

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
BOARD OF DIRECTORS
THURSDAY 24 OCTOBER 2013

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 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 six months of 2013/14 was £5.91m. • 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> <ol style="list-style-type: none"> 1. Note the £5.91 million expenditure against the 2013/14 capital programme.

Signed: Morag Jackson	Date: 16 th October 2013
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS
THURSDAY 24 OCTOBER 2013

CAPITAL PROGRAMME UPDATE REPORT PRESENTED BY DIRECTOR OF PROJECTS

1. Purpose of the Report

This report summarises the Trusts capital expenditure in the first six months of the 2013/14 financial year (April-September). It includes progress updates on the major capital projects and summarises the impact of capital investments on the Trusts cash balances.

2. 2013/14 Year To Date Expenditure Summary

Actual capital expenditure as at 30th September was £5.91m 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	0.30
Estates – Retained Buildings	4.43	1.15
Estates – New Hospital	0.54	0.16
Equipment - Rolling Replacement	2.30	1.28
Equipment - Lin Acc replacement	1.56	0.00
Equipment - Business Cases & Other	1.30	0.25
COO Discretionary & Modernisation	0.30	0.10
ICT replacement & specific projects	1.10	0.36
Donated Assets (inc. Cyberknife)	2.51	2.30
TOTAL	14.24	5.91

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: £4.97m)

Planned projects in 2013/14 include:

- £0.93m Radiopharmacy Refurbishment.
- £0.50m Room 7 Linear Accelerator bunker refurbishment.
- £1.60m East block refurbishment including the new short stay theatre capacity and additional office space and
- £1.40m for advanced works and decanting North Block to facilitate the development of an Institute of Translational Medicine (ITM)
- £0.54m for new hospital lifecycle and variation works.

Radiopharmacy contractors started on site in October 2013 and are expected to complete works in January 2014 and tender prices have recently been received the Linear Accelerator works. To date, no costs have been incurred on these projects.

Work to create the short stay theatre facility in the East block has been completed, the office refurbishment and ICT cabling work in the same block is being undertaken at present. Contractors have recently started on site to undertake advanced works necessary for the Institute of Translational Medicine (ITM).

To date £1.31m has been incurred on these estates projects, this will increase significantly over the remaining months as contractors invoices for Radiopharmacy, East block offices and North block advanced works are received.

3.3 Equipment (combined budget £5.16m)

The approved 2013/14 capital programme includes the following;

- £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.
- £1.30m for additional equipment identified in approved business cases (e.g. cardiac surgery and ophthalmology strategy) and agreed developments (e.g. day surgery and critical care expansions).

Actual equipment expenditure in the first six months of the financial year has been £1.53m. Purchase orders have been raised for replacement medical equipment, the Linear Accelerator and equipment required for the East block approved by Star Chamber meetings. Expenditure will continue to be incurred as items are delivered on site.

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 and data security projects. To date £0.36m has been incurred with orders placed for a further £0.25m due for delivery in October and November. The remaining budget expected to be utilised over the remaining 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 £0.10m has been incurred.

3.6 Unallocated (£0.30m)

The approved capital programme included an unallocated budget of £0.30m to fund capital investment identified during the year. In September, this has been allocated as follows;

- £100,000 East Block additional works (recovery area etc.)
- £100,000 East Block theatres equipping.
- £100,000 Equipment replacement scopes programme.

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 in relation to the Cyberknife machine which was first used for patient treatments in June.

3.8 Year To Date Summary

Total capital expenditure in the first quarter was £5.91m of which includes £2.30m for the Cyberknife donated asset. Capital project expenditure is broadly in line with plan at this stage of the year, however expenditure is expected to increase over the next quarter as works projects progress and medical equipment (replacement and East block growth) is delivered. At this stage, it is anticipated that actual capital expenditure in 2013/14 will be in line with or marginally above the approved budget this financial year.

The capital programme needs to be updated to reflect the purchase of a Da Vinci robot (£1.6m) approved by the September Board of Directors. At this stage, there is some uncertainty over the timing of the delivery of the replacement Linear Accelerator (£1.6m) approved for this year. If operational requirements mean the Linear Accelerator is not delivered until April 2014, there will be no requirement to increase the capital programme.

In the next quarterly update will provide a forecast of the outturn capital expenditure and a further update on the key capital projects.

4. Capitalised Payments and Sources of Funding

In addition to the traditional capital expenditure outlined above, the Trust incurs two further capital payments not shown in the monthly Income and Expenditure report to the Board of Directors. These both relate to the New Hospital, in 2013/14 these additional costs 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 outlined above, the overall cash flows relating to capital investments in 2013/14 are;

Table 2: 2013/14 Capital Expenditure & Funding

Capital Funding & Expenditure	2013/14 £'million	Q2 Plan £'million	Q2 Actual £'million
Capital Programme Expenditure	-14.24	-6.10	-5.91
New Hospital Capital Payments	-14.14	-6.97	-6.97
Sub Total Capital Expenditure	-28.38	-13.07	-12.88
External Funding: QEHB Charity	2.50	2.30	2.30
External Funding: Central Govt Grant (ITM)	1.40	0.20	0.10
Trust Funding: 2013/14 Depreciation	20.00	10.00	9.70
Trust Funding: 2013/14 Annual Surplus (1)	1.40	0.70	0.95
Net Capital Funding	25.80	13.20	13.05
Net Cash Inflow / (Outflow)	-3.08	0.13	0.17

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 maintain the Trusts overall level of cash balances, total capital investments need to broadly match 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 Trusts annual financial plan. The actual cash impact of capital expenditure at the end of Q2 was a positive cash inflow of £0.17m, this is marginal higher than planned due to lower depreciation and a slightly higher than planned surplus year to date.

5. Conclusion

Capital project expenditure of £5.91m has been incurred during the first six months (April-September) of the financial year. Capital programme expenditure is expected to increase during quarter 3 (October to December) as refurbishment projects are under taken and medical equipment is delivered.

6. Recommendation

The Board of Directors is requested to:

Note the £5.91m capital expenditure in the first six months of 2013/14.