

* Comments please. Return by 4/5/89



17/4/89



NHS MANAGEMENT BOARD

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From the Director of Financial Management

Department	Action
EE	✓
ST	✓
RAA	✓
PA	✓
UA	✓
MA	✓
File Ref:	

See note
Mrs Dymally
Director of
Finance (res)

EL(89)MB/74

To: District General Managers
SHA General Managers
Regional Treasurers
District Treasurers
SHA Treasurers

cc: Regional General Managers
Joint Finance Manpower Training
Advisory Group

D/E for next DT/MT Meeting. I've only glanced through it. This is massive!

29 March 1989

There are a lot of people in the Dept (including me!!) who have years of experience but no formal qualifications.
Dec 26/4/89.

Dear Colleague

Joint Finance Manpower Action Plan

For the last year or so the Department has been developing with interested parties, including representatives of Regions and Districts, the Healthcare Financial Management Association and the NHS Training Authority, a "Joint Finance Manpower Action Plan". It has been discussed widely and endorsed by Regional General Managers. I am enclosing a copy of that Action Plan.

The Action Plan is based on the need for a strong and thriving finance function. That need was evident before the NHS Review, when the Action Plan was drafted, but is now even more important in the light of the major direction changes and tasks which flow from the White Paper. A strong finance function is a major source of support in the management team; a weak finance function can be dangerous.

The Action Plan is intended to fortify the non-pay aspects of the finance staff employment package. These are the areas over which managers have the most control at present. Finance staff need to be recruited well and developed sympathetically and purposefully. The Action Plan is directed to these issues.

E.R.

It is, of course, difficult to allocate development time for staff on whom much of the implementation of the White Paper depends. It is, however, important for progress to be made, particularly in those Regions and Districts which do not have any of the features of the Action Plan already in place.

Paragraph 8.2 requires Regions to draw up implementation plans and to monitor local achievement. These plans will be discussed with Regional General Managers and Regional Treasurers later this year. Timetables for plans are not being set at this stage but if progress appears to be unduly slow timetables will be agreed on an individual basis between the Management Executive and Regions.

Further information on any aspects of the Action Plan can be obtained from Mr Richard Jefferies FMD1, Friars House, Room 527, Ext 3874.

Yours sincerely

Alan Moriarty

S V MASTERS
Director of Financial Management

This letter will be cancelled on 31.3.1990 unless notified separately.

ltr208

IN CONFIDENCE

JOINT FINANCE MANPOWER ACTION PLAN FOR THE NHS

PREAMBLE

The NHS faces greater challenges than at any time in its history. Chief among these are:

- the growing gap between healthcare demands and affordability;
- the emergence of manpower supply as a dominant constraint;
- the search for alternative supply and delivery mechanisms.

An adequate response to these challenges will require a substantial development in management capability. This in time will require a systematic approach.

A key feature of this approach is the need to secure parallel and complementary development of management in all disciplines. It is within this overall context that this paper proposes a plan for the finance function, which in effect represents the contribution of one discipline to this overall need. It is important to recognise that the maximum benefit of this plan will only be realised if it forms part of a broader strategy for management development across all disciplines.

1. INTRODUCTION

1.1 This paper then is about finance manpower. The objectives of the action proposed are to maximise the effectiveness of the finance function in terms of the value it adds to the service management process by more and better focussed attention to recruitment, training and development.

1.2 The paper sets out the likely future requirements of the finance function and compares that to the existing situation. It draws out the key issues to be addressed and proposes an action plan covering both the short and longer term.

1.3 The action proposed focuses mainly on staff at Scale 9 and above working at unit, district and regional level. It is recognised however that finance directors working in conjunction with personnel staff have an ongoing responsibility to review the performance of and develop all staff, including those below scale 9.

1.4 Where appropriate unit general managers would be responsible, in conjunction with district finance colleagues, for taking action in relation to finance staff whom they line manage.

2. THE FUTURE ROLE OF THE FINANCE FUNCTION

2.1 This country is not alone in seeking to identify alternative funding and service delivery mechanisms as the gap grows between health care demands and affordability. Increasing numbers of elderly, improving diagnostic and treatment capability and increasing life quality expectation all add to the pressures. High quality management with effective financial management support will be essential whether the NHS continues basically unchanged under an ever increasing burden of demand or the majority of care is delivered through competing independent providers.

