How much does the NHS spend on capital projects?

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.

This briefing provides a brief history of NHS capital funding and outlines the current challenges NHS trusts are facing in delivering operational priorities within a pressurised financial environment.

If you have any queries about the content of this briefing, or require further information, please contact: publicaffairs@nhsproviders.org.

Capital spending across the NHS

The independent investigation of the NHS in England undertaken by Lord Darzi, published in September 2024, highlights major issues with capital investment in the NHS. Lord Darzi's report identifies a £37 billion shortfall in capital spending over the past 15 years, which has severely hindered the NHS' ability to maintain and upgrade its infrastructure, leaving many facilities urgently needing modernisation (Darzi, 2024). The report described the NHS' capital regime as "dysfunctional" and emphasised the need for increased and sustained funding in capital investment and technology to help the NHS meet current and future healthcare demands (Darzi, 2024).

How is capital funding distributed across the NHS?

Across the public sector, there are two types of spending: revenue (expenditure on day-to-day resources) and capital (expenditure on long-term assets). Capital spending can include both tangible assets (e.g. land, buildings, and transport equipment) and intangible assets (e.g. software licenses and patents).

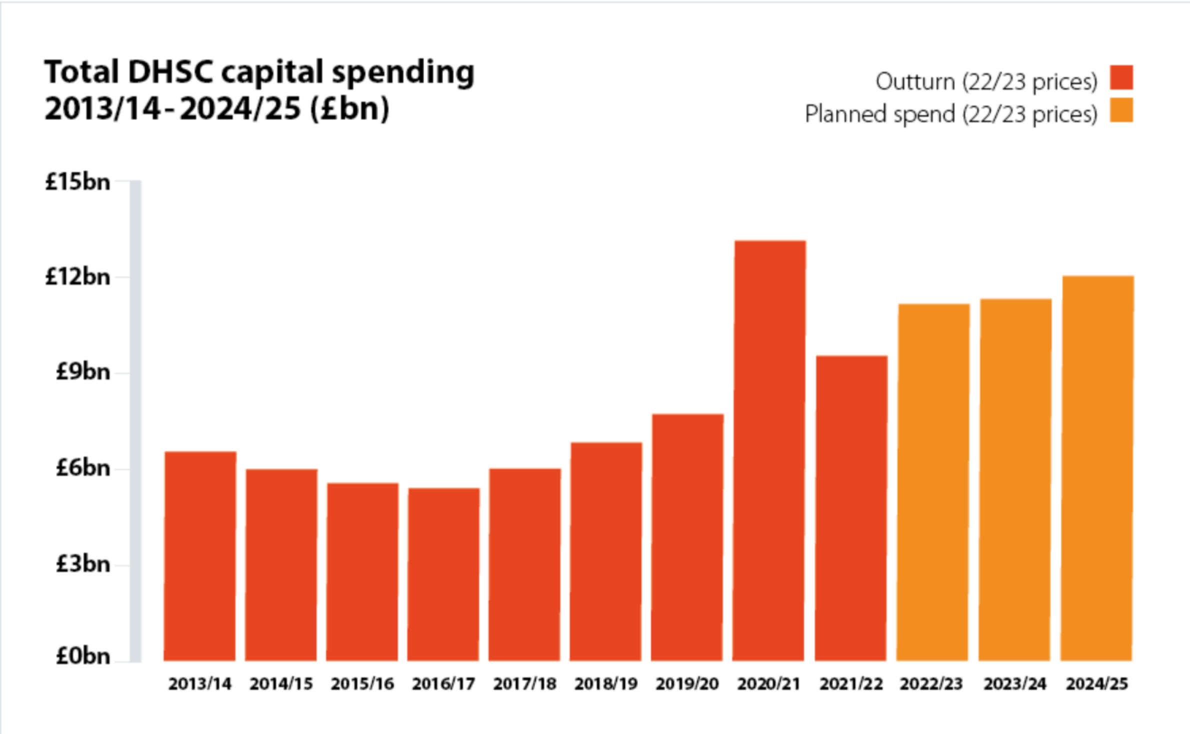
As part of the spending review process, the government determines the capital spending limit for the Department of Health and Social Care (DHSC) for each financial year. Each year, DHSC must ensure that total capital expenditure does not exceed the capital departmental expenditure limit (CDEL). This annual limit constrains the amount of money NHS trusts can spend on capital assets each year. Furthermore, if the capital budget is not fully utilised, any unspent funds are lost at the end of the year.

