First report of Session 2023-24

Department of Health and Social Care

The New Hospital Programme

Introduction from the Committee

The NHS in England has around 1,500 hospitals, where most emergency and elective care occurs. The NHS estate contains many old buildings, and its condition has been deteriorating, with some 43% built before 1985, and 15% pre-dating the NHS itself. The value of the total maintenance backlog in NHS hospitals (that is, the estimated cost of restoring all its buildings to an appropriate state) had reached £10.2 billion in 2021–22, compared with £4.7 billion in 2013–14. In 2020, the government committed to build 40 new hospitals by 2030, as well as completing eight schemes that were already in construction or pending final approval.

DHSC set up the New Hospital Programme (NHP) to deliver this commitment. Where hospital construction schemes had previously been funded centrally but delivered locally by NHS trusts, NHP would take a new approach, managing projects as a portfolio and standardising processes and designs with the aspiration, once fully implemented, of making significant time and cost savings in the development of new hospitals. HM Treasury initially provided funding of £3.7 billion for the period to 2024–25. In early 2023, it set an indicative maximum for capital funding of £18.5 billion for 2025–26 to 2030–31, taking the total to £22.2 billion (though the amount is subject to future spending reviews).

Following a reset of the programme in May 2023, NHP now includes the replacement of all seven hospitals built entirely of reinforced autoclaved aerated concrete (RAAC) which has become structurally unsound. The scheduled completion date of eight new hospitals included in the original programme has now been delayed until after 2030, and in total only 32 of the new hospitals are now planned for completion by 2030.

Based on a report by the National Audit Office, the Committee took evidence on 7 September 2023 from the Department of Health and Social Care and NHS England. The Committee published its report on 17 November 2023. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Progress with the New Hospital Programme – Session 2022-23 (HC 1662)
- PAC report: The New Hospital Programme PAC Report – Session 2022-23 (HC 77)

Government response to the Committee

1. PAC conclusion: We are extremely concerned by the lack of progress the New Hospital Programme has made in the three years since its creation.

1. PAC recommendation: DHSC should urgently examine how the programme can be made to deliver some tangible results for patients. This should include considering:

- ***whether the central programme team has the capacity and capability to manage all aspects of the programme as currently configured, including the eight schemes that do not count towards the 40 new hospitals commitment; and***
- ***whether more new hospitals should commence construction sooner using pre-existing approaches to design and contracting.***

1.1 The government agrees with the Committee's recommendation.

Target implementation date: August 2024

1.2 The New Hospital Programme (NHP) recognises that progress has been slower than expected on some schemes as work has focused on bringing rigour around cost control and planning. It has also been important for the Department of Health and Social Care (the department) to ensure that the implications of including five additional hospitals constructed from reinforced autoclaved aerated concrete (RAAC) in the programme were fully understood.

1.3 Overall, however, the NHP has made progress. Four hospitals are open to patients, one hospital has completed construction and is due to open to patients shortly, 3 are due to open later next financial year and 18 schemes are in construction or have early construction activity underway to prepare sites.

1.4 The NHP recognises that it experienced some challenges in resourcing the Programme in its early stages, but it is now building capacity and capability rapidly through recruiting at pace and procuring a programme delivery partner. The Infrastructure and Projects Authority (IPA), NHSE and the department regularly review the capability of the NHP. The government will write to the Committee in March on programme capacity, in line with recommendation 7.

1.5 The NHP is currently examining the possibility of progressing a small number of schemes using existing approaches to both hospital design and methods of contracting, to deliver benefits to patients quickly and reduce backloading of the programme. Should this approach be progressed, schemes will be chosen based on criteria agreed with Ministers, and final decisions will be made alongside consideration of the NHP Programme Business Case by summer 2024.

2. PAC conclusion: DHSC has failed in one of its most basic duties by keeping no proper record to justify its final selection of schemes for the programme.

2. PAC recommendation: For major programmes that involve the selection of schemes from a long list of potential candidates, government should always publish information on selection criteria before decisions are taken and should always be able to provide transparent written evidence to demonstrate why successful schemes were selected.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 The department accepts that there was an omission in record keeping around the final selection of schemes that would be included in the Health Infrastructure Plan in 2019. However, the process was based on clear criteria and the department, NHSE, HM Treasury and No10 Downing Street agreed that the final list of schemes was the right one.