2.2 Senior finance staff at authority and unit level will need to concentrate on facilitating and enabling managers to achieve more innovative and cost effective delivery of high quality services. They will need to identify and sell financial strategies that secure continuity of services and achievement of desired changes unimpeded by resort to crisis management measures.

2.3 The efficient management of financial administrative processes is becoming increasingly important to a wide range of management specialists. High quality services must exist to pay creditors and staff. In addition, the growing requirement for rapid, high quality data to assist monitoring and decision making places new demands on these staff to process financial data accurately and quickly.

2.4 Internal audit should be making a telling contribution to its Authority's management by providing searching analyses and advising on opportunities for better value for money.

2.5 At Authority level the finance team must be capable of monitoring and interpreting economic trends, market changes and political directions. They must be able to translate what they see into credible strategies for their authorities. To do this they have to be aware of the culture of their organisation, be able to think like their DGM and colleagues. They must be able to analyse complex issues and ideas and tease out the key factors. When reporting to their DGMs they must bring solutions and not just problems.

2.6 Within their own discipline the senior finance team must provide clear leadership. They must inspire confidence in their staff and others and encourage their team to think strategically.

2.7 Fulfilling these requirements will need strong technical and inter-personal skills. On the technical side a high level of financial management and accountancy skills is an essential pre-requisite. Also, finance staff must be computer literate and familiar with all aspects of information technology, including its potential for application in health care. Managerially they must be competent in the skills of creating and managing change. This requires a wide knowledge of the health care environment, good political sensitivity, the ability to form partnerships with others, and most importantly good communication and people management skills.

3. THE EXISTING SITUATION

3.1 Demands on managers across all disciplines continue to increase and the NHS faces significant organisational and cultural change. Against this backcloth the finance discipline is experiencing a high level of staff losses and vacancies.

At 31st December 1987, 8% of the 3230 posts at scale 9 and above were vacant. Although an 8% overall vacancy level is not itself alarming there are significant variations between Regions. Those variations are particularly marked in grades 9 to 23. These are the grades in which we need to retain and develop future senior unit and district finance staff.

Vacancies

	<u>% Vacancies in these grades</u>								
	<u>9</u>	<u>14</u>	<u>18</u>	<u>23</u>	<u>27</u>	<u>29</u>	<u>32/33</u>	<u>SMP</u>	<u>ALL</u>
All Regions	8	10	9	10	5	5	2	2	8
Over 10% in grades 9 to 23:									
NW Thames	15	12	15	20	21	0	0	0	13
NE Thames	25	2	8	21	0	17	0	0	10
SW Thames	17	24	21	14	0	0	0	0	15
SE Thames	15	25	11	3	9	12	20	6	13
Oxford	12	12	8	25	0	0	0	0	9
W Midlands	10	11	12	15	0	0	0	0	9
Wales	18	26	0	0	0	0	0	11	11

It is at grades 9 to 23 where the NHS trails well below market pay rates for newly qualified staff and staff with up to 5 years post-qualification experience.

Upwards from scale 9, posts require an increasing level of financial management and technical accountancy skills. There is a heavier emphasis on general financial management skills in unit accountant posts and at scales 23 and above in most district level posts. Those skills are provided through accounting technician training or, in the case of financial management skills, the acquisition of a professional accounting qualification.

At present there are very few accounting technicians in the health service. This will change rapidly given the lower entry qualification requirements and acute shortage of technical skills below Scale 9. The professional accountancy skill requirement increases with grade. For example, at Scale 23 about 90% of post holders require those skills. However,

only 60% of the 380 staff at Scale 23 level hold a professional qualification.

Qualifications

	<u>% Qualified Professionally</u>								
	<u>9</u>	<u>14</u>	<u>18</u>	<u>23</u>	<u>27</u>	<u>29</u>	<u>32/33</u>	<u>SMP</u>	<u>ALL</u>
All regions	6	16	33	60	80	84	84	90	38
Range:									
Highest	13	35	57	87	100	100	100	100	53
Lowest	NIL	NIL	6	26	33	NIL	NIL	43	17

3.2 Financial rewards under a predominately NHS provided service are likely in the short term to remain at or below the median for finance staff generally. This factor is made worse by remuneration arrangements that are unresponsive to the way the market is changing and which contain little financial incentive for able managers to take on more demanding roles. This makes it even more important that other aspects of the work are used as incentives to recruitment and retention. Particular emphasis needs to be placed on ensuring staff are adequately trained and developed to meet the job demands they face as well as their own personal career aspirations.

