

INDEPENDENT TRUST FINANCING FACILITY

APPLICATION

Name of Trust: South Tyneside NHS Foundation Trust

Amount Proposed: £9,500,000

Date of application: 02 May 2014

Former Strategic Health Authority: North East

Main Commissioners: (£'000)	(2013)	South Tyneside PCT	£120,885	55.58%
		Sunderland Teaching PCT	£42,469	19.53%
		Gateshead PCT	£37,515	17.25%
		North East SHA	£4,780	2.20%
		Gateshead Health NHS FT	£1,522	0.70%
		Others	£10,308	4.74%
		Total Income	£217,479	100.00%

	Limit	Drawn	Maturity	Rate
Existing Loans (Finance Leases)	£21,000	£21,000	N/A	N/A
Total Existing:	£21,000	£21,000		
Amounts Proposed:	£9,500,000			
Total:	£9,521,000		36.94%	Tier 1

Purpose of new loan(s): Integrated Care Services Hub

Term of new loan(s): 10 Years

Repayment programme: Equal instalments of principal

Interest rate: National Loan Fund Rate currently 2.01%

Fees: Nil

Security/Covenants Negative pledge

Estimated Debt Capacity:				
Long Term (2.5x debt service:revenu	Tier 1	£25,775,967	Beds:	417
Working Capital (30 days OpEx)		£17,866,816		

Date of Authorisation: 01/01/05 Trust Type: Acute and specialist trust

Monitor Published Rating: Finance 4
Governance No evident concerns

Care Quality Commission Rating Meets all standards

Reference Cost Index (2010/11) 100 (MFF adjusted) 94 (Non-adjusted)

Ratios:	Required (Tier 1)	Projected (max)
Minimum dividend cover	>1x	2.16
Minimum interest cover	>3x	32.42
Minimum debt service cover	>2x	5.43
Maximum debt service / net revenue	<2.5%	0.52%
Debt / net assets		10%

South Tyneside NHS Foundation Trust (“South Tyneside”)

Covering Note

Introduction

South Tyneside is currently tendering for a ten year contract from South Tyneside Council to provide an Integrated Care Services Hub to support the development of an integrated care delivery plan for South Tyneside to deal with increased demand for adult care services resulting from an ageing demographic. To support delivery of this contract the Trust would need to borrow £9.5 million repayable over the life of the contract.

The Local Authority’s strategic aims for the Hub are to improve range, quality and co-ordination of services including Residential and Nursing care, Respite, Reablement, Day Services, Information and Advice, Carers Services and Care Management. In line with these goals, South Tyneside’s plans for the Hub will deliver a number of key outcomes supporting demand management of its own secondary care services including:

- Reducing inappropriate hospital and residential care admissions
- Providing better support to people with dementia in the community
- Enabling people to live in the community for longer

South Tyneside currently provides a range of services locally, including both hospital and community services. It sees this as a strategic opportunity to use core organisational and professional skills, both as a discreet provider and an added value service integrator, to address rising demand whilst improving care for older people. It will be partnering with Age UK for the provision of some of the less clinically based support.

The Trust has prepared a comprehensive application which is attached.

Summary Overview

South Tyneside is a relatively small acute Trust that doubled in size in 2011 through the acquisition of community services. Over the last three years the integration process coupled with national pressures on revenues has resulted in a fall in EBITDA from 7% to just under 4%, whilst liquidity has dropped from 40 days to 15 days through increasing creditors to maintain free cash at around £15mn. Pay costs are 10% higher than the norm which may reflect both the small size of the Trust’s acute activities and the recent integration of community services. Recognising the need for transformation, the Trust has engaged PwC on a performance related programme (“Perform”) to help identify future cost savings and maintain CIPs at around 4-5%.

The proposed Hub will add to the integration of South Tyneside’s community services and can almost be looked at as a standalone project assuming that the cash flows have been costed to generate a surplus, and are acceptable to South Tyneside Council. Nevertheless it should be noted that the building is depreciated over a 50 year life in the tender, not the 10 year contract life, and so there will be a net cash requirement to service the debt repayments over the term, and the benefit of a residual interest in the building at the end of the contract to support contract renewal.

It is difficult to predict how successful the Trust will be in continuing to deal with current financial pressures and the need to achieve a demanding CIP programme, but winning the tender will assist in diversifying income into a area to which it has already committed, namely community services, and will assist in strengthening the Trust's presence in this sector. There are also sensible arguments in respect of being more in control of demand management strategies for the Trust's own secondary care provision. There are also close links between the Trust and South Tyneside Council with common non-executive members.

Recommendation

On the face of it, the Trust can afford the debt service of the loan on historical cash flows, and the contract is priced to include interest costs and an element of the principal repayments through depreciation. The loan term of ten years is prudent in view of the contract term but, on the assumption that the building can be used to deliver community healthcare beyond the end of the contract, could always be extended in extremis. So although not entirely neutral, the investment is largely covered by the contract terms and will put the Trust in a favourable position to rebid the contract in due course.

Accepting that the Trust has financial pressures like many, this is a positive opportunity and should be supported. The loan is recommended for approval.

NR/30.04.14

15 April 2014

Mr N Rose
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Dear Mr Rose

Independent Trust Financing Facility – Application for Loan Finance

South Tyneside NHS Foundation Trust wish to apply for a loan to finance a new integrated care services hub details of which are as follows:

Scheme	Integrated Care Services Hub
Loan Application	£9.5 million
Repayment Period	10 years
Estimated interest rate	2.91% based upon April 2014 rates

1. Introduction

In September 2013 South Tyneside Council issued notification that it wished to commission an integrated care services hub and invited expressions of interest for the provision of this facility. The closing date for the invitation to submit the final tender is 24 April 2014 and it is expected that the Contract will be fully signed and the agreement in place with the successful bidder by 28 July 2014.

The development of integrated care delivery in South Tyneside is set against the national background of an ageing demographic, increased demand for adult care services and significant budgetary pressures in the public sector.

Between 2007 and 2011 the number of people diagnosed with dementia in South Tyneside rose from 800 to over 1,100. This rate of increase is steeper than neighbouring districts, the regional and national rates, and from an already higher prevalence rate. It is estimated that the number of people with dementia will increase 14% further by 2020 and 46% by 2030.

Whilst these trends present some significant challenges to our community there is an ambition and determination in the Council and amongst local partners to

seize the opportunity to transform the way health and social care services are delivered.

This will require focus in a number of key areas; prevention and early intervention, supporting people with long term conditions in their own homes, and tailoring care to meet a person's needs as they change over time. The commissioning of the Hub is a significant step that not only brings together a range of services in one place but for the first time will enable true "end to end" service integration.

The Trust provides a comprehensive range of services locally, including both hospital and community services. In the future our strategic direction as an organisation will see us making use of our core organisational and professional skills, both as a discreet provider and an added value service integrator, to address rising demand whilst improving care for older people.

The Hub will provide a range of high-quality services to adults, primarily older people, in South Tyneside. It will directly deliver a range of residential and nursing care services, whilst providing a high quality environment for a range of health and social care partners to deliver complementary services from one facility fully embodying South Tyneside Council's vision for integrated care.

The model includes care, support, information and advice, to meet a wider spectrum of care needs than has traditionally been available within one facility. The Hub provides a more integrated form of service provision than the traditional residential and nursing care services currently available within South Tyneside, incorporating a range of services and facilitating easy transition in, out, and between these services as an individual's care needs change.

An illustration of the range of services to be provided by the Hub, along with links to other complimentary services is shown in the diagram below.



The core services to be provided from the Hub are:

Reablement services (short stay beds)

The Local Authority is planning to relocate Perth Green Reablement services to the Hub – with the provision of 30 reablement beds.

Time to Think (TTT) (short stay beds)

There are 6 TTT beds identified within the Hub. These can be used to step down from hospital care or step up care from the community, for a short length of stay (up to 6 weeks). This service will ensure hospital admission is avoided, where it is not appropriate and release hospital beds earlier.

Respite beds (short stay beds)

There are currently no “planned” respite beds available in the Borough. During our consultation with key stakeholders this was flagged as a major issue in terms of supporting carers to plan a holiday, or sometimes even going into hospital. We will provide a hotel style facility to pre book respite beds in advance.

Long Stay Residential/Nursing/Elderly Mentally Infirm/End of Life Care

It is the ambition of the Local Authority to ensure that once a person requires 24 hour care they and their family will not have to undergo the trauma of moving accommodation as their care needs change i.e. move from residential to nursing care, to EMI care, as their dementia progresses or indeed for end of their life.

This 30 bedded facility will be flexible to meet the changing needs of the service users, and care for them in a safe environment with staffing levels and skills to meet the needs of all of the residents.

South Tyneside Council will fund the services provided by the Integrated Care Services Hub facility. It is expected that this funding will be from existing available monies as they plan to close the reablement facilities at Perth Green and a 30 bed residential nursing home at Connelly House.

As noted above one of the aims of the hub is to avoid hospital admissions which would impact on the Trust’s non elective income. However, commissioners are actively pursuing readmission reduction initiatives and schemes introduced within the Better Care Fund to enhance integrated working within community and social care in order to reduce emergency admissions to hospital. As a provider of both hospital and community services we are therefore uniquely placed to make a really meaningful contribution in this area.

South Tyneside NHS Foundation Trust’s proposal for the hub is a purpose built and innovatively designed community and virtual resource for older people in South Tyneside. It will be located on the North Eastern boundary of the existing South Tyneside District Hospital site.

South Tyneside NHS Foundation Trust is requesting a loan of £9.5m over a 10 year period to finance the estimated cost of the build and equipment for the hub. The Board of Directors have approved the application and the Board Resolution is enclosed.

2. Financial Position

South Tyneside NHS Foundation was authorised as a NHS Foundation Trust on 1 January 2005. With effect from 1st July 2011, community health services in Gateshead, South Tyneside and Sunderland transferred to South Tyneside NHS Foundation Trust from NHS South of Tyne and Wear as part of the Government's Transforming Community Services programme.

The Trust has a consistent history of delivering financial targets having delivered underlying surpluses for every year since authorisation, excluding exceptional costs for transformational schemes and the impact of revaluations.

Financial Year	Reported Surplus/ (deficit) £000	Impairments £000	Exceptional costs (restructuring/ redundancies) £000	Underlying surplus £000
2005/06	69	51		120
2006/07	880	250		1,130
2007/08	1,768	2,090		3,858
2008/09	(518)	295	767	544
2009/10	(949)	957		8
2010/11	463	(139)		324
2011/12	1,623	(77)		1,546
2012/13	(2,641)	1,204	2,326	889
2013/14 (Forecast)	(1,889)	902	573	(414)

The transfer of Community Services in 2011 resulted in the Trust's income doubling in size from £105m in 2010/11 to £218m in 2011/12. This has presented opportunities for the Trust to integrate pathways of care for community and acute services.

Whilst there is an underlying deficit forecast for 2013/14, the position includes £480k in relation to an accrual at the year end for PricewaterhouseCoopers LLP fees in relation to the "Perform" project. The investment made is on the basis that the schemes identified to date deliver savings of 5 times the cost of the fees moving into the next financial year. This is a key part of the CIP programme for 2014/15, details of which are included in section 5 below.

