

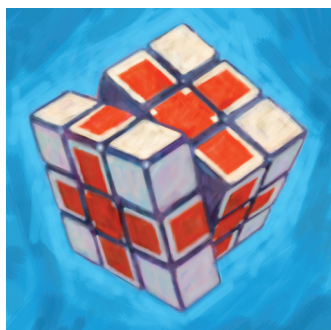
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Contributing to the debate on NHS finance
December 2013

Transforming healthcare: the role for the finance team

A **summary** for NHS boards, clinicians and managers: how finance staff can support healthcare transformation

Summary



Transforming healthcare is right at the top of many organisations' agendas. The drivers are many and varied. The NHS must respond to the needs of an ageing population and changes in the prevalence of disease. It must look to improve patient safety and patient experience. And all this must be done within a challenging financial context.

Meeting these challenges requires well-considered, evidence-based plans. But above all, it needs an open mind to change. That change could entail providing the same level and quality of service seven days a week, harnessing new technology, supporting more patients in community settings, or improving the quality of hospital care, to name but a few. While change must be clinically led, successful transformation demands that clinicians, managers and finance teams work together to understand the impact on each other.

Transformation means major change, in addition to previous programmes of efficiency savings, which have tended to focus on doing things the same way for less money. Real transformation makes a permanent and widespread difference to strategy and culture, which in turn drives the necessary change to the systems or processes of an organisation. It could apply to the organisation, or even the entire health economy, but it is equally as

valid to describe a change at ward level as transformational. Examples include mergers and acquisitions of whole organisations, schemes that improve patient flows, or schemes that change the care pathway that patients follow for a particular specialty, to improve the quality of the care.

This summary has been written for NHS boards, clinicians, managers and other non-finance staff, based on the findings of a briefing by the Healthcare Financial Management Association (HFMA). *Transforming healthcare: the role for the finance team* highlights the variety of important ways that finance teams contribute to improving healthcare and draws on interviews with key finance and clinical staff at seven organisations to present a comprehensive picture of the role that finance staff can play.

To contribute to a culture that promotes healthcare improvement, finance teams can provide the long-term financial plans that support transformation. These plans need to be based on the best evidence available, underpinned by accurate models. Finance teams have the right range of skills required to do this. Without input from the finance team, transformation ideas are unlikely to receive board approval, and schemes that do may not be successful or financially sustainable.

ILLUSTRATION: JAMIEL AKIB

In this summary, we outline the key findings of our briefing and the role that finance staff can play in supporting and improving clinically-led transformation. In particular, we have included some of the thoughts and experiences of clinical staff when working closely with finance colleagues.

We have developed the following eight recommendations for clinicians and managers involved in transformation schemes, to emphasise the importance of collaboration and teamwork:

1. Ensure finance colleagues have a good understanding of what your service does by showing them what you do day to day, and explain what helps you provide a high-quality service.
2. Ask your chief finance officer¹ (CFO) and finance team to tell you about what they do and how they can help you.
3. Work with your finance colleagues to get the right finance procedures and processes in place to help you do your job and to manage your services properly. Don't be afraid to ask why things are done the way they are.
4. Discuss your organisation's response to the Francis Report² with your finance team and what it means for your service.
5. Develop your relationship with finance staff by sharing your enthusiasm for service transformation.
6. Allow and encourage your finance manager to be part of your team at an early stage when setting up a transformation project and ensure finance colleagues regularly attend your transformation team meetings.
7. Ask your finance team how they can help you develop a plan for transforming your services. Work with your finance team to use your data to benchmark your services and help you see how you compare with other services.
8. Share the activity and performance data you use with the finance team so they can use validated and up-to-date data in their planning and analysis. Ask your finance colleagues about your organisation's finance challenges and how your service fits into the overall strategy for your organisation.

Key findings

Finance staff can support service transformation in five areas:

1. Culture

Culture change is the main starting point for successful transformation. The CFO plays a critical role in changing not only the culture of the finance team but also the way that finance is viewed by the rest of an organisation and by partner organisations. This role can involve:

- Developing trust and understanding between colleagues and with partner organisations
- Supporting the organisation to talk about quality and finance rather than finance and quality
- Exploring whether any unexpected benefits have arisen from culture change
- Investigating the training and development needs for all finance staff, including understanding the business, building relationships and looking at the organisation's attitude to risk

- Working with clinicians so they understand how finance can help them to succeed.

CFOs and their finance teams know they need to talk about quality and finance, rather than finance and quality, to engage clinicians in conversations about service change. The CFO's role is to ensure finance staff and clinicians are knowledgeable, trained and prepared for the finance aspects of service transformation. CFOs we spoke to felt that finance staff at all levels need to:

- Understand the organisation from an operational point of view
- Understand the need for transformation that is clinically led.

