

Health

Summary

December 2007

A prescription for partnership

Engaging clinicians in financial management

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Clinical engagement in financial management has always been important. It is clinicians who are responsible for the way in which services are delivered and who commit resources. The importance of clinical engagement has been highlighted in recent Audit Commission reports, such as the *Review of the NHS Financial Management and Accounting Regime, Learning the Lessons from Financial Failure in the NHS*, and *Financial Management in the NHS 2004/05*, produced jointly with the National Audit Office (NAO).

In spring 2007 the Public Accounts Committee, in its seventeenth report, recommended that 'the Department of Health should identify models of successful joint working between financial and clinical management and promote them across the NHS'. This report aims to help the Department of Health and the NHS in implementing that recommendation.

Our report, based on interviews at 16 sites, is aimed at clinicians, managers and finance professionals working within the NHS. It is also aimed at trust and primary care trust (PCT) boards which set the tone for their organisations. We also seek to influence strategic health authorities, professional bodies and government. We have also published two short briefing papers: one aimed at clinicians and one aimed at finance staff.

In the past, managing the money was often seen as the preserve of the finance department, but this approach will not stand up to the demands of the new NHS. Closer alignment of finance staff with the 'front line' will improve key aspects of financial management, such as financial planning and costing, by increasing awareness of cost drivers and the accuracy of financial forecasting.

This is even more important as NHS bodies strive to do better than achieve financial balance and are looking to service redesign in order to improve productivity and efficiency. There are real benefits to be gained if engagement can be achieved, in terms of efficiency savings that can be reinvested in improved services for patients. Good financial management and greater efficiency go hand in hand with better patient care.

It is not sufficient for financial skills to reside only within the finance department. An excellent organisation will ensure that financial management skills and competencies are spread throughout the organisation, with financial responsibility being devolved to those who have responsibility for delivering the service. The finance department has a key role in facilitating this: in supporting clinicians and managers on financial matters; and in providing them with finance training where it is required.

This report reviews how engagement with clinicians, general managers and budgetholders leads to improvement in the quality of financial information, and how non-finance and finance staff can work together to improve efficiency and, by doing so, provide better patient care. By engagement we mean mutual understanding and cooperation between what are sometimes markedly different cultures and ways of working. Engagement is a two-way activity that involves the finance and clinical cultures coming together.

It is perhaps unsurprising that clinical engagement depends on effective communication and good working relationships. Or that it is more easily achieved when finance staff are proactive and knowledgeable, and that the structure of the finance department is less important than the style with which its staff operate. But there are characteristics that underpin effective clinical engagement. They can be summarised as:

- A clear organisational structure where management and clinical responsibility are aligned with financial accountability.
- Prompt provision of accurate financial information, tailored to the needs of clinicians and linked to clinical activity data. Delays, for example, as a result of making sure accruals are precisely right in departmental budget statements can have a detrimental effect on the usefulness and relevance of the information in the eyes of clinicians.
- Training for clinicians in financial management and for finance staff to raise their knowledge about the delivery of care.
- Service-line reporting and patient level costing in hospitals and practice based commissioning in PCTs. Service-line reporting techniques can be applied in other sectors as well as acute trusts. Programme budget information enables PCTs to take a similar approach by comparing expenditure in specific disease areas with the outcomes achieved.
- A management style that enables entrepreneurialism to flourish within clear rules of financial accountability.

The case studies in the report illustrate these points. They will not be unique. Other organisations will undoubtedly be able to demonstrate similar features, but they do show what can be achieved. Different approaches will be required at different NHS bodies and the individuals employed by them, to implement the kind of structures and processes that emerge from this report. We have, however, distilled the main factors that have proved to be successful in the organisations we visited into the checklist on page 4. We recommend that chief executives, finance directors and medical directors consider together the checklist and how well their organisation performs against each of the factors.

Checklist for chief executives, finance directors and medical directors

Governance and accountability

- Is there a shared vision for the organisation? Was this vision developed with input from all staff groups? Does it include the aims of delivery of high quality services as well as financial stability?
- How does the Board actively promote the importance of good financial management?
- Is there a devolved management structure? If so, has responsibility for financial performance been devolved so that it is aligned with accountability for the effective delivery of clinical care? Have corporate support services also been similarly aligned?
- Is there clarity about where responsibility for financial performance lies and the lines of accountability that exist below board level?
- Are accountability structures regularly reviewed to ensure they remain fit for purpose and facilitate effective financial control? Are they sufficiently flexible to ensure the engagement of clinicians and to encourage entrepreneurialism?
- What evidence do you have that clinical directors understand the importance of financial management and encourage best use of resources?

Communication and culture

- Have all staff that manage resources or have authority to commit significant resources received financial management training?
- Is there a structured training programme in place for finance staff to build familiarity with current clinical practice and with the culture and aspirations of clinicians?
- Do you have a training programme that encourages finance staff to be more than competent finance professionals and to develop influencing and interpersonal skills? Does your performance development system encourage this?
- Are directorate accountants visible outside the finance department? Are they proactive in dealing with financial issues and part of the team overseeing the management of the directorate?
- Do you have regular meetings with clinical directorates to discuss management issues, including financial management?

- What proportion of consultants do you have a working relationship with? This could be evidenced by the number you are on first name terms with.

The importance of good information

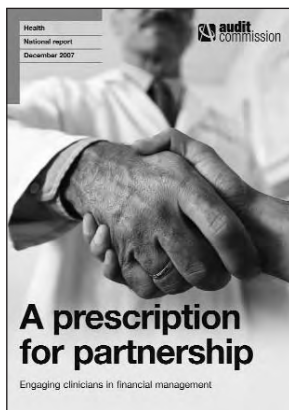
- Has your organisation implemented service-line reporting and patient level costing? If not, why not? Are you aware of the benefits that this information provides? What skills and systems will your organisation need to put in place in order to implement them? (Trusts only)
- If service-line reporting and patient level costing have been implemented how have the costs of support services and overheads been apportioned? Have you considered alternative models?
- How soon after the month end is financial performance reported? What steps are there in place to improve this? Has any analysis been undertaken to look at the trade-off between accuracy of financial information and its earlier production?
- Are finance staff proactive in challenging clinicians and managers to take corrective action where overspends have occurred? Do finance staff promote the use of financial information to improve decision-making and in identifying opportunities to deliver efficiency savings?
- Does your organisation plan to break-even or to achieve a surplus? Are you aware that the financial regimes for both PCTs and NHS trusts allow resources not consumed in one year to be utilised the following year?
- Could you identify a number of areas where consultant entrepreneurialism has helped the organisation? Should this be encouraged in other areas?
- Have you linked income and expenditure budgets at a directorate level? Are there clear and agreed rules on how these should be managed in relation to the trust's overall position and how changes in income will be managed?

Commissioning and purchasing

- Has your organisation attempted to involve clinicians in the procurement of goods and services? Has this been successful?
- Are provider clinicians involved in commissioning discussions with PCTs? Has this been successful?
- How has the PCT's programme budgeting information been used? Has it been linked to health outcomes? Has it been used to help decide levels of investment in different services or to address spending issues? (PCTs only)

General

- How would you rate your level of clinical engagement on financial issues in the light of the case studies in this report?



❗ Copies of the full report are available at: www.audit-commission.gov.uk or to order a printed copy telephone: **0800 502030** quoting stock code: **HNR3413**

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