

# Health and Adult Social Care Overview and Scrutiny Committee

BRIEFING NOTE – No.07/12

Date: 10 December 2012

Briefing paper to: All Members of the Health and Adult Social Care Overview and Scrutiny Committee

Purpose: To update Members on .

## **MEDWAY MARITIME HOSPITAL - FINANCES**

### **Financial Position**

The Trust's financial plan for 2012/13 is to deliver a breakeven position (before restructuring expenses) and a deficit of £1m after restructuring expenses with a financial risk rating of 3 by the end of the financial year.

The financial position for the Trust cumulatively to the end of the October 2012 (M7) indicates a deficit of £1.3m, and was adverse to plan by £0.1m. The in-month actual performance showed an adverse variance to plan of £189k, recording a surplus of £111k as opposed to a planned surplus of £280k.

The cumulative financial risk rating (FRR), Monitor's measure of the risk that an organisation may become financially distressed, for the Trust at the end of M7 is a FRR of 3. The Trust achieved a FRR of 3 at the end of the second quarter, which was in line with plan. The plan assumes that the Trust will be a FRR 3 for the remainder of the financial year.

The Trust remains on plan to deliver its financial plan for the current year, and the associated FRR metrics.

### **Merger with Dartford and Gravesham NHS Trust**

Following completion of the process with the CCP, the Trust has submitted its Long Term Financial Model (LTFM) and Integrated Business Plan (IBP) to Monitor for their consideration. The Trust has its initial meeting with the assessment team from Monitor on 4<sup>th</sup> December and currently expects Monitor to conclude its processes by the end of February 2013. The LTFM shared with Monitor assumes that the Trust achieves its financial plan for 2012/13.



The LTFM shows that the combined organisation continues to improve its financial viability over the next five years, despite operating in an environment where the National Tariff is expected to fall and commissioners are looking to spend less on hospital based services in favour of more community orientated models. In order to achieve this position the Trust plans to leverage the cost base benefits of the merger, particularly in back offices functions, ensure that its combined estate is used as effectively as possible and also look to develop its specialised services, taking advantage of its wider population coverage.

The Income and Expenditure Account plan, extracted from the Long Term Financial Model, for the combined organisation is shown below:

	<b>FY 13/14</b>	<b>FY 14/15</b>	<b>FY 15/16</b>	<b>FY 16/17</b>	<b>FY 17/18</b>	<b>FY 18/19</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
NHS Clinical Revenue	365.1	364.7	369.8	370.0	370.4	370.8
Other Income	45.2	46.1	47.2	45.3	44.7	44.1
<b>Total Income</b>	<b>410.3</b>	<b>410.8</b>	<b>417.0</b>	<b>415.3</b>	<b>415.1</b>	<b>414.9</b>
Pay Costs	-242.9	-236.7	-234.1	-234.7	-235.6	-236.8
Non-Pay Costs	-130.6	-134.9	-139.6	-135.4	-133.1	-130.8
<b>Total Expenses</b>	<b>-373.5</b>	<b>-371.6</b>	<b>-373.7</b>	<b>-370.1</b>	<b>-368.7</b>	<b>-367.6</b>
<b>EBITDA (1)</b>	<b>36.8</b>	<b>39.2</b>	<b>43.3</b>	<b>45.2</b>	<b>46.4</b>	<b>47.3</b>
<b>Surplus / (Decficit)</b>	<b>2.5</b>	<b>3.5</b>	<b>6.7</b>	<b>7.7</b>	<b>8.2</b>	<b>8.5</b>
<b>Cash Balance</b>	<b>11.8</b>	<b>12.0</b>	<b>13.9</b>	<b>16.3</b>	<b>17.9</b>	<b>20.4</b>
<b>FRR</b>	<b>3.0</b>	<b>3.3</b>	<b>3.7</b>	<b>3.7</b>	<b>4.1</b>	<b>4.6</b>

**Note:**

EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation

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