Dear Colleague

During the Health Infrastructure Plan Statement on Monday 30 September, I am sorry that I was unable to respond to all the issues raised by Noble Lords and I promised to write.

As I set out in the Statement, the Plan outlines a powerful vision for improving and standardising capital investment in the NHS, building on the commitments in the NHS Long Term Plan and the accompanying £33.9bn increase in revenue funding.

First, Lord Scriven raised capital to revenue budget transfers. I can confirm that as part of prudent forward planning, it was recognised and agreed with HM Treasury at the time of the 2015 Spending Review that there might be a potential need to transfer resources from the capital budget to help meet the priorities of the NHS.

The Department of Health and Social Care (DHSC) together with NHS leaders then made the judgement that supporting revenue expenditure out of capital, in a planned and time-limited way, would indeed be better for patients. However, the Government has always been clear that it would taper down and expect to phase out the need for capital-to-revenue transfers by the end of the current Spending Review period in 2020-21. As of the last financial year (2018-19) the transfer had reduced to £0.5 billion, down from £1 billion in the previous financial year. The ending of such transfers will not require the introduction of any accounting rule changes.

Second, Baroness Scott of Bybrook raised support for hospitals that have large PFI contracts. I can confirm that while the Government has discontinued its use of PFI for future projects, it will continue to honour existing PFI contracts as terminating these early would be a poor use of taxpayer money. The former Chancellor announced in 2018 the creation of a PFI Centre of Best Practice in the DHSC which will work with NHS trusts to actively manage PFI contracts (in the taxpayers’ interest) – including improving contract management capability – and look for opportunities to deliver better value for money.
Third, Baroness Redfern raised how quickly the £200m earmarked for diagnostics could be invested. I can confirm that the NHS plans for these investments to be made, and for patients to begin benefitting from them, immediately.

I hope you find this letter helpful. I am copying this letter to all Noble Lords who spoke to the Statement and will also place a copy in the House library.

[Signature]

LORD BETHELL