The Trust's future financial plans, as approved by the Board, include delivery of a £500k surplus each year.

3. Strategic Context & Background

Although a comparatively small provider of hospital services by today's standards, South Tyneside NHS Foundation Trust nonetheless is consistently ranked as one of the best by the organisations which inspect and regulate it. We ensure that patient safety and quality of care is at the forefront of our work, building on our achievements in 2013-14 which saw successful CQC inspections and multiple accreditations of achievements at service and organisational level.

As a provider of both hospital and community services the Trust is uniquely placed to make a really meaningful contribution in this area. The integration of services across health and social care is seen as a major opportunity to improve care for our population and to put in place the foundations of long term and sustainable change. There is no doubt that the current economic climate combined with increased pressure across public services means that integrated working and achieving the best we can using our collective power and responsibility will be an essential factor for the continued delivery of high quality services. We understand this and will continue to play our full part and indeed lead some of these initiatives. Particularly important will be the Trust's continued work with its partners in the development of the Better Care Fund within the three main localities that it serves and as a national pioneer in integrating health and social care and developing models of self care.

We also have long standing and well established partnership working arrangements in a number of clinical networks with other local provider Foundation Trusts. The Trust has partnered with Age UK on the Integrated Care Services Hub tender, and is identifying suitable partners for other upcoming tenders.

The Trust has no existing loans and whilst it is forecasting to have cash balances in the region of £15m at the end of 2013/14, utilisation of this cash to build the hub would restrict the Trust's ability to carry out the planned capital programme which is expected to consume all internally generated resources and would result in a reduction in the existing Continuity of Services Risk Rating of 4 to a 3 by the end of 2015/16.

4. Provision of South Tyneside Integrated Care Services Hub

Details of the proposal for the design, build and operation of the hub are included in the enclosed document.

The Trust recognises that in order to be competitive in relation to pay costs in this bid it would need to explore alternative options for provision of the service. It is therefore proposing to set up South Tyneside Integrated Care Limited (STIC Ltd), a wholly owned subsidiary of South Tyneside NHS Foundation Trust, focused on the delivery of the contract. The Hub will operate in line with our contractual requirements and that of the CQC by having robust financial, business contracting and quality assurance mechanisms to provide assurance to the STIC Ltd Board, the Trust Board and the Council.

A second Special Purpose Vehicle would be set up as a holding company to enable the organisation to be future proofed so that it could respond promptly to other business opportunities as they arise.

In setting up a subsidiary to deliver this contract we can build the capability to bid for delivery of integrated services into other parts of the North East, exporting best practice from the Hub and importing economic benefit back to South Tyneside.

Securing this contract with the Council is strategically important for the Trust's future. It will protect existing jobs and services and create new employment opportunities. In the Hub build process we will maximise the economic and social impact for the local community using local suppliers and targeting local recruitment. We wish to be seen as a beacon for best practice in delivering care to those with dementia, at whatever stage in their journey, and we plan to work with the University of Stirling to achieve accreditation for our work in this area.

The location of the Hub within the Trust site also provides opportunities for future developments. If successful these opportunities will be explored further.

In relation to the financials, additional revenue costs associated with this contract in relation to capital costs, estates and facility costs, servicing of the debt and other indirect costs would be recharged to STIC Ltd with the Trust making a contribution to its overheads as part of the transaction. STIC Ltd would employ the staff working directly into the Hub. The Trust anticipates receiving a contribution to its overheads in the region of £0.4m from the contract. A summary of the current financial assumptions in relation to the tender can be found in the supporting papers.

The tender value for the contract has been set based upon ensuring that STIC Ltd has sufficient income to meet all of its direct costs as well as those costs recharged by the Trust.

Based upon the information available within the Invitation to Submit Final Tenders, the inflator will be a maximum of a 1% inflationary increase from year 2 onwards. A correcting calculation will be made at years 4 and 8, if necessary, to account for actual CPI inflation.

The initial contract for the provision of the Hub is for a period of 10 years. In the event that the Trust was unsuccessful in securing the contract beyond that period the following options are available for the use of the building:

- Lease the building to the new provider ensuring all costs recovered
- Review the market for options for expanding into private nursing and residential facilities thereby creating new income streams
- Utilise the building as a centre of excellence for older people for the Trust, enhancing current facilities for privacy & dignity, promoting independence and providing a dementia friendly environment. This would enable other clinical services located in old, outlying buildings to be consolidated onto

the main hospital site enabling a more efficient service and reducing running costs from demolition of the old stock of buildings.

- Utilise the building for other purposes to enable older, less efficient accommodation to be vacated and demolished thereby reducing running costs (the Trust has a number of old, red brick buildings in use that are inefficient to occupy).

5. Transformation and CIP

The Trust has a strong track record of successful delivery of cost improvement targets since it became a Foundation Trust, evidenced in the table below.

Financial Year	Target £m	Delivery £m
2007/08	2.8	3.1
2008/09	4.3	4.5
2009/10	3.4	2.9
2010/11	3.3	3.8
2011/12	4.4	5.1
2012/13	10.6	10.2
2013/14 (projected)	12.5	11.2

As noted in section 2 the transfer of community services in 2011/12 resulted in income doubling in size. As a consequence of this the cost improvement plan targets have more than doubled and the target has not been met for the last two years largely due to the factors detailed below.

In addition to other planned schemes, work commenced in 2012/13 on the clinical restructure to streamline acute and community pathways of care and a comprehensive review of admin and clerical staff was undertaken with PricewaterhouseCoopers LLP. Work on these areas, along with a review of nursing and other corporate areas continued into 2013/14.

The restructures and staffing reviews were time consuming due to the process involved. Anticipated savings were identified from reductions in the number of staff employed and regrading of staff in some areas, however, a number of the affected staff were entitled to pay protection which reduced the amount that could be taken to CIP in both years. This protection will expire after 4 years for those staff under the age of 50 but will remain for those over 50 until they terminate their employment.

The Trust was faced with a number of challenges leading into 2013/14 due to the changes to Commissioners from NHS Reforms. Development of Patient Level Information Costing Systems and a review of Service Level Agreements with other Foundation Trusts were slower than expected as the Trust focused on securing all income streams in contracts with the new Commissioners in 2013/14.

As part of the rationalisation of the estate strategy the Trust purchased new office accommodation in 2012/13. Staff were moved from other leased premises into the new property to reduce rental costs. One of the CIP schemes in 2013/14 was to carry out work on rebasing of estates costs, however, this has been delayed due to availability of resource from NHS Property Services to progress the work.

The above factors resulted in slippage against these CIP schemes in to 2014/15

Of the forecast £11.2m CIP achieved for 2013/14, approximately 66% has been achieved on a recurrent basis. Progress against the target is reviewed by both the Financial Risk Management Group and the Transformation Board to ensure that savings are delivered on a recurrent basis wherever possible.

We have been faced with a very significant financial target to achieve a recurrent cost improvement plan approaching £15m in 2014/15. However, cost reductions of this scale cannot be achieved by simply doing more of the same.

To meet these challenges the Trust has implemented a major programme of change and modernisation in recent years. Our 'Choose Change -Driving Transformation Forward' programme has led to some very important strategic reshaping of services. Over the past two years we have looked at all aspects of how we deliver care, at how we organise our resources to support that care delivery and at the business systems and processes that underpin this important work. This has led to a new way of organising our staff teams into pathways of care supported by new working arrangements.

The Board now meets as a whole quarterly as a Transformation Board to review progress on the cost improvement programme and has overseen some really fundamental changes to the way we do things which have been identified by field staff delivering services. The Programme Management Office (PMO) team have been key to the success of the programme of transformation. The PMO ensures all projects in the pipeline demonstrate clarity on the size, source and allocation of any potential savings. They then consolidate this information and present a performance dashboard to Transformation Board that highlights exceptions, such that Transformation Board can gain a level of assurance that the programme remains on target overall. In addition to this, to ensure that the programme does not have an adverse impact on quality of care, we have ensured extensive clinical involvement in schemes throughout their development and implementation.

The Trust has been working with PricewaterhouseCoopers LLP during the year on the development of the "Perform" methodology which will continue to be implemented as a major element of our transformation programme. Essentially, Perform optimises what managers in the Trust do, how they do it and provides them with the tools / techniques to improve performance. It provides managers and their teams a framework that helps them and their teams act and behave differently and become equipped with capabilities and support needed to channel resources effectively and efficiently towards securing the Trusts vision and strategic objectives. Work carried out with pilots during 2013/14 has

demonstrated that Perform works and provided some confidence that it can help the Trust release between 15 – 20% of its capacity to be used to either generate additional income or reduce operating costs.

However, it is not just about reducing cost or increasing revenue; it is also about improving productivity, operational control, quality of service provided and importantly, employee engagement. Employees in the areas where Perform has been deployed as a way of working have embraced it and find it easier to do their jobs effectively. The Trust's experience of Perform so far has shown that it engages people, makes improvements quickly with no IT, acts as enabler to change and delivers organisation outcomes for the Trust such as reduced cost or increased income. For these reasons, Perform will be at the heart of our approach to driving up performance and quality of our services during 2014/15 and beyond. Further details on the roll out of Perform and the potential benefits are included in the supporting documentation.

We also have long standing and well established partnership working arrangements in a number of clinical networks with other local provider Foundation Trusts. The majority of our services are now closely linked with other providers to ensure that we each meet high standards of care, that services are safe and sustainable and that we work collaboratively to design care pathways for the future that are fit for purpose and provide our patients with equity of access to services provided in the best place to meet their needs by the right expert staff to achieve the best outcome for them. Whilst these partnerships are with a wide range of Trusts our principle collaboration has been with the two provider foundation Trusts South of Tyne in Gateshead and Sunderland. This work programme known locally as the Bigger Picture has seen a number of very important initiatives to secure local services of the right quality that are sustainable and affordable out into the future. Notably in 2013/14 we consolidated an innovative partnership model of stroke services built on a telemedicine model allowing patients to be diagnosed and treated locally without having to travel out of their area. This was enhanced by the provision of services across the work for Transient Ischaemic Attacks which had previously not been available to that extent. This is a good example of how by working in partnership we have been able to secure and extend local provision which otherwise would not have been possible.

Also during 2013/14 we implemented planned changes to pathology services as part of this programme with services in Sunderland transferring to a centralised model with a state of the art facility in Gateshead. Whilst locally each site will retain hot lab facilities for emergency and urgent tests this move will enable the joint development of pathology services that are second to none – another outstanding example of collaboration and mature partnership working. We have a number of ongoing partnership discussions of a similar nature which we expect to bear dividend in the coming year and increasingly see this networked approach as a fundamental aspect of the way we work to ensure high quality local service provision with appropriate access to specialist care.

6. Request for Funding

As demonstrated above the Trust has a proven track record of financial success.

