

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS

THURSDAY 24 JULY 2014

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

Purpose:	To update the Board of Directors on capital expenditure in the first quarter of 2014/15 (April-June).
Confidentiality Level & Reason:	None
Medium Term Plan Ref:	Relevant to all strategic aims
Key Issues Summary:	<p>The approved capital expenditure budget for 2014/15 is £21.30m including externally funded projects.</p> <p>Actual expenditure in the first quarter of 2014/15 (April-June) is £2.80m.</p>
Recommendations:	<p>The Board of Directors is requested to:</p> <ol style="list-style-type: none">1. Note the £2.80m expenditure to date and the progress on capital projects and2. Note the requirement to reforecast capital expenditure to Monitor.

Approved by: Morag Jackson	Date: 15 July 2014
-----------------------------------	---------------------------

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS
THURSDAY 24 JULY 2014

CAPITAL PROGRAMME UPDATE REPORT PRESENTED BY DIRECTOR OF PROJECTS

1. Purpose of the Report

This report provides a summary of the capital project expenditure in the first quarter (April – June) of the 2014/15 financial year. The report provides an update on the status and progress of the major capital projects and a summary of the impact of capital investment on the Trust's cash balances.

2. 2014/15 Expenditure Summary

Actual capital expenditure at the end of quarter 1 of the 2014/15 financial year was £2.80m as summarised below:

Table 1: Summary 2014/15 Capital Programme Budget & Expenditure

Project Description	Annual Budget £ m	2014/15 Expenditure Qtr 1 £ m
Brought Forward Schemes	0.00	0.02
Estates - ITM Project	8.80	1.01
Estates - QE Site Building Refurbishment	2.40	0.26
Estates - New Hospital Works & Lifecycle	0.93	0.00
Estates - Renal Facility Project	0.75	0.00
Equipment - Rolling Replacement	2.10	0.56
Equipment – Major Equipment Replacement	3.61	0.01
Equipment – Other	0.86	0.47
IMT Replacement & specific projects	1.15	0.47
Modernisation and Discretionary	0.30	0.00
Unallocated Contingency	0.20	0.00
External Funding: Donated Cyberknife & Other	0.20	0.00
TOTAL	21.30	2.80

The total approved 2014/15 capital budget is £21.30m, this includes £9.00m which is externally funded (£8.80m agreed central government ITM grant and £0.20m assumed QEHB Charity donation) with the balance funded by the Trust. An update on the key capital projects included within this £21.30m budget is provided below.

3. 2014/15 Programme Update

3.1. Estates Projects (budget £12.88m)

In quarter 1, expenditure of £1.27m on the estates projects has been incurred as follows;

- £1.01m of costs relating to the refurbishment of the Institute for Translational Medicine (ITM) facility in line with the approved external funding. The main contractor (Vinci) started on site in April and works are progressing as planned.
- £0.26m for work across the QE site and buildings. The expenditure to date includes roofing works and final payments for the East block refurbishment. Contractors have been appointed for the works required in the room 7 linear accelerator and are due to start on site mid July. There is further funding available for West Block ward improvements (£1.20m) and
- Funding of £0.75m is included for capital works to the proposed off site community renal facility.
- Funding of £0.93m for new hospital works including the allowance for lifecycle costs in line with the PFI financial model.

3.2. Equipment Replacements & Developments (budget £6.57m)

In quarter 1, expenditure of £1.04m has been incurred on the purchase of new and replacement equipment as follows;

- £0.56m on the rolling replacement of existing medical equipment, equipment replaced to date includes ultrasound machines, microscopes, patient monitors and an operating laser.
- £0.48m on other equipment purchases including:
 - £0.20m on critical care expansion equipment and
 - £0.28m on CT synergy system within radiotherapy.

Further costs will continue to be incurred throughout the year as departments finalise equipment specifications and purchase orders are placed. At present, orders have been placed for a further £2.5m of equipment with deliveries scheduled between July and October.

