MANAGEMENT ISSUES

Budget management

The NHS reforms have had far reaching implications for clinicians of all grades and specialties. Among other changes, it has been deliberate government policy that senior clinicians should have more direct management and budgetary responsibility within their own clinical areas. Trust hospitals have developed a directorate based management structure and devolved budgets to clinical directors. A&E departments have either become directorates in their own right or associate directorates within larger directorates. A&E consultants who take on clinical directorship (and thus budgetary) responsibilities will have more direct control of spending within their own department. At first this may seem intimidating, but the advantages of having control outweigh the disadvantages of more administrative activity.

This article aims to give some guidelines to help make the task less daunting, as well as some tips based on personal experience. I do not intend to cover fund raising activity or the organisation of postgraduate education and its funding. Brief mention will be made of "business planning" at the end.

What is a budget?

Although a budget is a sum of money given to you to run your service (including salaries and wages of all personnel) it is important to realise it is essentially a paper exercise similar to running your own bank account and receiving a bank statement. You will never actually see the money and the nitty-gritty of manipulating the account is done by your management colleagues and the finance department. Your role as clinical director is to keep a watching brief on it and to make executive decisions as to how it is spent.

There are three broad categories of budget:

- Steady state*—you are allocated the same amount of money each year with an allowance for inflation. Although it offers predictability for future planning it is inflexible and does not allow for surges in activity or unfunded government and trust lead initiatives. The majority of A&E departments receive their funding in this way.
- Activity based*—the amount of money provided reflects the work done. It is accurate, flexible, and is the basis of much purchaser/provider contract activity. It is generally not available until the work has been completed and will vary from year to year.
- Lump sum*—the government, region, or trust releases a lump sum of money for a specific purpose (for example, to start triage or audit or to complete a waiting list initiative). This is unpredictable, often comes at short notice, and can rarely be used for long term planning.

Although the majority of A&E budgeting falls into the first category, lump sum money is available from time to time. An average department seeing 50 000 patients a year may have an annual budget of approximately one million pounds.

When taking on a budget ask these questions:

- How big is it?
- Who actually controls it?
- Do you really have control of it or is it only theoretical, true control lying elsewhere?

- How often will you receive a statement?
- Who do you speak to to make changes with the budget?
- With whom and how do you negotiate within your institution (different to making changes within the budget)?

Figure 1 shows a typical budget statement. Each trust will have its own method of displaying it with which you should become familiar. They are usually in a grid with rows and columns, as in this example.

A row relates to the subject indicated in the extreme left hand column. Often there is a code number which specifically identifies the subject (maybe known as a line number) and can be used in all correspondence.

A column details a specific financial topic and will have a title at the top of the column indicating what it is. Some columns are grouped in pairs—the first indicating the exact budget allocation for the subject in the horizontal row while the second column indicates the actual amount spent up to that point in the financial year. The difference between these two will indicate an overspend or underspend for that particular item. Most statements will be subclassified into a "pay" section (wages and salaries) and a "non-pay" section (drugs, dressings, etc). As the devolution of budgets continues to evolve so new items will be identified in the "non-pay" section (heating and lighting, etc). MPE means "man power equivalent" and WTE means "whole time equivalent", terms which will appear under the "pay" section.

The methods which can be used to control and manipulate the figures vary from trust to trust. Consult regularly with your finance department.

