

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
BOARD OF DIRECTORS
THURSDAY 25 JULY 2013

Title:	CAPITAL PROGRAMME UPDATE REPORT
Responsible Director:	Morag Jackson, Director of Projects
Contact:	Steve Clarke, Corporate Finance Manager, ext. 53854

Purpose:	To present an update to the Board of Directors on 2013/14 capital expenditure.
Confidentiality Level & Reason:	None
Annual Plan Ref:	Relevant to all strategic aims
Key Issues Summary:	<ul style="list-style-type: none"> • The 2013/14 capital budget is £14.24m including £3.91m of externally funded projects. • Actual capital expenditure in the first quarter of 2013/14 was £3.40m. • All major projects are proceeding as planned with no significant slippage being reported to date.
Recommendations:	<p>The Board of Directors is requested to:</p> <p>Note the £3.40 million expenditure against the 2013/14 capital programme.</p>

Signed: Morag Jackson	Date: 15 July 2013
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BOARD OF DIRECTORS
THURSDAY 25 JULY 2013

CAPITAL PROGRAMME UPDATE REPORT PRESENTED BY DIRECTOR OF PROJECTS

1. Purpose of the Report

This report summarises the capital expenditure for the first quarter of the 2013/14 financial year (April-June). It includes a short progress update on the main capital projects being undertaken across the Trust. Finally, the report presents a summary of sources of funding for these capital projects alongside expenditure to demonstrate the impact of the capital investment on the Trust's cash balances.

2. 2013/14 Quarter 1 Expenditure Summary

Actual capital expenditure to date (April-June) was £3.40m as shown below:

Table 1: Summary 2013/14 Capital Programme Budget & Expenditure

	2013/14 Annual Budget £ m	2013/14 Expenditure To Date £ m
Brought Forward Schemes	0.20	0.31
Estates – Retained Buildings	4.33	0.20
Estates – New Hospital	0.54	0.16
Equipment - Rolling Replacement	2.30	0.22
Equipment - Lin Acc replacement	1.56	0.00
Equipment - Business Cases	1.10	0.08
COO Discretionary & Modernisation	0.30	0.06
ICT replacement & specific projects	1.10	0.07
Unallocated	0.30	0.09
Donated Assets (inc. Cyberknife)	2.51	2.21
TOTAL	14.24	3.40

3. 2013/14 Programme Update

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

This relates to several items of equipment approved in 2012/13 but not delivered until April or May of the current financial year.

3.2 Estates Projects (combined Budget: £4.87m)

Planned building work projects in 2013/14 include:

- £0.93m Radiopharmacy Refurbishment.
- £0.50m East block short stay unit.
- £0.50m Room 7 Linear Accelerator bunker refurbishment.
- £1.00m Works to QE buildings to meet the Trust strategic requirements for additional space.
- £1.40m for advanced works and decanting North Block to facilitate the development of an Institute of Translational Medicine (ITM) and
- £0.54m for new hospital lifecycle and variation works.

Radiopharmacy works have been successfully tendered, with the successful contractor start on site mid-August for an anticipated 12 week programme of refurbishment works. The creation of a short stay facility in the East block is underway and the initial refurbishment work is due for completion by the end of August 2013.

Initial design works have begun on the works required to fit in the replacement Linear Accelerator but works have yet to be tendered. Planning and design works continue on a range of projects in the East and North blocks to prepare for the creation of an Institute of Translational Medicine (ITM). Advanced works are scheduled to start in North block later in the year and tender for the first phase of East block refurbishment scheduled to be issued by the end of July.

To date £0.36m has been incurred on estates projects (East block short stay and new hospital lifecycle works). This will increase rapidly in the coming months as contractors start work in Radiopharmacy, Room 7 and the East and North block refurbishments.

3.3 Equipment (combined budget £4.96m)

The approved 2013/14 capital programme includes funding for the following equipment:

- £2.30m for the replacement of existing medical equipment such as anaesthetic machines, defibrillators, ventilators, operating tables, slit lamps and a heart and lung perfusion system.
- £1.56m for the replacement of a Linear Accelerator.
- £1.10m for additional equipment identified in approved business cases (e.g. cardiac surgery and ophthalmology strategy) or expected developments (e.g. day surgery and critical care expansions).