2.3 The government regularly sets out the selection process for major capital programmes before bids are invited and decisions are made. Selection criteria for schemes to take forward will vary but will consistently consider the strategic context, economic impact and risks, commercial factors, financial factors and deliverability; in line with HM Treasury's Five Case Model as recommended by the Green Book. Scheme selection decisions in major capital programmes are inherently complex, requiring comparison between different criteria and consideration of their relative value. The department also considers the advice of NHSE when allocating funding for major capital programmes.

2.4 The department is committed to ensuring its practices, procedures, and advice result in rational decisions made through an appropriate process that take account of the right criteria. As a result, the department will be able to provide evidence on decision outcomes as needed, balanced against its responsibilities to protect certain types of information, such as commercially sensitive information.

3. PAC conclusion: Recent events have shown that DHSC will need to go faster with its efforts to deal with reinforced autoclaved aerated concrete (RAAC) in hospitals

3. PAC recommendation: DHSC should revise its plans for managing the RAAC crisis, including:

- ***Expediting surveys of the NHS estate and publishing the results in full so the extent and scale of the RAAC problem is known.***
- ***Reviewing whether the commitment to eradicate RAAC from the NHS should be brought forward from 2035, and, in light of NHS estate survey results, reviewing whether the existing £685 million fund up to 2024–25 is sufficient.***
- ***Aiming to start construction before the end of 2025 on replacements for the seven entirely RAAC hospitals.***
- ***Appointing a named senior official to oversee delivery of its RAAC plan and to support NHS trusts to make the right decisions on the safety of RAAC buildings.***
- ***To ensure transparency on this issue, writing to the Committee alongside its Treasury Minute response with its latest assessment of the scale of RAAC in other parts of the health and social care systems, including community settings, GP practices, and the adult social care sector.***

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 The NHS has been at the forefront of the public sector response to RAAC and has been surveying sites since 2019. The department will continue to work with NHS Trusts to expedite surveys where possible RAAC is identified. While publishing surveys in full will not be possible due to the commercially sensitive information contained within, the government commits to continuing to publish and update information on confirmed RAAC within the NHS on Gov.uk.

3.3 The department will continue to keep the commitment to eradicate RAAC from the NHS estate by 2035 under review. Significant RAAC eradication will occur before 2035, including the work to rebuild the seven hospitals most affected by RAAC as part of the NHP. The department supports construction on the replacements for the seven entirely RAAC hospitals as a priority, and at a minimum, we aim to begin early works to prepare sites by the end of 2025. The existing hospitals will remain open and safe due to ongoing monitoring and mitigation of existing RAAC, in line with current evidence and recommendations from the Institution of Structural Engineers.

3.4 The department regularly assesses the financial implications of increased RAAC identification. Work is on-going with Trusts where RAAC has been recently identified to assess the financial and clinical implications of eradicating RAAC from these sites. The funding needs for RAAC mitigation and eradication beyond 2024-25 will inform the department's bids at subsequent Spending Reviews and future budgets.

3.5 The department will write to the Committee with an assessment of the scale of RAAC in other parts of the health and social care system, noting there is no obligation for private owners to report the presence of RAAC to the department. The letter will include the name of the senior NHSE official responsible for its plan on RAAC.

4. PAC conclusion: DHSC must quickly complete and test its standardised hospital design to avert further delays to hospital construction, and to reduce the current high risk of cost and quality issues in years to come.

4. PAC recommendation: For the twin purposes of piloting and making progress, DHSC should aim to be ready to start construction during 2024 of at least one early scheme that uses its standardised hospital design, with a particular focus on trialling new clinical infrastructure such as standardised operating theatres

4.1 The government disagrees with the Committee's recommendation.

4.2 The government agrees that NHP should test Hospital 2.0, its standardised approach to building hospitals, and intends to do so at the earliest opportunity within one of the RAAC schemes, given the importance of prioritising these to protect patient and staff safety. However, construction is unlikely to start in 2024. Consistent evidence from major programmes demonstrates beginning construction ahead of achieving sufficient maturity of design ends up costing time and money.

