NHS
New Hospital Programme

Accounting Officer Memorandum: New Hospital Programme (NHP)

It is normal practice for Accounting Officers to scrutinise significant policy proposals or plans to start or vary major projects and then assess whether they measure up to the standards set out in *Managing Public Money.*

From April 2017, the government has committed to make a summary of the key points from these assessments available to Parliament when an Accounting Officer has agreed an assessment of projects within the Government's Major Projects Portfolio.

Background and context

1. In October 2020, the then Prime Minister announced funding for 40 hospitals by 2030 and noted that further schemes would be invited to bid for future funding. Combined this would be the biggest hospital building programme in a generation. The NHP was established to transform the delivery of those 40 hospitals and to create an enduring capability to deliver enhanced healthcare infrastructure in the NHS and in the UK construction sector.

2. The programme will address longstanding issues with sites that are unfit for modern care delivery and that hold back productivity, the quality of care provided and the experience of the workforce, patients and their families. Taking a programmatic approach to delivery creates the opportunities to: address poor outcomes of historic delivery approaches; take advantage of economies of scale; and innovate via a robust pipeline of work.

3. The 2020 Spending Review provided a commitment to the programme of c.£3.7bn between 2021-22 and 2024-25. In May 2023, the Secretary of State for Health and Social Care announced that five hospitals built with RAAC would be added to the programme, and confirmed over £20bn investment in new hospital infrastructure by March 2031 with a rolling programme of investment thereafter. Health and Social Care Secretary Oral Statement on NHP - GOV.UK (www.gov.uk)

4. In July 2024, the Secretary of State for Health and Social Care, and subsequently the Chancellor, announced that the Government would undertake a review of the New Hospital Programme (NHP) to provide a realistic and affordable timetable for delivery.

5. This review was conducted by the Department of Health and Social Care (DHSC), NHS England (NHSE) with support and input from HM Treasury (HMT) during August and September 2024. Given the timescales to complete the review, it was conducted using existing, and where possible, publicly available information. The review fed into the Spending Review (SR) process for the Autumn 2024 Budget, where decisions on the outcome were taken in the round.

6. The NHP review scope included 25 hospitals, out of a total of 46 hospitals in the NHP. The 21 out of scope schemes within the Programme are part of the "do minimum" option and continued to work during the review period. This includes:
   - 14 schemes which are either open to patients, in construction or have had their main build Full Business Case (FBC) approved.
   - 7 schemes which will replace RAAC hospitals which need to proceed at pace due to substantive safety risks.
   - Of the 25 in scope of the review, 7 schemes are due to commence construction in the upcoming wave of construction (2025-2030), and a further 18 are planned to commence in the subsequent wave of construction.

7. On 20th January 2025, the Secretary of State for Health and Social Care announced the outcome of the review of the NHP. In summary, this concluded that all the schemes in the Programme required capital investment but that a new timetable for delivery was necessary. The Government is backing this plan with investment which will increase up to £15 billion over each consecutive five-year wave, averaging around £3 billion a year, from 2030. The exact profile of funding will be confirmed in rolling five-year waves at regular Spending Reviews, as with all government capital budgets in future.

8. The programme has submitted a Programme Business Case (PBC) for consideration by DHSC, NHSE, IPA and HMT and will continue to refresh this document, where required, to reflect the decisions on approach and progress made within the programme. That has and will continue to include scrutiny of the economic and financial cases where value for money and affordability are assessed as a precondition to agree releases of phases of funding. The programme has in parallel progressed activity on establishing robust governance and controls, creating standardised designs that will drive programmatic benefits, and around building capacity in the market to support scheme delivery.

9. The NHP's programmatic approach will deliver hospitals as efficiently and effectively as possible, while recognising the individual needs and circumstances of each hospital scheme.

10. Hospitals in the NHP built wholly or primarily from Reinforced Autoclaved Aerated Concrete (RAAC) are being prioritised to protect patient and staff safety. A site-by-site risk assessment is currently underway, which will result in a mitigation plan being developed for each site.

11. This assessment considers whether the Accounting Officer tests are met in relation to a programme as currently constituted.

Regularity

12. This regularity test assesses whether the proposal has legal basis, Parliamentary authority, and Treasury authorisation; and is compatible with the agreed spending

budgets. Set out below are: the legal status of the programme; how the proposal complies with legislation; the legal support that has been, and will continue to be, provided; and the Treasury authorisation.

