Value for money and the New Hospital Programme

Progress with the new hospital programme – the view from the NAO.

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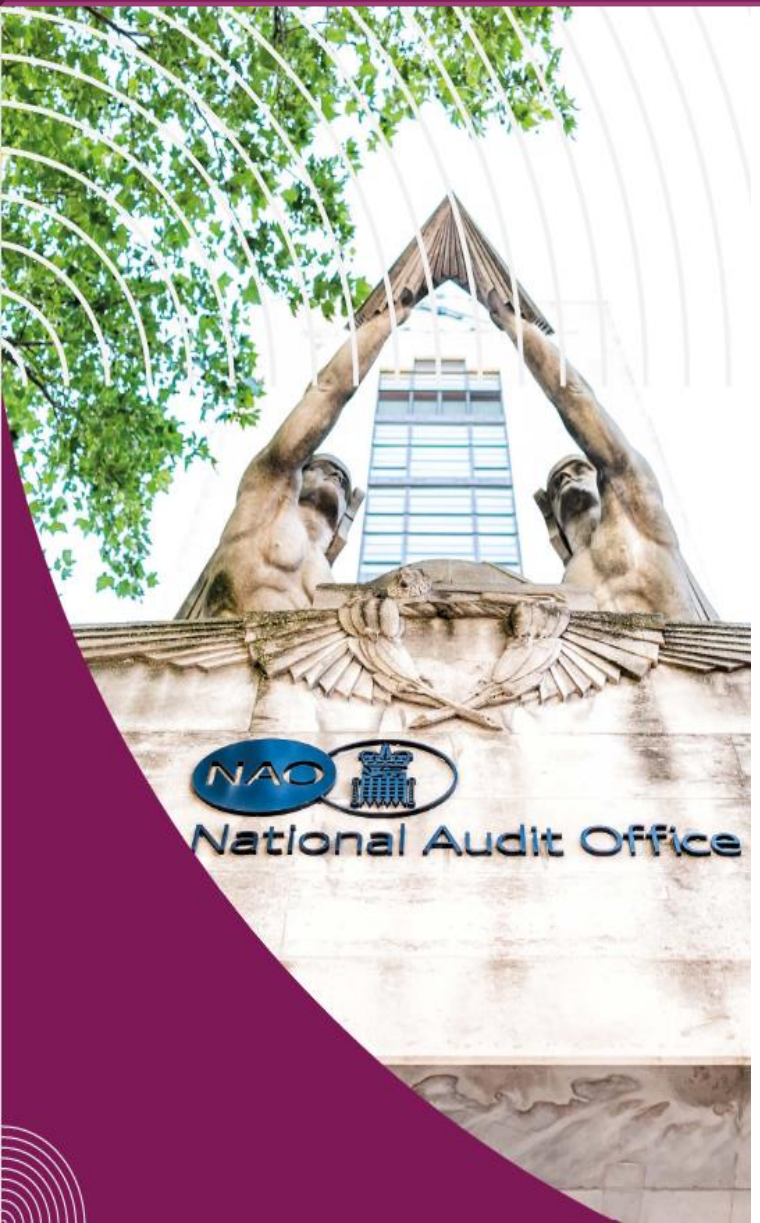
Tim Phillips

Director of Health VFM

National Audit Office

The role of the National Audit Office (NAO).



The NAO helps Parliament hold government to account for the way it spends public money. We do this by auditing the finances of public bodies and scrutinising public spending to assess facts and value for the taxpayer.

We are independent of government and the civil service. The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies, including DHSC and NHS England.

The C&AG also examines and reports to Parliament on whether government is delivering value for money on behalf of the public. We don't question the merits of government policies, but assess whether resources have been used efficiently, effectively and with economy.

Recent NAO reports on Health topics include:

- NHS Supply Chain and efficiencies in procurement
- Progress with the New Hospital Programme
- Access to unplanned or urgent care
- Progress in improving mental health services in England
- Managing NHS backlogs and waiting times in England

Most NAO reports are followed by a Public Accounts Committee evidence session and report.

Why we examined the New Hospital Programme.

