hfma briefing

Contributing to the debate on NHS finance
July 2013

Responding to the Francis Report

INSIDE

In response to the Francis Report, the HFMA has identified a series of principles and actions that NHS finance staff should test themselves against

The Healthcare Financial Management Association (HFMA) has produced this response to the *Report of the Mid Staffordshire NHS Foundation Trust public inquiry* (the Francis Report) of February 2013, which detailed the causes of the failures at the trust that led to unacceptably low levels of care and the appalling suffering of many patients. The report describes the actions of staff from across the trust and the wider NHS but finds that a focus on finance before patient care was one of the causes.

Our response focuses on changing the culture of the NHS finance profession, which came under scrutiny during the course of the inquiry. It introduces a series of principles and actions and should be read in conjunction with the HFMA's statement *The role of the NHS chief finance officer*.

In summary, the HFMA believes that:

1. All NHS finance staff should remind themselves of the contents of the codes of conduct of their professional bodies, employing organisations and the NHS constitution and adhere to them.

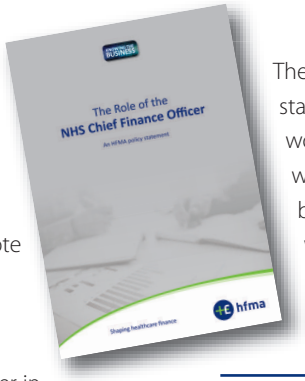
2. All governing board members are equally responsible for quality, patient safety and the financial performance of their organisation.

3. All NHS finance staff should understand how their role supports the achievement of organisational objectives and the delivery of high-quality patient care.

4. NHS finance staff should provide the most up-to-date, reliable, useful and complete financial information possible and aim for the highest

Mr Francis notes there were 'numerous causes for concern about the trust's standard of service, governance, finances and staffing'

standards of financial probity and financial reporting.
5. A focus on knowing the business and understanding the finances will lead to better services for patients.
6. Finance staff have a duty to promote best use of resources and the achievement of value for money.



These principles are considered further in the main body of this response and are supported by a series of suggested actions. The HFMA recommends that finance staff review these actions and look to incorporate them into their working practices. Not all the actions are specific to finance staff – for example, all NHS staff should comply with relevant codes of conduct and the NHS constitution – and, therefore, may be of interest to other healthcare professionals.

Most NHS organisations are already delivering high-quality, safe care to patients within the resources available to them, but it is becoming increasingly challenging. Further details on how the HFMA is supporting NHS finance staff to meet this challenge can be found at www.hfma.org.uk.

Introduction

The HFMA welcomes the Francis Report and its findings and is committed to helping its members learn from the failures at Mid Staffordshire NHS Foundation Trust. Finance staff are encouraged to read the report and to find out how their own organisation is responding to the recommendations. This response draws on the Francis Report and the HFMA's own findings from our national conference in April, *Post Francis: what's the future for NHS finance?*.

ABOUT THE HFMA

The Healthcare Financial Management Association (HFMA) is the representative 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.

The HFMA strongly believes that NHS finance staff can make simple changes to their ways of working and long-established cultures that will have a positive effect on getting the balance between quality and finance right in what are undoubtedly challenging times.

Background

The Francis Report runs to three volumes and over 1,000 pages. It focuses on the actions and decisions taken by management and clinicians at the trust and those taken by staff in the surrounding primary care trusts, strategic health authorities and regulatory bodies. The inquiry was chaired by Robert Francis QC. Mr Francis reports his findings on the finances of the trust in chapter two, but the attention given by the trust to finances ahead of patient care, and the subsequent effect on decision-making, is a theme that runs strongly throughout the entire report.

Mr Francis reports on several issues at the trust relating specifically to finance as a contributor to the failures in care. He notes there were 'numerous causes for concern about the trust's standard of service, governance, finances and staffing'. In particular, finance issues were allowed to take priority over patient care. Mr Francis found:

- 'A focus on reaching national access targets, achieving financial balance and seeking foundation trust status to be at the cost of delivering acceptable standards of care.'
- 'Management thinking during the period under review was dominated by financial pressures and achieving foundation trust status, to the detriment of quality of care.'
- 'The extent to which clinical governance issues were discussed at the board was unclear from the minutes; financial matters appeared to predominate.'

