Health infrastructure plan briefing

Late last night, the Department of Health and Social Care (DHSC) released a new healthcare infrastructure plan (HIP), setting out changes for how NHS capital funding will be prioritised and allocated to the frontline. The plan follows recent funding announcements for capital investment for some trusts across 2020-2030. This briefing provides a summary of the proposals within the HIP, and NHS Providers response.

Background

In August 2019, the government announced a £1.8bn capital package for the NHS. This included £850m new funding for 20 trusts to upgrade outdated facilities and equipment, along with an additional £950m increase in the DHSC capital expenditure limit (CDEL). The September 2019 spending round then committed the government to a multi-year capital settlement for the NHS in the next spending review, expected spring 2020. The HIP sets out the broad objectives of the government's plan for capital spend – both in terms of 'core' NHS capital spending, and also on the wider health and care infrastructure, including genomics, research and development and public health. The government's plan sets out a five-year rolling strategy of indicative capital allocations. More detail will follow at a later date when DHSC issues technical guidance to the sector. NHS Providers has summarised the proposals below.

Ambition of the health infrastructure plan

The HIP sets out the delivery for a long-term, rolling five year programme in health infrastructure. While including capital to build new hospitals, the government has signalled its intention to modernise the primary care estate, invest in new diagnostics and technology, and to eradicate critical safety issues in the NHS estate. The plan commits to allocating capital across the wider health infrastructure, such as public health and social care. Therefore, when the government refers to 'capital spend on infrastructure', it is referring to both the long-term assets that support the delivery of healthcare, as well as the accompanying healthcare infrastructure that supports health outcomes, such as public health, genomics, and adapted or specialised housing.

The HIP acknowledges that the demand for capital exceeds current funding levels and recognises the present system for investing capital is outdated. As trusts will be aware, there is presently a lack of clarity over how capital is allocated to individual trusts. Approval processes are too bureaucratic and difficult to navigate through, and the HIP references how the capital regime has become disconnected from the systems for revenue and cash.

The government has laid out three broad objectives for the HIP:

1. A five-year rolling programme of investment in NHS infrastructure across hospitals, primary and community care estates, and health infrastructure.
2. A reformed system underpinning capital to ensure funding addresses needed.
3. Obtaining the support of wider health and care sectors with funding at the capital review.

The plan outlines the government's short-term commitments:

- Supporting the schemes announced as part of this first investment round to start delivering as soon as possible;
- Designing the shape of the phases of HIP;
- Confirming a multi-year capital settlement for DHSC at the next spending review; and
- Providing detailed guidance to sector on the new capital regime.

Hospital builds

The plan commits to more than 40 'hospital' building projects, carried out over a series of tranches between 2020-2030. Some of these projects will be new builds, whereas other projects will involve trusts being given seed funding to develop their plans for the next HIP to run from 2025-30. HIP1 (2020-25) includes 6 new hospital projects, which providing their business cases are approved, will be built immediately. The following trusts have been prioritised for additional investment following engagement with NHSE/I. The first of investments will be carried out in 2020-25 across the following sites:

Region	Trust	Site	Location
London	Barts Health NHS Trust	Whipps Cross University Hospital	North East London
London	Epsom and St Helier University Hospitals NHS Trust	Epsom, St Helier and Sutton Hospitals	South West London
North East and Yorkshire	Leeds Teaching Hospitals NHS Trust	Leeds General Infirmary	Leeds
East	The Princess Alexandra Hospitals NHS Trust	Princess Alexandra Hospital	Harlow
Midlands	University Hospitals of Leicester NHS Trust	Leicester General, Leicester Royal, Glenfield	Leicester
East	West Hertfordshire Hospitals NHS Trust	Watford General	Watford

The government then plans to roll out the health infrastructure plan 2 (HIP2) for 2025-30. This will include 21 schemes for 34 new-build hospitals, with seed funding provided now to kick-start schemes and allow trusts to proceed to the next stage of developing their plans. Therefore while 40 schemes have been announced, only six projects will get the full go ahead prior to 2025. Annex 1 includes a list of the 21 trusts that will receive seed funding. The government has also committed to HIP3, another five-year rolling

programme for 2030-2035. Whereas capital allocations for HIP1 and HIP2 are based on 'current priority projects', HIP3 projects will be chosen based on open consultation, the details of which are yet to be confirmed.

Capital allocation

DHSC has outlined its expectations for the new system for capital allocation:

- A clear definition of how capital expenditure will be financed at each level, and clarification of the availability and rules around providers' access to other sources of finance;
- Clearer and more transparent links between local level spending plans and national spending limits, through the use of capital envelopes that are derived from total CDEL allocation;
- Improved certainty for planning by introducing indicative multi-year capital envelopes for systems to plan against;
- Aligning capital funding with system-working and the NHS long term plan;
- Capital funding to reach the frontline as soon as possible;
- Ensuring the new capital regime is more responsive to and joined up with NHS financial planning.