3.3. IT Projects (budget £1.15m)

To date £0.47m has been incurred on replacement servers and SAN storage capacity.

3.4. Other Capital Budgets (£0.70m)

The other funding within the approved 2014/15 capital budget is:

- £0.30m discretionary budget for Chief Operating Officer projects to improve service delivery or to deliver savings.
- £0.20m for potential donated equipment following bids approved by the QEHB Charity Trustee Board and
- £0.20m contingency for any unplanned replacement of capital assets or business cases approved during the year.

No expenditure has been incurred to date against these projects. However several items of equipment have been identified by Trust clinicians as failing in year or causing operational issues. These items were not on the planned 2014/15 replacement programme. Quotes are being obtained to replace these additional items. It is therefore expected that the £0.20m contingency will be fully utilised in quarter 2 (July-September).

3.5. 2014/15 Quarter 1 Summary & Monitor Return

Actual capital expenditure in quarter 1 was £2.8m. This is below the year to date plan of £4.5m. Reviews will take place over the next few months with the key project managers and departments to develop expenditure forecasts for the rest of 2014/15.

Monitor requires Trusts to resubmit capital expenditure forecasts if the actual expenditure varies by more than 15% (above or below plan). Therefore, the Trust is required to submit a reprofiled capital expenditure plan for 2014/15. This will not change the overall values; it will just show the same total expenditure with a different phasing. This return will be submitted to Monitor as part of the regular quarter 1 finance and governance return to Monitor.

4. **Capitalised Payments and Sources of Funding**

In addition to the traditional capital project expenditure outlined above, the Trust incurs two further capital payments relating to the New Hospital. The annual value of these payments (capital repayment of the finance lease and new hospital lifecycle payments) in 2014/15 is forecast to be £14.44m as follows:

- **£12.10m** for the repayment of the finance lease creditor or the annual repayment of the capital element of the PFI lease and
- **£2.34m** for new hospital lifecycle payments.

Table 2: 2014/15 Capital Expenditure & Funding

Capital Funding & Expenditure	2013/14 £ million	Qtr 1 Plan £ million	Qtr 1 Actual £ million
Capital Programme Expenditure	(21.30)	(4.50)	(2.80)
New Hospital Capital Payments	(14.44)	(3.50)	(3.50)
Sub Total Capital Expenditure	(35.74)	(8.00)	(6.30)
External Funding: QEHB Charity	0.20	0.00	0.00
External Funding: Central Govt Grant (ITM)	8.80	1.50	1.01
Trust Funding: 2014/15 Planned Depreciation	20.20	5.00	5.00
Trust Funding: 2014/15 Planned Surplus ⁽¹⁾	2.80	0.90	0.70
Net Capital Funding	32.00	7.40	7.20
Net Cash Inflow / (Outflow)	(3.74)	(0.60)	0.41

Trust planned 2014/15 surplus is £3.00m; this includes £0.20m of donated income already shown in the external funding line in this table

To maintain the Trust's overall level of cash balances, total capital expenditure needs to be broadly in line with the sources of capital funding. Table 2 above shows total capital expenditure of £35.74m is planned for 2014/15. This compares to actual funding of £32.00m in the year resulting in a planned overall cash outflow of (£3.74m) during 2014/15.

At the end of quarter 1, the overall capital funding position was £0.41m inflow compared to the planned (£0.60m) outflow. This improvement is due primarily to the lower than expected capital programme expenditure in the period.

5. Conclusion & Recommendations

The Trust incurred £2.80m of capital expenditure in the first quarter of 2014/15. As the actual expenditure is lower than plan, the Trust is required to provide a reforecast capital expenditure profile to Monitor. This will be submitted as part of the regular quarter 1 financial return.

The Board of Directors is requested to:

- 5.1 **Note** the £2.80m expenditure to date and the progress on capital projects and
- 5.2 **Note** the requirement to reforecast capital expenditure to Monitor.

Progress updates will continue to be provided to the Board of Directors as part of the monthly finance and activity report, with more detailed updates prepared on a quarterly basis as in previous years.