- Importance of this major programme of investment in the infrastructure of the NHS
- Considerable Parliamentary and public interest in the programme
- Good timing for an audit report early in programme, to help government resolve issues before it is too late
- Previous NAO reports – NHS Capital, Carillion hospitals, and on major projects more generally – have highlighted the types of problems major capital programmes often face

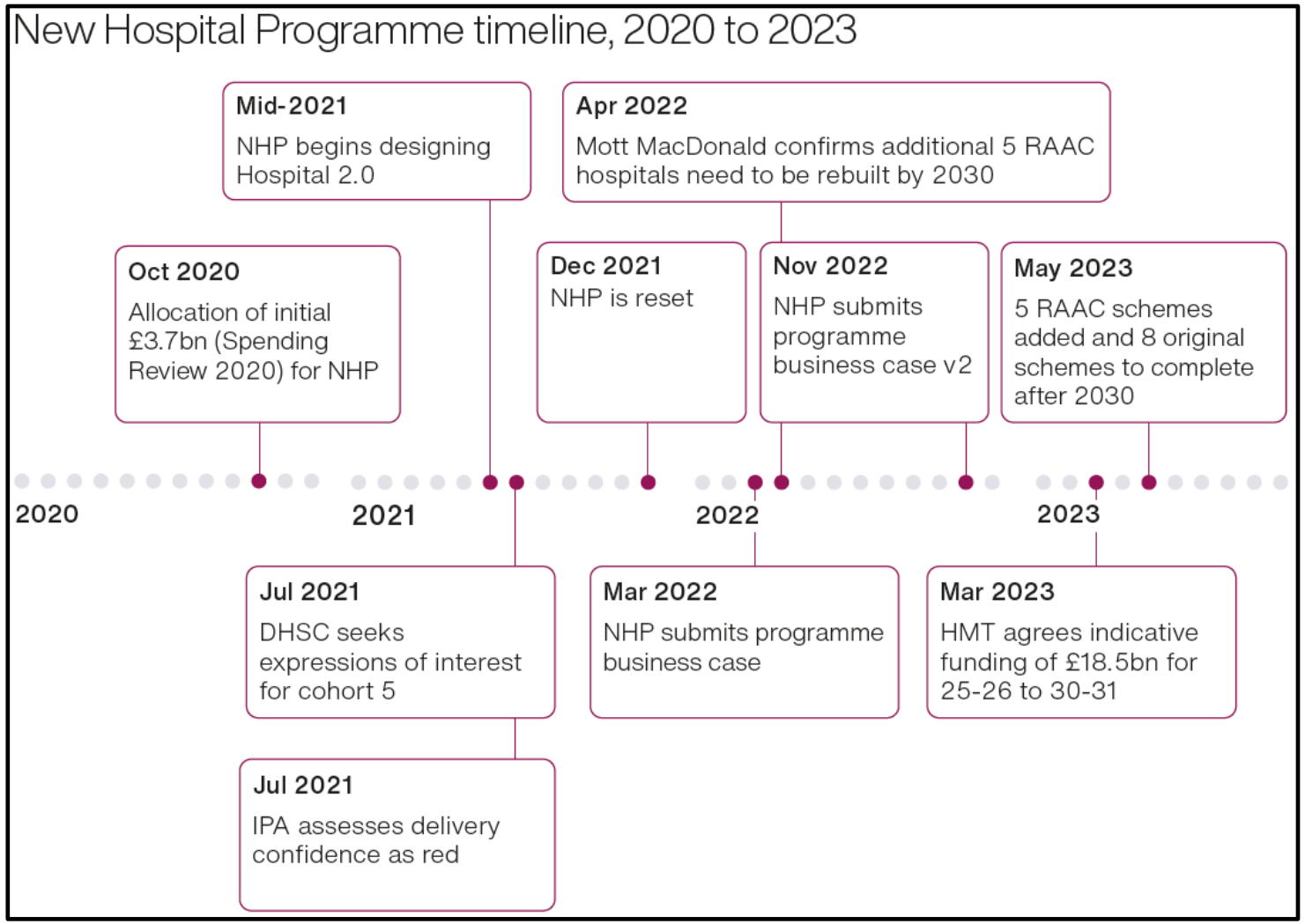
NHP: The basics.

- The commitment to build 40 new hospitals by 2030 was announced in 2020, along with the names of 32 of the 40 new hospitals.
- Government also created a New Hospital Programme team at the centre of DHSC and NHS England.
- The team took on responsibility for re-imagining how the NHS builds hospitals.
- The aim was increasingly to build hospitals to a common design and using Modern Methods of Construction.

