

2024/25 SWL NHS Capital Resource Use Plan



Introduction

Capital expenditure generally relates to long-term investments in building and maintaining NHS land and facilities, IT and medical equipment such as MRI or CT scanners. The funding arrangements for such capital expenditure in the NHS are primarily through system capital budgets that are allocated to integrated care boards (ICBs), system primary care capital allocations that are held by NHS England (NHSE) and national capital funds for specific priorities.

Under the Act, ICBs and their partner NHS trusts are required to produce and publish annual NHS joint capital resource use plans on direction from the Secretary of State. The plans are intended to ensure there is transparency for local residents, patients, NHS health workers and other NHS stakeholders on how NHS capital funding provided to ICBs is being prioritised and spent to achieve the ICB's strategic aims.

This document sets out NHS South West London and its partner NHS trusts' NHS capital plan for 2024/25 in line with our commitment to provide our stakeholders with this transparency. Progress will be reported throughout the year at the ICB Finance and Planning Committee and ICB Board, ensuring our partners at the Board and the wider public have continued visibility of the plan, including any key revisions that are made during the year due to timing of funding, approvals and any new national initiatives. The ICB will also publish a full year view in its Annual Report at the end of the financial year. Our partner trusts are responsible for reporting on their share of NHS capital budgets in the same manner.

Context and scope: NHS capital funding sources and alternative sources

HM Treasury (HMT) sets the Department of Health and Social Care (DHSC) a limit for how much capital investment it can make. The department and the NHS are legally obliged not to spend above this limit. This obligation is passed down to ICBs who, along with partner trusts, have a financial duty to ensure that the system's allocated NHS capital budgets are not overspent.

There are four key routes for ICBs and trusts to access NHS capital, which are covered in this publication:

1. **The system's overall NHS capital budget for trusts.** The use of this allocation can be determined by the ICB and its trusts. The budget is calculated by NHSE using a standard formula and NHS trust data, which is largely based on the depreciation of NHS trust assets.

As a result, the use of the capital budget largely focuses on the replacement and maintenance of NHS trust assets with some flexibility to target additional investment.

2. **An annual budget ringfenced for the ICB by NHSE for primary care.** This budget is held and managed centrally by NHSE, and the system and its partners submit applications to access these funds which, if successful, can only be used for these specific projects. The budget may be spent on estates maintenance which is eligible under the Act and replacement IT for general practices.
3. **Further capital allocations from centrally held programme budgets by NHSE.** Sometimes, opportunities arise for SWL to access further capital funding for our trusts and for primary care within the financial year (in addition to the allocated NHS trust and primary care budgets), which allows it to spend more on its infrastructure and equipment. Such budgets are held centrally by NHSE for national priorities. This funding may not be known when we form our NHS capital plans at the beginning of the year, but we will ensure that in-year revisions to our plan are transparent.
4. **Capital receipts generated by NHS trusts through asset disposals.** Our NHS trusts can generate cash income but also additional NHS capital budget for the system via asset sales, for example selling disused land for residential development. These capital receipts can be reinvested in improving healthcare facilities for the population in the year that they arise or a future year with NHSE's agreement.

Some property developments relating to community and primary care facilities are outside of this plan as the capital is made and owned by other parts of the NHS (e.g. NHS Property Services) or because third party developers provide the upfront investment and then are reimbursed through rent charged over the subsequent lease term.

The ICB and its partner NHS trusts can also seek access to external capital funding via charitable sources, capital grants from outside the DHSC, for example Salix grant funding for decarbonisation projects from the Department for Energy Security and Net Zero, and local authorities (section 106 funding and community infrastructure levy support). We are very grateful for this additional support to enable the NHS to improve its facilities and support its local populations.

2024/25 Capital Plan

The table below sets out the 2024/25 capital plan that has been reached in collaboration and jointly with our NHS partners.

