PA Consulting Group

DEFINING FINANCIAL MANAGEMENT

A Finance Operating Model for Health in Ireland

30 August 2013

FINAL REPORT

CONFIDENTIAL – between PA and The Health Service Executive

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EXECUTIVE SUMMARY

The new Finance Operating Model for Health in Ireland will support far reaching and fundamental change in financial management practice and will be an important enabler of wider Systems Reform. Underpinned by a single integrated financial management system and a mandated financial management framework, these changes will ensure financial stability within a reformed health system and will drive a culture of collective responsibility and cost consciousness.

This report recommends a new Operating Model for Finance and seeks approval to progress with Phase 2 of the Finance Reform programme as outlined in the Implementation Strategy with immediate effect.

The future sustainability of healthcare funding remains a key Government priority

The economic crisis has had a profound impact on public services in Ireland. The Government's efforts to manage public expenditure in line with commitments made to the Troika has seen budget reductions in Health of €3.3bn (22%) since 2008.

Staffing levels have reduced by over 11,268 WTEs since the peak employment levels in September 2007. Health services continue to experience very significant budgetary challenges alongside increased demands for services.

Budget overspends during 2012 prompted external reviews into financial management practices in Health, and managing Health finances became a priority for the Troika in ensuring the future economic stability of the country.

The Programme for Government will drive significant changes to the way health services are managed and delivered to ensure:

- A public health service that is leaner, more efficient and better integrated to deliver maximum value for money and respond to public needs; and
- Continuity of service delivery in the context of significantly reduced staff numbers.

In November 2012, the Minister for Health published **Future Health: A Strategic Framework for Reform of the Health Service 2012 – 2015)**, outlining the main healthcare reforms that will be introduced in the coming years as key building blocks for the introduction of Universal Health Insurance in 2016.

Future Health seeks to support innovative models of care delivery and in particular integrated care pathways. All this must be achieved under the most stringent fiscal constraints experienced for decades and cognisant of health trends and drivers of change such as:

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- Demographic change;
- New medical technologies, health informatics and telemedicine;
- Rising expectations and demands; and
- Spiralling costs of healthcare provision.
- Health services in Ireland face the dual challenge of reducing costs whilst improving outcomes for patients. In these circumstances the need for strong, effective financial management is of paramount importance.

There is a clear consensus for the need for change

The review of current financial management arrangements secured consensus amongst the finance community that the current operating model is no longer fit for purpose. There are three distinct drivers for change in the financial management practices within the health system in Ireland, and these are considered below:

The current operating model is no longer fit for purpose

Reports by Ogden and PA during 2012 identified significant weaknesses in financial management practices.

We have worked closely with the finance community to understand current ways of working and have found many examples of good practice, achieved in spite of variations in processes, multiple financial systems and limited engagement with the voluntary sector.

However it was clear that current practice was not fit for purpose and is characterised by:

- Inconsistency in the level and standards of service provided to different customer groups across the system;
- The extent of financial management activity being supported by teams with no direct accountability or responsibility to the CFO;
- The extent of process variation, inconsistent data definitions and multiple finance systems in place inhibit the ability of staff involved in decision support and compliance to make best use of their skills and expertise;
- Effectiveness of decision support being compromised by time spent validating and manipulating data to meet information requirements of customers;
- A lack of shared ownership of transaction processes – finance, HR and procurement results in duplication and inconsistency in processes and a lack of integration;
- Significant under-investment in technology which has compromised the ability of finance to improve current working practices;
- Weak accountability for actions and recognition that financial management is a corporate responsibility undermines the controlling role of finance; and
- A lack of investment in training and development of both finance staff and budget holders to ensure that they discharge their financial management responsibilities effectively.

The current financial management framework does not support the CFO's responsibilities and accountabilities

The Health Service Executive (Governance) Act, 2013 strengthens the accountability arrangements between the HSE and the Government. The role of CFO was introduced to support these new accountability arrangements.

The CFO's appointment sends a clear statement of intent to stakeholders that steps will be taken to improve confidence in financial management practices and to achieve greater financial control.

The CFO has accountability for financial management across the entire health system. To discharge that accountability the CFO must ensure that the financial management framework enables him to deliver against all four facets of his role:

- *Stewardship and accountability*: ensuring the compliance framework is in place to provide a true and fair view, that builds trust in the financial information provided;

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- *Financial Management*: ensuring practices across the system inform decision making, promote probity and value for money and a culture of cost consciousness and continuous improvement;
- *Corporate Leadership*: as a Board member providing strategic direction, effective corporate governance and building strong relationships; and
- *Professional Leadership*: driving professional standards, leading the profession and building capability across the system.
- The current operating model does not provide the CFO with the adequate tools to discharge this responsibility.