3.3 Against this background there is growing concern that whilst basic financial control requirements are generally being met, finance departments are not able to respond adequately to the increasing need for a more imaginative and pro-active input to handling financial management issues. The price of our failing to recognise the more sophisticated and complicated nature of the business of health care can only be further loss of morale amongst managers and staff, adverse service effects and loss of public confidence.

4. ISSUES

4.1 For the NHS to attract and retain the individuals who can effectively perform the role identified financial management standards and the finance contribution to general management must be seen to compare with the best anywhere.

4.2 High standards in the management of financial administrative services can be achieved through role and career development opportunities. Combined with technical and managerial training this will both improve the cost effectiveness of services and considerably widen the appeal of work in financial administration.

4.3 Achieving the widespread availability of suitable people demands close attention to recruitment and retention policies. On the pay front some progress is being made with the introduction of new pay arrangements for senior managerial staff. Extension of such arrangements will help us towards a pay structure that is more responsive to the environment in which the service operates. But whatever can be achieved on the pay front is unlikely to be sufficient on

its own and significant improvement in our approaches to recruitment and training will also be required.

4.4 The Nuffield Provincial Hospital Trust (NPHT) in its review of management development needs for the NHS (July 1985), signalled the urgent need to introduce more structured, adequately resourced and uniform approaches to management development. The majority of the shortcomings identified by the NPHT and their conclusions and recommendations apply across all management disciplines and staffing levels.

The NHSTA have reflected and developed the NPHT recommendations in "Better Management Better Health" and are clearly working towards implementation of those recommendations as fast as their own resources and competing demands will allow. However, there must be parallel and complementary development of all disciplines closely supporting general managers. Also top management within the Regions must be encouraged in developing their approaches to improving manpower recruitment, retention; training and development.

5. COMMITMENT TO ACTION

5.1 Assuming there is a shared view of what is expected of the finance function and the present state of things relative to that expectation, we must now commit individual actions within acceptable timescales to bringing future reality into line with that expectation.

5.2 It is recognised this will make significant demands on management time - particularly if IPR is to be effectively used. Individual managers are making that commitment. However, a much wider ownership of and commitment to action is needed if the health service and its staff are to face the challenges of years ahead with the required skills and confidence.

5.3 Prime ownership must rest at local level. It is only in the regions and districts, and in the departments and sections, that anything can be made to happen.

5.4 In many cases the action described is building on work already going on in many Regions and districts. Individual Performance Review processes are already in place and becoming increasingly familiar to managers and their staff. We have the National Accelerated Development Programme to build on, which is about board level succession. Work is continuing to refine and develop the Finance Staff Skills Matrix. Towards the end of 1989 the Management Education Syllabus and Open Learning (MESOL) project will make available its foundation programme, developed in conjunction with the Open University and IHSM.

5.5 External training must however complement and not substitute for the process of staff training and development going on in the workplace.

5.6 The action covers the areas in which substantial

progress must be made if the health service is to have a finance function capable of supporting service and general management requirements over the next 10 years.

6. ACTION

6.1 Short-term Action

An immediate start should be made on identifying and developing the potential of existing staff:

6.1.1 Extension of Individual Performance Review

Formal Individual Performance Review should be extended to all senior finance managers holding responsibility for a major sub-division of work. As a minimum this would include deputies, unit financial advisers, heads of financial management, financial accounting and audit sections. The purpose of this is to identify individual training and career development needs. A convenient basis may be to use the Finance Staff Skill Development Matrix as a frame of reference to help focus discussions on skills and training needs.

ACTION BY: Finance Directors/Unit General Managers

TIMESCALE: First performance reviews to be completed as soon as possible following training referred to below. A programme should be drawn up by 30 June 1989 for delivering necessary training and completing first reviews by 31 March 1990.

6.1.2 Personal Development Plans

For the staff described above a plan of formal training and desired career moves should be agreed with their managers. This plan to be actioned by the employing authority in conjunction with Regions.

The personal development plans will help to identify and realise staffs full potential. They will also assist Regions in planning to meet future manpower needs in terms of both numbers and skills.

ACTION BY: Regional Treasurers in conjunction with District Treasurers and Personnel Directors.

TIMESCALE: By 30 June 1990, following completion of first performance reviews.

