



Department  
of Health &  
Social Care



Improvement

# HFMA 'Brighter Together'- Estates & Facilities Forum

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Chris Cale

Assistant Director- Capital & Cash  
NHS Improvement

Ian Stone

Deputy Director- Capital & Land Strategy  
Department of Health & Social Care

# Capital and Estates Update

## **Capital context, challenges and opportunities**

- What is CDEL & what counts against the capital budget
- The importance of capital forecasting
- NHS Trust and Foundation Trusts
- New capital funding
- STP capital update

## **Supporting estates and capital transformation**

- Capital funding and spending challenges
- Governance and support
  - NHS Property Board
  - Strategic Estates Planning Team
  - STP Estates Strategies
- Surplus land disposals, including homes for NHS staff
- Long term plan into spending review

# What is CDEL & what counts against the capital budget

- Each government department is assigned delegated expenditure limits by HMT (DEL) for both revenue (RDEL) and capital (CDEL)
- All departments are required to produce and share with HMT accurate and timely in year forecasts of DEL
- Department plans are presented to Parliament and voted at the beginning of each financial year
- Any breach of voted limits result in an investigation, report and possibly penalty as no department is allowed in any circumstances to breach their limit
- Most capital investment decisions made by providers count against CDEL:
  - Internal cash, unspent revenue, depreciation (donations or disposals create an offset)
  - DHSC borrowing in the form of loans
  - DHSC public dividend capital (PDC)
  - Other forms of borrowing such as local government, commercial loans, (NB: joint ventures usually score against CDEL).
- Only exceptions that don't score against CDEL are genuine off balance sheet solutions eg PFI, LIFT

# 2018/19 Capital forecasting challenges

## 2017/18 CDEL Position:

FOT	Plan £b	M3 £b	M6 £b	M7 £b	M8 £b	M9 £b	M10 £b	M11 £b	M12 Key Data £b	M12 (Final) £b
Grand Total	4.334	4.289	3.940	3.834	3.752	3.376	3.335	3.239	3.060	3.063

- Opening DHSC national CDEL limit for 2017/18 was set at £2.9b
- Based on forecasts DHSC increased national CDEL limit in 2017/18 to £3.3b
- Sector delivered spend on £3.06b despite saying this would be £3.3b as late at M10
- £250m undershoot lost to the sector with no mechanism for return of undershoot in 2018/19
- Movement in figures M9 to M12 and M11 to M12 key credibility issue with HMT and DHSC
- Consequence considerably more emergency financing applications could have been approved and this now increases pressure on 2018/19 and potentially jeopardises future bids to HMT for additional capital

## 2018/19 CDEL Position (from provider returns):

FOT	Plan £b	M3 £b
Grand Total	4.644	4.645

## Context



**Highest CDEL  
delivered in last 10  
years is £3.310b**

**Key Message:** realistic position needs to be fixed by month 9 and month 9 position needs to be delivered at month 12. DHSC unlikely to release further capital until forecast lowers

# Current capital regime: NHS Trusts and Foundation Trusts

- Differing rules apply for NHS Trusts and Foundation Trusts
- NHS Trusts and Foundations Trusts deemed to be in financial distress require all business cases with a capital cost or whole life costs for investment and/or disposal over £15m to be approved by NHS Improvement/DHSC
- NHS Foundation Trusts who are not in financial distress have greater freedoms with only investment decisions that are deemed material or significant being reportable to NHS Improvement
- In 'financial distress' being defined as:
  - NHS Trust or Foundation Trust in financial special measures
  - In breach of license
  - In receipt of 'distress' financing
- In addition, NHS Trusts are subject to capital resource limits (CRLs) which act as a capital spending limit which providers must not overspend

# New Capital Funding

- Naylor review flagged £10b
- Government announced £3.9b new capital in 2017 spring & autumn budgets:
  - £2.9b for STP estates transformation
  - £0.1b for GP streaming (already complete)
  - £0.2b for supporting efficiency improvement (bidding processed being developed: energy efficiency; e-prescribing; e-rostering)
  - £0.7b for existing estates and infrastructure challenges (already committed)