13. **Legal Status:** The NHP does not have separate legal personality from the National Health Service England (NHSE) and accordingly its legal status and powers coincide with those of the Secretary of State. Decision making is carried out in accordance with public law, principles of civil service and government decision making, including, where relevant, the Carltona principle. NHP staff are also bound by the Nolan Principles of public life.

14. **Compliance with Legislation:** The relevant function of the Secretary of State is the duty to promote and secure continuous improvement in public health as set out in S1A of the National Health Service Act 2006. This is supported by a General Power of competence in s2 of the same act which gives the Secretary of State the mandate to do anything conducive to or incidental to the discharge of that duty.

15. Funding will pass from the Secretary of State to the NHSE through as part of its mandate funding. Further, pursuant to Para 7, Schedule 5 of the National Health Act 2006, the Secretary of State may make a payment directly to a Trust (as a loan or otherwise) and there is an equivalent provision in s42 for foundation Trusts.

16. Being part of the DHSC, the programme is subject to (and complies with):
    - Public Procurement Regulations 2015 and government procurement policy notices (PPNs) for all procurements;
    - Public Law generally and the obligation to carry out its functions in keeping with public law principles of fairness, openness and legitimate expectation;
    - Government transparency agenda; and
    - Modern Slavery, Public Sector Equality Duty (PSED) and social value obligations.

17. In addition, the NHP's delivery team sits within NHSE and is therefore subject to (and complies with) the NHS Constitution and supports delivery of the NHS Long Term Plan.

18. **Compliance**: The programme is subject to strict conflict of interest, probity and governance. These controls manage conflicts, ethical walls, probity, compliance and risk, supported by fully documented policies. All compliance matters are approved either by the head of compliance or in the Scrutiny Panel, of which legal are part.

19. **Legal Advice and Support:** The programme has engaged Sharpe Pritchard LLP as its legal adviser. Sharpe Pritchard is a firm which is on both the NHS Shared Services Framework and the Crown Commercial Service (CCS) Legal Services Panel. Partners from that firm attend all key governance meetings, including executive, compliance and commercial boards to ensure legal considerations, risks and probity are considered. The firm also adds a legal commentary following review

of each commercial paper for decision, applying the Attorney General's risk matrix. As necessary Sharpe Pritchard liaises with Government Legal Department (GLD) lawyers in both the DHSC and the Infrastructure and Projects Authority (IPA).

20. **Treasury Authorisation:** The programme was established by way of the SRO letter dated December 2020 which set out key objectives and confirms the programme is subject to HM Treasury (HMT) and Cabinet Spending Controls, Infrastructure Project Authority scrutiny and Managing Public Money.

21. Given the details set out above, the programme is considered to meet the regularity test.

Propriety

22. This test assesses whether the proposal meets the high standards of public conduct and relevant Parliamentary control procedures and expectations.

23. The programme moved to a Sponsor/Delivery model at a programme level in XXX which sets clear and distinct accountabilities between the DHSC Sponsor and NHSE Delivery Team whilst allowing them to work together as one programme.

24. In support of this structure the programme has established robust governance arrangements. The NHP Programme Board is the highest decision-making forum and includes representation from NHSE; DHSC; HMT; IPA; and a non-executive. The Programme Board is supported by a number of sub-committees chaired by a member of the NHP Executive. Through these committees the oversight of individual scheme progress is monitored, costs are tightly controlled and overarching standards and strategies are created and agreed.

25. Given the details set out above, the programme is considered to meet the propriety test.

Value for Money

26. This test assesses whether, in comparison to alternative proposals, the proposal delivers value for the Exchequer as a whole.

27. The NHP review has considered each scheme in the Programme against critical risks and construction deliverability which will aid ministers in prioritising schemes. With each phase of hospital development aligning within a Spending Review envelope to ensure it is consistent and that approved funding is in place at each stage of the Programme to give the NHS the stability it needs to plan for the future. Spending for individual schemes and the central Programme will be subject to individual business

cases to ensure a robust case is in place for each element prior to the commitment of funds. This approach also allows agility to vary the Programme's scope as circumstances or underpinning assumptions vary over the next decade.

28. A centralised programmatic approach was deemed the most suitable way to deliver on the commitment to build new hospitals. Historically hospitals have been built individually by Trusts with projects tending to be over budget and delayed and in the previous decade only six hospitals were built, the NHP's centralised approach leverages economies of scale to standardise hospital designs, improve productivity, ensure value for money and support delivery. The centralised approach also supports engagement with the market, which is key to ensuring the number of hospitals that are required to be built can be done so, taking a central approach to increase market capacity and incentivise businesses and contractors to invest in an industry which has been unattractive to the construction market.

