October 2024

Briefing on NHS capital

NHS Providers is the membership organisation for the NHS hospital, mental health, community and ambulance services that treat patients and service users in the NHS. We help those NHS foundation trusts and trusts to deliver high-quality, patient-focused care by enabling them to learn from each other, acting as their public voice and helping shape the system in which they operate. NHS Providers has all trusts in England in voluntary membership, collectively accounting for £124bn of annual expenditure and employing 1.5 million people.

Member survey on capital funding

In May 2024, we surveyed trust chief executives and finance directors, asking for their views on a variety of finance topics, including capital funding. We received responses from 114 different trusts, accounting for over half (55%) of the provider sector (209 trusts), from all regions and trust types in England.

Key findings

1. Nine in ten respondents (90%) said that the level of operational capital funding available to their organisation was insufficient, 8% felt it was sufficient and 2% said it was neither sufficient nor insufficient.
2. 69% of respondents say estate related issues were having either a severe (19%) or significant (50%) impact on their ability to deliver a positive environment for staff, patients and service users.
3. Over half of respondents also said estate related issues were severely or significantly impacting their ability to deliver:
   - a High quality care – 58% (14% severe, 44% significant);
   - b Improved productivity levels – 57% (9% severe, 48% significant);
   - c Management of demand pressures – 51% (15% severe, 36% significant).
4. 91% of respondents strongly disagreed (73%) or disagreed (18%) that they had sufficient access to capital funding to invest in the transformation of their estates.
5. Over half of respondents (53%) also said that their trust's capital needs were not being sufficiently prioritised within their local system.
6. 68% of respondents stated that they were unable to explore alternative routes to strategic capital funding effectively.

7 Of the 13 trusts with NHP schemes who responded to our survey, 62% said that their NHP scheme will not be complete by 2030.

Comments from trusts leaders

- "Our backlog maintenance issues are huge and we are living with significant risk which materialises daily and impacts patient care regularly. We have insufficient capital to resolve event the highest risk issues, let alone invest in digital and other transformational capital opportunities." – Acute trust chief executive
- "The system allocations barely cover day to day backlog maintenance requirements. Unless we have some strategic capital investments, some services will need to be stopped which will have severe impacts on local and regional healthcare." – Combined mental health/learning disability and community trust finance director
- "We are not able to prioritise capital to the level of need in each organisation. We have prioritised the distribution of available capital and the level of risk associated with the shortfall in capital, has increased significantly. There needs to be much greater focus and thought given (with prompt action) to explore novel financing models to attract private sector financing for appropriate schemes" – Combined acute and community trust chief executive
- "Changes to the CDEL regime are essential to make it easier to bring in external investment for the benefit of UK life sciences / repatriating work from the private sector" – Acute trust finance director
- "There remains a persistent bias against mental health and community services in relation to capital allocation." – Combined mental health/learning disability and community trust chief executive
- "One of our sites is in the NHP and the continued extension of the dateline means we are likely to need a significant injection of capital ahead of the proposed NHP timing to keep critical services running in a safe way - for which we have no funding route." – Combined acute and community trust finance director
- "There is not enough capital to undertake basic health and safety requirements for the year" – Combined mental health/learning disability and community trust chief executive
- "Our estate is outdated and poorly configured which contributes to sub optimal levels of performance" – Ambulance trust finance director

Background

The independent investigation of the NHS in England led by Lord Darzi highlighted that over the 2010s "a staggering gap" opened up between the UK and international comparators on spending on capital projects. If the UK had matched the average capital spending of comparable countries then it would have spent £37bn more on health-related assets. Throughout the 2010s, the NHS capital budget was continually raided in order to top-up day-to-day spending. During this period £4.3bn was transferred from the capital budget to support revenue pressures. As the NHS Long Term Plan highlights, the NHS uses its capital assets and infrastructure more intensively than most other countries. Therefore, given the relative lack of capital investment over the last decade, the infrastructure and equipment needs of the NHS have become more profound, as buildings and equipment have deteriorated significantly without the requisite investment to maintain assets to suitable working conditions.

However, trusts welcomed the October 2021 Spending Review settlement which saw capital investment increased to an average of £8bn per annum – substantially higher than the £3bn average per annum between 2010-2019. Over the past decade, the DHSC capital budget has increased from £5bn in 2014/15 to £12.6bn in 2024/25. For 2024/25, NHS England allocated £4.1bn of operational capital funding to integrated care systems and £3.9bn of funding was reserved for nationally allocated funds and programmes.

Despite the recent rise in capital investment across the NHS, inflation has significantly eroded the value of increased capital budgets. Inflation has limited trusts' ability to deliver capital projects within initial cost estimates and forced trusts to delay or abandon projects due to rising cost pressures. As the real-terms value of capital budgets have lessened, trusts are left with little headroom to both safety critical repairs and strategically invest in their estates, increasing the risk carried across their estates and limiting the scope for productivity improvements.

