

INDEPENDENT TRUST FINANCING FACILITY

THE MID YORKSHIRE HOSPITALS NHS TRUST FINANCING APPLICATION

Presented by : NHS Trust Development Authority

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FINANCING APPLICATION

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INDEPENDENT TRUST FINANCING FACILITY

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Section 1

Presented by : NHS Trust Development Authority

**Independent Trust Financing Facility : Financing
Application**

Name of Trust:	The Mid Yorkshire Hospitals NHS Trust
Amount Proposed:	£29,000,000
Date of Application:	4 December 2013

Main Commissioners:		
(£000)	Income (£m)	%
Wakefield CCG	222	53.5%
North Kirklees CCG	97	23.4%
Leeds South and East CCG	13	3.2%
Leeds West CCG	11	2.7%
Other CCG	11	2.7%
CCG Non Contract	2	0.5%
NHS England	53	12.8%
Wakefield Council	5	1.1%
Total Income	415	
Data quoted from Financial Year	2013/14	

Existing Loans:	Limit £000	Drawn £000	Outstanding £000	Maturity Date	Interest Rate	Annual capital repayment	Purpose of loan
PFI							
Non PFI :							
CIL/10-11/RXF/1/2010-12-15	15,000	15,000	12,000	15.09.25	2.98%	1,000	New Hospital Development equipping costs
Total Existing	15,000	15,000	12,000				

	£000
New Financing proposed:	29,000

Purpose of new financing:	Revenue PDC of £28m to fund the Trust's forecast net deficit of £20.7m and £7.3m for the payment of the high level of capital creditors and provisions carried forward from 2012/13. Capital PDC of £1m to support the replacement of the Trust's MRI scanner and other high priority medical equipment items.
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Prudential Borrowing Assessment	Tier 1 £m	Tier 2 £m
Long term	FAIL	FAIL

Bed Numbers	894
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Trust Type:	Acute
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	2013/14	
NTDA Performance framework	3	Concern Requiring Investigation
Latest LTFM FRR	2	

Care Quality Commission Rating	The Trust currently has a warning notice in place from the CQC at Pinderfields Hospital relating to the care and welfare of service users.
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Reference Cost index	
Financial year:	2011-12
MFF adjusted	111
Non-MFF adjusted	106

Ratios	Required Tier 2	LTFM output assuming loan finance
Minimum dividend cover	>1X	0.7
Minimum interest cover	>2X	1.2
Minimum debt service cover	>1.5X	0.7
Maximum debt service / net revenue	<10%	4.3%

Recommendation to Committee:
The NHS TDA recommend approval of the £29m PDC request to the Independent Trust Financing Facility

The Mid Yorkshire Hospitals NHS Trust

NHS Trust Development Authority Covering Note

1. Background

- 1.1 The Mid Yorkshire Hospitals NHS Trust has a 2013/14 turnover of £445 million and provides a full range of acute and elective services across three sites to a population of approximately 520,000. The Trust also provides specialist plastic surgery, burns and spinal injuries services at Pinderfields Hospital in Wakefield.
- 1.2 The Trust has experienced a challenging financial position since its inception and the Health Economy entered into a Financially Challenged Trust agreement in 2008/09 that resulted in the Trust receiving permanent Public Dividend Capital (PDC) of £45.6 million and a working capital loan of £31.4 million. The Trust also received income from the health economy to cover the interest charges associated with the loan, reduce the accumulated deficit and enable the loan to be repaid.
- 1.3 Since 2009/10 the Trust has received non-recurrent income related to the Private Finance Initiative implementation costs which has non-recurrently improved the Trusts financial position. In 2011/12 the Trust delivered a NHS performance deficit of £19.2 million against a balanced plan, but only after receiving £15 million of transitional income. In 2012/13, the Trust delivered a deficit of £21.8 million against a planned deficit of £26 million, after receiving £10 million of transitional income. The underlying deficit position of the Trust at 31 March 2013 was £30.1 million. The historic levels of non-recurrent income can be seen in Table 1.

Table 1: The Mid Yorkshire Hospitals NHS Trust non-recurrent income from 2009/10 to 2012/13

Financial Year	Value £000s	Reason
2009/10	5,475	PFI Transitional Income
2010/11	21,034	PFI Transitional Income
2011/12	15,000	£1 million PFI Transitional Income and £14 million for Transitional income
2012/13	10,000 12,500	Transitional Income PDC for working capital – revenue

- 1.4 For 2013/14 the Trust submitted a plan containing a £20.7 million deficit, consistent with the prior year but with a reduction in transitional income from commissioners to £3.9 million. The forecast recurrent underlying deficit at 31 March 2014 will be £24.6 million, which is a reduction of £5.5 million from the previous year. The Month 7 deficit is £10.1 million, which is a £0.5 million improvement on plan and the Trust is forecasting delivery of the planned deficit and planning to deliver the full Cost Improvement Programmes (CIPs) target of £25.3 million (5.4%).
- 1.5 The Trusts main commissioners (Wakefield CCG and North Kirklees CCG) are both forecasting full delivery of the planned position for 2013/14.

2. Strategic reconfiguration

- 2.1 Although financial performance has improved in the last 18 months, an independent review commissioned in March 2012 showed The Mid Yorkshire Hospitals NHS Trust cannot address the underlying deficit and breakeven within five years without radical reconfiguration.
- 2.2 In response to these challenges faced by the Trust, a health economy plan ('Meeting the Challenge') has been developed which will provide services that are accessible, affordable, safe and meet local need. This strategy will reconfigure acute services over a three year period and deliver a Trust projected surplus of £2.8 million reducing to £1.6 million when financing of the strategic development is included within the LTFM.
- 2.3 The reconfiguration will require £21.7 million of PDC capital from 2014/15. The Appointment Business Case (ABC) for the Acute Hospital Reconfiguration was approved by the NHS TDA in October 2013. The Full Business Case will be submitted to the NHS TDA for review in December 2013 and will subsequently form the basis for an application to the Independent Trust Financing Facility during 2014/15.

3. Financing requirements

- 3.1 In addition to the PDC capital requirements the Trust will require revenue financing in future years and this, together with the capital PDC requirements in future years are set in Table 2.

Table 2: Required Revenue PDC and Capital PDC from 2013/14 to 2016/17

Financial year	Revenue PDC £ m	Capital PDC £ m	Total £ m
2013/14	28.000	1.000	29.000
2014/15	16.833	18.956	35.789
2015/16	8.467	2.478	10.945
2016/17	-	0.268	0.268

- 3.2 In 2013/14 £28 million of revenue PDC is requested to finance the in-year deficit of £20.7 million and £7.3 million for the payment of the high level of capital creditors and provisions carried forward from 2012/13. In addition, £1 million of capital PDC is requested to fund the replacement of the MRI scanner at Dewsbury Hospital. At this stage only the revenue PDC requirement of £28 million and capital PDC requirement of £1 million for 2013/14 is being requested. The further PDC requirements highlighted above will be subject to separate ITFF applications.

4. Financing and Affordability

- 4.1 The Trust completed a financing application and submitted this to the NHS TDA.
- 4.2 Detailed analysis of the 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 been in receipt of non-recurrent funding over recent years. In 2012/13 a total of £22.5 million of non-recurring income was received including £10 million of transitional income from the local health economy and £12.5 million of revenue PDC. The Trust received £15 million of transitional income in 2011/12, £21 million of PFI transitional income in 2010/11 and £5.5 million of PFI transitional income in 2009/10;
 - the Trust delivered a deficit of £19.2 million against a balanced plan in 2011/12. In 2012/13 the Trust delivered a deficit of £21.839 million. The Trust is forecasting a £20.6 million deficit in 2013/14 reducing to £16.2 million deficit in 2014/15 and £15.5 million deficit in 2015/16. The Trust is forecasting a £2.8 million surplus in 2016/17;
 - the Trust has an existing Capital Investment Loan of £15 million of which £12 million remains outstanding. This is repayable at £1 million (capital repayment) each year and matures in 2025. The loan was taken out to finance the new hospital development equipping costs. The Trust is not generating sufficient working capital to service further loan repayments;
 - the Trust under-achieved their CIP targets in 2011/12 delivering 85% of the £31.4 million target. The target in this year was particularly high at 6.9% of income. In 2012/13 the Trust delivered 100% of the £23.2 million target (5.0%). The Trust are on course to deliver their 2013/14 target (£25.3 million, 5.7% of income) and have delivered the year to date target. The Trust has further work required to develop CIP plans going forward for years beyond 2013/14;
 - the Trust fails its prudential borrowing assessment (Tier 2);

- the Committee are asked to note that financing will be required over the immediate future whilst the reconfiguration is fully implemented. This financing will be required in the form of revenue PDC and capital PDC for capital investment in relation to the business case.

5. Conclusion

- 5.1 The NHS TDA recommends that £29 million of Public Dividend Capital is approved by the Committee.

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Independent Trust Financing Facility (ITFF)
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South West House
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Somerset
TA1 2PX

26th November 2013

Dear Sirs

Independent Trust Financing Facility: Application PDC Finance

Reason for PDC request	To support the Trust's cash position due to planned deficit and working capital requirements carried forward from 2012/13 and to support the Trust's medical equipment capital programme.	
Full value of financing requirement (£'000)	29,000	
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)
	28,000	1,000
Is PDC requested on a Temporary or Permanent basis?	Permanent	
Repayment terms for loans and/or temporary PDC:	Not applicable	

Within this covering letter to support the Trust's application I have provided information on the background to the Trust and its financial challenges, details of the current board, information on the Trust's historic, current and projected financial position and then the detail of the PDC financing support required in 2013/14.