The NHS capital regime is broadly split between operational capital and nationally allocated (or strategic) capital. Operational capital covers day-to-day spending (e.g. maintenance renewal) whereas nationally allocated capital funds are typically reserved for strategic capital projects like hospital upgrades or digital funding. For 2024/25, NHS England allocated £4.1 billion to integrated care systems (ICSs) for operational capital funding, while £3.9 billion was reserved for national funds and programmes (NHS England, 2024a).

Post-2010 overview

During the 2010s, the NHS capital budget was frequently diverted to cover day-to-day expenses, with £4.3 billion transferred to address revenue pressures (NAO, 2020). Over this period, the decision was made to prioritise managing day-to-day spending pressures at the expense of vital long-term investment in the NHS estate. Therefore, as the NHS entered the Covid-19 pandemic, the lack of capital investment over the preceding decade resulted in a significant proportion of the NHS' buildings and equipment needing significant investment in order to maintain assets to suitable working condition.

However, in recent years, there has been broader recognition in the value of increased capital investment in the NHS. The October 2021 Spending Review provided the NHS with a multi-year capital budget which provided trusts with greater certainty to support medium term financial planning. During the current Spending Review period (2022/23 - 2024/25), capital investment across the NHS is projected to average £8 billion annually, compared to an average of £3 billion per year from 2010 to 2019 (NHS England, 2022). Over the past decade, the capital budget has risen from £5bn in 2014/15 to £12.6bn in 2024/25.



Source: NHS Providers (2023), *No more sticking plasters*

The Office for Budget Responsibility (OBR) forecasts an average annual increase of £0.9 billion in NHS capital spending from 2025-26 to 2027-28 (OBR, 2024). However, overall government capital spending is expected to decrease by 1.2% per year in real terms after 2024/25 (BMJ, 2024).

International comparisons

The independent investigation led by Lord Darzi outlined that capital investment across the health sector peaked in 2009 but has since declined sharply, resulting in deteriorating infrastructure, outdated technology, and a significant maintenance backlog (Darzi, 2024). The Darzi investigation highlighted that a significant capital gap opened between the UK and comparable countries during the 2010s. The review noted that if the UK had matched the average capital investment of its international peers, it would have spent £37 billion more on health-related assets (Darzi, 2024).

Historically, the UK has invested less in healthcare capital compared to other OECD countries. From 2000 to 2017, the total value of healthcare capital in the UK decreased by 3% in real terms, while other countries saw significant increases (The Health Foundation, 2019). For instance, Austria and Denmark invest significantly more in healthcare capital per worker, with over five times the value of machinery and equipment per health worker compared to the UK (The Health Foundation, 2019). This underinvestment has led to a decline in the total value of healthcare capital in the UK, with the value of healthcare capital per worker in the UK falling by 35% in the period two decades prior to the pandemic.

What have been the key challenges facing NHS trusts?

Despite the rise in capital investment in recent years, trusts continue to face significant difficulty in accessing sufficient capital investment to deliver safety critical repairs, update antiquated equipment and invest in transforming their estate.

Inflation

In recent years, the rise of inflation has severely impacted trusts' ability to complete capital projects within initial budgets, often leading to delays or cancellations due to spiralling costs. Furthermore, the value of increased capital budgets has been eroded by these inflationary pressures, forcing trusts to scale back their plans and prioritise capital investment for safety critical repairs rather than investing in new facilities. Tighter operational capital budgets have also given trusts very little headroom to strategically invest in their estate, limiting productivity improvements and absorb a significant amount of estates risk.

Ageing estate

Insufficient capital funding is preventing trusts from maintaining buildings and equipment while also investing in future-proofing their estates. The NHS estate includes many older buildings, with about 42% built before 1985 and 14% predating the NHS' establishment in 1948 (UK Parliament, 2024a). This aging infrastructure leads to higher maintenance costs and challenges in meeting modern healthcare standards, hindering sustainable productivity growth.

