that a contract was let to Longcross Construction Ltd at a cost of £6.2 million:

- **Is this correct?**
- **What type of contract was let?**
- **Which quarter / year was the contract let?**
- **On what grounds did the Board select Longcross Construction?**

The scheme in totality was costed, with Board approval, at £11.1m. It was an industry standard JCT form of contract and commenced in autumn 2014. The contract was procured through competitive tender by OJEU. The Board was presented with a business case outlining the selection criteria and how the bidders were assessed against this. Standard due diligence arrangements were undertaken with regard to the company in question.

We have heard that Longcross Construction Ltd was already in financial difficulties, so please can you tell us:

- **What process was used to assess the financial viability of the bidders for the contract?**
- **What are the qualifications of the person(s) who carried out the financial assessment and who do they work for?**
- **Who is responsible for checking this work and how was this work quality assured?**
- **What credit references were obtained and what did they say? Who provided them?**

The contract was awarded to Longcross Construction following a full OJEU procurement exercise with four bidders reaching the final round of evaluation. Longcross had a track record of building a wide range of schemes. The financial information requested from suppliers was set out in competition notice and a credit

reference agency was used to assess Longcross, by Dun & Bradstreet Inc, which did not raise significant risks.

We also understand the contract was not insured. There should have been insurances in place on a project of this size and value. Parent company guarantees and insurance backed guarantees are common to protect the client from contractors going bust.

- **Why was no insurance in place?**
- **Who was responsible for checking these insurances were in place?**
- **What quality assurance procedures were in place to ensure these management responsibilities were undertaken and why didn't they work?**
- **What measures have been put in place to ensure there is no repetition of this oversight in ensuring such basic protection is in place?**

Clients rarely insure against companies going out of business but rather, as standard practice, have penalty clauses written into contracts to cover against such instances as overrunning work, escalation and failure to meet deadlines. There was a typical assurance against non-delivery of the project, which is a performance bond (normally 10 per cent of the contract worth), which is paid by the contractor for failure to complete the work. In this case the Trust had a performance bond in place.

We are absolutely clear that a new publicly provided pathology lab must be built on site and we want to understand the financial implications of the contractor going into administration in the process of delivering this contract and the steps that you are taking to let a new contract.

- **We understand that some essential enabling costs and relocation costs have been undertaken. How much did these cost and what proportion of the contract do they comprise?**
- **What extra costs will be incurred as a result of having to relet the contract?**
- **What is your estimate for a new contract for the outstanding works?**
- **Have you revisited the OJEU processed tenders and sought to renegotiate a new scheme cost?**

Costs have been incurred in drawing up the designs and gaining necessary approvals, relocating some pathology staff, making the necessary road access changes on the site and undertaking the preparatory ground works. These total approximately £2m.

The Trust is still weighing up the matter of whether or not to continue a new build pathology facility on the vacant site as part of the current review of pathology services. Recommencing the project on the same terms as initially approved would, as a consequence, primarily, of inflation within the construction industry, require the Trust to borrow significantly more money than it had initially intended. Earlier this year, the Trust commissioned external experts to review the options for the delivery of pathology services. A range of staff from across the Trust were involved in this process. National guidance will also be taken into consideration, particularly recommendations made within the Carter Review. The Board is expecting to discuss the options soon.

Finally, who is taking ultimate responsibility for this situation?

The matter is one that the Board, and Council of Governors, have regularly engaged with and it is the Board that will ultimately decide which option will best serve the hospital's patients.

If you have any queries about this response please contact the Information Governance manager at foi@homerton.nhs.uk , in the first instance. If following that, you still have any concerns, you may contact the Information Commissioner either by letter, FOI/EIR Complaints resolution, Wycliffe House, Water Lane, Wilmslow, Cheshire SM9 5AF, or by email www.informationcommissioner.gov.uk to take them further.

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Yours sincerely

Mike Dunne
Information Governance Manager