

INDEPENDENT TRUST FINANCING FACILITY

BRIGHTON AND SUSSEX UNIVERSITY HOSPITALS NHS TRUST LOAN APPLICATION

Presented by : NHS Trust Development Authority

INDEPENDENT TRUST FINANCING FACILITY

BRIGHTON AND SUSSEX UNIVERSITY HOSPITALS NHS TRUST

LOAN APPLICATION

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BRIGHTON AND SUSSEX UNIVERSITY HOSPITALS NHS TRUST

LOAN APPLICATION

Section 1

Presented by : NHS Trust Development Authority

Independent Trust Financing Facility : Loan Application

Name of Trust:	Brighton and Sussex University Hospitals NHS Trust
Amount Proposed:	£17.478m
Date of Application:	17 December 2013

Total Income (£000)	Income (£m)	%
NHS Brighton and Hove CCG	159.5	38.8%
NHS Coastal West Sussex CCG	15.6	3.8%
NHS Crawley CCG	3.5	0.9%
NHS Eastbourne and Seaford CCG	8.0	1.9%
NHS Hastings and Rother CCG	3.7	0.9%
NHS High Weald Lewes Havens CCG	49.3	12.0%
NHS Horsham and Mid Sussex CCG	70.3	17.1%
NHS England	98.0	23.9%
NCA	2.7	0.7%
Commissioning Income	410.6	100.0%
Non Commissioning Income	79.5	
Total Income	490.1	
Data quoted from Financial Year	2013/14	

Existing Loans: (Non PFI)	Limit £000	Drawn £000	Outstanding £'000 30/9/13	Maturity Date	Interest Rate	Annual capital repayment £000	Purpose of loan
WCL/11-12/RXH/1/2011-09-15	15,000	15,000	9,000	15/09/2016	0.96%	3,000	Working capital support
CIL/12-13/RXH/1/2012-09-17	7,639	7,639	7,129	15/09/2027	1.40%	510	3rd Cardiac Centre
CIL/12-13/RXH/3/2013-03-15	6,800	6,800	6,664	15/03/2038	2.78%	272	St Marys
Total Existing	29,439	29,439	22,793			3,782	
Amounts proposed	17,478			15/09/2039	3.11%		As below
Total	46,917	29,439	22,793			3,782	

PFI	Balance sheet Value £000	Start Date	Maturity Date	Interest Rate
Royal Alexandra Children's Hospital	45,454	04/06/2004	04/06/2034	5.53%
	13/14 Unitary payment £000	Capital £000	Interest £000	Service £000
	5,040	1,548	2,004	1,488

Purpose of new loan(s):	<p>The loan will be used to fund the 3Ts decant programme which has the following prioritised schemes:</p> <p>i) Modular build (£9.9m) to house the Nuclear Medicine Department and Radiopharmacy service</p> <p>ii) The Thomas Kemp Tower Courtyard (£6.78m) - 3 storey modular building to re-provide 26 beds from the Jubilee wing</p> <p>iii) Royal Alexandra Children's Hospital Audiology (£0.8m) - transfer of paediatric audiology service from building 545 to RACH</p>
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Term of new loan:	25 years
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Repayment Programme:	<p>Equal Installments of Principal</p> <p>Multi Draw loan:</p> <p>Draw one £2.3m : Term 25 Years (Jan 14)</p> <p>Draw two £5.7m : Term 25 Years (Apr 14)</p> <p>Draw three £4.8m : Term 25 years (Jul 14)</p> <p>Draw four £4.7m : Term 25 years (Oct 14)</p>
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Interest rate %	3.11%
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Fees	Nil
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Security/Covenants	Negative pledge
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Prudential Borrowing Limit	Tier 1	Tier 2
Long term	£58m	n/a

Bed Numbers	942
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Trust Type:	Acute
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	2013/14
NTDA Performance Framework	4 Material Issue

Care Quality Commission Rating	Licensed without conditions
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Reference Cost Index	
Financial year:	2011/12
MFF adjusted	96
Non-MFF adjusted	95

Ratios	Required Tier 1	LTFM output with new loan	Projected (max)
Minimum dividend cover	>1X	5.3	5.0
Minimum interest cover	>3X	12.0	8.1
Minimum debt service cover	>2X	4.5	3.3
Maximum debt service / net revenue	<2.5%	1.8%	2.5%

Recommendation to Committee:
The NHS TDA recommend approval of the £17.478m Capital Investment Loan to the Independent Trust Financing Facility

NHS Trust Development Authority**Brighton and Sussex University Hospitals NHS Trust****1. Introduction**

- 1.1 Brighton and Sussex Hospitals NHS Trust has requested a Capital Investment Loan of £17.478 million in support of a number of standalone schemes related to the improvement of patient facilities at the NHS Trust and as part of a decant programme of works for a larger capital scheme for which the NHS Trust's Outline Business Case (OBC) is currently awaiting HM Treasury approval. The proposed schemes are standalone and the NHS Trust plans to complete these schemes to improve facilities even if the larger proposed capital scheme is not approved.
- 1.2 Brighton and Sussex Hospitals NHS Trust is an acute teaching hospital working across two sites, the Royal Sussex County Hospital in Brighton and the Princess Royal Hospital in Haywards Heath. The Brighton campus includes the Royal Alexandra Children's Hospital, the Sussex Eye Hospital and the Sussex Orthopaedic NHS Treatment Centre. The Princess Royal is the centre for elective surgery and the Royal Sussex County Hospital for emergency and tertiary care. The NHS Trust provides acute services for the populations within the City of Brighton and Hove, Mid Sussex and the western part of East Sussex. The NHS Trust also provides specialised and tertiary services including neurosciences, arterial vascular surgery, neonatal, paediatrics, cardiac, cancer, renal, infectious diseases and HIV medicine. The NHS Trust is also the major trauma centre for Sussex and the South East. The catchment population for District General hospital services is just over 400,000, whilst the catchment population for specialised and tertiary services is around 1.2m. The NHS Trust's annual income is c£490 million per annum.

2. Background

- 2.1 Brighton and Sussex Hospitals NHS Trust has been working on a site development plan with the aim of replacing some of its oldest building stock which are cramped and no longer appropriate for modern healthcare provision ensuring these are re-sized to modern NHS standards.
- 2.2 Brighton and Sussex Hospitals NHS Trust has been working on implementing the '3Ts' strategy (Teaching, Trauma and Tertiary Care) which is a proposed £420 million redevelopment of the Royal Sussex County Hospital site currently at outline business case stage.
- 2.2 The specific strategic aims of the 3Ts put forward in the Brighton and Sussex Hospitals NHS Trust's OBC are:

- Secondary Care Services: replace the outdated, pre-Nightingale inpatient wards and other accommodation in the Barry and Jubilee Buildings with modern, fit for purpose accommodation that enhances patient safety, privacy & dignity;
 - Regional Centre for Neurosciences: transfer the Regional Centre for Neurosciences (Hurstwood Park) from the Princess Royal Hospital site onto the Royal Sussex County Hospital campus. This will also provide additional clinical capacity to accommodate Sussex residents who currently have to be treated outside the county;
 - Sussex Cancer Centre: Expand the Sussex Cancer Centre to meet the growth in population, demand on services and to improve access for patients across Sussex who currently have to travel into London centres for radiotherapy and chemotherapy treatments;
 - Major Trauma: provide and enhance bespoke clinical facilities for the Major Trauma Centre which will serve Sussex and the wider region;
 - Teaching and Training: enhance facilities for teaching and training, in partnership with the Brighton and Sussex Medical School, Universities of Brighton and Sussex, and the Health Education Kent, Surrey and Sussex.
- 2.3 In January 2012 Brighton and Hove City Council granted the 3T's redevelopment full planning consent. The OBC was approved by the South East Coast Strategic Health Authority (March 2012) and Department of Health (DH) (May 2012) and is currently with HM Treasury (submitted July 2012) for approval.
- 2.4 The NHS Trust will progress their Full Business Case (FBC) for the major 3T's scheme as soon as HM Treasury approval is received for the OBC.
- 2.5 The overall redevelopment has three Stages and the decant schemes involve a series of moves which will allow the completion of Stage 1 of the project. Decant is a significant and complex project in itself with multiple interdependencies with a key aim of the plan being that there is no loss of service. Decant in itself provides significant improvements to the delivery of clinical services currently being provided in poor quality and outdated accommodation.
- 2.6 The decant programme exists as an enabler for the 3Ts main scheme and the £33.68 million decant capital costs are contained within the £420 million. The decant costs were presented in a separate full business case in order to ensure early improvement of the Brighton and Sussex Hospitals NHS Trust's most deteriorated estate and to allow the NHS Trust to obtain advance funding and ensure the timing of the development of the overall programme was not adversely affected. In advance of the approval of the full 3T's business case and through discussions with the South East Coast Strategic Health Authority and NHS South of England it was agreed that certain schemes could be prioritised as they were required and would be completed regardless of the full completion of the 3Ts strategy. The decant schemes

that were agreed to progress involved a greater urgency for change due the condition of the current building stock. Full business case approval for the decant schemes was given by NHS South of England.