Maintenance backlog

The UK is grappling with a significant maintenance backlog, now estimated at £13.8bn, up by £2.2bn from 22/23 (NHS England, 2024c). The proportion of the backlog relating to high or significant risk has increased to 55.5% - nearly £1.4bn more than 22/23 (NHS England, 2024c). This backlog diverts funds from new investments to urgent repairs and maintenance and has been steadily increasing over the past decade. The latest estates return information collection (ERIC) data for 2023/24 indicates a worsening maintenance backlog across the NHS estate, which poses risks to patient safety and quality of care. Ensuring all NHS buildings meet safety standards requires regular inspections, timely repairs, and compliance with modern building regulations.

This rising backlog impacts productivity, as medical procedures are often disrupted, postponed, or cancelled due to faulty equipment or safety hazards. Mental health trusts face particular challenges, as outdated buildings and facilities fail to provide suitable therapeutic environments for patients. The maintenance backlog across mental health/learning disability trusts has now surpassed £1bn (NHS England c, 2024). Furthermore, the lack of capital investment has also been a particularly prominent issue for the ambulance sector, as trusts have been left with insufficient funding to update ambulance fleets and upgrade facilities to enable staff to deliver emergency services effectively.

Reinforced autoclaved aerated concrete (RAAC)

RAAC planks, used in construction from the 1960s to the 1980s, pose a significant risk to NHS estates. Originally designed for a 30-year lifespan, some trusts have used these materials for over 50 years. To prevent sudden collapses, organisations may replace these planks with alternative structural roofs or add secondary supports like scaffolding. Despite introducing a series of solutions to partially mitigate the effects of RAAC, trusts have raised substantial concerns about the potential risk to the safety of staff and patients.

The government has pledged to eliminate RAAC from the NHS estate by 2035 (DHSC, 2023a). As of October 2024, NHS trusts have identified RAAC in 47 hospitals sites (DHSC, 2024). The government has allocated £685 million for the 2024/25 spending review period to address RAAC-related safety risks (NAO, 2023).

New Hospital Programme (NHP)

On 25 May 2023, the previous government reaffirmed its commitment to delivering the New Hospital Programme (NHP) to build 40 new hospitals by 2030, spending £22.2bn on new hospital infrastructure. However, by the general election in July 2024, HM Treasury had only provided £3.7 billion for the NHP within the current spending review period (DHSC, 2023b). Trusts with schemes within the NHP had been provided indicative allocations in order to progress their business cases but are yet to be confirmed.

Furthermore, the previous government incorporated the five trusts most at risk from RAAC into the NHP and confirmed that all RAAC schemes (including two schemes already part of the NHP) would be fully funded and prioritised for completion before 2030 (DHSC, 2023b). Due to the additional costs of prioritising RAAC trusts and high inflation in the construction sector, eight existing NHP schemes were delayed beyond 2030.

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. The government must ensure trusts have enough resources to continue planning and developing their business cases and deliver the benefits their new schemes will bring to staff, patients and their local communities.

Strategic capital funding

Outside of the NHP, trusts continue to face difficulties in accessing strategic capital funding for major health infrastructure projects. Over 100 applications were submitted for the final eight spots in the NHP), highlighting the urgent need for capital investment to update aging NHS estates (NAO, 2023). Trusts not included in the NHP are concerned about securing national capital funding to prioritise the redevelopment of their estate. Furthermore, given the national focus on tackling elective waiting lists and improving urgent and emergency care performance, as well as the shortage of mental health and community trusts in the NHP, many trust leaders are concerned about the relative underinvestment in mental health and community services.

Trusts are vital in generating economic and social value for communities, acting as anchor institutions that drive local economic growth and prosperity while providing essential services. Refurbishing aging estates and creating a suitable working environment for NHS staff can enhance productivity and enable the delivery of high-quality patient care.

NHS Providers resources

Please see our latest reports on NHS finances below:

Providers Deliver: achieving value for money (2024)
No more sticking plasters: repairing and transforming the NHS estate (2023)
Stretched to the Limit: tackling the NHS productivity challenge (2023)

Please get in touch with us by email if you have any questions or would like to discuss further.