If successful the contract to provide an integrated care services hub would be for 10 years. The hub has an estimated capital cost of £9.5m and the Trust is requesting a loan for that amount over the 10 year contract. If the Trust were unsuccessful in its application the loan would not be required. The loan would enable the Trust to retain its Continuity of Services Risk Rating of 4.

Additional revenue costs associated with this contract, including financing of it, would be recharged to STIC Ltd with the Trust receiving a contribution to its overheads as part of the transaction.

The Foundation Trust is confident that it can meet the debt service requirements associated with this loan and retain significant margins against the limits set down. This is demonstrated in the table below.

Ratios:	Limits	Projected Max
Minimum Dividend Cover (min)	>1	2.99
Minimum Interest Cover (min)	>3	30.66
Minimum Debt Service Cover (min)	>2	7.02
Maximum Debt Service to Revenue (max)	<3%	0.57
Debt/Net assets		10%

7. Summary

As a provider of both hospital and community services South Tyneside NHS Foundation Trust is uniquely placed to make a really meaningful contribution in the integration of services across health and social care.

We have an ambition to develop a centre of excellence for ageing in South Tyneside that evidences best practice, stimulates local innovation and attracts investment and the best talent. This would be an important development for the Trust also creates a growth opportunity for the Trust to replicate its delivery of integrated services into other parts of the North East.

In support of our application we have enclosed the following documentation:

- Enc 1 Proposal for the design, build and operation of South Tyneside Integrated Care Services Hub
- Enc 2 Financial Summary for the Hub
- Enc 3 South Tyneside FT Financial Information & Plan for 2013/14 to 2015/16
- Enc 4 Details of the "Perform" programme
- Enc 5 Annual Accounts for 2012/13
- Enc 6 Board Resolution for the application of the loan on 1 April 2014

Please do not hesitate to contact me if you require any further information in support of this application. I look forward to hearing from you.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M. Robson', with a long horizontal stroke extending to the left.

Mike Robson
Director of Finance and Corporate Governance

South Tyneside NHS Foundation Trust

Enc 3

Annual Accounts

	2010/11 £000	2011/12 £000	2012/13 £000
Operating income	105,022	217,662	217,479
Operating expenses	(101,846)	(213,143)	(217,372)
Operating surplus	3,176	4,519	107
Finance costs			
Finance income	79	84	82
Finance cost - financial liabilities	(16)	(12)	(9)
Finance cost - unwinding of discount and change in discount rate on provisions	(8)	(22)	(24)
PDC dividends payable	(2,768)	(2,946)	(2,797)
Net finance costs	(2,713)	(2,896)	(2,748)
(DEFICIT)/SURPLUS FOR THE YEAR	463	1,623	(2,641)
Other comprehensive income:			
Impairments	0	0	(1,817)
Revaluations	4,282	906	0
Receipt of donated assets	437	0	0
Public Dividend Capital Received in Year	0	0	267
Assets Held for Sale impaired to the revaluation reserve	0	0	(35)
Other reserve movements	(122)	0	0
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE YEAR	5,060	2,529	(4,226)

NON-CURRENT ASSETS			
Intangible assets	110	152	183
Property plant and equipment	88,505	90,113	88,654
Trade and other receivables	492	598	602
Total non-current assets	89,107	90,863	89,439
CURRENT ASSETS			
Inventories	1,551	1,868	2,027
Trade and other receivables	3,425	8,068	5,452
Non-current assets held for sale	383	265	230
Cash and cash equivalents	17,499	19,859	20,271
Total current assets	22,858	30,060	27,980
CURRENT LIABILITIES			
Trade and other payables	(7,477)	(14,438)	(13,147)
Borrowings	(1)	(5)	(8)
Provisions	(1,066)	(904)	(2,780)
Other liabilities	(1,468)	(1,127)	(1,269)
Total current liabilities	(10,012)	(16,474)	(17,204)
NON-CURRENT LIABILITIES			
Borrowings	(25)	(20)	(13)
Provisions	(638)	(612)	(611)
Other liabilities - Govt Grant Reserve	(1,297)	0	0
Total non-current liabilities	(1,960)	(632)	(624)
TOTAL ASSETS EMPLOYED	99,993	103,817	99,591
TAXPAYERS' EQUITY			
Public dividend capital	42,206	42,206	42,473
Revaluation reserve	41,398	41,653	37,510
Donated Asset Reserve	1,855	0	0
Income and expenditure reserve	14,534	19,958	19,608
TOTAL TAXPAYERS' EQUITY	99,993	103,817	99,591

Note: 2010/11 was restated in 2011/12 to remove donated & government grant reserve

	2010/11 £000	2011/12 £000	2012/13 £000
Cash flows from operating activities			
Operating surplus	3,176	4,519	107
Non-cash income and expense:			
Depreciation and amortisation	4,306	4,613	4,888
Impairments	278	130	1,235
Reversals of impairments	(417)	(207)	(31)
Loss on disposal		8	36
Transfer from the donated asset reserve	(121)	0	0
Amortisation of government grants	34	0	0
(Increase)/Decrease in Trade and Other Receivables	(70)	(3,842)	2,595
(Increase)/Decrease in Inventories	(119)	(27)	(159)
(Decrease)/increase in trade and other payables	(810)	6,280	(935)
Increase/(decrease) in other liabilities	352	(341)	142
Increase/(decrease) in provisions	(653)	(341)	1,859
Movements in operating cash flow in respect of Transforming Community Services transaction	0	(630)	0
Other movements in operating cash flows	411	0	(11)
Net cash generated from operations	6,367	10,162	9,726
Cash flows from investing activities			
Interest received	76	88	81
Purchase of intangible assets	(105)	(76)	(77)
Purchase of property, plant and equipment	(6,709)	(4,797)	(6,808)
Sales of property, plant and equipment	118	139	12
Net cash used in investing activities	(6,620)	(4,646)	(6,792)
Cash flows from financing activities			
Public dividend capital received	0	0	267
Capital element of finance lease rental payments	2	(1)	(4)
Interest element of finance lease	(16)	(12)	(9)
PDC dividend paid	(2,384)	(3,143)	(2,776)
Net cash used in financing activities	(2,398)	(3,156)	(2,522)
Increase in cash and cash equivalents	(2,651)	2,360	412
Cash and cash equivalents at 1 April 2010/11/12	20,150	17,499	19,859
Cash and cash equivalents at 31 March 2011/12/13	17,499	19,859	20,271

RATIOS			
EBITDA Margin	7.02%	4.26%	3.80%
Surplus Margin	0.44%	0.75%	-1.21%
Average Return on Assets	1.59%	1.59%	-2.60%
Current Ratio	228%	182%	163%
Cashflow Ratio (Op Cash / Depreciation + Dividend)	103%	123%	107%
Capex Ratio (Capex / Depreciation)	157%	106%	141%
Gearing (LT Liabs / Net Assets)	2%	1%	1%
Liquidity	40	20	15
Capital Service Ratio	2.7	3.1	3.1
Liquidity Rating	4	4	4
Capital Service Rating	4	4	4
Overall Rating	4	4	4

South Tyneside NHS Foundation Trust
Planned Income Statement for SOUTHTYNSIDE

Enc 3

			Actual for	Plan for	Plan for	Plan for
	units	sense	Year ending 31-Mar-13	Year ending 31-Mar-14	Year ending 31-Mar-15	Year ending 31-Mar-16
Operating						
NHS Clinical Revenue						
NHS Community activity revenue						
Cost & Volume/PbR revenue, inpatient activity	£m	(+ve)		0.000	0.000	0.000
Cost & Volume/PbR revenue, outpatient activity	£m	(+ve)		0.000	0.000	0.000
Cost & Volume/PbR revenue, community based activity	£m	(+ve)	9.196	8.269	8.178	8.089
Block Contract revenue, inpatient activity	£m	(+ve)		0.000	0.000	0.000
Block Contract revenue, outpatient activity	£m	(+ve)		0.000	0.000	0.000
Block Contract revenue, community based activity	£m	(+ve)	96.878	83.386	82.538	81.617
Block Contract revenue, other activity	£m	(+ve)		0.000	0.000	0.000
NHS Community activity revenue, Total	£m	(+ve)	106.074	91.656	90.717	89.706
NHS Acute Activity Income						
Elective inpatients						
Tariff revenue	£m	(+ve)	5.119	5.324	5.265	5.207
Non-Tariff revenue	£m	(+ve)	0.194	0.125	0.124	0.122
Elective activity revenue, Total	£m		5.313	5.449	5.389	5.329
Elective day case patients (Same day)						
Tariff revenue	£m	(+ve)	8.318	8.194	8.104	8.015
Non-Tariff revenue	£m	(+ve)		0.027	0.026	0.022
Elective Day Case activity revenue, Total	£m		8.318	8.221	8.130	8.041
Non-Elective patients						
Tariff revenue	£m	(+ve)	33.907	30.748	30.410	30.075
Non-Tariff revenue	£m	(+ve)	1.755	0.570	0.562	0.555
Non-Elective activity revenue, Total	£m		35.662	31.318	30.972	30.631
Outpatients						
Tariff revenue	£m	(+ve)	13.387	10.238	10.125	10.014
Non-Tariff revenue	£m	(+ve)	0.508	0.128	0.127	0.125
Outpatients activity revenue, Total	£m		13.895	10.366	10.252	10.139
A&E						
Tariff revenue	£m	(+ve)	5.644	4.997	4.942	4.888
Non-Tariff revenue	£m	(+ve)		0.000	0.000	0.000
A&E activity revenue, Total	£m		5.644	4.997	4.942	4.888
Other NHS activity						
Tariff revenue	£m	(+ve)	1.735	5.627	5.565	5.504
Non-Tariff revenue	£m	(+ve)	26.812	29.768	28.516	27.815
Other NHS activity revenue, Total	£m		28.547	35.395	34.081	33.319
Total NHS Tariff income	£m		68.110	65.127	64.411	63.702
Total NHS Non-Tariff income	£m		29.269	30.618	29.355	28.643
NHS Acute Activity Income, Total	£m		97.379	95.745	93.766	92.346
Sub-total NHS Clinical Revenue	£m		203.453	187.401	184.482	182.051
Contract penalties or adjustments not included above	£m	(+ve)		0.000		
NHS Clinical Revenue, Total	£m		203.453	187.401	184.482	182.051
Non Mandatory/Non protected revenue						
Private patient revenue	£m	(+ve)	0.044	0.050	0.051	0.052
Other Non Mandatory/Non protected clinical revenue	£m	(+ve)	2.583	13.343	13.596	13.841
Non Mandatory/Non protected revenue, Total	£m		2.627	13.393	13.647	13.893
Other Operating Revenue						
Research and development revenue	£m	(+ve)	0.938	0.306	0.302	0.299
Education and training revenue	£m	(+ve)	4.843	4.205	4.205	4.205
PFI specific revenue	£m	(+ve)		0.000		
Donations received in cash & to fund Operating Expenses	£m	(+ve)	0.024	0.000		
Grants received in cash & to fund Operating Expenses	£m	(+ve)		0.000		
Donations & Grants received of PPE & intangible assets (see comment)	£m	(+ve)		0.000		
Donations & Grants received of cash to buy PPE & intangible assets (see comment)	£m		0.400	0.159		
Donations & Grants received of PPE & intangible assets	£m		0.400	0.159	0.000	0.000
Parking revenue	£m	(+ve)	0.348	0.380	0.399	0.419
Catering revenue	£m	(+ve)	0.600	0.598	0.624	0.655
Accommodation revenue	£m	(+ve)	0.053	0.000	0.000	0.000
Revenue from non-patient services to other bodies	£m	(+ve)	1.686	1.412	1.412	1.412
Misc. other operating revenue	£m	(+ve)	1.908	1.545	1.574	1.602
Other Operating revenue, Total	£m		10.400	8.445	8.516	8.592
Operating Revenue, IFRS, Total	£m		216.880	209.398	206.646	204.536
Operating Expenses						
Raw Materials and Consumables Used						
Drugs	£m	(-ve)	(5.840)	(5.745)	(5.782)	(5.881)
Clinical supplies	£m	(-ve)	(13.224)	(12.371)	(11.996)	(11.949)
Decrease (increase) in inventories of finished goods & WIP	£m	(-ve)		0.000		
Vehicle Fuel costs (ambulance trusts)	£m	(-ve)		0.000		
Non-clinical supplies	£m	(-ve)	(1.900)	(2.161)	(2.166)	(2.118)
Raw Materials and Consumables Used, Total	£m		(20.964)	(20.277)	(19.945)	(19.949)
Cost of Secondary Commissioning of mandatory services	£m	(-ve)		0.000		
Employee Expenses [was "Pay"]						
Employee expenses, permanent staff	£m	(-ve)	(153.856)	(148.728)	(146.891)	(145.152)
Employee expenses, agency & contract staff	£m	(-ve)	(3.880)	(0.514)	(0.448)	(0.444)
Employee Expenses, Total	£m	(-ve)	(157.736)	(149.243)	(147.339)	(145.596)
Research & Development expense	£m	(-ve)		0.000		
Education and training expense	£m	(-ve)	(0.308)	(0.549)	(0.565)	(0.585)
Consultancy expense	£m	(-ve)	(1.572)	(0.700)	(0.712)	(0.746)
Misc. other Operating expenses	£m	(-ve)	(27.945)	(30.372)	(29.986)	(29.563)
(Increase)/decrease in Provisions, Current and Non-Current, net	£m	(+/-ve)	0.299	0.000		
(Increase)/decrease in Impairment of receivables, Current and Non-Current, net	£m	(+/-ve)	(0.084)	0.000		
PFI operating expenses						
PFI unitary payment	£m	(-ve)		0.000		
IFRIC12 revenue/(expense) adjustment	£m	(+/-ve)		0.000		
Other PFI expenses	£m	(-ve)		0.000		
PFI operating expenses, total	£m	(-ve)	0.000	0.000	0.000	0.000
Operating Expenses within EBITDA, Total	£m		(208.310)	(201.141)	(198.547)	(196.439)

