

2023/24 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 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.

This document sets out the ICB and its partner NHS trusts’ plan for 2023/24 in line with our commitment to provide our stakeholders with this transparency and going forward, we will be publishing a similar document on the annual capital plan at the start of each financial year. However, it should be noted that additional funding can often become available in year so this may change the original published plan.

Progress against the 2023/24 capital plan will be reported throughout the year at the ICB Finance and Planning Committee and Board, ensuring our partners at the ICB Board and the wider public

have continued visibility of the plan, including any key revisions that are made during the year due to timing of funding, approvals and any new national initiatives. The ICB will also publish a full year view of 2023/24 in its Annual Report at the end of the year.

Scope

This document sets out the SWL system's NHS capital plan in respect to its NHS capital budget allocations. Some property developments relating to community and primary care e.g. new primary care facilities are outside of this plan as the capital is either provided by other parts of the NHS e.g. NHS Property Services or because third party developers provide the upfront investment and then are reimbursed through rent charged over the subsequent lease term.

The ICB and its partner NHS trusts can also 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.

This 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 to ensure our buildings and services remain safe. 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. This process ensures that safe, high quality services are central to prioritisation decisions.

The ICB is also allocated with an annual budget by NHSE for primary care which can be spent on estates maintenance (new facilities are funded through different mechanisms) and replacement IT. This budget is held and managed centrally by NHSE, and the system and its partners submit applications to access these funds which, if successful, can only be used for these specific projects.

There sometimes is opportunity for SWL to access further capital funding for our trusts and for primary care within the financial year in addition to the allocated NHS trust and primary care budgets 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. This funding may not be known when we form our NHS capital plans at the beginning of the year, but we will ensure that in-year revisions to our plan are transparent.

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.

2023/24 Capital Plan

This table below sets out the 2023/24 capital plan that has been reached in collaboration and jointly with our partner trusts.

Organisation type	Plan component	ICB	Croydon Health Services	Epsom and St Helier Hospitals	Kingston Hospital	St George's Hospital	Hounslow and Richmond	SWL & St George's	The Royal Marsden	TOTAL FULL YEAR PLAN
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Provider	Capital budget for NHS trusts		14,096	27,383	16,782	32,704	2,047	38,932	15,708	147,652
ICB	Capital budget for primary care maintenance and IT	2,585								2,585
Subtotal		2,585	14,096	27,383	16,782	32,704	2,047	38,932	15,708	150,237
Provider	National programme funding: Upgrades and New Hospitals Programme			17,128				11,100		28,228
Provider	National Programme funding: Diagnostics, electronic patient records, elective recovery		21,051	4,659	1,611	5,687		920		33,928
Total system capital plan before technical accounting items		2,585	35,147	49,170	18,393	38,391	2,047	50,952	15,708	212,393
Provider	Technical accounting change to lease accounting under IFRS 16		2,300	7,730	1,516	44,529	-	7,500	4,207	67,781
ICB	Technical accounting change to lease accounting under IFRS 16	6,160								6,160
Provider	Technical accounting adjustments for Private Finance Initiative buildings				1,148	250				1,398
Total system capital plan after technical accounting items		8,745	37,447	56,900	21,057	83,170	2,047	58,452	19,915	287,732

Our plan is aligned to ICB priorities in that it includes capital investment programmes and projects that support:

- day-to-day operations to continue and for trusts to invest in the backlog maintenance of their buildings to ensure patients are kept safe and in the replacement of ageing equipment
- the modernisation of the mental health estate to ensure mental health services are delivered from within fit-for-purpose facilities
- the continued digitisation of the NHS via new electronic patient records and other SWL-wide digital transformational initiatives
- our focus on elective recovery via investment in day case theatre capacity in Croydon, in Intensive Treatment Unit provision across our acute sites and in community diagnostics capacity across SWL
- the replacement IT and maintenance of GP practices
- our drive to focus on sustainability and net zero targets.

We explain the components of the plan in the sections below.

Capital budget for NHS trusts

The 2023/24 plan for NHS trusts is indicatively £147.7m. The 2023/24 guidance allows the system to produce a plan that spends 5% (£5.7m) more than the funds they have been allocated, to support planning if slippage in project delivery arises, as it can sometimes do so for major capital projects. We will manage to a budget of £142m for the year, in line with the ICB's financial duty to ensure that the NHS capital budget is not overspent.

This budget includes expected capital receipts from asset sales of £55.9m to reinvest in the modernisation of the mental health scheme. The timing of these receipts is earlier than the planned expenditure in the new build so in line with NHS guidance we have transferred the budget to 2024/25 to ensure it is available to fund the build. If we didn't transfer the budget, we either would not be able to afford the modernisation project or would need to significantly cut backlog maintenance funding to support it.