The contribution finance staff can play in supporting service transformation may not always be obvious, so the HFMA is urging its members to demonstrate to clinicians and transformation leads the contribution that finance teams can make. Some transformation leads, perhaps through lack of finance knowledge, may not involve finance staff in their strategic and operational discussions at an early enough stage. CFOs, their finance teams and clinical staff will need to continue to work closely so that each other's skills are used effectively at the right time.

Clinicians can benefit from increased understanding of the contribution of finance. The CFO can do much to 'close the gap', perhaps by reducing the remoteness of the finance function but also by making sure finance staff at all levels have opportunities for joint working. Ultimately, if finance and non-finance staff have a shared understanding of the transformation aims, it will be stand a greater chance of being successful.

Benefits can accrue from creating a culture of closer working relationships and greater understanding of each other's work. The most successful way of bringing this about comes from cultivating good relationships. All parties have a role to play in this.

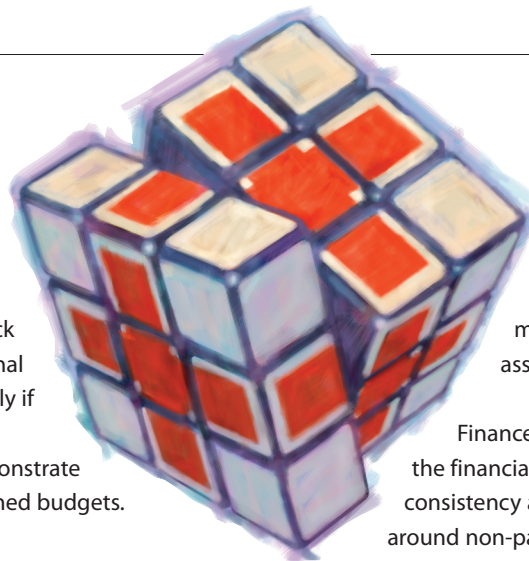
2. Planning

The CFO and finance team's ability to provide a long-term financial plan is critical for any transformation project. Financial planning can shape the way transformation evolves, maximising the chance of its success, by setting the parameters of the resources available and modelling the transformation plans. It covers both revenue and capital spending and draws on the finance team's training and long-term vision but also their ability to understand the finance data in the context of other performance indicators. Clinicians are not normally required to think about how their services will look in 10 years' time but finance staff can bring finance vision to planning conversations about clinical services.

Good financial planning is an important part of transformation:

- Revenue and capital planning can be used to set the parameters of the transformation, but it must be based on a clinical vision and a quality strategy.
- Good financial planning shows that financial risks are being considered and managed appropriately.

- The evidence base must be strong and comprehensive, requiring the finance team to work with clinical colleagues.
- Good financial planning can help boards keep the organisation on track and under control by showing external intervention is not required – but only if those plans are delivered.
- CFOs can use financial plans to demonstrate they are getting value from constrained budgets.



Thinking long term means revenue and capital plans must be modelled using accurate activity, demand and finance assumptions. But the key to improving the chances of transforming services successfully lies in linking the financial plans to well-thought-out clinical and quality strategies. A clinically led approach to service quality and outcomes should drive financial planning, rather than financial targets.

Capital planning is as much a political issue as a quality or finance issue and the CFO and other board members can often only advise rather than make decisions of this magnitude. Local politics or public opinion can sometimes override clinical evidence for transformation.

Planning involves long-term financial modelling skills, bringing in activity forecasting and knowledge of public health and likely trends in drugs and technology, for instance. Finance teams can, in conjunction with clinical colleagues, develop sophisticated models. This requires good data and analysis, and participants felt that where it can be done, finance teams will be able to show the likely impact of transformation and where it could be improved.

Finance teams of providers and commissioners alike can provide long-term financial planning support. Planning also includes the ability to advise whether informed, managed risks, such as creating new organisations or transferring or transforming parts of existing organisations, will be successful.

3. Analysis

The ability of finance staff to turn a clinical vision into a business strategy, written in the language of payment systems and policy frameworks, is the starting point for turning ideas for change into concrete proposals. Without this, the transformation is unlikely to happen. In undertaking this role, the CFO requires the support of the finance team to provide high-quality financial analysis and supporting evidence. This role can involve:

- The ability of the CFO to turn the clinical vision for transformation into a business strategy
- The ability of finance staff to develop business cases
- Providing challenge and scrutiny of business decisions to help improve clinical transformation
- Providing good information on the financial benefits and savings relating to transformation.

Finance analysts can provide a helpful and welcome challenge to clinicians that can improve delivery and consistency of the transformation. Finance staff can give those doing the transformation work the tools to make changes. In turn, this can provide greater assurance to the board.