The fundamental changes in healthcare heralded by Future Health bring new requirements which current practices cannot support

The long term changes in Ireland's health system, as described in Future Health have significant implications for finance.

The introduction of Money Follows the Patient (MFTP) and ultimately Universal Health Insurance (UHI) will fundamentally change the financing system requiring:

- The creation of new organisational entities to support commissioning, tariff setting, pricing & payment and service regulation;
- A fundamental change in the relationship between the Department of Health, these new organisational entities and Health and Social Care Providers (HSCPs);
- A change in culture and behaviour amongst HSCPs particularly in financial management, so that they understand the cost of service provision by procedure, and have the ability to operate effectively in a commissioning environment which defines services to be provided and the payment streams for these services, and
- The development of a new relationship between the Insurance sector in Ireland and the Health system together with a supporting infrastructure to underpin the mechanics of UHI.

Whilst finance has traditionally found innovative solutions to new requirements, the consensus reached is that the current operating model cannot effectively respond to these changes. The success of health reform is fundamentally dependent on having a transformed approach to Financial Management.

The scope and scale of change required presents a significant challenge to the system

It is important to recognise the flexibility, professionalism and commitment of the finance team in the way that they work within current structural and systems constraints to support financial management across the system.

Phase 1 of the Finance Reform Programme has made a significant impact in tackling specific challenges in service planning, budgeting and cost-containment, and it should also be recognised that this added to the workload of an already stretched finance team. There is tangible evidence of change fatigue in the system which will potentially impact on the pace of change.

The challenge facing the HSE is how best transform financial management during a period of unprecedented change across the healthcare system.

There is a need to build on what has been achieved in recent months and to deliver an approach to financial management that secures medium term stability and cost containment while allowing sufficient flexibility to support the reforms under the vision for Future Health.

Critical to success will be:

- Demonstrating intent and ability to deliver;
- Securing timely approvals for any investment;
- Addressing workforce issues effectively; and
- Resourcing the programme properly using key finance staff and external support where required.

A new operating model for Finance will drive real change over an extended period

This report defines a new Finance Operating model for Health in Ireland, which addresses the challenges of current financial management practice, and is capable of meeting the future needs of a dynamic and complex health environment.

This will fundamentally transform finance from being a reactive, disjointed, reporting function into a proactive, coherent decision support capability, adding value at all levels of the business at a significantly reduced cost.

The model builds on leading practice principles to ensure the CFO's responsibilities and accountabilities for financial management are delivered, and the desired changes in behaviours amongst both finance staff and budget holders drive the improvements in financial management practices required. The CFO will:

- Define the financial management framework to be followed ;
- Provide trusted and timely information to support decision making, in a standard and consistent way
- Inform strategic and operational decision making through trusted professional advice, insightful analysis and decision support; and
- Ensure expected standards are maintained through effective compliance and performance management.

The model is underpinned by a commitment to develop the financial management capability of both finance staff and budget holders to build a cost-consciousness culture and change behaviours across the system.

A service delivery model reflecting leading practice

Finance will provide a consistent and appropriate level of service to all users reflecting user requirements and focused on improving the quality of financial management and enabling informed decision making.

This will be achieved through a service delivery model comprising three distinct components as illustrated in the figure below:

- **Operations Excellence**: the 'finance engine room' which will ensure that the infrastructure is in place to deliver financial reporting and transaction processing effectively and efficiently;
- **Finance Specialists:** deep technical skills and expertise providing a single point of contact for expert advice; and
- **Business Partners**: supporting financial management decision making and promoting a culture of financial responsibility across the system by working closely with the business at a strategic, national and operational level.

Process, Governance and Controls to demonstrate effective financial management practices

The CFO will define the financial management framework which is mandated across the health system. This will define the process, governance and controls required to demonstrate effective financial management practice

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In practice that means:

- Processes are standardised, simplified and automated wherever possible
- Clear line of sight from a national consolidated position to a functional business unit level is possible for all areas of expenditure
- Controls and rules are embedded within systems and guidance on their application is available in a user friendly format online
- Governance and controls are mandated
- The CFO owns all end to end financial management processes

Information systems providing trusted management information

We recognise that technology is a key enabler of change and the successful implementation of the new model is dependent on technology.

In practice that means:

- A single financial management system supporting HR, Procurement and Finance processes will be deployed across the health system
- A national system to support patient level costing and tariff pricing
- Information and data governance to be owned by CFO
- A single version of the truth
- Trust in data
- Information to be collected once and used many times with financial reporting and data analytics being delivered in a standardised, consistent way to all users through Operations Excellence

A commitment has been made to introduce new financial systems for Health within the Memorandum of Understanding between Government and the Troika. Our plan to implement a new operating model for Finance provides the means to deliver against this commitment.