4.3 The NHP is however conducting deep dive reviews into how Hospital 2.0 would work in a variety of schemes, and working closely with clinicians, NHS trusts, Royal Colleges, patient and public groups, and the supply chain to gather best practice to include in Hospital 2.0.

4.4 The standardised reference designs are being tested for fit against the constraints and contexts of specific types of hospital schemes, including low-rise and high-rise hospitals. This will provide learning on how Hospital 2.0 designs may need to be adapted when applied to other settings.

4.5 The NHP intends to test and further develop Hospital 2.0 designs through more established prototyping facilities from late 2024, subject to business case processes and approvals, alongside ongoing design work and anthropometric studies. These prototyping facilities aim to engage patients, clinicians and manufacturers in improving the designs of key elements, such as operating theatres, and aid training and familiarisation to support commissioning and efficient roll-out of services in new hospitals.

4.6 The NHP will feed back all learning from different schemes as aspects of Hospital 2.0 designs are applied into a continuous learning process.

4.7 In 2023, the NHP launched a library of Hospital 2.0 products to trusts, external parties and industry, supporting planning and scheme development, before a detailed release of Hospital 2.0 in May 2024.

5. PAC conclusion: DHSC is at risk of locking in a standard design that will result in future hospitals being too small, which could lead to significantly greater expenditure and disruption in the long run.

5a. PAC recommendation: DHSC should amend its Minimum Viable Product version of Hospital 2.0 so it does not result in future hospitals that are too small, and should set out clearly how these future hospitals fit into its assessment of total required hospital capacity nationally and by region.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 The government agrees that it is vital that future hospitals are the right size and it will keep the assumptions on size of future hospitals under constant review.

5.3 The NHP is working jointly with wider NHSE to develop its modelling and ensure fit with regional and national modelling on the long-term infrastructure needs of the NHS, across acute, community and primary care settings. NHP is also putting forward different options on programme scope, as is normal practice, as part of its programme business case, which is due to be agreed by May 2024.

5.4 To tailor its central modelling to local needs, NHP is also developing a standardised, bottom-up model to assess the most probable net demand, jointly with NHS trusts and integrated care boards. This work requires a high level of collaboration with a wide range of local NHS and other stakeholders to combine national expertise and best practice with local knowledge.

5.5 As well as ensuring that hospitals are not too small, this approach will also ensure that hospitals are not too big, thus avoiding unnecessary capital costs and ensuring that trusts can afford the running costs of the new facilities.

5.6 One of the principles of Hospital 2.0 is that it should maximise the opportunity for future expansion, and this has been factored in standard designs to ensure this can happen for minimum cost and operational disruption.

5b. PAC recommendation: The Health and Social Care Committee may wish to consider holding an inquiry into DHSC's assumptions about the design of future hospitals.

5.7 The government notes the Committee's recommendation.

5.8 The department will engage with any subsequent Health and Social Care Committee inquiries regarding the design of future hospitals within the NHP.

5.9 The department is working with trusts to ensure that plans for NHP schemes meet the requirements of local communities and continues to review the Hospital 2.0 designs with clinicians and industry experts. The next release of Hospital 2.0 products is expected in May 2024.

6. PAC conclusion: There appears to be insufficient funding for DHSC to build all the hospitals it plans, and to an adequate size, by 2030.

6. PAC recommendation: DHSC should be realistic about the likely cost of schemes and what can be afforded by 2030. As well as addressing the shortcomings in its Minimum Viable Product version of Hospital 2.0, it should engage further with the construction industry to understand and manage likely capacity constraints. It and HM Treasury should agree explicitly and in writing whether the pre-2030 costs of eight delayed cohort 4 schemes are to be met from the current agreed funding envelope.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: May 2024

6.2 The government agrees that the NHP's programme plan and costs should be realistic and deliverable. In May 2023, the government gave greater clarity on programme scope and funding in its announcement confirming that the NHP is expected to be backed by over £20billion of investment. The department has provided all schemes with an indicative funding

envelope on which they can base their programme plans. All trusts will still need to go through business case approval processes. As outlined in response to recommendation 5, the NHP is keeping assumptions on size of future hospitals under constant review.

