

## **THE FUNDING OF ST. BARTHOLOMEW'S HOSPITAL 1123 - 2001**

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11 June 2001 at Mansion House

My Lord Mayor, Lady Mayoress and Fellow Historians

This paper on the funding of St. Bartholomew's Hospital 1123 - 2001 was inspired by the generous and very welcome decision of the Lord Mayor that Barts would be the beneficiary of his charitable appeal.

The Ancient and Royal hospital of St. Bartholomew is one of London's oldest institutions. Ancient it must be acknowledged to be, having existed on the same site for 878 years. However, although the hospital has had a royal charter for the last four and a half centuries, its original founder Rahere was not a king but a king's jester or minstrel who became a monk. A medieval chronicle, now in the British Museum, gives some details of Rahere and also describes the early years of the hospital's existence. It seems that Rahere was of lowly birth but by his intelligence, charm and ready wit he gained entrance to the houses of city merchants, whence he progressed to those of the nobility and eventually to the court of King Henry I.

The monk who wrote this medieval chronicle considered young Rahere's life to have been worldly and sinful. He explained at some length how Rahere gradually realised the error of his ways and went on a pilgrimage to Rome. There, he fell ill and it is likely that he was cared for in a Monastery dedicated to St. Bartholomew and situated on an island in the River Tiber. Rahere feared that he would die and in his distress prayed to God for forgiveness of his sins. He promised that if he recovered and returned safely to England he would found a Priory and a Hospital for the sick poor of the City of London. Either in Rome or possibly during his homeward journey he had a vision of St. Bartholomew. The saint told him that his planned foundation must be built in Smithfield and dedicated to St. Bartholomew.

Rahere was true to his vision, he took holy orders and became an Augustinian monk. The king granted him land in Smithfield which Richard Belmeis, Bishop of London dedicated in March 1123. Rahere's popularity and influence with the king, courtiers and city merchants must have been considerable. Their support was such that the great priory church with its associated collegiate buildings and the hospital were completed in only six years. Rahere became the first prior and spent the remainder of his life at the head of his foundation. One of the early benefactors of the hospital was the wealthy and powerful Henry Fitz-Ailwin the first Mayor of London. In summary the land was donated by the King and the initial capital outlay for the construction of both the Priory Church and the Hospital was provided by the Royal Court and by wealthy citizens of London, in response to a brilliantly successful appeal by a religiously inspired popular entertainer.

Nowadays, it is widely recognised that running costs can often be a far greater problem than the initial capital expenditure. For example, over 60% of National Health Service expenditure is on wages and salaries. The medieval hospital administrator had no such problems because the vows of poverty, chastity, and obedience taken by the monks and nuns who cared for the patients ensured that they did not receive a salary.

In general, patient care was basic, treatments were simple and inexpensive and as a result the alms and endowments which the faithful laity donated to the Priory and Hospital were more than adequate to maintain the service. So during the next four centuries the medieval hospital grew to become an important shelter for the sick poor and for foundling children. Gradually it was endowed with much wealth and valuable property and it became an institution of great social significance.

The monastic status of Barts changed abruptly during the reign of King Henry VIII. Following the king's rift with the church of Rome, the Acts of Dissolution of 1536 and 1539 bestowed on the Crown all monastic possessions. Thus the Priory of St. Bartholomew was suppressed and the Augustinians were driven out.

The city fathers were very concerned that the hospital would be closed. In 1538 the Lord Mayor and Court of Aldermen presented a petition to the King that the hospital be placed under their order and governance. It seems that the King was reluctant and for several years the future of the hospital remained uncertain. However, on the 27<sup>th</sup> December 1546, largely as a result of sustained pressure by the Lord Mayor, Aldermen and Councilmen of the City of London, King Henry VIII signed and sealed letters patent granting the Hospital to the City Corporation. Four aldermen and eight councilmen, all of whom had previously been involved in the long and difficult negotiations with the King became the first governors. From that time until 1948, when the hospital was taken over by the National Health Service, relations between the City and the Hospital were based on the Royal Charter issued by the King Henry VII in December 1546. In that document there were however several important matters for which inadequate provision was made and which as a result caused considerable friction during the ensuing three hundred years.