2024/25 Joint Capital Resource Use Plan

Organisation type	Plan component	ICB £000	Croydon Health Services £000	Epsom and St Helier Hospitals £000	Kingston Hospital £000	St George's Hospital £000	Hounslow and Richmond Community £000	SWL & St George's Mental Health £000	The Royal Marsden £000	TOTAL 2024/25 Plan £000
Provider	Capital budget for NHS trusts	-	14,049	14,643	15,110	33,016	1,725	27,091	15,432	121,065
ICB	Capital budget for primary care maintenance and IT	2,583	-	-	-	-	-	-	-	2,583
	Subtotal	2,583	14,049	14,643	15,110	33,016	1,725	27,091	15,432	123,648
Provider	National programme funding: upgrades and New Hospitals Programme	-	-	17,400	-	17,551	-	10,023	-	44,974
Provider	National programme funding: diagnostics, electronic patient records, elective recovery	-	11,919	3,550	9,557	4,997	-	68	-	30,091
	Total system capital plan before technical accounting items	2,583	25,968	35,593	24,667	55,564	1,725	37,181	15,432	198,712
Provider	Technical accounting change to lease accounting under IFRS16		1,393	4,787	1,887	27,575	2,391	10,910	3,325	52,268
ICB	Technical accounting change to lease accounting under IFRS16	6,790								6,790
	Total system capital plan after technical accounting items	9,373	27,361	40,380	26,554	83,139	4,116	48,091	18,757	257,770

Our plan is aligned to ICB priorities in that it includes capital investment programmes and projects that support:

- day-to-day operations to continue and for trusts to invest in the backlog maintenance of their buildings and to ensure patients are kept safe as well as in the replacement of ageing equipment
- the modernisation of the mental health estate to ensure mental health services are delivered from within fit-for-purpose facilities
- IT infrastructure and cyber security as well as the continued digitisation of the NHS via new electronic patient records and other SWL-wide digital transformational initiatives
- our continued focus on elective recovery via investment in day case theatre capacity in Croydon, in Intensive Treatment Unit provision across our acute sites and in community diagnostics capacity across SWL
- financial recovery of the system
- replacement IT and maintenance of GP practices
- our drive to focus on sustainability and net zero targets.

We explain the components of the plan in the sections below.

Capital budget for NHS trusts

The 2024/25 plan for NHS trusts is indicatively £121.1m. The national guidance allows the system to produce a plan that spends 5% (£5.7m) more than the funds they have been allocated, to support planning if slippage in project delivery arises, as it can sometimes do so for major capital projects. We will manage to a budget of £115.4m for the year, in line with the ICB's financial duty to ensure that the NHS capital budget is not overspent.

Capital receipts from asset sales of £23.5m to reinvest in the modernisation of the mental health scheme were expected in 2023/24, but are now expected in 2024/25. The timing of these receipts is earlier than the planned expenditure in the new build so in line with NHS guidance we are transferring the budget to a later financial year to ensure it is available to fund the build. This transfer enables us to afford the modernisation project whilst supporting continued investment in backlog maintenance across the system.

Our trusts, like all trusts, have backlog maintenance to tackle alongside operational pressures to ensure our buildings and services remain safe. Therefore, the majority of the capital budget for NHS trusts (70%) relates to backlog maintenance and other critical investment in estates, IT and medical equipment and supports the operational delivery within our trusts. The remaining 30% largely relates to strategic investment in the multi-year programmes which also address maintenance and replacement of assets but on a larger, more strategic scale. These are set out below.

Schemes already in progress:

- Final works associated with the redevelopment of the Springfield Hospital site, the first phase of the modernisation of the mental health estate in SWL.
- Expansion of bed capacity of the Intensive Treatment Unit at St George's Hospital.

Schemes that are subject to NHSE and government approval in-year due to their size:

- Commencement of the proposed redevelopment of the Tolworth Hospital site, which is the second phase of the modernisation of the mental health estate in SWL and is a multi-year programme that is currently expected to complete by 2027/28.
- Enabling work for proposals to rebuild bed capacity of the Intensive Care Unit at Kingston Hospital and to rebuild our existing bed base in a new Renal Unit at St George's Hospital in Tooting for SWL and Surrey patients.

- A decarbonisation project at the Croydon University Hospital site to install air source heat pumps and solar panels and to improve energy efficiency through air handling units, double glazing and improvements to insulation (subject to significant grant funding from the Department for Energy Security and Net Zero; awaiting approval).

Capital budget for primary care maintenance and IT

This budget is set by NHSE and is for the investment in primary care for replacement IT and maintenance of GP practices. The 2024/25 capital budget for primary care provided by NHSE is £2.6m.

