



# Department of Health & Social Care

*From the Rt Hon Wes Streeting MP  
Secretary of State for Health and Social Care*

*39 Victoria Street  
London  
SW1H 0EU*

Layla Moran MP  
Chair, Health and Social Care Committee

16 December 2024

Dear Chair,

## **Capital Spending and the New Hospital Programme**

I am responding to the questions raised in your letter of 14 November regarding capital spending and the New Hospital Programme (NHP).

### **Capital Spending**

- 1. Does this indicate that the department is seeking to manage current year resource spending pressures by converting capital investment to resource spend?**

In previous financial years, the department has switched funding from Capital Departmental Expenditure Limits (CDEL) to Resource Departmental Expenditure Limits (RDEL), principally to put funding in the right 'currency' for the activity. In 2023/24 £0.9 billion was transferred for this purpose, with a smaller proportion to cover limited and specific in-year spending pressures.

At Autumn Budget it was announced that £930 million would be switched from capital to revenue budgets in 2024/25. These related to healthcare pay settlements (agreed under the previous government); investments in technology programmes; and to provide revenue programme funding for the NHP.

The NHP and technology programme switches are 'technical', i.e. changes in how transactions are classified because the funds initially earmarked for capital projects need to be reclassified as expenses. For example, a technical switch is needed when the government decides that using a cloud service (RDEL) is preferred to buying IT hardware (CDEL) or, as in the case for the NHP, when the budget for a multi-year capital programme is set at a stage when the level of programme running costs was not known.

- 2. What steps are you taking to ensure that the department's capital budget will be used for its intended purpose, and will not need to be reallocated mid-year?**

The Government has now updated the fiscal rules, which will stop future capital to revenue switches and, for future Spending Reviews (SR), ensure that as far as possible funding is provided in the right currency.

To support major infrastructure projects, the Government has created the National Infrastructure and Service Transformation Authority (NISTA) to drive more effective delivery of infrastructure across the country. Alongside existing assurance mechanisms, NISTA will have an enhanced role in supporting major projects, including validating business cases prior to HM Treasury funding approval.

## **Funding**

### **3. How does the additional spending announced in the Budget relate to or affect the budget for the NHP?**

As announced by the Chancellor on 30<sup>th</sup> October, Phase 1 of the SR provides an increase in capital investment for health in the 2025/26 financial year. We are finalising the implications of the Budget for the NHP overall as well as individual schemes so we can be honest and upfront with everyone on when we expect the new hospitals to be delivered.

Additionally, Government also announced plans for SRs to be held every two years with plans to be set for at least three years. This will enable more longer-term planning and improving the ability to secure better value for money in delivering public services. This will also provide the Programme, Trusts, and industry with higher levels of certainty.

We continue to work with Trusts in the Programme to progress delivery of their schemes. This includes supporting Trusts with business case development and preparatory works, providing funding where necessary to maintain momentum while we finalise the implications of the Budget.

We remain committed to removing RAAC from the NHS estate as a priority and the Budget also confirmed that we will continue to deliver the Reinforced Autoclaved Aerated Concrete (RAAC) eradication programmes and replacement schemes at pace.

The seven hospitals from NHS England's national RAAC programme, which are out of scope of the NHP review, continue to receive funding and support to ensure patient and staff safety. We continue to explore opportunities to ensure these schemes are delivered as quickly as possible for the safety of patients and staff who access them.

The outcome of the review will be published in the coming months alongside the new delivery schedule that is fully costed for the Programme.

### **4. Is the Government still committed to spending the £18.5 billion agreed in March 2023 on hospital building?**

- i. If not, are you able to confirm whether this funding will, at least, still be made available for Health and Social Care capital spending?**

The £18.5 billion “commitment” in March 2023 was never backed up by a Budget or Spending Review and therefore never featured in government spending plans. Instead, a much lower sum, £3.7 billion, was committed to the Programme (announced at SR 2020) and has funded NHP since the financial year 2021/22. When the new government took office, funding for the NHP was due to run out in March 2025.

While overall levels of continued investment are a matter for future SRs, the significant increase in capital funding in the Autumn Budget for the financial year 2025/26 and the largest health capital budget since 2010 is a clear indication of the priority this government gives to health infrastructure spending and its commitment to tackle the issues detailed in Lord Darzi’s report.