Our report findings and recommendations

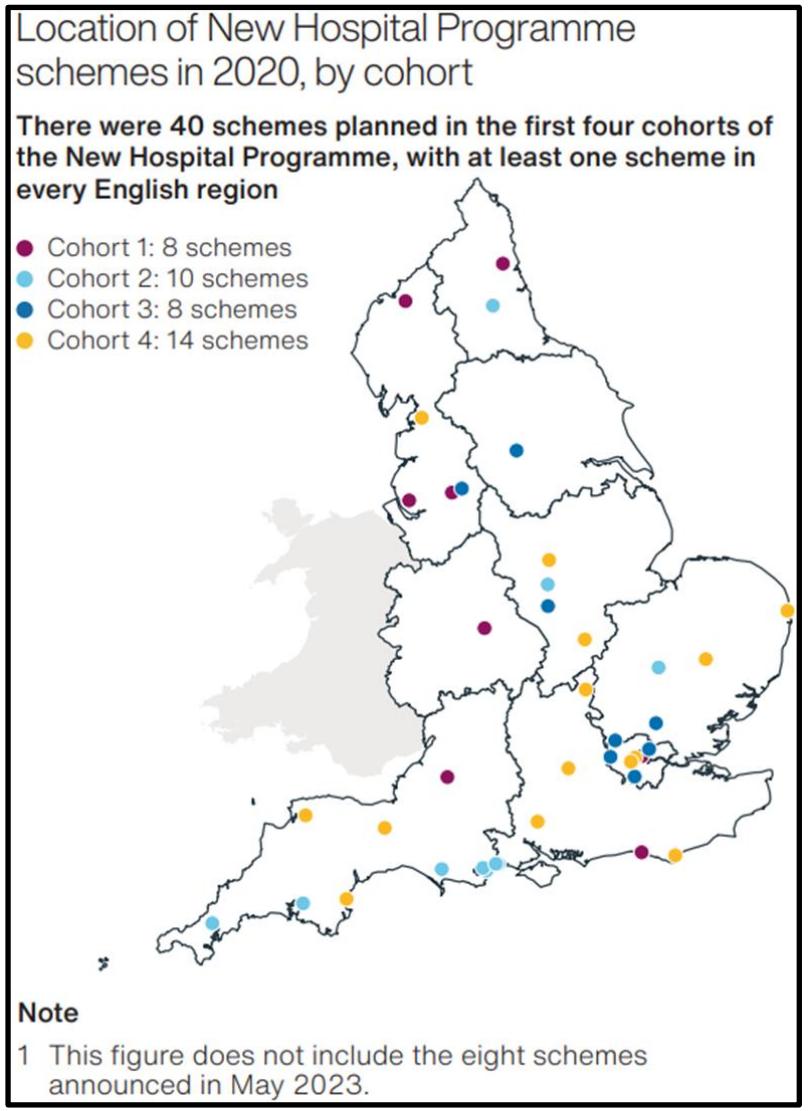
1. The 2020 announcement didn't explain to the public the level of uncertainty about whether all schemes were affordable by 2030.

Recommendation: Announcements about major capital programmes extending over more than one spending review period should fully reflect known uncertainties so that everyone can be clear about the nature of the commitments being made.



2. DHSC could not demonstrate fully how the original schemes were selected.

Recommendation: When it makes decisions about where to build new hospitals in future, DHSC should appraise options in a transparent way using the best evidence available and should keep full records of why it selects specific projects



3. The original list included only 2 of 7 hospitals constructed of RAAC.

Reinforced autoclaved aerated concrete (RAAC) timeline, 1960s to 2023

Problems with RAAC were first evident in 1999; following an incident in 2018, DHSC and NHS England started to respond in 2020

Date	Event
Jan 2018	Sudden partial collapse of a Kent school roof made of RAAC.
1960s–1980s	RAAC used extensively, including in hospital construction.
Feb 1999	Standing Committee on Structural Safety (SCOSS) concludes RAAC planks could not be expected to last more than 30 years.
May 2019	SCOSS issues alert that pre-1980 RAAC planks were now past their expected service life.
Jan 2020	NHS England requests trusts to survey RAAC planks in their estate. The survey found 33 buildings in 13 trusts with RAAC construction. Later in 2020, DHSC committed to remove RAAC from the NHS estate.
Oct 2020	Government includes two RAAC hospitals in the NHP.
2021–2022	Government allocates £685 million up to 2024-25 to mitigate safety risks in NHS RAAC buildings.
Apr 2022	Report confirms additional five RAAC hospitals need to be rebuilt by 2030.
Dec 2022	Updated survey found 41 buildings with RAAC planks across 23 trusts.
May 2023	Five additional RAAC hospitals to be brought into the NHP.