South Tyneside NHS Foundation Trust
Planned Income Statement for SOUTHTYNESIDE

			Actual for	Plan for	Plan for	Plan for
	units	sense	Year ending 31-Mar-13	Year ending 31-Mar-14	Year ending 31-Mar-15	Year ending 31-Mar-16
Depreciation and Amortisation						
Depreciation and Amortisation - purchased/constructed assets	£m	(-ve)	(4.705)	(4.790)	(4.791)	(4.791)
Depreciation and Amortisation - donated/granted assets	£m	(-ve)	(0.179)	(0.162)	(0.162)	(0.162)
Depreciation and Amortisation - owned assets			(4.884)	(4.953)	(4.953)	(4.953)
Depreciation and Amortisation - assets held under finance leases	£m	(-ve)	(0.004)	0.000		
Depreciation and Amortisation - PFI assets	£m	(-ve)		0.000		
Depreciation and Amortisation, Total			(4.888)	(4.953)	(4.953)	(4.953)
Impairment (Losses) / Reversals net - purchased/constructed assets	£m	(-ve)	(1.203)	0.000		
Impairment (Losses) / Reversals net - donated/granted assets	£m	(-ve)	(0.002)	0.000		
Impairment (Losses) / Reversals net (on non-PFI assets)			(1.205)	0.000	0.000	0.000
Impairment (Losses) / Reversals net on PFI assets	£m	(-/+ve)		0.000		
Restructuring Costs	£m	(-ve)	(2.326)	0.000		
Operating Expenses excluded from EBITDA, Total	£m	(-ve)	(8.419)	(4.953)	(4.953)	(4.953)
Operating Expenses IFRS, Total			(216.729)	(206.093)	(203.500)	(201.392)
Surplus (Deficit) from Operations			0.151	3.305	3.146	3.144
Non Operating						
Non-Operating income						
Finance Income [for non-financial activities]						
Gain (Loss) on Financial Instruments Designated as Cash Flow Hedges	£m	(+ve)		0.000		
Gain (Loss) on Derecognition of Available-for-Sale Financial Assets	£m	(+ve)		0.000		
Gain (Loss) on Derecognition of Non-Current Assets Not Held for Sale, Total	£m	(+ve)		0.000		
Gain (Loss) on Investments & Inv.Property (NOT charitable funds)	£m	(+ve)		0.000		
Interest Income	£m	(+ve)	0.081	0.083	0.083	0.083
Dividend Income	£m	(+ve)		0.000		
Share of profit (loss) from equity accounted Associates, Joint Ventures						
Share of Private Patient Income from equity accounted Associates, Joint Ventures	£m	(+ve)		0.000		
Share of non Private Patient Income from equity accounted Associates, Joint Venture	£m	(+ve)		0.000		
Share of expenses from equity accounted Associates, Joint Ventures	£m	(-ve)		0.000		
Share of profit (loss) from equity accounted Associates, Joint Ventures, Total	£m		0.000	0.000	0.000	0.000
Finance Income [for non-financial activities], Total	£m		0.081	0.083	0.083	0.083
Other Non-Operating income	£m					
Gain/(loss) on asset disposals	£m	(+/-ve)	(0.043)	0.000		
Gain/(loss) from transfer by absorption	£m	(+/-ve)		0.000		
Other Non-Operating income	£m	(+ve)		0.000		
Other Non-Operating income, Total	£m		(0.043)	0.000	0.000	0.000
Non-Operating income, Total	£m		0.038	0.083	0.083	0.083
Non-Operating expenses						
Finance Costs [for non-financial activities]						
Interest Expense						
Interest Expense on Overdrafts and Working Capital Facilities	£m	(-ve)		0.000		
Interest Expense on Bridging loans	£m	(-ve)		0.000		
Interest Expense on Non-commercial borrowings	£m	(-ve)		0.000		
Interest Expense on Commercial borrowings	£m	(-ve)		0.000		
Interest Expense on Finance leases (non-PFI)	£m	(-ve)	(0.009)	0.000		
Interest Expense on PFI leases & liabilities	£m	(-ve)		0.000		
Interest Expense, Total	£m		(0.009)	0.000	0.000	0.000
Other Finance Costs	£m	(-ve)	(0.024)	(0.022)	(0.022)	(0.022)
PDC dividend expense	£m	(-ve)	(2.797)	(2.706)	(2.706)	(2.706)
Finance Costs [for non-financial activities], Total	£m		(2.830)	(2.728)	(2.728)	(2.728)
Other Non-Operating expenses						
Non-Operating PFI costs (eg contingent rent)	£m	(-ve)		0.000		
Other Non-Operating expenses (developments)	£m	(-ve)		0.000	0.000	0.000
Misc Other Non-Operating expenses	£m	(-ve)		0.000		
Other Non-Operating expenses, Total	£m		0.000	0.000	0.000	0.000
Non-Operating expenses, Total	£m		(2.830)	(2.728)	(2.728)	(2.728)
Surplus (Deficit) before Tax	£m		(2.641)	0.659	0.501	0.499
Income Tax (expense)/ refund	£m	(-/+ve)		0.000		
Surplus (Deficit) After Tax	£m		(2.641)	0.659	0.501	0.499
Profit/(loss) from discontinued Operations, Net of Tax	£m	(+/-ve)		0.000		
Surplus (Deficit) After Tax from Continuing Operations	£m		(2.641)	0.659	0.501	0.499
Elements of Comprehensive Income						
Share of comprehensive income from associates and joint ventures	£m	(+/-ve)		0.000		
Revaluation gains/(losses) of donated/granted assets straight to reval reserve	£m	(+/-ve)	0.003	0.000		
Revaluation gains/(losses) of purchased/constructed assets straight to reval reserve	£m	(+/-ve)	0.180	0.000		
Revaluation gains/(losses) straight to revaluation reserve			0.183	0.000	0.000	0.000
(Impairments)/reversals of purchased/constructed assets straight to reval reserve	£m	(+/-ve)	(1.944)	0.000		
(Impairments)/reversals of donated/granted assets straight to reval reserve	£m	(+/-ve)	(0.056)	0.000		
Impairments/(reversals) straight to revaluation reserve			(2.000)	0.000	0.000	0.000
Fair Value gains/(losses) straight to reserves	£m	(+/-ve)		0.000		
Additions/(reduction) in "Other reserves"	£m	(+/-ve)		0.000		
Other recognised gains and losses	£m	(+/-ve)		0.000		
Actuarial gains/(losses) on defined benefit pension schemes	£m	(+/-ve)		0.000		
Elements of Comprehensive Income, Total			(1.817)	0.000	0.000	0.000
Total Comprehensive Surplus/(Deficit)			(4.458)	0.659	0.501	0.499
Memorandum lines						
Total Revenue	£m		216.918	209.481	206.729	204.619
Total Expenses	£m		(219.559)	(208.822)	(206.228)	(204.120)
Total Operating Revenue for EBITDA	£m		216.480	209.239	206.646	204.536
Total Operating Expenses for EBITDA	£m		(208.310)	(201.141)	(198.547)	(196.439)
EBITDA (for FRR calculation)	£m		8.170	8.098	8.099	8.097
Operating Surplus (Deficit)	£m		0.151	3.305	3.146	3.144

South Tyneside NHS Foundation Trust
Planned Income Statement for SOUTHTYNSIDE

Enc 3

		Actual for	Plan for	Plan for	Plan for
	units	Year ending	Year ending	Year ending	Year ending
	sense	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16
Surplus (Deficit) After Tax (for FRR calculation)	£m	(2.641)	0.659	0.501	0.499
Return After Financing (for FRR calculation)	£m	0.533	0.500	0.501	0.499

OTHER INFORMATION

Revenue Generation Programmes

Revenue Generation, net

£m	(+/-ve)		0.000		
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Cost Improvement Programmes

Pay Expense savings CIP recurrent

£m	(+/-ve)	3.045	6.162	5.366	5.050
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Pay Expense savings CIP non-recurrent

£m	(+/-ve)	2.638	2.654	2.547	2.377
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Pay Expense savings CIP, TOTAL

£m	(+/-ve)	5.683	8.816	7.913	7.427
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Drugs expense savings CIP recurrent

£m	(+/-ve)	0.015	0.207	0.229	0.202
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Drugs expense savings CIP non-recurrent

