

INDEPENDENT TRUST FINANCING FACILITY

SURREY AND SUSSEX HEALTHCARE NHS TRUST FINANCING APPLICATION

Presented by : NHS Trust Development Authority

INDEPENDENT TRUST FINANCING FACILITY

SURREY AND SUSSEX HEALTHCARE NHS TRUST

FINANCING APPLICATION

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INDEPENDENT TRUST FINANCING FACILITY

SURREY AND SUSSEX HEALTHCARE NHS TRUST FINANCING APPLICATION

Section 1

Presented by : NHS Trust Development Authority

Independent Trust Financing Facility : Financing Application

Name of Trust:	Surrey and Sussex Healthcare NHS Trust
Amount Proposed:	£11m
Date of Application:	13th December 2013

Main Commissioners:		
(£000)	Income (£m)	%
NHS EAST SURREY CCG	76,027	37.3%
NHS CRAWLEY CCG	55,525	27.2%
NHS HORSHAM AND MID SUSSEX CCG	30,915	15.2%
NHS England (Surrey and Sussex Area Team)	17,720	8.7%
NHS SURREY DOWNS CCG	12,820	6.3%
NHS CROYDON CCG	4,150	2.0%
NCA CCGs	4,205	2.1%
Other	2,639	1.3%
Total Income	204,001	100.0%
Data quoted from Financial Year	2013/14	

	Limit £000	Drawn £000	Outstanding £'000	Maturity Date	Interest Rate	Annual capital repayment £000	Purpose of loan
Existing Loans:							
PFI							
Non PFI :							
CIL/10-11/RTP/1/2010-09-15	4,650	4,650	3,252	15/09/20	2.02%	466	Refurbishment of the Trust's emergency department and the main entrance.
WCL/06-07/RTP/1/2007-03-22	56,000	56,000	4,004	15/03/32	4.95%	216	To support Trust's working capital position
Total Existing	60,650	60,650	7,256			682	

New Financing Proposed	11,000
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Purpose of new financing:	To fund the balance of the staged redevelopment and modernisation of the Trust's operating theatres plus general capital works.
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	PBA - (A)	
Prudential Borrowing Limit	Tier 1	Tier 2
Long term	£69m	n/a

Bed Numbers	618
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Trust Type:	Acute
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	2013/14
Latest LTFM FRR	3

NTDA Performance Framework	3	Concern requiring investigation
Care Quality Commission Rating	Trust is licenced with no conditions	

Reference Cost index	
Financial year:	2011/12
MFF adjusted	89
Non-MFF adjusted	97

Ratios	Required Tier 1	LTFM output CIL of £11.0m	Projected max
Minimum dividend cover	>1X	3.2	2.6
Minimum interest cover	>3X	14.4	4.3
Minimum debt service cover	>2X	6.1	2.1
Maximum debt service / net revenue	<2.5%	0.8%	2.4%

Recommendation to Committee:
The TDA has concluded that debt finance is unaffordable given the Trust's historic deficit position including non-recurrent income. Furthermore the Trust is projecting a small surplus in the current year but only after Non recurrent income. This leads us to conclude that the Trust would be unable to finance further loan repayments, given existing loans of £7.3m with DH requiring £0.7m p.a. repayments. The Trust also has low cash balances and has had historic shortfall against the Trust CIP targets.
The TDA therefore supports the application for £11m of capital PDC to fund the staged redevelopment of the Trust's operating theatres plus general capital works.

Surrey and Sussex Healthcare NHS Trust

NHS Trust Development Authority Covering Note

1. Introduction

- 1.1 Surrey and Sussex Healthcare NHS Trust provides emergency and non-emergency services to the residents of East Surrey, West Sussex and South Croydon including the major towns of Crawley, Horsham, Reigate and Redhill. The main hospital site is East Surrey Hospital in Redhill where acute and complex services are provided. In addition services are provided in the community including a range of outpatient, diagnostic and less complex planned services closer to home. Services are also provided at Dorking and Caterham Dene Hospitals, Oxted health centre in Surrey and at Crawley, Horsham and Queen Victoria Hospitals in West Sussex. The Trust provides healthcare services to a population of circa 540,000 people and has annual income of c £226m.
- 1.2 The Trusts strategic plan is to become a standalone Foundation Trust designated as a Trauma unit and providing standard DGH services. The NHS TDA Executive view is also that the Trust will be a standalone organisation going forward. The Trust is currently in year two of a three year turnaround plan and is making progress in delivering this plan.
- 1.3 The Trusts principal commissioners are East Surrey CCG, Crawley CCG and Horsham and Mid- Sussex CCG. East Surrey CCG started the year with a deficit budget and is forecasting a year end deficit with the other two CCG's starting the year planning a small surplus.
- 1.4 The Trust commenced a Theatres Stage 1 redevelopment programme in financial year 2012-13 which was funded through DH capital PDC. The Trust flagged at that stage that a further requirement for a Stage 2 development would be developed at a later stage and this this would be subject to both separate business case and financing approval. The Trust has submitted a business case to the NHS TDA for the Theatres Stage 2 redevelopment programme and stage 2 has been approved by the NHS TDA in December 2013 but with a caveat that approval is subject to a successful financing application.
- 1.5 The Trust is now requesting financing for a residual requirement for the Theatres Stage 1 development value £1.8m, financing for the Theatres Stage 2 redevelopment and modernisation value £8.3m and general support for the Trusts capital programme to fund essential backlog maintenance and ward refurbishment within the Trusts 2013-14 capital programme, value £0.9m. The Trusts total requirement for financing is therefore £11m.

2. Background

- 2.1 The majority of the financing application, £10.1m in total, relates to the Theatres Modernisation programme and the key reasons for the Trust urgently needing to progress this scheme are as follows:
- if the poor state of the theatres fabric were allowed to continue theatres would become increasingly non-operational due to repair and maintenance which would result in the unavailability of the theatres for elective work. This in turn would have a detrimental effect on patient care, the delivery of the 18 week target, waiting list efficiencies and lead to net income loss;
 - the dilapidated state of the plant and engineering in the existing theatre stock. Completion of the scheme will result in a compliant theatre suite built to modern engineering standards including compliant ventilation, lighting and ultra clean air flow;
 - the ageing design and cramped conditions in the existing theatres and ancillary areas mean that they are no longer compliant with modern standards. The Theatre modernisation programme will ensure that clean preparation rooms are available for all theatres, there is sufficient space in operating rooms, the post anaesthetic recovery unit has x-ray protected bays, there is a separate maternity post anaesthetic recovery room and a separate children's post anaesthetic recovery area;
 - demand and activity growth in surgery and maternity since the theatres were built and further potential growth that the Trust is anticipating can be met;
- 2.2 The £10.1m Theatres redevelopment and modernisation funding the Trust is requesting includes financing of £1.8m. This relates to the completion of the Theatres stage 1 redevelopment which was approved by the SHA in financial year 2012-13 and for which the Trust received capital PDC funding from the DH. The increased costs for the stage 1 scheme have been caused by delays to the scheme primarily due to an unforeseen environmental issue which was beyond the Trust control and which caused the Trust significant time delay and cost escalation. The NHS TDA understands that the DH Financial Controllers Office were made aware of this cost escalation and have had sight of emails confirming that the £1.8m funding will be provided for in 2013-14, all be it that in the mean time, the process for accessing capital financing has changed with effect from 1st April 2013.
- 2.3 Further critical backlog maintenance issues and essential ward refurbishment schemes have also been identified by the Trust and form £0.9m of the Trusts financing requirement.

3. Financing and Affordability

- 3.1 The Trust completed a loan financing application and submitted this to the NHS TDA in July 2013. Detailed analysis of the loan financing application

has, in the view of the NHS TDA, shown that loan financing is unaffordable to the Trust. The financial information contained within this application provides more detail but in summary the reasons for concluding debt finance is unaffordable are as follows:

- The Trust has existing debt commitments going forward as follows;
 - * Working Capital Loan of £56m drawn in financial year 2006-07 with a balance of £4m outstanding repayable over a remaining 18.5 year period. This loan was drawn to support the Trust's historically challenged working capital position. Capital repayments amount to £216k per annum;
 - * Capital Investment Loan of £4.7 million drawn in financial year 2010-11 repayable over ten years with a balance of £3.2m outstanding. This loan was drawn to support completion of major capital projects including the refurbishment of the Emergency department and the hospital main entrance. Capital repayments amount to £466k per annum;

The Trusts surpluses going forward support these repayments but it is the view of the NHS TDA that the Trust does not have sufficient headroom to support further debt servicing at this time.

- whilst the Trust is delivering its recovery plan with a significantly lower level of financial support than it has previously received there is still risk regarding the delivery of the Trusts current year financial performance. In particular the Trust are in discussion with commissioners regarding a contract payment of £2m in relation to readmissions income. At the end of October 2013 performance against plan was a surplus of £231k compared with a budgeted position of breakeven. The Trust forecast outturn performance remains slightly in excess of plan with the Trust forecasting a small surplus of £300k;
- the Trust has been in receipt of non-recurrent income over the last four financial years and is assuming further non recurrent income in 2013/14 although this has been significantly reduced:

2010-11	£2.2m
2011-12	£6.3m
2012-13	£13.3m
2013-14	£3.5m

The Trust is not assuming further non recurrent income going forward. Despite this improvement delivery of the Trusts financial position in the short term still includes risk and therefore further debt financing is not considered a viable option at the current time.

- the Trust has moved from delivering a low percentage of its CIP plan in 2010-11 (36%) against a high, but not unrealistic target, to a significantly improved position of CIP delivery in the last two financial years (100% both years). The Trust forecasts full delivery of its CIP plans in this financial year (£11.1m, 4.9%). The delivery of CIP plans going forward will, however, remain challenging for the Trust;
- The Trust was classified as a financially challenged Trust in 2006/07 resulting in receipt of a working capital loan in that year. This related to its historical financial position and therefore the Trusts cash position is challenging with the Trust forecasting low cash balances going forward;
- the Trust passes its prudential borrowing assessment (Tier 1) in the first instance. However, the final PBA within the application pack models a scenario of loan financing of £11 million with an amendment to the PBA calculation. The existing PBA calculation assumes that both depreciation funding and PDC dividend funding are available to service debt. For NHS organisations this is not the case as the payment of a Trusts PDC Dividend is not optional in the same way as it would be in the private sector. In addition the Trusts depreciation is wholly committed to funding the Trusts capital programme, hence the request for additional external capital financing. Removing the PDC Dividend and depreciation funding available to service debt from the PBA calculation shows that the Trust fails the PBA assessment.