6.1.3 Individual Performance Review Training

Effective and constructive review of individuals performance requires a proper understanding of the nature of the review process and how to conduct the dialogue between reviewer and reviewed. The Service therefore needs to ensure that all staff to be involved in this process have been

effectively trained in its handling.

ACTION BY:General Managers

TIMESCALE:Prior to extension of Individual Performance Review.

6.1.4 Finance Staff Data-Base

As with all staff groups it will be essential to maintain factual, up-to-date data on trends in the staffing, turnover and qualifications position. That data will also be needed to assess the impact of management action (such as that described in this plan), and to assist in recruitment, succession and career planning.

ACTION BY:Regional Treasurers in conjunction with Regional Personnel Directors and the HFMA.

TIMESCALE:Immediate. The existing data base work by the HFMA to be developed and maintained with funding support from Regions.

STAFF RECRUITMENT:

6.1.5 Careers, Marketing and Public Relations

The production of the new recruitment brochure for graduate trainees was preceded by a research study into attitudes of college students, career advisers and recent entrants to the regional graduate training schemes.

This identified a range of practical short-term measures that would raise the profile of NHS finance work and achieve a more productive approach to recruitment. The NHSMB, Regions and Districts should review that advice and plan to implement the measures recommended where appropriate.

ACTION BY:NHSMB Director of Financial Management - national publicity and material.

Regional Treasurers - local contact/liaison with schools and colleges

District Treasurers - provision of access to finance departments, health facilities to potential recruits.

NHSTA - Workshops for staff undertaking career presentations.

TIMESCALE:Immediate

6.1.6 Review of Training Schemes

The graduate recruitment scheme should be reviewed in the light of the 1987 NHSMB research study, the NHSTA's "Better Management Better Health" and the current experience of other NHS graduate training schemes for management. This is with a view to more competitive and soundly structured programmes being developed and sustained.

ACTION BY:NHSTA - In conjunction with the NHSMB Director of Financial Management and Regional Treasurers.

TIMESCALE:Complete review by 30 June 1989 with a view to implementing changes in 1990.

6.1.7 Co-ordination of Action

We need to move away from the traditional "cafeteria approach" to training and closer to an "individual development approach". This approach centres around individual appraisal systems, with Authorities not only supporting individual staff members aspirations but also relating more closely to the organisations' needs. To work effectively this requires a structured approach to identifying and meeting training and development needs, and linking these to career paths. Successful implementation will rely on effective co-ordination, as well as commitment and effort on the part of managers. One method of achieving this could be the appointment of a finance staff development officer. Regions will need to consider how best their co-ordination needs are to be provided.

ACTION BY:Regional General Managers in conjunction with Regional Treasurers and Personnel Directors.

TIMESCALE:Establish and implement co-ordination arrangements by 31 December 1989.

STAFF RETENTION:

6.1.8 Flexible Working/Career Arrangements

The actions outlined above should in themselves aid retention. Individual finance directors should also seek to introduce more flexible work arrangements such as part-time working and return to work schemes to help with staff retention and fill vacancies.

ACTION BY:General Managers in conjunction with Treasurers and Personnel Directors.

TIMESCALE:Immediate

6.2 Longer Term Action

6.2.1 Senior Management Development

Potential senior finance managers should be exposed to a range of different managerial experiences, building on and supplementing existing professional and technical expertise. The development needs of senior finance managers should be considered in the context of the National Accelerated Development Programme, particularly GMTS II and III; and the successful General Managers 'Learning Set' and 'Mutual Support' groups. Such programmes should be used to encourage talented people at all levels, irrespective of initial entry route, to develop confidence in their managerial abilities and acquire the necessary skills and experience to fill the most senior posts.

ACTION BY:NHSTA with RGMS and RTs

TIMESCALE:To have developed and introduced by 30 June 1990.

6.2.2 Basic Training for Management

All new or prospective appointees to first line and middle management posts should undertake progressive management skills programmes. A suitable syllabus and delivery system would be MESOL (Management Education Syllabus for Open Learning).

ACTION BY:Regional and District Finance Directors in conjunction with their respective training departments.

TIMESCALE:Develop and introduce programmes by 30 June 1990.

6.2.3 Basic Skill Training

Basic skill training for all levels of finance staff should be introduced building on the Skill Development Matrix. For much of the ongoing financial administration work, training programmes adopting principles developed by the National Council for Vocational Qualifications (NCVQ) should be developed to supplement the Matrix.

