



**The Healthcare Financial Management Association's comments on The Monitor Assessment Process – a consultation on the introduction of service line management, December 2007.**

Thank you for giving the HFMA an opportunity to comment on your consultation paper. Our response represents the views of our FT Technical Issues Group – a group established by the HFMA to provide a forum for finance specialists to share ideas and experience and develop practical guidance.

This group has discussed service line reporting and management on a number of occasions and – as we said in our response to your Consultation on Amendments to the Compliance Framework in February of this year – we agree that understanding service-line performance 'offers a sound basis for improving efficiency and guiding investment decisions' and that a detailed understanding of the income and costs of FTs' main services is an important element of sound financial management. It is therefore an approach that we would expect all FTs to develop internally regardless of their financial risk rating as it makes good business sense to do so.

At the same time, we emphasised in our response that we felt it would be a mistake for Monitor to prescribe the approach that FTs should take to service line reporting and management and that each FT should develop its own methodology in line with local circumstances, the range of services provided and the needs of the board.

We were also concerned about the commercial sensitivities involved in making service line information available externally – we do not think it is right or fair for competitors to have access to such detailed information.

In the light of our earlier comments, we are concerned to see that although this paper does recognise that in relation to SLM '... each applicant will have different requirements', it also states that they will be required to prepare a '**detailed** action plan to implement SLM reporting by September 2008' and that this plan 'should explain the level of granularity of the SLM'. In our view, this implies far greater prescription than we think is sensible or justified and could lead to commercially sensitive information becoming available. Of course, we recognise that FTs (and their competitors) must comply with extant accounting standards and that the introduction of international financial reporting standards and in particular IFRS 8 on segmental reporting may have an impact in this area. However, until the full implications of the new standards are known we feel that it would be extremely unwise for FTs to disclose SLM information. We therefore urge Monitor to hold back any such requirement until an impact assessment of IFRS has been carried out.

At a more detailed and practical level, the proposals do not fully recognise that many trusts simply do not yet have the systems in place to enable them to manage or report service lines effectively.