We are working through the details following the Budget statement, including what this means for Health and Social Care capital spending including and beyond the NHP.

### **New Hospital Programme: Review and progress**

- 5. The expected outcomes and outputs of the Review, including in relation to the NHP business case.**
  - i. The timeframe for publication of the Review**

The review into the NHP has fed into decisions that were taken in the recent Autumn Budget and, as set out by the Chancellor on 30<sup>th</sup> October, we will publish the outcome of the review in the coming months alongside the new delivery schedule for the Programme. This will allow patients, Trusts and the local communities to have confidence in when their much-needed new hospitals will be delivered.

- 6. Whether the Review will include a re-evaluation of the Hospital 2.0 design and viability, or what further separate work is planned on this.**

The Terms of Reference (ToR) of the NHP review (including the scope) were published on 20<sup>th</sup> September and are available here:

<https://www.gov.uk/government/publications/new-hospital-programme-review-terms-of-reference/new-hospital-programme-review-terms-of-reference>

In response to the National Audit Office’s report on the New Hospital Programme of 17<sup>th</sup> July 2023, we have addressed concerns on re-examining the assumptions underpinning NHP’s Hospital 2.0 design. The NHP continues to collaborate with Trusts to test and validate the design and assumptions, and to ensure the design supports schemes’ requirements, NHP examines, reflects and embeds lessons learnt on different aspects of Hospital 2.0 across all schemes in the Programme. Designs are also tested with key stakeholders across the market and industry to harness and integrate expertise and feedback. Together, this enables continuous learning which will result in Hospital 2.0 design products that are co-designed, co-created, tested and iterated to best suit current and future needs of Trusts.

**7. The objectives against which the progress of “in scope” hospitals will be reviewed, and an explanation of how you will prioritise construction on these schemes.**

Details of which hospitals are in scope of the review are set out in the Terms of Reference.

Key data was collated for each of the hospitals falling within the scope of the review, including criteria around clinical outcomes, deliverability, cost and estate condition.

We will continue to deliver the NHP by placing it on a more sustainable and deliverable footing. The review is looking at the possible delivery timelines for each scheme, along with clinical considerations, risk and cost profiles, and will present a range of options to be taken forward. Options and recommendations for phasing of the programme based on assessment of these criteria will then be established for ministers to consider. The recommended options for scope, size and phasing will be supported by confirmation of the optimum approach for delivery, underpinning clinical assumptions and the associated commercial strategy.

**8. If decisions are taken not to proceed with some projects, how will DHSC ensure that the ongoing clinical needs at these sites are met?**

Trusts will continue to receive operational capital investment to prioritise and upgrade, maintain and refurbish their estates. Furthermore, additional capital announced at the Autumn Budget included over £1 billion to continue to tackle dangerous RAAC and make inroads into the backlog of critical maintenance, repairs, and upgrades across the NHS estate – protecting the safety of staff and patients and boosting productivity.

**9. The current status of each of the 12 hospitals designated “out of scope – business case approved”. In particular, has construction started, or have contracts been agreed to begin construction?**

All schemes on the NHP must develop a Strategic Outline Case (SOC) and, following approval of their SOC, they will need to develop their Outline Business Case (OBC) and then a Full Business Case (FBC) prior to commencing construction, as is usual for large infrastructure projects. As outlined by the ToR, 12 schemes were listed as “out of scope” of the review into the NHP:

- Seven are critical hospitals built primarily with RAAC, which will continue to be supported and proceed at pace due to their associated substantive safety risks.