£m	(+/-ve)	0.112	0.071	0.100	0.096
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Drugs expense savings CIP, TOTAL

£m	(+/-ve)	0.127	0.278	0.329	0.298
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Clinical Supplies expense savings CIP recurrent

£m	(+/-ve)	0.266	0.422	0.720	0.462
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Clinical Supplies expense savings CIP non-recurrent

£m	(+/-ve)	0.106	0.136	0.208	0.196
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Clinical Supplies expense savings CIP

£m	(+/-ve)	0.372	0.558	0.928	0.658
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Non-clinical Supplies expense savings CIP recurrent

£m	(+/-ve)	0.338	0.077	0.069	0.121
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Non-clinical Supplies expense savings CIP non-recurrent

£m	(+/-ve)	0.059	0.050	0.046	0.044
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Non-clinical Supplies expense savings CIP

£m	(+/-ve)	0.397	0.127	0.115	0.165
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Misc. Other Operating Expenses CIP recurrent

£m	(+/-ve)	2.042	2.424	1.628	1.646
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Misc. Other Operating Expenses CIP non-recurrent

£m	(+/-ve)	1.609	0.331	0.532	0.496
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Misc. Other Operating Expenses CIP

£m	(+/-ve)	3.651	2.756	2.160	2.142
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Other expense savings CIP, recurrent

£m	(+/-ve)	0.000	0.000	0.000	0.000
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Other expense savings CIP non-recurrent

£m	(+/-ve)	0.000	0.000	0.000	0.000
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Other expense savings CIP

£m	(+/-ve)	0.000	0.000	0.000	0.000
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Cost Improvement Programmes, Total

		10.230	12.536	11.445	10.690
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MEMORANDUM lines

Private Patient Income, YTD, Total	0.044	0.050	0.051	0.052
Proxy for Patient Related Income, YTD, Total	206.080	200.794	198.129	195.944
Private Patient Income, YTD, %	0.0%	0.0%	0.0%	0.0%

PBC Calculations

Revenue available for debt service	8.651	8.340	8.182	8.180
Planned debt Interest expense (excl Bridging loans)	-0.009	0.000	0.000	0.000
PDC dividend payable	-2.797	-2.706	-2.706	-2.706
Revenue	216.480	209.239	206.646	204.536
CIP% of Op.Exp. less PFI Exp.	4.7%	5.9%	5.5%	4.9%

South Tyneside NHS Foundation Trust
Planned Statement of Position for SOUTH TYNESIDE

	units	sense	Actual at 31-Mar-13	Plan for 31-Mar-14	Plan for 31-Mar-15	Plan for 31-Mar-16
Assets						
Assets, Non-Current						
Intangible Assets, Net, Donated or granted	£m	(+ve)		0.000		
Intangible Assets, Net, Purchased or created	£m	(+ve)	0.183	0.133	0.079	0.025
Intangible Assets, Net			0.183	0.133	0.079	0.025
Property, Plant and Equipment, Net, Donated or granted	£m	(+ve)	1.732	1.698	1.501	1.313
Property, Plant and Equipment, Net, Purchased or constructed	£m	(+ve)	86.922	87.352	99.386	99.575
Property, Plant and Equipment, Net			88.654	89.050	100.887	100.888
Investment Property	£m	(+ve)		0.000		
Investments, Non-Current, Total	£m		0.000	0.000	0.000	0.000
Deferred Tax Assets	£m	(+ve)		0.000		
Trade and Other Receivables, Non-Current						
Other Receivables, Non-Current	£m	(+ve)	0.602	0.602	0.602	0.602
Trade and Other Receivables, Net, Non-Current, Total			0.602	0.602	0.602	0.602
Prepayments, Non-Current	£m	(+ve)	0.000	0.000	0.000	0.000
Other Financial Assets, Non-Current, Total			0.000	0.000	0.000	0.000
Off balance sheet PFI assets, Non-Current, Total			0.000	0.000	0.000	0.000
Other Assets, Non-Current, Total			0.000	0.000	0.000	0.000
Assets, Non-Current, Total			89.439	89.785	101.568	101.515
Assets, Current						
Inventories	£m	(+ve)	2.028	1.825	1.825	1.825
Current Tax Receivables	£m	(+ve)		0.000		
Trade and Other Receivables, Current						
NHS Trade Receivables, Current, Gross	£m	(+ve)	2.375	3.000	3.000	3.000
Non NHS Trade Receivables, Current, Gross	£m	(+ve)	0.231	0.300	0.300	0.300
Other related party receivables, Gross	£m	(+ve)	0.127	0.850	0.850	0.850
Other Receivables, Current, Gross	£m	(+ve)	1.695	1.733	1.733	1.733
Impairment of Receivables, Current (for bad & doubtful debts)	£m	(-ve)	(0.232)	(0.232)	(0.232)	(0.232)
Trade and Other Receivables, Net, Current, Total			4.196	5.651	5.651	5.651
Other Financial Assets, Current						
Accrued Income	£m	(+ve)	0.111	0.142	0.142	0.142
Derivatives and embedded derivatives assets, current	£m	(+ve)		0.000		
Available for Sale financial assets	£m	(+ve)		0.000		
PDC dividend overpayment receivable	£m	(+ve)	0.017	0.000		
Deposits and Investments (illiquid or non-'safe harbour')	£m	(+ve)		0.000		
Other Financial Assets, Current	£m	(+ve)		0.000		
Other Financial Assets, Current, Total			0.128	0.142	0.142	0.142
Prepayments, Current						
Prepayments, Current, PFI related not lifecycle assets	£m	(+ve)		0.000		
Prepayments, Current, PFI related for Lifecycle assets (only)	£m	(+ve)		0.000		
Prepayments, Current, non-PFI related	£m	(+ve)	1.128	1.128	1.128	1.128
Prepayments, Current, Total	£m		1.128	1.128	1.128	1.128
Cash and Cash Equivalents						
Cash with Government Banking Service	£m	(+ve)	20.253	16.763	17.710	18.395
Cash with commercial banks and in hand	£m	(+ve)	0.018	0.000		
Deposits and Investments (liquid and 'safe harbour')	£m	(+ve)		0.000		
Cash and Cash Equivalents, Total	£m		20.271	16.763	17.710	18.395
Other Assets, Current						
Non-Current Assets held for sale	£m	(+ve)	0.230	0.472	0.125	
Other Assets, Current	£m	(+ve)		0.000		
Other Assets, Current, Total			0.230	0.472	0.125	0.000
Assets, Current, Total	£m		27.981	25.981	26.581	27.141
ASSETS, TOTAL	£m		117.420	115.766	128.149	128.656
Liabilities						
Liabilities, Current						
Interest-Bearing Borrowings, Current						
Bank Overdraft	£m	(-ve)		0.000		
Drawdown in Committed Facility	£m	(-ve)		0.000		
Bridging loans, Current	£m	(-ve)		0.000		
Loans, non-commercial, Current (DH, FTFF, NLF, etc)	£m	(-ve)		0.000		
Loans, commercial, Current	£m	(-ve)		0.000		
Interest-Bearing Borrowings, Current, Total	£m		0.000	0.000	0.000	0.000
Non-Interest-Bearing Borrowings, Current	£m	(-ve)		0.000		
Deferred Income, Current	£m	(-ve)	(1.269)	(1.270)	(1.270)	(1.270)
Deferred Grant Income, Current	£m	(-ve)		0.000		
Provisions, Current	£m	(-ve)	(2.780)	(0.151)	(0.156)	(0.162)
Post-Employment Benefit Obligation, Current	£m	(-ve)		0.000		
Current Tax Payables	£m	(-ve)		0.000		
Trade and Other Payables, Current						
Trade Payables, Current	£m	(-ve)	(3.441)	(3.214)	(3.214)	(3.214)
Other Payables, Current	£m	(-ve)	(5.008)	(5.270)	(5.270)	(5.270)
Capital Payables, Current	£m	(-ve)	(0.189)	(0.524)	(0.405)	(0.408)
Trade and Other Payables, Current, Total	£m		(8.638)	(9.008)	(8.889)	(8.892)
Other Financial Liabilities, Current						
Accruals, Current	£m	(-ve)	(4.510)	(4.456)	(4.456)	(4.456)
Payments on Account	£m	(-ve)		0.000		
Finance Leases, Current	£m	(-ve)	(0.008)	(0.008)	(0.008)	(0.008)
PFI leases, Current	£m	(-ve)		0.000		

Planned Statement of Position for SOUTHTYNESIDE

	units	sense	Actual at 31-Mar-13	Plan for 31-Mar-14	Plan for 31-Mar-15	Plan for 31-Mar-16
PDC dividend payable, Current	£m	(-ve)		0.000		
Derivatives and embedded derivatives liabilities, current	£m	(-ve)		0.000		
Interest payable on bridging loans, current	£m	(-ve)		0.000		
Interest payable on non-commercial interest bearing borrowings, current	£m	(-ve)		0.000		
Interest payable on commercial interest bearing borrowings, current	£m	(-ve)		0.000		
Other Accrued Financial Liabilities, Current	£m	(-ve)		0.000		
Other Financial Liabilities, Current	£m	(-ve)		0.000		
Other Financial Liabilities, Current, Total	£m		(4.518)	(4.464)	(4.464)	(4.464)
Other Liabilities, Current						
Donation income deferred to future periods	£m	(-ve)		0.000		
Liabilities in disposal groups classified as held for sale	£m	(-ve)		0.000		
Other Accrued Liabilities, Current	£m	(-ve)		0.000		
Other Liabilities, Current	£m	(-ve)		0.000		
Other Liabilities, Current, Total	£m		0.000	0.000	0.000	0.000
Liabilities, Current, Total	£m		(17.205)	(14.893)	(14.779)	(14.788)
NET CURRENT ASSETS (LIABILITIES)	£m		10.776	11.088	11.802	12.353
Liabilities, Non-Current						
Interest-Bearing Borrowings, Non-Current						
Loans, Non-Current, non-commercial (DH, FTFF, NLF, etc)	£m	(-ve)		0.000		
Loans, Non-Current, commercial	£m	(-ve)		0.000		
Interest-Bearing Borrowings, Non-Current, Total	£m		0.000	0.000	0.000	0.000
Non-Interest-Bearing Borrowings, Non-Current	£m	(-ve)		0.000		
Deferred Income, Non-Current	£m	(-ve)		0.000		
Deferred Grant Income, Non-Current	£m	(-ve)		0.000		
Provisions, Non-Current	£m	(-ve)	(0.611)	(0.610)	(0.607)	(0.605)
Post-Employment Benefit Obligation, Non-Current	£m	(-ve)		0.000		
Deferred Tax liabilities	£m	(-ve)		0.000		
Trade and Other Payables, Non-Current						
Trade Creditors, Non-Current	£m	(-ve)		0.000		
Other Creditors, Non-Current	£m	(-ve)		0.000		
Trade and Other Payables, Non-Current, Total	£m		0.000	0.000	0.000	0.000
Other Financial Liabilities, Non-Current						
Finance Leases, Non-current	£m	(-ve)	(0.013)	(0.013)	(0.013)	(0.013)
PFI leases, Non-Current	£m	(-ve)		0.000		
Derivatives and embedded derivatives liabilities, non-current	£m	(-ve)		0.000		
Other Financial Liabilities, Non-Current	£m	(-ve)		0.000		
Other Financial Liabilities, Non-Current, Total	£m		(0.013)	(0.013)	(0.013)	(0.013)
Other Liabilities, Non-Current						
Donated Assets deferred Income, Non-Current	£m	(-ve)		0.000		
Other Liabilities, Non-Current	£m	(-ve)		0.000		
Other Liabilities, Non-Current, Total	£m		0.000	0.000	0.000	0.000
Liabilities, Non-Current, Total	£m		(0.624)	(0.623)	(0.620)	(0.618)
TOTAL ASSETS EMPLOYED	£m		99.591	100.250	112.750	113.250
Taxpayers' and Others' Equity						
Non Controlling interest (was Minority Interest)	£m	(+ve)		0.000		
Taxpayers Equity						
Public dividend capital	£m	(+ve)	42.473	42.473	54.473	54.473
Retained Earnings (Accumulated Losses)	£m	(+ve)	19.608	21.882	24.043	25.945
Charitable Funds	£m	(+ve)		0.000		
Other Reserves						
Pensions Reserve	£m	(+ve)		0.000		
Revaluation Reserve	£m	(+ve)	37.510	35.895	34.234	32.832
Available for Sale Reserve	£m	(+ve)		0.000		
Merger Reserve	£m	(+ve)		0.000		
Miscellaneous Other Reserves	£m	(+ve)		0.000		
Other Reserves, Total	£m		37.510	35.895	34.234	32.832
TAXPAYERS EQUITY, TOTAL	£m		99.591	100.250	112.750	113.250
TOTAL ASSETS EMPLOYED	£m		99.591	100.250	112.750	113.250
Memorandum lines						
Working Capital Facility						
Committed Working capital facility in place	£m	(+ve)	7.000	7.000	7.000	7.000
Figures for PBL calculation						
Planned Borrowings for PBL	£m	(+ve)	0.021	0.021	0.021	0.021
Figures for NRAF calculation						
Taxpayers' equity			99.591	100.250	112.750	113.250
Leases			0.021	0.021	0.021	0.021
Borrowings			0.000	0.000	0.000	0.000
Financing (for FRR calculation)			99.612	100.271	112.771	113.271
Figures for Liquidity calculation						
Cash for liquidity purposes			15.518	15.791	16.852	17.528

