

2022/23 SWL NHS Capital Resource Use Plan



Introduction

Capital expenditure generally relates to long-term investments in building and maintaining NHS land and facilities, IT and medical equipment such as MRI or CT scanners. The funding arrangements for such capital expenditure in the NHS have changed over time.

Historically, NHS trusts and NHS foundation trusts (“NHS trusts”) were allocated capital funds directly and NHS clinical commissioning groups (CCGs) supported primary care. These organisations will have shared how they deployed these capital budgets in their board papers and in their annual reports. In 2020/21, we saw a change to the NHS capital framework and moved to system envelopes for trust capital. NHSE retained control of primary care capital, but ringfenced an allocation per system. Trusts were responsible for reporting on their share of the system capital envelope in the public domain and will have done so via their board papers and annual reports and at their Annual General Meetings.

The Health and Care Act 2022 (the amended 2006 Act) established Integrated Care Boards (ICBs) with effect from 1 July 2022 to empower local health and care leaders to join up planning and provision of services, both within the NHS and with local authorities. This formalised the system capital planning approach and ICBs have a financial duty to ensure that the system’s allocated NHS capital budget is not overspent.

Under the Act, ICBs and their partner NHS trusts and NHS foundation trusts are required to produce and publish annual NHS joint capital resource use plans on direction from the Secretary of State. The plans are intended to ensure there is transparency for local residents, patients, NHS health workers and other NHS stakeholders on how the capital funding provided to ICBs is being prioritised and spent to achieve the ICB’s strategic aims.

The Secretary of State recently issued the direction to ICBs to publish the 2022/23 capital plan on 2 March 2023 and provided new guidance on 8 March 2023 on the format of how we should publish, which is why we are sharing this plan at this point in the year. We have been reporting progress against the 2022/23 capital plan throughout the year at the ICB Finance and Planning Committee and Board, ensuring our partners at the ICB Board and the wider public have visibility of the plan, including key revisions due to timing of funding, approvals and any new national initiatives. Due to the timing of this publication, we have reflected plan revisions here.

Going forward, we will be publishing a similar document on the annual capital plan at the start of each financial year in order to provide continued transparency to our stakeholders. 2023/24 will be available soon.

Scope

This document sets out the SWL system's NHS capital plan in respect to its NHS capital budget allocations.

The ICB and its partner NHS trusts can seek access to external capital budgets via charitable sources, capital grants from outside the DHSC, for example Salix grant funding for decarbonisation projects from the Department for Energy Security and Net Zero (formerly the Department for Business, Energy and Industrial Strategy), and local authorities (section 106 funding and community infrastructure levy support). We are very grateful for this additional support to enable the NHS to improve its facilities and support its local populations.

Context: NHS capital funding sources

HM Treasury (HMT) sets the Department of Health and Social Care (DHSC) a limit for how much capital investment it can make. This budget limit is called the Capital Departmental Expenditure Limit (CDEL) and covers all capital spending by the department and the NHS. The department and the NHS are legally obliged not to spend above this limit.

The overall NHS capital budget is directed by DHSC and NHS England (NHSE) to national programmes and to NHS organisations. Since 2020/21, the South West London (SWL) system has received a system NHS capital budget for our trusts that cannot be exceeded. The system can determine how that overall budget is spent. This arrangement was formalised when the ICB came into effect on 1 July 2022, and it is the ICB's responsibility to ensure that the system lives within the allocated budget.

The system budget for NHS trusts is calculated by NHSE using a standard formula and NHS trust data, which largely based on the depreciation of NHS trust assets. As a result, the use of the capital budget largely focuses on the replacement and maintenance of NHS trust assets with some flexibility to target additional investment. Our trusts, like all trusts, have backlog maintenance

to tackle alongside operational pressures. The ICB and its partner trusts developed a risk-based approach to prioritising expenditure via a collaborative planning process which has been in place and refined since 2021/22, the first year that a system envelope was allocated.

There sometimes is opportunity for SWL to access further capital funding within the financial year in addition to the allocated NHS trust budget which allows it to spend more on its infrastructure and equipment. This is because additional capital budgets are held centrally by NHSE for national priorities, for instance, investment in community diagnostics services to support waiting lists for tests and scans. The ICB is also allocated with an annual budget by NHSE for primary care which can be spent on maintenance and IT. The system and its partners submit applications to access these funds which, if successful, can only be used for these specific projects.

In addition to this, our NHS trusts can generate capital receipts through disposing assets, for example disused land for residential development. These capital receipts can generate cash income but also additional capital budget for the system to invest in improving healthcare facilities for the population.