Finance staff can help through, for instance, comparing the financial information for all budgetholders to improve consistency and look for savings opportunities, especially around non-pay costs. Finance staff have a high-level view across a whole department or division and can see where there are inconsistencies between teams.

In delivering the transformation, finance staff can help project leads with their skills in writing business cases and setting up the budgets and coding structures. Through this process, finance can challenge and improve the financial management system. Finance should play a supporting, enabling role to clinicians. But this does not stop the CFO and finance team providing this support by challenging the clinical approach where there is the evidence.

Finance staff are able to help quantify the potential financial benefits that might arise from a transformation scheme. Transformation should be driven by the impact on the quality of services, but it is important to know what investment might be required and what the longer-term savings might be.

4. Leadership

Leadership is an ability all board-level officers demonstrate, but there is a distinction between the role of the CFO as a board member and as finance lead. When transforming services, boards make decisions that need to balance quality, finance and other concerns. Boards have a collective responsibility for quality and finance, as well as the other business of the organisation.

So, the CFO should act as a board member but one with a special expertise in finance. Boards need operational leads to be fully bought into delivering safe and high-quality care, but CFOs need them to be aware of and understand the financial considerations. Leadership also requires the CFO and, in many cases, their deputies, to be a project director. This requires the ability to inspire and influence people, as well as the relationship building, motivational and organisational skills required to support delivery of a major transformation project. Operational leads must know that the CFO and board stand behind them, or are clear when they do not, as well as challenging plans.

FOOTNOTES

¹ NHS chief finance officers are also known as finance directors or directors of finance. We use the term CFO throughout this briefing, in line with terminology used in the Health and Social Care Act 2012.

² Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry, chaired by Robert Francis QC, February 2013.

Senior finance staff must create a stable financial envelope for transformation leads to work within. If the board is confident it has identified the right approach, this can create an ethos of success and improve the chance of savings arising.

Finally, CFOs can be helpful by taking on a collective leadership role to debate the problems and challenges of national and local financial strategy and policy. Working in partnership, CFOs can have a stronger voice with national policy makers and regulators capable of making changes.

5. Governance and accountability

An area where finance teams can challenge transformation plans and add value while the transformation takes place is in setting up governance and accountability arrangements. Applying a consistent approach to the systems of internal control can lead to improvements. Finance teams can:

- Set up the internal control structure and monitoring and reporting tools in a way that involves clinicians and facilitates discussion about improving services
- Ensure the key financial risks identified through financial planning and analysis are monitored and there are clear lines of accountability
- Establish and enforce appropriate procurement and contracting procedures
- Provide training for business case writing and help clinicians to understand and use finance information to improve services.

In allowing transformation to be clinically led, finance teams may have in the past taken a step back from being fully involved. In some cases, there may be a role for the CFO to set the tone that finance teams can, and should, challenge financial control and governance arrangements but still allow clinicians to be fully involved in decisions. Finance teams need to feel able to take control of the finance aspects of transformation when required.

Finance teams will focus on building a robust performance management system as well as setting up cost centres and budgets. These should reflect the service design decisions made by clinicians and support operational requirements regarding financial accountability and responsibility.

The process of clarifying and agreeing financial governance arrangements in itself can facilitate some useful clinical debates to

find the best solutions for service redesign. For instance, a discussion about setting up a cost centre can lead to a useful debate among clinicians about which department should host a service and which clinician should take the professional lead role for clinical safety. The financial debate is therefore a vehicle for having a detailed discussion that is ultimately about maintaining clinical safety.

The divisional accountant, who is fully embedded in the management team of their division, will often have an extra level of detailed knowledge, not obvious at CFO level, which can be the lever to solve some of the difficult problems that can arise during transformational change programmes. Where financial and clinical governance operate together, the finance team can help turn the clinical vision and strategy into something that is operationally clear and sustainable.

Conclusions

We have not attempted to define a formulaic role for the CFO and finance team but we have identified the areas in which they can provide the biggest positive contribution. Finance teams can actively improve transformation schemes if they are used effectively, while still allowing others to lead them.

The changes taking place under the badge of transformation are different to previous attempts to deliver savings through cost improvement programmes. The most important aspect is to change the culture of the organisation to think about transformational rather than transactional approaches. Once culture and staff perceptions change, there will be increased willingness to support a strategy of transformation.

It may require additional training and development for all staff, not just finance staff, and will require partnerships and relationships to develop. Above all, it requires strong and visible leadership. These changes will remain in the organisation after the transformation is complete, continuing to bring positive benefits.

NHS boards, clinicians and managers are encouraged to draw on the expertise of their finance colleagues, to include them in discussions about transformation and work with them closely to maximise the chances of successfully transforming services. ■

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Albert House, 111 Victoria Street, Bristol BS1 6AX

Tel: 0117 929 4789

Web: www.hfma.org.uk

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