<b>Scheme Name</b>	<b>Trust</b>	<b>Current Status (as of 19/11/2024)</b>
Airedale General Hospital	Airedale NHS Foundation Trust	SOC Development
Frimley Park Hospital	Frimley Health NHS Foundation Trust	SOC Development
Hinchingbrooke Hospital	North West Anglia Foundation Trust	SOC Development
James Paget Hospital, Great Yarmouth	James Paget University Hospitals NHS Foundation Trust	SOC Development
Leighton Hospital	Mid Cheshire Hospitals NHS Foundation Trust	SOC Development
Queen Elizabeth Hospital, Kings Lynn	Queen Elizabeth Hospital King's Lynn NHS Foundation Trust	SOC Development
West Suffolk Hospital, Bury St Edmunds	West Suffolk NHS Foundation Trust	OBC Development

- Five schemes that were out of scope as they had approved FBC or had phases that have specific commitments:

<b>Scheme Name</b>	<b>Trust</b>	<b>Current Status (as of 19/11/2024)</b>
Alumhurst Road Children's Mental Health Unit, Dorset	Dorset Healthcare University NHS Foundation Trust	FBC approved on 3 <sup>rd</sup> May 2024 and started construction on 3 <sup>rd</sup> June 2024.
St Ann's Hospital, Dorset	Dorset Healthcare University NHS Foundation Trust	
Royal Bournemouth Hospital, Dorset	University Hospitals Dorset NHS Foundation Trust	FBC approved May 2024 and construction has started
Poole Hospital, Dorset	University Hospitals Dorset NHS Foundation Trust	FBC Development*
**Dorset County Hospital, Dorchester	Dorset County Hospitals NHS Foundation Trust	FBC approved 15 <sup>th</sup> August 2024

\*The scheme at Poole Hospital which is part of the NHP and is currently in FBC development stage and is expected to be submitted for approvals in 2025. There are interdependencies between the two University Hospitals Dorset NHS Foundation Trust schemes given the changes to service provision planned as well as local clinical need, and as such Poole Hospital was included as out of scope of the review.

\*\*Dorset County Hospital was in the late stages of the approvals process for its FBC at the time of the review announcement, which was subsequently approved by HMT on 15<sup>th</sup>

August 2024. The Trust are currently finalising contractor negotiations, as is standard, ahead of main construction starting.

**10. Whether the current allocated funding is sufficient to complete the construction of the four hospitals that are designated “to be completed”.**

At the point of establishment of the Programme in October 2020, eight hospital schemes that were already in construction or in advanced stages of development were brought into the NHP to be supported through to completion. Therefore, these schemes have not wholly delivered by NHP

As outlined by the ToR, four of these remaining hospital schemes were designated as “out of scope – to be completed” for the review.

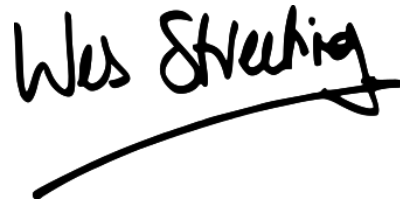
<b>Scheme</b>	<b>Status at the announcement of the NHP in October 2020</b>	<b>Current Status</b>
Brighton 3Ts - University Hospitals Sussex NHS Foundation Trust	Stage 1, for the now opened Louisa Martindale Building, commenced construction in 2016.	The remaining stages are in FBC development.
CEDAR Programme - Cumbria, Northumberland, Tyne and Wear NHS Foundation Trust (comprises three phases.)	Phase 1 for Northgate hospital commenced construction in 2020.	For the remaining two phases: Ferndene Unit opened in October 2023; and the remaining works at the Bamburgh Unit are in construction and due to complete in 2025.
National Rehabilitation Centre - Nottingham University Hospitals NHS Trust	Was at the later stages of business case development.	In Construction
Oriel Eye Hospital - Moorfields Eye Hospital NHS Foundation Trust	Was at the later stages of business case development.	In Construction

The NHP is part of a multi-year capital settlement. The original funding allocation of £3.7 billion for the NHP under the previous Government runs to the end of the 2024/25 financial year. Following the Autumn Budget announcement by the Chancellor, we have confirmed funding for the Programme up until the end of the 2025/26 financial year. This is sufficient to complete the construction of National Rehabilitation Centre and the remaining phase of CEDAR programme.

Oriel Eye Hospital and the final phase of Brighton 3Ts as they have completion dates beyond March 2026 and as is normal for major government programmes of this type, the

schemes will continue to their current delivery timelines with their funding agreed via the business case process and allocated through future SR periods.

Yours sincerely,

A handwritten signature in black ink that reads "Wes Streeting". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

**RT HON WES STREETING MP**