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31st January 2014

Jay Mistry
Relationship Manager
Monitor
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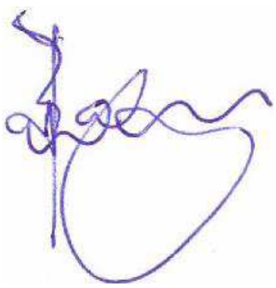
Dear Jay

**Sherwood Forest Hospitals NHS Foundation Trust – 2013-2014 Q3 Monitoring Return**

In accordance with the requirements of the Risk Assessment Framework 2013-14, please find enclosed the following documents in connection with the submission of the Trust's quarterly monitoring return for 2013/14 Quarter 3:-

- Financial and Governance Reporting Template
- Exception report covering governance;
- Financial commentary
- Supplementary information

Yours sincerely



Paul O'Connor
Chief Executive

Enc

**<u>2013/14 M9 Monitor Return</u>**
**<u>(as part of Q3 submission pack)</u>**

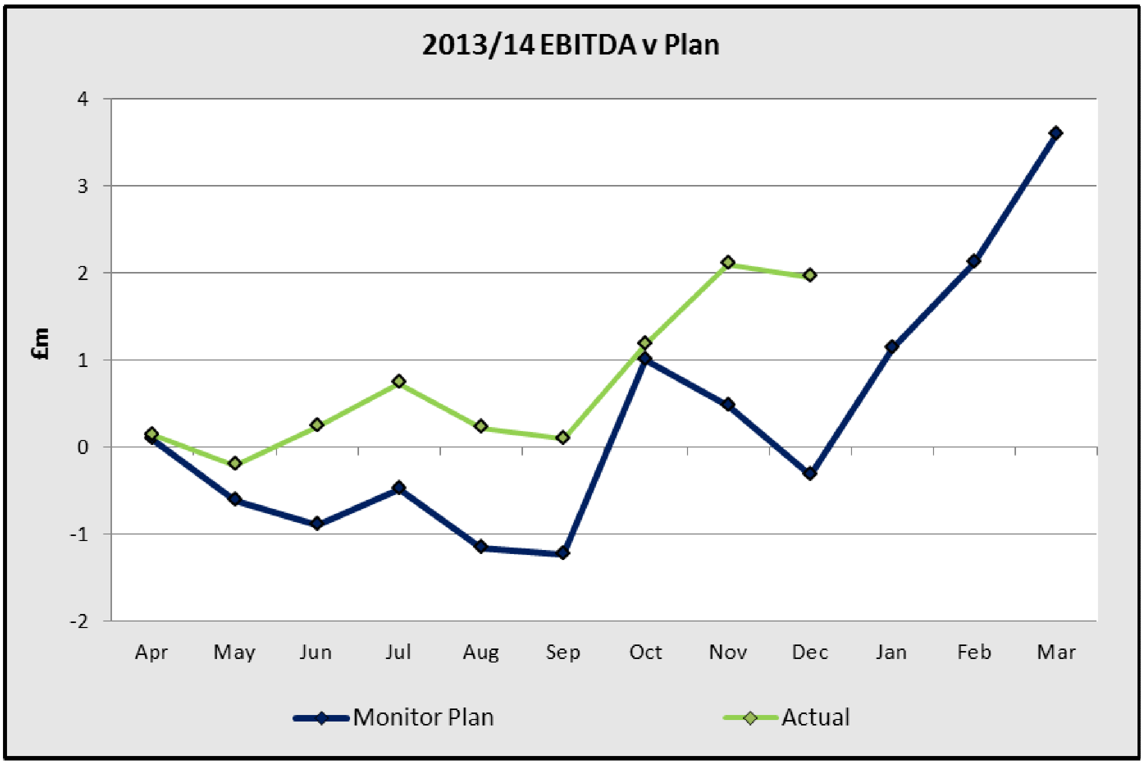
**The plan values and variances quoted in this report are based on the 2013/14 Monitor Plan submitted on 31 May 2013.**

## 1.0 Overview and Key Headlines

- The year to date financial deficit is £17.91m, which is £1.88m better than plan. The year-end forecast is a deficit at £23.30m. Our sensitivity analysis is in the range of best case forecast deficit, £18.97m and worse case forecast, £28.00m. The main reason for the material swing between scenarios is the upside and downside assumptions around income and commissioner year end intentions.