4. Conclusion

- 4.1 The NHS TDA recommends that £11 million of capital PDC is approved by the Committee.

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Independent Trust Financing Facility (ITFF)
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Taunton
Somerset
TA1 2PX

Dear Sir

Independent Trust Financing Facility (ITFF): Application for Public Dividend Capital (PDC) Finance

A request for PDC is being made and the particulars of this request are summarised as below:

Reason for PDC request	To fund the balance of the staged redevelopment and modernisation of the Trust's operating theatres plus general capital works.	
Full value of financing requirement (£'000)	£11,000	
Type of loan requested (e.g. Working Capital)	Not applicable	
Amount of Loan finance requested (£'000)	Not applicable	
Amount of Revenue or Capital PDC requested	Revenue PDC (£'000)	Capital PDC (£'000)
	Nil	11,000
Is PDC requested on a Temporary or Permanent basis?	Permanent	
Repayment terms for loans and/or temporary PDC:	Not applicable	

External financing is being sought for the balance of the staged redevelopment and modernisation of the Trust's operating theatres (£10.1m) and general support for backlog maintenance and also ward refurbishment for the 13/14 capital programme (£0.9m).

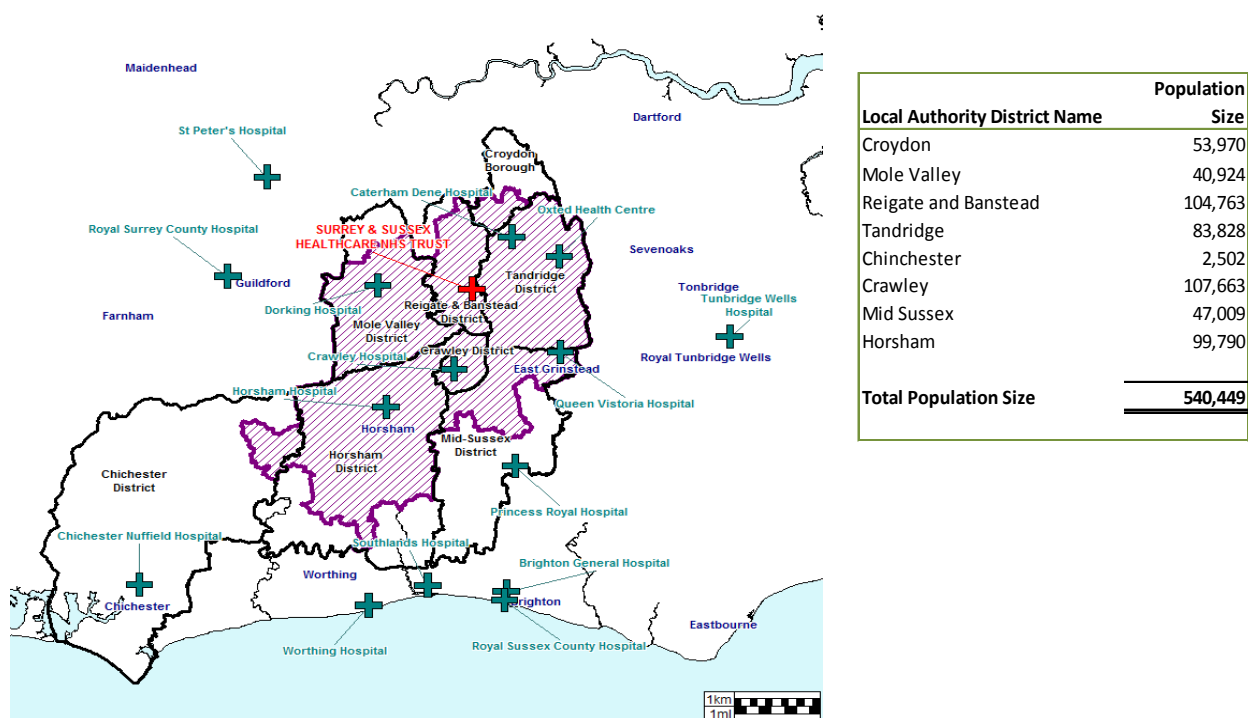
The £10.1m covers the cost of the Theatres phase 2 business case (£8.3m) and the balance of the phase 1 Theatres business case funding (£1.8m).

This application is being submitted as all internally sourced financing options have been exhausted.

Trust Background

Surrey and Sussex Healthcare NHS Trust provides a comprehensive range of emergency and non-emergency services to the residents of East Surrey, West Sussex, and South Croydon, including the major towns of Crawley, Horsham, Reigate and Redhill.

The location map below shows the Trust's catchment area and the population sizes it serves.



The main hospital site is East Surrey Hospital in Redhill, where acute and complex services are provided. In addition, services are provided in the community including a range of outpatient, diagnostic and less complex planned services closer to home. Services are also provided at Dorking and Caterham Dene Hospitals, and Oxted Health Centre, in Surrey; and at Crawley, Horsham and Queen Victoria Hospitals in West Sussex.

There was a management team change in October 2010 when the new Chief Executive joined the Trust. The Executive Team is now fully appointed and there are no interims in post. The Board comprises of seven Non-Executive Directors (including the Chair) and five Executive Voting Directors. The Chairman has been in post since October 2010. Six of the non-executive directors have voting rights.

Alan McCarthy is our Chair and commenced his post with the Trust in November 2010. Alan is a Chartered civil engineer with over 30 years of public sector experience. He was Chief Executive of Brighton & Hove City Council for over five years, achieving 4* 'excellent' and 'improving well' CPA status in his last year of tenure. In addition to his chair posts within the healthcare sector, Alan is involved in other non-term executive roles, including NHBC Building Control Service, the Brighton Dome and Festival Board and a role as Chair of The Basement performing arts charity.

Our non-executive directors are from all walks of life and have a wide variety of experience in the voluntary, public and private sectors. They are all part time. Details of our other non-executive directors are as below.

Yvette Robbins

Yvette is our Deputy Chair and joined the Trust in her first Non-Executive Director role in Dec 2005 and she was asked to become Deputy Chair in 2009.

Yvette is a science based graduate with over 20 years management consultancy experience, specialising in strategy, marketing and customer focus. She has worked within blue chip companies at Board level, analysing business problems, developing change management programmes, process re-engineering and implementing creative solutions through client teams.

Richard Durban

Richard joined the Trust in April 2009 and previously worked for HM Customs & Excise from 1981 to 1987 before joining Sainsbury's, where he worked until 2009 in roles including Director of Group Internal Audit, Director of Business Improvement and Director of Business Transformation Programme.

Richard's roles have focussed on risk management, long term planning, programme management, organisational change and also involved leading internal consultancy teams and reporting to Chief Executives. Richard has a strong commercial understanding, with an emphasis on the customer.

John Power

John joined the Trust in August 2010 and has held previous NHS Non Executive posts at Ambulance Trust, PCT and SHA levels. He holds current Non Executive posts as President, Chairman and Trustee of various MoD Agencies and military and other charities.

John has held board positions running Hawker Siddeley and Rolls Royce international manufacturing companies before joining the MOD where he held a wide variety of top SCS posts in the UK and overseas, providing policy advice to Ministers. He is a Fellow of four professional engineering and management institutions and holds degrees and post graduate qualifications in engineering, finance, law, economics, politics, management and international affairs, besides being a graduate of the Royal College of Defence Studies and of the Higher Command and Staff Course.

Richard Congdon

Richard joined the Trust in September 2012 and he has previously held a number of Chief Executive and Director of Finance roles in the healthcare sector, and most recently held the post of Chief Executive of the Centre for Maternal and Child Enquiries (CMACE). Richard is a qualified chartered accountant and is a member of the National Information Governance Board (NIGB).

Richard Shaw

Richard joined the Trust in September 2012 and has held the role of Chief Executive at both Surrey and Oxfordshire County Councils.

Richard has worked in several senior Civil Service roles, and most recently was responsible for establishing the new National Park Authority in the South Downs.

Richard has held non-executive roles with the University of Surrey, on its Council and Audit Committee.

Alan Hall

Alan joined the Trust in September 2012 and was previously the Service Director for BT Openreach since May 2010. Alan has been with BT for thirty years, the last seventeen of which he has worked at senior level, including previously being Managing Director Service Ireland.

Alan has been appointed as Non-Executive Director Designate. This role is a non-voting role; however Alan will fully participate in all Board activities

Our executive team are all full time employees of the Trust. Their details are listed as below:

Michael Wilson

Michael is our Chief Executive since he joined the Trust in October 2010. Prior to this he was Deputy CEO at Brighton & Sussex University Hospitals (BSUH). Before joining BSUH in 2007, Michael worked at the Department of Health where he was a Director for Commercial Solutions. He worked across a range of national projects and in 2006 Michael was seconded to the Prime Minister's Delivery Unit where he led a national review on MRSA. The findings of this review were published as a best practice guide and are now in place across all hospitals in England.

From 2007 to 2010 he was a Visiting Senior Fellow at the School of Management and Law at the University of Surrey. In 2009, he completed an International Leadership programme at JF School of Government, Harvard University and became an NHS IMAS Partner. In 2010 he was invited to join the NHS Top Leaders programme.

Paul Simpson

Paul is our Chief Finance Officer. He joined the NHS in 2002 when he was appointed as Deputy Director of Finance at Berkshire Healthcare NHS Trust (which became a foundation trust the month after Paul left). Prior to that Paul worked at South East NHS Regional Office where he was a finance performance manager and at the Department of Health HQ in Leeds and dealt with the financial monitoring of NHS organisations nationally.

Paul joined the board at Surrey & Sussex Healthcare NHS Trust in December 2007 from Queen Mary's Sidcup NHS Trust, where he was Finance Director. Paul is a chartered accountant by training and is a Fellow of the Chartered Institute of Management Accountants.

Paul Bostock

Paul is our Chief Operating Officer. He joined the SaSH Board in August 2013. Prior to this he was Associate Director for Surgical Services at Frimley Park Hospital NHS Foundation Trust for over nine years where he led on many initiatives to improve patient experience and operational efficiency.

Paul began his career in the NHS in 1994 as a Clinical Coder in Southampton and over the years has undertaken a number of different roles in different organizations. These include managing a community hospital in the New Forest, bed management and various general management posts.

