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System leadership in the NHS

Discussion
paper

shaping healthcare finance ...

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Summary

This paper is based on a discussion between senior NHS finance directors at the HFMA's July policy forum meeting. It considers the role of system leadership, the aspects that are missing or not working well in the current system and what practical steps finance directors can take locally. We describe the main points of the discussion and use our previous work to draw attention to an area that has been raised as a concern by a significant proportion of NHS finance directors.

System leadership is difficult to define, but is about people and organisations in an area using their influence to get consensus about the way forward and supporting change. The HFMA wants to generate ideas about how the concerns raised about the lack of system leadership can be addressed and we set out our view on what might need to change.

We are publishing this paper now to support the *2015 Challenge Manifesto: A time for action*¹. Alongside many other organisations, the HFMA is a signatory of the Manifesto and welcomes the call for a public debate about how health and care is provided in the future. The NHS faces a challenging future and organisations will need to adapt to ensure that the health and care system is fit for the future.

For some organisations, this may mean a reduction to the services provided, while others may expand or merge. Finance directors will need to work with their board colleagues and clinicians to prioritise achieving the best outcomes for patients and using the limited NHS resources for the greatest good, even if this means their own organisations do not benefit directly.

The author of this discussion paper was Richard Edwards, HFMA research manager.

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¹ *The 2015 Challenge Manifesto: A time for action*, NHS Confederation, September 2014

Introduction

April 2013 saw the abolition of the main commissioning and oversight bodies in the English NHS – primary care trusts (PCTs) and strategic health authorities (SHAs). A new system of commissioning healthcare was created, with less central control and with GPs given greater decision-making powers as part of clinical commissioning groups (CCGs).

A year after the system was introduced, the HFMA surveyed 188 NHS finance directors as part of our financial temperature check series of briefings². The purpose of the survey was to understand emerging challenges faced by finance directors.

When asked about financial challenges in their local health economies, 107 out of 129 provider trust finance directors and 43 out of 63 CCG chief financial officers (CFOs) highlighted system leadership as something they were concerned or very concerned about.

The NHS has seen several reorganisations in recent years and experienced several layers of system leadership, from regional offices to SHAs. The abolition of PCTs and SHAs was partly to reduce the cost of management but the perception is that the role they played has not yet been filled by the current combination of CCGs, area teams, regional offices and health and wellbeing boards. However, NHS finance leaders are not calling for another reorganisation.

Finance directors of local commissioning and provider organisations may not always have seen the need for SHAs and other performance management organisations, or found them helpful at the time, but there are examples of the crucial role they played in overseeing change at regional level. The system leadership they provided could bring together disparate organisations, solve disputes and provide oversight that drew multiple plans together across a region – a role acknowledged by finance directors as an important contribution.



While it was the policy intention that CCGs take responsibility for planning for their local populations, it is proving difficult for them to take a lead on reshaping services. Much of this comes down to their size, in terms of management capacity, but also relative to other organisations in the area.

Some respondents to our survey pointed to an overall lack of system leadership to coordinate transformation schemes across a number of organisations, which is a significant concern as these are considered to be where the biggest cost savings will now be found. One respondent noted: 'System leadership is almost impossible given the fragmentation of commissioning and regulation.'

The HFMA supports the view that NHS providers should seek to deliver clinically, operationally and financially sustainable care. This is likely to require providers to make changes to the way they deliver their services.

In our 2013 report on the role of finance staff in transforming services³, we found that finance directors play a crucial role in providing financial leadership to support clinical transformation. Transforming services will require strong leadership across local health systems and good relationships between commissioners and providers. Finance staff have a key role to play in supporting clinicians by creating a stable financial plan for

² *NHS financial temperature check*, HFMA, June 2014

³ *Transforming healthcare: The role for the finance team*, HFMA, 2013

Finance directors will need to adopt the attitude that if one organisation in an area fails then all organisations have failed

transformation leads to work with. However, the HFMA has concerns that:

- The reorganisation of commissioning organisations has created a deficit in system leadership
- There are varied approaches to system leadership in different areas – some are not working as well as others
- There is a danger that the different priorities of providers and commissioners will result in a risk-averse system, unable to make changes to meet the quality and financial challenges and not result in an NHS that is fit for the future.
- There may be some work to do to ensure that CCGs have the necessary powers to work collaboratively – for instance, to set up joint arrangements with delegated powers.

