

## 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 for 2016/17 was £15.04m as shown below in line with the approved capital budget for the year:

**Table 1: Summary 2016/17 Capital Programme**

| Project Description                         | 2016/17 Budget £m | 2016/17 Actual £m |
|---|-------------------|-------------------|
| Estates – 3 <sup>rd</sup> Floor ITM project | 0.00              | 0.36              |
| Estates - QE heritage & offsite buildings   | 1.50              | 1.37              |
| Estates – QEHB works & lifecycle            | 3.30              | 2.95              |
| Equipment - Rolling replacement             | 3.00              | 3.41              |
| Equipment - Major equipment replacement     | 3.05              | 2.80              |
| Equipment - Other inc. COO discretionary    | 2.25              | 1.86              |
| IT Replacement & specific projects          | 1.40              | 0.79              |
| IT – GMC Tech Fund                          | 0.00              | 0.95              |
| External funded donated assets              | 0.50              | 0.55              |
| <b>TOTAL</b>                                | <b>15.00</b>      | <b>15.04</b>      |

Note - may contain rounding differences.

### 3. Capital Programme Update

- Institute for Translational Medicine (ITM): £0.36m has been incurred in 2016/17 on the early stages of refurbishment of the 3<sup>rd</sup> Floor ITM. The majority of project costs will be funded by the University of Birmingham and European Regional Development Funding (ERDF). Contractors started on site at the end of January 2017 and funding will be drawn down on a staged basis during 2017/18.
- QE Heritage and offsite building works: Schemes totalling £1.37m have been completed in year. These included projects such as the Clock Tower tank relining, Radiotherapy lift replacement, Wellcome Building air conditioning work, fire alarm system improvements and room 11 works ahead of the new Linear Accelerator being delivered in February.
- PFI works and lifecycle: £2.95m 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 existed for the replacement of existing medical equipment across the Trust. Items prioritised for replacement included patient monitors, anaesthetic machines, ventilators, microscopes, operating tables and dialysis machines. The procurement and delivery of these took place throughout the year; additional items were identified by clinical teams during the year as requiring immediate replacement, resulting in total annual equipment replacement expenditure of £3.41m.
- Major medical equipment: £2.80m has been incurred in year, in relation to a new Linear Accelerator (£1.90m) and new CT scanner (£0.50m). Whilst budgeted for at the beginning of the year, the Linear Accelerator was ultimately funded from central Radiotherapy Public Dividend Capital (PDC) drawn down in March 2017.
- Other equipment purchases: Expenditure of £1.86m has been incurred this financial year; this includes £0.77m for a new treatment planning system and £0.46m of scopes and stacks. The balance is made up of a number of smaller items, including a Fibroscanner (£0.46m) which was also PDC funded.
- IT projects: £0.79m has been incurred on replacement servers, IT hardware and purchases prioritised by the Trusts IT department.
- GMC Tech Fund: PDC capital funding was awarded in 2017 which enabled the purchase of £0.95m of hardware and other items relating to the 100,000 Genomes Project.
- Donated Equipment: £0.55m of equipment and vehicles were awarded to the Trust 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.

#### **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 capital investment for 2016/17 is £28.3m as shown below;

**Table 2: 2016/17 Capital Expenditure & Sources of Funding**

| <b>Capital Funding &amp; Expenditure</b> | <b>2016/17<br/>Plan<br/>£m</b> | <b>Actual<br/>£m</b> |
|--|--------------------------------|----------------------|
| Capital Programme Expenditure            | (15.0)                         | (15.0)               |
| New Hospital Capital Payments            | (13.3)                         | (13.3)               |
| <b>Sub Total Capital Expenditure</b>     | <b>(28.3)</b>                  | <b>(28.3)</b>        |

Note - may contain rounding differences.

This capital investment has been funded from the following sources;

- **£20.78m** Trust depreciation **should be £21.17m**
- £0.55m External funding (QEHB Charity)
- £0.04m Central PDC funding for new fibroscanner.
- £1.79m Central PDC funding for replacement Linear Accelerator.
- £0.95m Central PDC for Global Digital Exemplar

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.