NHS allocations will be split across three areas:

1. NHS provider (system-driven) – capital typically self-financed and including operational investment;
2. NHS provider (nationally-driven) – nationally strategic projects as well as major schemes. These projects largely require centrally-held sources of finance; and
3. NHS other – covering other capital, like NHSX technology capital.

For capital expenditure across the provider sector, capital envelopes will be derived directly from the NHS' total CDEL allocation. DHSC has also clarified that capital allocations will take into account accumulated cash reserves and anticipated revenue surpluses, to ensure that trusts which deliver and maintain financial balance are rewarded for doing so. DHSC has said they will work closely with NHSE/I in developing the methodology for calculating capital envelopes.

Approval processes

There are two arms to reform of the approvals process – supporting providers in developing their business cases, and streamlining the approvals process these.

For business case development processes, the DHSC and NHSE/I Better Business Case training packages will be rolled out across the NHS. DHSC has also allowed the possibility to grant a portion of a scheme's funding earlier in the business case process (if a convincing case can be made). The government has announced it will consider establishing a specialist unit to support trusts with business case submissions, so that trusts will rely less on external consultants.

In terms of streamlining business cases once they're submitted, DHSC plans to formalise the process of using alternative bid documentation instead of strategic outline cases. Moreover, the intention is for

business cases of smaller scale and complexity to be fast-tracked, and the government will establish a single investment committee process – comprised of DHSC and NHSE/I – for the consideration of major schemes. There is also a brief reference to using technology to speed up the business case approval process.

Delivery and governance

DHSC will retain responsibility for ensuring capital allocations are delivered within the scope of the national CDEL. The national bodies will be required to provide transparent budgets with improved forecasting. This will be supported by adopting a senior responsible officer (SRO) structure within each organisation. Large projects funded through the HIP will be added to the government major projects portfolio.

On a local level, providers will remain legally responsible for maintaining estates, and for setting and delivering their organisational level capital investment plans. However, the HIP also insists on the need to establish a new capital regime that embeds system working into its governance structure. Each integrated care system (ICS) and sustainability and transformation partnership (STP) will have the primary responsibility to keep aggregate capital investment within their capital envelopes, in order to remain eligible for receiving central funding for strategic investments. DHSC has also decided to adopt NHSE/I's proposal of setting an annual capital spending limit on specific foundation trusts, with a published disclosure to explain why the limit was set.

Wider health and care infrastructure

DHSC wants to join up 'strategic core' capital spending with estates planning, as well considering the need for capital investment across more wider health and care infrastructure covering the following areas:

- Genomics: Investment in genomics is a priority for DHSC. The long term plan includes a commitment to sequence 500,000 whole genomes through the general medicine services (GMS) by 2023-24.
- Research and development (R&D) funding: Capital spend in R&D will focus on enhancing translation of basic science and support for the life sciences industry, the prevention agenda, and on research to improve the productivity and effectiveness of the NHS. The DHSC in particularly recognises the need to ensure future funding for the National Institute for Health Research (NIHR).
- Care and support specialised housing (CAASH): This programme provides supported housing for older people and adults with physical disability, learning disability or mental ill-health.
- Public health infrastructure: Capital will be allocated to fund drug and alcohol services necessary to prevent ill-health. There is a recognition of the importance capital spend on research programmes that address Antimicrobial Resistance and healthcare-associated infection.

NHS Providers view

Members will hopefully have seen our current campaign on capital 'rebuild our NHS' in which we set out the following three clear asks for the government:

- A multiyear NHS capital funding settlement
- A commitment from government to bring the NHS' capital budget into line with comparable economies
- An efficient and effective mechanism for prioritising, accessing and spending NHS capital based on need.

We therefore welcome the fact that the government has made the NHS one of its domestic priorities, and that government, DHSC and the national bodies are committed to injecting additional capital into the system. The publication of the HIP marks an important step forward in many regards.

However there are a number of aspects of the HIP which raise questions and some concerns:

- The government's funding announcements to date have been largely acute focussed and it is important to recognise the capital needs of mental health, community and ambulance trusts, and their patients, are equally pressing. We will continue to press hard for access to investment across the provider sector, in the short, medium and longer term
- Crucially, we note the difference in language used within the HIP and NHSE/I's recent recommendations for legislative change. We engaged extensively with the legislative change team at NHSE/I to ensure that the NHSE/I proposals for a new central power to set annual capital spending limits for FTs would be carefully and tightly worded as a "reserve power" only. The HIP however refers to "a power to set an annual capital spending limit on a named FT to be used in a targeted way" which could imply an extension of what was originally proposed by NHSE/I. We are actively following this up with NHSE/I colleagues to clarify the details.
- The long term plan correctly emphasises the need for greater system working. However we are concerned about how the new proposed capital regime and the enhanced role of ICSs/STPs within it, will intersect with the statutory freedoms and obligations for foundation trusts. The HIP suggests that ICSs/STPs have 'primary responsibility for spending within their capital envelopes', but this is not the case under the current legislative framework. The DHSC suggests that local health systems take responsibility for the 'business as usual' maintenance of their healthcare estates, and fails to explicitly acknowledge the role and accountability of trust boards.
- In our view, the prospect of Indicative multi-year capital settlements, through five year allocations, is a minimum given the need to invest strategically for the long term. It is important that a sustainable and transparent mechanism for capital allocations is established prior to the end of the HIP2. Beyond the current maintenance backlog, and the urgent need for specific priority projects, the government must consider what the wider health system should look like beyond 2030. The scope of the long term plan is ten years, and the DHSC should be cognisant of the long-term nature of capital spend on facilities. The government should consider the need to analyse long-term health needs beyond 2030, and what capacity our health and care infrastructure will be operating at in the decades ahead, when designing the new capital allocation system. We also