2.7 The prioritised decant schemes form the purpose of Brighton and Sussex Hospitals NHS Trust's loan application and are made up of the following schemes:

- Modular Build (£9.9 million) – This building will house departments currently based within the Nuclear Medicine building which the relevant agencies (Environment Agency and Medicines and Healthcare Products Regulatory Agency) have recommended in recent reports should be closed. Nuclear Medicine was a temporary building built in 1970s and the agencies are happy that the Modular build provides an adequate building until 3Ts Stage 1 is operational. The Modular Build therefore allows the Trust to keep open its radiopharmacy services and allows cancer drugs to be produced and used on site. The building will provide Nuclear Medicine Department and radiopharmacy services, and will ensure continuity of MRI services, allowing imaging technology to be brought up to date in a fit for purpose environment. Imaging equipment is part of the NHS Trust's five Year Capital Programme and will be funded by Trust operational capital and not this capital loan. If this project is not delivered there is a significant risk that the Environment Agency (EA) and Medicines and Healthcare Products Regulatory Agency (MHRA) will close the NHS Trust's Nuclear Medicine Department and radiopharmacy service. Investment in alternative accommodation for this service would therefore be required whether or not the 3Ts redevelopment proceeded. The agencies have indicated that the Stage 1 decant plan would provide suitable alternative accommodation pending the transfer of the service to the 3Ts Stage 1 building in 2018/19. This is on the critical path for the commencement of Stage 1 of 3Ts and an early start for this component will de-risk the critical path ahead of the approval of the main OBC;
- The Thomas Kemp Tower Courtyard (£6.78 million) – a three storey modular building above the Trust's A&E Department which replaces the Victorian Jubilee Wing (in-patient beds) which will provide improvement to patient dignity through the increase in the number of single rooms provided. The courtyard scheme will re-provide 26 beds and allows the Trust to close the Jubilee Wing for demolition (building built 1887);
- Royal Alexandra Children's Hospital (Audiology) (£0.8 million) – The decant solution transfers the paediatric audiology service from mixed adult/paediatric accommodation in Building 545 to a dedicated paediatric environment in the Royal Alexandra Children Hospital, in line with the requirements of the National Service Framework. This will allow children to be seen in a more appropriate environment and audiology's old accommodation will eventually be demolished.

- 2.8 Brighton and Sussex Hospitals NHS Trust are currently assuming that enabling/decant schemes will be funded via interest bearing debt and are requesting funding of £17.478m for these schemes via this application. The Committee are asked to note that the Trust's current funding assumption for the major part of the 3T's scheme is that this will be PDC funded and this is reflected within the Trust's long term financial model. The assumption regarding PDC funding will be further tested by both the HM Treasury review and NHS TDA review of the full business case to establish whether PDC, interest bearing debt or a mix of both interest bearing debt and PDC is the most appropriate funding for the scheme.

3. Financing and affordability

- 3.1 Brighton and Sussex University Hospitals NHS Trust are applying for a £17.478 million Capital Investment Loan (£2.314 million in 2013/14 and £15.164 million in 2014/15) to support investment in the NHS Trust's decant programme that would bring significant benefit to the care of patients and address some immediate concerns around the poor state of the NHS Trust's current building stock as well as acting as an enabler for the development of the NHS Trust's 3T's major capital scheme. The NHS Trust's financing application provides sufficient evidence that loan financing is affordable to the Trust.

- the NHS Trust passes the Prudential Borrowing Assessment (PBA) Tier 1 ratio tests. Using the Trust's Long Term Financial Model (LTFM) outputs the NHS Trust could borrow up to £58 million of which the NHS Trust have £23 million of outstanding principle and therefore have existing headroom of £35 million before breaching the PBA ratios. The NHS Trust's request for loan finance of £17.478 million is well within this range of affordability;
- the NHS Trust has a good record of achieving and delivering against its CIPs target in recent years, achieving 100% of CIP over the last three financial years, and is forecasting to achieve all of the current year target;
- the NHS Trust reported a breakeven Income and Expenditure position (DH Adjusted Financial performance) in 2011/12 and reported a net surplus position in 2012-13 of £3.3m. The NHS Trust is forecasting surpluses in the region of £5 million to £6 million going forward. At Month 6 the NHS Trust are forecasting that the 2013/14 financial year planned surplus of £5.2 million will be delivered;
- the NHS Trust has three existing loans with the DH;
 - * Working Capital Loan of £15 million of which £9 million remains outstanding at September 2013-14. This loan was drawn in September 2011 for a five year period to support the NHS Trust's working capital position. Annual capital repayments amount to £3 million per annum;

- * Capital Investment Loan of £7.639 million drawn in September 2012 repayable over 15 years to fund the development of the Trust's third cardiac theatre. Annual capital repayments amount to £510,000 per annum;
- * Capital Investment Loan of £6.8 million drawn in March 2012 repayable over 25 years to fund the Trust's St. Marys school refurbishment. Annual capital repayments amount to £272,000 per annum.

3.2 The proposed new borrowing is affordable alongside existing borrowing.

4. Conclusion

4.1 The financial position of the Brighton and Sussex Hospitals NHS Trust and the assessment of affordability undertaken through the review of the PBA and other key metrics suggest that the NHS Trust can manage the additional borrowings requested. The capital investment loan of £17.478 million is therefore recommended for approval.

11 December 2013

Independent Trust Financing Facility (ITFF)
c/o NHS Trust Development Authority
South West House
Blackbrook Park Avenue
Taunton
Somerset
TA1 2PX

Dear Sir

Independent Trust Financing Facility (ITFF) : Application for Loan Finance

Scheme / Purpose for loan:	Capital Investment Loan for 3Ts Decant Work
Repayment Period:	25 Years
Loan Requested:	£17,478,000
Assumed interest rate:	3.11%