During the second Gulf War in 2003, Paul was seconded to work with the Department of Health and three Military Hospital Defence Units, where he led on an overseas outsourcing project to ensure that 1,000 orthopaedic patients did not have their treatment delayed by the deployment of military surgeons to the Gulf.

Des Holden

Des is our Medical Director and previously sat on the Board at Brighton and Sussex University Hospitals (BSUH) from 2006 until joining SASH Board in March 2011. He was appointed as a consultant in Obstetrics and Gynaecology at Royal Sussex County Hospital in 2000 after a role at St George's Hospital Medical School where he was the Lecturer in Fetal Medicine. He became an Honorary Clinical Senior Lecturer at the Brighton and Sussex Medical School in 2003.

Des has held various managerial posts within the merged BSUHs, including Clinical Director for Women and Children, Divisional Director of Specialised services and, subsequently, Medical Director.

After leading on the redesign of the safety and quality strategy at BSUH, he was appointed as the Clinical Director of the Enhancing Quality Programme, reducing variations in the management of several common clinical diagnoses within and between acute providers across all acute trusts in Kent, Surrey and Sussex. He is a

regional expert and advisor to APEC, the national charity supporting action against pre-eclampsia.

Gillian Francis-Musanu

Gillian is our Director of Corporate Affairs and joined Surrey & Sussex Healthcare in October 2012. She has over 20 years of experience working in the NHS in a variety of senior management roles at Acute Trust, Primary Care and at Health Authority level. Her last role was Associate Director of Governance at NHS Richmond for two years. Previous to that she was Director of Corporate Affairs at Ealing Hospital NHS Trust for four years. Gillian is also a Trustee of Hillingdon Community Trust and an Authorised Marriage Registrar.

Ian Mackenzie

Ian is our Director of Information and Facilities and joined the Trust in April 2009. In the last two years where he has been leading the Trusts £35m development programme. In his 30 years in the NHS Ian has undertaken a wide range of roles covering almost every aspect of hospitals and how they function. His current principle focus at the Trust is Health Informatics and Estates and Facilities. He particularly likes these areas because they impact so much on patient experience and Ian also leads the Trust's "Your Care Matters" programme which is intended to improve patient experience through capturing high quality information from patients about how they are treated and cared for within the Trust.

Ian is also a big fan of open communication and tweets as @sashdirector and also is very involved in talking with patients through the national Patient Opinion website.

Yvonne Parker

Yvonne is our Director of Human Resources and joined the Trust Board in August 2010. Yvonne was Acting HR Director since 2008 and substantive from May 2010. She is CIPD qualified, has 10 years of experience working within the NHS and 23 years within the private sector.

Yvonne has held a variety of senior HR roles in the Banking, Re-insurance and Hotel Industries, where she has been responsible for Human Resource management, media and communications and have also led a number of significant change management programmes.

Fiona Allsop

Fiona is our Chief Nurse. She joined the SASH Board in October 2013 having been a Nurse Director for South London Healthcare NHS Trust since 2010. In this role she was responsible for work related to staffing levels, clinical safety and risk management. Prior to this, Fiona spent 14 years working in the health system in Australia. Fiona has trained as a Registered Nurse at St Thomas Hospital and has extensive clinical and managerial experience in a variety of settings including surgery, operating theatres, and emergency departments.

Existing Loans

The Trust currently has two loans, a working capital loan (initially £56m secured at the end of 2006-07) now with £4.0m left to pay and 18.5 years remaining and a capital investment loan (initially £4.7m secured in Sept 2010) and now with £3.2m to repay and 7 years remaining at the end of Sept 2013.

The working capital loan was taken out to cover £56m of debt which had accumulated over the past five years, upto 2007-08, when the Trust was able to turnaround its performance and achieved financial breakeven. The Trust has been able to reduce the size of the loan through (a) Trust surpluses providing cash to reduce the loan and (b) external payments seeing the loan replaced with public dividend capital.

The second loan was taken out to support completion of major capital projects including refurbishment of Emergency Department and the Main Entrance. These were essential to the on-going provision of services in order to meet the requirements of the PCT Strategic Commissioning Plans at the time.

The Trust is now making the scheduled payments on both loans in line with the terms of the loan agreements.

Historical and planned financial information

The Trust submitted a Long Term Financial Model (LTFM) to the Trust Development Authority in August 2013 – and this application is consistent with that LTFM.

Reported NHS Financial Performance Adjusted retained surplus/(deficit)

Surplus / (deficit)	Plan £m	Actual /Forecast £m
2008/09	7.0	7.1
2009/10	8.0	7.8
2010/11	4.8	0.9
2011/12	(6.1)	(6.1)
2012/13	0.0	0.3
2013/14	0.2	0.2
2014/15	1.9	1.9
2015/16	2.7	2.7

As per the LTFM:

£m	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Turnover	196.30	209.20	224.80	226.10	224.90	224.30
EBITDA	8.60	2.50	10.70	11.20	14.10	15.80
Depreciation & Impairments	(9.4)	(5.40)	(7.40)	(7.40)	(8.30)	(8.90)
Net surplus / (deficit)	(3.7)	(6.1)	0.4	0.2	1.9	2.7

The difference between the 2 tables reflects technical adjustments and the 2010/11 restatement exercise impact. The 2010-11 net deficit of (£3.7m) includes £4.7m impairments not included in the NHS performance surplus and also adjustments to the donated asset reserve (£0.1m) arising from the restatement exercise. Small adjustments in respects of impairments and donated asset reserve (£0.1m) were made to the retained surplus.

Significant Movements:

The fall in EBITDA between 2010-11 and 2011-12 is due to reduction in PBR tariff and other income changes, and also investment in front line staff and new clinical structures. The Trust planned for a £6m deficit in 2011-12.

In 2010/11 the Trust did not deliver its original savings plan (of £12m) but did deliver savings of £4.3m and received additional income the majority of which was non-recurrent income and also benefits arising from the stock count and the reduced cost of loan interest. This adverse performance was recognised early in the year and the Trust adjusted its forecast outturn to breakeven in agreement with the Strategic Health Authority. The outturn quoted above includes a technical adjustment of £4m impairment.

Non-Recurring transitional income over the years is as follows:

	10/11 £m	11/12 £m	12/13 £m	13/14 £m (forecast)	14/15 £m (Plan)
Non recurring income	2.2	6.3	13.3	3.5	Nil

The £2.2m non-recurring income received in 2010/11 was sourced via the Strategic Health Authority (paid via the host PCT) and covered specific non recurrent costs incurred in that year relating in the main to the CRS implementation.

The increase in Turnover between 2010/11 and 2012/13 reflects an increase in recurrent income (delivered at marginal cost) and the consolidation (in 12/13) of what was previously regarded as non-recurrent income from elective activity and the output of action to ensure correct recording and payment for work done.

The increase in turnover therefore between 11/12 and 12/13 reflects a genuine increase in activity, as the Trust has become more productive, and also receipt of non-recurring transitional financial income of £13.3m.

The £6.3m received in 11/12 was a negotiated position around contract income where PCT's did not apply penalties (mainly the 70% marginal rate adjustment) and agreement around 18 weeks non-recurring activity.

The 12/13 and planned 13/14 non recurrent funding reflects the agreement made by commissioners and the South of England SHA that the Trust needed two years to recover its underlying normalised deficit - and that it would need one-off funding (of £15.9m and £8.5m) in the years 2012/13 and 2013/14. The 12/13 funding was written into the Trust's Contract with the PCTs. The Trusts outturn for 2012/13 saw the non-recurrent income reduced to £13.3m and the requirement for 2013/14 reduced to £3.5m.

There is currently £2m assumed in 2013/14 in the application that will be received from the Trusts Commissioners that is currently under discussions relating to emergency readmissions which contains some risk.

The Trust has £3.5m of non-recurrent funding agreed for 2013-14, via the TDA, and from NHS England.

The Trust plans to move from a break even position in 2013-14 with the non-recurring financial income as outlined above to a £2m surplus in 2014-15. It will do this through the delivery of £11m savings programme.

The following bridge explains this.

	Forecast Mar 14 £000	Forecast Mar 15 £000
Net Surplus / (Deficit)	374	199
Non Recurring Revenue and Income	(13,332)	(3,500)
Other Non Recurring Expenses / (Income)	2,866	(56)
Profit / (Loss) on asset disposal	23	-
Fixed asset impairment	50	-
Normalised Net Surplus (O/Bal)	(10,019)	(3,357)
Pay cost pressures	1,334	1,847
Non-pay cost pressures (includes PFI operating costs)	(2,242)	(1,496)
Activity related cost movement	(6,840)	(3,006)
Cost inflation (includes A4C)	(4,929)	(4,966)
Below EBITDA (depreciation & funding, includes PFI financing costs)	(486)	(1,196)
CIP/efficiencies	11,100	10,816
Activity related income movement	11,085	7,330
Casemix / price change income movement	(186)	(2,995)
Net Service developments	-	-
Other income	(67)	1,593
Income inflation	(2,108)	(2,682)
Normalised Net Surplus (C/Bal)	(3,357)	1,888
Non-Recurrent Income - NHSE	3,500	-
Other Non-Recurrent Income	56	-
	199	1,888

Key Planning Assumptions within the LTFM

	2013/14	2014/15	2015/16
Inflation assumptions (%):			
Clinical Income inflation	-1.1%	-1.1%	-1.1%
Other Income inflation	2.0%	2.0%	2.0%
Pay inflation	1.0%	1.0%	1.0%
Drug Price inflation	5.0%	5.0%	5.0%
Other cost inflation	3.0%	3.0%	3.0%
Risk Rating Metrics:			
EBITDA Margin (%)	4.9%	6.3%	7.0%
Net Return after Financing (%)	0.0%	1.3%	1.9%
I&E surplus margin (%)	0.1%	0.8%	1.2%
Liquidity ratio (days)	20.1	16.1	12.2

The Trusts financial plan (reflected in the LTFM) is aligned to the Estates and other Strategies being finalised for the Integrated Business Plan. The Capital programme reflects the demands of the Estates and Clinical Strategy.

Current Performance

Over the last two years the Trust has moved from delivering very few of the national quality and safety standards to delivering them all.

For July 2013 the Trust is meeting TDA metrics across the Board including A&E and 18 weeks. Our financial escalation rating is 3.

In relation to 18 weeks the Trust is achieving full specialty compliance.

