



# Appendix: Background methodology

We asked ICS finance leaders the following question:

“NHS England has set an efficiency target of up to 2 per cent annual growth until 2030. What is the % annual increase in your capital budget you would need to meet this in the next spending review period (2025/26 – 2028/29)?”

On average, ICS CFOs told us they needed a 39 per cent increase in their capital allocations to be able to hit the productivity target. We then used this data against population figures for the systems that responded, to work out an increase in capital per head for our sample and extrapolated it nationwide based on NHS England’s stated capital allocations in their 2023/24 NHS capital guidance [38] – there are a number of ways to account for national capital budgets, but we have chosen NHS England’s allocations as we believe this best represents the most transparent accounting for the capital that reaches our membership. We also applied the same increase to the two other national NHS funding pots, which NHS England controls, as outlined in the table below.

Budget	2023/24 Capital Settlement [39]	Annual capital settlement required for next three-year Spending Review period
System Level Allocation	£4,100,000,000 <sup>vii</sup>	£5,705,948,496
Nationally Allocated Funds	£1,200,000,000	£1,670,033,706
Other National Capital Investment	£2,400,000,000	£3,340,067,412
<b>Total</b>	<b>£7,700,000,000</b>	<b>£10,716,049,614</b>

The final figures then include the addition of the cost of eradicating the maintenance backlog per year across three years:

NHS capital backlog [40]	Total capital backlog	Capital backlog split across three-year Spending Review period
<b>Total</b>	£10,248,193,735	<b>£3,416,064,578</b>

Therefore, to calculate the total annual NHS capital investment required each year of the three-year Spending Review period:

Annual capital settlement required for next three-year Spending Review period	Capital backlog split across three-year Spending Review period	Total required annual capital investment over three-year Spending Review period
<b>£10,716,049,614</b>	<b>+ £3,416,064,578</b>	<b>= £14,132,114,192</b>

The current annual NHS capital allocation is £7.7 billion, so this would require a £6.4 billion a year of additional spending at today's prices, more than doubling existing capital spend to £14.1 billion. In this exercise we have focused just on the NHS capital budget and not the entire health and social care budget. It is beyond the scope of this analysis, but we would assume a commensurate increase in the wider Department of Health and Social Care capital budget would need to accompany the NHS increase.

While some of the extant budget does go towards maintenance upkeep, the existence of the backlog demonstrates this has been far from enough to date. Therefore, we have included enough money to eliminate the existing backlog over the course of the presumed three-year Spending Review period.<sup>viii, ix</sup>

**vii** At the time of writing only the 2022/23 capital allocations for each ICS were published (despite NHS England having published

the overall planned allocation for 2023/24) so we have used these numbers to guide as we don't anticipate any material change in allocation proportionality between years.

**viii** This is calculated from the survey data we received from finance leaders. They provided us with the required budget increases to their allocation per year across the next spending review period (2025/26 to 2028/29) to meet the proposed NHS England productivity target. We used this data against population figures for the systems who responded to work out an increase in capital per head for our sample, which was then applied nationally. The final figures then include the cost of eradicating the maintenance backlog per year across three years.

**ix** In addition to the NHS capital budget there would necessarily be a commensurate increase needed in the DHSC's remaining capital budget – but we have focused our analysis on what NHS health leaders need. Capital projects do often have a revenue impact, for instance maintenance and running costs for buildings and digital systems, which should be considered but we have not included this in our high-level analysis.

## Chapter footnotes

vii.

viii.

ix.