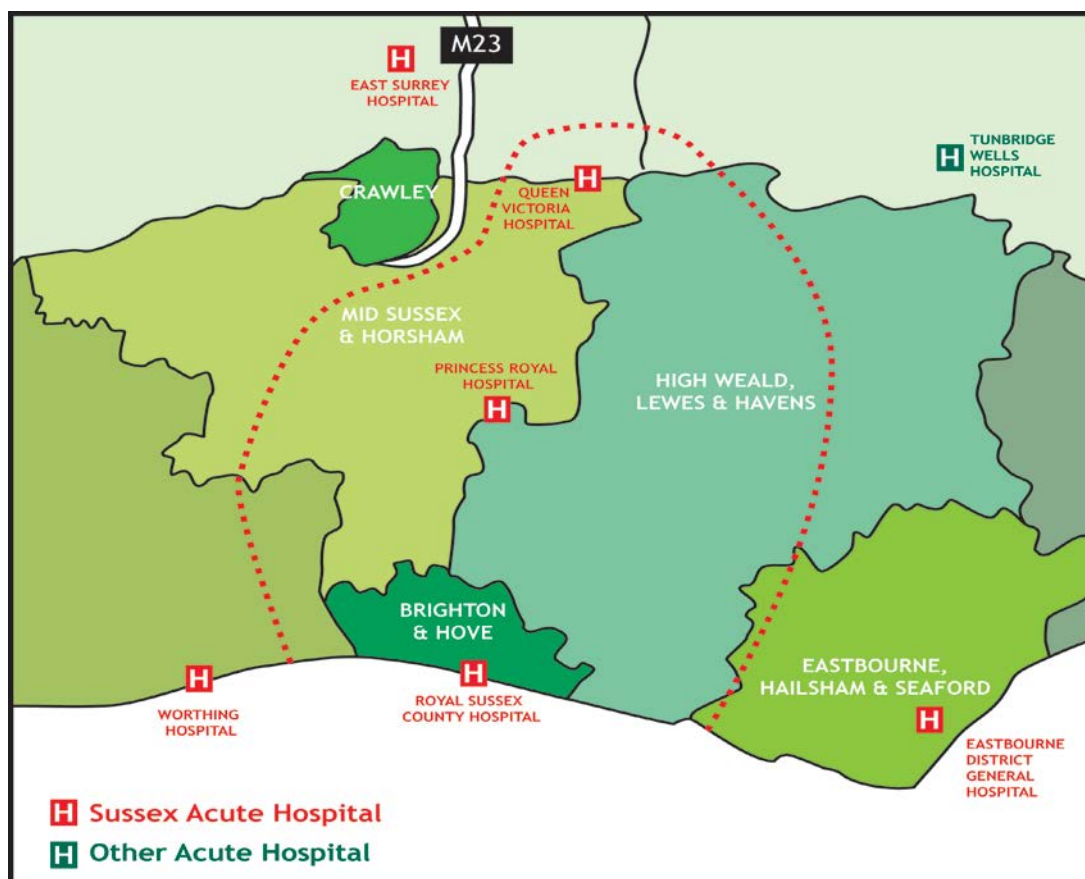
Background

Brighton and Sussex University Hospitals (the "Trust") is an acute teaching hospital working across two sites: the Royal Sussex County Hospital in Brighton and the Princess Royal Hospital in Haywards Heath. The Brighton campus includes the Royal Alexandra Children's Hospital and the Sussex Eye Hospital, and the Haywards Heath campus includes the Hurstwood Park Regional Centre for Neurosciences and the Sussex Orthopaedic NHS Treatment Centre.

Both hospitals provide many of the same acute services for the populations within the City of Brighton and Hove, Mid Sussex and the western part of East Sussex. In addition, the Princess Royal is the centre for elective surgery and the Royal Sussex County Hospital for emergency and tertiary care.

Specialised and tertiary services provided include neurosciences, arterial vascular surgery, neonatal, paediatrics, cardiac, cancer, renal, infectious diseases and HIV medicine. The Trust is also the major trauma centre for Sussex and the South East.

The catchment population for District General Hospital services is just over 400,000, whilst the catchment population for specialised and tertiary services is around 1,200,000. The catchment area for the Trust is shown below.



Patients treated in 2012/13 included:

Patient type	Patients treated
Elective Inpatients	15,638
Elective Day cases	42,541
Non Elective patients	52,416
Outpatients	510,430
A&E attendances	154,894

In addition the Trust is an academic centre, a provider of high quality teaching, and a host hospital for research and innovation working with the Brighton and Sussex Medical School (BSMS), Health Education England, the Kent, Surrey and Sussex Postgraduate Deanery, the University of Sussex and Brighton University.

Key changes to the Trust Board include:-

- the appointment of Matthew Kershaw as Chief Executive of the Trust in April 2013,
- the appointment of three Non-Executive Directors, Stephen Woodford, Antony Kildare, and Christine Farnish in August 2013
- the appointment of Spencer Prosser, Chief Financial Officer, in January 2014

The Trust has prepared its Integrated Business Plan and long term Financial Model, and is refining its clinical strategy which is due for completion in December 2013. It is planning to apply for Foundation Trust status with a planned approval date of early 2015.

The Trust is in the process of implementing the “3T’s” strategy (teaching, trauma and tertiary care) involving the redevelopment of the Royal Sussex County Hospital site to improve facilities for secondary and tertiary care including the:-

- relocation and expansion of neurosciences work,
- enhancement of the work of the Major Trauma centre,
- relocation and expansion of the Sussex Cancer centre, and
- the provision of facilities for teaching and research.

Other developments include:-

- implementing an electronic patient record,
- working with another local Trust to develop a single managed pathology service, and
- developing linked Radiotherapy services at Eastbourne and Worthing as well as replacing local Radiotherapy equipment.

Loans to the Trust

The Trust has three loans with the DH, a working capital loan and two capital investment loans. The details are as follows:

	Initial Loan £000	Balance 30/09/13 £000	Loan start	Term of Loan	Interest Rate	Annual Principal repayment £000
Working Capital Loan	15,000	9,000	15/09/11	5 yrs	0.96	3,000
3rd Cardiac Theatre	7,639	7,129	17/09/12	15 yrs	1.40	510
St Marys	6,800	6,664	15/03/13	25 yrs	2.78	272
Total Existing DH Loans	29,439	22,793				3,782

Historical and planned financial information

The Trust’s historical and planned financial position is set out below.

The Trust’s financial performance is measured in accordance with the guidance issued by HM Treasury for measuring departmental expenditure. Accordingly the incremental revenue expenditure resulting from the application of IFRS to IFRIC12 schemes is excluded when measuring breakeven performance as are other adjustments in respect of accounting policy changes for impairments and the donated asset reserve. Table 1 shows the Trust’s performance under these NHS reporting rules.

Table 1 NHS Reporting

Adjusted Financial Performance Retained Surplus/Deficit	Plan £m	Actual £m
2009/10	4.9	10.2
2010/11	4.7	4.5
2011/12	5.4	0.0
2012/13	2.9	3.3

In 2009/10, as a result of negotiations with NHS Brighton and Hove and the improvements in the underlying financial performance of the Trust, the financial performance net of impairment was at a level that supported early repayment of the first working capital loan. The Trust negotiated additional funding within the LHE to enable the early repayment of this loan.

In 2011/12 because of specific health economy and operational pressures the Trust secured an agreement with the SHA during the financial year to deliver a break-even position at the year end.

The unadjusted performance is shown in table 2 below.

Table 2

£m	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Operating Revenue and Income, Total	440.1	465.4	496.3	490.1	494.3	500.1	508.7
EBITDA	28.6	27.9	32.4	40.7	41.0	43.2	44.5
Depreciation & Impairments	31.1	34.0	22.9	29.6	34.7	30.0	27.3
Net Surplus/(Deficit) per LTFM	(12.1)	(16.2)	0.0	0.8	(4.6)	1.1	2.9
Adjusted NHS Performance Surplus/(Deficit)	4.5	0.0	3.3	5.2	5.8	6.1	6.3

The increase in revenue and income from 2010 to 2013 relates to the transfer of the Sussex Orthopaedic Treatment Centre work back into the NHS and increased activity.

The adjusted retained surplus for 2010/11 of £4.5m in table 1 excludes the charge for impairments of £16.0m and the cost of the impact of the accounting policy change in respect of donated assets, an extra charge of £600,000. The reported position after these changes is a net deficit of £12.1m as shown in table 2.

The Trust has delivered surplus positions for the past 4 years under HM Treasury guidelines, with the exception of 2011/12 when a breakeven position was reported.

The Trust is forecasting to deliver surpluses prior to impairments of 1% Turnover in future years.

The Trust is licensed with CQC without conditions.

Key Planning Assumptions

The Trust has assumed moderate growth in activity levels over the next few years which is offset by activity

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management schemes. Additional income from repatriated activity is assumed once the full 3Ts development is completed. There is no repatriation under the decant schemes.

The inflation assumptions and risk ratings are set out below.