## **2017 Autumn budget also said:**

- “NHS to increase the proceeds from selling surplus NHS land and buildings to at least £3.3b”
- “accompanied by private finance investment in the health estate where this provides good value for money”
- “completed by work to review and improve the rules that inform trusts’ use of capital funding, to help make sure that they can maintain their facilities most effectively”
- “a presumption in favour of offsite construction by 2019 across suitable capital programmes, where it represents best value for money”

# STP capital funding

- £1.4b committed over 83 schemes announced in first three waves
- Includes major redevelopment at Shrewsbury & Telford (over £300m)
- “we intend to announce one large scale scheme the size of the Shrewsbury & Telford plan every year going forward based on high-quality plans coming forward from local NHS leaders”
- Criteria: leadership to deliver; service/demand management; transformation and patient benefit; financial sustainability; vfm; estates
- Funding dependent on robust STP level estates strategies, including maximising disposal opportunities across STP geographies
- All STPs need estates strategies to support bids and will be linked to availability of future STP financing

	Number of Schemes	Total capital value (£m)
Wave 1 – July 2017	25	440
Wave 2 – December 2017	12	220
Wave 3 – March 2018	40	760
Ambulances – July 2018	6	36
Total to date	83	1,456
Total funding		2,956
Remaining funding to be allocated		1,500

**£760 million** to modernized and transform the NHS for patients across england

# STP capital – wave 4

- Wave 4 bids submitted mid July 2018 with supporting estates strategies
- 314 bids were submitted totalling £10.7b with £8.6b of public funding required to deliver those schemes
- Schemes have been scored and ranked over the 6 criteria during the summer and are now with DHSC/HMT/Ministers for discussion and decision making
- NHS Improvement/England are proposing we maximise the number of bids approved in wave 4 in order to fully utilise funding before end of funding period (2022/23)
- Timing of announcement – anticipated before the end of 2018 but not a confirmed date yet
- Business case process will apply for all successful schemes with requirements subject to value of scheme
- Release of funding dependent on robust STP estates strategies and disposals plans
- If all existing funding announced it is likely future waves will all be linked to NHS long term plan and spending review