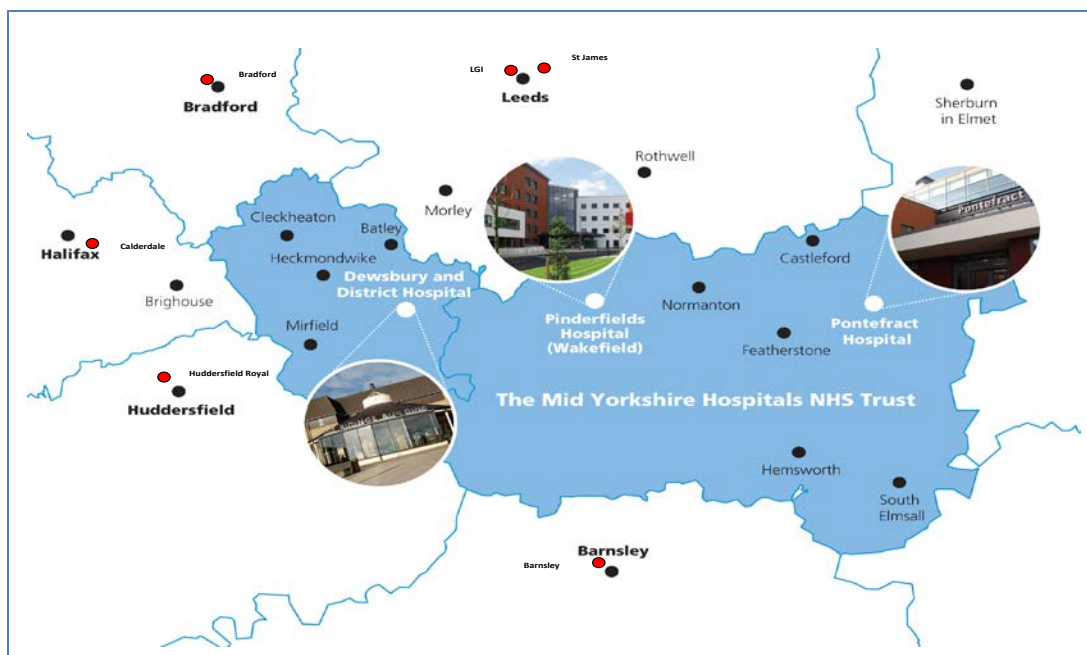
Background to the Trust

Mid Yorkshire Hospitals NHS Trust comprises three acute hospitals, serving a population of approximately 520,000 people and the community services in Wakefield. The local area includes areas of significant deprivation, Wakefield and North Kirklees are both in the most deprived 20% of wards in the UK and have higher than average rates of unemployment, smoking, diabetes, coronary heart disease and teenage pregnancy. Average life expectancy at birth is well below the national average.

The Trust provides the full range of acute and elective services typically provided by a District General Hospital across the three sites and specialist plastic surgery, burns and spinal injuries services at Pinderfields Hospital in Wakefield. The general condition of the hospital estate is good, with two of the sites (Pinderfields and Pontefract) being rebuilt through PFI within the last three years. Dewsbury and District Hospital has been developed piecemeal over a number of years, but is generally in good condition.

Although the current estate is in good condition it is widely acknowledged that the current service model is unsustainable. In particular there are a number of acute services currently provided on two or three sites which must be centralised to improve safety and remain viable. The Trust is currently working with the CCGs in North Kirklees and Wakefield, Wakefield City Council and other local providers (South West Yorkshire Mental Health FT, Locala and Spectrum) to develop community services and drive integration.

The map below shows the position of MYHT in relation to its neighbouring providers with Leeds and Bradford to the North, Calderdale and Huddersfield to the West, Barnsley to the south and Doncaster to the South East.



The Trust currently has a warning notice in place from the CQC at Pinderfields Hospital. This is against compliance regulation 9 (1) of the Health & Social Care Act 2008 (Regulatory Activities) 2010. The notice is for the care and welfare of service users. An improvement plan is in place and is being monitored internally and by our commissioners.

The Trust has had a difficult financial history since its inception in 2002 and the Health Economy entered into a Financially Challenged Trust agreement in 2008/09. This agreement converted temporary PDC received by the Trust into permanent PDC of £45.6m, a working capital loan of £31.4m. The Trust then received income from the Health Economy to cover the interest charges associated with the loan, reduce the Trust's accumulated deficit and enable the loan to be repaid.

Since 2009/10 the Trust has also received support on a non recurrent basis for the PFI implementation costs and to support the financial position, these are shown in the table below:

Financial Year	Value £000s	Reason
2009/10	5,475	PFI Transitional Support
2010/11	21,034	PFI Transitional Support
2011/12	15,000	£1m PFI Transitional Support & £14m for Transitional Support
2012/13	10,000 12,500	Transitional Support PDC for working capital – revenue

The Trusts financial position has been the subject of significant scrutiny over the last two years, following the Trust reporting a significant underlying deficit at the end of 2011/12. In 2011/12 the Trust delivered a deficit of £19.2m against a balanced plan. During the second quarter of the financial year it was recognised that the Trust would not fully deliver its CIPs, a number of the workforce changes required under the hospital development (PFI) business case would not be delivered and additional investment was required in staff costs to maintain performance. The Trust also had a £4.4m outcome of a remedy hearing of an employment tribunal.

In 2012/13 the Trust agreed a financial plan with the Strategic Health Authority which provided for a deficit of £26m. Within the plan it provided for a cost reduction programme of £23.2m which covered the 4% national cost efficiency requirement and 1.4% to cover local pressures and reduce the impact of the financial challenge brought forward from 2011/12. The Trust also secured £10m of transitional support from the local health economy. The Trust delivered a deficit of £21.839m, an improvement against the plan of £4.161m and this reflected the tight financial controls implemented in 2012/13 and some under spending against additional monies provided to the Trust late in the year. The underlying deficit position of the Trust at the 31 March 2013 was £30.1m.

In 2013/14 the Trust has agreed a financial plan of a £20.7m deficit with the Trust Development Authority. The £20.7m is after receipt of £3.9m non recurrent support

from the local health economy for a legacy issue. The recurrent underlying deficit at the 31 March 2014 is forecast to be £24.6 million. The Trust is also delivering £25.259m of savings which equates to 5.2% of total expenditure and 6% if you exclude the PFI expenditure which is fixed. The Trust is delivering an additional £6m of savings above the nationally agreed efficiency level to improve its financial position.

Although financial performance and governance have improved immeasurably in the last 18 months an independent review, commissioned in March 2012, showed the Trust cannot address the underlying deficit and breakeven within five years without radical reconfiguration. This has been confirmed by the work that the Trust's finance team has undertaken on the long term financial model (LTFM) during the past twelve months.

In response to these challenges faced by the Trust, an ambitious health economy plan (Meeting the Challenge) has been developed which will provide services that are accessible, affordable, safe and meet local need.

As part of this plan, the Trust is finalising its Acute Hospital Reconfiguration. The Accelerated Business Case supporting this was submitted to the Trust Development Authority in September 2013 and the Full Business Case will be submitted in December 2013, for approval in January 2014. This business case identifies a requirement for capital PDC financing of £21.7m.

After the implementation of the Hospital Reconfiguration in 2016/17 the Trust's breakeven performance is projected to be a surplus of £1.6m which represents 0.37% of the Trust's Turnover. This is reflected in the accelerated business case which was submitted. A further review of efficiencies associated with the reconfiguration is expected to increase the surplus to around £4.6m which represents 1% of the Trust's Turnover and will be reflected in the full business case submission in December 2013.

A key impact on the Trust's KPIs (in the LTFM) from the reconfiguration will be a reduction in length of stay from 2.4 to 0.4. All divisions and associated specialties have been challenged to improve Length of Stay from both an elective and non-elective perspective. The Length of Stay targets have been agreed for each individual specialty based on upper decile performance in comparison to the Trust's peer group. The reconfiguration will realise this benefit by ensuring there are specialist teams delivering best practice pathways supported by appropriate clinical support and extended 7 day working.

The Trust will however continue to require financial support until 2016/17 when the Hospital Reconfiguration is fully implemented. This support will be required in the form of PDC working capital revenue, non recurrent support for the legacy issue from the local health economy and PDC for capital investment in relation to the business case.

The table below details the Trust's requirement for PDC financing over the next five years:

FY	Revenue PDC (£)	Capital PDC (£)	Total (£)
2013/14	£28.000 million	£1.000 million	£29.000 million
2014/15	£16.833 million	£18.956 million	£35.789 million
2015/16	£8.467 million	£2.478 million	£10.945 million
2016/17	-	£0.268 million	£0.268 million

The capital requirements identified in 2014/15 to 2016/17 are for the Trust's Acute Hospital Reconfiguration Business Case. These figures and the phasing will be firmed up in the full business case which is due to be submitted in December 2013 and the associated PDC application.

The Trust currently has one existing loan from the Department of Health. A capital investment loan of £15m was taken out in 2010/11 to fund the equipping costs associated with the new hospital development. This is repayable over 15 years at £1m per annum.