We have no warning notices or enforcement actions from CQC and are rated as risk level 6 (the lowest risk) in the recent assessment for the Chief inspector of Hospitals.

Other Financial Information

The majority of the application relates to the Theatres Modernisation Business case. The business case evidences the economic and financial case for the modernisation.

The table below details the total sources of capital funding as well as its application:

	2013-14
	<i>£'000</i>
Sources of Capital Funding	
Depreciation	7,416
PDC approved and drawn	3,000
Theatres cash rolled from previous year	768
Asset disposal income b/fwd from 2012-13	450
PDC Applied 2013-14	11,000
Other	285
Total Capital Funding	<u>22,919</u>
Application of Funds:	
Theatres Phase I	5,677
Theatres Phase II	8,300
PACS	2,330
CT Scanner	816
Site Power	1,000
IT Virtualisation	338
Estates	630
Equipment and backlog maintenance	<u>3,828</u>
Total Capital Expenditure	<u>22,919</u>

The business case lists the benefits that will be realised from this investment –The current ageing theatres provides the Trust with significant risk of catastrophic breakdown of critical systems and potentially not being able to use existing theatre space. The strategic case for change addresses three specific concerns as follows:

- The dilapidated state of the plant and engineering in the existing theatre stock.
- The ageing design and cramped conditions in the existing theatres and ancillary areas which mean that they are no longer compliant with modern standards.
- Demand and activity in surgery and maternity since the theatres were built and potential growth (notably from South West London).

Completion of this project will result in a compliant theatre suite to modern engineering standards

The following benefits realisation plan details the desired benefits from the scheme:

Desired Benefit	Stakeholders Impacted	Outcomes if Benefit Realised
Compliant ventilation	Patients	Number of air changes per hour and pressure differentials between the clean and dirty areas of the suite will be optimised. This will improve patient safety by reducing the risk of surgical site infections.
Clean preparation rooms available in all theatres	Patients; theatre staff; surgeons	Sterile instrument trolleys can be prepared in a separate clean room, reducing the risk of contamination and facilitating improved cleaning in the operating room between patients. This will improve patient safety and reduce the risk of surgical site infections. Improved theatre utilisation through better turnaround between cases.
Increased space in operating rooms	Patients; theatre staff; surgeons	More space in the operating room reduces the risk of the sterile field being compromised by the movement of personnel and the location of equipment. This will improve patient safety and reduce the risk of surgical site infections.
New operating lights	Patients; surgeons; anaesthetists; theatre staff.	Improve lighting of the surgical field facilitates direct visualisation of the surgical site and cavities, which leads to safer surgery.
Reduction in backlog maintenance burden.	Estates Team	Modern ventilation plant and theatre lights, gas pendants and electrical pendants in operation. Less mechanical and electrical breakdown and the corresponding labour benefits.
Two co-located ultra-clean air theatres to create an elective orthopaedic suite	Patients; orthopaedic surgeons; theatre staff.	This allows the separation of elective orthopaedic implant surgery from the trauma service and other surgical specialties. This will improve patient safety and reduce the risk of surgical site infections, particularly the risk of catastrophic implant infections. Improved efficiency from locating specialist equipment and staff into one area.
New service pendants	Patients; surgeons; anaesthetists; theatre staff.	Improved access to electrical and medical gas supplies, reduced trip hazards.
X-ray protected bays in the Post Anaesthetic Recovery Unit (PACU)	Patients; PACU staff; radiographers.	Allows patients requiring post-operative imaging to be kept separate from other patients in the unit, improving radiation protection.
Separate two bay maternity post anaesthetic recovery room	Patients Partners Midwifery staff	Allows the women who have just given birth to be cared for in an environment that facilitated bonding with their new baby and in the presence of the partner. Women will be able to stay longer in this area than the current arrangement where they are returned to the labour ward.
Separate children's post anaesthetic recovery area within the PACU.	Children and adult patients; parents/carers of children.	Separate children's post anaesthetic recovery areas, meeting the national and professional standards for the care of children.
PACU laid out to facilitate separation of the sexes	Patients.	Improved privacy and dignity for patients in the PACU

If the poor state of the theatres fabric were to continue this would result in the unavailability of the theatres for elective work, then planned additional elective income would be unachievable. The net loss of income per year and continued reliance on outsourcing would cost £2.8m. Crucially, waiting list efficiencies and achieving 18 weeks targets will be at risk.

The Phase 1 Business case was approved by the South East Coast Strategic Health Authority on 8th Oct 2012. The project is underway, with a completion date of early Dec 2013. The Trust has committed to all costs associated with this project and therefore the £1.8m funding within this application for this phase is 100% committed.

The Phase 2 Full Business case was approved by the TDA in December 2013.

To date only unavoidable fees associated with the stage 2 business case have been incurred – however (assuming approval of the business case by the TDA) the programme of work is planned to start in December 2013 straight after the phase 1 completion in order to deliver the full benefits of the phase 1 project and mitigate the major risk issues that the business case addresses.

The 2011-12 published reference cost index is: 89 (adjusted for MFF); and 97 (unadjusted for MFF).

The Trust delivered its £10m CIP programme in 12/13, and is on track to deliver its £11.1m CIP plan for 13/14. The LTFM assumes savings of 4.8% (£11m) in 14/15, reducing thereafter to approx 4% of income. The 14-15 recurrent savings programme takes account of under-achievement of recurrent savings in prior years.

The CIP programme for each financial year until 2018-19 is detailed as below:

Cost Improvement Programmes (CIPs) as % of Income (Turnover) to support Trust position										
	2010-11 CIPs £'000	2011-12 CIPs £'000	2012-13 CIPs £'000	2013-14 CIPs £'000	2013-14 CIPs £'000	2014-15 CIPs £'000	2015-16 CIPs £'000	2016-17 CIPs £'000	2017-18 CIPs £'000	2018-19 CIPs £'000
	Plan	Plan	Plan	Original Plan YTD @ M7	Plan FY	Plan	Plan	Plan	Plan	Plan
CIPs Planned:										
Recurrent	12,000	7,700	10,000	4,782	11,100	10,816	8,714	8,384	8,204	8,001
Non recurrent	-	-	-	-	-	-	-	-	-	-
Total Planned CIPs	12,000	7,700	10,000	4,782	11,100	10,816	8,714	8,384	8,204	8,001
Total Planned CIPs as % of income	6.1%	3.7%	4.5%	3.6%	4.9%	4.8%	3.9%	3.8%	3.7%	3.6%

CIPs Achieved	2010-11 CIPs £'000	2011-12 CIPs £'000	2012-13 CIPs £'000	2013-14 CIPs £'000	2013-14 CIPs £'000
	Actual	Actual	Actual	Actual YTD @ M7	Current FOT
Recurrent	3,146	7,064	8,776	5,125	11,100
Non recurrent	1,189	639	1,228	-	-
Total Achieved CIPs	4,335	7,703	10,004	5,125	11,100
Total Achieved CIPs as % of income	2.2%	3.7%	4.5%	3.8%	4.9%

% of CIPs Achieved	36.1%	100.0%	100.0%	107.2%	100.0%
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In 2010/11 the Trust did not deliver its original savings plan as referred to above.

A high level summary of the Trusts CIP plans for 2013-14 and also for 2014-15 showing the amount of recurrent and non-recurrent savings by scheme / programme is detailed in the table as below:

	2013-14 CIPs £'000	2013-14 CIPs £'000	2013-14 CIPs £'000	2014-15 CIPs £'000	2014-15 CIPs £'000	2014-15 CIPs £'000
	Recurrent	Non Recurrent	Total	Recurrent	Non Recurrent	Total
CIPs Planned:						
Employee Benefit Expenses	3,231	-	3,231	2,379	-	2,379
Drug expenses	267	-	267	720	-	720
Clinical supplies and services expenses	2,521	-	2,521	1,312	-	1,312
Shared services expenses	42	-	42	22	-	22
CNST Contributions	400	-	400	-	-	-
Other expenses	2,139	-	2,139	852	-	852
Other CIPs -(e.g. agency pay cost savings)	2,022	-	2,022	4,392	-	4,392
Income CIPs	478	-	478	1,139	-	1,139
TOTAL	11,100	-	11,100	10,816	-	10,816

The £11m planned savings programme for 2014/15 will enable the Trust to increase its EBITDA without the need for any financial support. The Trust's strict control over costs and its savings programme should enable it to increase its EBITDA further in 2015/16.

Status of Quality Impact Assessments on CIP plans

For 2012-13 and 2013-14 CIP plans a quality impact assessment was carried out for each scheme and signed off by the Transformational Delivery group (membership includes the Medical Director and Chief Nurse). Both the latter confirmed sign off to the Board.

For 2014-15 planned CIP's the process is being strengthened in line with the guidance from the National Quality Board – all CIP plans being developed will have a full QIA sign off by the Medical Director and Chief Nurse. The Trust Board signed off the refreshed QIA process at its meeting on 28 Nov 2013.

This letter and accompanying schedules set out the Trusts approach to the Prudential Borrowing Assessment (PBA).

The Trust has calculated the PBA on the traditional approach that shows that loan financing is affordable to the Trust, the outputs of the PBA under this methodology are as follows:

Monitor PBC - As per LTFM inclusive of proposed loan

PBC Ratios - LTFM Outputs		Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
Ratio Inputs		£m	£m	£m	£m	£m	£m
Total Revenue	+	225.8	224.7	224.0	223.2	222.3	221.7
Revenue Available for Debt Service	+	11.2	14.1	15.8	17.2	18.8	20.4
PDC Dividend	+	3.3	3.6	3.8	4.0	4.4	4.7
Total Interest Expenditure	+	0.4	0.7	0.6	0.6	0.6	0.5
Total Annual Debt Service	+	1.4	1.9	1.9	1.8	1.8	1.7
PBC Ratios							
Dividend Cover		3.2	3.7	4.0	4.1	4.2	4.2
Interest Cover		26.6	20.8	24.9	28.9	34.1	40.5
Debt Service Cover		8.1	7.4	8.5	9.4	10.5	11.7
Debt Service to Revenue		0.6%	0.9%	0.8%	0.8%	0.8%	0.8%
Tier 1 Tests							
Dividend Cover (greater than)	1.0	PASS	PASS	PASS	PASS	PASS	PASS
Interest Cover (greater than)	3.0	PASS	PASS	PASS	PASS	PASS	PASS
Debt Service Cover (greater than)	2.0	PASS	PASS	PASS	PASS	PASS	PASS
Debt Service to Revenue (less than)	2.5%	PASS	PASS	PASS	PASS	PASS	PASS

However, the Trust's PDC Dividend is not available to fund debt service as this is already committed to meeting the cost of the dividend payable. In addition the Trust's depreciation is wholly committed to funding the Trust's capital programme, hence the request for additional external capital financing. The PBA has therefore been recalculated on the basis that the revenue available for debt service excludes PDC Dividend and Depreciation. (The traditional approach to the PBA uses the EBITDA value that is before deducting the Dividend and depreciation values).