NHS finance directors must continue to work with their clinical colleagues and other board members to take a lead in filling the gaps in system leadership, emphasising the need to think and work across organisational boundaries. As part of this, finance directors will need to adopt the attitude that if one organisation in an area fails then all organisations have failed, in an effort to safeguard the clinical and financial sustainability of local health systems.

How is the system managed locally and what needs to change?

Changes to regional and local management in the NHS are considered by some finance directors to be contributing to the challenge to provide high-quality care with the money available through service transformation and integration.

In our finance directors' survey, in some instances respondents 'felt the reasons for slippage in cost savings plans were out of their control because planned system reconfiguration by commissioners or other providers had not taken place'.

A second strand to system leadership of NHS finance under the SHA regime

was performance management: SHAs were responsible for ensuring the PCTs and NHS trusts in their area achieved their financial plans.

Finance leaders in some areas may be trying to recreate similar systems of performance management to address financial challenges in individual organisations. But this is harder to achieve when trying to bring together different organisations, including NHS England area teams, the Trust Development Authority (TDA) and Monitor, to help local CCGs and provider trusts find financially sustainable solutions.

Some finance directors feel the system is working in a piecemeal way as best it can, but there are challenges ahead. One major test will be the better care fund⁴, which requires strong system leadership to align the priorities and work of commissioners, providers and councils.

Our financial temperature check survey found that only 2% of provider trust finance directors and 11% of CCG CFOs think the better care fund will help to improve their organisation's services for patients and service users in the first year (rising to 25% and 62% respectively after three years).

There is a perception among some finance directors that local health and wellbeing boards are too immature and not engaging providers fully to make sure the better care fund is successful.

Do local NHS organisations need more time to adapt?

The abolition of SHAs has not been followed by a single strong source of system leadership. But some finance directors questioned whether the problem is that the current system is just too new and it needs longer to make it work.

Local NHS organisations have previously been used to centrally planned decisions around large transformations of care pathways, reconfigurations of hospitals and how to deal with financial deficits.

⁴ The better care fund was announced by the government in the June 2013 spending round to ensure a transformation in integrated health and social care. HFMA members can find further information in our briefing *Better Care Fund – Managing the pooled budget* (March 2014)

This kind of top-down management has removed, to some extent, the need for a key aspect of system leadership – relationship management. Relationships need to have chance to mature and develop to the point where all parties trust each other to have each other's organisations' best interests at the front of their minds.

In what are times of severe financial pressure, many organisations may seek to protect their own financial position before working in partnership with others. But finance directors are clear that service transformation and dealing with financial difficulty can be managed locally and do not need to include national organisations such as NHS England or the TDA if the right conditions are in place.

System leadership needs clear areas of responsibility and lines of accountability. The English NHS remains, after the recent reorganisation, a complicated mix of organisations that need to work together. The Scottish, Welsh and Northern Irish systems arguably remove one of the main barriers to change as integrated systems of commissioning, provision and social care, in some cases, mean the people with decision-making responsibility either work for the same organisation or there is only one person.

System leaders understand the need to put patients first and this priority comes ahead of individuals' loyalty to their own organisations. But to allow this there needs to be clear understanding about responsibility for services and money and where it lies. Leadership flows from this and needs to be localised wherever possible in the new system but with a clear escalation policy, recognising that some problems are regional, so cannot be handled locally.

There was a perception among finance directors that change is often only driven by a 'burning platform' rather than evidence-led and part of a defined strategy. Finance directors discussed the dangers of unclear leadership, concluding it can lead to uninformed decision-making or avoiding making

difficult decisions. For instance, they highlighted tendering out services as something that is often seen as the solution where the problem is a lack of leadership or ability to identify or bring together local service leaders. While this approach may reduce the unit price of a service through economies of scale, the real goal should be collaboration to review and improve patient services.

