

FTGA National Development Day, Understanding Crises 14 March 2013, in London

Presentation given by Richard Douglas - Director General, Strategy, Finance and NHS

AVOIDING crisis in the NHS is as much about getting the finances right as about patient care according policy chief Richard Douglas.

Taking the final slot of the day he told the FTGA conference: "People often ask me why I'm in the public service. What Robert (Francis) talks about is exactly why I'm in public finance. Unless we get the money right we can't get these other things right."

While not claiming to provide a crash course in NHS finances Mr Douglas took the opportunity to look at the context of finance both currently and in the future, and offer advice to governors on scrutiny. He described how over the next 20 years there will be an increase of the population over 65 from 16% to 22%.

Partly but not entirely as a result of changing population more and more people with multiple conditions of increased complexity are being seen.

The numbers of people with three or more long-term conditions has increased by 50% over the last decade.

To deliver just the service that we've got now, nationally, we need to find about 4% a year in efficiency.

Mr Douglas said: "What we're going into is a challenge where we're being asked to deliver 4% efficiency savings with not a lot of fat to help. A big challenge for boards and staff in orgs where you are governors."

Mr Douglas then explained what he felt were the indicators of potential impending financial problem, where governors should be focusing, asking questions and challenging boards as necessary:

1. It's never just finance. If an organisation loses control of the finances it will usually have lost control elsewhere. There may be issues about staff engagement and satisfaction. Don't think you will spot a finance problem just by looking at the numbers.
2. Things don't happen overnight. There are a lot of events that will throw an organisation over the edge financially. Beware of anything that looks like short-term fixes.
3. Periods of major change are periods of highest risk. Like a big new building scheme, a major service change, major changes at board and senior level – that's the most acute time of crisis.

4. Don't trust the finance director to deal with finance. If the only person in your org who appears to be on top of the numbers is the finance director, be worried. That's because finance is about how you manage an organisation. Finance directors can provide data and challenge but they can't manage finance on their own.
5. If something looks too good to be true, it usually is. If you're faced with the challenge of delivering 4% savings a year and someone comes along and tells you it's easy to do, it's probably untrue. It's not easy to deliver savings on this scale. It needs painful choices and management.
6. Confrontational relationships usually end in problems. Mainly this has been between commissioners and providers where either one side or the other thinks they can put one over the other one. Going out of your way to bankrupt your main customer is not wise.

Mr Douglas concluded by offering the following advice: "You're not expected to be financial analysts or to know the detail of the NHS financial regime. That's not your job and we shouldn't expect that of you and the DH doesn't expect that of you. But you do have a number of very key roles and responsibilities.

"In meeting those responsibilities the key thing to be able to do is to have the right information in the right form to ask the right questions. "

The three things Mr Douglas highlighted as important for governors to fulfil their role were:

1. Get financial information from the organisation in a clear form that's free from jargon. If it's not clear, give it back and ask it to be made clearer. Never be afraid to ask a stupid question. Stupid questions usually get clever answers.
2. Always ask the 'what if?' question. There is a tendency in just about every organisation to have a bias towards optimism. People will think the best will always happen. When you see the forward plan, keep asking 'what if it doesn't work out? What is your contingency plan? What will be the impact of this?'
3. If you focus at normal terms on getting the financial info clear, double that, treble that, quadruple that scrutiny at a time of major change in the organisation.

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