We will work with our primary care partners to ensure that we target investment in the appropriate areas. The NHS Premises Costs Directions 2013 under the Act provide for a range of eligible circumstances where a general practice contractor may seek non-recurrent financial assistance for maintenance works. We will work closely with NHSE to complete its review processes for such maintenance costs during Quarter 1 2024/25. NHSE has also opened the application process for ICBs to submit their general practice IT proposals (on behalf of primary care) to use 2024/25 allocation to replace IT equipment and network infrastructure.

The buildings and the structures that support primary care health services for our local communities need to be safe, modern and fit for the purpose of caring for patients. Recognising the complex ownership model in primary care, and that the capital budget allocated to primary care nationally is comparatively small and our ability to meet the requirements of commercial developers is currently limited, we are giving focus to what our priorities are and how we can target transformational investment as part of our system-wide estates and infrastructure strategy development.

National programme funding: Upgrades and New Hospitals Programme

This element of the plan includes expenditure towards a brand new Specialist Emergency Care Hospital (SECH) in Sutton and redevelopment of the existing hospitals on the Epsom and St Helier sites under the New Hospitals Programme (supported by the Secretary of State in 2020). Some enabling works have been conducted in prior years, and we are working with the New Hospitals Programme on next steps and confirmation of funding for the project.

The redevelopment of the Barnes Hospital site which will provide community mental health services for Richmond from modern premises is in progress and due to complete in Spring 2025.

The scheme is intrinsically linked to the development of a new Special Education Needs school and the sale of land for a residential housing development, and an excellent example of different public sector bodies coming together to get better value for money from a site.

National programme funding: Other national priorities

This element of the plan includes schemes that have been approved in prior years and schemes for which funding has not yet been approved by NHSE. Additional funds may emerge in-year for other national trust and community priorities not identified below.

Approved schemes in progress

National programme funding has been awarded to SWL to:

- Complete builds in our Kingston and Croydon communities to deliver diagnostics services outside the acute hospital setting to tackle waiting lists for tests and scans.
- Continue to implement a new electronic patient record system at Epsom and St Helier Hospitals (part-funded by the SWL system capital budget in prior years but also supported by additional national digital funds).

Schemes that are seeking approval from NHSE and DHSC

- Completion of additional theatre capacity at Croydon University Hospital to support the delivery of more elective activity and address waiting lists for treatment.

Technical accounting adjustments

The plan also included provision for technical adjustments for the way that leases have been accounted for in the Annual Accounts of our organisations since 2022/23. These technical issues will continue to be covered by additional national capital budgets in 2024/25 as they have been in prior years.

Risks

We have followed a risk-based approach to prioritise expenditure within the capital budget for NHS trusts. We have a limited budget in which we need to ensure that our services and environments are safe and fit-for-purpose for patients, staff and the public, so we have to consider where the need for investment is. This might include balancing investment, for instance, between backlog

maintenance, replacing old and ageing medical scanners, investment in cyber security and major estates developments.

We think that the key risks to monitor and manage throughout 2024/25 include:

- Not being able to deliver to the timelines built into the plan, for instance, due to underestimating the timelines required for business case approval processes. If these processes take longer than we anticipate, this can impact the phasing of expenditure and estimated prices and we may need to reprioritise the schemes in the plan.
- If asset sales are held up and the assumed funding level for 2024/25 is lower than planned there is a risk that the Tolworth redevelopment would need to be delayed until the capital receipts are confirmed.
- Continued low levels of primary care funding to sufficiently support our ambitions to increase levels of care in the community away from an acute setting through integrated neighbourhood teams and to grow the maturity and capacity of primary care networks and improve access for patients.
- Rising inflation is a significant risk that could materially change estimated costs in the plan and that the system will no longer be able to afford all of the schemes planned. Contingencies are included in plans to offset this but inflation may exceed these in the current financial climate.
- The system infrastructure includes estate which is managed by PFI providers, there are risks that changes to the buildings or in the PFI contract arrangements are not affordable for the health system.

The SWL NHS system will continue to carefully monitor these risks throughout the year and regular reports will be taken to the ICB Finance and Planning Committee and Board as well as to Trust Boards. We have close working relationships with NHSE and DHSC colleagues and will continue to keep an open dialogue with colleagues as we progress through 2024/25 to gain support and approval for our planned schemes.