The Trust's 2011/12 reference cost index was 111 (MFF adjusted) and 106 (non adjusted). This is higher than the national average and indicates that the Trust has the scope to deliver the savings that it is planning without any detriment to patient care.

A breakdown of the Trust's NHS clinical income across commissioners is provided in the table below:

	£'000	%
Clinical Commissioning Groups:		
Wakefield	223,541	53.88%
North Kirklees	97,190	23.43%
Leeds South and East	12,943	3.12%
Leeds West	11,276	2.72%
Other smaller CCG contracts	9,383	2.26%
CCG non contracted income	2,139	0.52%
NHS England	53,679	12.94%
Wakefield Council	4,719	1.14%
Total NHS Clinical Income	414,870	100.00%

Non Executive Directors	
Jules Preston, Chairman	Mr Preston joined the Trust in October 2012, bringing with him extensive experience in the NHS, having served as Chairman of the Northumberland, Tyne and Wear NHS Foundation Trust, one of the largest mental health and learning disability Trusts in the country, since its establishment in April 2006. He has previously been a Non-Executive Director of other NHS organisations including the former Sunderland Health Authority and the then Northumberland, Tyne and Wear Strategic Health Authority.
Terry Carter	Mr Carter joined the Trust Board in October 2012 and was previously a Head of Operations for the Audit Commission and a District Auditor with the Audit Commission for a range of health and local government bodies. Terry is interested in good governance and service improvements of health and local government .
Trevor Lake	Mr Lake joined the Trust Board in July 2012 and has a background at senior executive and director level in the hotel and hospitality industry and now specialises in recruitment and resourcing across that sector. He is also an Independent Member of the West Yorkshire Police Authority (since 2005) and a Non Executive Associate with NHS Calderdale, Kirklees and Wakefield District.
Louise Scott	Ms Scott joined the Trust Board in March 2013 and brings experience of providing advice and support to people from a wide range of backgrounds with a career in company and commercial law spanning more than 25 years. Her latest position was head of the legal department of Croda International Plc, a FTSE 100 global speciality chemical company with more than 3,000 staff and a turnover of £1billion. Added to her legal work, Louise is a registered volunteer for ShelterBox, an international disaster relief charity that provides emergency shelter, warmth and dignity to people affected by disaster worldwide.
David Hicks (Associate Non-Executive Director)	Dr Hicks joined the Trust Board in March 2013 and has a passion for patient safety and patient experience, and acts as an Inspector for the Care Quality Commission, giving him an insight into the importance of how organisations appear from the perspective of the general public. In a previous role, Dr Hicks has been Medical Director at Barnsley Hospital Foundation Trust, where he was also Acting Chief Executive for 12 months.
David Sheard (Associate Non-Executive Director)	Councillor Sheard joined the Trust Board in January 2013 and is the Deputy Leader of Kirklees Council. He was first elected to represent the Heckmondwike Ward in 1982 and has chaired major committees across the council. He was appointed as a

	<p>Member of the Dewsbury Bench in 1982 and served until going onto the supplementary list in 2012.</p> <p>He has a degree in Business Studies and graduated as a member of the IWSP. He worked at BBA Cleckheaton before joining the RAF. On leaving the RAF he worked for Kirklees Council and the West Yorkshire Passenger Transport Authority.</p>
Prew Lumley	<p>Prew Lumley joined the Trust Board in April 2013. Prew is a partner at the leading law firm Squire Sanders (formerly Hammonds) which specialises in Commercial Property.</p> <p>She is an active member of Leeds Chamber of Commerce. In 2010/11 she sat on the Strategic Housing and Land Availability Assessment Committee for Leeds and has recently been appointed to the Leeds Chamber of Commerce Economic and Retail Infrastructure Committee. She is also involved in the Squire Sanders charitable committee and is a member of the Squire Sanders Social Committee</p>
Charlotte Sweeney	<p>Charlotte Sweeney joined the Trust Board in May 2013 and has worked at a strategic human resources and development level for more than 15 years, reporting to the Boards at a number of global, blue chip financial services firms. She is a leading expert in equality, diversity and inclusion and has advised a number of Government bodies on their strategies and focus. She is the founder and director of Charlotte Sweeney Associates, a consultancy firm specialising in change management strategy, including diversity, wellbeing, inclusion and employee engagement.</p> <p>Charlotte is currently Leadership Group Member of Employers for Careers Executive Committee and President of European Professional Women's Network in London. In addition, she is an Equalities Advisory Board Member (external) of the Department of Business, Innovation and Skills and an Advisory Board Member for Women on Boards UK, a Non-Executive Director with responsibility for Diversity & Inclusion for the City HR Association and a Co-opted Trustee for the Equality and Diversity Forum.</p>
Executive directors	
Stephen Eames, Chief Executive	<p>Mr Eames joined the Trust Board in March 2012. Mr Eames has 20 years' experience as a Chief Executive. He has substantial experience in merger and acquisition, PFI and public/private sector partnerships and hospital turnaround.</p>

	<p>Stephen is also experienced in top level leadership activities and in partnership working with NHS institutions, local authorities, the private sector and a variety of other agencies. He is a trained coach and mentor, and regular contributor to the Health Service Journal. He is a member of the Editorial Board for the Journal of Marketing and Management in Healthcare.</p>
Richard Jenkins, Medical Director	<p>Dr Jenkins was appointed as Interim Medical Director in August 2012 and was substantively appointed in November 2012. He is a Consultant in Diabetes and Endocrinology and has been with the Trust since 2002 after completing his training in South Yorkshire. He has held a number of medical leadership roles in the Trust since 2004, most recently as the Divisional Clinical Director for Medicine. He works clinically at all three Trust sites and in the community.</p>
Robert Chadwick, Finance Director	<p>Mr Chadwick joined the Trust in October 2011. He was previously Director of Finance at The Pennine Acute Hospitals NHS Trust from April 2002 and was Acting Chief Executive at the Trust from May 2006 to June 2007 and Director of Finance at North Manchester Healthcare NHS Trust.</p> <p>During his career Bob has provided leadership to large complex organisations, achieving key financial and performance targets. As QIPP lead for Pennine Acute, Bob designed and led the project 'Transforming for Excellence' which provided for a sound financial foundation based on the transformation of service provision.</p>
Carole Langrick, Chief Operating Officer	<p>Mrs Langrick joined the Trust in June 2012 as Chief Operating Officer and Deputy Chief Executive. She started her health service career as a nurse and since then has held a variety of clinical, managerial and leadership roles in hospital and community services, as well as in Commissioning and, more latterly, with Strategic Health Authorities.</p> <p>Prior to joining the Trust, Carole was Director of Strategic Development and Deputy Chief Executive at North Tees and Hartlepool NHS Foundation Trust.</p>
Sally Napper	<p>Sally Napper joined the Trust Board in May 2013. She is an experienced Director having been Chief Nurse at Bradford Teaching Hospitals NHS Foundation Trust since 2008 where she was also Chief Operating Officer. Sally has led on improving patient experience and quality of care at Board level.</p> <p>She is a Registered Nurse and Registered Nurse for Sick Children and worked at Great Ormond Street Hospital early in her career.</p>

Financial Position

Historical and planned financial information

Retained (net) Surplus / (deficit)	Plan £000	Actual £000
2008/09	10,573	31,909
2009/10	0	(38,416)
2010/11	(54,263)	(58,085)
2011/12	(5,911)	397
2012/13	(25,378)	(36,855)

Reported NHS performance Surplus / (deficit)	Plan £000	Actual £000
2008/09	10,573	31,909
2009/10	0	871
2010/11	3,144	983
2011/12	0	(19,217)
2012/13	(26,000)	(21,839)

The differences between the retained surplus/deficit and the reported surplus/deficit reflects the adjustments as agreed by the Department of Health for changes in accounting policies in relation to impairments, donated assets and Private Finance Transactions. A reconciliation between the retained surplus/(deficit) and the reported NHS performance is shown in the table below:

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Retained Surplus/(deficit)	31,909	(38,416)	(58,085)	397	(36,855)
Adjustments for NHS Performance:					
IFRIC 12 adjustment including IFRIC 12 impairments (#)	0	3,368	(1,754)	(21,607)	0
Impairments & reversals	0	35,919	60,822	2,082	14,870
Donated assets adjustment	0	0	0	89	146
Reported NHS Performance Surplus/(deficit)	31,909	871	983	(19,217)	(21,839)

(#) - The Trust had a reversal of a previous impairment of £18.816m 2011/12

Extract from LTFM:

£m	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Turnover	432.0	457.0	460.8	444.6	442.0	437.6	434.0
EBITDA	29.3	15.5	12.3	13.4	17.9	26.9	35.2
Depreciation	(18.8)	(19.6)	(19.8)	(20.3)	(20.3)	(21.2)	(20.1)
Impairments including IFRIC 12	(62.6)	18.8	(14.9)	0	0	(8.4)	0
Net surplus / (deficit)	(58.1)	0.4	(36.9)	(20.6)	(16.2)	(15.5)	2.8

Explanation of significant variances between plan and actual for NHS performance surplus / (deficit):

2008/09

The movement from plan to outturn reflects the agreement in year of the Financially Challenged Trust agreement.

2009/10

The Trust had unplanned impairments and began to account for the first stage of the PFI for the new hospitals development which led to an adjustment for IFRIC 12.

2010/11

The Trust had significant impairments in relation to the new hospital development (PFI).