	2013/14	2014/15	2015/16
Inflation assumptions (%):			
Clinical Income inflation	(1.5)	(1.3)	(1.3)
Other Income inflation	0.0	(1.0)	(1.0)
Pay inflation	1.0	1.3	1.3
Drug Price inflation	2.4	2.6	2.6
Other cost inflation	3.4	3.6	3.6
Risk Rating Metrics:			
EBITDA Margin (%)	8.3	8.3	8.6
NRAF Net Return after Financing (%)	2.5	1.7	1.7
I&E surplus margin (%)	1.6	1.1	1.1
Liquidity ratio (days)	34.1	34.9	25.6

Bridge Calculations

The table below shows the bridge calculations between current year, year 1 and year 2 to explain the changes in the Trust's surplus positions between the current, years 1 and 2.

	12/13- 13/14	13/14 - 14/15
Net Surplus/(Deficit)	0.0	0.8
Non recurrent income & expense	(6.1)	(0.5)
Impairments	3.2	7.0
Loss on asset disposal	(0.4)	0.0
Normalised net surplus/(deficit)	(3.3)	7.3
Employee benefit expense pressure	(7.7)	(8.2)
Non-employee benefit expense pressure	(0.8)	(9.9)
Expense Inflation	(7.1)	(8.1)
Income Inflation	(4.8)	(4.1)
Other downside (depreciation & funding)	(7.6)	(5.6)
Net exceptionals (non recurrent income & expense)	9.8	7.5
Activity growth	3.0	(2.8)
Casemix/other	8.6	8.0
CIP/efficiencies	30.1	32.1
Net service developments		2.6
Other revenue	(12.8)	(9.4)
Normalised net surplus/(Deficit)	7.3	9.4
Non recurrent income & expense	0.5	(4.0)
Impairments	(7.0)	(10.0)
Net Surplus/(Deficit)	0.8	(4.6)

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Three categories show material changes. The increase in expenses is related to the additional costs of increased activity and the activity growth is the income associated with this increased activity. The change in other revenue relates to over-performance and non-recurrent income.

CIPS

The historic and planned recurrent and non-recurrent efficiency savings are set out in the table below. The actual results are for the 5 months to 30 August 2013. The work streams include Procurement (£4.5m), Patient flow (£2.9m), Medicines Management (£2.1m) and Service Reconfiguration (£1.9m) to deliver these savings in 2013-14.

	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	CIPS	CIPS	CIPS	CIPS	CIPS	CIPS	CIPS	CIPS	CIPS	CIPS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Plan FY	Plan	Plan	Plan YTD	Plan FY	Plan	Plan	Plan	Plan	Plan
Recurrent	23.3	20.5	32.0	8.9	29.3	32.1	21.0	19.0	18.0	20.0
Non-Recurrent	-	-	-	-	0.8	-	-	-	-	-
Total Planned CIPS	23.3	20.5	32.0	8.9	30.1	32.1	21.0	19.0	18.0	20.0
Planned CIPS as % of Income	5.3%	3.6%	5.3%	3.5%	5.5%	6.5%	4.2%	3.7%	3.5%	3.7%
CIPS Achieved	2010/11	2011/12	2012/13	2013/14	2013/14					
	CIPS	CIPS	CIPS	CIPS	CIPS					
	£'000	£'000	£'000	£'000	£'000					
	Actual	Actual	Actual	Actual YTD	Actual					
Recurrent	23.3	20.5	32.0	9.5	29.3					
Non-Recurrent	-	-	-	-	0.8					
Total CIPS achieved	23.3	20.5	32.0	9.5	30.1					
% of Planned CIPS achieved	100%	100%	100%	106%	100%					

Quality impact assessments are undertaken as part of the sign off of all CIPS plans.

The detailed CIPS work streams for 2013/14 and 2014/15 are set out in the tables below.

2013/14

Workstream	£000's		
	Total	Non Recurrent	Recurrent
A&C workstream	715		715
Allied Health Professionals	528		528
Carbon Management	108		108
Coding and Clinical Networks	700		700
Education	1,500	53	1,447
Estate Rationalisation	739	739	0
Facilities & Estates General	509		509
HR Back Office	438		438
Imaging	233		233
IT	228		228
Management Costs	2,513		2,513
Medical Workforce	1,503		1,503
Medicines Management	2,101		2,101
Nursing Workstream	1,842		1,842
Outpatients	659		659
Pathology General	386		386
Pathology Hub	531		531
Patient Flow	3,499		3,499
Private Patient Income	1,134		1,134
Procurement	4,001		4,001
Service Reconfiguration	1,296		1,296
Soft FM	1,472		1,472
Theatres	1,902		1,902
Workforce Terms and Conditions	1,602		1,602
2013/14 Total	30,139	792	29,347

2014/15

Workstream	Total £000's
Procurement strategy	5,700
Pay terms and conditions	5,500
Management costs	3,877
Site reconfiguration	1,381
Length of Stay Scheduled Care	1,229
NHSLA & CNST level 2 discount	846
Service Development	651
Pharmacy procurement	500
Statutory Training budget	308
Radiology Business Development	300
Utilities and Energy	270
Growth (Private Patients)	233
Back Office - Bank	218
Growth (R&D)	188
Service redesign- Outpatients	162
Estates Rationalisation	152
Radiology MES	131
Pharmacy outpatient hub	125
Advance Job Planning CNS	125
RTT	125
Pathology veterinary health	120
IT (IP Telephony)	120
Pathology R&D	76
Pathology Breast Lymph Node Assay	70
IT (Commercialise in-source IT)	60
Back Office - Occ Health	54
Growth (Learning & Development)	46
IT (CCTV)	45
Hard FM	35
Security	28
Paper Post	20
Travel	18
IT N3 SIP	15
Clinical Correspondence	15
2013/14 Full year effects	9,387
2014/15 Total	32,128

Non Recurrent Income

The Trust receives non recurrent income for the 3Ts Core Team who work primarily on 3Ts design (Main Scheme and Decant), the OBC/FBC documents and process, procurement including Risk transfer, VAT planning, equipping and the overall change management of 3Ts.

Historical funding was from South East Coast SHA and commitment to the project team's costs over the life of the programme were reconfirmed in March 2012 by the Board of the NHS South of England and these also formed part of the DoH's approval of the 3Ts OBC. In transition to the new NHS structure, specific funding arrangements are being discussed at LAT/CFO level and 2013/14 costs have been paid by NHSE. The SHA and NHS Sussex committed to £16m over the life of the project.

Long Term Strategy

Main 3Ts Schemes

3Ts is the £420m redevelopment of the Royal Sussex County Hospital site, replacing some of the oldest buildings in the NHS with modern facilities which will also enable the Trust to further its development and status as a Major Trauma Centre. Much of the current accommodation is cramped and no longer appropriate for modern healthcare. Resizing existing facilities to modern NHS standards would require nearly double the overall floor area.

The specific strategic aims included in the 3Ts OBC are:

- i) Secondary Care Services : replace the outdated, pre-Nightingale inpatient wards and other accommodation in the Barry and Jubilee Buildings with modern, fit for purpose accommodation that enhances patient safety, privacy & dignity;
- ii) Regional Centre for Neurosciences : transfer the Regional Centre for Neurosciences (Hurstwood Park) from the PRH site onto the RSCH campus. This also provides additional clinical capacity to accommodate Sussex residents who currently have to be treated outside the county;
- iii) Sussex Cancer Centre : Expand the Sussex Cancer Centre to meet the growth in population, demand on services and to improve access for patients across Sussex who currently have to travel into London centres for radiotherapy and chemotherapy treatments;
- iv) Major Trauma :Provide and enhance bespoke clinical facilities for the Major Trauma Centre which will serve Sussex and the wider region and;
- v) Teaching & Training: Enhance facilities for teaching & training, in partnership with the Brighton & Sussex Medical School (BSMS), Universities of Brighton and Sussex, and the Health Education Kent, Surrey & Sussex (HEKSS).