Actual equipment expenditure has been just £0.30m in the first three months of the financial year. Medical Engineering and procurement have been working with the clinical departments to finalise equipment specifications, complete tenders and place orders for the new items.

Including the replacement Linear Accelerator, purchase orders have been approved for over £2.2m of replacement equipment, with delivery now being scheduled for many items.

3.4 ICT Replacement and Modernisation (budget £1.10m)

The £1.10m ICT budget reflects the minimum budget requirement to fund a range of projects identified by the Director of IT Services. The budget includes server replacement, storage area network upgrades, business continuity and backup investment, data security projects and systems management tools. To date £0.07m has been incurred, project plans are being finalised with the remaining budget expected to be utilised over the last nine months of the financial year.

3.5 Modernisation & Chief Operating Officer's fund (budget £0.30m)

In line with previous years, a £0.30m budget has been included in the approved capital plan for the unplanned replacement of equipment or the purchase of new equipment to improve service delivery or release revenue cost savings. To date £0.06m has been incurred.

3.6 Unallocated (£0.30m)

The current capital programme includes an unallocated budget of £0.30m to fund any business cases requiring capital investment which are brought forward in the year. A review of recently approved cases will be undertaken in July and funding allocated in line with the approvals.

3.7 Donated Assets (£2.51m)

The 2013/14 capital programme includes £2.51m of assets to be funded from QEHB Charity and donated to the Trust. The bulk of this relates to the Cyberknife machine with the balance to cover any other asset donations funded by the QEHB Charity. To date £2.30m has been recognised for donated assets, with the vast majority (£2.21m) relating to the Cyberknife machine which was first used for patient treatments in June.

3.8 Quarter 1 Expenditure Summary

Total capital expenditure in the first quarter was £3.40m of which £2.21m relates to the Cyberknife donated asset. Capital project expenditure is slightly lower than planned at this stage of the year. Several estates projects are due start in the next 4-6 weeks along with a number of items of replacement medical equipment, therefore at this stage, it is anticipated that the full capital budget will be incurred over the remaining months of the financial year.

4. Capitalised Payments and Sources of Funding

In addition to the traditional capital expenditure outlined above, the Trust incurs two other capitalised payments relating to the New Hospital which are not shown in the monthly Income and Expenditure report to the Board of Directors. In 2013/14 these are projected to be:

- A. **£11.80m** for the repayment of the finance lease creditor, effectively the annual repayment of the capital element of the PFI lease and
- B. **£2.35m** for new hospital lifecycle payments.

When added to the capital projects budget outline above, the capital cash flows for 2013/14 are:

Table 3: 2013/14 Capital Expenditure & Funding

Capital Funding & Expenditure	2013/14 £'million	Q1 Plan £'million	Q1 Actual £'million
Capital Programme Expenditure	-14.24	-3.92	-3.40
New Hospital Capital Payments	-14.14	-3.49	-3.49
Sub Total Capital Expenditure	-28.38	-7.41	-6.89
External Funding: QEHB Charity	2.50	2.21	2.21
External Funding: Central Govt Grant (ITM)	1.40	0.00	0.00
Trust Funding: 2013/14 Depreciation	20.00	5.00	4.93
Trust Funding: 2013/14 Annual Surplus (1)	1.40	0.40	0.40
Net Capital Funding	25.80	7.61	7.54
Net Cash Inflow / (Outflow)	-3.08	0.20	0.65

Note: Trust actual 2013/14 planned surplus is £3.90m including £2.50m donated income which is included in the external funding line within this table.

To protect overall Trust cash balances, total capital expenditure needs to be broadly in line with the sources of capital funding. Table 3 shows a planned net cash outflow of (£3.08m) for the 2013/14 financial year based on the depreciation and annual surplus contained in the Trust's annual financial plan. The actual cash impact of capital expenditure and sources of funding at the end of Q1 was a positive cash inflow of £0.65m, marginally higher than planned due to the capital projects being budgeted by £0.52m at this stage of the year.

5. Conclusion & Recommendations

In the first quarter (April-June) the Trust has incurred £3.40m of capital expenditure out of the £14.24m annual budget. A significant proportion (£2.21m) of this related to the donated assets (Cyberknife). Total capital expenditure for 2013/14 including new hospital payments totalled £6.89m in the period. The Board of Directors is requested to:

Note the £3.40m capital expenditure in quarter 1 (April-June) of 2013/14.

Morag Jackson
Director of Projects