

AGENDA ITEM NO:**UNIVERSITY HOSPITAL BIRMINGHAM NHS FOUNDATION TRUST****BOARD OF DIRECTORS****THURSDAY 27 OCTOBER 2011**

Title:	TRUST CAPITAL PROGRAMME REPORT
Responsible Director:	Morag Jackson, New Hospitals Project Director
Contact:	Steve Clarke, Corporate Finance Manager, ext. 53854

Purpose:	To provide the Board of Directors with an update on capital programme expenditure at Quarter 2.
Confidentiality Level & Reason:	None.
Medium Term Plan Ref:	Relevant to all strategic aims.
Key Issues Summary:	The 2011/12 approved annual capital project budget is £14.99 million. Actual expenditure for the first six months of the financial year (April – September 2011) was £6.02 million. Including other new hospital capitalised payments, total capital spend in the period was £11.82m .
Recommendations:	The Board of Directors are requested to: Note the expenditure to date against the 2011/12 capital programme.

Signed:	Date: 17 October 2011
----------------	------------------------------

UNIVERSITY HOSPITAL BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS
THURSDAY 27 OCTOBER 2011

TRUST CAPITAL PROGRAMME REPORT

PRESENTED BY NEW HOSPITALS PROJECT DIRECTOR

1. Purpose of the Report

This report summarises the Trust's capital expenditure for the first six months of the current financial year (April – September 2011). It also provides an update on the main capital projects.

2. 2011/12 Expenditure Summary

The 2011/12 capital programme budget is £14.99 million. At the end of Quarter 2 (30 September 2011) actual expenditure was **£6.02 million** as summarised below:

Table 1: 2011/12 Capital Programme Budget & Expenditure to Date

	Annual Budget £ m	Apr – Sept Expenditure £ m
Brought Forward Schemes	0.43	0.15
Estates Development Works	3.88	0.08
Equipment – Replacement and Other	4.08	1.96
Tomotherapy Project	4.20	3.45
ICT replacement & specific projects	1.29	0.24
Modernisation and Discretionary	0.30	0
New Hospital Works	1.31	0.14
Assumed slippage	-0.50	0
TOTAL	14.99	6.02

3. 2011/12 Programme Update

3.1 Brought forward from previous years (Budget: £0.43m)

To date £0.15m has been incurred to date, with a number of items ordered and awaiting delivery.

3.2 Estate Development Works (Budget: £3.87m)

This includes funding for the following schemes:

- Plaza Scheme (£1.50m) Balfour Beatty (Birse Civils) has been selected to undertake the work through the Procure 21 procurement process. Discussions are progressing to achieve a GMP (Guaranteed Maximum Price) for the project; work has

been delayed until January 2012 to ensure they do not impact on Birmingham City Council (BCC) associated works on the road infrastructure and passenger transport interchange. This delay reduces the Trust's potential exposure to any delays, claims and cost overruns incurred by BCC.

- Statutory and minor works (£0.20m) undertaken as required.
- QE site retained estate building works (£1.35m) for potential works in retained buildings to provide office space and meet contractual requirements e.g. provide space to Consort Healthcare.
- QE site road infrastructure works (£0.40m). This includes transport interchange works on Vincent Drive, Hospital Drive works and the stopping off of the Metchley Park Road junction.
- Work to the CRF facility in the Wellcome building (£0.42m) which is being discussed with the University of Birmingham.

To date, just £0.08m has been incurred on refurbishment works in Nuffield House and plaza related advanced works and fees. The major schemes (plaza, retained estate etc.) are now unlikely to be completed in the current financial year.

3.3 Equipment (Budget: £4.08m)

The main projects included in this budget are:

- Rolling equipment replacement programme ((£1.17m).
- New hospital Outpatient digital imaging rooms (£0.86m) which are all installed.
- Replacement scopes (£0.55m). To date £0.43m of new scopes have been delivered.
- Catering equipment refresh (£0.08m).
- PACS equipment refresh (£0.25m) for the potential PACS system updating which is unlikely to occur now in 2011/12.
- Short stay surgical unit (was spinal therapy); this budget has been increased by £0.35m over the previously estimated £0.323m following the recent short stay surgical unit business case. Equipment required for the Theatres, ward and Critical Care areas are being purchased to meet the tight time frames to get the new area open.
- Other medical equipment (£0.5m) covers medical equipment required during the final moves into the new hospital. This includes dental chairs and Ophthalmology equipment.

To date expenditure of £1.96m has been incurred. This includes the digital imaging rooms (£0.86m), replacement scopes (£0.38m) and other medical equipment such as dental chairs and patient monitors. Items required for the short stay surgical unit are in the process of being ordered and delivered.

3.4 New Hospital Works (£1.31m)

This funding covers previously approved new hospital variations. It also includes funding for anticipated works within the outpatient pharmacy and laboratories. Expenditure to date is £0.14m but more work has been completed recently which will be invoiced shortly.