2011/12

The Trust delivered a deficit of £19.2m against a balanced plan. During the second quarter of the financial year it was recognised that the Trust would not fully deliver its CIPs, a number of the workforce changes required under the hospital development (PFI) business case would not be delivered and additional investment was required in staff costs to maintain performance. The Trust also had a £4.4m outcome of a remedy hearing of an employment tribunal.

The increase in income from 2010/11 to 2011/12 reflects the transfer of community services and the associated funding from Wakefield PCT in April 2011.

Following a desk top revaluation exercise the Trust had a significant reversal of £18.816m of a previous impairment in this financial year.

2012/13

The Trust delivered a deficit of £21.839m, an improvement against the plan of £4.161m and this reflected the tight financial controls implemented in 2012/13 and some under spending against additional monies provided to the Trust late in the

year. The difference between the operating deficit and the reported deficit reflects the adjustments as agreed by the Department of Health for changes in accounting policies in relation to impairments, donated assets and Private Finance Transactions.

The Trust had impairments of £14.9m in this financial year in relation to the closure of Clayton Hospital and Pontefract Southside.

In 2012/13 the Trust received additional income through its contracts to recognise existing levels of activity not previously funded, 2012/13 growth, funding for a workforce transformation programme and winter pressures funding. This is shown on the bridge table below on the new income – activity/other line. The associated additional costs for this income is shown on the cost increases line.

2013/14

This reflects the agreed financial plan. The reduction in income from 2012/13 to 2013/14 is due to the Trust receiving non recurrent income in 2012/13 for workforce transformation costs, local health economy support and funding for winter pressures.

The table below shows a bridge from 2012/13 to 2013/14:

	2012/13	2013/14
	Outturn	Plan
	£'000	£'000
Previous year reported NHS net surplus/(deficit)	(19,217)	(21,839)
less non recurrent income and expenditure	(18,389)	(8,261)
Recurrent net surplus/(deficit) brought forward	(37,606)	(30,100)
Tariff Inflation	8,902	9,723
Tariff Efficiency	(16,185)	(14,653)
QIPP Income changes	(5,251)	(6,914)
New Income - activity/other	28,773	9,744
Non recurrent support income	10,000	3,900
Inflationary pressures funded in tariff	(8,902)	(7,640)
Cost increases associated with new income and pressures	(25,005)	(10,019)
CIP	23,435	25,259
Reported NHS Net surplus/(deficit)	(21,839)	(20,700)

2014/15 onwards reflects the impact of the Acute Hospital Reconfiguration. In 2015/16, an impairment has been assumed in relation to impact of the reconfiguration at Dewsbury District Hospital.

PFI

The Trust makes an annual unitary payment (2013/14) of £36.307m and a further payment of £6.026m for the Retention of Employment aspect of its PFI. The unitary payment is broken down into interest of £10.849m, Facilities Management costs of

£6.816m and lifecycle prepayment of £18.642m. The Trust does not receive central funding relating to its PFI scheme.

Key Planning Assumptions

	2013/14	2014/15	2015/16
Inflation assumptions (%):			
Clinical Income inflation	(1.3%)	(1.8%)	(1.8%)
Education & R&D Income	0%	1.0%	1.0%
Other Income inflation	0%	4.5%	2.4%
Pay inflation	2.7%	1.6%	1.0%
Drug Price inflation		8.0%	8.0%
Clinical Services & Supplies		4.6%	2.4%
Other cost inflation		4.5%	2.4%
Risk Rating Metrics:			
EBITDA Margin (%)	3.0%	4.0%	6.2%
Return on Assets (%)	-5.0%	-4.0%	-1.9%
I&E surplus margin (%)	-4.6%	-3.7%	-1.6%
Liquidity ratio (days)	-29.3	-25.1	-59.8
CSRR – Capital Servicing Capacity (times)	0.6	0.8	1.2

CIP Delivery

The table below details the Trust's historic, current and projected CIP performance.

	2010-11 CIPs £000s	2011-12 CIPs £000s	2012-13 CIPs £000s	2013-14 CIPs £000s	2013-14 CIPs £000s	2014-15 CIPs £000s	2015-16 CIPs £000s	2016-17 CIPs £000s	2017-18 CIPs £000s	2018-19 CIPs £000s
	Plan	Plan	Plan	Original Plan YTD (mth 5)	Original Plan	Plan FY	Plan	Plan	Plan	Plan
CIPS Planned										
Recurrent	37,177	31,370	23,200	10,454	25,259	24,251	23,043	17,883	21,053	20,012
Non Recurrent	-	-	-	-	-	-	-	-	-	-
Total Planned CIPs	37,177	31,370	23,200	10,454	25,259	24,251	23,043	17,883	21,053	20,012
Total Planned CIPs as % of Income	8.60%	6.9%	5.0%	5.8%	5.8%	5.5%	5.3%	4.1%	4.9%	4.7%
CIPs Achieved:	2010-11 CIPs £000s	2011-12 CIPs £000s	2012-13 CIPs £000s	2013-14 CIPs £000s	2013-14 CIPs £000s					
	Actual	Actual	Actual	Actual YTD	Current FOT					
Recurrent		26,600	23,435	10,454	25,259					
Non Recurrent	Unknown	-	-	-	-					
Total Achieved CIPs		26,600	23,435	10,454	25,259					
Total Achieved CIPs as % of Income										
% of Planned CIPs Achieved	Unknown	85%	101%	100%	100%					

2010/11 – achievement data is not available as CIP performance was not monitored via a central tracking system until 2011/12.

The Trust is currently developing its 2014/15 CIP programme. As at the 11 November, £17.9m of opportunities have been identified against the target of £24.251m, with £9.5m of these identified as green or amber under the Trusts' rag rating system.

Progress of identifying the 2014/15 CIP programme is being monitored through the Trust's Financial Sustainability Group and the Finance Committee.
All CIPs are subject to Quality Impact Assessments which are signed off by the Medical Director and Chief Nurse.

Capital PDC Financing Requirement - £1m

In 2013/14 our work on prioritising medical purchases has identified a significant pressure on our medical equipment capital programme with the high prioritised requirements exceeding the available funding. We have one significant piece of equipment to replace this year which has contributed to this pressure and that is the MRI scanner at Dewsbury Hospital. The scanner is now 12 years old and was due for replacement in 2011/12 when the current contract with the external provider came to an end (current contract is a finance lease arrangement). Due to the financial position in 2011/12 the two year holdover period in the contract was enacted. The replacement of the scanner and associated building work will cost £1.5m across the 2013/14 and 2014/15 financial year. The business case for the scanner was approved at the October Private Trust Board.

Unfortunately there is no flexibility in either the IM&T or Estates capital programme workstreams. The overall programme is also absorbing the costs of professional fees associated with the Trust's Acute Hospital Reconfiguration which are required to be invested prior to the approval by the Trust Development Authority of the Full Business Case in January 2014. These fees are associated with the development of the schemes and in particular the schemes within the PFI buildings.

Therefore to support the replacement of the scanner and enable other high priority medical equipment items to also be replaced, capital support of £1m is required in 2013/14.

The table below provides a source and application of funds for the Trust's 2013/14 programme.

Capital Funds Source and Application

	Plan	Month 6
	£'000	£'000
Gross Capital Expenditure	-13664	-14,760
Sources of capital funding:		
Depreciation	20,301	20,301
Less PFI depreciation	-6,461	-6,461
Less donated asset depreciation	-286	-286
Repayment of previous capital loan	-1000	-1,000
Unspent capital cash from 2012/13	664	664
Donations	446	446
Sale of assets	0	96
Total Capital Funding	13,664	13,760
Net Source and Application of Funds	0	-1,000

The movement from plan is the pressure on the medical equipment programme following the completion of work in year to identify which items of equipment must be replaced in this financial year.

The risks/benefits of replacing the MRI scanner and other high priority items of medical equipment are as follows:

- Items identified for replacement have come to the end of their operational life and are at risk of breaking down which can lead to either significant down time and uneconomic repair costs or the item not being reparable which therefore impacts upon patient care or items having to be hired at a significant revenue cost.
- Items (particularly diagnostic equipment) deteriorate in the quality of their outputs when used beyond their recommended age, again impacting upon patient care.
- The older items are often no longer supported by their suppliers and the parts/consumables can be difficult to source.

All of the items being replaced on the medical equipment capital programme have been identified as being a high priority. They have been scored using the Trust's risk register scoring methodology and have been recorded appropriately on the Trust's risk register system.

Working Capital – Revenue PDC Financing Requirement - £28m

The Trust in its 2012/13 financial plan identified a requirement for £36m permanent working capital revenue support from the Department of Health. This included support to enable the Trust to build its cash balances to £11.9m equivalent to 10 days operating cash.

In year the Trust received notification that although approval had been given for the full £36m it would only be able to draw down cash support when its cash balances held were £0.5m or less, which prevented the Trust building up the balances as planned.

The Trust held £2.6m in cash balances at the end of 2012/13 after receipt of £12.5m PDC working capital revenue support. In addition to the reduction for the 10 days operating cash, the Trust also held higher capital creditor and provisions balances at the 2012/13 year end than planned, which slipped the requirement for the associated cash support for this expenditure into 2013/14.

The planned cash flow for 2013/14 at the start of the financial year confirmed a requirement for £28m of permanent PDC. This plan was approved by the Trust Board in the integrated financial plan before submitting to the Trust Development Authority.