- Year-to-date EBITDA is £1.95m, which is £2.26m better than plan. Year to-date EBITDA margin is 0.99% and when adjusted for the PFI premium increases to 8.1% at the higher valuation of £18.3m and 5.3% at the lower valuation of £12m. The Foundation Trust medium acute sector EBITDA margin average at 4.3%.

**Chart 1 – 2013/14 EBITDA v Plan**




- Clinical income is above plan by £4.31m. The QIPP Risk Reserve is mitigating QIPP delivery impact. Outpatient performance continues to be strong on trend. Other income streams, including Critical Care, HDU and CQUINs are performing above plan.

- Pay expenditure is above plan by £0.60m in-month and £1.54m cumulatively. The expenditure run rate is running at £13.9m, a consistent trend as we continue to incur significant levels of premium rate variable pay expenditure.

- Non pay expenditure is below plan by £0.87m in month but is above plan by £1.20m year to date. The favourable movement in month is primarily due to release of Corporate CIP delivery to the position. The year to date variance of £1.20m is due to drugs the majority of which are high cost drugs pass through which are directly offset by additional clinical income.

- The cash balance at December was £9.19m, better than Monitor Plan by £5.41k. However, the cash balance includes cash payments in advance of expenditure being incurred (including contract payments from our commissioners). Taking these payments into account, the underlying cash balance is now negative at £20.49m. The latest year-end forecast cash position is negative at £26.28m. We have agreed Public Dividend Capital cash support of £26.9m with the Department of Health in Quarter 4.

- CIP savings delivery to December was £8.16m, which is £1.65m less than plan but a lot of work has been undertaken to drive achievement of the in-year position. The PMO forecast outturn as at 23 January 2014 is £14.29m against the plan of £13.30m.

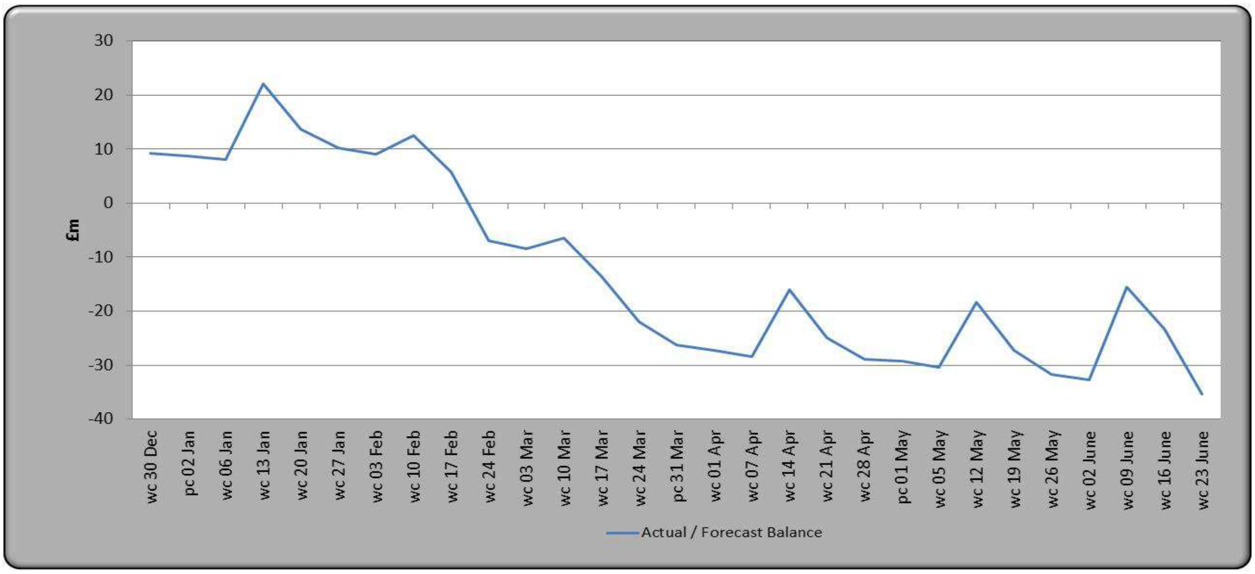
## 2.0 Monitor Discretionary Requirements