The culture of the trust, so important to creating good patient care, was dictated by a board that allowed the standard of patient care to be submerged by other concerns.

One of the most important observations in the Francis Report in respect of finance is that the ever-present challenge of balancing quality of services and a healthy financial position may have been simply unachievable under the trust's plans. Mr Francis finds: 'One measure of the gap between the perception that the savings made were acceptable and the grim reality has been the trust's financial

experience since 2009. It has been the recipient of very large quantities of additional financial support, and increases in staff, but appears to be slipping into deeper deficits.

'While some of this can be attributed to the direct adverse impact of the scandal that has engulfed the trust, it must also be an indication that it was in retrospect from the plan set out impossible to provide the required level of service from the funds available.'

Further finance related extracts from the report are set out in Appendix A, page 7.

The HFMA's view

It is clear that the failures that occurred at Mid Staffordshire NHS Foundation Trust could happen again if trust boards allow other factors to become more important than providing safe, high-quality care for patients. Chief finance officers (CFOs) – also called finance directors or directors of finance – and their teams have a major role in ensuring that finance issues do not become the centre of attention and are considered alongside quality. The implication for NHS finance staff is that all decisions must be made with careful consideration of the effect on both finances and quality of care.

The HFMA believes finance teams should make achieving value for money a priority by extracting the highest quality care for each pound spent. It is clear that the financial resources available to the NHS will not grow significantly in real terms in the near future, so NHS organisations will need to deliver higher quality care for the same cost or less. Finance leaders need to know:

- What value for money their organisations' services offer relative to others
- Which of their services could deliver better value for money
- How successful they are in making improvements.

NHS finance staff are, first and foremost, public servants working for the good of the taxpayer and in the interest of patients and their carers. The primary focus of all those working in the NHS should be the delivery of high-quality care to patients.

The changes required to address the failings identified in the Francis Report are cultural and

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ethical. In some cases, it may be helpful for finance staff to think back to when they first joined the NHS and their motivation for joining a service dedicated to patient care. It may also require finance staff to be braver and bolder than in the past.

Strong financial leadership

All CFOs must be visible on the front line. This means that they must make the time to talk to staff and patients, and judging first-hand front line services. The CFO is a board member and, therefore, shares collective responsibility for achieving the organisation's objectives, including the delivery of high-quality, safe patient care, as well as specific finance targets.

Finance leaders in some organisations will need to make the case for major transformation and reconfiguration to safeguard high-quality care. It will take skill and hard work to convince boards, regulators, politicians and taxpayers that the change needs to happen.

But where it does, the change should be led by the organisations themselves, rather than imposed by others and this can only be done with strong financial leadership. In some cases putting patients' interests first will result in reconfigurations that are in conflict with the interests and aspirations of individual organisations. Where this is the case the change might be led by other organisations. CFOs will need to demonstrate leadership, support the change and work towards achieving the best solution for patients.

CFOs must be courageous and secure the support from those to whom they are accountable, to be able to recognise and then speak up if the cost of providing the right quality of services is no longer affordable. It is not acceptable for NHS finance

ACTIONS FOR NHS FINANCE STAFF

1 All NHS finance staff should remind themselves of the contents of the codes of conduct of their professional bodies, employing organisations and the NHS constitution and adhere to them. In particular finance staff:

- Should have a personal commitment to openness, candour, transparency and collaboration, as these can change the culture of an organisation and lead to improvement
- Must be open and honest in their dealings with external regulators and there should be a similar commitment to honesty and openness between commissioners and providers
- Should investigate the results of external assessments, complaints or feedback, and take action where appropriate. In an open culture, scrutiny should be welcomed as a form of assurance
- Should share information with regulators at an early stage and seek involvement from interested parties such as the public, patients, GPs and local authorities.

2 All governing board members are equally responsible for quality, patient safety and the financial performance of the organisation. In particular CFOs:

- Must support the organisation in spending the available resources in the best way possible, getting the best value for money and the safest and highest quality of care
- Have a responsibility to provide relevant finance information to the board, and ensure it is reported in such a way that the finances are seen in the context of safety, quality and outcome indicators
- Must be completely transparent about the financial position – the good news and the bad – and always put the finances in the context of the quality of the services provided
- Should have the ability to influence and inspire people and communicate financial information well to help others make the right decisions
- Should promote an organisational structure that creates appropriate lines of accountability, which includes delegating decision-making to those who can control the activity and aligning management and financial responsibility
- Should have a manageable portfolio of responsibilities, within which finance should take priority.