The £28m reflects the cash support required for the in year deficit of £20.7m and £7.3m for the payment of the high level of capital creditors and provisions carried forward from 2012/13.

At the end of September 2013 (month 6) the Trust has drawn down £19m of temporary PDC to support its working capital position.

Without the permanent cash support the Trust will only be able to maintain payments to its suppliers and staff through to February 2014 utilising temporary PDC, due to the required repayment of the temporary PDC in March. This would then leave the Trust in a position where it is unable to meet a significant volume of its March commitments.

PBA Assessment Borrowing Code Ratios

As demonstrated in the table below, the Trust is unable to afford a loan and PDC financing is therefore considered the most appropriate solution.

PBC Ratios - LTFM Outputs (all loans included)		Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
Ratio Inputs		£m	£m	£m	£m	£m	£m
Total Revenue	+	444	442	437	434	427	423
Revenue Available for Debt Service	+	13	18	27	35	41	47
PDC Dividend	+	3	2	1	1	1	2
Total Interest Expenditure (of all loans)	+	11	12	11	11	10	10
Total Annual Debt Service (of all loans)	+	19	26	27	26	26	26
PBC Ratios							
Dividend Cover		0.7	2.6	12.7	23.9	25.4	23.3
Interest Cover		1.2	1.5	2.4	3.3	4.0	4.7
Debt Service Cover		0.7	0.7	1.0	1.3	1.6	1.8
Debt Service to Revenue		4.3%	5.8%	6.1%	6.1%	6.0%	6.0%
Tier 1 Tests							
Dividend Cover	1.0	FAIL	PASS	PASS	PASS	PASS	PASS
Interest Cover	3.0	FAIL	FAIL	FAIL	PASS	PASS	PASS
Debt Service Cover	2.0	FAIL	FAIL	FAIL	FAIL	FAIL	FAIL
Debt Service to Revenue	2.5%	FAIL	FAIL	FAIL	FAIL	FAIL	FAIL
Tier 2 Tests*							
Dividend Cover	1.0	FAIL	PASS	PASS	PASS	PASS	PASS
Interest Cover	2.0	FAIL	FAIL	PASS	PASS	PASS	PASS
Debt Service Cover	1.5	FAIL	FAIL	FAIL	FAIL	PASS	PASS
Debt Service to Revenue	10.0%	PASS	PASS	PASS	PASS	PASS	PASS

*Tier 2 Tests should only be used for Trusts with major investments/PFI Schemes as set out in the guidance

Trust Board Approval for Application

The requirement to submit an application for the £28m working capital revenue PDC requirement was identified within the 2013/14 financial plan which was taken to and approved by the Trust Board in March 2013.

The requirement to submit an application for capital support in 2013/14 was approved by the Trust Board at its meeting in July 2013.

Yours sincerely



Robert Chadwick
Director of Finance

INDEPENDENT TRUST FINANCING FACILITY

THE MID YORKSHIRE HOSPITALS NHS TRUST FINANCING APPLICATION

Section 2

Presented by : NHS Trust Development Authority

HISTORIC FINANCIAL INFORMATION
THE MID YORKSHIRE HOSPITALS NHS TRUST

STATEMENT OF COMPREHENSIVE INCOME	2010/11 £m	2011/12 £m	2012/13 £m
Mandatory Clinical Revenue	375.0	422.5	428.4
Non Mandatory Clinical Revenue	4.9	4.9	3.9
Other Operating income	52.0	29.5	28.5
Total Operating Revenue and Income	432.0	457.0	460.8
Total Operating Expenses	(402.7)	(441.0)	(448.3)
Operating Surplus / (deficit)	29.3	15.9	12.5
Adjustment for donated asset income	-	(0.4)	(0.1)
EBITDA	29.3	15.5	12.3
<i>EBITDA margin</i>	<i>7%</i>	<i>3%</i>	<i>3%</i>
Non-Operating income			
Gain/(loss) on asset disposals	(0.0)	(0.1)	(0.0)
Other Non-Operating income	-	-	-
Non-Operating expenses			
Impairment Losses (Reversals) net	(62.6)	18.8	(14.9)
Total Depreciation & Amortisation	(18.8)	(19.6)	(19.8)
Interest expense on overdrafts	0.7	0.1	0.1
Total interest payable on Loans and leases	(2.8)	(11.6)	(11.6)
PDC Dividend	(3.9)	(3.1)	(3.1)
Other Non-Operating expenses	-	-	-
Net Surplus/(Deficit)	(58.1)	0.4	(36.9)
<i>Net margin</i>	<i>-13%</i>	<i>0%</i>	<i>-8%</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	201.9	183.1	175.7
Property, plant & equipment (PFI)	253.8	275.1	269.6
PFI Other Assets	-	-	-
Investments, Non-Current	-	-	-
Trade and Other Receivables, Net, Non-Current (including prepayments)	0.3	0.2	-
Other Assets, Non-Current	-	-	-
Total Non-Current Assets	456.0	458.4	445.3
CURRENT ASSETS			
Inventories	7.9	8.3	8.7
NHS Trade Receivables, Current	9.6	7.0	4.7
Non NHS Trade Receivables, Current	0.7	0.2	0.4
Other Receivables, Current	6.5	7.3	7.8
Other Financial Assets, Current (e.g. accrued income)	-	-	-
Prepayments, Current, PFI related	-	-	-
Prepayments, Current, non-PFI related	2.3	2.8	3.1
Cash and Cash Equivalents	15.2	3.5	2.6
Other Assets, Current	1.4	1.1	3.2
Total Current Assets	43.6	30.3	30.6
CURRENT LIABILITIES			
Bank Overdraft and Working Capital Facility	-	-	-
Interest-Bearing Borrowings , Current (including accrued interest)	-	-	(1.0)
Deferred Income, Current	-	-	-
Provisions, Current	(3.3)	(5.3)	(9.2)
Trade Payables, Current	(6.1)	(5.8)	(8.5)
Other Payables, Current	(12.5)	(12.7)	(10.0)
Capital Payables, Current	(3.1)	(0.8)	(2.3)
Accruals, Current	(13.8)	(11.4)	(15.9)
Payments on Account	-	-	-
Finance Leases, Current	-	-	-
PDC dividend Payable, Current	-	(0.2)	-
Other Liabilities, Current	(6.2)	(6.9)	(6.8)
Total Current Liabilities	(45.0)	(43.0)	(53.7)
NET CURRENT ASSETS (LIABILITIES)	(1.4)	(12.7)	(23.1)
NON CURRENT LIABILITIES			
Interest-Bearing Borrowings, Non-Current	(14.5)	(13.5)	(11.5)
Deferred Income, Non-Current	-	-	-
Provisions, Non-Current	(6.5)	(6.5)	(6.3)
Trade and Other Payables, Non-Current	(0.3)	(0.2)	-
Finance Leases, Non-current	-	-	-
Other Liabilities, Non-Current	(328.9)	(327.1)	(321.1)
Total Non-Current Liabilities	(350.2)	(347.4)	(338.9)
TOTAL ASSETS EMPLOYED	104.4	98.3	83.2
TAXPAYERS' EQUITY			
Public dividend capital	134.0	134.0	146.5
Retained Earnings (Accumulated Losses)	(106.6)	(103.4)	(127.1)
Charitable Funds	-	-	-
Donated asset reserve	-	-	-
Revaluation reserve	74.3	65.1	61.1
Miscellaneous Other Reserves	2.7	2.7	2.7
TOTAL TAXPAYERS EQUITY	104.4	98.3	83.2

STATEMENT OF CASH FLOWS	2010/11 £m	2011/12 £m	2012/13 £m
Operating Surplus / (Deficit)	29.3	15.9	12.5
Other increases/(decreases) to reconcile to profit/(loss) from operations	(0.6)	(0.2)	-
Operating cash flows before movements in working capital	28.7	15.7	12.5
Movement in working capital:			
(Increase)/decrease in Inventories	0.2	(0.4)	(0.4)
(Increase)/decrease in NHS Trade Receivables	-	2.6	2.5
(Increase)/decrease in Non NHS Trade Receivables	10.8	0.0	(0.3)
(Increase)/decrease in other Receivables	-	(0.8)	(0.5)
(Increase)/decrease in Other financial assets (e.g. accrued income)	-	-	-
(Increase)/decrease in Prepayments	-	(0.5)	(0.3)
(Increase)/decrease in Other assets	-	-	-
Increase/(decrease) in Deferred Income & Payments on account	-	-	-
Increase/(decrease) in Provisions	(1.0)	2.4	4.0
Increase/(decrease) in Trade Payables	(4.7)	(0.3)	2.8
Increase/(decrease) in Other Payables	-	0.1	(3.0)
Increase/(decrease) in PDC Dividend Payable	-	-	-
Increase/(decrease) in Accruals	-	(2.3)	4.5
Increase/(decrease) in Other liabilities	-	-	-
Increase/(decrease) in working capital	5.3	0.8	9.3
Increase/(decrease) in Non Current Provisions	-	(0.0)	(0.2)
Net cash inflow/(outflow) from operating activities	34.0	16.5	21.6
Cash flow from investing activities			
Maintenance capex	(37.3)	(6.4)	(12.7)
Cash receipt from asset sales	0.0	0.5	1.0
Net cash inflow/(outflow) from investing activities	(37.3)	(5.9)	(11.7)
CF before Financing	(3.3)	10.6	9.9
Cash flow from financing activities			
Public Dividend Capital received	-	10.4	19.5
Public Dividend Capital repaid	-	(10.4)	(7.0)
Dividends paid	(3.9)	(2.8)	(3.4)
Interest (paid) on Loans and Leases	(7.6)	(18.5)	(19.0)
Interest (paid) on bank overdrafts and working capital facilities	-	-	-
Interest received on Cash and Cash Equivalents	0.7	0.1	0.1
Drawdown of Loans and Leases	15.0	-	-
Repayment of Loans and Leases	(11.0)	(1.0)	(1.0)
Other cash flows from financing activities	-	-	-
Net cash inflow/(outflow) from financing	(6.9)	(22.2)	(10.9)
Taxes paid	-	-	-
Net cash outflow/inflow	(10.2)	(11.5)	(1.0)