One of the most important of these matters was the financial support of the Hospital by the City. Initially the City Corporation promised to contribute 500 marks per annum, hoping to collect this sum through weekly collections in the city churches. This proved to be a failure and it was decided and decreed by Act of Common Council of 29<sup>th</sup> September 1547 that a direct levy should be made on the citizens. As you may imagine, this was extremely unpopular with the electorate. It was therefore rapidly abandoned and instead the Corporation ordered the livery companies to pay a yearly sum to the hospital, in proportion to their wealth. Within a short time one Company after another failed to pay and so the Hospital continued to suffer from insufficient funding. Then in December 1548 it was decided that Barts should receive the income from the cities weighing and measuring houses.

Since the middle ages foreign merchants had been required to have their heavy merchandise, such as metal goods, weighed and taxed at the so called Great Beam and Iron Beam in East Cheap. Similarly, foreign cloth, silk, linen and leather had to be measured and taxed at Blackwell Hall in Basinghall Street.

The regular income from these sources put the running of the hospital on a sound financial footing, even though in 1557 the income from Blackwell Hall was reassigned to the recently founded Christ's Hospital, with the proviso that their Treasurer would pay £200 per annum to Barts. All was well until the Great Fire of 1666 destroyed both the Weighing House and Blackwell Hall and the consequent loss of income again plunged the hospital into financial difficulties.

Although some income from the Great Beam and the Iron Beam was again received after 1670, Christ's Hospital did not resume payments and despite a series of meetings between the governors of both institutions, no agreement was reached. At the same time there were also large arrears of payment by the government who had previously promised to pay the hospital for its care of wounded sailors and soldiers.

Furthermore in 1681 Common Council diverted the income from the weighing beams from the Hospital to the City Chamberlain for the use of the Lord Mayor and Common Council. This was the proverbial 'last straw' and the Hospital Governors took the matter to the High Court of Chancery (that occurred in 1681). On 25<sup>th</sup> October 1711 - thirty years later - that Court ruled in favour of Barts and so the City Corporation together with Christ's Hospital were ordered to pay the costs of the case, as well as a lump sum of nearly £10,000 and a fixed annual contribution of £333.6s.8d. forever!

These annual payments continued from 1711 until 1912, when an offer by the City of nearly £14,000 in 2½% government stocks, to settle the matter once and for all, was accepted by the hospital. By then, the financial status of Barts had improved enormously as a result of many substantial endowments and sound stewardship throughout the latter part of the eighteenth and the whole of the nineteenth centuries.

With the advent of the National Health Service in 1948 the State took over from the City Corporation and assumed responsibility for the revenue and capital costs of running the hospital, thus freeing the endowed funds for a massive programme of research and for the provision of extra amenities for the patients. The Hospital Governors continued to administer these funds until they were abolished in 1974 and since then a Board of Special Trustees, appointed by the Secretary of State for Health, has undertaken that task. The current value of those assets is about £130m and they provide an annual income of £8.8m.

At the Royal London Hospital the funds administered by their Special Trustees are about half those of Barts so the combined annual income of the recently merged Barts and the Royal London special trustees is in the region of £13m. Although this may seem a lot of money it almost pales into insignificance when compared with the present running costs of Barts and the London NHS Trust, which are £330m per year.

Prior to the National Health Service, the great London teaching hospitals, together with many other voluntary hospitals and from the beginning of the twentieth century, the London County Council Hospitals had provided London and the Home Counties with a hospital service which was superior to that elsewhere in the United Kingdom. In the early years of the NHS its administrators resolved to correct that inequality by reallocating resources from London to other parts of the country - a policy which was actively supported by successive governments during the next four decades.

Initially, at Barts and other well endowed institutions, the deleterious effects of this policy were masked by the use (some would argue the misuse) of the endowed funds. However, in the long term this unremitting reallocation of resources away from London resulted in a steady deterioration of hospital buildings, facilities and clinical services, though not in the quality of medical and nursing care.

The next major National Health Service reforms to affect the funding of Barts came at the beginning of the 1990's with the introduction by the then government of the internal market, in which hospitals had to compete for contracts to provide various types of healthcare. Initially it was believed that this scheme, in which the money followed the patient, would be advantageous to centres of excellence such as the London Teaching Hospitals. Sadly, it rapidly became apparent that as a result of limited funding the purchasers (i.e. the local health authorities and fund-holding general practitioners) usually had to go for the cheapest rather than the highest quality option. As a result Barts, like other expensive to run London Teaching Hospitals found itself at a financial disadvantage in comparison with peripheral hospitals.