Rising maintenance backlog

The maintenance backlog has been steadily rising over the last decade. The latest estates return information collection (ERIC) data for 2023/24 shows a deterioration of the maintenance backlog across the NHS estate. Since 2010/11, the total maintenance backlog has more than doubled, with the latest data showing that the backlog has increased to £13.8bn. The maintenance backlog increased by £2.2bn in 2023/24 alone – a 19% rise from the equivalent figures for 2022/23.

Trusts are currently managing significant levels of estates risk, with the total cost to eradicate the proportion of the backlog categorised as 'high risk' now £2.7bn – over seven times higher than the equivalent figure for 2013/14. The backlog is now higher than the total DHSC capital budget for 2024/25 and has now outstripped the total cost of running the NHS estate (£13.6bn).

Respondents to our survey highlighted their concerns over the impact the quality and condition of the estate was having on staff morale, with many trust leaders feeling that staff were being asked to treat patients in inadequate facilities. 69% of respondents said that estate-related issues were having either a severe (19%) or significant (50%) impact on their ability to deliver a positive environment for staff, patients and service users.

Furthermore, the rising maintenance backlog has a significant impact on trusts' ability to improve productivity, with medical procedures often being disrupted, postponed or cancelled due to faulty equipment or safety hazards. 57% of respondents to our survey said that estate-related issues were severely or significantly impacting the delivery of improved productivity levels.

There are also particular challenges for mental health trusts where outdated buildings and facilities are not providing suitable therapeutic environments for patients accessing mental health services. One mental health trust chief executive said they had received "an allocation of probably half what I needed". Sufficient investment is also required for the ambulance sector, to ensure staff and ambulance crews are equipped with the tools they need to deliver emergency services effectively. A finance director of an ambulance trust shared that their "estate was outdated and poorly configured" which causes "sub optimal levels of performance".

There is an urgent need for government to provide trusts with the necessary capital funding to eradicate the maintenance backlog and enable trusts to provide safe, therapeutic environments for staff to deliver high quality patient care. Increasing capital investment in the NHS is essential to securing a high-quality, productive service now and for the future.

New Hospital Programme

Following the general election, the Chancellor announced that the government would be reviewing the NHP in order to "put the programme on a more sustainable footing" (HM Treasury, 2024). On September 20 2024, DHSC published the terms of reference for the review of the NHP, which will assess the delivery timeline for each scheme (DHSC, 2024). Some schemes, including the seven hospitals most affected by RAAC and those with fully approved business cases are "out of scope" for the review and will proceed as planned. The Secretary of State acknowledged that the previous government's delivery timetable was unrealistic and would need extension but confirmed the intention to complete the NHP.

Trusts involved in the programme have shared their frustration over the ongoing lack of clarity regarding funding and delivery timelines for their projects and have urged the government to be transparent with trusts, staff, and patients about when new hospital schemes will be completed. Of the NHP trusts who responded to our survey, 62% said that their scheme will not be completed by 2030. Whatever the outcome of the government's review of the NHP, government must ensure trusts have enough resources to continue planning and commence construction work as soon as possible in order that trusts can deliver the benefits their new schemes will bring to staff, patients and their local communities.

Transforming the NHS estate

Despite £3.9bn of capital funding held nationally by NHS England, trusts continue to experience significant difficulty in accessing strategic capital envelopes to help kickstart investment in major health infrastructure projects. Trusts continue to share that there is insufficient capacity within their capital allocation - and by extension, the wider capital departmental expenditure limit (CDEL) – to deliver safety critical repairs, update antiquated equipment and invest in the transformation of their estate. 91% of respondents to our survey stated that they did not have sufficient access to capital funding to invest in the transformation of their estates.

Over 100 applications were made from trusts for the final eight places on the New Hospital Programme (NHP) highlighting the vital need for capital investment to enable trusts to overhaul their ageing NHS estates. Trusts excluded from the programme are concerned about access to national capital funding to prioritise the redevelopment of their estate. The NHP alone is insufficient to meet the total capital funding needs of the NHS. Furthermore, given the national priority on elective recovery and the shortage of mental health and community trusts in the NHP, many trust leaders are concerned about the underinvestment in mental health and community services.

Trust leaders have consistently shared their concerns about the growing mismatch between the level of capital resource available to trusts and the total infrastructure needs of the NHS. Trusts are committed to working with government to identify potential solutions that could widen access to strategic capital funding. However, 68% of respondents to our survey stated that they were unable to explore alternative routes to strategic capital funding effectively. The Hewitt Review, published in April 2023, called on the government to clarify its position on the use of private finance to support major health infrastructure projects and consider reforming CDEL to better enable void space to be filled and the co-location of services across the NHS and local authorities. Trusts need greater flexibility to invest in their own estate without breaching their system's capital expenditure limit. These limits mean trusts are unable to access vital strategic capital funding to kickstart major health infrastructure projects. Increasing CDEL and enabling new routes to capital is vital to transform the NHS estate and ensure it is fit for the future.

Further resources

We will be publishing further findings from our survey of trust chief executives and finance directors on NHS productivity in due course.

If you have any questions regarding any of the material within this briefing, please contact Sandy Cook (sandy.cook@nhsproviders.org).