This means joint working between commissioners, managers and clinicians to change parts of the service that are no longer working properly. It may involve sharing financial risk and requires all the key people to be willing to trust and talk to each other.

Some finance directors felt the NHS market concept is contributing to the lack of system leadership and joint working – providers are looking for revenue growth and commissioners are seeking to reduce unit costs without a joint consideration of how to improve services for patients.

This aspect of system leadership needs commissioners to consider the healthcare value-for-money equation (health outcomes per pound spent), something we raised in our joint briefing *Two sides of the same coin*⁵.

We argue that services need to be operationally, clinically and financially sustainable and note that 'NHS boards need to work in partnership to agree how to spend the resources available to best effect, rather than individual organisations making cost savings in isolation'. The HFMA's view is that every clinical decision is a financial decision.

System leadership is also about performance management. While all NHS leaders should understand the issues around value for money and securing the best-quality outcomes for patients, they may not have the incentive to take responsibility. This can be compounded if they feel national agencies such as Monitor, NHS England and the TDA would not agree with their course of action.



⁵ *Two sides of the same coin*, HFMA, NHS Confederation, Academy of Medical Royal Colleges and Faculty of Medical Leadership and Management, February 2014

Finance staff need to be at the forefront of local change, supporting clinical transformation through costing the different options available and appraising their merits

Finance staff need to be at the forefront of local change, supporting clinical transformation through costing the different options available and appraising their merits, rather than taking leadership decisions based on prioritising costs ahead of quality, capacity concerns or the overall benefit to patients and the local health economy.

What are the barriers to effective system leadership?

Finance directors identified some barriers to effective system leadership:

- It is sometimes very difficult for CCGs to work together in the current legal framework to make joint decisions or delegate authority. This is an area that needs improvement at the national level.
- In financially challenged areas, the health and wellbeing boards will not be effective as they can scrutinise decisions but not necessarily make policy or decisions themselves and do not have the influence to bring together several partners.
- It is very hard to keep multiple partners signed up to delivering shared objectives, especially in a tough financial environment.

A clear system of local accountability and responsibility would ensure local leaders are rewarded for the right things and are not punished for things that run counter to the objective of high-quality healthcare.

Ultimately, finance directors felt that, although many organisations work together extremely successfully, the individual sovereignty of organisations can sometimes be the overriding factor in partnership working. They also felt that leaders will always tend to act in the interests of their own organisations.

True system leadership would result in organisations making decisions in the best interests of patients regardless of the impact on their own organisation or their own future.

Conclusions and the HFMA's view of what finance leaders can do locally

Finance directors identified several levers in the current system that could be used to improve local system leadership and that will need to be explored in more detail locally. These were around:

- Managing the system with the same money by revising pricing for services through locally agreed prices and payment mechanisms
- Exploring whole area budgeting by examining the totality of healthcare spending in an area, rather than individual organisations, and allocating resources in the optimal way
- Strengthening CCG commissioning leadership
- Making sure the legal structures and CCGs' powers are sufficient.

Some finance directors felt there had been a loss of goodwill and the breakdown of long-standing relationships when structures were changed, which has had an adverse effect on local leadership and incentives to make decisions.

But the strongest message that came out was that there needs to be collective responsibility across organisations to incentivise managers to understand that if one organisation fails then every organisation fails. There needs to be collective responsibility across health economies so that they are clinically, financially and operationally sustainable.

This was summed up as an ethos of 'what can I take responsibility for rather than simply what am I responsible for'.

The HFMA is interested to hear members' views on the scale and effect of the concerns they have about system leadership in the NHS. Do you agree with the points in this paper? What actions do you think need to be taken?

Contact us on policy@hfma.org.uk

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“Actually the FD
recommended the
Faculty to me... but
I like to pretend it
was my idea.”



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About the HFMA

The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For more than 60 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has a particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

Our vision & mission

The vision that inspires us is a world where we see:

Better quality healthcare through effective use of resources

In order to help deliver our vision, we are committed to our mission of:

- Representing and supporting healthcare finance professionals
- Influencing healthcare policy
- Promoting best practice, education and CPD

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