Trusts pay £15m to Serco in fallout from pathology deal

But last year, the trusts oversaw a retendering process to award a £2.2bn contract to provide pathology services right across south east London for the next 15 years, in which a bid from German based company, Synlab, was preferred to that of Viapath.

Last summer, KCH confirmed there was an "ongoing challenge to the tender process" that would lead to "potential costs".

Serco's annual accounts now reveal it received £15m to exit the partnership, which comprised "£11m for its share in the net assets of the joint venture", plus recovery of "a loan into the joint venture of £1.2m and £2.9m of profit share which was previously considered to be irrecoverable".

Sources close to the deal told HSJ the sum reflected the cost of an IT system Serco had invested in on behalf of Viapath, although the annual accounts make no mention of this.

One source suggested the contract was badly drawn up at the start of the partnership, adding: "Any well written contract would have exit provisions which would have prevented the commercial partner holding the NHS to ransom at the end of the contract."

Serco was approached for comment.

Ahead of the re-tendering process that saw Viapath lose the contract, the company appointed former Monitor chief executive David Bennett as chair. The trusts confirmed on Friday he remained chair, although earlier in the month three senior managers at Viapath, including the chief executive, stepped down.

They confirmed the buyout had been agreed by both trusts' boards and that "external valuation support" had been consulted to decide what they should pay Serco. They would not say who provided the advice.

The trusts would also not disclose who was on the selection panel for the retendering process, or whether any of these were the same people who signed off the Serco buyout. NHS England and Improvement was notified of the transaction, a spokesman said.

It is also unclear if the procurement process was completed, and a new contract awarded, or whether the new arrangement means it was abandoned, with Synlab instead replacing Serco in the partnership.

Viapath's annual accounts, published in November, said a buyout would allow the trusts "the freedom to finalise an agreement with Synlab, to buy into the Viapath Group and thus fulfil the delivery of the south east London STP contract through the Viapath Group".

According to trust board reports from 2017 there had been some concerns around the "movement of blood" within the service, although details were unclear.

The papers added: “The chief medical officer would be attending a meeting of the Viapath board to emphasise the importance of it delivering a failsafe solution; it was likely to be of concern to the [Medicines and Healthcare products Regulatory Agency], the regulator for this area.”

Viapath also serves Bedford Hospital Trust and South London and Maudsley FT.

HSJ asked what it had cost Synlab to “buy into” the partnership but received no answer.

The tendering process started in 2018 and was originally supposed to include Lewisham and Greenwich Trust also, but LGT opted to partner with Barts Health Trust and Homerton University Hospsital FT in east London instead.

A spokesman for the trusts said overall responsibility for the programme sat with the South East London sustainability and transformation partnership. Within GSTT, overall accountability sat with the chief executive. GSTT finance boss Martin Shaw was not involved in the tender exercise as he had a conflict of interest as a member of the Viapath Board, and his role as accountable financial officer on this tender was delegated to finance director Steven Davies.

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