The Monitor discretionary requirements are summarised in table 1 below, which shows the annual and Month 9 plan and the actual position. The forecast outturn position is currently assumed to be plan. There is a further requirement for a 26 week cashflow forecast and this can be found in **Appendix A**.

**Table 1 – Monitor discretionary requirements – period to December 2013**

| Metric | | Annual Plan | Year-to-Date Plan | Year-to-Date Actual | Variance |
|---|---|---|---|---|---|
| Revenue | £m | 258.86 | 193.65 | 198.62 | 4.97 |
| EBITDA | £m | 3.59 | (0.32) | 1.95 | 2.27 |
| Net Surplus/(Deficit) | £m | (23.26) | (19.79) | (17.91) | 1.88 |
| Underlying Surplus/(Deficit) | £m | (21.78) | (19.36) | (18.35) | 1.01 |
| Underlying Surplus/(Deficit) excluding £18.3m PFI premium impact | £m | (3.48) | (5.63) | (4.62) | 1.01 |
| Total CIP/Revenue Generation | £m | 13.30 | 8.51 | 8.16 | (0.35) |
| Recurrent CIP/Revenue Generation | £m | 12.39 | 7.67 | 5.04 | (2.63) |
| Cash | £m | (27.19) | 4.34 | 9.19 | 4.85 |
| Impact of PFI on EBITDA | £m | 20.31 | 15.23 | 15.23 | 0.00 |
| EBITDA adjusted for £18.3m PFI Premium Income and PFI Impact on EBITDA | £m | 23.90 | 14.91 | 17.18 | 2.27 |
| Revenue plus £18.3m PFI Premium | £m | 277.16 | 207.38 | 212.35 | 4.97 |
| Revised EBITDA Return | % | 8.6% | 7.2% | 8.1% | 0.9% |

## 26 Week Cash Forecast




Note the above excludes receipt of the agreed PDC cash support in Q4 2013/14.

The cash balance was £9.19m at December, better than our plan by £5.41m primarily due to the:

- Treatment of the insurance risk share payment from our PFI partner received in May £1.52m.
- Lower than plan capital expenditure (£0.92m) however, the Trust did meet the quarter 3 Monitor compliance target (+/- 15%) to plan
- ICRS (PAS) expenditure now planned for 2014/15, c.£2.20m

# Capex Reforecast Trigger for Sherwood Forest Hospitals

| **Capex Reforecast Trigger** | **Response** |
|---|---|
| **If your capital expenditure is less than 85% or greater than 115%, generating a TRUE result you will need to submit a Capex Reforecast.** | |
| **Capital expenditure < 85% of Latest Plan for the year to date** | **FALSE** |
| **Capital expenditure > 115% of Latest Plan for the year to date** | **FALSE** |

**Notes:** *As set out in Monitor's Risk Assessment Framework page 22, as part of Monitor's capital expenditure monitoring role (on behalf of HM Treasury), NHS foundation trusts should inform monitor if capital expenditure for the remainder of the year is likely to diverge by 15% (above or below) from the amount in their annual plans. Monitor may request a capital expenditure reforecast for the remainder of the year.*