£'000	2023/24
SWL CDEL	
Provider	
Capital budget for NHS trusts	113,521
5% additional spend for planning purposes only	5,676
Indicative Prior Year Revenue Performance top-up	5,605
Total Capital Budget (Indicative) before capital credits	124,802
Asset sales	
Additional capital budget from asset sales	55,850
Transfer to later years	(33,000)
Net impact of transfer	22,850
Total Capital Budget for Trusts assumed in plan	147,652

The majority of the capital budget for NHS trusts (70%) relates to backlog maintenance and other critical investment in estates, IT and medical equipment and supports the operational delivery within our trusts. The remaining 30% largely relates to strategic investment in the multi-year programmes which also address maintenance and replacement of assets but on a larger, more strategic scale. These are set out below.

Schemes already in progress:

- The implementation of a new electronic patient record for Epsom and St Helier Hospitals, which started in the prior year and is currently expecting to go live in 2024 (we are also applying for further support from national digital funds).
- The completion of a new 22-bedded Intensive Treatment Unit at Croydon University Hospital

- The completion of the redevelopment of the Springfield Hospital site, the first phase of the modernisation of the mental health estate in SWL

Schemes that are subject to NHSE and government approval in-year due to their size:

- The proposed redevelopment of the Tolworth Hospital site, which is the second phase of the modernisation of the mental health estate in SWL and is a multi-year programme that is currently expected to complete in 2026/27.
- Enabling work for proposals to rebuild and expand bed capacity of the Intensive Treatment Unit at Kingston Hospital and to rebuild our existing bed base in a new Renal Unit at St George's Hospital in Tooting for SWL and Surrey patients.

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. The 2023/24 capital budget for primary care provided by NHSE is £2.6m.

We will work with our primary care partners to ensure that we target investment in the appropriate areas. The NHS Premises Costs Directions 2013 under the Act provide for a range of eligible circumstances where a general practice contractor may seek non-recurrent financial assistance for maintenance works. SWL general practices have already applied for 2023/24 improvement grants for such maintenance costs, and we expect NHSE to complete its review process and notify the successful applicants by the summer. NHSE has also opened the application process for ICBs to submit their general practice IT proposals (on behalf of primary care) to use 2023/24 allocation to replace IT equipment and network infrastructure.

National programme funding: Upgrades and New Hospitals Programme

The New Hospitals Programme was 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 was supported by the Secretary of State in 2020. Some enabling work has been conducted in prior years, and we await feedback on next steps and confirmation of 2023/24 funding for the project from central government.

This element of the plan also includes funding for upgrades, most notably for the redevelopment of the Barnes Hospital site which would provide community mental health services for Richmond from modern premises. The scheme is intrinsically linked to the development of a new Special Education Needs school and the sale of land for a residential housing development, and an excellent example of different public sector bodies coming together to get better value for money from a site.

National programme funding: Other national priorities

This element of the plan includes schemes that have been approved in prior years and schemes for which funding has not yet been approved by NHSE.

Approved schemes in progress

National programme funding was awarded to SWL to deliver diagnostics and elective recovery projects over 2022/23-24/25. These schemes:

- Build 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 established a Community Diagnostics Centre at the Queen Mary's Hospital in Roehampton in 2021/22).
- Build additional theatre capacity at Purley Hospital and Croydon University Hospital to support the delivery of more activity and address waiting lists for treatment

Schemes that are seeking approval from NHSE

- The implementation of the new electronic patient record system at Epsom and St Helier Hospitals is part-funded by the 2023/24 capital budget for NHS trusts, however we are looking to access additional national digital funds to support implementation.
- The St George's bid to co-locate a children's cancer principal treatment centre on its site.

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 in 2022/23 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 will continue to be covered by the national capital budgets in 2023/24 as part of the transition to the new accounting rules.

Risks

We have followed a risk-based approach to prioritise expenditure within the capital budget for NHS trusts. We have a limited budget in which we need to ensure that our services and environments are safe and fit-for-purpose for patients, staff and the public, so we have to consider where the need for investment is. This might include balancing investment, for instance, between backlog maintenance, replacing old and ageing medical scanners, investment in cyber security and major estates developments.

We think that the key risks to monitor and manage throughout 2023/24 include:

- Not being able to deliver to the timelines built into the plan, for instance, due to underestimating the timelines required for business case approval processes. If these processes take longer than we anticipate, this can impact the phasing of expenditure and estimated prices and we may need to reprioritise the schemes in the plan.
- If asset sales are held up and the assumed funding level for 2023/24 is lower than planned there is a risk that the Tolworth redevelopment would need to be delayed until the capital receipts are confirmed.
- Rising inflation is a significant risk that could materially change estimated costs in the plan and that the system will no longer be able to afford all of the schemes planned. Contingencies are included in plans to offset this but inflation may exceed these in the current financial climate.
- The system infrastructure includes estate which is managed by PFI providers, there are risks that changes to the buildings or in the PFI contract arrangements are not affordable for the health system.

The SWL NHS system will continue to carefully monitor these risks throughout the year and regular reports will be taken to the ICB Finance and Planning Committee and Board as well as to Trust Boards. We have close working relationships with NHSE and DHSC colleagues and will continue to keep an open dialogue with colleagues as we progress through 2023/24 to gain support and approval for our planned schemes.