3.5 Tomotherapy (£4.20m)

The budget covers the purchase of two machines (one NHS and one private patient) along with the associated works to develop the Tomotherapy service. As per the approved business case, total project costs are expected to be £6.20m less an agreed £2.05m QEHB Charity contribution. The two machines have been delivered and commissioned. Works have progressed on schedule and to date the Trust has incurred £3.45m. Final works payments and invoices for the remaining items are expected in October. The first patients are on schedule for treatment at the end of November.

3.6 ICT Replacement and Specific Projects (£1.29m)

This budget covers several ICT projects;

- £0.35m PFI operator and new hospital ICT subcontractors (KCOM) for IT infrastructure installed in the new hospital.
- £0.63m for replacement of IT servers and hardware.
- £0.32m relates to specific projects including a new informatics server and further disaster recovery works.

To date £0.24m has been incurred. Orders will continue to be raised as expenditure is identified in line with the Trust's Standing Financial Instructions and Scheme of Delegation.

3.7 Modernisation & Chief Operating Officer's Capital Fund (£0.30m)

This is for the unplanned replacement of equipment or the purchase of new equipment to improve service delivery or release revenue savings. To date nothing has been incurred but requests are being considered.

3.8 Cash Management (-£0.50m)

Previous experience shows that capital schemes often take longer than expected to gain approval. This leads to costs being incurred later than planned; a small budget reduction of £0.50m (4%) is included in the plan to take account of this.

3.9 2011/12 Expenditure Summary and Forecast

The Trust has incurred £6.02m of capital expenditure in the first six months (April – September) of 2011/12. Monthly updates will continue to be included in the Board of Directors finance and activity report. Separate, more detailed quarterly capital reports, will be presented to the Board of Directors as in previous years.

This annual capital expenditure budget remains at £14.99m. Since the last report, the following budget transfers between projects have taken place:

- £0.65m from carry forwards to major medical to fund the purchase of a MRI scanner item for R&D.
- £0.35m from retained estates to Equipment – Short Stay Surgery as per the recently approved CEAG paper (September 2011) to fund works and equipping in the Wellcome building.

Due to slippage in the Plaza scheme works and limited significant works in retained estate buildings, the capital will under spend in 2011/12. An initial high level forecast is that the under spend will be an estimated £3.00m; a more detailed forecast will be included in the next quarter capital programme update. As the Trust under spent on the capital programme by more than 25% (at the end of Quarter 1) it was required to submit a revised capital expenditure phasing plan to Monitor. This was completed in September 2011.

4. **Other Capitalised Payments and Funding**

In addition to the capital programme expenditure outlined above, the Trust incurs £12.60m for other new hospital related capital costs as follows:

A. **£10.90m** for repaying the finance lease creditor (repayment of the outstanding loan to ensure a zero balance at the of the PFI contract term).

B. **£1.70m** for new hospital lifecycle payments.

These costs are charged directly to the Trust's Statement of Financial Position (balance sheet) rather than to the Income Statement (I&E account). Therefore these need to be monitored alongside the capital programme expenditure due to the impact on Trust cash balances. The actual costs incurred to date (April to September 2011/12) are:

Table 2: Other Capitalised Payments & Funding

Capital Expenditure and Sources of Funding	2011/12 Plan £ m	Qtr 2 Plan £ m	Qtr 2 Actual £ m
New Hospital Capital Expenditure	(12.60)	(5.80)	(5.80)
Traditional Capital Programme	(14.99)	(5.50)	(6.02)
Net Cash (Outflow)	(27.59)	(11.30)	(11.82)
Depreciation	18.20	9.13	9.21
Surplus	0.50	0.70	0.57
Net Cash Inflow	18.70	9.83	9.78
Overall Cash Inflow / (Outflow)	(8.89)	(1.47)	(2.04)

Table 2 shows that total capital expenditure was £11.82m between April and September 2011. This expenditure was funded from internally generated funds (depreciation and annual surplus) totalling £9.78m in the same period. Overall this has resulted in a net cash outflow of £2.04m on capital expenditure in the year to date.

Any future business cases need to clearly identify capital expenditure implications and clarify whether the requirements are included or in addition to the Trust's existing capital plans. Where practical, business cases should consider other methods of financing including charitable donations, leasing or external borrowing, noting that the latter two are subject to Monitor constraints.

5. Conclusion

The Trust incurred **£6.02m** of capital expenditure in the first six months (April - September) of 2011/12; this is lower than the expected capital expenditure contained in the Trust's financial plans. Including other new hospital capital payments the Trust's total capital related expenditure was **£11.82m** for the period.

Monthly updates on capital expenditure will continue to be included in the Board of Directors finance and activity report. Separate, more detailed capital reports, will continue quarterly as in previous years. The next detailed report planned for January 2012 will contain a forecast of the Trust capital expenditure for 2011/12.

6. Recommendations

The Board of Directors are requested to:

Note the expenditure to date against the 2011/12 capital programme.

Morag Jackson
New Hospitals Project Director
17 October 2011