

REBUILD OUR NHS

Our asks of the government

Introduction

NHS Providers is the representative body for the NHS hospital, mental health, community and ambulance services that treat patients and service users. Ahead of the important public spending decisions that will be taken by government in the months ahead, we are highlighting trusts' needs for a properly-funded and well-designed system of capital funding. This will allow trusts to invest in the buildings and technology that will create a 21st century health service, and help them continue to deliver high-quality care to patients and service users. We need to rebuild our NHS.

This briefing sets out:

- why there is a problem with NHS capital funding
- what needs to be done to address the problem
- the positive impact that addressing the problem will have.

Why there is a problem

The NHS spends money on many different goods and services. The majority of its expenditure is 'revenue funding' for day-to-day running costs like salaries, consumables like bandages and surgical gloves, and energy bills. Meanwhile, capital funding is money spent on items that can be used for longer than a year, such as a new hospital or 999 call centre, a CT scanner or community rehabilitation facilities. The NHS spends a significant amount on these items, with the Department of Health and Social Care reporting spending on capital of £5.9bn in 2018/19. This investment is critical for the NHS to function. However, there are three problems that NHS organisations face in ensuring they have enough capital funding.

First, no capital budget has been set for the NHS beyond 2020/21

This is unlike the NHS' revenue budget (which has been set for each year until 2023/24), and means that NHS organisations must make plans for capital projects – which can take many years to come to fruition – without being sure that the funding will be there. Current levels of NHS capital funding are insufficient to allow the NHS to stand still, let alone invest in the transformational technologies required by modern medicine.

Second, current levels of capital spending are insufficient for the NHS' needs

The proportion of the NHS' budget spent on capital has fallen from 5% in 2010/11 to 4.2% in 2017/18 – mainly as a result of capital budgets being raided to pay for day-to-day running costs. If capital funding had kept pace with growth in revenue funding it would have grown by more than £2bn over the same period – enough to build the equivalent of four new hospitals a year. The UK now spends only half as much on health service capital as comparable economies internationally each year. The NHS' annual capital budget is now less than the NHS' entire backlog maintenance bill (which is growing by 10% a year), meaning issues like leaking roofs and broken boilers, ligature points in mental health facilities and outdated technology cannot be fully addressed – even before any investment can be made in new buildings and services.

Third, existing mechanisms for individual NHS organisations to access capital funding do not work

Allocation of capital funding is not based on need. Agreements for major new NHS infrastructure projects effectively ceased in 2015, when the PFI regime fell out of favour without an alternative

being put in its place. In the case of some capital projects, NHS organisations have had to take out interest-bearing loans from the government to help finance them – even though almost half of all trusts reported a deficit in 2018/19 and will be unable to repay these loans.

What needs to be done

While we welcome the funding the government has already announced for specific capital projects, this funding is not sufficient to address all the NHS' capital funding challenges and deliver a long-term capital funding settlement for the NHS. NHS Providers is calling on the government to take three steps:

- **First, set a multiyear NHS capital funding settlement – just as the government has done for the NHS' revenue budget – allowing the NHS to plan for the long term and transform its services and equipment. Ideally, this would match the ten years of the NHS long term plan.**
- **Second, commit to bringing the NHS' capital budget into line with comparable economies, allowing the NHS to pay for essential maintenance work while also investing in long-term, transformational capital projects. We should be aiming to at least double the NHS current capital spend and sustain that growth for the foreseeable future. Because the NHS is a universal public service, increasing NHS capital budgets has the added benefit of bringing much needed investment and jobs to parts of the country that would otherwise struggle to attract them.**
- **Third, establish an efficient and effective mechanism for prioritising, accessing and spending NHS capital based on need, in consultation with those planning and delivering services. This mechanism should ensure NHS organisations are not punished for seeking capital funding by the use of interest-bearing loans which they cannot afford to repay.**

The potential positive impact

NHS organisations frequently tell us of the positive impact that a properly-funded and well-designed system of capital funding would have. Examples of projects that trusts are seeking to fund include:

At one foundation trust in the south of England there continues to be a number of clinical incidents caused by large backlog maintenance bill. In one example a serious power failure led to the closure of almost all clinical services for eight hours. As a result, **1,788 outpatients appointments and 99 elective procedures were cancelled**. The trust needs to modernise its estate to ensure a suitable healthcare environment for the delivery of patient care.

A mental health foundation trust requires **between £75m and £100m to upgrade its estate to improve patient privacy and dignity**. At present, acute mental health inpatient services are housed in older buildings that offer dormitory-style accommodation rather than single bedrooms. Capital investment would improve patient recovery and improve the morale of the trust's hard-working staff.

A large foundation trust in the north of England is urgently seeking £34m over a two-year period for upgrades to CT scanners and other equipment. Recent CT scanner breakdowns mean over **400 outpatient scans have been cancelled and there is a backlog of diagnostic scans**. Patients have also had to be transferred to other hospitals, and ambulance diversions put in place. Making the required upgrades would mean that diagnostic waits can be reduced, patient experience improved and service continuity can be prioritised.

If the government takes these steps, these and many other capital projects could be delivered. It is time to **#RebuildOurNHS** to provide improved care for patients and service users.