

Appendix A – 2015/16 Capital Expenditure Update

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 the capital projects progress in quarter, along with a summary of expenditure 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 1 was £4.59m 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	Q1 Actual Expenditure £m
Brought forward schemes	0.00	0.14
Estates - ITM project	2.20	1.34
Estates - QE heritage building refurbishment	0.85	0.10
Estates – QEHB works & lifecycle	3.05	0.19
Estates - Renal facility works & equipping	1.30	1.47
Equipment - Rolling replacement	2.70	0.38
Equipment - Major equipment replacement	3.20	0.00
Equipment - Other inc. COO discretionary	1.45	0.66
IMT Replacement & specific projects	1.40	0.25
GMC Tech Fund project	1.46	0.06
External funded donated assets	0.40	0.00
TOTAL	18.00	4.59

Note - may contain rounding differences.

3. Capital Programme Update

- Institute for Translational Medicine (ITM): £1.34m has been incurred between April and June on refurbishment of the building and equipping prior to the facility opening. The main contractor (Vinci Construction) has completed the planned works and initial moves into the building are scheduled for early July.
- QE Heritage building refurbishment: To date £0.10m has been incurred on the refurbishment of Wellcome Theatres.
- QEHB works and lifecycle: To date £0.19m has been incurred in the lifecycle and variation works completed in the new hospital by the PFI operator. Further works planned for the year include works required as part of an MRI scanner refurbishment, works to support acute medical clinic expansion and various lifecycle refurbishment undertaken as part of the PFI contract.

- Renal dialysis community facility: Expenditure of £1.47m has been during the first quarter of 2015/16 to complete the Rabone Lane renal facility. This includes final payments for works and equipment for the facility which has been handed over to the Trust's subsidiary, Assure Dialysis, and opened in June 2015.
- Equipment rolling replacement: A budget of £2.70m has been identified for the replacement of existing medical equipment across the Trust. Items prioritised for replacement in 2015/16 include patient monitors, anaesthetic machines, defibrillators, ITU ventilators, diathermy equipment and patient hoists. These have been prioritised based on medical engineering recommendations following a review of equipment age, manufacturer support and breakdown / reliability factors.
- Major medical equipment: No expenditure has been incurred to date in relation to these projects. The funding includes £2.20m for the replacement of a PET-CT scanner and a further £1.00m for imaging equipment including the refurbishment of an MRI scanner and the potential replacement of radiotherapy treatment planning systems.
- Other equipment purchases: Expenditure of £0.66m has been incurred in quarter one, this includes £0.26m on the replacement of a mass spectrometer within laboratories and £0.40m on replacement scopes within endoscopy.
- IT projects And GMC Tech Fund: To date £0.31m has been incurred on replacement servers, IT hardware and purchases linked to the GMC Tech Fund project.
- Donated Equipment: £0.40m budget is included in the 2015/16 as an estimate for items of new equipment that may be funded by through 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 payments.

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

Table 3: 2015/16 Capital Expenditure & Sources of Funding

Capital Funding & Expenditure	2015/16 Plan £m	Qtr. 1 Plan £m	Qtr. 1 Actual £m
Capital Programme Expenditure	(18.0)	(3.9)	(4.6)
New Hospital Capital Payments	(12.9)	(3.1)	(3.1)
Sub Total Capital Expenditure	(30.9)	(7.0)	(7.7)

The Trusts 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 total £34.3m including the Selly Oak receipts which are effectively being partially reinvested by the Trust into new capital assets.