Funding of NHS Trusts

NHS Trusts are financed in two main ways:

- Revenue financing for the day to day running of the Trust;
- Capital funding, to fund the purchase of assets (building and equipment) which support the provision of clinical services.

Revenue Financing

Southampton University Hospitals NHS Trust receives revenue income via four main sources:

(i) Through the commissioning of clinical services by Primary Care Trusts (this accounts for approximately 80% of total income);

(ii) Through funding for medical and non-medical education;

(iii) Through income for research and development activity;

(iv) Other income activities, eg. charges to staff, visitors or patients for services provided such as catering, car parking or accommodation.

The Trust compiles an annual Financial Plan which is approved by the Trust Board. The Plan demonstrates how the Trust will generate sufficient surplus to meet its capital expenditure and loan repayment needs, whilst undertaking activity at the levels required to meet demand, deliver clinical contracts and achieve Government waiting targets. The Plan also contains an analysis of the risks faced by the organisation in the coming year.

From information contained within the Plan, annual budgets are compiled for all departments in the Trust. The Trust exercises tight financial control through a system of monthly monitoring of expenditure and investigation into variances from budget. The Trust board reviews the financial performance of the Trust on a monthly basis.

Capital Financing

The funding of the Trust's annual capital programme is based on the estimated depreciation charge for the year. This can be supplemented by either, re-investing revenue surpluses generated in previous years, re-investing receipts from the sale of surplus assets or through the receipt of funds from the Department of Health for centrally funded schemes.

Prior to the commencement of each financial year, the Trust Board approves the Capital Programme.

Financial controls are in place to ensure that approved capital schemes are progressed effectively and that budgets, phasing and cash flows are properly monitored. Formal monitoring of the Capital Programme takes place each month and the position is reported to the Board as part of the monthly financial report.

Whilst the Trust also receives donations, gifts and bequests, these monies are managed by the Charitable Trustees and are not used to fund the day to day running of the hospital.