# CAPITAL FUNDING & SPENDING CHALLENGES

Figure 1: Trends in capital budgets, net of CDEL to RDEL switches trusts and FTs

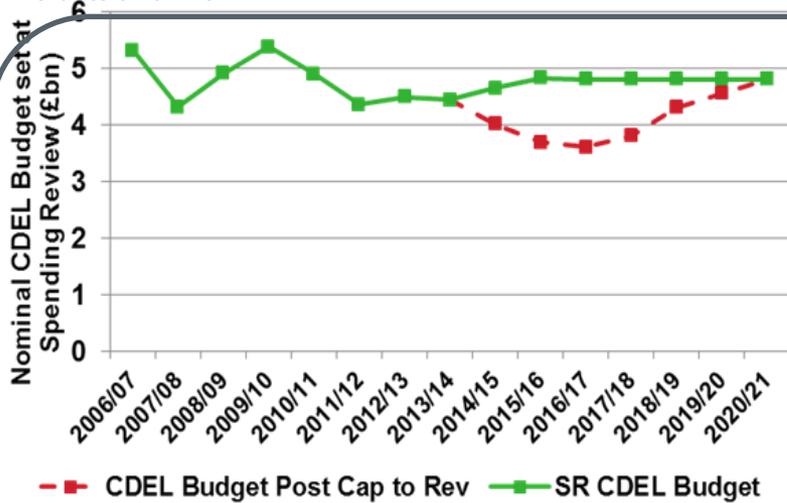


Figure 2: Backlog maintenance trends reported by NHS

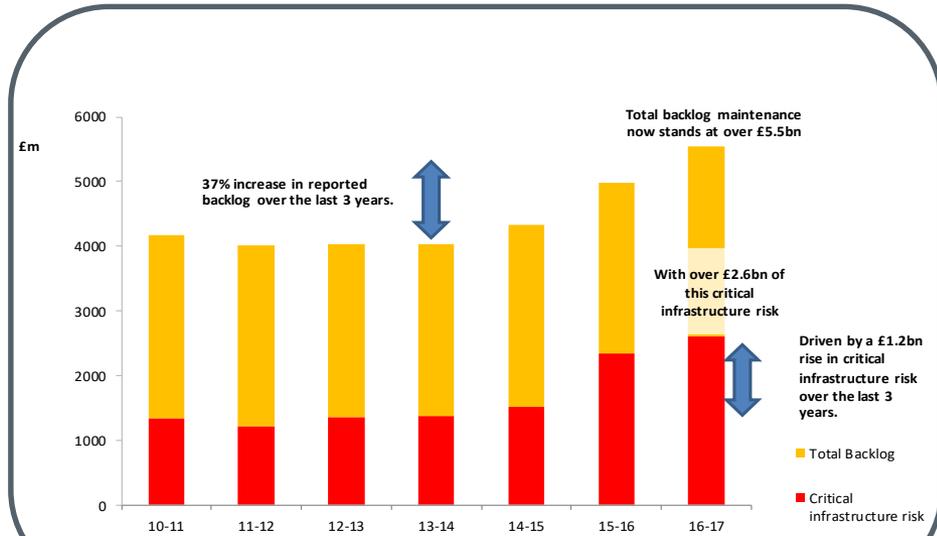


Figure 3: Adjustments to the CDEL budget for 2017/18

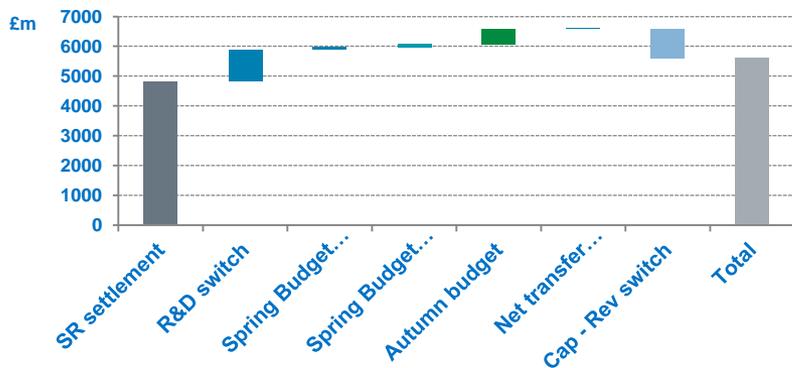
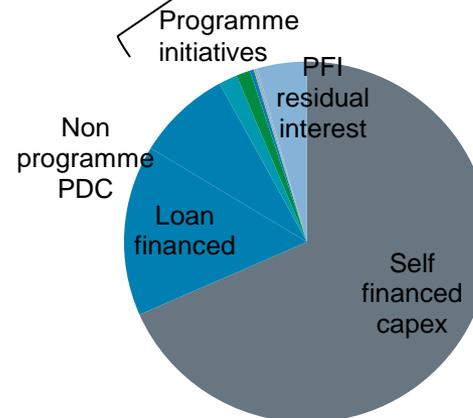


Figure 4: Spectrum of CDEL funding routes, provider sector 2017/18



The current capital regime is like "driving into fog"  
Jon Rouse, Sept 2017, HSJ.

# NHS PROPERTY BOARD

**Vision:** An estate that supports local delivery of the best possible care for patients and also achieves maximum value for money for the taxpayer.

## Objectives

1. Support transformation of the NHS estate.
2. Dispose of surplus NHS land for 26,000 homes by 2020.
3. Relatedly, generate £2bn of capital receipts by 2020-21 and £3.3bn by 2022-23.
4. Drive improvements in operational estates efficiency.

## Role of the Board

1. Strategic oversight and direction.
2. Clarity on roles and responsibilities and ensuring the right capacity and capability.
3. Information sharing and joining up.
4. Holding to account
5. Agreeing a shared system view, airing and resolving different views.