The outputs from the PBA calculated on this basis are as follows:

Calculation of PBA under revised approach where Dividend and Depreciation are removed.

PBC Ratios - LTFM Outputs		Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
Ratio Inputs		£m	£m	£m	£m	£m	£m
Total Revenue	+	225.8	224.7	224.0	223.2	222.3	221.7
Revenue Available for Debt Service as per PBA	+	11.2	14.1	15.8	17.2	18.8	20.4
Less PDC Dividend	-	-3.4	-3.6	-3.8	-4.0	-4.4	-4.7
Less Depreciation	-	-7.4	-8.3	-8.9	-9.6	-9.8	-10.4
Revenue Available for Debt Service (adjusted)	+	0.4	2.3	3.0	3.6	4.6	5.3
PDC Dividend	+	3.4	3.6	3.8	4.0	4.4	4.7
Total Interest Expenditure	+	0.4	0.7	0.6	0.6	0.6	0.5
Total Annual Debt Service	+	1.4	1.9	1.9	1.8	1.8	1.7
PBC Ratios							
Dividend Cover		0.0	0.4	0.6	0.8	0.9	1.0
Interest Cover		0.9	3.3	4.8	6.1	8.4	10.5
Debt Service Cover		0.3	1.2	1.6	2.0	2.6	3.0
Debt Service to Revenue		0.6%	0.9%	0.8%	0.8%	0.8%	0.8%
Tier 1 Tests							
Dividend Cover (greater than)	1.0	FAIL	FAIL	FAIL	FAIL	FAIL	PASS
Interest Cover (greater than)	3.0	FAIL	PASS	PASS	PASS	PASS	PASS
Debt Service Cover (greater than)	2.0	FAIL	FAIL	FAIL	FAIL	PASS	PASS
Debt Service to Revenue (less than)	2.5%	PASS	PASS	PASS	PASS	PASS	PASS

This revised approach shows that loan financing is unaffordable to the Trust.

In addition to the PBA there are a number of other factors that lead the Trust to the conclusion that loan financing would be unaffordable and these are as follows:

- The Trust has posted deficits in 2010/11 and 2011/12 of (£3.7m) and (£6.1m) after receipt of Non Recurrent income of £2.2m and £6.3m respectively. In 2012/13 a small surplus of £0.4m was posted but after receipt of Non-recurrent income of £13.3m. In the current financial year a small surplus is planned after application of £3.5m of Non recurrent income.
- The Trust has existing loans of £7.3m outstanding with DH, with repayments of £700k p.a. due. The Trusts existing Working capital loan of £56m was made over 25 years with 18.5 years remaining. The debt service on existing loans would further reduce the Trusts planned surplus levels in the current and future years making additional loan servicing more unaffordable.
- The Trust has low cash balances which would be negative in the current year with no form of financing and £2m at the end of 2014/15 assuming £11m of PDC financing and £1.2m assuming loan financing.
- When phase 1 was assessed PDC was awarded for reasons of debt affordability.
- The Trust has historic CIP shortfalls, although the last two financial years have been achieved largely on a recurrent basis.

The conclusion that the Trust has reached taking all of these factors into account is that the Trust is on an improving trajectory but its capital and revenue position is tight, further debt financing is unaffordable and therefore PDC is the most appropriate solution.

This funding application was discussed and agreed at the Finance and Workforce Committee (FWC) on 7th October (a sub Committee of the Board) – after approval by the same committee of the Theatres Phase 2 Full Business Case.

The Trusts Capital Group receive a comprehensive finance report at each monthly meeting, and the cash flow submitted as part of the Finance report to the Board/ FWC also clearly shows the funding requirements.

I hope this information provides sufficient information for your decision making, if you require anything further please let me know and we will respond immediately.

Yours Sincerely



Chief Finance Officer

INDEPENDENT TRUST FINANCING FACILITY

SURREY AND SUSSEX HEALTHCARE NHS TRUST FINANCING APPLICATION

Section 2

Presented by : NHS Trust Development Authority

HISTORIC FINANCIAL INFORMATION
SURREY AND SUSSEX HEALTHCARE NHS TRUST

STATEMENT OF COMPREHENSIVE INCOME	2010/11 £m	2011/12 £m	2012/13 £m
Mandatory Clinical Revenue	179.5	187.6	195.5
Non Mandatory Clinical Revenue	1.5	1.3	1.5
Other Operating income	15.2	20.3	27.8
Total Operating Revenue and Income	196.3	209.2	224.8
Total Operating Expenses	(187.3)	(206.6)	(213.6)
Operating Surplus / (deficit)	9.0	2.6	11.1
Adjustment for donated asset income	(0.4)	(0.1)	(0.4)
EBITDA	8.6	2.5	10.7
<i>EBITDA margin</i>	<i>4%</i>	<i>1%</i>	<i>5%</i>
Non-Operating income			
Gain/(loss) on asset disposals	-	-	(0.0)
Other Non-Operating income	-	-	-
Non-Operating expenses			
Impairment Losses (Reversals) net	(4.8)	0.0	(0.1)
Total Depreciation & Amortisation	(4.7)	(5.4)	(7.3)
Interest expense on overdrafts	0.0	0.0	0.0
Total interest payable on Loans and leases	(0.3)	(0.3)	(0.3)
PDC Dividend	(3.0)	(3.1)	(3.1)
Other Non-Operating expenses	-	-	-
Net Surplus/(Deficit)	(3.7)	(6.1)	0.4
<i>Net margin</i>	<i>-2%</i>	<i>-3%</i>	<i>0%</i>

STATEMENT OF FINANCIAL POSITION	2010/11 £m	2011/12 £m	2012/13 £m
NON CURRENT ASSETS			
Property, Plant and Equipment and intangible assets, Net	95.6	105.3	109.0
Property, plant & equipment (PFI)	-	-	-
PFI Other Assets	-	-	-
Investments, Non-Current	-	-	-
Trade and Other Receivables, Net, Non-Current (including prepayments)	0.4	0.4	-
Other Assets, Non-Current	3.9	4.0	3.9
Total Non-Current Assets	99.9	109.8	112.8
CURRENT ASSETS			
Inventories	3.8	3.3	3.3
NHS Trade Receivables, Current	4.5	6.8	2.2
Non NHS Trade Receivables, Current	0.6	0.4	0.6
Other Receivables, Current	0.2	0.5	0.4
Other Financial Assets, Current (e.g. accrued income)	4.1	5.5	5.2
Prepayments, Current, PFI related	-	-	-
Prepayments, Current, non-PFI related	0.4	0.7	1.5
Cash and Cash Equivalents	0.6	4.2	4.7
Other Assets, Current	0.7	0.5	-
Total Current Assets	14.8	21.9	17.9
CURRENT LIABILITIES			
Bank Overdraft and Working Capital Facility	-	-	-
Interest-Bearing Borrowings, Current (including accrued interest)	-	-	(0.7)
Deferred Income, Current	(1.6)	(0.6)	(0.7)
Provisions, Current	(0.2)	(0.5)	(0.5)
Trade Payables, Current	(3.0)	(3.5)	(2.1)
Other Payables, Current	(4.4)	(5.6)	(2.2)
Capital Payables, Current	(3.6)	(3.7)	(3.8)
Accruals, Current	(4.9)	(10.6)	(10.3)
Payments on Account	-	-	-
Finance Leases, Current	-	-	-
PDC dividend Payable, Current	-	-	-
Other Liabilities, Current	-	-	-
Total Current Liabilities	(17.7)	(24.5)	(20.3)
NET CURRENT ASSETS (LIABILITIES)	(2.8)	(2.6)	(2.4)
NON CURRENT LIABILITIES			
Interest-Bearing Borrowings, Non-Current	(9.0)	(8.3)	(7.1)
Deferred Income, Non-Current	-	-	-
Provisions, Non-Current	(1.5)	(1.2)	(2.7)
Trade and Other Payables, Non-Current	(3.5)	(3.4)	(3.3)
Finance Leases, Non-current	(0.5)	(0.4)	(0.1)
Other Liabilities, Non-Current	-	-	-
Total Non-Current Liabilities	(14.5)	(13.3)	(13.3)
TOTAL ASSETS EMPLOYED	82.6	93.8	97.2
TAXPAYERS' EQUITY			
Public dividend capital	118.0	134.5	137.5
Retained Earnings (Accumulated Losses)	(48.9)	(55.0)	(54.1)
Charitable Funds	-	-	-
Donated asset reserve	-	-	-
Revaluation reserve	13.5	14.3	13.8
Miscellaneous Other Reserves	-	-	-
TOTAL TAXPAYERS EQUITY	82.6	93.8	97.2