4a. NHP has made slow progress with cohort 1 and 2 schemes.

By April 2023, the total cost of cohort 1 schemes had increased by £757 million compared with DHSC budgets in 2020

Scheme	2022 Planned operational date	2023 Forecast operational date	2023 Forecast scheme cost (£mn)	% increase on budget allocated 2020
Royal Liverpool University Hospital	Completed Oct 2022	N/a	800	34 ↑
Brighton	Dec 2026	Mar 2027 ↑	700	42 ↑
Midland Metropolitan University Hospital	May 2024	Oct 2024 ↑	600	67 ↑
Moorfields Eye Hospital	Feb 2027	Sep 2027 ↑	400	21 ↑
CEDAR programme, Cumbria, Northumberland, Tyne and Wear	Mar 2024	Aug 2024 ↑	100	41 ↑
Greater Manchester Major Trauma Hospital	Jun 2023	Oct 2023 ↑	Less than 50	53 ↑
Dyson Cancer Centre	Nov 2023	Dec 2023 ↑	Less than 50	0
Northern Centre for Cancer Care	Completed Aug 2021	N/a	Less than 50	6 ↑

↑ Increase on planned cost or delay to planned operational date

Notes
1 Forecast operational dates and costs are provisional.
2 The percentage increase is based on the budget allocated by DHSC in 2020.
3 Forecast scheme costs are rounded.
4 Brighton and the CEDAR programme are multi-phase programmes with significant work still to complete. Forecast operational dates are for the final phase.

Source: National Audit Office analysis of NHP cohort progress reports, October 2022, January to April 2023 and other management reports

4b. NHP has made slow progress with cohort 1 and 2 schemes.

By April 2023, none of the 10 cohort 2 schemes had had a full business case approved.

Scheme	2022 Planned operational date	2023 Forecast operational date	2023 Forecast scheme cost (£mn)	% increase on budget allocated in 2020
Cambridge Cancer Research Hospital	Jun 2027	Jul 2027 ↑	300	22 ↑
Women and children's hospital, Cornwall	Jul 2028	Jul 2028	300	103 ↑
Royal Bournemouth Hospital	Nov 2026	Dec 2026 ↑	200	1 ↑
Derriford Emergency Care Centre	Jan 2027	Dec 2026 ↓	200	137 ↑
National Rehabilitation Centre	Nov 2024	Jan 2025 ↑	100	49 ↑
Dorset County Hospital	Jun 2026	Apr 2027 ↑	100	1 ↑
St. Ann's Hospital, and Alumhurst Road psychiatric unit	Jun 2025	Jan 2027 ↑	100	3 ↑
Shotley Bridge Hospital	Mar 2025	Oct 2025 ↑	Less than 50	48 ↑
Poole Hospital	Oct 2026	Sep 2026 ↓	Less than 50	-8 ↓
Christchurch Hospital	May 2024	Nov 2025 ↑	Less than 50	100 ↑

↑ Increase on planned cost or delay to planned operational date

↓ Decrease to planned cost or earlier planned operational date

Notes

1 Forecast operational dates and costs are provisional.

2 The percentage increase is based on the budget allocated by DHSC in 2020.

3 Forecast scheme costs rounded. As none of the schemes had an approved full business case, the forecast cost is the estimated cost at completion, including any remaining contingency allowances.

4c. The importance of getting back on track.

DHSC started with smaller schemes, leaving most construction for the final six years of the programme. If the smaller schemes run late and over budget, the larger ones become more challenging.

Recommendation: NHP should increase its focus on completing the planning process for cohort 2 schemes and getting as many as possible into construction before the end of 2024 to prevent further bunching of schemes in the second half of the 2020s.

5. A standard hospital design and MMC could reduce costs and timescales. But current assumptions risk it resulting in hospitals that are too small.

