

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE BOARD OF DIRECTORS
THURSDAY 6 FEBURARY 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 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 annual capital budget is £14.24m including £3.91m of externally funded projects. • Actual capital expenditure in the first three quarters (April-December) of 2013/14 was £11.37m. • Most capital projects are proceeding as planned, only the replacement Linear Accelerator (room 7) project is delayed at present for operational reasons.
Recommendations:	<p>The Board of Directors is requested to:</p> <ol style="list-style-type: none"> 1. Note the £11.37m of capital project expenditure in the first three quarters of 2013/14 and 2. Note the total capital expenditure (including new hospital payments) of £21.93m over the same period.

Approved by:	Morag Jackson	27 January 2014
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

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CAPITAL PROGRAMME UPDATE REPORT PRESENTED BY DIRECTOR OF PROJECTS

1. Purpose of the Report

This report summarises the Trust's capital expenditure in the first three quarters of the 2013/14 financial year (April-December). It includes a progress update on the main capital projects and summarises the impact of capital investments on the Trust's cash balances.

2. 2013/14 Year To Date Expenditure Summary

Capital project expenditure up to the 31st December was £11.37m 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	0.36
Estates – Retained Buildings	4.43	2.71
Estates – New Hospital	0.54	0.34
Equipment - Rolling Replacement	2.30	2.25
Equipment - Lin Acc replacement	1.56	0.00
Equipment - Business Cases & Other	1.30	2.32
COO Discretionary & Modernisation	0.30	0.16
ICT replacement & specific projects	1.10	0.85
Donated Assets (inc. Cyberknife)	2.51	2.38
TOTAL	14.24	11.37

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)

A brief update on each main project is included below:

3.2.1. Radiopharmacy Refurbishment (£0.93m)

Radiopharmacy works began in October and the new isolators were delivered in December in line with the programme. The handover date is scheduled for the end of January 2014 after which commissioning and testing will be undertaken, the new facility is currently scheduled to “go live” at the start of April 2014.

3.2.2. East block refurbishment (£1.60m)

Works to create the new short stay clinical capacity and the additional office space have been completed. Final invoices for works, advisors fees and ICT cabling costs are being reviewed at present. The new areas were occupied and became operational in December 2013.

3.2.3. Institute of Translational Medicine (ITM) (£1.40m)

Tender documents for the refurbishment work were distributed in December 2013. Advanced works such as including asbestos and ICT cabling removal continue in the proposed ITM areas. Appointment of the main contractor is scheduled for March 2014 with works expected to start shortly afterwards and scheduled to last around 12 months.

3.2.4. Room 7 Linear Accelerator bunker refurbishment (£0.50m)

For operational reasons (e.g. a 12% increase in radiotherapy demand during 2013/14 and an increase in patient waiting times), clinical staff have decided not to start these works until the new financial year. No expenditure on this project is expected to be incurred during 2013/14.

3.2.5. New Hospital lifecycle and variation works (£0.54m)

To date £0.34m has been incurred to date relating to lifecycle works undertaken by the PFI operator in the new hospital as set out in the PFI financial model.

The combined expenditure on estates projects year to date is £2.71m; this will increase as the Radiopharmacy and ITM projects progress. Overall, there is expected to be a small underspend against this budget due to the delay in works in Room 7 Linear Accelerator works.

3.2 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).

The total actual equipment expenditure in the first nine months of the financial year has been £4.57m. The majority of planned replacement medical equipment has been delivered, as has business case approved equipment and items approved via Star Chamber meetings for the East block clinical services. The total expenditure includes £1.63m for the Da Vinci robot; this was not included in the original capital programme but has been largely offset by the replacement Linear Accelerator machine (£1.56m budget) which will not now be delivered until 2014/15.

3.3 ICT Replacement and Modernisation (budget £1.10m)

The £1.10m ICT budget reflects the funding for the high priority projects identified by the Director of IT Services. This includes server replacement, storage area network upgrades, business continuity and backup investment and data security projects. To date £0.85m has been incurred, orders have placed up to the value of the remaining budget, therefore this budget will be fully utilised over the remaining months of the financial year.

3.4 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 £0.16m has been incurred.

3.5 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. This includes £2.31m for the Cyberknife machine with the balance to cover any other asset donations in the year. To date £2.38m has been recognised for the Cyberknife and other smaller donated items.

3.6 Year To Date Summary

Total capital expenditure in the first three quarters of 2013/14 was £11.37m which includes;

- £2.30m for the donated Cyberknife machine
- £2.71m on estates projects (inc. east block and radio pharmacy).
- £2.25m on replacement medical equipment
- £2.32m on growth equipment including Da Vinci robot and
- £0.85m on ICT hardware and systems.

3.7 2013/14 Forecast

Capital project expenditure is forecast to remain slightly ahead of plan over the final quarter of 2013/14. At present, assuming no additional approvals between January and March, capital expenditure is expected to be circa £14.60m, slightly above the £14.24 approved budget. The over spend relates to approvals during the financial year (East block, Da Vinci robot, CT Synergy etc.) being at a higher value than slippage in the approved schemes (Linear Accelerator replacement).

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 relate to the New Hospital, the 2013/14 projected costs are;

- 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	Q3 Plan £'million	Q3 Actual £'million
Capital Programme Expenditure	-14.24	-10.90	-11.37
New Hospital Capital Payments	-14.14	-10.56	-10.56
Sub Total Capital Expenditure	-28.38	-21.46	-21.93
External Funding: QEHB Charity	2.50	2.30	2.38
External Funding: Central Govt Grant (ITM)	1.40	0.40	0.60
Trust Funding: 2013/14 Depreciation	20.00	15.00	14.48
Trust Funding: 2013/14 Annual Surplus (1)	1.40	1.10	1.87
Net Capital Funding	25.80	18.80	19.33
Net Cash Inflow / (Outflow)	-3.08	-2.66	-2.60

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 Trust's overall level of cash balances, total capital investments need to broadly match the sources of capital funding. Table 2 above shows a planned net cash outflow for capital investments of (£3.08m) during 2013/14 based on the Trust's annual financial plans. The actual cash impact of capital expenditure at the end of Q3 was a cash outflow of (£2.60m), broadly in line with the year to date plan (£2.66m).

5. Conclusion & Recommendations

Capital project expenditure of £11.37m has been incurred during the first nine months (April-December) of the financial year. Expenditure will continue to be incurred over the final quarter (January to March) as projects are completed and equipment is delivered. Capital project expenditure is being forecast to over spend by (£0.36m) by the end of the year, this represents 2.5% of the approved budget.

The Board of Directors is requested to:

1. **Note** the £11.37m of capital project expenditure in the first three quarters of 2013/14 and
2. **Note** the total capital expenditure (including new hospital payments) of £21.93m over the same period.

Morag Jackson
Director of Projects
14 January 2014