2022/23 Capital Plan

The table below sets out the 2022/23 capital plan and the key changes to that plan in-year.

Organisation type	PLAN £000	PLAN Months 1-12	ADJUSTMENTS TO PLAN Months 1-12	REVISED PLAN Months 1-12	EXPENDITURE Months 1-3	BUDGET Months 4-12
Trust	Capital budget for NHS trusts	144,693	(6,479)	138,214	18,280	126,413
ICB	Capital budget for primary care maintenance and IT	2,587	-	2,587	-	2,587
Subtotal		147,280	(6,479)	140,801	18,280	129,000
Trust	National programme funding: Upgrades and New Hospitals Programme	31,967	(16,379)	15,588	5,867	26,100
Trust	National Programme funding: Diagnostics, electronic patient records, elective recovery	31,456	(2,534)	28,922	2,798	28,658
Trust	Technical accounting change to lease accounting under IFRS 16	34,734	-	34,734	18,428	16,306
Trust	Technical accounting adjustments for Private Finance Initiative buildings	1,348	-	1,348	339	1,009
Total system capital plan		246,785	(25,392)	221,393	45,713	201,072

The original plan included some assumptions about the status of national programme funding which changed as we progressed in-year. We explain this in the sections below.

Capital budget for NHS trusts

The 2022/23 budget allocated to SWL for NHS trusts is £138.2m but the 2022/23 guidance allows the system to produce a plan that spends 5% (£6.5m) more than the funds they have been allocated. This is so that the system can prioritise the planning for additional projects in the event that there is some slippage in project delivery, as can sometimes materialise for major capital projects. It was always SWL's intent to adhere to a budget of £138.2m, in line with the ICB's financial duty to ensure that the NHS capital budget is not overspent. This is why there is a difference between the plan and revised plan in the table above.

Over 70% of this element of the plan relates to maintenance and other critical replacement investment in estates, IT and medical equipment and supports the operational delivery within our trusts. The remaining 30% of the plan largely relates to strategic investment in the multi-year

modernisation of the mental health estates at the Springfield Hospital site and implementation of a new electronic patient record at The Royal Marsden, which also addresses maintenance and replacement of assets but on a larger, more strategic scale.

Capital budget for primary care maintenance and IT

This budget is set by NHSE and is for the investment in primary care for replacement IT and maintenance of GP practices. In 2022/23, it has also funded the completion of a strategic scheme to re-provide a medical centre in Croydon. This scheme was started under the NHSE Estates and Technology Transformation Fund programme which came to an end in March 2022.

National programme funding

Upgrades and New Hospitals Programme

The New Hospitals Programme has been set up to deliver 40 new hospitals across the country. Epsom and St Helier Hospitals was successful in its application for funding to build a brand new Specialist Emergency Care Hospital (SECH) in Sutton, and redevelop the existing hospitals on the Epsom and St Helier sites. This programme has been supported by the Secretary of State in 2020. The original plan included some assumptions about the status of national programme funding which changed as we progressed in-year. The timing of expenditure was subsequently revised as a result.

This element of the plan also includes funding for upgrades, most notably for a new 22-bedded Intensive Treatment Unit at Croydon University Hospital which is on track to complete in 2023/24, and the start of the redevelopment of the Barnes Hospital site which would provide community mental health services for Richmond from modern premises and adjacent to a Special Education Needs school.

Other national funding

National programme funding has been awarded to SWL for:

- Building capacity in the community to deliver diagnostics services outside the acute hospital setting to tackle waiting lists for tests and scans, in Kingston and Croydon having previously built capacity at the Queen Mary's Roehampton site in Wandsworth.
- Building extra theatre and critical care bed capacity to support the delivery of more activity to address waiting lists for operations and treatment at Purley Hospital, Croydon University Hospital and St George's Hospital sites

- Implementing new electronic patient record systems to move away from paper records and outdated systems, notably in Epsom and St Helier Hospitals.

These are multi-year projects and delivery will continue into 2023/24. There has been some revision to the original plan as the timing of expenditure has been adjusted compared to assumptions within the original plan.

Technical accounting adjustments

The plan also included provision for technical adjustments for the way that assets are accounted for in the Annual Accounts of our organisations. There was a significant change this year that came into force relating to the way that leases are accounted for which means that a greater volume of new leases would need capital funding. These technical issues are covered by the national capital budgets in 2022/23 as part of the transition to the new accounting rules.