

Finance, Information & Statistics



Jargon buster
Costs & costing
Budgets & budget pages
Bids / business cases
Working with Finance
Procurement
Evaluating financial performance
Statistics
Presenting information

Jargon Buster: general



- Tangible assets → short term / long term
- Intangible assets
- Values of assets: original total full cost of
- Depreciation: effect of Useful Life
- Residual (scrap) value
- Accruals
- Break even point

Jargon Buster: costs

- Cost = actual or notional
- Fixed costs / variable costs
- Direct costs
- Indirect costs (overheads)
- Relevant cost
- Opportunity cost
- Sunk cost



Costing exercise



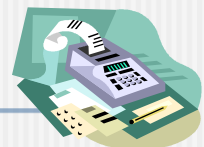
- What costs does a laboratory need to consider when calculating how much to charge for a test?
- What organisational costs can you also identify to take into account?
- *Can do this manually or by software*

Jargon buster: budgets

- Cost centre
- Variance
- Adverse / favourable
- Capital costs
- Revenue costs
- Incremental budget
- Rolling budget
- Zero based budget



Budgets



- Budgets: why?
 - Set financial objectives over a period of time e.g. 1 year
 - Quantify resources needed to achieve objectives in a work plan
 - Monitor and control spending
 - Planned financial targets
 - Can take action to address variances
 - Identify trends and query anomalies

Budget Statements: why

- Planning
- Controlling
- Communicating
- Coordinating
- Motivating but...



- ...NHS: little opportunity for managers to influence their budgets

Budget Planning Cycle



- Takes place for set time e.g. 1 year
- Use information on activity & expenditure to extrapolate
- Add information on organisational plans and local / national developments
- Set agreed budget & sign off
- Agree levels of authorisation for departmental spending
- Service line management / reporting: favoured by Monitor

Cost Improvement Programmes



- Various names but same theme
- Reducing expenditure
- How to achieve this in already constrained situations?
- What happens if a department doesn't manage to do this?

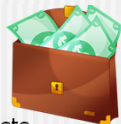
Bids / Business Cases



- Aims: to obtain resources
- Need to write in plain English not scientific jargon / technical terms
- Concise, clear, precise
- Must be complete (q.v.)
- Should match with overall business plans and strategy
- Baseline: "do nothing"

Activity: what's needed

Business Cases 2



- | | |
|---|---|
| ■ Purpose of case | ■ Capital costs |
| ■ Scope | ■ Useful life |
| ■ Background / history | ■ Revenue costs e.g. staff, maintenance, reagents etc |
| ■ Useful info, don't waffle | ■ Interfacing costs |
| ■ Why is this needed | ■ Future revenue costs |
| ■ Option appraisal if options exist | ■ Cost / benefit analysis |
| ■ Justifications e.g. savings, reduce risks, improvement, meet demands on service | ■ Benefits realisation parameters |

Managed Contracts



- Current buzzword
- Must be new business
- Must involve clear advantages to purchaser
 - transfer of risk
 - additional benefits
 - guard against unreasonable cost increases
 - flex with workload, new kit
- Can allow for VAT reclamation, a key lure
- Can lock into very long term contracts

Working with colleagues in finance



- Talk to your colleagues in
 - Finance
 - Procurement
 - Treasury & Income
 - Accounts Payable / Creditors & Debtors
- They speak the jargon and can help
- They have helpful information

Procurement & Tendering



- Purchasing: activity and department
- Must follow legislative requirements e.g. OJEU tendering procedures
- Tendering process: formal timed stages, unsuccessful bidders will require feedback and can challenge an organisation
- Must publicise what want clearly
- Opens up for fair competition
- Ought to give advantages

Financial Propriety



- Trusts / organisations have policies and SFIs
- Transparency: demonstrate have done proper supplier comparisons and not showing unfair preference or impropriety (CPA standard also)
- Waivers: allow for single supplier purchase or from preferred supplier for justifiable reasons

Evaluating Financial Performance



- Economy: lowest cost inputs
- Efficiency: best way of getting inputs to outputs (good value)
- Effectiveness: are we meeting customer needs?
- Equity: are we giving fair and equal treatment (service) to all users / patients?

Laboratory Information



- We use and generate specific types of information (results, opinions, interpretations)
- We need good quality information: consistent, reliable, accurate
- By processing data into information we generate knowledge

Presenting your statistics

- Select an appropriate format
 - Pie chart: snapshot, overview
 - Bar chart: same info set over time
 - Stacked bar chart: multiple sets of info over time
 - Line diagram: one set of data tracked continuously