STATEMENT OF CASH FLOWS	2010/11 £m	2011/12 £m	2012/13 £m
Operating Surplus / (Deficit)	9.0	2.6	11.1
Other increases/(decreases) to reconcile to profit/(loss) from operations	-	0.8	(0.4)
Operating cash flows before movements in working capital	9.0	3.4	10.8
Movement in working capital:			
(Increase)/decrease in Inventories	(1.1)	0.5	0.0
(Increase)/decrease in NHS Trade Receivables	(0.8)	(1.8)	4.6
(Increase)/decrease in Non NHS Trade Receivables	1.1	(0.6)	(0.4)
(Increase)/decrease in other Receivables	2.6	(0.4)	0.1
(Increase)/decrease in Other financial assets (e.g. accrued income)	(1.9)	(1.4)	0.3
(Increase)/decrease in Prepayments	(0.1)	(0.2)	(0.8)
(Increase)/decrease in Other assets	(3.5)	(0.1)	0.1
Increase/(decrease) in Deferred Income & Payments on account	-	(1.0)	0.1
Increase/(decrease) in Provisions	(0.1)	0.7	0.6
Increase/(decrease) in Trade Payables	(3.4)	0.4	(1.6)
Increase/(decrease) in Other Payables	1.6	1.2	(3.4)
Increase/(decrease) in PDC Dividend Payable	-	-	-
Increase/(decrease) in Accruals	-	5.0	(0.3)
Increase/(decrease) in Other liabilities	-	-	-
Increase/(decrease) in working capital	-	2.3	(0.6)
Increase/(decrease) in Non Current Provisions	-	(0.3)	1.5
Net cash inflow/(outflow) from operating activities	3.4	5.4	11.7
Cash flow from investing activities			
Property, plant and equipment expenditure	(6.6)	(14.1)	(11.2)
Proceeds on disposal of property, plant and equipment	3.2	-	0.5
Net cash inflow/(outflow) from investing activities	(3.4)	(14.1)	(10.7)
CF before Financing	(0.9)	(8.8)	1.0
Cash flow from financing activities			
Public Dividend Capital received	-	16.5	3.0
Public Dividend Capital repaid	-	-	-
Dividends paid	(3.0)	(3.2)	(2.9)
Interest (paid) on Loans and Leases	(0.3)	(0.2)	0.1
Interest (paid) on bank overdrafts and working capital facilities	-	-	-
Interest received on Cash and Cash Equivalents	0.0	0.0	0.0
Drawdown of Loans and Leases	4.7	-	-
Repayment of Loans and Leases	(0.4)	(0.7)	(0.7)
Other cash flows from financing activities	-	-	-
Net cash inflow/(outflow) from financing	0.9	12.4	(0.5)
Taxes paid	-	-	-
Net cash outflow/inflow	-	3.6	0.4

	2011/12	2012/13
Risk Rating Metrics		
EBITDA Margin	1.2%	4.8%
EBITDA % Achieved	88.1%	100.3%
NRAF (Net return after financing)	-6.4%	0.1%
I&E Surplus Margin	-2.9%	0.2%
Liquid Ratio	18.0	19.0
Overall FRR	2	3

FORECAST FINANCIAL INFORMATION
SURREY AND SUSSEX HEALTHCARE NHS TRUST

Loan assumption

STATEMENT OF COMPREHENSIVE INCOME	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m
Mandatory Clinical Revenue	204.0	206.5	204.7	202.9
Non Mandatory Clinical Revenue	1.5	2.6	3.3	3.7
Other Operating income	20.6	15.9	16.4	16.8
Total Operating Revenue and Income	226.1	224.9	224.3	223.4
Total Operating Expenses	(214.6)	(210.6)	(208.3)	(205.9)
Operating Surplus / (deficit)	11.4	14.4	16.0	17.5
Adjustment for donated asset income	(0.3)	(0.3)	(0.3)	(0.3)
EBITDA	11.2	14.1	15.7	17.2
<i>EBITDA margin</i>	<i>5%</i>	<i>6%</i>	<i>7%</i>	<i>8%</i>
Non-Operating income				
Gain/(loss) on asset disposals	-	-	-	-
Other Non-Operating income	-	-	-	-
Non-Operating expenses				
Impairment Losses (Reversals) net	-	-	-	-
Total Depreciation & Amortisation	(7.4)	(8.3)	(8.9)	(9.6)
Interest expense on overdrafts	(0.0)	0.0	0.0	0.0
Total interest payable on Loans and leases	(0.4)	(0.7)	(0.6)	(0.6)
PDC Dividend	(3.3)	(3.6)	(3.8)	(4.0)
Other Non-Operating expenses	-	-	-	-
Net Surplus/(Deficit)	0.2	1.8	2.7	3.3
<i>Net margin</i>	<i>0%</i>	<i>1%</i>	<i>1%</i>	<i>1%</i>

STATEMENT OF FINANCIAL POSITION	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m
NON CURRENT ASSETS				
Property, Plant and Equipment and intangible assets, Net	126.5	133.0	137.9	143.2
Property, plant & equipment (PFI)	-	-	-	-
PFI Other Assets	-	-	-	-
Investments, Non-Current	-	-	-	-
Trade and Other Receivables, Net, Non-Current (including prepayment:	0.0	0.0	0.0	0.0
Other Assets, Non-Current	3.9	3.9	3.9	3.9
Total Non-Current Assets	130.4	136.9	141.8	147.1
CURRENT ASSETS				
Inventories	3.3	3.3	3.3	3.3
NHS Trade Receivables, Current	2.3	2.3	2.3	2.3
Non NHS Trade Receivables, Current	0.3	0.1	0.1	0.4
Other Receivables, Current	0.3	0.3	0.3	0.3
Other Financial Assets, Current (e.g. accrued income)	5.3	5.3	5.3	5.3
Prepayments, Current, PFI related	-	-	-	-
Prepayments, Current, non-PFI related	0.7	0.7	0.7	0.7
Cash and Cash Equivalents	1.0	0.5	0.6	0.6
Other Assets, Current	-	-	-	-
Total Current Assets	13.2	12.5	12.6	12.9
CURRENT LIABILITIES				
Bank Overdraft and Working Capital Facility	-	-	-	-
Interest-Bearing Borrowings , Current (including accrued interest)	(1.2)	(1.2)	(1.2)	(1.2)
Deferred Income, Current	(0.7)	(0.7)	(0.7)	(0.7)
Provisions, Current	(0.6)	(0.6)	(0.6)	(0.6)
Trade Payables, Current	(5.1)	(5.2)	(5.2)	(4.4)
Other Payables, Current	(0.7)	(1.2)	(1.8)	(1.8)
Capital Payables, Current	(0.6)	(2.1)	(1.6)	(1.6)
Accruals, Current	(10.0)	(10.0)	(10.0)	(10.0)
Payments on Account	-	-	-	-
Finance Leases, Current	-	-	-	-
PDC dividend Payable, Current	-	-	-	-
Other Liabilities, Current	-	-	-	-
Total Current Liabilities	(18.9)	(20.9)	(21.0)	(20.2)
NET CURRENT ASSETS (LIABILITIES)	(5.7)	(8.5)	(8.4)	(7.3)
NON CURRENT LIABILITIES				
Interest-Bearing Borrowings, Non-Current	(16.6)	(15.4)	(14.2)	(12.9)
Deferred Income, Non-Current	-	-	-	-
Provisions, Non-Current	(2.5)	(2.4)	(2.2)	(2.1)
Trade and Other Payables, Non-Current	(3.2)	(3.2)	(3.2)	(3.2)
Finance Leases, Non-current	(0.1)	(0.1)	(0.1)	(0.1)
Other Liabilities, Non-Current	-	-	-	-
Total Non-Current Liabilities	(22.5)	(21.1)	(19.7)	(18.3)
TOTAL ASSETS EMPLOYED	102.2	107.3	113.7	121.5
TAXPAYERS' EQUITY				
Public dividend capital	140.5	140.5	140.5	140.5
Retained Earnings (Accumulated Losses)	(54.0)	(52.1)	(49.5)	(46.2)
Charitable Funds	-	-	-	-
Donated asset reserve	-	-	-	-
Revaluation reserve	15.7	18.9	22.6	27.1
Miscellaneous Other Reserves	-	-	-	-
TOTAL TAXPAYERS EQUITY	102.2	107.3	113.7	121.5

STATEMENT OF CASH FLOWS	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m
Operating Surplus / (Deficit)	11.4	14.4	16.0	17.5
Other increases/(decreases) to reconcile to profit/(loss) from operations	(0.3)	(0.3)	(0.3)	(0.3)
Operating cash flows before movements in working capital	11.2	14.1	15.8	17.2
Movement in working capital:				
(Increase)/decrease in Inventories	-	-	-	-
(Increase)/decrease in NHS Trade Receivables	(0.0)	0.0	0.0	0.1
(Increase)/decrease in Non NHS Trade Receivables	0.3	0.3	(0.1)	(0.3)
(Increase)/decrease in other Receivables	0.1	-	-	-
(Increase)/decrease in Other financial assets (e.g. accrued income)	(0.0)	-	-	-
(Increase)/decrease in Prepayments	0.8	-	-	-
(Increase)/decrease in Other assets	0.0	-	-	-
Increase/(decrease) in Deferred Income & Payments on account	0.1	-	-	-
Increase/(decrease) in Provisions	(0.1)	-	-	-
Increase/(decrease) in Trade Payables	3.0	0.1	(0.0)	(0.8)
Increase/(decrease) in Other Payables	(1.7)	0.5	0.6	-
Increase/(decrease) in PDC Dividend Payable	-	-	-	-
Increase/(decrease) in Accruals	(0.3)	-	-	-
Increase/(decrease) in Other liabilities	-	-	-	-
Increase/(decrease) in working capital	2.2	0.8	0.5	(1.0)
Increase/(decrease) in Non Current Provisions	(0.2)	(0.2)	(0.2)	(0.2)
Net cash inflow/(outflow) from operating activities	13.2	14.8	16.1	16.0
Cash flow from investing activities				
Property, plant and equipment expenditure	(26.2)	(9.8)	(10.4)	(10.1)
Proceeds on disposal of property, plant and equipment	-	-	-	-
Net cash inflow/(outflow) from investing activities	(26.2)	(9.8)	(10.4)	(10.1)
CF before Financing	(13.0)	5.0	5.7	5.9
Cash flow from financing activities				
Public Dividend Capital received	3.0	-	-	-
Public Dividend Capital repaid	-	-	-	-
Dividends paid	(3.4)	(3.6)	(3.8)	(4.0)
Interest (paid) on Loans and Leases	(0.4)	(0.7)	(0.6)	(0.6)
Interest (paid) on bank overdrafts and working capital facilities	-	-	-	-
Interest received on Cash and Cash Equivalents	(0.0)	0.0	0.0	0.0
Drawdown of Loans and Leases	11.0	-	-	-
Repayment of Loans and Leases	(1.0)	(1.2)	(1.2)	(1.2)
Other cash flows from financing activities	-	-	-	-
Net cash inflow/(outflow) from financing	9.3	(5.5)	(5.7)	(5.9)
Taxes paid	-	-	-	-
Net cash outflow/inflow	(3.7)	(0.5)	0.1	0.0

	2013/14	2014/15	2015/16	2016/17
Risk Rating Metrics				
EBITDA Margin	4.9%	6.3%	7.0%	7.7%
EBITDA % Achieved	100.2%	100.2%	100.0%	100.0%
NRAF (Net return after financing)	0.0%	1.3%	1.9%	2.3%
I&E Surplus Margin	0.1%	0.8%	1.2%	1.5%
Liquid Ratio	20	15	10	10
Overall FRR	3	3	2	2

