

FOR HEALTHCARE LEADERS

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Following the Money: The only way is ethics

By Lawrence Dunhill | 20 October 2017

HSJ's expert briefing on NHS finances, savings and efforts to get the health service back in the black

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Cooking the books

The last time the health service found itself under serious financial strain, a trust finance director ended up in jail for cooking the books.

When it became clear that the NHS was in overall deficit back in 2005, it put more pressure on providers to improve their finances and report numbers that would help improve the headline performance at the national level.

Trusts that struggled to do this in a sustainable way looked to accountancy based gains to meet their short-term targets. Many of these adjustments will have been legitimate.

But where proper adjustments weren't available, there was temptation to cross the line into an area that could not be justified.

Phil Neal, a former finance director of Mid Essex Health Trust, was caught having artificially boosted the trust's surplus by faking valuation reports for the trust's assets.

His "creative accounting" was carried out not for direct personal gain, but to hit the financial target his organisation had been given.

Several people in or around NHS finance have mentioned this case to me recently, as I've written about the rising pressure being felt within the service, as well as the amount of savings being

achieved purely through accounting adjustments.

Temptation

The current financial challenge is tougher than in was 2005. The pressures are greater and the temptations will be greater.

Additional funding given to the NHS last year should have eased some of the pressure but the sustainability and transformation fund regime only adds incentive to report numbers which are acceptable, rather than accurate.

I have heard multiple accounts of finance directors feeling bullied by regulators, either to set a savings plan for which there is no real hope of achievement, or to report that performance is on track when it isn't.

The Chartered Institute of Public Finance and Accountancy has heard them too, and comments from chief executive Rob Whiteman illustrate just how seriously they take this issue.

The Essex FD

Leaked board papers from Basildon and Thurrock University Hospitals Foundation Trust provide an insight into the type of dilemmas being faced by finance directors and boards right across the system.

Rick Tazzini, the former FD of the Essex trust, warned patient safety could be jeopardised if the trust attempted to meet the control total demanded by NHS Improvement, but the board went against his advice and accepted it.

Judging by the year to date position (the trust is on course to miss the control total by between £3m and £7m), the trust thankfully opted for a failed control total as opposed to cuts that could risk patient safety.

To some people this might not feel like too much of a problem. By accepting and aiming for the control total at the outset, however impossible it will be to meet, the trust might at least reduce its deficit by more than it otherwise would, and could also gain access to STF money.

But this approach is not without its consequences, as one former trust FD explains: "Setting a stretching but realistic financial plan, and then meeting it, is one of the most important things for a public organisation to do. It's about demonstrating good governance, and ensuring everyone in an organisation buys into the plan.

“If the plan’s too stretching and unrealistic, then you’re not going to get people to buy into it, and that is really corrosive and starts to do more harm than good.”