In January 2012 Brighton & Hove City Council (BHCC) granted the redevelopment Full Planning Consent and the OBC was approved by the SHA (March 2012) and DH (May 2012) and is currently with HMT (submitted July 2012) and has recently been through an additional assurance process with the TDA.

3Ts Decant

The redevelopment has 3 Stages and Decant is a series of moves which will allow the completion of Stage 1 of the project. Decant is a significant and complex project in itself with multiple interdependencies but a key aspect of the plan is that there is no loss of service.

The Decant programme exists as an enabler for the 3Ts main scheme and the £33.68m Decant Capital Costs are part of the £420m. The Decant costs were presented in a separate FBC in order to obtain advance funding and ensure the overall programme was not adversely affected.

Through discussions with the South East Coast SHA it was agreed that certain of the Decant schemes (totalling £17.478m) could be prioritised as they would be completed regardless of 3Ts and there was greater urgency for change.

These prioritised schemes are the driver for this loan application and can be described as:

- Modular Build £9.9m – This Building will house departments currently based within the Nuclear Medicine building which per relevant agencies (Environment Agency and Medicines & Healthcare Products Regulatory Agency) should be closed. Nuclear Medicine was a temporary building built in 1970s and the agencies are happy that the modular build provides an adequate building until 3Ts Stage 1 is

operational. The modular build therefore allows the Trust to keep open its radiopharmacy services and allows cancer drugs to be produced and used on site. The building will provide Nuclear Medicine Department and radiopharmacy services, and will ensure continuity of MRI services, allowing imaging technology to be brought up to date in a fit for purpose environment. Imaging equipment is part of the Trust's 5 Year Capital Programme and will be funded by Trust Operational Capital and not this capital loan. There is a significant risk that the Environment Agency (EA) and Medicines & Healthcare Products Regulatory Agency (MHRA) will close the Trust's Nuclear Medicine Department and radiopharmacy service should this scheme not proceed. Investment in alternative accommodation for this service would therefore be required whether or not the 3Ts redevelopment proceeded. The agencies have indicated that the Stage 1 decant plan would provide suitable alternative accommodation pending the transfer of the service to the 3Ts Stage 1 building in 2018/19. This is on the critical path for the commencement of Stage 1 of 3Ts and an early start for this component will de-risk the critical path ahead of the approval of the main OBC.;

- The Thomas Kemp Tower Courtyard £6.78m – a 3 storey modular building above the Trust's A&E Department which replaces the Victorian Jubilee Wing (in-patient beds) with the attendant improvement to patient dignity by the increase in the number of single rooms in the modular solution. The courtyard will re-provide 26 beds and allows the Trust to close the Jubilee Wing for eventual demolition (building built 1887).
- Royal Alexandra Children's Hospital Audiology £0.8m – The decant solution transfers the paediatric audiology service from mixed adult/paediatric accommodation in Building 545 to a dedicated paediatric environment in the Royal Alexandra Children's Hospital, in line with the requirements of the National Service Framework. This will allow children to be seen in a more appropriate environment and audiology's old accommodation will eventually be demolished.

Preliminary work has been undertaken in relation to these schemes but the Trust is not contractually committed to the schemes.

The timetable for the approval process of the Main 3Ts FBC is as follows:

- May 14 - FBC into Trust approval pipeline
- May/Jun 14 - FBC approved by Trust
- Jun 14 - FBC submitted by Trust to TDA
- Jul 14 - GMP from PSCP followed by T&T evaluation process
- Sept 14 - FBC approved by TDA
- Nov 14 - FBC approved by HMT/DH/NHS England
- Feb 15 - Contract signed by Trust

Debt Servicing

The loan interest will be covered by the planned annual revenue surpluses. Loan repayments will be funded by depreciation and a resultant reduction to the capital programme which has been quality assessed to ensure that it is safe to reduce the capital programme.

Prudential Borrowing Code Ratios	Limits	Projected Maximum	Loan Output
Minimum dividend cover	1.0	5.0	5.3
Minimum interest cover	3.0	8.1	12.0
Minimum debt service cover	2.0	3.3	4.5
Maximum debt service to revenue	2.5%	2.5%	1.8%

The projected maximum values demonstrate that the loan is affordable with some headroom when compared to the minimum limits.

Cost of Development

The cost of this Decant development is financed entirely by the loan. It is proposed that this loan will be drawn down in four tranches to match the capital outlay. The loan drawdowns and repayments are set out in the table below:

Financial Year	Proposed New Debt with DH £000*	Scheme Name	Multidraw Capital Investment Loan Y/N	Expected Draw Date of each Draw	Term	Principal Annual Repayment £000s
2013-14	2,314	Decant	Y	Jan 14	25	92
2014-15	5,685	Decant	Y	Apr 14	25	228
2014-15	4,804	Decant	Y	Jul 14	25	192
2014-15	4,675	Decant	Y	Oct 14	25	188
Total	17,478	Total Annual Principal of proposed new debt				700

Capital Funding

The capital funding sources and the material capital expenditure schemes are shown in the tables below.

	2013-14 £000s	2014-15 £000s
Capital expenditure:	Forecast	Forecast
3Ts Main Scheme	2,243	12,557
Decant Schemes	2,314	15,164
3 rd Cardiac Theatre	3,653	
St Marys	6,772	
Estates	4,331	4,119
Medical Equipment	1,619	5,466
IM&T	3,854	3,684
Service Development	16,998	12,564
Gross Capital Expenditure	41,784	53,554

	2013-14 £000s	2014-15 £000s
	Forecast	Forecast
Sources of Capital Funding:		
Depreciation (assuming planned investment made)	22,600	24,700
Loans	2,314	15,164
PDC	1,000	15,500
Cash receipts from asset sales/Donations	5,616	500
Loan Carry Forward from Prior Year	11,481	
Other	(1,227)	(2,310)
Total	41,784	53,554

With our partners

Internal Governance

The loan proposal has been reviewed and approved by the Hospital Management Board, the Finance and Workforce Committee, which has specific responsibility for strategic financial matters and the Trust capital investment planning, and the full Trust Board.