FORECAST FINANCIAL INFORMATION
SURREY AND SUSSEX HEALTHCARE NHS TRUST

PDC assumption

STATEMENT OF COMPREHENSIVE INCOME	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m
Mandatory Clinical Revenue	204.0	206.5	204.7	202.9
Non Mandatory Clinical Revenue	1.5	2.6	3.3	3.7
Other Operating income	20.6	15.9	16.4	16.8
Total Operating Revenue and Income	226.1	224.9	224.3	223.4
Total Operating Expenses	(214.6)	(210.6)	(208.3)	(205.9)
Operating Surplus / (deficit)	11.4	14.4	16.0	17.5
Adjustment for donated asset income	(0.3)	(0.3)	(0.3)	(0.3)
EBITDA	11.2	14.1	15.7	17.2
<i>EBITDA margin</i>	<i>5%</i>	<i>6%</i>	<i>7%</i>	<i>8%</i>
Non-Operating income				
Gain/(loss) on asset disposals	-	-	-	-
Other Non-Operating income	-	-	-	-
Non-Operating expenses				
Impairment Losses (Reversals) net	-	-	-	-
Total Depreciation & Amortisation	(7.4)	(8.3)	(8.9)	(9.6)
Interest expense on overdrafts	(0.0)	0.0	0.0	0.0
Total interest payable on Loans and leases	(0.3)	(0.3)	(0.2)	(0.2)
PDC Dividend	(3.5)	(4.0)	(4.2)	(4.4)
Other Non-Operating expenses	-	-	-	-
Net Surplus/(Deficit)	0.2	1.9	2.7	3.3
<i>Net margin</i>	<i>0%</i>	<i>1%</i>	<i>1%</i>	<i>1%</i>

STATEMENT OF FINANCIAL POSITION	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m
NON CURRENT ASSETS				
Property, Plant and Equipment and intangible assets, Net	126.5	133.0	137.9	143.2
Property, plant & equipment (PFI)	-	-	-	-
PFI Other Assets	-	-	-	-
Investments, Non-Current	-	-	-	-
Trade and Other Receivables, Net, Non-Current (including prepayment:	0.0	0.0	0.0	0.0
Other Assets, Non-Current	3.9	3.9	3.9	3.9
Total Non-Current Assets	130.4	136.9	141.8	147.1
CURRENT ASSETS				
Inventories	3.3	3.3	3.3	3.3
NHS Trade Receivables, Current	2.3	2.3	2.3	2.3
Non NHS Trade Receivables, Current	0.3	0.1	0.1	0.4
Other Receivables, Current	0.3	0.3	0.3	0.3
Other Financial Assets, Current (e.g. accrued income)	5.3	5.3	5.3	5.3
Prepayments, Current, PFI related	-	-	-	-
Prepayments, Current, non-PFI related	0.7	0.7	0.7	0.7
Cash and Cash Equivalents	1.0	0.5	0.5	1.1
Other Assets, Current	-	-	-	-
Total Current Assets	13.2	12.4	12.6	13.4
CURRENT LIABILITIES				
Bank Overdraft and Working Capital Facility	-	-	-	-
Interest-Bearing Borrowings , Current (including accrued interest)	(0.7)	(0.7)	(0.7)	(0.7)
Deferred Income, Current	(0.7)	(0.7)	(0.7)	(0.7)
Provisions, Current	(0.6)	(0.6)	(0.6)	(0.6)
Trade Payables, Current	(5.1)	(5.2)	(5.2)	(4.4)
Other Payables, Current	(0.7)	(0.7)	(0.7)	(0.7)
Capital Payables, Current	(0.3)	(1.7)	(1.2)	(1.2)
Accruals, Current	(10.0)	(10.0)	(10.0)	(10.0)
Payments on Account	-	-	-	-
Finance Leases, Current	-	-	-	-
PDC dividend Payable, Current	-	-	-	-
Other Liabilities, Current	-	-	-	-
Total Current Liabilities	(18.0)	(19.5)	(19.0)	(18.1)
NET CURRENT ASSETS (LIABILITIES)	(4.8)	(7.0)	(6.4)	(4.8)
NON CURRENT LIABILITIES				
Interest-Bearing Borrowings, Non-Current	(6.5)	(5.8)	(5.1)	(4.4)
Deferred Income, Non-Current	-	-	-	-
Provisions, Non-Current	(2.5)	(2.4)	(2.2)	(2.1)
Trade and Other Payables, Non-Current	(3.2)	(3.2)	(3.2)	(3.2)
Finance Leases, Non-current	(0.1)	(0.1)	(0.1)	(0.1)
Other Liabilities, Non-Current	-	-	-	-
Total Non-Current Liabilities	(12.3)	(11.5)	(10.6)	(9.8)
TOTAL ASSETS EMPLOYED	113.2	118.3	124.7	132.6
TAXPAYERS' EQUITY				
Public dividend capital	151.5	151.5	151.5	151.5
Retained Earnings (Accumulated Losses)	(54.0)	(52.1)	(49.4)	(46.1)
Charitable Funds	-	-	-	-
Donated asset reserve	-	-	-	-
Revaluation reserve	15.7	18.9	22.6	27.1
Miscellaneous Other Reserves	-	-	-	-
TOTAL TAXPAYERS EQUITY	113.2	118.3	124.7	132.6

STATEMENT OF CASH FLOWS	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m
Operating Surplus / (Deficit)	11.4	14.4	16.0	17.5
Other increases/(decreases) to reconcile to profit/(loss) from operations	(0.3)	(0.3)	(0.3)	(0.3)
Operating cash flows before movements in working capital	11.2	14.1	15.8	17.2
Movement in working capital:				
(Increase)/decrease in Inventories	-	-	-	-
(Increase)/decrease in NHS Trade Receivables	(0.0)	0.0	0.0	0.1
(Increase)/decrease in Non NHS Trade Receivables	0.3	0.3	(0.1)	(0.3)
(Increase)/decrease in other Receivables	0.1	-	-	-
(Increase)/decrease in Other financial assets (e.g. accrued income)	(0.0)	-	-	-
(Increase)/decrease in Prepayments	0.8	-	-	-
(Increase)/decrease in Other assets	0.0	-	-	-
Increase/(decrease) in Deferred Income & Payments on account	0.1	-	-	-
Increase/(decrease) in Provisions	(0.1)	-	-	-
Increase/(decrease) in Trade Payables	3.0	0.1	(0.0)	(0.8)
Increase/(decrease) in Other Payables	(1.7)	-	-	-
Increase/(decrease) in PDC Dividend Payable	-	-	-	-
Increase/(decrease) in Accruals	(0.3)	-	-	-
Increase/(decrease) in Other liabilities	-	-	-	-
Increase/(decrease) in working capital	2.2	0.3	(0.1)	(1.0)
Increase/(decrease) in Non Current Provisions	(0.2)	(0.2)	(0.2)	(0.2)
Net cash inflow/(outflow) from operating activities	13.2	14.3	15.5	16.0
Cash flow from investing activities				
Property, plant and equipment expenditure	(26.5)	(9.9)	(10.4)	(10.1)
Proceeds on disposal of property, plant and equipment	-	-	-	-
Net cash inflow/(outflow) from investing activities	(26.5)	(9.9)	(10.4)	(10.1)
CF before Financing	(13.3)	4.4	5.1	5.9
Cash flow from financing activities				
Public Dividend Capital received	14.0	-	-	-
Public Dividend Capital repaid	-	-	-	-
Dividends paid	(3.5)	(4.0)	(4.2)	(4.4)
Interest (paid) on Loans and Leases	(0.2)	(0.3)	(0.2)	(0.2)
Interest (paid) on bank overdrafts and working capital facilities	-	-	-	-
Interest received on Cash and Cash Equivalents	(0.0)	0.0	0.0	0.0
Drawdown of Loans and Leases	-	-	-	-
Repayment of Loans and Leases	(0.7)	(0.7)	(0.7)	(0.7)
Other cash flows from financing activities	-	-	-	-
Net cash inflow/(outflow) from financing	9.6	(4.9)	(5.1)	(5.3)
Taxes paid	-	-	-	-
Net cash outflow/inflow	(3.7)	(0.5)	0.1	0.6

	2013/14	2014/15	2015/16	2016/17
Risk Rating Metrics				
EBITDA Margin	4.9%	6.3%	7.0%	7.7%
EBITDA % Achieved	100.2%	100.2%	100.0%	100.0%
NRAF (Net return after financing)	0.0%	1.3%	1.9%	2.3%
I&E Surplus Margin	0.1%	0.8%	1.2%	1.5%
Liquid Ratio	20	16	12	13
Overall FRR	3	3	3	3

Inflation Assumptions

Protected Revenue Inflation									
Elective									
1	Base	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%			
Protected Revenue Inflation									
Non elective									
1	Base	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%			
Protected Revenue Inflation									
Outpatient									
1	Base	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%			
Protected Revenue Inflation									
A&E									
1	Base	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%			
Protected Revenue Inflation									
Other clinical - Tariff									
1	Base	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%			
Protected Revenue Inflation									
Other clinical - Non Tariff									
1	Base	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%			
Protected Revenue Inflation									
Other block or Cost and Volume contract									
1	Base	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%			
Protected Revenue Inflation									
Other block or Cost and Volume contract									
1	Base	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%			
Protected/Mandatory Clinical Income Inflation									
Clinical Partnerships providing mandatory services (including S75 agreements)									
1	Base	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%			
Protected/Mandatory Clinical Income Inflation									
Clinical income for the Secondary Commissioning of mandatory services									
1	Base	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%			
Protected/Mandatory Clinical Income Inflation									
Other clinical income from mandatory services									
1	Base	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%			
Non Protected/Non Mandatory Clinical income inflation									
	Base	3.0%	3.0%	3.0%	3.0%	3.0%			
Other revenue Inflation									
Education & training									
1	Base	1.0%	1.0%	1.0%	1.0%	1.0%			
Research & Development									
	Base	1.0%	1.0%	1.0%	1.0%	1.0%			
Other revenue									
	Base	2.0%	2.0%	2.0%	2.0%	2.0%			
Employee Benefit Expenses									
	Base	1.0%	1.0%	1.0%	1.0%	1.0%			
Drug expenses									
	Base	5.0%	5.0%	5.0%	5.0%	5.0%			
Clinical supplies and services expenses									
	Base	3.0%	3.0%	3.0%	3.0%	3.0%			
Shared services expenses									
	Base	3.0%	3.0%	3.0%	3.0%	3.0%			
CNST Contributions									
	Base	3.0%	3.0%	3.0%	3.0%	3.0%			
Other expenses									
	Base	3.0%	3.0%	3.0%	3.0%	3.0%			
Capex inflation									
	Base	2.7%	2.8%	3.3%	3.8%	4.1%			

