

## Appendix A – 2015/16 Capital Expenditure Update Q1-3

### 1. Purpose

An overview of the Trust's 2015/16 capital programme was included in the Operational Plan submitted to Monitor and approved by the Board of Directors in April 2015. This appendix provides an update on capital projects progress along with a summary of expenditure year to date. The final section of this report contains a summary of the Trust's total 2015/16 capital investment and its impact on the Trust's cash balances.

### 2. 2015/16 Capital Funding Summary

Actual capital expenditure at the end of quarter 2 was £12.05m as shown below compared to the approved £18.01m capital budget for the year:

**Table 1: Summary 2015/16 Capital Programme**

| Project Description                        | 2015/16 Budget<br>£m | Q1-Q3 YTD Actual<br>Expenditure<br>£m |
|--|----------------------|---------------------------------------|
| Brought forward schemes                    | 0.00                 | 0.10                                  |
| Estates - ITM project                      | 2.20                 | 2.04                                  |
| Estates - QE heritage & offsite buildings  | 0.85                 | 1.41                                  |
| Estates – QEHB works & lifecycle           | 3.05                 | 2.02                                  |
| Estates - Renal facility works & equipping | 1.30                 | 1.77                                  |
| Equipment - Rolling replacement            | 2.70                 | 1.70                                  |
| Equipment - Major equipment replacement    | 3.20                 | 0.56                                  |
| Equipment - Other inc. COO discretionary   | 1.45                 | 0.78                                  |
| IMT Replacement & specific projects        | 1.40                 | 0.91                                  |
| GMC Tech Fund project                      | 1.46                 | 0.30                                  |
| External funded donated assets             | 0.40                 | 0.46                                  |
| <b>TOTAL</b>                               | <b>18.01</b>         | <b>12.05</b>                          |

Note - may contain rounding differences.

### 3. Capital Programme Update

- Institute for Translational Medicine (ITM): £2.04m has been incurred in 2015/16 on the building refurbishment and equipping at the start of the financial year. The phased opening of the facility has now begun and major works have been completed.
- QE Heritage building & offsite building refurbishment: To date just £1.41m has been incurred including works within Wellcome Theatres, radiotherapy, PET-CT and offsite offices.
- QEHB works and lifecycle: To date £2.02m has been incurred for lifecycle replacement and variation works undertaken in the QEHB by the PFI operator. This includes several approved variation works (inc. MRI scanner area, acute medical clinics etc.) along with lifecycle

refurbishment across the building undertaken as part of the PFI contract.

- Renal dialysis community facility: Expenditure of £1.77m was incurred early in 2015/16 to complete the Rabone Lane community renal facility. Final payments for works and equipment have been completed and the facility is now fully operational and managed by the Trust subsidiary, Assure Dialysis.
- Equipment rolling replacement: A budget of £2.70m exists for the replacement of existing medical equipment across the Trust. Items prioritised for replacement by the medical engineering team include patient monitors, anaesthetic machines, defibrillators, ITU ventilators, diathermy equipment and patient hoists. The procurement and delivery of these items is taking place on a phased basis throughout the financial year, to date expenditure of £1.70m has been incurred.
- Major medical equipment: £0.56m has been incurred to date in relation to a refurbishment of an MRI scanner. The balance of funding largely relates to a replacement of a PET-CT scanner which is scheduled for delivery in January 2016.
- Other equipment purchases: Expenditure of £0.78m has been incurred year to date; this includes £0.26m for a replacement laboratory mass spectrometer £0.40m on replacement endoscopes.
- IT projects And GMC Tech Fund: To date £0.91m has been incurred on replacement servers, IT hardware and purchases as prioritised by the Trust IT department. A further £0.30m has been incurred on the externally funded 100,000 genomics project.
- Donated Equipment: To date £0.46m of equipment and hardware has been provided to the Trust following successful bids to the QEHB charity during the year.

#### **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 2015/16 these items total £12.93m as follows:

- £12.59m for the repayment of the finance lease creditor i.e. the annual repayment of the capital element of the PFI lease and
- £0.34m for new hospital lifecycle prepayments.

This means the total planned capital investment for 2015/16 is £30.9m as shown below;

**Table 2: 2015/16 Capital Expenditure & Sources of Funding**

| <b>Capital Funding &amp; Expenditure</b> | <b>2015/16<br/>Plan<br/>£m</b> | <b>Qtr. 1-3<br/>Plan<br/>£m</b> | <b>Qtr. 1-3<br/>Actual<br/>£m</b> |
|--|--------------------------------|---------------------------------|-----------------------------------|
| Capital Programme Expenditure            | (18.0)                         | (13.5)                          | (12.1)                            |
| New Hospital Capital Payments            | (12.9)                         | (9.6)                           | (9.6)                             |
| <b>Sub Total Capital Expenditure</b>     | <b>(30.9)</b>                  | <b>(23.1)</b>                   | <b>(21.7)</b>                     |

Note - may contain rounding differences.

In the Trusts 2015/16 financial plan, this annual capital investment is funded from the following sources;

- £21.4m Trust depreciation
- £0.4m External Funding QEHB Charity
- £1.5m Public Dividend Capital (GMC Tech Fund and others)
- £9.0m capital disposal proceeds (Selly Oak payments)
- £2.0m ITM Contributions (UoB and others)

To maintain the Trust's overall cash balances, capital investment should be broadly balanced by the sources of funding. In 2015/16 the sources of funding totalled £34.3m; this indicates that the Selly Oak hospital disposal receipts are effectively being reinvested by the Trust into new / replacement capital assets.