Yours faithfully



Karen Geoghegan
Interim Chief Financial Officer

INDEPENDENT TRUST FINANCING FACILITY

BRIGHTON AND SUSSEX UNIVERSITY HOSPITALS NHS TRUST

LOAN APPLICATION

Section 2

Presented by : NHS Trust Development Authority

HISTORIC FINANCIAL INFORMATION
BRIGHTON & SUSSEX UNIVERSITY NHS TRUST

STATEMENT OF COMPREHENSIVE INCOME	2010/11 £m	2011/12 £m	2012/13 £m
Mandatory Clinical Revenue	360.6	379.4	403.9
Non Mandatory Clinical Revenue	10.9	9.2	9.2
Other Operating income	68.7	76.8	83.2
Total Operating Revenue and Income	440.1	465.4	496.3
Total Operating Expenses	(410.6)	(437.1)	(463.9)
Operating Surplus / (deficit)	29.5	28.3	32.4
Adjustment for donated asset income	(0.9)	(0.4)	-
EBITDA	28.6	27.9	32.4
<i>EBITDA margin</i>	<i>7%</i>	<i>6%</i>	<i>7%</i>
Non-Operating income			
Gain/(loss) on asset disposals	-	(0.1)	0.4
Other Non-Operating income	-	-	-
Non-Operating expenses			
Impairment Losses (Reversals) net	(16.0)	(16.0)	(3.2)
Total Depreciation & Amortisation	(15.1)	(18.0)	(19.7)
Interest expense on overdrafts	0.0	0.1	(0.2)
Total interest payable on Loans and leases	(2.8)	(2.6)	(2.5)
PDC Dividend	(7.7)	(7.8)	(7.3)
Other Non-Operating expenses	-	-	-
Net Surplus/(Deficit)	(12.1)	(16.2)	(0.0)
<i>Net margin</i>	<i>-3%</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	264.1	252.9	251.7
Property, plant & equipment (PFI)	33.0	33.1	32.5
PFI Other Assets	-	-	-
Investments, Non-Current	-	-	-
Trade and Other Receivables, Net, Non-Current (including prepayments)	-	-	-
Other Assets, Non-Current	2.8	3.3	3.3
Total Non-Current Assets	299.9	289.4	287.5
CURRENT ASSETS			
Inventories	7.1	7.3	8.1
NHS Trade Receivables, Current	25.2	14.9	4.2
Non NHS Trade Receivables, Current	3.6	3.0	0.1
Other Receivables, Current	3.3	1.4	1.4
Other Financial Assets, Current (e.g. accrued income)	2.5	10.3	8.7
Prepayments, Current, PFI related	-	-	-
Prepayments, Current, non-PFI related	2.1	3.0	4.3
Cash and Cash Equivalents	10.0	14.9	37.7
Other Assets, Current	-	7.1	5.6
Total Current Assets	53.9	61.8	70.2
CURRENT LIABILITIES			
Bank Overdraft and Working Capital Facility	-	-	-
Interest-Bearing Borrowings , Current (including accrued interest)	-	(3.3)	(3.8)
Deferred Income, Current	(2.9)	(3.7)	(5.6)
Provisions, Current	(0.2)	(0.7)	(1.0)
Trade Payables, Current	(19.0)	(19.2)	(12.6)
Other Payables, Current	(9.2)	(8.8)	(9.4)
Capital Payables, Current	(22.5)	(5.2)	(1.4)
Accruals, Current	(8.1)	(18.9)	(25.5)
Payments on Account	-	-	-
Finance Leases, Current	(0.2)	(0.1)	-
PDC dividend Payable, Current	0.2	(0.2)	-
Other Liabilities, Current	(1.5)	(1.3)	(1.5)
Total Current Liabilities	(63.5)	(61.3)	(60.8)
NET CURRENT ASSETS (LIABILITIES)	(9.6)	0.5	9.4
NON CURRENT LIABILITIES			
Interest-Bearing Borrowings, Non-Current	-	(10.2)	(20.9)
Deferred Income, Non-Current	-	-	-
Provisions, Non-Current	(2.6)	(2.8)	(3.5)
Trade and Other Payables, Non-Current	0.0	-	-
Finance Leases, Non-current	(0.1)	-	-
Other Liabilities, Non-Current	(38.5)	(37.1)	(35.6)
Total Non-Current Liabilities	(41.2)	(50.2)	(60.0)
TOTAL ASSETS EMPLOYED	249.1	239.6	236.8
TAXPAYERS' EQUITY			
Public dividend capital	230.4	234.7	234.9
Retained Earnings (Accumulated Losses)	(8.8)	(23.8)	(23.8)
Charitable Funds	-	-	-
Donated asset reserve	-	-	-
Revaluation reserve	27.5	28.7	25.7
Miscellaneous Other Reserves	-	-	-
TOTAL TAXPAYERS EQUITY	249.1	239.6	236.8

STATEMENT OF CASH FLOWS	2010/11 £m	2011/12 £m	2012/13 £m
Operating Surplus / (Deficit)	29.5	28.3	32.4
Other increases/(decreases) to reconcile to profit/(loss) from operations	(0.9)	(1.1)	2.6
Operating cash flows before movements in working capital	28.6	27.3	35.0
Movement in working capital:			
(Increase)/decrease in Inventories	(0.0)	(0.1)	(0.9)
(Increase)/decrease in NHS Trade Receivables	(8.6)	10.3	10.7
(Increase)/decrease in Non NHS Trade Receivables	(1.5)	(1.4)	2.2
(Increase)/decrease in other Receivables	(1.3)	1.9	0.0
(Increase)/decrease in Other financial assets (e.g. accrued income)	0.3	(7.7)	1.5
(Increase)/decrease in Prepayments	(1.1)	(0.9)	(1.3)
(Increase)/decrease in Other assets	0.3	(0.5)	(0.0)
Increase/(decrease) in Deferred Income & Payments on account	2.9	0.8	1.9
Increase/(decrease) in Provisions	(0.6)	2.5	1.0
Increase/(decrease) in Trade Payables	2.3	0.2	(6.6)
Increase/(decrease) in Other Payables	1.1	(0.4)	0.5
Increase/(decrease) in PDC Dividend Payable	-	-	-
Increase/(decrease) in Accruals	(8.8)	11.8	4.0
Increase/(decrease) in Other liabilities	-	-	-
Increase/(decrease) in working capital	(15.1)	16.4	13.2
Increase/(decrease) in Non Current Provisions	(0.3)	0.2	0.7
Net cash inflow/(outflow) from operating activities	13.2	43.9	48.9
Cash flow from investing activities			
Property, plant and equipment expenditure	(27.2)	(45.0)	(27.9)
Proceeds on disposal of property, plant and equipment	0.0	-	1.9
Net cash inflow/(outflow) from investing activities	(27.1)	(45.0)	(26.0)
CF before Financing	(14.0)	(1.1)	22.9
Cash flow from financing activities			
Public Dividend Capital received	40.1	12.3	0.2
Public Dividend Capital repaid	-	(8.0)	-
Dividends paid	(8.1)	(7.8)	(7.3)
Interest (paid) on Loans and Leases	(0.3)	(2.6)	(2.6)
Interest (paid) on bank overdrafts and working capital facilities	(2.5)	-	-
Interest received on Cash and Cash Equivalents	0.0	0.1	(0.2)
Drawdown of Loans and Leases	10.0	15.0	14.4
Repayment of Loans and Leases	(19.1)	(3.2)	(4.7)
Other cash flows from financing activities	-	-	-
Net cash inflow/(outflow) from financing	20.2	5.7	(0.1)
Taxes paid	-	-	-
Net cash outflow/inflow	6.9	4.6	22.8

	2011/12	2012/13
Risk Rating Metrics		
EBITDA Margin	6.0%	6.5%
EBITDA % Achieved	78.7%	99.6%
NRAF (Net return after financing)	-0.2%	0.9%
I&E Surplus Margin	0.0%	0.6%
Liquid Ratio	24.9	25.8
Overall FRR	3	3

