

Appendix A – 2016/17 Capital Expenditure Update

1. Purpose

This appendix provides a summary of 2016/17 capital expenditure along with a short progress update on major capital projects. An overview of the 2016/17 total capital investment, funding sources and the impact on 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 3 was £7.8m as shown below, this compares to the approved £15.0m capital budget for the year:

Table 1: Summary 2016/17 Capital Programme

Project Description	2016/17 Budget £m	2016/17 Actual £m
Brought forward schemes	0.00	0.01
Estates – 3 rd Floor ITM project	0.00	0.18
Estates - QE heritage & offsite buildings	1.50	0.60
Estates – QEHB works & lifecycle	3.30	1.92
Equipment - Rolling replacement	3.00	2.67
Equipment - Major equipment replacement	3.05	0.45
Equipment - Other inc. COO discretionary	2.25	1.15
IT Replacement & specific projects	1.40	0.38
External funded donated assets	0.50	0.46
TOTAL	15.00	7.82

Note - may contain rounding differences.

3. Capital Programme Update

- Institute for Translational Medicine (ITM): £0.18m has been incurred in 2016/17 on the early stages of refurbishment of the 3rd Floor ITM. The costs for the whole project will be funded by the University of Birmingham and European funding. The tender for building works has now been completed and contractors are expected on site at the end of January 2017. Funding will be drawn down as project works are completed over the next 6-9 months.
- QEHB building works: Schemes totalling £0.60m have been completed including Clock Tower tank relining and the radiotherapy lift replacement. Other ongoing works include asbestos works, fire alarm and security improvements are expected to be complete by the end of the financial year. Room 11 works ahead of the new Linear Accelerator being received in February are also on schedule.
- PFI works and lifecycle: £1.92m has been incurred for lifecycle replacement and variation works undertaken in the QEHB by the PFI operator. This expenditure also includes number of approved variation

works 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. This year's replacement programme is nearing completion with assets to the value of £2.6m purchased. Items replaced to date include ventilators, ultrasound scanners, patient monitors and dialysis machines
- Major medical equipment: Expenditure to date of £0.45m includes payments for equipment linked to the purchase of PET CT scanner in 2015/16, as well as a new ultrasound scanner. The balance of 2016/17 funding includes £1.80m for the replacement of a Linear Accelerator due for delivery in February. The Agreement has now been finalised for this to be funded from central Radiotherapy PDC which will be drawn down in March 2017 subject to successful delivery of the replacement machine. A replacement CT scanner and associated works is also scheduled for delivery before the end of the financial year and procurement for some lower value imaging equipment (ultrasound scanners and dosimetry items) has commenced.
- Other equipment purchases: Expenditure of £1.15m has been incurred as at quarter 3, this includes the Radiotherapy XIO Treatment Planning system and Gallium 68 equipment within Radiology. The bulk of the remaining spend in the year is expected to be on scopes and stack replacements which is ongoing. In addition, a new fibro scanner is being purchased following approval of central PDC funding.
- IT projects: £0.38m of IT replacement and modernisation items has been incurred to date. A tender has recently been completed for an Enterprise Monitoring Solution at a value of £0.3m and procurement of remaining planned replacement systems is ongoing.
- Donated Equipment: £0.46m of equipment and vehicles were awarded to the Trust in the first three quarters of the year following successful bids to the QEHB charity. Items included a mobile breast care trailer and mammography equipment installed within the trailer and brain stimulation equipment received in September.

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

Capital Funding & Expenditure	2016/17 Plan £m	QTR 3 Plan £m	QTR 3 Actual £m
Capital Programme Expenditure	(15.0)	(9.8)	(7.8)
New Hospital Capital Payments	(13.3)	(10.6)	(10.3)
Sub Total Capital Expenditure	(28.3)	(20.4)	(18.1)

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)
- £0.04m Central PDC funding for new fibroscanner.
- £1.70m Central PDC funding for replacement Linear Accelerator.
- £1.40m Central PDC for Global Digital Exemplar (confirmed 18.01.17)

The balance to fund capital investments is taken from the capital disposal proceeds from the sale of the 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 capital funding are higher than planned expenditure due in part to the gain from Selly Oak land sale receipts.