29. It is critical to the overall Value for Money (VfM) that the revised funding and delivery timelines are accepted. Overall, we believe the VfM test is currently met but will need to be kept under close review.

Feasibility

30. This test assesses whether the proposal can be implemented accurately, sustainably and to the intended timetable.

31. The NHP review resulted in a joint DHSC/HMT agreement for a programme that delivered new hospitals in waves of construction at a level of circa £3bn per year, with agreement to costs of within £15bn over consecutive 5-year periods.

32. The increased centralisation, standardisation and economisation of construction and transformation expertise propagated by the NHP's programmatic approach will directly address lessons learned from the previous scheme-by-scheme delivery approach – particularly around cost and time overruns. This will be done not only through the creation of centralised standards and repeatable designs but also through the enhanced control the governance arrangements provide. The NHP review provides commitment to overall programmatic approach.

33. The waves of programme delivery are published on Gov.UK New Hospital Programme: plan for implementation - GOV.UK[1] and show the current expectations for delivery of schemes, and cost estimates, based on current assessments as of January 2025, following the review into the NHP and agreement to 5-year waves of investment

34. The NHP has also evolved its commercial approach. A key aspect underpinning its development is the engagement undertaken with the market. This activity is to help

[1] New Hospital Programme: plan for implementation

ensure there is sufficient appetite, capability and capacity to successfully deliver the programme's scope – including a focus on appropriate risk proportioning and liability flows/transfers. This activity is especially important as the NHP aims to deliver clinical and operational transformation through the way it designs and builds hospitals differently. By sharing and testing thinking with the market, and getting direct input to the approach, the programme will ultimately agree a commercial approach against which there will be a high degree of confidence in its deliverability.

35. The delivery approach for NHP includes a Programme Delivery Partner (PDP) with delivery of the programme being made up of a balance of in-house functions and outsourced capability. The PDP provides a depth and breadth of technical capabilities across a wide range of functions would be procured to act as a "client-side" partner and perform a range of roles.

36. The programme is also developing a bespoke Hospital 2.0 (H2.0) Alliance tailored specifically to achieve its requirements. The framework will align with the maturing delivery strategy and account for the scale of works to be completed for future cohorts which existing routes were not designed for. The NHP is also standardising the delivery approach with the H2.0 design which establish standards and specifications across the hospital build. With this standardisation it is expected that over time NHP will increase the extent of its influence over the supply chain, exercising its buying power where it is optimal to do so, to overcome capacity and capability constraints in the market. This secures standardisation, matches the programme objectives, and strengthens NHP's programmatic approach.

37. NHP recognised that there is a substantial programme risk that could affect both NHP and other Government Major Programmes regarding Market capacity. This is compounded for NHP because of the number of builds and the transformational nature of the delivery and operations of the hospital within healthcare and wider Government. The Cabinet Office recognise market constraints is a wider cross government issue and to address immediate concerns the Integrated Projects Authority (IPA)/ now Mational Infrastructure XXX (NISTA) are leading a piece of work which will focus on UK Construction market capacity to deliver the committed Government Pipeline. This is a known risk that will be monitored carefully. If any findings from the Cabinet Office work demonstrate this pressure the NHP will need wider Government support to be prioritised or replanned as seen fit.

38. Recognising the areas for improvement highlighted above the programme considers the feasibility test is, currently being met, however, it needs to be kept under review.

Conclusion

39. In conclusion, the NHP's proposed approach been assessed to demonstrate it delivers value for money compared to alternative options and that the way the programme has been set up to deliver provides the right level of risk management, assurance and cost control.

40. Risks to delivery will need to continue to be actively managed and if any factors change materially during the lifetime of the project the Accounting Officer Assessment will need to be revisited.

41. The four accounting officer tests are currently being met; however, the risks, uncertainties and externalities mean that this position will need to be kept under close review.

42. I as Accounting Officer for the New Hospital Programme am content that all reasonable and appropriate standards/processes have been met and I am content to approve this next stage of NHP.]

43. I have prepared this summary to set out the key points which informed my decision. If any of these factors change materially during the lifetime of this project, I undertake to prepare a revised summary, setting out my assessment of them.

44. This summary will be published on the government's website (GOV.UK). Copies will be deposited in the Library of the House of Commons and sent to the Comptroller and Auditor General and Treasury Officer of Accounts.

Interim Permanent Secretary Chris Whitty - 27/02/2025