

Appendix A – 2017/18 Capital Expenditure Update

1. Purpose

This appendix provides a summary of capital expenditure in the 2017/18 financial year along with a short progress update on the major capital projects. An overview of the 2017/18 total capital investment, sources of financing and the impact of the Trust's cash balance is provided at the end of this document.

2. 2017/18 Capital Funding Summary

Actual capital expenditure at the end of quarter 1 was £2.57m as shown below compared to the approved £19.76m capital budget for the year:

Table 1: Summary 2017/18 Capital Programme

Project Description	2017/18 Budget £m	2017/18 Actual Expenditure £m
Estates – MD-TEC (3 rd Floor ITM)	3.72	1.74
Estates – Haematology Expansion – Trust HQ	2.34	0.17
Estates – QE Heritage & offsite buildings	1.50	0.07
Estates – QEHB works & lifecycle	1.20	0.06
Equipment - Rolling replacement	3.00	0.16
Equipment - Major equipment replacement	3.00	0.09
Equipment - Other inc. COO discretionary	0.50	0.00
IT Replacement & specific projects	1.50	0.20
IT – Global Digital Exemplar Project	2.50	0.00
External funded donated assets	0.50	0.09
TOTAL	19.76	2.57

Note - may contain rounding differences.

3. Capital Programme Update

- Medical Device Testing & Evaluation Centre (MD-TEC): £1.74m has been incurred in 2017/18 on the early stages of refurbishment of the 3rd Floor ITM. The project is currently behind schedule due to unforeseen delays. The costs for the whole project will be funded by the University of Birmingham and European Funding, and funding will be drawn down on a staged basis during 2017/18.
- Haematology Expansion: £0.17m has been incurred in 2017/18 on the early stages of refurbishment of old Trust HQ. Contractors are on site and the expansion is expected to be complete by December 2017. The costs for the whole project will be funded by Cure Leukaemia and the Local Growth Fund, and funding will be drawn down on a staged basis during 2017/18.
- QE Heritage building & offsite building refurbishment: Only a minimal amount of work has taken place to date mainly on fire safety works. However larger projects including work on a replacement substation,

linear accelerator room works and cycle stores is expected to begin shortly.

- QEHB works and lifecycle: £0.06m of variation works undertaken in the QEHB by the PFI operator. Lifecycle payments will occur in September and March.
- 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 ultrasound scanners, dialysis machines, scopes and stacks, patient monitors, slit lamps, 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 £0.16m to date
- Major medical equipment: The funding for 17/18 includes £1.80m of external PDC for the replacement of a Linear Accelerator and a further £1.2m for imaging equipment including refurbishment of an MRI scanner and mobile X-ray machines. Procurement of these replacement items is being led by the relevant service leads with specifications being finalised and quotes being obtained. Expenditure to date of £0.09m was for imaging equipment with Breast Services.
- Other equipment purchases: Whilst no expenditure has been incurred to date, business cases have previously been for £0.20m of Haematology growth equipment and for Gallium 68 equipment £0.25m.
- IT – Global Digital Exemplar: External funding of £2.5m is to be utilised by the trust to become a centre of global digital excellence. Whilst no expenditure has incurred to date plans are in place to utilise this funding going forward.
- IT projects: £0.20m on small value IT replacement and modernisation items
- Donated Equipment: £0.09m of equipment and vehicles were awarded to the Trust in quarter one following successful bids to the QEHB charity during this period. Items included an imaging ultrasound system, radiotherapy equipment and a surgical scope and stack system.

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 2017/18 these items total £15.48m as follows:

- £12.23. for the repayment of the finance lease creditor i.e. the annual repayment of the capital element of the PFI lease and
- £3.25m for new hospital lifecycle prepayments.

When added to the normal capital programme expenditure above, the Trusts total planned capital investment for 2017/18 is £35.2m as shown below

Table 2: 2017/18 Capital Expenditure & Sources of Funding

Capital Funding & Expenditure	2017/18 Plan £m	QTR 1 Plan £m	QTR 1 Actual £m
Capital Programme Expenditure	(19.8)	(6.2)	(2.6)
New Hospital Capital Payments	(15.5)	(4.1)	(4.1)
Sub Total Capital Expenditure	(35.3)	(10.3)	(6.7)

Note - may contain rounding differences.

This capital investment will be funded from the following sources;

- £20.8m Trust depreciation
- £2.5m central PDC funding for Global Digital Exemplar
- £2.0m external funding from University of Birmingham
- £1.8m central PDC funding for replacement Linear Accelerator
- £1.7m external European Regional Development Funding
- £1.7m external Local Growth Funding
- £0.7m external funding from Cure Leukaemia
- £0.5m external funding from QEHB charity

Any balance to fund capital investments is taken from the capital disposal proceeds from the sale of the Selly Oak site.