

Appendix A – 2015/16 Capital Expenditure Update Quarter 2

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 £8.94m as shown below compared to the approved £18.00m capital budget for the year:

Table 1: Summary 2015/16 Capital Programme

Project Description	2015/16 Budget £m	Q2 Actual Expenditure £m
Brought forward schemes	0.00	0.46
Estates - ITM project	2.20	2.02
Estates - QE heritage building refurbishment	0.85	0.10
Estates – QEHB works & lifecycle	3.05	1.65
Estates - Renal facility works & equipping	1.30	1.53
Equipment - Rolling replacement	2.70	0.62
Equipment - Major equipment replacement	3.20	0.55
Equipment - Other inc. COO discretionary	1.45	0.73
IMT Replacement & specific projects	1.40	0.70
GMC Tech Fund project	1.46	0.30
External funded donated assets	0.40	0.28
TOTAL	18.00	8.94

Note - may contain rounding differences.

3. Capital Programme Update

- Institute for Translational Medicine (ITM): £2.02m has been incurred in 2015/16 on the building refurbishment and equipping. The phased opening of the facility has now begun and major works have been completed on plan. The final account for the main contractor (Vinci Construction) is under discussion and is due for finalisation shortly.
- QE Heritage building refurbishment: To date just £0.10m has been incurred relating to the refurbishment of Wellcome Theatres. Further projects are planned for the later part of 2015/16.
- QEHB works and lifecycle: To date £1.65m has been incurred in the lifecycle and variation works completed in the new hospital by the PFI operator. This includes several approved variation works (inc. MRI scanner area, acute medical clinics etc.) along with lifecycle refurbishment undertaken as part of the PFI contract.

- Renal dialysis community facility: Expenditure of £1.53m was incurred in the first quarter of 2015/16 to complete the Rabone Lane community renal facility. Final payments for works and equipment have been completed and the facility is now being operated 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 £0.62m has been incurred.
- Major medical equipment: £0.55m 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 now due for delivery in January 2016.
- Other equipment purchases: Expenditure of £0.73m 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 £0.70m 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 £0.28m 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 relating 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

Capital Funding & Expenditure	2015/16 Plan £m	Qtr. 2 Plan £m	Qtr. 2 Actual £m
Capital Programme Expenditure	(18.0)	(10.5)	(8.9)
New Hospital Capital Payments	(12.9)	(6.2)	(6.2)
Sub Total Capital Expenditure	(30.9)	(16.7)	(15.1)

Note - may contain rounding differences.

This 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.