6.3 The NHP also agrees that it should continue to engage with the construction industry to understand and manage likely capacity constraints and is already implementing an extensive market engagement strategy to this effect. The NHP held a market engagement event in November 2023, which updated industry on the current status of the programme and future plans and was attended by over 300 supplier or business organisations across eight primary market areas.

6.4 The NHP is developing a third version of the programme business case with different options, as is usual practice, with a view to securing approval through the government's Major Projects Review Group by May 2024 and confirming funding through future Spending Review processes. Once agreed with HM Treasury, the intention is for the programme business case to include a specific amount of proposed funding for the pre-2030 costs of the eight schemes expected to complete after 2030. The government remains committed to all schemes in the NHP, including those expected to complete after 2030.

7. PAC conclusion: The Programme is over-reliant on consultancy services.

7. PAC recommendation: DHSC should work with HM Treasury and the Cabinet Office to develop a strategy for attracting into the civil service and retaining there the skills it needs to run a rolling programme of hospital construction; it should write to the Committee by March 2024 setting out what it will do differently in future.

7.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2024

7.2 The NHP is a highly complex infrastructure project that requires significant technical expertise. External professional and technical expertise is a regular part of large construction programmes, and the NHP's approach is in line with other major government programmes at this stage. The NHP has a recruitment strategy that covers the full breath of its required resource over the duration of the programme lifecycle, and the procurement of a programme delivery partner. The department regularly engages with HM Treasury and Cabinet Office on this and will write to the Committee by March 2024 as requested.

7.3 There is a shortage of skilled specialists across the Civil Service which affects the delivery of many major government projects, and there have been difficulties in recruiting people to senior leadership positions in the NHP. The NHP is actively recruiting into key roles in the department and NHSE, including project and programme management, digital and workforce change, procurement and other commercial expertise. Resourcing is regularly monitored by the NHP People Committee to ensure that the NHP has the right level of resources to deliver the programme effectively.

7.4 The NHP also recognises that some roles are more appropriate to fill with specific external expertise, examples being architects and engineers. Specific external expertise will be procured through a programme delivery partner. NHSE launched the procurement for this delivery partner in November 2023. The government's view is that a programme delivery partner approach is necessary to enable the NHP to secure the flexible capability it needs to meet emerging risks and challenges, but that as the programme matures, it may be possible for some of this resource to eventually be replaced by directly employed individuals.

8. PAC conclusion: The raiding of capital budgets in the recent past is an underlying cause of the estates crisis the NHS is now in.

8. PAC recommendation: DHSC should not reduce planned capital investment to meet day-to-day spending needs in future; if officials were to consider doing this again we would expect the Permanent Secretary to write to Ministers explaining the likely real-life consequences of such a course of action.

8.1 The government agrees with the Committee's recommendation.

Recommendation implemented

8.2 The government recognises the importance of capital investment in the NHS and the role it plays in an effective and productive healthcare system. The department is providing the NHS with record amounts of capital, including £12 billion of operational capital between 2022-23 and 2024-25 to address the most pressing priorities.

8.3 The decision to switch capital budgets to revenue is only made in exceptional circumstances. When such switches are enacted, capital programmes with forecasted underspends are prioritised for a switch rather than proactively delaying programmes. The department also enacts some adjustments where, to meet the same programme aims, the currency of spend has changed from capital to revenue.

8.4 Although the government agrees with the Committee's recommendation in principle, it is right that the department regularly assesses its priorities so that budgets are targeted effectively. Therefore, the government suggests that the usual processes when advising Ministers of the impact of financial decisions, including switching of capital budgets, continue to be followed. The department will continue to make these considerations clear as part of Ministerial advice, with any switches then being approved by HM Treasury.

8.5 Looking forward, the government is committed to providing more certainty for NHS capital through rolling programmes of investment in NHS infrastructure.