3 All NHS finance staff should understand how their role supports the achievement of organisational objectives and the delivery of high-quality patient care. In particular finance staff should:

- Have clear and regularly reviewed personal objectives that support the delivery of organisational objectives, to help ensure that individual success will lead to organisational success
- Work collaboratively so that finance and quality are always considered jointly, rather than as domains that are the responsibility of separate groups, with separate lines of accountability
- Not be subject to pressure from governing body members or external performance managers, government or regulators to report results or create an undeliverable financial position, or one that does not put patients' interests first – including entering into commitments that are not financially sustainable over the longer term
- Be aware of mechanisms to raise concerns (whistleblowing) both internally and externally if patient care and/or safety is compromised and use them if necessary.

professionals to deliver the budgeted bottom line alone, without a balanced appreciation of the quality of services provided and what this means for patients.

CFOs need to use their collective voice – through the HFMA or other channels – to change health policies and practices that are no longer working. For example, if resource allocation and payment systems are becoming a problem in more than one organisation, CFOs can help to lead that debate.

The HFMA's newly updated *Role of the NHS chief finance officer* provides a detailed analysis of the roles and responsibilities of CFOs in the NHS and should be read alongside this response.

Knowing the business

The HFMA president's theme for 2013 is 'knowing the business'. In practice, this means all members need to understand what is driving financial decisions and the effect they will have on quality.

Finance staff should continually update their knowledge of the organisations they work for. For CFOs, this means regularly walking the wards, talking to patients and staff and asking what needs to be improved and how. For other finance staff, from senior managers to trainees, it is about spending time with clinical staff to understand the impact of financial decisions on the workforce, buildings and equipment and the compassionate, moral and logical decisions that drive clinical colleagues.

'Knowing the business' is about having the evidence to make decisions, persuade and influence, and demonstrate accountability. To support this, finance teams should ensure that they are knowledgeable, motivated and capable of explaining finance issues to clinicians and managers. There needs to be a

4 NHS finance staff should provide the most up-to-date, reliable, useful and complete financial information possible and aim for the highest standards of financial probity and financial reporting. In particular, finance staff:

- Must ensure that financial reporting, both internally and externally, is materially accurate and that financial reports made available publicly, such as board reports and the annual accounts, provide the user with plain English explanations
- Should ensure key messages are highlighted and the key risks identified
- Should ensure the right things are being measured and there is 'only one version of the truth'
- Should use sound data from a variety of sources to inform decision-making. Internally generated data should be challenged and scrutinised and compared against data from other organisations
- Should make better use of real time reporting of quality indicators and pair this with up-to-date cost data where possible
- Must ensure, above all, that their work cannot mislead those who are relying on it or obscure the material facts about the wider impact of the financial position of an organisation.

5 A focus on knowing the business and understanding the finances will lead to better services for patients. In particular, finance staff:

- Should not work in isolation from other staff groups and should be an integral part of the operation of an organisation
- Should continually update their knowledge of the organisations for which they work, and the wider NHS, to fully support clinical colleagues and help them to deliver safe, high-quality and value-for-money services
- Should ensure that all finance staff are knowledgeable, motivated and capable of explaining finance issues to clinicians and managers
- Should work to improve financial literacy among non-finance colleagues and make colleagues and patients aware of the financial position of the organisation and why a particular course of action is necessary when resources are limited.

6 Finance staff have a duty to promote the best use of resources and the achievement of value for money. In particular, finance staff:

- Should promote a culture of continuous improvement that encourages all staff to identify ways of avoiding waste and saving money
- Should ensure that good-quality costing information is available so that clinicians and service managers are aware of the cost of the services they provide
- Should facilitate the provision of comparative benchmarking information and help clinicians and service managers to understand it and use it as a tool to help drive efficiency
- Should work with managers to develop well-costed business cases, that consider financial implications as well as the impact on the quality of services, to support effective decision-making
- Should ensure that financial plans, business cases and decisions made are supported by an audit trail of evidence and sound backing that demonstrates the underlying rationale to stakeholders and the anticipated impact on quality and patient safety.