South Tyneside NHS Foundation Trust
Planned Cash Flow Statement for SOUTH TYNESIDE

	units	sense	Actual for Year ending 31-Mar-13	Plan for Year ending 31-Mar-14	Plan for Year ending 31-Mar-15	Plan for Year ending 31-Mar-16
Surplus/(deficit) after tax	£m		(2.641)	0.659	0.501	0.499
non-cash flows in operating surplus/(deficit)						
Tax expense	£m	(+ve)		0.000	0.000	0.000
Finance income/charges	£m	(+ve)	(0.049)	(0.060)	(0.060)	(0.060)
Share of profit/(loss) from equity accounted investments net of cash distributions received	£m	(+ve)		0.000		
Donations & Grants received of PPE & intangible assets (not cash)	£m	(+ve)		0.000		
Other operating non-cash movements	£m	(+ve)	0.030	(0.027)	(0.025)	(0.024)
Depreciation and amortisation, total	£m	(+ve)	4.887	4.953	4.953	4.953
Impairment losses/(reversals)	£m	(+ve)	1.205	0.000	0.000	0.000
Unrealised (gains)/losses on foreign currency exchange	£m	(+ve)		0.000		
Gain/(loss) on disposal of property plant and equipment	£m	(+ve)	0.032	0.000		
Gain/(loss) on disposal of intangible assets	£m	(+ve)	0.003	0.000		
Share of profit/(loss) from investments	£m	(+ve)		0.000		
PDC dividend expense	£m	(+ve)	2.797	2.706	2.706	2.706
Other increases/(decreases) to reconcile to profit/(loss) from operations	£m	(+/-ve)		0.000		
Non-cash flows in operating surplus/(deficit), Total			8.905	7.572	7.574	7.575
Operating Cash flows before movements in working capital			6.264	8.231	8.075	8.074
Increase/(Decrease) in working capital						
(Increase)/decrease in inventories	£m	(increase -ve)	(0.160)	0.203		
(Increase)/decrease in tax receivable	£m	(increase -ve)		0.000		
(Increase)/decrease in NHS Trade Receivables	£m	(increase -ve)	1.835	(0.625)		
(Increase)/decrease in Non NHS Trade Receivables	£m	(increase -ve)	0.633	(0.069)		
(Increase)/decrease in other related party receivables	£m	(increase -ve)	(0.127)	(0.723)		
(Increase)/decrease in other receivables	£m	(increase -ve)	0.275	(0.038)		
(Increase)/decrease in accrued income	£m	(increase -ve)	0.070	(0.031)		
(Increase)/decrease in other financial assets	£m	(increase -ve)		0.000		
(Increase)/decrease in prepayments	£m	(increase -ve)	(0.176)	0.000		
(Increase)/decrease in Other assets (non chartable assets)	£m	(increase -ve)	0.036	(0.242)	0.347	0.125
Increase/(decrease) in Deferred Income (excl. Govt Grants.)	£m	(increase +ve)	0.142	0.001		
Increase/(decrease) in Deferred Income (Govt. Grants)	£m	(increase +ve)		0.000		
Increase/(decrease) in Current provisions	£m	(increase +ve)	1.875	(2.630)	0.003	0.004
Increase/(decrease) in Trade Creditors	£m	(increase +ve)	(0.821)	(0.227)		
Increase/(decrease) in Other Creditors	£m	(increase +ve)	0.002	0.262		
Increase/(decrease) in accruals	£m	(increase +ve)	0.425	(0.054)		
Increase/(decrease) in other Financial liabilities	£m	(increase +ve)	0.002	0.000		
Increase/(decrease) in Other liabilities (non charitable assets)	£m	(increase +ve)		0.000		
Increase/(Decrease) in working capital, Total	£m		4.011	(4.173)	0.350	0.129
Increase/(Decrease) in Non-current Provisions				0.000		
Net cash inflow/(outflow) from operating activities	£m		10.275	4.058	8.424	8.204
Net cash inflow/(outflow) from investing activities						
Property - new land, buildings or dwellings	£m	(-ve)	(1.576)	0.000	(12.000)	0.000
Property - maintenance expenditure	£m	(-ve)	(0.541)	(0.813)	(0.926)	(2.650)
Plant and equipment - Information Technology	£m	(-ve)	(0.614)	(1.256)	(1.135)	(1.070)
Plant and equipment - Other	£m	(-ve)	(1.850)	(1.751)	(2.039)	(1.130)
Property, plant and equipment - other expenditure	£m	(-ve)		(0.243)	0.000	0.000
Proceeds on disposal of property, plant and equipment	£m	(+ve)	0.009	0.727	0.125	0.000
Purchase of investment property	£m	(-ve)		0.000	0.000	0.000
Proceeds on disposal of investment property	£m	(+ve)		0.000	0.000	0.000
Purchase of intangible assets	£m	(-ve)	(0.040)	0.000	0.000	0.000
Proceeds on disposal of intangible assets	£m	(+ve)		0.000	0.000	0.000
Expenditure on capitalised development	£m	(-ve)	(1.910)	(1.960)	(0.761)	(0.050)
Increase/(decrease) in Capital Creditors	£m	(-ve)	(0.949)	0.335	(0.119)	0.003
Net cash inflow/(outflow) from investing activities, Total	£m		(7.471)	(4.961)	(16.855)	(4.897)
Net cash inflow/(outflow) before financing	£m		2.804	(0.903)	(8.431)	3.307
Net cash inflow/(outflow) from financing activities						
Public Dividend Capital received	£m	(-ve)	0.267	0.000	12.000	
Public Dividend Capital repaid	£m	(-ve)		0.000		
PDC Dividends paid	£m	(-ve)	(2.776)	(2.689)	(2.706)	(2.706)
Interest element of finance lease rental payments - <i>other</i>	£m	(-ve)	(0.009)	0.000		
Interest element of finance lease rental payments - <i>On-balance sheet PFI</i>	£m	(-ve)		0.000		
Capital element of finance lease rental payments - <i>other</i>	£m	(-ve)	(0.005)	0.000		
Capital element of finance lease rental payments - <i>On-balance sheet PFI</i>	£m	(-ve)		0.000		
Interest received on cash and cash equivalents	£m	(+ve)	0.081	0.084	0.084	0.084
Movement in Other grants/Capital received	£m	(-ve)		0.000		
(Increase)/decrease in non-current receivables	£m	(-/+ve)	(0.005)	0.000		
Increase/(decrease) in non-current payables	£m	(+/-ve)		0.000		
Other cash flows from financing activities	£m	(+/-ve)		0.000		
Net cash inflow/(outflow) from financing activities, Total	£m		(2.447)	(2.605)	9.378	(2.622)
Net increase/(decrease) in cash	£m		0.357	(3.508)	0.947	0.685
Opening cash	£m		19.914	20.271	16.763	17.710
Effect of exchange rates	£m	(+/-ve)		0.000		
Closing cash	£m		20.271	16.763	17.710	18.395

South Tyneside NHS Foundation Trust

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Continuity of Service Shadow Risk Ratings (pilot indicators for 2013/14)

		Historic Year to 31-Mar-13	Plan for Year to 30-Jun-13	Plan for Year to 30-Sep-13	Plan for Year to 31-Dec-13	Plan for Year to 31-Mar-14	Plan for Year to 31-Mar-15	Plan for Year to 31-Mar-16
Debt Service Cover								
PDC dividend expense	from SoCI	(2.797)	(0.677)	(1.353)	(2.030)	(2.706)	(2.706)	(2.706)
Interest Expense on Overdrafts and Working Capital Facilities	from SoCI	-	-	-	-	-	-	-
Interest Expense on Bridging loans	from SoCI	-	-	-	-	-	-	-
Interest Expense on Non-commercial borrowings	from SoCI	-	-	-	-	-	-	-
Interest Expense on Commercial borrowings	from SoCI	-	-	-	-	-	-	-
Interest Expense on Finance leases (non-PFI)	from SoCI	(0.009)	-	-	-	-	-	-
Interest Expense on PFI leases & liabilities	from SoCI	-	-	-	-	-	-	-
Other Finance Costs	from SoCI	(0.024)	(0.005)	(0.011)	(0.016)	(0.022)	(0.022)	(0.022)
Non-Operating PFI costs (eg contingent rent)	from SoCI	-	-	-	-	-	-	-
Public Dividend Capital repaid	from SoCF	-	-	-	-	-	-	-
Repayment of bridging loans	from SoCF	-	-	-	-	-	-	-
Repayment of non-commercial loans	from SoCF	-	-	-	-	-	-	-
Repayment of commercial loans	from SoCF	-	-	-	-	-	-	-
Capital element of finance lease rental payments - On-balance sheet	from SoCF	-	-	-	-	-	-	-
Capital element of finance lease rental payments - other	from SoCF	(0.005)	-	-	-	-	-	-
		-2.835	-0.682	-1.364	-2.046	-2.728	-2.728	-2.728
Revenue available for Debt Service		8.651	1.034	3.692	5.535	8.340	8.182	8.180
Debt Service		-2.835	-0.682	-1.364	-2.046	-2.728	-2.728	-2.728
Debt Service Cover metric		3.05x	1.52x	2.71x	2.71x	3.06x	3.00x	3.00x
Debt Service Cover rating		4	2	4	4	4	4	4
Liquidity								
Cash for CoS liquidity purposes	from SoFP	8.518	7.434	7.532	7.843	8.791	9.852	10.528
Operating Expenses within EBITDA, Total	from SoCI	-208.310	-51.125	-100.932	-151.480	-201.141	-198.547	-196.439
Liquidity metric		14.7	13.1	13.4	14.0	15.7	17.9	19.3
Liquidity rating		4	4	4	4	4	4	4
Continuity of Service Risk Rating		4	3	4	4	4	4	4

key to scoring

Debt Service Cover 50%			
4	3	2	1
2.5	1.75	1.25	<1.25

key to scoring

Liquidity 50%			
4	3	2	1
-2	-7	-12	<-12

South Tyneside NHS Foundation Trust

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High level summary of financial plan of South Tyneside