FORECAST FINANCIAL INFORMATION
BRIGHTON & SUSSEX UNIVERSITY NHS TRUST

Loan assumption

STATEMENT OF COMPREHENSIVE INCOME	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Mandatory Clinical Revenue	410.6	416.5	421.8	430.3
Non Mandatory Clinical Revenue	11.1	10.9	10.8	10.8
Other Operating Income	68.4	66.8	67.5	67.7
Total Operating Revenue and Income	490.1	494.3	500.1	508.7
Total Operating Expenses	(449.4)	(453.3)	(456.9)	(464.2)
Operating Surplus / (deficit)	40.7	41.0	43.2	44.5
Adjustment for donated asset income	-	-	-	-
EBITDA	40.7	41.0	43.2	44.5
<i>EBITDA margin</i>	<i>8%</i>	<i>8%</i>	<i>9%</i>	<i>9%</i>
Non-Operating income				
Gain/(loss) on asset disposals	-	-	-	-
Other Non-Operating income	-	-	-	-
Non-Operating expenses				
Impairment Losses (Reversals) net	(7.0)	(10.0)	(4.6)	(3.0)
Total Depreciation & Amortisation	(22.6)	(24.7)	(25.4)	(24.3)
Interest expense on overdrafts	0.1	0.1	0.1	0.1
Total interest payable on Loans and leases	(3.4)	(3.6)	(3.5)	(3.4)
PDC Dividend	(7.1)	(7.4)	(8.7)	(10.9)
Other Non-Operating expenses	-	-	-	-
Net Surplus/(Deficit)	0.8	(4.6)	1.1	2.9
<i>Net margin</i>	<i>0%</i>	<i>-1%</i>	<i>0%</i>	<i>1%</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	266.2	283.2	308.7	370.0
Property, plant & equipment (PFI)	31.8	31.1	30.9	30.3
PFI Other Assets	-	-	-	-
Investments, Non-Current	-	-	-	-
Trade and Other Receivables, Net, Non-Current (including prepayment:	-	-	0.0	0.1
Other Assets, Non-Current	3.4	3.4	3.4	3.4
Total Non-Current Assets	301.4	317.8	343.0	403.8
CURRENT ASSETS				
Inventories	8.9	8.8	8.8	8.8
NHS Trade Receivables, Current	5.4	5.2	5.9	7.2
Non NHS Trade Receivables, Current	0.7	7.9	6.3	6.3
Other Receivables, Current	3.1	3.1	3.1	3.1
Other Financial Assets, Current (e.g. accrued income)	6.2	6.2	6.2	6.2
Prepayments, Current, PFI related	-	-	-	-
Prepayments, Current, non-PFI related	2.4	2.4	2.9	3.0
Cash and Cash Equivalents	35.4	29.5	29.5	27.6
Other Assets, Current	1.7	1.7	1.7	1.7
Total Current Assets	63.8	64.9	64.3	63.9
CURRENT LIABILITIES				
Bank Overdraft and Working Capital Facility	-	-	-	-
Interest-Bearing Borrowings , Current (including accrued interest)	(4.5)	(4.5)	(3.0)	(1.5)
Deferred Income, Current	(2.2)	(2.2)	(2.2)	(2.2)
Provisions, Current	(1.0)	(1.1)	(1.1)	(1.1)
Trade Payables, Current	(11.2)	(23.6)	(18.5)	(16.5)
Other Payables, Current	(10.8)	(10.7)	(10.2)	(9.2)
Capital Payables, Current	(7.0)	(7.6)	(13.3)	(12.3)
Accruals, Current	(17.8)	(17.8)	(17.3)	(16.3)
Payments on Account	-	-	-	-
Finance Leases, Current	-	-	-	-
PDC dividend Payable, Current	-	-	-	-
Other Liabilities, Current	(1.8)	(1.2)	(1.5)	(1.5)
Total Current Liabilities	(56.3)	(68.8)	(67.2)	(60.7)
NET CURRENT ASSETS (LIABILITIES)	7.5	(3.9)	(2.9)	3.2
NON CURRENT LIABILITIES				
Interest-Bearing Borrowings, Non-Current	(33.5)	(28.9)	(25.9)	(24.4)
Deferred Income, Non-Current	-	-	-	-
Provisions, Non-Current	(2.9)	(2.4)	(2.4)	(2.4)
Trade and Other Payables, Non-Current	-	-	-	-
Finance Leases, Non-current	-	-	-	-
Other Liabilities, Non-Current	(34.0)	(33.1)	(32.2)	(31.1)
Total Non-Current Liabilities	(70.3)	(64.4)	(60.5)	(57.8)
TOTAL ASSETS EMPLOYED	238.6	249.5	279.6	349.2
TAXPAYERS' EQUITY				
Public dividend capital	235.9	251.4	280.5	347.1
Retained Earnings (Accumulated Losses)	(23.1)	(27.6)	(26.6)	(23.7)
Charitable Funds	-	-	-	-
Donated asset reserve	-	-	-	-
Revaluation reserve	25.7	25.7	25.7	25.7
Miscellaneous Other Reserves	-	-	-	-
TOTAL TAXPAYERS EQUITY	238.6	249.5	279.6	349.2

STATEMENT OF CASH FLOWS	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Operating Surplus / (Deficit)	40.7	41.0	43.2	44.5
Other increases/(decreases) to reconcile to profit/(loss) from operations	-	-	-	-
Operating cash flows before movements in working capital	40.7	41.0	43.2	44.5
Movement in working capital:				
(Increase)/decrease in Inventories	(0.8)	0.1	-	-
(Increase)/decrease in NHS Trade Receivables	(1.2)	0.2	(0.6)	(1.3)
(Increase)/decrease in Non NHS Trade Receivables	(0.1)	(7.2)	1.7	(0.0)
(Increase)/decrease in other Receivables	(1.8)	-	-	-
(Increase)/decrease in Other financial assets (e.g. accrued income)	2.6	-	-	-
(Increase)/decrease in Prepayments	1.9	-	(0.5)	(0.1)
(Increase)/decrease in Other assets	(0.1)	-	-	-
Increase/(decrease) in Deferred Income & Payments on account	(3.4)	-	-	-
Increase/(decrease) in Provisions	(0.5)	0.1	-	-
Increase/(decrease) in Trade Payables	(1.5)	12.5	(5.2)	(2.0)
Increase/(decrease) in Other Payables	1.5	(0.1)	(0.5)	(1.0)
Increase/(decrease) in PDC Dividend Payable	-	-	-	-
Increase/(decrease) in Accruals	(7.7)	-	(0.5)	(1.0)
Increase/(decrease) in Other liabilities	-	-	-	-
Increase/(decrease) in working capital	(11.1)	5.5	(5.6)	(5.5)
Increase/(decrease) in Non Current Provisions	(0.7)	(0.5)	-	-
Net cash inflow/(outflow) from operating activities	28.9	46.1	37.5	39.0
Cash flow from investing activities				
Property, plant and equipment expenditure	(37.6)	(50.1)	(48.8)	(88.7)
Proceeds on disposal of property, plant and equipment	3.9	-	-	-
Net cash inflow/(outflow) from investing activities	(33.6)	(50.1)	(48.8)	(88.7)
CF before Financing	(4.7)	(4.1)	(11.3)	(49.7)
Cash flow from financing activities				
Public Dividend Capital received	1.0	15.4	29.1	66.7
Public Dividend Capital repaid	-	-	-	-
Dividends paid	(7.1)	(7.4)	(8.7)	(10.9)
Interest (paid) on Loans and Leases	(3.4)	(3.6)	(3.5)	(3.4)
Interest (paid) on bank overdrafts and working capital facilities	-	-	-	-
Interest received on Cash and Cash Equivalents	0.1	0.1	0.1	0.1
Drawdown of Loans and Leases	17.5	-	-	-
Repayment of Loans and Leases	(5.7)	(6.3)	(5.8)	(4.6)
Other cash flows from financing activities	-	-	-	-
Net cash inflow/(outflow) from financing	2.4	(1.8)	11.2	47.8
Taxes paid	-	-	-	-
Net cash outflow/inflow	(2.3)	(5.9)	(0.0)	(1.9)

	2013/14	2014/15	2015/16	2016/17
Risk Rating Metrics				
EBITDA Margin	8.3%	8.3%	8.6%	8.7%
EBITDA % Achieved	99.6%	100.0%	100.0%	100.0%
NRAF (Net return after financing)	2.5%	1.7%	1.7%	1.6%
I&E Surplus Margin	1.6%	1.1%	1.1%	1.2%
Liquid Ratio	34.1	34.9	25.6	26.0
Overall FRR	4	3	3	3

2014/15	2015/16	2016/17	2017/18	2018/19
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Inflation Assumptions

NHS Clinical Income

Protected Revenue Inflation

Elective

1 Base

-1.3%	-1.3%	0.0%	0.0%	0.0%
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Protected Revenue Inflation

Non elective

1 Base

-1.3%	-1.3%	0.0%	0.0%	0.0%
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Protected Revenue Inflation

Outpatient

1 Base

-1.3%	-1.3%	0.0%	0.0%	0.0%
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Protected Revenue Inflation

A&E

1 Base

-1.3%	-1.3%	0.0%	0.0%	0.0%
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Protected Revenue Inflation

Other clinical - Tariff

1 Base

-1.3%	-1.3%	0.0%	0.0%	0.0%
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Protected Revenue Inflation

Other clinical - Non Tariff

1 Base

-1.3%	-1.3%	0.0%	0.0%	0.0%
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Protected Revenue Inflation

Other block or Cost and Volume contract

1 Base

-1.3%	-1.3%	0.0%	0.0%	0.0%
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Protected Revenue Inflation

Other block or Cost and Volume contract

1 Base

-1.3%	-1.3%	0.0%	0.0%	0.0%
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Protected/Mandatory Clinical Income Inflation

Clinical Partnerships providing mandatory services (including S75 agreements)