TIPS

- Ask to be taken through a budget statement and have a clear explanation of all terms, etc. It is normally delivered monthly and although it may look complicated it is easy to master and is really little different from your own bank statement.
- Go through it carefully as mistakes are an occasional occurrence (although they can be rectified retrospectively through the finance department).
- The financial year runs from April to March. The theoretical aim is to make the books balance by the end of the financial year and not from month to month. Short term overspends or underspends are not important.
- A positive (+) sign means an overspend and a negative (-) sign means an underspend.
- It is the bottom line that matters, especially the bottom right hand corner, as this is the overall financial position when all spending is accounted for.
- Concentrate on the big numbers; do not worry too much about little numbers although they do need to be analysed at some stage as savings can probably be made without affecting the quality of service.
- Do not ignore underspends. There may be reasons for them being there and they can disappear with remarkable ease by the time the next statement arrives. Discuss them with your manager or the finance department. Do

Report Code:	Report Name:								
Period: 08 (NOVEMBER)									
	Line No.	MPE This Budget	This Month Actual	This Month Budget £	This Month Expend. £	Annual Budget £	Budget For Period £	Expend. For Period £	Over / under (£) (-)

Salaries & Wages									
A & C Staff	1								
Grade 5	2		0.69	1417	1041	18000	12750	9170	3580-
Grade 3	3								
Grade 2	4		1.00	1083	922	12000	9750	8388	1362-
Float Team	5							2434	2434
Agency Staff	6							202	202
Medical Library Staff	7								
Total Salaries & Wages	8		2.44	3000	2590	36000	27000	25054	1976-
Non-Pay Expenditure									
Travel & Subs	20				50-			89	89
Staff Advertising	21			31	1087-	400	277		277-
Technical Literature	22								
Office Equipment	23			77	202	1000	692	1335	643
Text Books	26								
Photocopying Expenses	27				528-			26	26
Photocopying Equipment	28								
Hospitality	29			77	4013	1000	692	11669	10977
Miscellaneous	30							4020	4020
Training Expenses	31			246	288	4200	2215	617	1598
Communications	32			38		500	346	311	35-
Total Non-Pay Expenditure	33			469	2838	5100	4222	15067	13845
Total Expenditure	34		2.44	3469	5428	42100	31222	40090	11538

Figure 1 Typical budget statement.

- not assume that spare money is available for use elsewhere within the budget.
- Go through any item marked “miscellaneous” with a fine toothcomb. All sorts of oddities can be hidden there (other budgets may have been inadvertently placed there that are not your responsibility). Have items explained by management or finance.
 - Devolve control of the nursing budget to your clinical nurse manager but be prepared to involve yourself in nursing activities (for example, the development of nurse practitioner).
 - Be prepared to negotiate with other directorates about certain items (for example, pass the drug budget for streptokinase to the medical or cardiac budget even if you are performing thrombolysis in your department). Similar issues arise with funding for anaesthetic agents and blood products.
 - Use creative accountancy. This is legitimate and will even receive the support of your financial colleagues.

Business planning

This is a new concept in the NHS but is well recognised in private industry. You will probably be asked to write one each year, a task which is not as tedious as it may sound. A good plan will help:

- Prioritise future activity
- Predict financial needs
- Develop departmental team spirit
- Convince others of your “vision” and enlist their cooperation
- Give support in times of change and uncertainty.

METHOD

The following is a useful structure for developing your plan:

- Identify all the activity of your department.
- Do you wish to stop any activity?
- Do you wish to continue any activity unchanged?
- Do you wish to continue any activity with minor change?
- Is there anything you wish to radically change?
- Is there anything you wish to introduce which is considered radical or innovative?

TIPS

- Involve your medical and nursing colleagues; many heads contribute many ideas
- Use brainstorming
- Don't forget to involve your clerical staff—they will see things from a very different angle and can contribute excellent ideas
- Include *everything* in the first draft (it can be pruned later)
- If you think an innovative idea is worth pursuing try not to be put off by caution—keep pursuing it
- The actual format of the plan should follow that used within your trust.

Summary

Budgetary responsibility gives you more control. Take time to master the fine detail, ask questions of your management and finance colleagues about anything you do not understand (you will not lose face), and develop the skills of lateral thinking and creative accountancy. Even if your budget is repeatedly overspent do not take it personally, ensure that management are aware of it and have a good night's sleep. Do not worry about it.

GEOFFREY HUGHES