	2011/12	2012/13
Risk Rating Metrics		
EBITDA Margin	3.4%	2.7%
EBITDA % Achieved	41.2%	132.6%
Return on Assets	-4.2%	-5.1%
I&E Surplus Margin	-4.0%	-4.8%
Liquid Ratio	3.5	-5.8
Overall FRR	1	1

FORECAST FINANCIAL INFORMATION
THE MID YORKSHIRE HOSPITALS NHS TRUST

LOAN ASSUMPTIONS

STATEMENT OF COMPREHENSIVE INCOME	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Mandatory Clinical Revenue	414.9	410.6	406.3	400.4
Non Mandatory Clinical Revenue	4.3	4.3	4.4	4.4
Other Operating income	25.5	27.1	27.0	29.1
Total Operating Revenue and Income	444.6	442.0	437.6	434.0
Total Operating Expenses	(430.8)	(424.0)	(410.5)	(398.6)
Operating Surplus / (deficit)	13.9	18.1	27.1	35.4
Adjustment for donated asset income	(0.4)	(0.2)	(0.2)	(0.2)
EBITDA	13.4	17.9	26.9	35.2
<i>EBITDA margin</i>	<i>3%</i>	<i>4%</i>	<i>6%</i>	<i>8%</i>
Non-Operating income				
Gain/(loss) on asset disposals	0.0	-	-	-
Other Non-Operating income	-	-	-	-
Non-Operating expenses				
Impairment Losses (Reversals) net	-	-	(8.4)	-
Total Depreciation & Amortisation	(20.3)	(20.3)	(21.2)	(20.1)
Interest expense on overdrafts	0.0	-	-	-
Total interest payable on Loans and leases	(11.4)	(11.6)	(11.2)	(10.8)
PDC Dividend	(2.9)	(2.4)	(1.2)	(1.0)
Other Non-Operating expenses	-	-	-	-
Net Surplus/(Deficit)	(20.6)	(16.2)	(14.8)	3.5
<i>Net margin</i>	<i>-5%</i>	<i>-4%</i>	<i>-3%</i>	<i>7%</i>

STATEMENT OF FINANCIAL POSITION	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
NON CURRENT ASSETS				
Property, Plant and Equipment and intangible assets, Net	176.5	195.2	188.1	186.7
Property, plant & equipment (PFI)	263.2	256.7	250.3	243.9
PFI Other Assets	-	-	-	-
Investments, Non-Current	-	-	-	-
Trade and Other Receivables, Net, Non-Current (including prepayment:	-	-	-	-
Other Assets, Non-Current	-	-	-	-
Total Non-Current Assets	439.7	451.9	438.4	430.5
CURRENT ASSETS				
Inventories	8.7	9.1	9.3	9.6
NHS Trade Receivables, Current	9.2	9.2	9.2	9.2
Non NHS Trade Receivables, Current	0.3	0.3	0.3	0.5
Other Receivables, Current	6.4	6.7	6.8	7.0
Other Financial Assets, Current (e.g. accrued income)	-	-	-	-
Prepayments, Current, PFI related	-	-	-	-
Prepayments, Current, non-PFI related	1.2	1.2	1.3	1.3
Cash and Cash Equivalents	2.7	(39.0)	(55.7)	(59.6)
Other Assets, Current	3.1	3.1	3.1	3.1
Total Current Assets	31.6	(9.4)	(25.7)	(28.8)
CURRENT LIABILITIES				
Bank Overdraft and Working Capital Facility	-	-	-	-
Interest-Bearing Borrowings , Current (including accrued interest)	(6.8)	(6.8)	(6.8)	(6.8)
Deferred Income, Current	-	-	-	-
Provisions, Current	(4.9)	(4.9)	(4.9)	(4.9)
Trade Payables, Current	(5.7)	(5.7)	(5.7)	(6.1)
Other Payables, Current	(11.3)	(11.8)	(12.0)	(12.3)
Capital Payables, Current	(0.2)	(0.2)	(0.2)	(0.2)
Accruals, Current	(19.0)	(19.8)	(20.3)	(20.7)
Payments on Account	-	-	-	-
Finance Leases, Current	-	-	-	-
PDC dividend Payable, Current	-	-	-	-
Other Liabilities, Current	(7.2)	(8.9)	(8.7)	(8.6)
Total Current Liabilities	(55.0)	(58.1)	(58.7)	(59.6)
NET CURRENT ASSETS (LIABILITIES)	(23.5)	(67.5)	(84.4)	(88.5)
NON CURRENT LIABILITIES				
Interest-Bearing Borrowings, Non-Current	(33.7)	(26.9)	(20.1)	(13.3)
Deferred Income, Non-Current	-	-	-	-
Provisions, Non-Current	(6.1)	(6.1)	(6.1)	(6.1)
Trade and Other Payables, Non-Current	-	-	-	-
Finance Leases, Non-current	-	-	-	-
Other Liabilities, Non-Current	(313.9)	(305.0)	(296.3)	(287.6)
Total Non-Current Liabilities	(353.7)	(338.0)	(322.4)	(307.0)
TOTAL ASSETS EMPLOYED	62.6	46.4	31.5	35.0
TAXPAYERS' EQUITY				
Public dividend capital	146.5	146.5	146.5	146.5
Retained Earnings (Accumulated Losses)	(147.7)	(163.9)	(178.8)	(175.3)
Charitable Funds	-	-	-	-
Donated asset reserve	-	-	-	-
Revaluation reserve	61.1	61.1	61.1	61.1
Miscellaneous Other Reserves	2.7	2.7	2.7	2.7
TOTAL TAXPAYERS EQUITY	62.6	46.4	31.5	35.0

STATEMENT OF CASH FLOWS	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Operating Surplus / (Deficit)	13.9	18.1	27.1	35.4
Other increases/(decreases) to reconcile to profit/(loss) from operations	(0.4)	(0.2)	(0.2)	(0.2)
Operating cash flows before movements in working capital	13.4	17.9	26.9	35.2
Movement in working capital:				
(Increase)/decrease in Inventories	-	(0.4)	(0.2)	(0.2)
(Increase)/decrease in NHS Trade Receivables	(4.4)	-	-	(0.1)
(Increase)/decrease in Non NHS Trade Receivables	0.1	-	-	(0.2)
(Increase)/decrease in other Receivables	1.4	(0.3)	(0.2)	(0.2)
(Increase)/decrease in Other financial assets (e.g. accrued income)	-	-	-	-
(Increase)/decrease in Prepayments	1.9	(0.1)	(0.0)	(0.0)
(Increase)/decrease in Other assets	-	-	-	-
Increase/(decrease) in Deferred Income & Payments on account	-	-	-	-
Increase/(decrease) in Provisions	(4.3)	-	-	-
Increase/(decrease) in Trade Payables	(2.8)	-	-	0.3
Increase/(decrease) in Other Payables	1.3	0.5	0.3	0.3
Increase/(decrease) in PDC Dividend Payable	-	-	-	-
Increase/(decrease) in Accruals	3.1	0.9	0.4	0.5
Increase/(decrease) in Other liabilities	-	-	-	-
Increase/(decrease) in working capital	(3.7)	0.6	0.3	0.3
Increase/(decrease) in Non Current Provisions	(0.2)	-	-	-
Net cash inflow/(outflow) from operating activities	9.6	18.5	27.2	35.5
Cash flow from investing activities				
Property, plant and equipment expenditure	(16.4)	(32.3)	(15.8)	(12.1)
Proceeds on disposal of property, plant and equipment	0.1	-	-	-
Net cash inflow/(outflow) from investing activities	(16.3)	(32.3)	(15.8)	(12.1)
CF before Financing	(6.7)	(13.8)	11.4	23.4
Cash flow from financing activities				
Public Dividend Capital received	13.0	-	-	-
Public Dividend Capital repaid	(13.0)	-	-	-
Dividends paid	(2.9)	(2.4)	(1.2)	(1.0)
Interest (paid) on Loans and Leases	(11.5)	(11.6)	(11.2)	(10.8)
Interest (paid) on bank overdrafts and working capital facilities	-	-	-	-
Interest received on Cash and Cash Equivalents	0.0	-	-	-
Drawdown of Loans and Leases	29.0	-	-	-
Repayment of Loans and Leases	(7.8)	(14.0)	(15.7)	(15.5)
Other cash flows from financing activities	-	-	-	-
Net cash inflow/(outflow) from financing	6.8	(27.9)	(28.1)	(27.3)
Taxes paid	-	-	-	-
Net cash outflow/inflow	0.1	(41.7)	(16.7)	(3.9)

