

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS

THURSDAY 23 OCTOBER 2014

Title:	CAPITAL PROGRAMME UPDATE REPORT
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Steve Clarke, Corporate Finance Manager, ext. 53854

Purpose:	To update the Board of Directors on capital expenditure in the first six months (April-September) of the 2014/15 financial year
Confidentiality Level & Reason:	None
Medium Term Plan Ref:	Relevant to all strategic aims
Key Issues Summary:	The approved capital expenditure budget for 2014/15 is £21.30m including externally funded projects. Actual expenditure up to the 30 th September is £7.11m.
Recommendations:	The Board of Directors is requested to: <ol style="list-style-type: none">1. Note the £7.11m expenditure to date and the progress on capital projects and2. Note the proposal to refresh the 2014/15 capital programme during the next quarter.

Approved by: Mike Sexton	Date: 15 October 2014
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

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CAPITAL PROGRAMME UPDATE REPORT

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Purpose of the Report

This report provides a summary of the capital project expenditure in the first six months (April – September) of the 2014/15 financial year. The report provides updates on the progress of major capital projects and summarises the impact of the capital investments on the Trust's cash balance.

2. 2014/15 Expenditure Summary

Actual capital expenditure at the end of quarter 2 was £7.11m as shown below:

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

Project Description	Annual Budget £ m	2014/15 Year To Date Expenditure £ m
Brought Forward Schemes	0.00	0.26
Estates - ITM Project	8.80	2.44
Estates - QE Site Building Refurbishment	2.40	0.27
Estates - New Hospital Works & Lifecycle	0.93	0.36
Estates - Renal Facility Project	0.75	0.00
Equipment - Rolling Replacement	2.21	2.01
Equipment - Major Equipment Replacement	3.61	0.01
Equipment – Other inc. COO Discretionary	0.95	0.66
IMT Replacement & specific projects	1.15	0.65
External Funding: Donated Cyberknife & Other	0.20	0.46
TOTAL	21.30	7.11

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

3. 2014/15 Programme Update

3.1. Estates Projects (combined budget £12.88m)

At the end of quarter 2, expenditure of £3.06m has been incurred on the following estates projects;

- £2.44m of costs relating to the refurbishment of the Institute for Translational Medicine (ITM) facility. The main contractor (Vinci Construction) started on site in April; work invoiced to date is lower expected but the contractors programme still indicates they are on track to complete in May 2015 as planned.
- £0.27m for work across the QE site and buildings including refurbishment works on roofing, the East block and in the Oncology wards. Work is also ongoing for the refurbishment of radiotherapy room 7 in preparation for a new (replacement) linear accelerator due to be delivered in October.
- £0.36m in relation to new hospital lifecycle costs in line with the PFI financial model.
- A specialist construction firm has been appointed to complete the refurbishment and fit out of the Rabone Lane community renal facility. Total expected project costs remain in line with the approved business case, however the most recent project plan indicates that the phasing of the works will take place earlier than previously estimated. Current indications suggest up to £1.91m could be incurred though the renal facility subsidiary on these works during 2014/15. This is £1.16m above the £0.75m included in the 2014/15 budget, this variance will be offset by underspends against other estates schemes not now taking place in 2014/15.

3.2. Equipment Replacement & Developments (combined budget £6.77m)

At the end of quarter 2, expenditure of £2.68m has been incurred on the purchase of new and replacement equipment as follows;

- £2.01m on the rolling replacement of existing medical equipment, recent deliveries include new anaesthetic machines, defibrillators and operating tables.
- £0.65m on other equipment purchases including a new mass spectrometer in QEHB laboratories and critical care expansion.
- £0.08m on major medical equipment, replacements planned in 2014/15 include a new cardiac catheter room, linear accelerator, MRI scanner and several items of mobile imaging equipment. The first major item scheduled for delivery is the Linear Accelerator (£1.55m) which is due in mid-October. Other items are being scheduled throughout the rest of the year subject to operational requirements and pressures.

Further expenditure will continue to be incurred over the remaining months as departments finalise equipment specifications, purchase orders are approved and items delivered.

3.3. IT Projects (budget £1.15m)

To date £0.66m has been incurred on replacement servers and data 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 donated equipment following bids approved by the QEHB Charity Trustee Board. To date £0.46m of capital bids for new equipment have been approved across various services.
- £0.20m contingency funding, this has now been transferred to equipment budget to support purchases contained with business cases approved during the year including Endoscopic Surgery and MIRHO (Haem-Oncology).

3.5. 2014/15 Quarter 2 Summary and Monitor Return

Actual capital expenditure at the end of quarter 2 was £7.11m. This is marginally below the revised capital expenditure plan submitted to Monitor in July by £0.48m. This is due to a small delay in the delivery of the replacement Linear Accelerator, originally scheduled for September but now due on the 11th October.

Monitor requires Trusts to resubmit capital expenditure forecasts if the actual expenditure varies by more than 15% (above or below plan). This £0.48m underspend against the revised plan of £7.60m is the equivalent to a 6% variance; therefore a further revised plan is not required for quarter 2.

A revised capital expenditure plan will need to be submitted to Monitor in quarter 3 reflecting the purchase of the new office facilities as this will take the expenditure more than 15% above the revised plan.

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, these are the capital repayment of the finance lease and a new hospital lifecycle payment. In 2014/15 these are forecast to be £14.44m as follows:

- £12.10m for the repayment of the finance lease creditor i.e. 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 & Sources of Funding

Capital Funding & Expenditure	2014/15 Plan (£m)	YTD Plan (£m)	YTD Actual (£m)
Capital Programme Expenditure	(21.30)	(7.60)	(7.11)
New Hospital Capital Payments	(14.44)	(7.10)	(7.10)
Sub Total Capital Expenditure	(35.74)	(14.70)	(14.21)
External Funding: QEHB Charity	0.20	0.10	0.46
External Funding: Central Govt Grant (ITM)	8.80	3.70	2.20
Trust Funding: 2014/15 Planned Depreciation	20.20	10.00	10.10
Trust Funding: 2014/15 Planned Surplus ⁽¹⁾	2.80	1.80	1.10
Net Capital Funding	32.00	15.60	13.86
Net Cash Increase / (Decrease)	(3.74)	0.90	(0.35)

1. 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 cash balances, capital expenditure needs to broadly balance the sources of capital funding. Table 2 above shows that total capital expenditure of £35.74m is currently planned for 2014/15. This compares to £32.00m of funding of the year, resulting in a planned overall cash decrease of (£3.74m) during 2014/15. This excludes the impact of the Selly Oak site disposal (initial payments are now expected in 2014/15) and the capital expenditure which will be incurred in respect of office accommodation to enable the sale.

At the end of quarter 2, the overall capital funding position was a (£0.35m) decrease compared to the planned £0.90m increase. This marginal deterioration is primarily due to lower than planned Trust surplus and the lower than planned funding received year to date for the ITM project.

5. Conclusion

The Trust has incurred £7.11m of capital expenditure at the end of Q2 (April – September). This is £0.48m below the re-forecast plan submitted to Monitor at the end of Q1. During the next month work will be undertaken to produce a revised capital expenditure plan for 2014/15 which incorporates the additional expenditure on new office facilities and revenues associated with the sale of the Selly Oak site. This will be need to be submitted to Monitor at the end of Q3 as the additional expenditure will trigger the requirement for a further re-forecast.

6. **Recommendations**

The Board of Directors is requested to:

1. Note the £7.11m expenditure to date and the progress on capital projects and
2. Note the proposal to refresh the 2014/15 capital programme during the next quarter.

Mike Sexton
Chief Financial Officer
15 October 2014