## Membership

- Lord O'Shaughnessy (chair)
- DHSC
- NHS England
- NHS Improvement
- Strategic Estates Planning team
- NHS Property Services
- Community Health Partnerships
- Office of Government Property
- HMT Treasury
- MHCLG
- Homes England
- Sir Robert Naylor
- Sir Sam Everington

# STRATEGIC ESTATES PLANNING (SEP) TEAM

- Brought together to operate as a single team
- Strengthened and grown
- Engaged and sought feedback from the NHS
- Transferred to become joint NHSI/ NHSE function from the October 1<sup>st</sup> - independence, integration
- New permanent director- Natasha Kerrigan- started during October
- Focus on STP level estates plans
- STP Estates Strategies of sufficient quality are key to accessing capital going forward

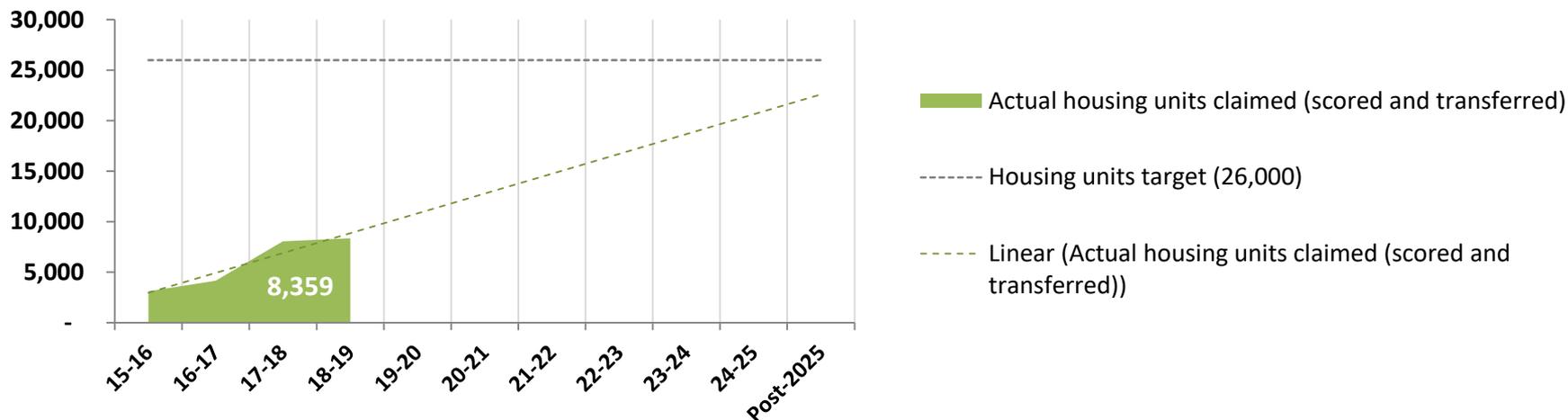


**Strategic Estates  
Planning Service**

# SURPLUS LAND DISPOSALS

## Disposals as part of the 2015-20 Public Land for Housing Programme

\*2018/19 Q1 Homes England validated data. Including transfers to HE.



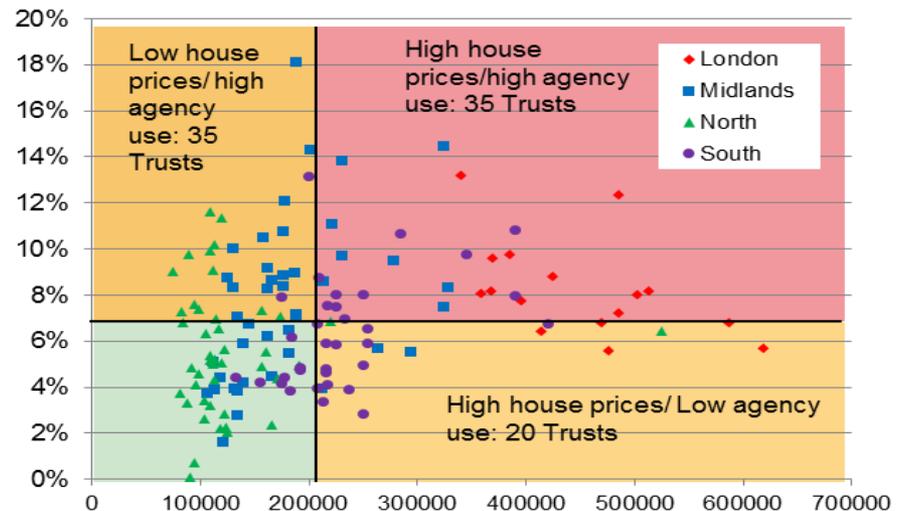
Challenge	Responses
Capacity/ capability	SEP, inc disposals resource; Homes England
Incentives	STP capital funding; 'reverse loans'; waiving SofS overage
Funding	STP capital funding; One Public Estate

# HOMES FOR NHS STAFF

**PAC recommendation:** “The Department should set out how it will take account of the housing requirements for NHS staff, particularly in high-cost areas, in order to support permanent staffing.”

