

## 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 2 was £7.2m as detailed below:

**Table 1: 2017/18 Capital Programme**

Project Description	2017/18 Annual Budget £m	2017/18 Q2 Actual Expenditure £m
Estates – MD-TEC (3 <sup>rd</sup> Floor ITM)	3.72	3.12
Estates – Haematology Expansion – Trust HQ	2.34	0.80
Estates – QE Heritage & offsite buildings	1.50	0.66
Estates – QEHB works & lifecycle	1.20	0.97
Equipment - Rolling replacement	3.00	0.44
Equipment - Major equipment replacement	3.00	0.15
Equipment - Other inc. COO discretionary	0.50	0.27
IT - Replacement & specific projects	1.50	0.48
IT - Global Digital Exemplar Project	2.50	0.09
External funded donated assets	0.50	0.23
<b>TOTAL</b>	<b>19.76</b>	<b>7.20</b>

*Note - may contain rounding differences.*

### 3. Capital Programme Update

- Medical Device Testing & Evaluation Centre (MD-TEC): £3.12m has been incurred to date to create this new facility on the 3<sup>rd</sup> Floor of the ITM building. Project works were initially delayed due to asbestos removal, however the main contractors works are now close to completion. Works are scheduled to be completed at the end of October to allow commissioning the facility. The cost of this project is funded by the University of Birmingham and European Funding. Funding will be drawn down gradually over the remaining months of 2017/18.
- Haematology Expansion: £0.80m has been incurred on the early stages of refurbishing old Trust HQ. Contractors are on site and the initial works are on track for completion in December 2017. The full project costs are being funded by Cure Leukaemia and the Local Growth Fund, funding will be drawn down over the remaining months of 2017/18.

- QE Heritage building & offsite building refurbishment: Several projects are underway, costs incurred to date total £0.66m which includes improvements to fire safety, replacement electricity substation and works to a linear accelerator room.
- QEHB works and lifecycle: £0.97m of variation and lifecycle works undertaken in the QEHB building by the PFI operator. Costs to date include lifecycle works and changes to the water treatment plant within the Endoscopy decontamination unit and work to create the A&E expansion area.
- Equipment rolling replacement: A £3.00m budget exists to replace existing medical equipment across the Trust. Items are prioritised for replacement by the medical engineering team; this year's plan includes 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 £0.44m incurred 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. Orders for both high value machines have been placed with delivery scheduled in the later part of the current financial year.
- Other equipment purchases: Expenditure approved to date totals £0.27m; this includes Gallium 68 equipment and new Glaucoma equipment.
- IT – Global Digital Exemplar: External PDC funding of up to £2.5m has been allocated to the Trust for this project. Little expenditure has been incurred to date as project workforce plans to support the programme are under review. .
- IT projects: To date £0.48m has been incurred on a range of IT infrastructure, replacement and modernisation purchases as prioritised by the Director of I.T.
- Donated Equipment: £0.23m of equipment and vehicles were awarded to the Trust in quarter one following successful bids to the QEHB charity during this period.

#### **4. Capitalised Payments and Sources of Funding**

In addition to the capital project expenditure outlined above, the Trust incurs two further capital payments related to the New Hospital. These are the capital repayment of the finance lease and the new hospital lifecycle prepayments. 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**

<b>Capital Funding &amp; Expenditure</b>	<b>2017/18 Plan £m</b>	<b>QTR 2 Plan £m</b>	<b>QTR 2 Actual £m</b>
Capital Programme Expenditure	(19.8)	(13.5)	(7.2)
New Hospital Capital Payments	(15.5)	(7.6)	(7.6)
<b>Sub Total Capital Expenditure</b>	<b>(35.3)</b>	<b>(21.1)</b>	<b>(14.8)</b>

*Note - may contain rounding differences.*

This financial years capital investment will be funded from the following sources;

- £20.8m Trust depreciation
- £2.5m PDC funding for Global Digital Exemplar
- £1.8m PDC funding for replacement Linear Accelerator
- £3.7m external funding for the MD\_TEC development in the ITM building (University of Birmingham and European Regional Development Fund).
- £3.2m external funding for the Centre for Clinical Haematology development (Local Growth Fund and Cure Leukaemia)
- £0.5m external funding from QEHB charity

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

## **5. Capital Expenditure Outturn**

At present, the Trust is forecasting capital expenditure of circa £18.76m, circa £1.0m below the full year plan; this is reflected in the monthly returns to NHSI. Capital expenditure is expected to increase over the remaining months as several estates projects are completed and as high value medical equipment is delivered. Further work is required on the ICT Global Digital Exemplar (GDE) project to understand its likely commitments during 2017/18.