'Knowing the business' allows finance staff to have more informed discussions about service improvement

common language of quality to help non-finance staff engage with the finance department.

In those organisations transforming services and/or implementing cost improvement programmes, there should be openness and transparency about the changes to be made, the rationale behind the changes, and the benefits to be delivered. There should also be reliable monitoring and reporting of quality indicators, both during and after changes.

'Knowing the business' allows finance staff to have more informed discussions about service improvement and maintaining and improving quality. Only when finance staff understand the evidence for clinical decisions can they come to an informed view about whether a budget is appropriate or whether increased investment is justified by the evidence. It may be tempting for clinicians and finance staff alike to use the Francis Report as a simplistic justification for decisions, but sound and meaningful decision-making should be clinically led and supported by indisputable evidence.

Clinical engagement in financial management

Clinicians recognise the importance of budget setting and often welcome opportunities to discuss financial decisions and understand how savings requirements are calculated and applied. Good finance teams hold weekly meetings to monitor divisional budgets and savings plans from a quality point of view – there should be no surprises, and this requires a culture of openness and transparency.

Finance is a support function. It is an important one, but all finance staff should recognise that supporting clinicians to deliver the best possible patient care is the primary objective. The Francis Report identified that there had been an undue focus on finance above patient care at the trust, a feeling that was pervasive throughout the organisation. Finance staff must not allow finance department objectives to override patient care issues. Strategies that look good on paper can only stand a chance of working in practice if managers, clinicians and finance staff are all working together to deliver a shared aim.

Demonstrate the value of the finance department

External assessments of finance departments focus on ratios and processes, which allow consistency in comparison. But the real test of the value added by finance teams is how well they use the resources they have to deliver the best care. Finance teams need to be able to measure themselves by the contribution they make to the organisation's overall objectives, as well as their focus on the numbers.

The financial context should be a key part of any decision (however small) made within an NHS organisation. The finance team can provide expertise and advice, as well as detailed information, so that the best outcome for patients is achieved.

However, the finance team can only help in the decision-making process if its members are involved. Finance staff need to be aware of what is going on within the particular area being considered for reform, be it service redesign, change in patient pathway or transactional cost efficiencies.

They should provide clear and understandable financial reports, accurate financial information about the cost of services and well-evidenced financial forecasting that allow a rounded and informed discussion.

Principles of public life

The HFMA strongly supports the seven principles of public life – also known as the Nolan Principles, which were established by the Committee on Standards in Public Life in 1994.

These standards, although not statutory, should be the guiding principles for how NHS finance teams operate. They can be applied to all aspects of an NHS finance professional's work and members will recognise many of their own attitudes within them. They will also see how failure to follow these principles could lead to the failures found in Mid Staffordshire NHS Foundation Trust.

The seven principles are:

1. Selflessness
2. Integrity
3. Objectivity
4. Accountability
5. Openness
6. Honesty
7. Leadership.

It is recognised that most organisations already effectively balance quality and finance, but that it is becoming increasingly challenging. To help ensure the appropriate focus is maintained, the HFMA has identified some principles and supporting actions for NHS finance staff to consider (see *Actions for NHS finance staff,* page 4). ■

Appendix A: Finance extracts from the Francis Report

The inquiry heard the evidence of a non-executive board director, who said:

- 'As a board it was unacceptable not to balance the books. If we, as non-executive directors, were overlooking an organisation where things were going wrong financially, we would probably have been expected to go if we couldn't demonstrate that we were in control.'

A culture emerged throughout the organisation that had its roots in the actions and attitudes of the most senior managers:

- 'Staff below corporate level believed that targets and control of finances took priority over clinical governance and their own morale.'

The report goes on to scrutinise the financial recovery plan, finding major flaws in the trust's approach to financial planning. The report quotes from the evidence heard and draws conclusions:

- 'An 8% cost improvement plan represented a "huge" or "enormous" challenge.'
- 'A "lack of robustness" was identified in budget-setting and cost improvement delivery processes.'
- 'Savings in staff costs were being made in an organisation that was already identified as having serious problems in delivering a service of adequate quality and complying with minimum standards. Yet no thought seems to have been given in any part of the system that was aware of the proposals as to the potential impact on patient safety and quality.'