Source : LTFM I_Infl

SURREY AND SUSSEX HEALTHCARE NHS TRUST

ADDITIONAL TRUST KPIS

2014/15	2015/16	2016/17	2017/18	2018/19
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£m unless otherwise stated

Key Assumptions - Activity

Trust view of financial efficiency modelled		5.0%	4.0%	4.0%	4.0%	4.0%
<u>Activity/Capacity</u>						
Elective	000's	33.4	33.3	33.3	33.3	33.3
Non elective	000's	36.6	36.6	36.6	36.6	36.6
Outpatient	000's	271.3	271.3	271.3	271.3	271.3
A&E	000's	82.1	82.1	82.1	82.1	82.1
Other clinical - Tariff	000's	0.0	0.0	0.0	0.0	0.0
Other clinical - Non Tariff	000's	1.2	1.2	1.2	1.2	1.2
Other block or Cost and Volume contract	000's	0.0	0.0	0.0	0.0	0.0
Other block or Cost and Volume contract	000's	0.0	0.0	0.0	0.0	0.0
Clinical Partnerships providing mandatory services (including S75 agreements)	000's	0.0	0.0	0.0	0.0	0.0
Clinical income for the Secondary Commissioning of mandatory services	000's	0.0	0.0	0.0	0.0	0.0
Other clinical income from mandatory services	000's	0.0	0.0	0.0	0.0	0.0

Operational KPIS

Specific KPIS

Patient stay

Average Length of Stay (Elective)	Days	0.3	0.3	0.3	0.3	0.3
Average length of stay (exc Day Cases)	Days	2.6	2.6	2.6	2.6	2.6
Average Length of Stay (Non Elective)	Days	4.5	4.5	4.5	4.5	4.5
Average length of stay - Forensic (days)	Days	0.0	0.0	0.0	0.0	0.0
Average length of stay - Acute Psychiatric (days)	Days	0.0	0.0	0.0	0.0	0.0
Bed Occupancy - Acute	%	0%	0%	0%	0%	0%
Bed Occupancy (%) - Including leave	%	0%	0%	0%	0%	0%
Bed Occupancy (%) - Excluding leave	%	0%	0%	0%	0%	0%
Delayed discharges	%	0%	0%	0%	0%	0%
New to follow up outpatient ratio	%	145%	145%	145%	145%	145%
Readmission rate	%	9%	9%	9%	9%	9%

Bed numbers

Medical		324.0	324.0	324.0	324.0	324.0
Surgical		193.0	193.0	193.0	193.0	193.0
Critical Care		16.0	16.0	16.0	16.0	16.0
Paediatric - Outward		23.0	23.0	23.0	23.0	23.0
Neo Natal		22.0	22.0	22.0	22.0	22.0
Maternity		40.0	40.0	40.0	40.0	40.0
Escalation		0.0	0.0	0.0	0.0	0.0
Please specify, e.g. by ward or specialty		0.0	0.0	0.0	0.0	0.0
Please specify, e.g. by ward or specialty		0.0	0.0	0.0	0.0	0.0
Please specify, e.g. by ward or specialty		0.0	0.0	0.0	0.0	0.0
From service developments		0.0	0.0	0.0	0.0	0.0

Total Bed numbers

618.0 618.0 618.0 618.0 618.0

Number of sites

6.0 6.0 6.0 6.0 6.0

Staff related:

Staff Turnover	%	12%	12%	12%	12%	12%
Staff sickness rates (long term rate)	%	1%	1%	1%	1%	1%
Staff sickness rates (short term rate)	%	3%	3%	3%	3%	3%
Percentage of vacancies	%	0%	0%	0%	0%	0%
Number of consultant PA sessions per week	#	0.0	0.0	0.0	0.0	0.0
% of staff appraisals in last 12 months	%	0%	0%	0%	0%	0%
Overtime as % total employee benefit expense	%	0%	0%	0%	0%	0%
Catchment population (excluding tourists)	000's	545.8	551.2	556.7	562.3	567.9
Catchment population (at peak, i.e. including tourists)	000's	0.0	0.0	0.0	0.0	0.0

Backlog maintenance (expected levels of backlog in the forecast years)

To be cleared within 5 years (real)	000's	6,018.0	4,518.0	3,018.0	1,518.0	0.0
To be cleared within 5 years to 10 years (real)	000's	518.0	518.0	518.0	518.0	518.0
To be cleared after 10 years (real)	000's	0.0	0.0	0.0	0.0	0.0
Total expected backlog		6,536.0	5,036.0	3,536.0	2,036.0	518.0

Average Number of staff - Non Agency

Consultant costs	WTE	144.0	144.0	144.0	144.0	144.0
GP costs	WTE	0.0	0.0	0.0	0.0	0.0
Dental consultant costs	WTE	1.0	1.0	1.0	1.0	1.0
Dental costs	WTE	6.0	6.0	6.0	6.0	6.0
Junior medical costs	WTE	282.0	283.0	278.0	272.0	267.0
Nursing, midwifery & health visitors - inpatient costs	WTE	1,091.0	1,105.0	1,081.0	1,049.0	1,017.0
Nursing, midwifery & health visitors - community costs	WTE	0.0	0.0	0.0	0.0	0.0
Other clinical staff - Social care workers	WTE	0.0	0.0	0.0	0.0	0.0
Other clinical staff costs	WTE	462.0	457.0	448.0	434.0	421.0
Scientific, therapeutic, & technical costs	WTE	387.0	375.0	360.0	346.0	332.0
Non clinical staff costs	WTE	935.0	897.0	856.0	818.0	777.0
Total	WTE	3,308.0	3,268.0	3,174.0	3,070.0	2,965.0

CIPs

CIP as a % of income	%	9.9%	14.2%	18.5%	23.0%	27.5%
CIP as a % of cost base	%	9.7%	13.4%	16.9%	20.3%	23.6%
In year CIP as a % of cost base	%	5.0%	4.2%	4.2%	4.2%	4.2%

Capex

Maintenance Capex/ Depn charge	£'000s	0.2	0.2	0.2	0.2	0.1
Total Capex/ Depn charge	£'000s	1.4	1.1	1.0	1.0	0.9

SOURCE : O_KPI

SURREY AND SUSSEX HEALTHCARE NHS TRUST

PRUDENTIAL BORROWING ASSESSMENT (A) - CAPITAL LOAN OF £11m (TRADITIONAL APPROACH)

PBA Assessment		Mar-14				
Loan Details		£m				
Loan Value	+	11				
Loan Term (yrs)	+	20				
Interest Rate Assumed (%)	+	3.7%				
Ratio Inputs		£m				
Total Revenue (adjusted)	+	226				
Revenue Available for Debt Service (adjusted)	+	11				
PDC Dividend (adjusted)	+	3				
Total Interest Expenditure (adjusted)	+	0				
Total Annual Debt Service (adjusted)	+	1				
Total Assets Employed	+	102.2				
PBA Individual Metric Testing						
		DH PBA	Proposed Debt	Scenario 1	Scenario 2	Scenario 3
Trust Existing Borrowing	£m	8	8	8	8	8
Incremental Borrowing	£m	62	11	64	65	92
Total Level of Trust Borrowing	£m	69	19	72	73	100
Debt to Capital Ratio	%	68%	18%	70%	71%	97%
Annual Interest Payable on Total Borrowing	£m	2.6	0.8	2.7	2.7	3.7
Annual Debt Service on Total Borrowing	£m	5.4	1.8	5.6	5.7	7.6
Tier 1 Individual Ratio Tests						
Dividend Cover (greater than)	1.0	2.6	3.2	2.6	2.6	2.3
Interest Cover (greater than)	3.0	4.3	14.4	4.1	4.1	3.0
Debt Service Cover (greater than)	2.0	2.1	6.1	2.0	2.0	1.5
Debt Service to Revenue (less than)	2.5%	2.4%	0.8%	2.5%	2.5%	3.4%

SURREY AND SUSSEX HEALTHCARE NHS TRUST

PRUDENTIAL BORROWING ASSESSMENT (B) - CAPITAL LOAN OF £11m (REVISED CALCULATION APPROACH)

Monitor PBC - As per LTFM inclusive of proposed Loan

PBC Ratios - LTFM Outputs		Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
Ratio Inputs		£m	£m	£m	£m	£m	£m
Total Revenue	+	225.8	224.7	224.0	223.2	222.3	221.7
Revenue Available for Debt Service as per PBA	+	11.2	14.1	15.8	17.2	18.8	20.4
Less PDC Dividend	-	-3.3	-3.6	-3.8	-4.0	-4.4	-4.7
Less Depreciation	-	-7.4	-8.3	-8.9	-9.6	-9.8	-10.4
Revenue Available for Debt Service (adjusted)	+	0.4	2.2	3.0	3.6	4.6	5.3
PDC Dividend	+	3.3	3.6	3.8	4.0	4.4	4.7
Total Interest Expenditure	+	0.4	0.7	0.6	0.6	0.6	0.5
Total Annual Debt Service	+	1.4	1.9	1.9	1.8	1.8	1.7
PBC Ratios							
Dividend Cover		0.0	0.4	0.6	0.8	0.9	1.0
Interest Cover		1.1	3.2	5.1	6.5	7.7	11.3
Debt Service Cover		0.3	1.2	1.6	2.0	2.6	3.1
Debt Service to Revenue		0.6%	0.8%	0.8%	0.8%	0.8%	0.8%
Tier 1 Tests							
Dividend Cover (greater than)	1.0	FAIL	FAIL	FAIL	FAIL	FAIL	PASS
Interest Cover (greater than)	3.0	FAIL	PASS	PASS	PASS	PASS	PASS
Debt Service Cover (greater than)	2.0	FAIL	FAIL	FAIL	PASS	PASS	PASS
Debt Service to Revenue (less than)	2.5%	PASS	PASS	PASS	PASS	PASS	PASS