need more clarity over how initial seed funding will be translated into concrete assurances to build all 34 new-build hospitals through HIP2. At present, it is not clear how this seed funding will be allocated to providers, or how it should be used.

NHS Providers media statement

Responding to the weekend's funding announcement, the chief executive of NHS Providers, Chris Hopson said: "We have led calls for more capital funding to rebuild our NHS so we welcome this significant and important new commitment.

"The new £3bn that's been committed for 2020-25 will be particularly good news for the patients and staff in the six acute hospitals that will directly benefit. We welcome the government's intention to fund a further 21 schemes between 2025 and 2030 and the £100m for those organisations to start work on developing those projects, noting that the funding to actually compete those schemes remains to be allocated. We also welcome the extra £200m for scanning and diagnostic equipment.

"The NHS has been starved of capital since 2010. There's a £6bn maintenance backlog, £3bn of it safety critical. It's not just these six hospitals who have crumbling, outdated, infrastructure - community and mental health trusts, ambulance services and other hospitals across the country have equally pressing needs. We also need increased capital spending to support changes in the way care is delivered, including in IT and digital, to deliver the new NHS long term plan.

"The NHS spends around £6bn capital a year. To catch up after a decade of capital squeeze and to meet the NHS's needs, we believe that budget needs to double over the next 5-10 years. That would restore NHS capital spending to the levels of other comparable countries, ensuring safe care for patients and a better working environment for staff. Whilst the extra £3bn spread over the next 5 years – an average 10% annual increase - is an important and valuable step, there's still a long way to go.

"We will continue to call for a full multi-year capital settlement for the NHS that ensures all types of trusts across the country can access the capital they need. The NHS also needs a sustainable and transparent approach to prioritising NHS capital, with appropriate local decision making to ensure the money gets to where the needs are greatest."

Annex 1:

21 trusts given seed funding to develop plans in anticipation for HIP2 (2025-30)

Region	Trust	Proposed sites	Location
East	Cambridge University Hospitals NHS Foundation Trust	Addenbrookes	Cambridge
South East	Dorset Healthcare NHS Foundation Trust	Various (potentially 12) community hospitals	Dorset
South East	East Sussex Healthcare NHS Trust	Conquest, Eastbourne District Hospitals	Hastings; Eastbourne
South East	Hampshire Hospitals NHS Foundation Trust	Royal Hampshire County Hospital, Basingstoke & North Hampshire Hospital	Winchester; Basingstoke
London	Hillingdon Hospitals NHS Foundation Trust	The Hillingdon Hospital	North West London
London	Imperial College Healthcare NHS Trust	Charing Cross, St Mary's and Hammersmith Hospitals	West and Central London
East	James Paget University Hospital	James Paget Hospital	Great Yarmouth
Midlands	Kettering General Hospital NHS Foundation Trust	Kettering General Hospital	Kettering
North West	Lancashire Teaching Hospitals NHS Foundation Trust	Royal Preston Hospital	Preston
East	Milton Keynes NHS Foundation Trust	Milton Keynes Hospital	Milton Keynes
South West	North Devon Healthcare NHS Trust	North Devon District Hospital	Barnstaple
Midlands	Nottingham University Hospitals NHS Trust	Queen's Medical Centre, Nottingham City Hospital	Nottingham

North West	Pennine Acute Hospitals NHS Trust	North Manchester General Hospital	North Manchester
South West	Plymouth Hospitals NHS Trust	Derriford Hospital	Plymouth
South East	Royal Berkshire NHS Foundation Trust	Royal Berkshire Hospital	Reading
South West	Royal Cornwall NHS Foundation Trust	Royal Cornwall Hospital	Truro
South West	Royal United Bath NHS Foundation Trust	Royal United Bath Hospital	Bath
South West	Taunton and Somerset NHS Foundation Trust	Musgrove Park Hospital	Taunton
South West	Torbay and South Devon Health Care NHS Foundation Trust	Torbay District General	Torquay
North West	University Hospitals of Morecambe Bay NHS Foundation Trust	Royal Lancaster Infirmary and Furness General Hospital	Lancaster; Barrow-in-Furness
East	West Suffolk NHS Foundation Trust	West Suffolk Hospital	Bury St Edmunds

Contact: Patrick Garratt, Policy Officer patrick.garratt@nhsproviders.org