Recommendation: DHSC and NHS England should urgently re-examine the assumptions underpinning the minimum viable product (MVP) version of NHP's Hospital 2.0 design. In particular, they should:
• identify and address any proposals that are likely to result in future hospitals being too small;
• set up a process for reviewing MVP hospitals' progress against the NHS's Net Zero Carbon Building Standard; and
• decide whether they are prepared and can afford to make happen in practice assumptions on which MVP relies, but which are outside NHP's control, for instance shifts in models of care.

Recommendation: NHP should examine and reflect on lessons from the opening and early operation of The Grange University Hospital in Wales, which was built using modern methods of construction.

6. NHP has not yet engaged meaningfully with construction companies.

Recommendation: In its third programme business case, NHP should quantify the potential costs of its commercial approach, including any premium from attempting to construct a large number of hospitals at once as well as any costs to government of backing an increase in the UK's capacity to manufacture building components offsite.

NHP has to manage a number of commercial risks to the programme

Risk	Implications for NHP
A **saturated market** with no shortage of non-NHS large infrastructure projects	Importance of stimulating interest and confidence in NHP's commercial pipeline
Significant investment needed urgently in **factory capacity** for modular units	Factory supply constraints could result in delays and higher prices or a challenge to NHP's plan to use MMC
Shortage of training for some skills needed for MMC	Skills shortages could lead to delays and increased costs
The high rates of **inflation** may result in companies being unwilling to bear the risk of inflation	DHSC and HM Treasury have to agree how to fund the cost of inflation
Bunching of schemes could reduce feasibility or increase cost of schemes needed by 2030	Reduces deliverability and value for money of the programme with limited field of potential bidders

7. NHP has had difficulty staffing up and has relied on consultancy services.

Recommendation: DHSC should urgently review whether NHP has struck the right balance in its future plans for the division of work between consultancy services and in-house staff.

New Hospital Programme's (NHP's) use of non-permanent staffing resources, February 2023

Only 109 (30%) of NHP's team are permanent staff while 223 (62%) are consultants, typically provided by its two interim partners

Workstream	Total, of which:	Permanent employees	Consultants	Other staffing	Vacancies
Analytics	**14**	13		1	
Commercial	**58**	13	45		9
Executive team and associated assistants	**11**	5		6	8
Finance	**13**	10		3	
People	**14**	5	6	3	1
Programme	**16**	15		1	8
Programme Delivery	**84**		84		
Programme Office	**51**	1	50		
Transformation	**55**	32	23		38
Other	**45**	15	15	15	101
Total	**361**	**109**	**223**	**29**	**165**

Notes
1 Workstream totals exclude vacancies to show the current staffing mix.
2 Half of the Programme Delivery team is engineering and architectural design personnel provided by NHP's interim delivery partner.

Overall, we concluded that government had not delivered good VFM so far.

- Government is now going to miss its commitment to build 40 new hospitals by 2030 – according to its original definition.
- Hospital schemes already under way are running late and over budget.
- DHSC's plan to create a new standard design for all future hospitals in England is also late.
- In addition, our work found that government had not kept records to justify the list of hospitals it selected for reconstruction; given the amount of taxpayers' money involved that is a serious gap.

The Public Accounts Committee voiced its grave concerns about the New Hospital Programme in November last year.

We are extremely concerned by the lack of progress the NHP has made in the 3 years since its creation.

DHSC should urgently examine … whether more new hospitals should commence construction sooner using pre-existing approaches.

DHSC should … aim to start construction before the end of 2025 on replacements for the 7 entirely RAAC hospitals.

DHSC is at risk of locking in a standard design that will be too small, which could lead to significantly greater expenditure and disruption in the long run.

For the purposes of piloting and making progress, DHSC should aim to start construction during 2024 of at least one scheme that uses its standardised design.

DHSC should not reduce planned capital investment to meet day-to-day spending needs in future.

Useful links

- This presentation uses simplified versions of NAO report graphics and accompanying notes. The report, including full versions of the graphics, is published in Progress with the New Hospital Programme.

- The Public Accounts Committee's report on this topic can be read in full here: The New Hospital Programme - Committee of Public Accounts (parliament.uk)

Thank you

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Contact:
Tim Phillips
Director of Health VFM
Tim.Phillips@nao.org.uk

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