

AGENDA ITEM NO:**UNIVERSITY HOSPITAL BIRMINGHAM NHS FOUNDATION TRUST****BOARD OF DIRECTORS****THURSDAY 24 JANUARY 2013**

Title:	TRUST CAPITAL PROGRAMME UPDATE
Responsible Director:	Morag Jackson, New Hospitals Project Director
Contact:	Steve Clarke, Finance Department, ext. 53854

Purpose:	To update the Board of Directors on 2012/13 capital expenditure.
Confidentiality Level & Reason:	None
Annual Plan Ref:	3.4 - Ensure the Trust maintains financial health
Key Issues Summary:	<p>Actual capital expenditure incurred during the first nine months of the 2012/13 financial year (April-December) was £7.63 million.</p> <p>The approved capital budget for 2012/13 is £12.80 million which includes £2.80m relating to charitable donations.</p>
Recommendations:	<p>The Board of Directors are requested to:</p> <p>a. Note the expenditure to date against the 2012/13 capital programme.</p>

Signed:	Date: 14 th January 2013
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UNIVERSITY HOSPITAL BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS

THURSDAY 24 JANUARY 2013

TRUST CAPITAL PROGRAMME REPORT

PRESENTED BY NEW HOSPITALS PROJECT DIRECTOR

1. Purpose of the Report

This report summarises the Trusts 2012/13 capital expenditure in the first nine months of the financial year and provides an update on major capital projects.

2. 2012/13 Expenditure Summary

Actual capital programme expenditure incurred up to the end of quarter 3 (31st December 2012) was £7.63 million as summarised below:

Table 1: Summary 2012/13 Capital Programme Budget & Expenditure

	Apr-Dec Budget £ m	Apr-Dec Expenditure £ m
Brought Forward Schemes	0.12	0.22
Retained Estates	3.60	3.26
Equipment – Rolling Replacement	1.33	1.63
Equipment – Scopes Replacement	0.50	0.44
Equipment - Major Trauma Centre	0.55	0.20
Equipment – Other	0.06	0.37
ICT replacement & specific projects	0.89	0.89
Modernisation and Discretionary	0.15	0.07
New Hospital Works	0.30	0.50
Assumed slippage	(0.23)	0.00
Gifted Assets	0.00	0.04
TOTAL	7.27	7.63

Note - may include rounding differences

Expenditure is marginally ahead of plan at this stage, but is expected to return back in line with plan over the remaining three months of the financial year.

3. 2012/13 Programme Update

3.1 Brought forward from previous years (Annual Budget: £0.20m)

The £0.22m spend includes several items of medical equipment ordered in 2011/12 but delivered in 2012/13.

3.2 Retained Estate (Annual Budget: £4.95m)

During the first three quarters of 2012/13 expenditure of £3.26m has been incurred on the following schemes:

- £1.51m on the Plaza scheme project which is now completed.
- £0.29m on QE site road infrastructure work undertaken by Birmingham City Council.
- £0.81m on Nuffield house refurbishment for the HARC service.
- £0.31m spent on works to the CRF facility in the Wellcome building.
- £0.22m for works on the ground floor of the Oncology building in preparation of for the transfer of the Haemophilia service.

Works on all the above schemes now been completed, refurbishment works will continue in the final quarter for the Cyberknife facility and for Radiopharmacy.

3.3 Equipment (£3.24m)

Total expenditure on equipment during the first nine months was £2.64m; this included;

- £0.50m on replacement endoscopes and drying cabinets.
- £1.63m on the rolling replacement of existing medical equipment including dialysis units, heart and lung machines, operating tables, ventilators and diathermy units.
- £0.20m on equipment within the emergency and critical care departments for additional activity associated with the Major Trauma Centre.
- £0.30m on the replacement electron microscope installed into the new hospital.

3.4 ICT Replacement and Specific Projects (£1.25m)

To date £0.89m has been incurred on various ICT projects including the finance disaster recovery, system upgrades, refreshment and modernisation.

3.5 Modernisation & Chief Operating Officer's Capital Fund (£0.30m)

To date £0.07m has been incurred in the first nine months on new equipment to improve service delivery or deliver revenue savings.