Witnesses to the inquiry described how the trust, which had already failed to deliver planned savings, approached the new plan:

- 'It was felt there was no option but to embark on another workforce reduction. This time, the target reduction was of 170 WTE posts.'
- 'The number was arrived at by dividing the amount the trust had to save by the average cost per employee … it was as crude and unscientific as that.'

Mr Francis concludes the scrutiny by saying:

- 'These superficial explanations overlooked the central point that no proper attention had been paid to the impact of the reductions on patient care.'

When the trust did review the quality of its services, the Francis Report reveals that it found:

- 'The aftermath of these drastic cuts, without any adequate assessment of the impact on nursing services, became all too clear … a skill mix review [was initiated] … recommending the need for a very large investment in more nursing staff and a radical change in the skill mix. The review found that the trust was some 120 WTE nurses short of what was required, nearly 13% of the total nursing establishment.'

The report also identifies failings in organisations external to the trust. Quotes from the evidence submitted to the inquiry and Francis' observations note that it is:

- 'Somewhat strange that an organisation which had a small financial deficit was scrutinised more heavily than one which stayed in balance by making huge cuts.'
- 'The financial recovery plan from which these projected savings came was considered by the SHA. It contained a methodology for the assessment of risk, but, certainly in terms of clinical risk, contained no evidence of the outcome of any risk assessment exercise.'
- 'While the system as a whole appeared to pay lip service to the need not to compromise services and their quality, it is remarkable how little attention was paid to the potential impact of proposed savings on quality and safety. We have seen evidence of a clinical risk rating system, but almost none of its actual application.'

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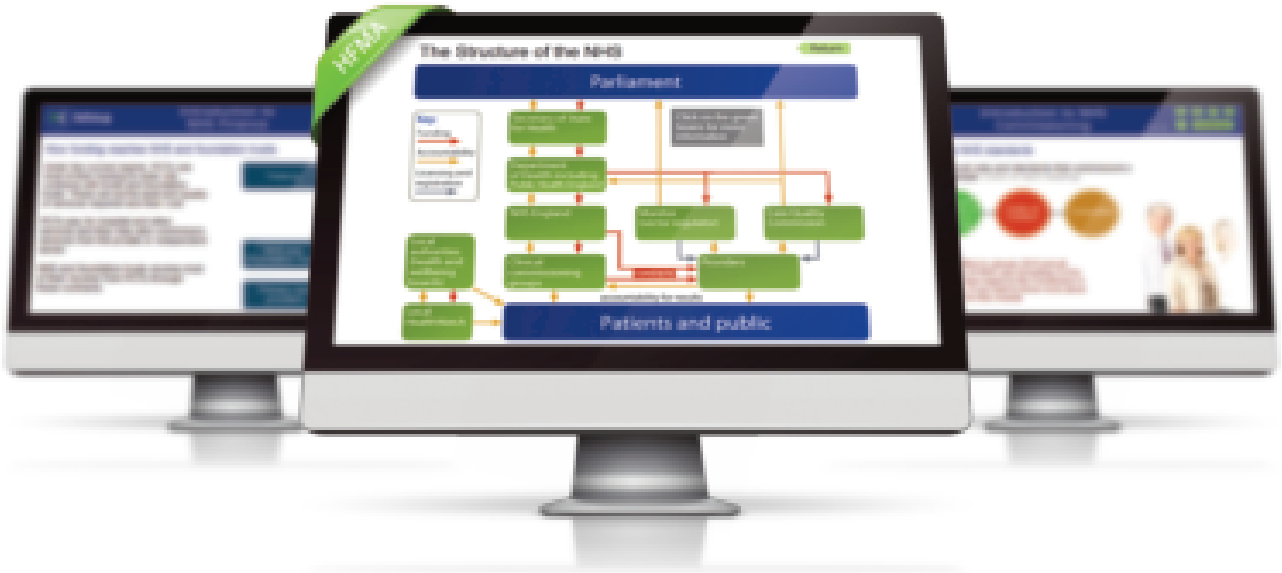

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