ACTION BY:Regional and District Finance Directors in conjunction with their training departments for developing approaches to basic skill training.

JFMTAG with the NHSTA to develop competency analyses to support the NCVQ approach to training.

TIMESCALE: Develop and introduce programmes by 30 June 1990.

7. COSTS

7.1 Difficult though it is it would be wrong to avoid estimating the potential cost of the action required to achieve the benefits described. Existing costs must be subsumed in the estimates as there is sparse knowledge of either overall or individual authority spending in these areas. The subsequent monitoring of achievement discussed in paragraph 8 will require a review of costs against progress made to determine if value is being obtained and spending effectively targetted.

7.2 Illustrative costs are set out in Appendix A. The full year costs when implemented are some £4 million at 1988/ 89 prices.

8. MONITORING ACHIEVEMENT

8.1 There needs to be careful evaluation of the progress made implementing these proposals and their impact in both the finance discipline and for general management.

8.2 Regions will be expected to draw up implementation plans and to monitor their local achievement of those plans. The plans, progress on their implementation and results achieved will be reviewed by the Joint Financial Management Training Advisory Group which is answerable to the NHSMB.

March 1989

COST ESTIMATES

	Numbers	Costs
Extension of IPR(6.1.1) (Numbers include all unit accountants, all staff in scales 18 to 33 & 50% of staff in scales 9 & 14)	2,600	Mainly a time commitment
Personal Development Plans (6.1.2)	2,600	Should flow from IPR
IPR Training (6.1.3)	2,600	Say initial one days training per person at cost of £200 per person = £520,000. Plus recurring training costs for new entrants to process. Say 500 staff = £100,000.
Data Base(6.1.4)	3,200	£10,000 non-recurring development costs. £10,000 per year recurring administration and maintenance costs.
Careers Marketing & PR(6.1.5)		
Recruitment Video Materials		£50,000 (every 3 yrs)
Brochure		£20,000 (every 3 yrs)
Workshops for staff undertaking careers presentations	42	£25,000 (every 3yrs)
		£17,000 per annum
Review of Training Schemes (6.1.6)		£5,000 (say 2 months of existing staff members' time)
Co-ordination of Action (6.1.7)	14	Up to £30,000 per Region.
Flexible Working/Career Arrangements(6.1.8)		Negligible
Senior Management Development Programme(6.2.1)	50	£113,000 - educational component cost of GMTS III is £4,500 per person, spread over 2 years.
(Assumes 50 people nationally, should be on programme at any time, assuming there are 50 vacancies a year for finance		In addition or as

directors and deputies).

substitution staff could undertake external General Management Programmes such as Henley GMC at £18,000 per person.

Basic Training for Management(6.2.2) 2,300

(Assumes all staff on grades 9 to 23 undertake 5 days formal training per annum)

£2.3m - assumes all staff in group undertake 5 days external training a year at £200 a day. The foundation course for MESOL is £450 per person. This cost is subsumed within the figure of £2.3m.

Basic Skill Training (6.2.3) 11,000

£100,000 non-recurring to develop training materials. £1.1m recurring costs of in-house coaching and skill training at £100 per person.

Finance Manager Action Plan

Not so daunting as it looks, as I believe we are already taking many of the measures

- 6-1-1. I.P.R. only needs extending to Scale 9/14 which I think it was due to do anyhow in 1989.
- 6-1-2. P.D.P. - picked up in IPR process
- 6-1-3. I.P.R. Training - most of us have been to a short training session
- 6-1-4. Data-Base - already kept by M.A.?
- 6-1-5. IPFA have a network for this including ~~the~~ schools contact. Could link up with this.
- 6-1-6. Graduate Training Scheme - see recent R.T/D.T Agenda papers plus D.T.'s views!
- 6-1-7. Co-ordination : good idea to look at individuals in case they miss the boat on more rigid categories.
e.g. older staff with AAT but not actively studying.
- 6-1-8. Flexible Working/Career : already ongoing with p/t unit accountants etc.
- 6-2-1. Senior Management Dev - D.T. already doing this where appropriate?
- 6-2-2. Basic Management Training - see recent in house courses.
- 6-2-3. Basic Skill Training - for all staff. This probably needs more attention which at present tends to be concentrated on those studying for exams.

Conclusion. Basically, need to keep existing impetus going and to make sure no individual is overlooked. Recognise that some benefits will not appear immediately.