

Achieving first-class financial management in the NHS

A sound basis for better healthcare

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local and national services for the public. Our work covers local government, housing, health, criminal justice and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we monitor spending to ensure public services are good value for money.



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First-class financial management is vital to delivering improvements in patient services. The NHS spends £1 million every 10 minutes. Between now and 2008 expenditure on the NHS in England will increase by £40 billion. At the same time, the Government has started major reform and modernisation programmes to improve NHS services and to devolve responsibility to individual NHS bodies.

Financial control is not sufficient on its own. Significant devolution of responsibilities requires excellence across the whole range of financial management activities. This is common across the public sector. Even the best managed organisations, such as applicants for NHS foundation trust status can find that their current approach to financial management needs to improve.

Our assessment of financial management in the NHS has found that:

- the basics of financial management at most NHS bodies are sound and provide effective financial control for today's health service, but financial management is broader and when it is at its best it can do more to enable improvements in patient services;
- financial failures are rare, but they do occur and they provide important lessons for all NHS bodies;
- financial planning, budget profiling, forecasting financial outturn, the quality of financial information and its use in decision-making all need to be improved;
- to implement the modernisation programme, NHS bodies will need better financial management arrangements and a wider range of financial management skills. Some will struggle to meet these new challenges; and
- the current financial management capability of most primary care trusts is inadequate to meet the challenges they face.

NHS bodies need to act now to improve their financial management arrangements. They must ensure that they can meet the challenges of the future, most notably the introduction of payment by results, patient choice, the new contracts of employment for NHS staff and the creation of foundation trusts.

To achieve the greatest benefit for patients using the available resources, everyone needs to be aware of the financial consequences of their decisions and to seek good value for money. Clinicians as well as managers need to play their part in ensuring that good financial management arrangements exist throughout their organisations. All board members – both non-executives and executives – need to have the necessary knowledge, skills and approach to discharge their financial management responsibilities effectively.

The Commission is committed to helping NHS bodies meet the considerable challenge of improving the quality of their financial management arrangements. As part of this, we will shortly consult stakeholders on a programme of national studies focusing on financial management issues. We will also produce briefing material for boards and focus our attention on the capacity of local financial management arrangements.