

## Appendix A – 2016/17 Capital Expenditure Update

### 1. Purpose

This appendix provides a summary of capital expenditure in the 2016/17 financial year along with a short progress update on the major capital projects. An overview of the 2016/17 total capital investment, sources of financing and the impact of the Trust's cash balance is provided at the end of this document.

### 2. 2016/17 Capital Funding Summary

Actual capital expenditure at the end of quarter 1 was £1.83m as shown below compared to the approved £15.0m capital budget for the year:

**Table 1: Summary 2016/17 Capital Programme**

<b>Project Description</b>	<b>2016/17 Budget £m</b>	<b>2016/17 Actual Expenditure £m</b>
Brought forward schemes	0.00	0.46
Estates – 3 <sup>rd</sup> Floor ITM project	0.00	0.10
Estates - QE heritage & offsite buildings	1.50	0.00
Estates – QEHB works & lifecycle	3.30	0.48
Equipment - Rolling replacement	3.00	0.40
Equipment - Major equipment replacement	3.05	0.00
Equipment - Other inc. COO discretionary	2.25	0.04
IT Replacement & specific projects	1.40	0.03
External funded donated assets	0.50	0.32
<b>TOTAL</b>	<b>15.00</b>	<b>1.83</b>

Note - may contain rounding differences.

### 3. Capital Programme Update

- Institute for Translational Medicine (ITM): £0.10m has been incurred in 2016/17 on the early stages of refurbishment of the 3<sup>rd</sup> Floor ITM. The costs for the whole project will be funded by the University of Birmingham and European Funding (subject to award).
- QE Heritage building & offsite building refurbishment: No expenditure to date has been incurred on new projects, although work is ongoing on the Clock Tower tank relining project which began in 2015/16. Work will begin shortly on the replacement of lifts within Radiotherapy, at a cost of £0.14m.
- QEHB works and lifecycle: £0.48m has been incurred for lifecycle replacement and variation works undertaken in the QEHB by the PFI operator. This expenditure also number of approved variation works (inc. commissioning of PET Centre & ICT infrastructure) along with lifecycle refurbishment across the building undertaken as part of the PFI contract.

- Equipment rolling replacement: A budget of £3.00m exists for the replacement of existing medical equipment across the Trust. Items prioritised for replacement by the medical engineering team include patient monitors, anaesthetic machines, surgical aspirators, ITU ventilators, ultrasound scanners and operating tables. The procurement and delivery of these items will take place on a phased basis throughout the financial year, with a total expenditure of £0.4m to date
- Major medical equipment: No expenditure has been incurred to date in relation to these projects. The funding includes £1.80m for the replacement of a Linear Accelerator and a further £1.25m for imaging equipment including a new CT scanner and associated works. Procurement of these replacement items is being led by the relevant service leads with specifications being finalised and quotes being obtained.
- Other equipment purchases: Expenditure of £0.04m has been incurred in quarter one on small value equipment purchases. Further expenditure is planned in year with business cases approved for the XIO treatment planning systems at a cost of £0.92m, scope replacement £0.40m and Gallium 68 equipment £0.36m.
- IT projects: £0.03m on small value IT replacement and modernisation items
- Donated Equipment: £0.32m of equipment and vehicles were awarded to the Trust in quarter one following successful bids to the QEHB charity during this period. Items included a mobile breast care trailer and mammography equipment to be installed within this trailer.

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

In addition to the capital project expenditure outlined above, the Trust incurs two further capital payments which relate to the New Hospital. These are the capital repayment of the finance lease and the new hospital lifecycle payment. In 2016/17 these items total £13.28m as follows:

- £12.79 for the repayment of the finance lease creditor i.e. the annual repayment of the capital element of the PFI lease and
- £0.49m for new hospital lifecycle prepayments.

When added to the normal capital programme expenditure above, the Trusts total planned capital investment for 2016/17 is £28.3m as shown below;

**Table 2: 2016/17 Capital Expenditure & Sources of Funding**

<b>Capital Funding &amp; Expenditure</b>	<b>2016/17 Plan £m</b>	<b>QTR 1 Plan £m</b>	<b>QTR 1 Actual £m</b>
Capital Programme Expenditure	(15.0)	(2.1)	(1.8)
New Hospital Capital Payments	(13.3)	(4.0)	(3.6)
<b>Sub Total Capital Expenditure</b>	<b>(28.3)</b>	<b>(6.1)</b>	<b>(5.4)</b>

Note - may contain rounding differences.

This capital investment has been funded from the following sources;

- £20.50m Trust depreciation
- £0.50m External funding (QEHB Charity)
- £12.25m Capital disposal proceeds (Selly Oak site)

To maintain the Trust's overall cash balances, capital investment should be broadly balanced by the sources of funding. In 2016/17 the sources of funding total £33.25m including the Selly Oak receipts which are effectively being partially reinvested by the Trust into new capital assets.