	2013/14	2014/15	2015/16	2016/17
Risk Rating Metrics				
EBITDA Margin	3.0%	4.0%	6.2%	8.1%
EBITDA % Achieved	431.0%	431.0%	100.0%	100.0%
Net return after financing	-5.0%	-4.0%	-1.7%	0.9%
I&E Surplus Margin	-4.6%	-3.7%	-1.5%	0.8%
Liquid Ratio	-29	-30	-70	-87
Overall FRR	2	2	2	2

FORECAST FINANCIAL INFORMATION
THE MID YORKSHIRE HOSPITALS NHS TRUST

PDC ASSUMPTIONS

STATEMENT OF COMPREHENSIVE INCOME	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Mandatory Clinical Revenue	414.9	410.6	406.3	400.4
Non Mandatory Clinical Revenue	4.3	4.3	4.4	4.4
Other Operating Income	25.5	27.1	27.0	29.1
Total Operating Revenue and Income	444.6	442.0	437.6	434.0
Total Operating Expenses	(430.8)	(424.0)	(410.5)	(398.6)
Operating Surplus / (deficit)	13.9	18.1	27.1	35.4
Adjustment for donated asset income	(0.4)	(0.2)	(0.2)	(0.2)
EBITDA	13.4	17.9	26.9	35.2
<i>EBITDA margin</i>	<i>3%</i>	<i>4%</i>	<i>6%</i>	<i>8%</i>
Non-Operating income				
Gain/(loss) on asset disposals	0.0	-	-	-
Other Non-Operating income	-	-	-	-
Non-Operating expenses				
Impairment Losses (Reversals) net	-	-	(8.4)	-
Total Depreciation & Amortisation	(20.3)	(20.3)	(21.2)	(20.1)
Interest expense on overdrafts	0.0	-	-	-
Total interest payable on Loans and leases	(11.4)	(11.1)	(10.8)	(10.5)
PDC Dividend	(2.9)	(2.9)	(2.2)	(2.0)
Other Non-Operating expenses	-	-	-	-
Net Surplus/(Deficit)	(20.6)	(16.2)	(15.5)	2.8
<i>Net margin</i>	<i>-5%</i>	<i>-4%</i>	<i>-4%</i>	<i>7%</i>

STATEMENT OF FINANCIAL POSITION	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
NON CURRENT ASSETS				
Property, Plant and Equipment and intangible assets, Net	176.5	195.2	188.1	186.7
Property, plant & equipment (PFI)	263.2	256.7	250.3	243.9
PFI Other Assets	-	-	-	-
Investments, Non-Current	-	-	-	-
Trade and Other Receivables, Net, Non-Current (including prepayment:	-	-	-	-
Other Assets, Non-Current	-	-	-	-
Total Non-Current Assets	439.7	451.9	438.4	430.5
CURRENT ASSETS				
Inventories	8.7	9.1	9.3	9.6
NHS Trade Receivables, Current	9.2	9.2	9.2	9.2
Non NHS Trade Receivables, Current	0.3	0.3	0.3	0.5
Other Receivables, Current	6.4	6.7	6.8	7.0
Other Financial Assets, Current (e.g. accrued income)	-	-	-	-
Prepayments, Current, PFI related	-	-	-	-
Prepayments, Current, non-PFI related	1.2	1.2	1.3	1.3
Cash and Cash Equivalents	2.7	(33.2)	(44.7)	(43.5)
Other Assets, Current	3.1	3.1	3.1	3.1
Total Current Assets	31.6	(3.6)	(14.7)	(12.7)
CURRENT LIABILITIES				
Bank Overdraft and Working Capital Facility	-	-	-	-
Interest-Bearing Borrowings , Current (including accrued interest)	(1.0)	(1.0)	(1.0)	(1.0)
Deferred Income, Current	-	-	-	-
Provisions, Current	(4.9)	(4.9)	(4.9)	(4.9)
Trade Payables, Current	(5.7)	(5.7)	(5.7)	(6.1)
Other Payables, Current	(11.3)	(11.8)	(12.0)	(12.3)
Capital Payables, Current	(0.2)	(0.2)	(0.2)	(0.2)
Accruals, Current	(19.0)	(19.8)	(20.3)	(20.7)
Payments on Account	-	-	-	-
Finance Leases, Current	-	-	-	-
PDC dividend Payable, Current	-	-	-	-
Other Liabilities, Current	(7.2)	(8.9)	(8.7)	(8.6)
Total Current Liabilities	(49.2)	(52.3)	(52.9)	(53.8)
NET CURRENT ASSETS (LIABILITIES)	(17.7)	(56.0)	(67.6)	(66.6)
NON CURRENT LIABILITIES				
Interest-Bearing Borrowings, Non-Current	(10.5)	(9.5)	(8.5)	(7.5)
Deferred Income, Non-Current	-	-	-	-
Provisions, Non-Current	(6.1)	(6.1)	(6.1)	(6.1)
Trade and Other Payables, Non-Current	-	-	-	-
Finance Leases, Non-current	-	-	-	-
Other Liabilities, Non-Current	(313.9)	(305.0)	(296.3)	(287.6)
Total Non-Current Liabilities	(330.5)	(320.6)	(310.8)	(301.2)
TOTAL ASSETS EMPLOYED	91.6	75.4	59.9	62.7
TAXPAYERS' EQUITY				
Public dividend capital	175.5	175.5	175.5	175.5
Retained Earnings (Accumulated Losses)	(147.7)	(163.9)	(179.4)	(176.6)
Charitable Funds	-	-	-	-
Donated asset reserve	-	-	-	-
Revaluation reserve	61.1	61.1	61.1	61.1
Miscellaneous Other Reserves	2.7	2.7	2.7	2.7
TOTAL TAXPAYERS EQUITY	91.6	75.4	59.9	62.7

STATEMENT OF CASH FLOWS	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Operating Surplus / (Deficit)	13.9	18.1	27.1	35.4
Other increases/(decreases) to reconcile to profit/(loss) from operations	(0.4)	(0.2)	(0.2)	(0.2)
Operating cash flows before movements in working capital	13.4	17.9	26.9	35.2
Movement in working capital:				
(Increase)/decrease in Inventories	-	(0.4)	(0.2)	(0.2)
(Increase)/decrease in NHS Trade Receivables	(4.4)	-	-	(0.1)
(Increase)/decrease in Non NHS Trade Receivables	0.1	-	-	(0.2)
(Increase)/decrease in Other Receivables	1.4	(0.3)	(0.2)	(0.2)
(Increase)/decrease in Other financial assets (e.g. accrued income)	-	-	-	-
(Increase)/decrease in Prepayments	1.9	(0.1)	(0.0)	(0.0)
(Increase)/decrease in Other assets	-	-	-	-
Increase/(decrease) in Deferred Income & Payments on account	-	-	-	-
Increase/(decrease) in Provisions	(4.3)	-	-	-
Increase/(decrease) in Trade Payables	(2.8)	-	-	0.3
Increase/(decrease) in Other Payables	1.3	0.5	0.3	0.3
Increase/(decrease) in PDC Dividend Payable	-	-	-	-
Increase/(decrease) in Accruals	3.1	0.9	0.4	0.5
Increase/(decrease) in Other liabilities	-	-	-	-
Increase/(decrease) in working capital	(3.7)	0.6	0.3	0.3
Increase/(decrease) in Non Current Provisions	(0.2)	-	-	-
Net cash inflow/(outflow) from operating activities	9.6	18.5	27.2	35.5
Cash flow from investing activities				
Property, plant and equipment expenditure	(16.4)	(32.3)	(15.8)	(12.1)
Proceeds on disposal of property, plant and equipment	0.1	-	-	-
Net cash inflow/(outflow) from investing activities	(16.3)	(32.3)	(15.8)	(12.1)
CF before Financing	(6.7)	(13.8)	11.4	23.4
Cash flow from financing activities				
Public Dividend Capital received	29.0	-	-	-
Public Dividend Capital repaid	-	-	-	-
Dividends paid	(2.9)	(2.9)	(2.2)	(2.0)
Interest (paid) on Loans and Leases	(11.5)	(11.1)	(10.8)	(10.5)
Interest (paid) on bank overdrafts and working capital facilities	-	-	-	-
Interest received on Cash and Cash Equivalents	0.0	-	-	-
Drawdown of Loans and Leases	-	-	-	-
Repayment of Loans and Leases	(7.8)	(8.2)	(9.9)	(9.7)
Other cash flows from financing activities	-	-	-	-
Net cash inflow/(outflow) from financing	6.8	(22.1)	(22.9)	(22.2)
Taxes paid	-	-	-	-
Net cash outflow/inflow	0.1	(35.9)	(11.5)	1.2

	2013/14	2014/15	2015/16	2016/17
Risk Rating Metrics				
EBITDA Margin	3.0%	4.0%	6.2%	8.1%
EBITDA % Achieved	102.9%	102.9%	100.0%	100.0%
Net return after financing	-5.0%	-4.0%	-1.9%	0.7%
I&E Surplus Margin	-4.6%	-3.7%	-1.6%	0.7%
Liquid Ratio	-29	-25	-60	-72
Overall FRR	2	2	2	2