Then in October 1992 came the report of Sir Bernard Tomlinson's committee of enquiry into London's health services. Among its many controversial recommendations none was more draconian than that pertaining to Barts. The Tomlinson Report suggested that Barts, the Royal London Hospital and the London Chest Hospital should be merged on the Royal London site at Whitechapel, and a single management unit should be created and charged with a run down and disposal of the Smithfield site.

There was vociferous opposition from many sources - notably local Members of Parliament, the Corporation of London, the borough councils of Islington, Hackney and Tower Hamlets - and above all the Save Barts Patients Campaign, which collected over a million signatures and took them to 10 Downing Street.

However, the government accepted the Tomlinson recommendations and the Secretary of State for Health appointed a Board of Directors which immediately resolved to build a new hospital with 1200 beds at Whitechapel to accommodate all clinical services from Barts, the Royal London and the London Chest Hospitals. It then emerged that no additional money was available from Her Majesty's Treasury for this major project and the new hospital would therefore have to be funded by a Private Finance Initiative (PFI). This meant that the NHS Trust Board had to find a partner in the private commercial sector who would provide the capital to build and maintain the new hospital. This would then be leased back to the NHS for a period of thirty years, at the end of which the assets would revert to the NHS.

Efforts to find a suitable PFI partner were somewhat protracted, as were the subsequent negotiations, and as a result no contracts had been signed at the time of the 1997 General Election. Following that election, one of the first acts of the new Labour Government was to appoint the London Strategic Review Panel, under the Chairmanship of Professor Sir Leslie Turnberg, then President of the Royal College of Physicians, to review London's health services. On 3<sup>rd</sup> February 1998 the Secretary of State for Health, Frank Dobson, announced to the House of Commons that after careful consideration the Government had decided to accept all the recommendations of the Turnberg Committee.

When reporting the panel's views about the City and East London he said "it endorses the proposal to rebuild the Royal London Hospital, Whitechapel but with 900 beds rather than the 1200 in the current stalled plans for that development". He went on to say "that leads me on to the future of St. Bartholomew's Hospital. The Turnberg report recommends that Barts should not close. The government agree and Barts will be saved. We will not countenance the closure of that great hospital which has faithfully served the people of London for 875 years."

The Secretary of State for Health then announced that the new hospital at Whitechapel would continue to be funded by a Private Finance Initiative and at the same time the Department of Health would finance the development of St. Bartholomew's Hospital as a world class specialist centre for the investigation and treatment of cancer and cardiac problems.

Mr. Dobson also indicated that in view of the strong pressure to save Barts which had come from many city institutions and the considerable health care advantages which the resurgence of the hospital would bring to the Square Mile, local financial support for the project by means of a major fund raising campaign would be welcomed by the government.

In response the Directors of Barts and the London NHS Trust resolved to establish a Fund-raising Planning Committee and this occurred in September 1998. Experts in the field of fund-raising were commissioned to assess the feasibility of mounting a successful major campaign. They reported favourably and during the ensuing two years a strategy was formulated and a fund-raising department, with a full time director and staff of 14 was established.

Towards the end of 1999 Alderman David Howard, who at that time was senior Alderman below the Chair and a member of the Fundraising Planning Committee, decided that St. Bartholomew's Hospital would be the beneficiary of his Lord Mayor's Charitable Appeal. He subsequently chose to support a specific project, namely the establishment of a centre for the investigation and treatment of cancers affecting women. The total cost of setting up this unique centre of excellence has been estimated to be £13m.

This is in fact the first of several major projects which will be supported by the Fund-raising Planning Committee during the next ten years. High on that list is the proposed City Heart Institute which will be a world class research and clinical centre for all aspects of cardiology and cardiac surgery. The total cost of that project is likely to be in the region of £30m.

The £50m which the Fund-raising Planning Committee hopes to raise during the next decade represents less than one tenth of the total capital outlay which will be required to implement the government's plans for hospital services in the City and East End of London.

The cost of rebuilding the Royal London Hospital is currently estimated at £380m and that of developing Barts as a specialist cardiac and cancer centre is £160m-a total of £540m.

Last year Frank Dobson's successor Alan Milburn decided that instead of receiving direct government funding, Barts would be included with the Royal London Hospital in the private finance initiative, making that project the largest in the National Health Service. Recently the Department of Health approved the Trust's business plan and this mammoth project is currently being advertised in the European Journal with a view to the appointment of a business partner from the private sector.

And so today, as throughout much of its long history the funding of St. Bartholomew's Hospital continues to have an exciting if unsettled future.