**Naylor review:** “Land vacated by the NHS should be prioritised for the development of residential homes for NHS, where there is a need”.

- October 2017: Government announced right of first refusal for NHS staff on affordable homes build on NHS land-benefitting up to 3000



# NHS LONG-TERM PLAN

## NHS Long term plan

1. £20.5 billion a year, £394 million a week, extra in real terms by 2023/24
2. A ten-year plan for world-class healthcare with more doctors and nurses
3. Funded in part by reducing EU contributions, with us as a country contributing a bit more
4. Delivering improved cancer survival rates and better mental health services
5. Ensuring every pound is spent wisely with reduced waste and inefficiency

## The Government agrees it will...

- Ensure, through the spending review, that social care places no additional pressure on the NHS, and public health supports people to live longer, healthier lives.
- Come forward with proposals to reform social care later this year.
- **Consider proposals from the NHS for a multi-year capital plan** and a multi-year funding plan for clinical training places.
- Consider any proposals from the NHS for legislative changes that will help it to improve patient care and productivity.
- Confirm the final settlement at a future fiscal event, subject to an NHS plan that meets the principles and tests set out.

## The NHS agrees that...

The long-term plan will deliver on **six principles** :

1. *spreading best practice* eliminating the unacceptable variation in quality of care;
2. better *integration* of health and social care;
3. building the *workforce* we need for the future, with the right numbers and types of doctors, nurses and other professionals, and more of them trained in the UK;
4. embracing the opportunities of *technology*;
5. focusing on the *prevention* of ill-health and personal responsibility; and
6. significantly improving access to good *mental health* services to deliver parity of esteem.

The long-term plan will:

- Get the NHS back on the path to *delivering agreed core performance standards*.
- Include a *review* of clinical access and performance standards.
- Tighten *accountability* for delivery at all levels in the system.
- Support **new priorities**: raise *cancer* survival rates to the average of France/Germany; introduce new *mental health* access standards; improve *maternity safety and infant mortality*; and harness the power of *genomics*.

The long-term plan will meet **five financial tests**:

1. return all organisations to *financial balance*;
2. achieve cash-releasing *productivity* growth of at least 1.1% per year (to be agreed in the plan);
3. reduce the growth in *demand* for care through better integration and prevention;
4. reduce *variation* in performance (financial and operational) across the NHS; and
5. **make better use of capital investment and existing assets to drive transformation.**

# Long Term Plan – Capital & Infrastructure Update

## Capital and Infrastructure workstream

- The workstream is taking forward two themes of work:
  - Work on a 10 year capital settlement in order to provide sustainable state of the art infrastructure, equipment and IT systems which can support transformational change across all care settings (acute, mental health, community, specialist, ambulance, social care and primary care). As well as reflecting the priority policy objectives the plan is that we will replace poor quality and out of date estate and equipment in order to deliver the highest quality of care to patients and to support the efficient use of resources for the NHS.
  - A review of the existing capital regime to ensure available capital is used as effectively as possible. Phase 1 of this work was commissioned as part of the PBR (post budget review) and has been completed jointly by NHS Improvement, DHSC and NHS England. It sets out three sets of issues to be addressed – fragmentation, short-termism and uncertainty. Phase 2 of the work will provide options to improve the position whilst recognising that many of the perverse behaviours within the existing capital regime have been driven by the restriction of both revenue and capital funding over recent years.
- Work on the 10 year capital plan and the changes to the capital regime are being developed in parallel
- Expectation is that CDEL levels will be set via the spending review in (autumn) 2019
- However, it is important that when the 10 year plan and revenue funding settlement is agreed this November, the principles and expectations around the support capital plan are understood and taken in consideration