1 Base

-1.3%	-1.3%	0.0%	0.0%	0.0%
-------	-------	------	------	------

Protected/Mandatory Clinical Income Inflation

Clinical income for the Secondary Commissioning of mandatory services

1 Base

1.3%	1.3%	2.6%	2.6%	2.6%
------	------	------	------	------

Protected/Mandatory Clinical Income Inflation

Other clinical income from mandatory services

1 Base

-1.3%	-1.3%	0.0%	0.0%	0.0%
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Non Protected/Non Mandatory Clinical income inflation

1 Base

-1.3%	-1.3%	0.0%	0.0%	0.0%
-------	-------	------	------	------

Other revenue Inflation

Education & training

1 Base

0.0%	0.0%	0.0%	0.0%	0.0%
------	------	------	------	------

Research & Development

1 Base

-1.0%	-1.0%	0.0%	0.0%	0.0%
-------	-------	------	------	------

Other revenue

1 Base

-1.0%	-1.0%	0.0%	0.0%	0.0%
-------	-------	------	------	------

Employee Benefit Expenses

1 Base

1.3%	1.3%	2.6%	2.6%	2.6%
------	------	------	------	------

Drug expenses

1 Base

2.6%	2.6%	3.9%	3.9%	3.9%
------	------	------	------	------

Clinical supplies and services expenses

1 Base

2.6%	2.6%	3.9%	3.9%	3.9%
------	------	------	------	------

Shared services expenses

1 Base

0.0%	0.0%	0.0%	0.0%	0.0%
------	------	------	------	------

CNST insurance

1 Base

0.0%	0.0%	0.0%	0.0%	0.0%
------	------	------	------	------

Other expenses

1 Base

3.6%	3.6%	4.9%	4.9%	4.9%
------	------	------	------	------

Unitary Charge indexation

1 Base

2.4%	2.4%	2.4%	2.4%	2.4%
------	------	------	------	------

Capex inflation

1 Base

2.0%	2.0%	2.0%	2.0%	2.0%
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Source : LTFM I_Infl

BRIGHTON & SUSSEX UNIVERSITY 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		4.9%	4.3%	4.3%	4.1%	3.5%
Activity/Capacity						
Elective	000's	62.6	63.7	64.6	65.5	66.6
Non elective	000's	47.9	47.2	47.6	47.9	48.6
Outpatient	000's	552.0	559.1	564.3	569.5	574.8
A&E	000's	159.9	163.1	166.4	169.7	173.1
Other clinical - Tariff	000's	0.0	0.0	0.0	0.0	0.0
Other clinical - Non Tariff	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
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	2.5	2.4	2.4	2.4	2.4
Average length of stay (exc Day Cases)	Days	5.4	5.3	5.1	5.0	5.0
Average Length of Stay (Non Elective)	Days	4.3	4.1	4.0	4.0	4.0
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	%	95%	95%	95%	95%	92%
Bed Occupancy (%) - Including leave	%	0%	0%	0%	0%	0%
Bed Occupancy (%) - Excluding leave	%	0%	0%	0%	0%	0%
Delayed discharges	%	2%	2%	2%	2%	2%
New to follow up outpatient ratio	%	202%	201%	199%	197%	196%
Readmission rate	%	14%	13%	13%	13%	12%
Bed numbers						
North Neuro		35.6	36.0	36.3	36.6	54.6
RSCH		519.7	531.9	535.8	539.1	542.0
PRH		248.9	250.7	252.2	253.7	253.2
SHE		3.0	3.1	3.1	3.1	3.2
RAH		35.9	37.0	37.3	37.5	37.7
SOTC		35.2	35.5	35.9	36.3	36.6
Total Bed numbers		878.4	894.4	900.6	906.3	927.3
Number of sites						
		9.0	9.0	9.0	9.0	9.0
Staff related:						
Staff Turnover	%	14%	13%	13%	13%	13%
Staff sickness rates (long term rate)	%	1%	1%	1%	1%	1%
Staff sickness rates (short term rate)	%	1%	1%	1%	1%	1%
Percentage of vacancies	%	6%	6%	6%	6%	6%
Number of consultant PA sessions per week	#	4,253.5	4,197.0	4,161.1	4,123.3	4,059.9
% of staff appraisals in last 12 months	%	72%	75%	77%	80%	82%
Overtime as % total employee benefit expense	%	0%	0%	0%	0%	0%
Catchment population (excluding tourists)	000's	1,665.0	1,679.0	1,693.0	1,707.0	1,721.0
Catchment population (at peak, i.e. including tourists)	000's	1,686.0	1,700.0	1,714.0	1,728.0	1,743.0
Backlog maintenance (expected levels of backlog in the forecast years)						
To be cleared within 5 years (real)	000's	7,921.0	5,948.0	7,181.0	4,913.0	3,363.0
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		7,921.0	5,948.0	7,181.0	4,913.0	3,363.0
Acute KPIs						
Theatre Utilisation	%	85%	85%	85%	85%	85%
Day Case Percentage (Day Cases/ Spells)	%	90%	90%	90%	90%	90%
Average Number of staff - Non Agency						
Consultant costs	WTE	425.4	419.7	416.1	412.3	406.0
GP costs	WTE	0.0	0.0	0.0	0.0	0.0
Dental consultant costs	WTE	0.0	0.0	0.0	0.0	0.0
Dental costs	WTE	0.0	0.0	0.0	0.0	0.0
Junior medical costs	WTE	536.6	528.9	525.0	519.8	509.4
Nursing, midwifery & health visitors - inpatient costs	WTE	2,121.9	2,072.3	2,043.1	2,024.9	1,996.7
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	775.0	765.3	760.3	753.5	737.6
Scientific, therapeutic, & technical costs	WTE	1,114.6	1,159.3	1,154.7	1,147.6	1,145.4
Non clinical staff costs	WTE	1,386.0	1,319.4	1,269.8	1,228.0	1,199.9
Total	WTE	6,359.5	6,264.9	6,169.1	6,086.0	5,995.0
CIPs						
CIP as a % of income	%	19.0%	23.1%	27.3%	31.9%	35.6%
CIP as a % of cost base	%	19.5%	24.2%	28.6%	33.3%	28.1%
In year CIP as a % of cost base	%	6.1%	4.6%	4.8%	5.2%	4.5%
Capex						
Maintenance Capex/ Deprn charge	£'000s	0.1	0.1	0.1	0.1	0.1
Total Capex/ Deprn charge	£'000s	2.0	2.1	3.4	3.2	3.5

SOURCE : O_KPI

PBA Assessment		Mar-14				
Loan Details		£m				
Loan Value	+	17				
Loan Term (yrs)	+	25				
Interest Rate Assumed (%)	+	3.1%				
Ratio Inputs		£m				
Total Revenue (adjusted)	+	490				
Revenue Available for Debt Service (adjusted)	+	41				
PDC Dividend (adjusted)	+	7				
Total Interest Expenditure (adjusted)	+	4				
Total Annual Debt Service (adjusted)	+	10				
Total Assets Employed	+	238.6				
PBA Individual Metric Testing						
		DH PBA	Proposed Debt	Scenario 1	Scenario 2	Scenario 3
Trust Existing Borrowing	£m	23	23	23	23	23
Incremental Borrowing	£m	35	17	36	176	957
Total Level of Trust Borrowing	£m	58	40	59	199	980
Debt to Capital Ratio	%	24%	17%	25%	83%	411%
Annual Interest Payable on Total Borrowing	£m	5.0	4.5	5.1	9.4	33.7
Annual Debt Service on Total Borrowing	£m	12.3	11.2	12.3	20.4	65.8
Tier 1 Individual Ratio Tests						
Dividend Cover (greater than)	1.0	5.0	5.1	5.0	4.4	1.0
Interest Cover (greater than)	3.0	8.1	9.1	8.1	4.3	1.2
Debt Service Cover (greater than)	2.0	3.3	3.6	3.3	2.0	0.6
Debt Service to Revenue (less than)	2.5%	2.5%	2.3%	2.5%	4.2%	13.4%