

2025/26 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. Current 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 2025/26 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 mostly 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 works which are 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 currently 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 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.

2025/26 Capital Plan

The table below sets out the 2025/26 capital plan that has been reached in collaboration and jointly with our NHS partners.

Organisation type	Plan component	ICB £'000	Croydon Health Services £'000	Epsom and St Helier Hospitals £'000	Kingston and Richmond £'000	St George's Hospital £'000	SWL & St George's Mental Health £'000	The Royal Marsden £'000	TOTAL 2025/26 Plan £'000
Provider	Capital budget for NHS trusts		8,318	7,604	3,837	36,293	52,500	19,852	123,057
Provider	Technical accounting change to lease accounting under IFRS16		3,394	1,240	8,361	19,485	10,600	4,000	47,080
	Subtotal NHS capital budget for trusts	-	11,712	8,844	12,198	55,778	63,100	23,852	175,484
ICB	Capital budget for primary care maintenance and IT	3,030							3,030
	Subtotal SWL system capital envelopes	3,030	11,712	8,844	12,198	55,778	63,100	23,852	175,484
Provider	National programme funding: upgrades and New Hospitals Programme						4,511		4,511
Provider	National programme funding: constitutional standards, estates safety, MH out of area placements, digitisation		14,797	15,834	14,555	17,776	3,796	5,254	77,359
ICB	National programme funding: utilisation and modernisation of primary care estate	2,533							2,533
	Total system capital plan	5,563	26,509	24,678	26,753	73,554	71,407	29,106	257,570

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
- financial recovery of the system
- replacement IT and improvement of GP practices
- support for our sustainability and net zero targets.

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

Capital budget for NHS trusts

The 2025/26 plan for NHS trusts is indicatively £175.5m. We will manage to this budget for the year, in line with the ICB's financial duty to ensure that the NHS capital budget is not overspent. In 2025/26, the available allocation must also accommodate technical adjustments for the way that leases are accounted for in the annual accounts of our trusts (previously covered by additional national capital budgets in prior years).

The budget includes capital receipts of £19.0m generated from asset sales in 2024/25 to reinvest in the modernisation of the mental health estate at the Tolworth Hospital site. The timing of these receipts was earlier than the planned expenditure so in line with NHS guidance we transferred the budget to 2025/26 to ensure it is available to fund the new build. This transfer enables us to afford the modernisation project whilst supporting continued investment in backlog maintenance across the system. A £4.5m capital receipt relating to a further asset sale in 2025/26 is also factored in the 2025/26 budget.

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 (70%) for NHS trusts relates to backlog maintenance and other critical investment in estates, IT and medical equipment (including leases) 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.

Larger-scale schemes progressing in 2025/26:

- Final works associated with the expansion of bed capacity of the Intensive Treatment Unit at St George's Hospital.
- 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 expected to complete by 2027/28.
- Complete builds in Croydon to deliver diagnostics services outside the acute hospital setting to tackle waiting lists for tests and scans.

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 minor estates works in GP practices. The 2025/26 capital budget for primary care provided by NHSE is £3.0m.

We will work with our primary care partners to ensure that we target investment in the appropriate areas. The NHS Premises Costs Directions 2024 under the Act provide for a range of eligible circumstances where a general practice contractor may seek non-recurrent financial assistance for works. We will work closely with NHSE to complete its review processes for such costs as soon as possible in 2025/26. NHSE has also opened the application process for ICBs to submit their general practice IT proposals (on behalf of primary care) 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 in line with the SWL NHS Infrastructure Strategy.

National programme funding: Upgrades and New Hospitals Programme

The plan relates to 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 by March 2026 and open to patients in 2026/27. 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.

In prior years, this element of the plan included 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. The Government announced in January 2025 that the scheme was part of Wave 2 of the New Hospitals Programme, whereby construction would not start until 2032 to 2034 and as such, planning for the new hospital was paused.

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:

- Support 'go live' of the new electronic patient record system at Epsom and St Helier Hospitals (part-funded by a mix of the SWL system capital budget and additional national digital funds in prior years).
- Install solar panels and batteries at Kingston Hospital, St George's Hospital and SWL and St George's mental health sites.
- Replace a linear accelerator at The Royal Marsden to support improvements in patient care.
- Accelerate the reduction of estates backlog maintenance across the trust sites.
- Replace the existing site-wide heating and hot water system at Kingston Hospital and reduce Trust carbon emissions by 19%.

Schemes that are seeking approval from NHSE and DHSC

Additional funds are sought from National programmes and included in the plan to:

- Support delivering constitutional standards across diagnostics, elective and urgent and emergency care.
- Completion of additional theatre capacity at Croydon University Hospital to support the delivery of more elective activity and address waiting lists for treatment.
- Increase mental health capacity within SWL to reduce the need to place patients out of area or in the private sector at a premium.
- Support general practices to make better use of their existing estate, for example, through the conversion of space currently used to store paper records.

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 2025/26 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 approval processes do not lead to anticipated outcomes, we may need to reprioritise the schemes in the plan.
- If the planned asset sale is held up and the assumed funding level for 2025/26 is lower than planned there is a risk that the Tolworth redevelopment would need to be reprofiled 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 and improve access for patients.
- Rising inflation has been a significant risk that has materially changed estimated costs and there is risk that the system will no longer be able to afford all of the schemes it previously anticipated.
- The change in national policy to expect system allocations to include technical accounting adjustments may mean that less funding is available to support backlog maintenance and other critical infrastructure investment.
- 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 2025/26 to gain support and approval for our planned schemes.