Financial Summary £m	2012/13 Actuals	2013/14 Plan	2014/15 Plan	2015/16 Plan
Operating Revenue for EBITDA	216.5	209.2	206.6	204.5
Employee Expenses	(157.7)	(149.2)	(147.3)	(145.6)
Drugs	(5.8)	(5.7)	(5.8)	(5.9)
Other costs	(44.7)	(46.2)	(45.4)	(45.0)
EBITDA	8.2	8.1	8.1	8.1
Depreciation and amortisation	(4.9)	(5.0)	(5.0)	(5.0)
Impairment Losses (Reversals) net (on non-PFI assets)	(1.2)	0.0	0.0	0.0
Restructuring Costs	(2.3)	0.0	0.0	0.0
Operating Surplus	0.2	3.3	3.1	3.1
Net interest	0.1	0.1	0.1	0.1
PDC dividend expense	(2.8)	(2.7)	(2.7)	(2.7)
Net Surplus / (Deficit)	(2.6)	0.7	0.5	0.5
EBITDA % income	% 3.8%	% 3.9%	% 3.9%	% 4.0%
CIP% of Op. Exp. less PFI Exp.	% 4.7%	% 5.9%	% 5.5%	% 5.2%
Pay CIPs as % Pay Costs	% 2.0%	% 4.3%	% 3.8%	% 3.6%
Net Surplus / (Deficit)	(2.6)	0.7	0.5	0.5
Change in working capital	4.0	(4.2)	0.3	0.1
Non cash I&E items	8.9	7.6	7.6	7.6
Cashflow from operations	10.3	4.1	8.4	8.2
Cashflow from investing activities	(7.5)	(5.0)	(16.9)	(4.9)
Cashflow before financing	2.8	(0.9)	(8.4)	3.3
Cashflow from financing activities	(2.4)	(2.6)	9.4	(2.6)
Net increase(decrease) in cash	0.4	(3.5)	0.9	0.7
Cash at period end	20.3	16.8	17.7	18.4
Cash and Cash equivalents at period end	20.3	16.8	17.7	18.4

Detailed Financial Summary £m	2012/13 Actuals	2013/14 Plan	2014/15 Plan	2015/16 Plan
Community				
Co Cost & volume contract revenue	9.2	8.3	8.2	8.1
Co Block contract revenue	96.9	83.4	82.5	81.6
Acute				
Ac Elective revenue	13.6	13.7	13.5	13.4
Ac Non-Elective revenue	38.7	31.3	31.0	30.6
Ac Outpatient revenue	13.9	10.4	10.3	10.1
Ac A&E revenue	5.6	5.0	4.9	4.9
Ac other revenue	28.5	35.4	34.1	33.3
Private patient revenue	0.0	0.0	0.1	0.1
Grants and donations in cash	0.0	0.0	0.0	0.0
Other operating revenues	13.4	21.9	22.1	22.4
Total operating revenue for EBITDA	216.9	209.4	206.6	204.5
Grants and donations of PPE and intangible assets	0.0	0.0	0.0	0.0
Total operating revenue	216.9	209.4	206.6	204.5
Employee Expenses	(157.7)	(149.2)	(147.3)	(145.6)
Drugs expense	(5.8)	(5.7)	(5.8)	(5.9)
Supplies (clinical & non-clinical)	(15.1)	(14.5)	(14.2)	(14.1)
Other expenses	(29.6)	(31.6)	(31.3)	(30.9)
Total operating expenses within EBITDA	(208.3)	(201.1)	(198.5)	(196.4)
EBITDA	8.2	8.1	8.1	8.1
Depreciation and amortisation	(4.9)	(5.0)	(5.0)	(5.0)
Impairments & Restructuring	(2.3)	0.0	0.0	0.0
Total operating expenses	(220.4)	(211.0)	(208.5)	(206.3)
Operating Surplus (Deficit)	(3.5)	(1.6)	(1.8)	(1.8)
Gain (loss) on asset disposal	0.0	0.0	0.0	0.0
Gain(loss) from transfer by absorption	0.0	0.0	0.0	0.0
Net interest	0.1	0.1	0.1	0.1
Taxation	0.0	0.0	0.0	0.0
PDC dividend	(2.8)	(2.7)	(2.7)	(2.7)
Other non-operating items	(0.8)	0.1	(0.0)	(0.0)
Net Surplus / (Deficit)	(2.6)	0.7	0.5	0.5
EBITDA % of Op. revenue	3.8%	3.9%	3.9%	4.0%
EBITDA	8.2	8.1	8.1	8.1
Change in Current Receivables	2.6	(1.5)	0.0	0.0
Change in Current Payables	(0.8)	0.0	0.0	0.0
Other changes in WC	2.2	(2.8)	0.3	0.1
Other non-cash items	(1.9)	0.1	(0.0)	(0.0)
Cashflow from operating activities	10.3	4.1	8.4	8.2
Capital expenditure (accruals basis)	(5.6)	(3.7)	(14.9)	(3.8)
Asset sale proceeds	0.0	0.7	0.1	0.0
Other investing cash flows	(1.9)	(2.0)	(2.0)	(1.1)
Cashflow before financing	2.8	(0.9)	(8.4)	3.3
Net interest	0.0	0.0	0.0	0.0
PDC dividends (paid)	(2.8)	(2.7)	(2.7)	(2.7)
Movement in loans	0.0	0.0	0.0	0.0
PDC received/(repaid)	0.3	0.0	12.0	0.0
Donations received in cash	0.0	0.0	0.0	0.0
Other financing cashflows	0.1	0.1	0.1	0.1
Net cash inflow (outflow)	0.4	(3.5)	0.9	0.7
Cash at Y/E	20.3	16.8	17.7	18.4
Cash and Cash equivalents at Y/E	20.3	16.8	17.7	18.4
Non Safe Harbour Investments at Y/E	0.0	0.0	0.0	0.0

South Tyneside NHS Foundation Trust

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Borrowing Ratios

Based on year ending 31/03/2013

Total Revenues	£216,480,000
Surplus/(Deficit) before Interest	£3,763,000
Depreciation	£4,888,000
Revenues available for Debt Service	£8,651,000
Dividends Paid	-£2,797,000
Total Assets Employed	£99,591,000
Proposed Debt	£9,500,000
Interest Rate	2.97%
Term of Borrowing	10
Current Risk Rating 4	
Debt to Capital Ratio	£9,500,000
Annual Interest payable	£282,150
Annual Principal repayments	£950,000
Max Annual Debt Service	£1,232,150

Ratios:	Limits	Projected Max
Minimum Dividend Cover (min)	>1	2.99
Minimum Interest Cover (min)	>3	30.66
Minimum Debt Service Cover (min)	>2	7.02
Maximum Debt Service to Revenue (max)	<3%	0.57
Debt/Net assets		10%



SOUTH TYNESIDE INTEGRATED CARE SERVICES HUB

Financial Summary

1. Introduction

The purpose of this paper is to provide the detail on the prospective cost, both revenue and capital, of the Integrated Care Services Hub.

2. Background

The financial model has been in development for a number of months and has been refined as our understanding of the requirements of the service has improved. Detailed work has been progressed with a wide range of departments including Clinical Services, Estates, Information Technology, Catering, Domestic and other ancillary services.

Detailed feedback has already been received following the Invitation to Submit Outline Solution (ISOS) process which highlighted that our costs were 33% higher than the lowest cost provider. Based upon this intelligence we were able to accurately triangulate our position relative to other bidders and identify the required level of saving to make our bid more competitive.

3. Financial Analysis

3.1 Revenue Costs

The recurrent revenue cost for the model of service we will present within our tender submission is £2,699,403. Appendix B provides a detailed breakdown of the tender price.

These costs can be broken down as:

Bedded Areas	-	£1,530,601
Other Facilities	-	£647,178
Reablement Staffing	-	£521,601

This excludes any contribution to fixed costs as these will be discussed in section 3.3 below and the impact of TUPE cost for the reablement staff.

3.2 Capital Costs

Work progressed by our Estates team in conjunction with Architects and other professional services has identified the capital expenditure requirement for the building.

The model of care team have reviewed our equipment requirements and identified the estimated additional cost in equipping the facility to the necessary specification. This takes the total capital requirement for this development to an estimated £9,500,000.

A key assumption within the financial model is the recovery of capital cost to match the resource consumed. Similar buildings are assumed to have a life of 50 years.

3.3 Contribution to other fixed costs (overheads)

The cost presented in section 3.1 does not include an allowance for a required contribution to fixed cost. This contribution recognises costs such as Finance, Personnel, Learning & Development and Supplies as well as ensuring a rate of return is generated as a contribution to other infrastructure costs incurred in the delivery of this service.

Three options were presented to the Board with associated financial analysis for consideration. As noted in section 2, in order to maximise our score for the price of the bid in comparison with other competitors a maximum overhead of 12.5% was recommended. Whilst this was not expected to enable the Trust to be the lowest cost provider it would, along with other savings identified, provide the maximum assurance that we will evaluate within the 10-20% range thereby increasing the scoring.

It should be noted that we have no control over other bidders price. However, additional Estate requirements including within the final tender may create cost pressure for other bidders which may not have been factored into their ISOS submission.

4. Summary

The capital cost associated with the provision of the South Tyneside Integrated Care Hub is expected to be in the region of £9,500,000.

