

Finance Directorate



Finance in the NHS

Beyond the Headlines

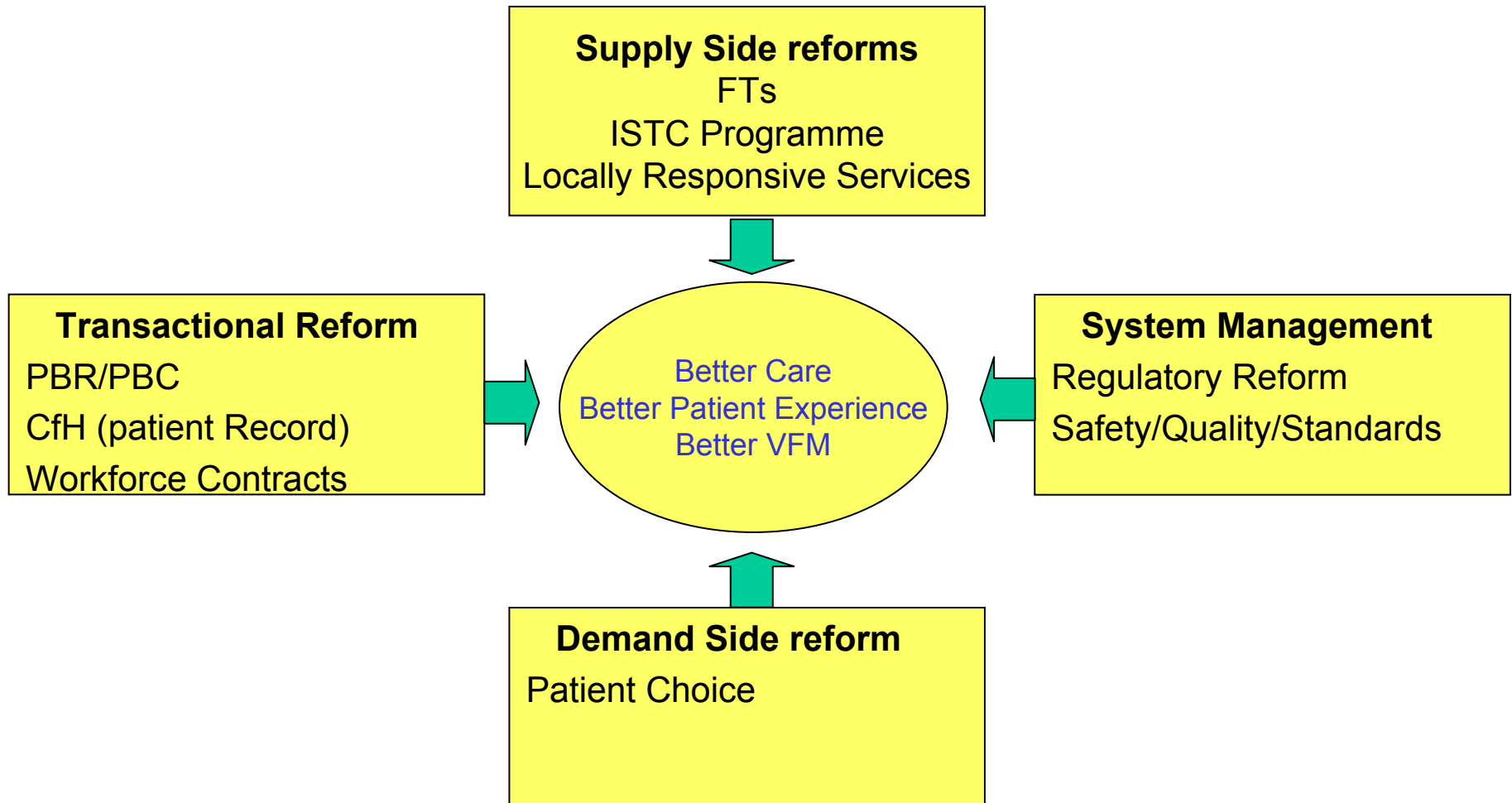
Kevin Orford
NHS Financial Controller

CIPFA NSF Conference
28 June 2006

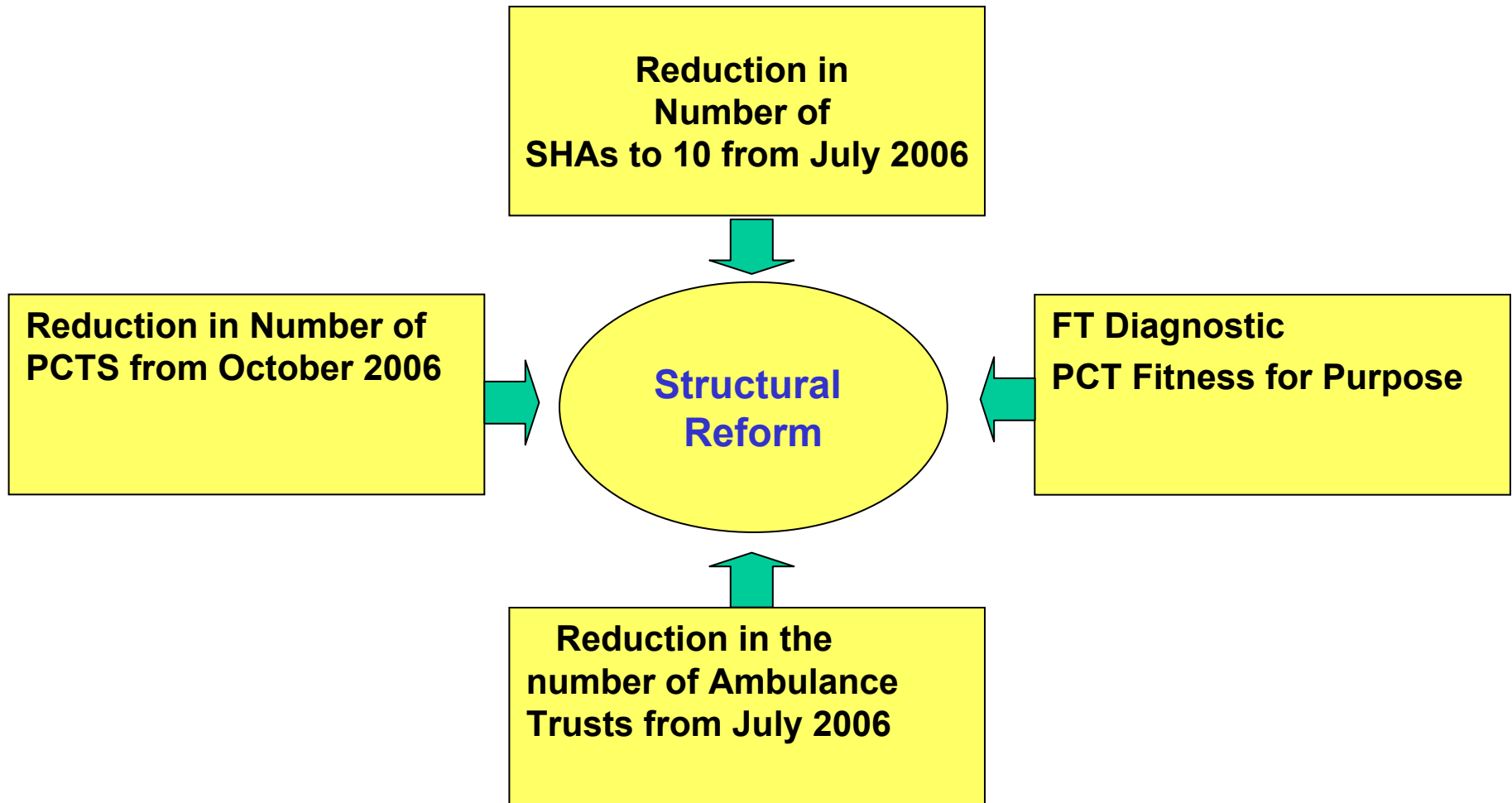
Delivering Sustainable Financial Health

- System reform
- Financial Position
- Role of Finance Director

System Reform



Structural Reform



- A minority of NHS organisations are in deficit; the majority are delivering balance or surplus
- The number of organisations in deficit has increased by just 15 during the last 12 months
- 6% of organisations account for 50% of the deficit
- 11% of organisations account for 70% of the deficit

- However...
- 42 organisations reporting deficit of >£10m, an increase from 16 in 2004/05
- Therefore the number of organisations with large deficits is increasing

Cause of deficits

- No single cause
- Biggest cause of deficit is last years deficit
- No significant relationship between deficits and allocations
- No evidence that organisations need to overspend to deliver access improvements
- No correlation between deficits and waiting numbers

Themes of the past 12 months

- Our Approach to Committing Resources
- CIP Ambition and Delivery
- NHS Reconciliation
- Data Quality
- Speed of Response
- Incentives / Behaviours
- Transparency

Finance Imperatives



Raising the Profile

- Focus of the NHS Operating Framework
- Personal Leadership of SofS and NHS CE
- Whole Board Development
- Central Emphasis within Healthcare Commission Annual Health Check (Star Ratings)
- Increase Transparency

Roll Out of Best Practice

- Learning from KPMG Baseline Assessment (98)
- Metrics on Best Practice in cost reduction, commissioning, workforce, clinical effectiveness and procurement
- Give organisations space to recover (SHA reserves)

Information and Incentives

- Much tighter NHS financial Management and reporting System
- Partnership with NHS Institute and Dr Foster to provide transparent and comparative monthly performance reports on 12 key metrics
- Surpluses incentivised

Support for most challenged

- Commercial Turnaround Teams operational in 24 Category 1 organisations
- National Turnaround Office to
 - Halt overspend (run rate)
 - Support strategic service change
 - Cascade learning across NHS

Locus

- Finance is the “Headline”
- Commentary
- Monitor
- Audit Commission
- National Audit Office
- DH and the Rules

the action changing financial management culture



“old”	“new”
planning for breakeven at a single point	operating as a sustainable going concern
financial management as responsibility of Finance Director	financial management as the responsibility of the Board
focus on “income” solutions to fund service improvement	focus on cost reduction to fund service improvement
managing marginal changes in resources	managing the entire resource

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