You probably saw the headlines in Friday's edition: 'Hundreds of hospital jobs sacrificed to trim costs'. You may even have wondered what it's like to work in the city's hospitals, with a £15 million debt hanging over your head, another £84 million of savings to find, and the corridors of the personnel – sorry, Human Resources – department awash with blood, as the 'sacrificed' staff file out, clutching their P45s.

Well for a start, no-one has been made redundant, and we're hoping that no-one will be. But if I had to sum my feelings up, I'd use the F word – frustrated – and the main source of that frustration is the Department of Health (DoH). The Leeds Teaching Hospitals Trust (LTHT) balanced its books in the financial year just ended, but it has an 'underlying debt' of £15 million. I know that sounds a bit like you or me insisting to the bank manager that we've lived within our means and that he should ignore our huge overdraft, but that's not quite the way it is. When LTHT was formed by the amalgamation of the LGI and St. James's in 1999, the combined Trust inherited historical debts of £30 million. That had been reduced to £15 million by April 2006, and the plan was to clear the remainder over the next 12 months. It was never going to be easy for several reasons, one of which is the introduction of payment by results (PBR). This is a new funding system where each bit of care given to patients attracts a fee, or 'tariff', so that hospitals know how much income to expect for a given amount of work, and the Primary Care Trusts (PCTs) who are responsible for buying that care know how much it will cost. The Leeds Trust had calculated that the introduction of PBR would reduce its income by £7 million, but in January we were told that the rules had changed, with the result that the likely losses doubled to £14 million. What's more, when the first set of tariffs were released a few months ago it became clear that they were riddled with errors, and the DoH withdrew them, leaving Trusts' financial plans in tatters. The new tariffs were issued on 17 March, giving hospitals just a couple of weeks to incorporate the revised figures into their 2006/7 plans. All of this was on top of another billet-doux from Whitehall, which again arrived out of the blue when financial planning was already well-advanced, increasing our 'efficiency contribution' to inflationary pressures from 1.7% to 2.5%. Doesn't sound much, does it, but at a stroke, it bumped up our costs by £6 million. So, it was back to the drawing board for NHS finance directors across the country, including Leeds.

Of course, all this pressure from Whitehall has to feed down to the poor bloody infantry, and Trust management are continually on our backs, asking for savings. Now although critics of NHS workers talk about our failure to 'modernise', the fact is that we have squeezed out a lot of inefficiency in recent years, and are now reaching a situation where the law of diminishing returns kicks in, and our options are limited. What makes the situation even more irritating is the fact that the DoH is throwing money around like Imelda Marcos at a Jimmy Choo closing-down sale. In their frenzy to involve private healthcare providers, they have set up contracts with Independent Sector Treatment Centres (ISTCs) which pay out whether or not the units treat the agreed number of patients. And so in Wigan for example, PCTs are currently offering GPs a sweetener of £30 for each patient they refer to the local ISTC in order to keep its numbers up and make it look like a government success story. Elsewhere, a centre in the South-West looks set to close after reports of poor surgical results. There are plenty of other examples where scarce cash is being frittered away to score political points, including the much-vaunted Connecting for Health (CfH), an ambitious scheme to set up an electronic system for the storage and communication of patient records, including all the images acquired in radiology departments. While this is an excellent concept whose time has undoubtedly come, implementation leaves a lot to be desired. Quite apart from the government's historical failure to deliver similar but less complex IT programmes, Trusts are being forced to purchase the necessary technology from the DoH's chosen agents. This means that in some cases it is costing millions more to implement than it would if they could purchase direct from the suppliers. And of course, in all these examples, the wasted money is NHS money – *your* money, in other words – that could have been spent treating patients.

We know that people are asking where all the extra cash poured into the NHS by New Labour has gone. Well, as I pointed out above, a lot is being wasted by those same politicians who made it available. Some is still being wasted because we aren't yet as efficient as we could be, and we're working on that. But don't forget that a great deal has been used effectively in treating more patients every year, using ever more expensive drugs and technology. I suppose what I'm saying is that you shouldn't run away with the idea that because the hospitals in Leeds have financial difficulties, we must be responsible for those 'vanishing' millions. In fact when it comes to financial housekeeping, Trust management have done pretty well, but their best efforts are currently being sabotaged by a government whose increasingly erratic behaviour makes medium or even short-term planning next to impossible. It begins to look as if the only logical way to view their policy is as part of a deliberate attempt to destabilise the NHS, and a commercial concern forced to operate in this environment would relocate to mainland Europe or succumb, like Rover. NHS and Rover – anyone spot the common factor?