Based upon the application of a 12.5% overhead the total bid price to be included in the final tender on 24 April 2014 is likely to be £3,085,032. This results in a total contribution of £385,629 to the Trust's overheads as detailed below:

Bedded Areas	-	£218,661
Other Facilities	-	£92,454
Reablement Staffing	-	£74,515

Appendix A: Assumptions for ICH Financial Analysis

CAPITAL COSTS INCLUDING FINANCING:

- External loan to be secured to fund capital investment of £9,500,000 for a ten year period on an equal installments of principle repayment method
- Assumed annual interest rate of 2.91% as per interest rate notification April 2014
- Annual interest charge included in financial tender over a ten year period
- Capital investment on build depreciated over the life of the asset assumed at 50 years not the 10 year loan period
- Capital investment on equipment depreciated over the life of the asset assumed at 10 years
- No capital costs included for information systems as confirmed by Local Authority

STAFF COSTS:

- Staffing costs based on staffing model approved by Executive Director Project Lead
- Staff costs based on mid-point of proposed integrated care hub pay scale (see separate paper)
- Staffing model inflated to include cover for
 - 33 days annual leave
 - 5 days learning & development
 - 10 days sickness
- No overtime allowance included in tender cost
- No vacancy factor included in tender cost
- 3% contingency included in tender cost for all staff groups except domestics, admin & clerical and handy-person post

OTHER NON PAY COSTS

- 2% contingency included in tender cost for all revenue operating expenses
- Services included in tender cost based on a service level agreement with SouthTyneside NHS Foundation Trust:
 - Food preparation and meal production
 - Laundry & Linen
 - Estates maintenance and support
- VAT at 20% included in tender cost for services provided to hub by South Tyneside NHS Foundation Trust
- No costs included for Board of Directors

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Appendix B: Revenue Cost for ICH Tender

	Residential Beds	Respite	TTT	Reablement Staff	Reablement Facilities	Daycare Facilities	Total
	£	£	£	£	£	£	£
Care Staff							
Care Advocate	263,674	123,048	45,877	229,385	-	-	661,983
Senior Care Advocate	-	-	22,308	111,540	-	-	133,848
Qualified Nurse	173,817	81,115	-	-	-	-	254,932
Total Care Staff	437,491	204,162	68,185	340,925	0	0	1,050,764
Other Staff							
Registered Manager	12,594	5,877	2,650	13,250	-	6,983	41,354
Deputy Managers	4,216	1,967	8,554	42,768	-	0	57,504
Housekeeping	37,883	17,679	7,577	37,883	-	4,062	105,085
Activities Co-ordinator	5,910	2,758	1,182	5,910	-	0	15,761
Admin & Clerical/Reception	18,379	8,577	3,676	18,379	-	24,505	73,515
Handy-person	7,463	3,483	1,570	7,851	-	4,138	24,505
Domestics	51,930	24,234	10,927	54,634	-	28,793	170,519
CAFÉ Facility	-	-	-	-	-	13,843	13,843
Staffing Contingency 3%	14,943	6,973	2,644	-	-	331	24,892
Total Other Staff	153,319	71,549	38,780	180,676	0	82,656	526,979
Premises costs							
Estates Facilities Management & Maintenance	10,068	4,698	2,118	-	10,592	5,582	33,059
Rates	5,757	17,040	7,704	-	38,493	20,250	89,244
Utilities (Water & Sewage & Energy)	11,416	5,327	2,402	-	12,010	6,330	37,484
Building Insurance	2,171	1,013	457	-	2,284	1,204	7,128
Total Premises Costs	29,411	28,078	12,681	0	63,379	33,365	166,915
Other Costs							
Domestic/Window Cleaning - Non Pay	6,091	2,842	1,282	-	6,408	3,377	20,000
Laundry & Linen - SLA Service from STFT (VAT)	4,977	7,058	3,025	-	15,124	-	30,184

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SLA with Age UK	-	-	-	-	-	27,000	27,000
Catering SLA Pay (VAT)	24,896	11,618	4,979	-	24,896	5,532	71,922
Catering SLA Non Pay	46,057	21,493	9,211	-	46,057	10,235	133,052
Catering Maintenance	2,243	1,047	449	-	2,243	498	6,480
Business Continuity Insurance	9,752	4,551	2,052	-	10,260	5,407	32,022
Telecoms Maintenance	1,096	512	231	-	1,153	608	3,600
IT PC Equipment	926	432	195	-	974	513	3,040
Other Non Pay - Administration Costs	8,687	4,054	1,828	-	9,139	4,817	28,525
Other Non Pay - WIFI	1,827	853	384	-	1,922	1,013	6,000
Other Non Pay - Staff Uniforms	1,685	786	301	-	1,506	-	4,278
Other cost contingency at 2%	2,587	1,573	692	-	3,458	1,532	9,842
Total Other Costs	110,823	56,819	24,628	0	123,141	60,533	375,945
Capital costs including financing							
Depreciation - STDH New Build	52,380	24,444	11,021	-	55,107	29,043	171,996
Loan Interest & PDC STDH New Build	85,791	40,036	18,051	-	90,257	47,568	281,703
Annual Replacement Cost Equipment	16,200	7,560	3,240	-	16,200	10,800	54,000
Initial Equipment Depreciation	18,811	8,778	3,762	-	18,811	12,540	62,702
Telecoms Equipment Loan & Depreciation	1,031	481	217	-	1,084	571	3,384
Catering Capital Equipment	1,736	810	347	-	1,736	386	5,016
Total Capital Costs	175,948	82,109	36,639	0	183,196	100,908	578,801
TOTAL TENDER VALUE	906,992	442,718	180,913	521,601	369,716	277,462	2,699,403

***This schedule excludes infrastructure contribution and TUPE costs**

South Tyneside NHS Foundation Trust

Operating Costs as % of Revenues	2010/11 £'000	2011/12 £'000	2012/13 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	
Total Revenues	105,304	217,662	217,479				All FTs
Employee Expenses	72,947	155,637	157,724	69.27%	71.50%	72.52%	62.12%
Redundancy & Early Retirement	18	466	3,112	0.02%	0.21%	1.43%	0.31%
R & D	-	27	386	0.00%	0.01%	0.18%	0.53%
Pay Costs	72,965	156,130	161,222	69.29%	71.73%	74.13%	62.96%
Services from NHS Bodies	2,771	14,143	10,309	2.63%	6.50%	4.74%	1.62%
Purchase of healthcare from non NHS bodies	5	-	3	0.00%	0.00%	0.00%	0.78%
Purchase of External Services	2,776	14,143	10,312	2.64%	6.50%	4.74%	2.40%
Supplies and services - clinical (excluding drug costs)	7,437	13,555	13,378	7.06%	6.23%	6.15%	7.55%
Supplies and services - general	1,670	1,854	1,898	1.59%	0.85%	0.87%	1.75%
Inventories consumed (excluding drugs)	-	-	-	0.00%	0.00%	0.00%	0.71%
Drug Costs	4,919	5,823	5,810	4.67%	2.68%	2.67%	7.25%
Supplies and Services	14,026	21,232	21,086	13.32%	9.75%	9.70%	17.26%
Establishment	1,023	3,537	3,526	0.97%	1.62%	1.62%	1.38%
Premises	3,717	7,491	8,678	3.53%	3.44%	3.99%	4.58%
Rentals under operating leases	-	1,446	1,176	0.00%	0.66%	0.54%	0.80%
Loss on Disposal	7	11	43	0.01%	0.01%	0.02%	0.06%
Premises	4,747	12,485	13,423	4.51%	5.74%	6.17%	6.82%
Consultancy costs	326	909	1,017	0.31%	0.42%	0.47%	0.50%
Professional Fees	227	214	860	0.22%	0.10%	0.40%	0.18%
Clinical negligence	1,575	1,724	2,195	1.50%	0.79%	1.01%	1.27%
Professional Costs	2,128	2,847	4,072	2.02%	1.31%	1.87%	1.95%
Provisions & Write Downs	108	24	127	0.10%	0.01%	0.06%	0.11%
Other	463	1,541	1,015	0.44%	0.71%	0.47%	0.00%
Provisions and Other	571	1,565	1,142	0.54%	0.72%	0.52%	0.11%
Total Cash OpCosts	97,213	208,402	211,257	92.32%	95.75%	97.14%	93.74%
EBITDA	8,091	9,260	6,222	7.68%	4.25%	2.86%	6.26%
Total Revenues	105,304	217,662	217,479	100.00%	100.00%	100.00%	100.00%
Depreciation	4,321	4,579	4,842	4.10%	2.10%	2.23%	2.70%
Amortisation	19	34	46	0.02%	0.02%	0.02%	0.14%
Impairments	278	130	1,235	0.26%	0.06%	0.57%	1.78%
Net Non-Cash	4,618	4,743	6,123	4.39%	2.18%	2.82%	4.62%
Operating Surplus / Deficit before Financing Costs	3,473	4,517	99	3.30%	2.08%	0.05%	

Name of Trust	South Tyneside NHS Foundation Trust						Based on year ending				31/03/2013
Assumptions											
Total Revenues	£217,479,000										
Surplus/(Deficit) before Interest	£99,400										
Depreciation	£6,092,000	<div></div> Complies with Prudential Borrowing Code									
Revenues available for Debt Service	£6,191,400	<div></div> Current Required Covenant Ratio									
Dividends Paid	(£2,776,000)	<div></div> Fails Prudential Borrowing Code									
Total Assets Employed	£99,591,400										
Estimated Prudential Borrowing Limit - Tier 1	£25,775,967										
Estimated Prudential Borrowing Cap - Tier 2	£34,311,224										
Proposed Debt	£9,500,000										
Interest Rate	2.01%										
Term of Borrowing	10.0	Debt sustainable under individual covenant tests									
Current Risk Rating	4	Estimated PBL Tier 1	Proposed Debt	TIER 1				TIER 2			
Debt to Capital Ratio		26%	10%	26%	46%	103%	171%	34%	155%	171%	182%
Prudential Borrowing Limit		£25,775,967	£9,500,000	£25,775,967	£45,567,573	£102,624,069	£169,883,447	£34,311,224	£154,256,595	£169,883,593	£181,644,010
Annual Interest payable (year 1)		£518,097	£190,950	£518,097	£915,908	£2,062,744	£3,414,657	£689,656	£3,100,558	£3,414,660	£3,651,045
Annual Principal repayments		£2,577,597	£950,000	£2,577,597	£4,556,757	£10,262,407	£16,988,345	£3,431,122	£15,425,659	£16,988,359	£18,164,401
Max Annual Debt Service		£3,095,694	£1,140,950	£3,095,694	£5,472,666	£12,325,151	£20,403,002	£4,120,778	£18,526,217	£20,403,020	£21,815,446
Minimum Dividend Cover (min)	Tier 1 1	2.04	2.16	2.04	1.90	1.49	1.00	1.98	1.11	1.00	0.92
Minimum Interest Cover (min)	3	11.95	32.42	11.95	6.76	3.00	1.81	8.98	2.00	1.81	1.70
Minimum Debt Service Cover (min)	2	2.00	5.43	2.00	1.13	0.50	0.30	1.50	0.33	0.30	0.28
Maximum Debt Service to Revenue (max)	2.5%	1.42%	0.52%	1.40%	2.50%	5.70%	9.40%	1.90%	8.50%	9.40%	10.00%