3.6 New Hospital Works (£0.35m)

To date £0.50m has been incurred for works new hospital works approved by the Board of Directors in previous years via variations which now been invoiced by the PFI operator.

3.7 Unallocated and Assumed Slippage (£0.20m)

The £0.50m within the approved budget at the start of the year has been allocated during the financial year to the following capital projects;

- £0.35m Equipment purchase of CVVH machines Critical Care.
- £0.10m PACS refresh in line with original business case.
- £0.05m Radiopharmacy works.

Assumed slippage (£0.30m) is included in the budget, based on historic trends that some capital projects would be delayed in the year.

3.8 Donated Assets (£2.80m)

The £2.80m budget includes the Cyberknife machine at £2.40m and £0.40m for other donated equipment purchases. The budget for this expenditure remains in the final quarter of the financial year; expenditure will be recognised as equipment is delivered.

4. Forecast Outturn

There has been minimal slippage in the planned capital projects year to date, therefore it is expected that the outturn capital expenditure at the end of the financial year will be broadly in line with the approved annual budget;

Table 2: 2012/13 Capital Programme Expenditure Forecast

	Annual Budget £ m	Apr – Dec Expenditure £ m	Forecast Outturn £ m
Brought Forward Schemes	0.20	0.22	0.22
Retained Estates	4.95	3.26	4.31
Equipment – Rolling Replacement	1.93	1.63	2.03
Equipment – Scopes Replacement	0.45	0.44	0.44
Equipment - Major Trauma Centre	0.45	0.20	0.40
Equipment – Other	0.41	0.37	0.57
ICT replacement & specific projects	1.25	0.89	1.09
Modernisation and Discretionary	0.30	0.07	0.27
New Hospital Works	0.35	0.50	0.50
Assumed slippage	-0.30	0.00	0.00
Gifted Assets inc. Cyberknife	2.80	0.04	2.54
Total	12.80	7.63	12.38

Note - may include rounding differences

5. Other Capitalised Payments

In addition to the traditional capital expenditure outlined above, the Trust incurs two other capitalised new hospital payments which are not shown in the monthly Income and Expenditure reported to the Board of Directors;

- A. **£12.30m** for the repayment of the finance lease creditor (effectively the annual repayment of the outstanding credit to ensure a zero balance at the of the PFI contract term).

B. **£1.70m** for new hospital lifecycle payments (reflects the annual expenditure on lifecycle replacement and maintenance of the building such as flooring replacement).

At the end of quarter 3 (April to December), the combined new hospital related capital payments were £10.5m, in line with plan. The total capital expenditure and funding for quarter 3 is shown below:

Table 3: Capital Expenditure & Funding Draft Projection

		2012/13	Qtr3	Qtr3
	Capital Expenditure and Sources of Funding	Plan £ m	Plan £ m	Actual £ m
Expenditure	Traditional Capital Programme	-12.8	-7.3	-7.6
Expenditure	Other New Hospital capitalised payments	-14.0	-10.5	-10.5
	Net Cash (Outflow)	-26.8	-17.8	-18.1
Source of Funding	Depreciation	19.3	14.5	15.0
Source of Funding	Donated Assets	2.8	0.0	0.0
Source of Funding	I&E Surplus	0.6	0.5	2.5
	Net Cash Inflow	22.7	15.0	17.6
	Overall Cash Inflow / (Outflow)	-4.1	-2.8	-0.6

Note - may include rounding differences

Table 3 above shows planned net cash outflow of (£4.10m) over the financial year for all capital expenditure. As at the end of quarter 3 total the actual net cash outflow was (£0.60m) compared to the planned outflow of (£2.80m) year to date. The net cash outflow is lower than planned largely due to the higher than planned operating surplus generated in the first three quarters of the year.

6. Conclusion and Recommendations

The Trust has incurred £7.63m of capital expenditure in the first nine months of the 2012/13 financial year. Capital expenditure is ahead of forecast at present but expected to return closer to planned budget during the remaining months.

The Board of Directors are requested to:

- a. **Note** the expenditure to date against the 2012/13 capital programme.

Morag Jackson
New Hospitals Project Director
14 January 2013.