Inflation Assumptions

Protected Revenue Inflation

Elective

1 Base

-1.8%	-1.8%	-1.8%	-1.8%	-1.8%
-------	-------	-------	-------	-------

Protected Revenue Inflation

Non elective

1 Base

-1.8%	-1.8%	-1.8%	-1.8%	-1.8%
-------	-------	-------	-------	-------

Protected Revenue Inflation

Outpatient

1 Base

-1.8%	-1.8%	-1.8%	-1.8%	-1.8%
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Protected Revenue Inflation

A&E

1 Base

-1.8%	-1.8%	-1.8%	-1.8%	-1.8%
-------	-------	-------	-------	-------

Protected Revenue Inflation

Other clinical - Tariff

1 Base

-1.8%	-1.8%	-1.8%	-1.8%	-1.8%
-------	-------	-------	-------	-------

Protected Revenue Inflation

Other clinical - Non Tariff

1 Base

-1.8%	-1.8%	-1.8%	-1.8%	-1.8%
-------	-------	-------	-------	-------

Protected Revenue Inflation

Other block or Cost and Volume contract

1 Base

-1.8%	-1.8%	-1.8%	-1.8%	-1.8%
-------	-------	-------	-------	-------

Protected Revenue Inflation

Other block or Cost and Volume contract

1 Base

-1.8%	-1.8%	-1.8%	-1.8%	-1.8%
-------	-------	-------	-------	-------

Protected/Mandatory Clinical Income Inflation

Clinical Partnerships providing mandatory services (including S75 agreements)

1 Base

-1.8%	-1.8%	-1.8%	-1.8%	-1.8%
-------	-------	-------	-------	-------

Protected/Mandatory Clinical Income Inflation

Clinical income for the Secondary Commissioning of mandatory services

1 Base

-1.8%	-1.8%	-1.8%	-1.8%	-1.8%
-------	-------	-------	-------	-------

Protected/Mandatory Clinical Income Inflation

Other clinical income from mandatory services

1 Base

-1.8%	-1.8%	-1.8%	-1.8%	-1.8%
-------	-------	-------	-------	-------

Non Protected/Non Mandatory Clinical income inflation

1 Base

1.0%	1.0%	1.0%	1.0%	1.0%
------	------	------	------	------

Other revenue Inflation

Education & training

1 Base

1.0%	1.0%	1.0%	1.0%	1.0%
------	------	------	------	------

Research & Development

1 Base

1.0%	1.0%	1.0%	1.0%	1.0%
------	------	------	------	------

Other revenue

1 Base

4.5%	2.4%	2.4%	2.4%	2.4%
------	------	------	------	------

Employee Benefit Expenses

1 Base

1.6%	1.0%	1.0%	1.0%	1.0%
------	------	------	------	------

Drug expenses

1 Base

8.0%	8.0%	8.0%	8.0%	8.0%
------	------	------	------	------

Clinical supplies and services expenses

1 Base

4.6%	2.4%	2.4%	2.4%	2.4%
------	------	------	------	------

Other expenses

1 Base

4.5%	2.4%	2.4%	2.4%	2.4%
------	------	------	------	------

Unitary Charge indexation

1 Base

4.0%	4.0%	4.0%	4.0%	4.0%
------	------	------	------	------

THE MID YORKSHIRE HOSPITALS 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%	4.2%	4.2%	4.2%	4.2%
Activity/Capacity						
Elective	000's	73.4	74.1	74.8	75.6	76.3
Non elective	000's	126.8	127.2	127.6	128.0	128.3
Outpatient	000's	474.6	479.3	484.1	488.9	493.8
A&E	000's	222.8	225.0	227.2	229.5	231.8
Other clinical - Tariff	000's	0.0	0.0	0.0	0.0	0.0
Other clinical - Non Tariff	000's	18.6	18.8	18.5	18.6	18.8
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	1.7	1.1	0.4	0.4	0.4
Average length of stay (exc Day Cases)	Days	3.5	3.4	3.3	3.3	3.3
Average Length of Stay (Non Elective)	Days	4.1	4.2	4.3	4.3	4.3
Average length of stay - Forensic (days)	Days	n/a	n/a	n/a	n/a	n/a
Average length of stay - Acute Psychiatric (days)	Days	n/a	n/a	n/a	n/a	n/a
Bed Occupancy - Acute	%	86%	85%	85%	85%	85%
Bed Occupancy (%) - Including leave	%	n/a	n/a	n/a	n/a	n/a
Bed Occupancy (%) - Excluding leave	%	n/a	n/a	n/a	n/a	n/a
Delayed discharges	%	2%	2%	2%	2%	2%
New to follow up outpatient ratio	%	210%	205%	200%	200%	165%
Readmission rate	%	7%	7%	6%	6%	6%

Total Bed numbers

918.2 942.4 795.5 795.0 795.0

Number of sites

3.0 3.0 3.0 3.0 4.0

Staff related:

Staff Turnover	%	10%	8%	8%	8%	8%
Staff sickness rates (long term rate)	%	3%	3%	3%	3%	3%
Staff sickness rates (short term rate)	%	1%	1%	1%	1%	1%
Percentage of vacancies	%	9%	9%	9%	9%	9%
Number of consultant PA sessions per week	#	3,190.0	3,190.0	3,190.0	3,190.0	3,190.0
% of staff appraisals in last 12 months	%	90%	100%	100%	100%	100%
Overtime as % total employee benefit expense	%	1%	1%	1%	1%	1%
Catchment population (excluding tourists)	000's	520.0	520.0	520.0	520.0	520.0
Catchment population (at peak, i.e. including tourists)	000's	520.0	520.0	520.0	520.0	520.0

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

To be cleared within 5 years (real)	000's	(15,615.0)	(11,150.0)	(7,330.0)	(3,665.0)	0.0
To be cleared within 5 years to 10 years (real)	000's	0.0	0.0	0.0	0.0	0.0
To be cleared after 10 years (real)	000's	0.0	0.0	0.0	0.0	0.0
Total expected backlog		(15,615.0)	(11,150.0)	(7,330.0)	(3,665.0)	0.0

Acute KPIs

Theatre Utilisation	%	83%	84%	85%	85%	85%
Day Case Percentage (Day Cases/ Spells)	%	86%	87%	87%	87%	87%

Average Number of staff - Non Agency

Consultant costs	WTE	311.4	295.6	284.0	269.6	256.0
GP costs	WTE	11.9	11.3	10.8	10.3	9.8
Dental consultant costs	WTE	0.0	0.0	0.0	0.0	0.0
Dental costs	WTE	1.2	1.2	1.1	1.1	1.0
Junior medical costs	WTE	433.9	411.9	395.7	375.6	356.6
Nursing, midwifery & health visitors - inpatient costs	WTE	2,053.0	1,949.1	1,872.1	1,777.4	1,687.5
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	1,205.0	1,144.0	1,098.8	1,043.2	990.4
Scientific, therapeutic, & technical costs	WTE	820.2	778.7	747.9	710.1	674.2
Non clinical staff costs	WTE	1,669.4	1,585.0	1,522.4	1,445.3	1,372.2
Total	WTE	6,506.0	6,176.8	5,932.8	5,632.6	5,347.7

CIPs

CIP as a % of income	%	5.6%	11.3%	16.0%	22.0%	27.8%
CIP as a % of cost base	%	5.9%	11.5%	16.0%	21.0%	25.7%
In year CIP as a % of cost base	%	5.9%	6.0%	5.0%	6.1%	6.1%

Capex

Maintenance Capex/ Depn charge	£'000s	0.4	0.2	0.2	0.2	0.2
Total Capex/ Depn charge	£'000s	1.6	0.8	0.6	0.6	0.6

SOURCE : O_KPI

THE MID YORKSHIRE HOSPITALS NHS TRUST

Prudential Borrowing Key Outputs

A Monitor PBC - As per LTFM inclusive of proposed loan

PBC Ratios - LTFM Outputs (all loans included)		Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
Ratio Inputs		£m	£m	£m	£m	£m	£m
Total Revenue	+	444	442	437	434	427	423
Revenue Available for Debt Service	+	13	18	27	35	41	47
PDC Dividend	+	3	2	1	1	1	2
Total Interest Expenditure (of all loans)	+	11	12	11	11	10	10
Total Annual Debt Service (of all loans)	+	19	26	27	26	26	26
PBC Ratios							
Dividend Cover		0.7	2.6	12.7	23.9	25.4	23.3
Interest Cover		1.2	1.5	2.4	3.3	4.0	4.7
Debt Service Cover		0.7	0.7	1.0	1.3	1.6	1.8
Debt Service to Revenue		4.3%	5.8%	6.1%	6.1%	6.0%	6.0%
Tier 1 Tests							
Dividend Cover	1.0	FAIL	PASS	PASS	PASS	PASS	PASS
Interest Cover	3.0	FAIL	FAIL	FAIL	PASS	PASS	PASS
Debt Service Cover	2.0	FAIL	FAIL	FAIL	FAIL	FAIL	FAIL
Debt Service to Revenue	2.5%	FAIL	FAIL	FAIL	FAIL	FAIL	FAIL
Tier 2 Tests*							
Dividend Cover	1.0	FAIL	PASS	PASS	PASS	PASS	PASS
Interest Cover	2.0	FAIL	FAIL	PASS	PASS	PASS	PASS
Debt Service Cover	1.5	FAIL	FAIL	FAIL	FAIL	PASS	PASS
Debt Service to Revenue	10.0%	PASS	PASS	PASS	PASS	PASS	PASS
*Tier 2 Tests should only be used for Trust's with major investments/PFI Schemes as set out in the guidance							