Developing the Skills and Capabilities of all our people

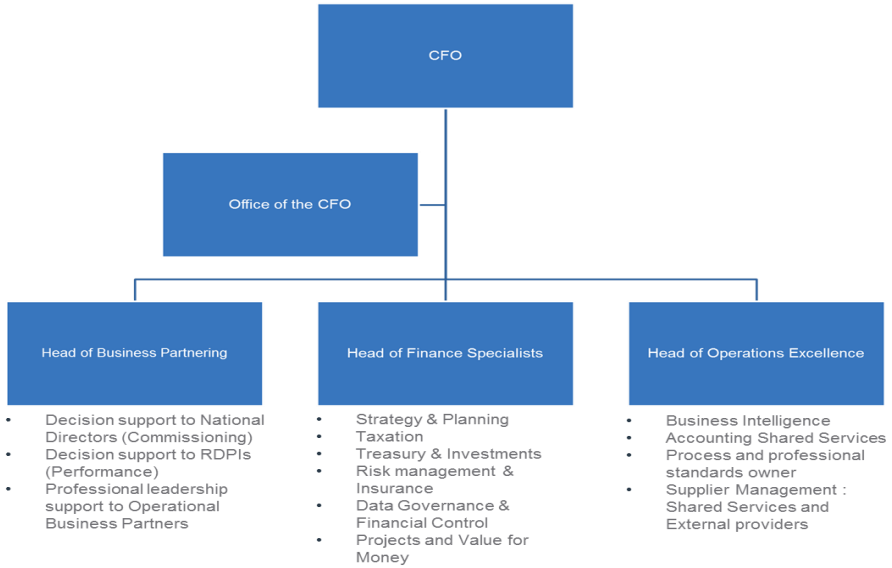
The necessary changes in financial management practice rely upon changes in behaviours from those involved across the system.

There is a requirement to invest significantly in building skills and capabilities to support these changes.

In practice this means:

- Skills and capabilities mandated for key finance roles
- Continued Professional Development (CPD) compulsory for all finance professionals
- CFO “head of profession” to improve standards and quality of financial advice
- Learning and development for both finance professionals and non-financial managers to be recommended and supported by CFO.

The model will be supported by a high level organisational structure as follows:



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An incremental approach to change

The future operating model for Finance is only achievable if the following components are in place:

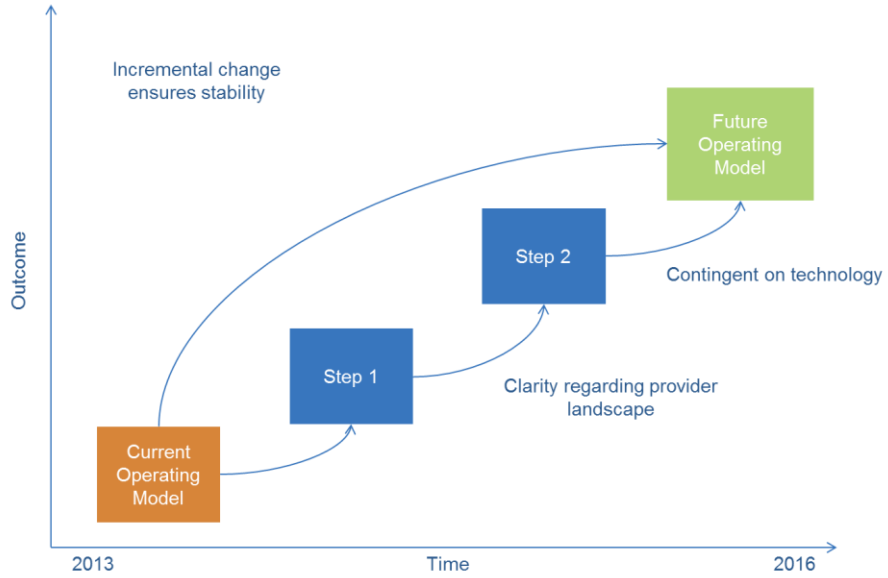
- A single financial management system providing line of sight and supporting embedded controls, standardised processes and facilitating effective self-service principles;
- Trusted financial management information which supports effective decision making; and
- Budget holders who are supported in undertaking their financial management responsibilities and appropriate performance management arrangements which reward good practices and provide sanction where appropriate

The Finance Reform Programme will deliver these components over time, but is a need to change the structures and operating model for Finance to support the system during this transition period. This will support the delivery of the Finance Reform programme whilst ensuring that systems of financial control remain robust and effective during transition.

This is particularly important given:

- Many commissioned reports, including the C & AG Audit show that the current financial systems are not fit for purpose;
- The recent establishment of 'National Directors' and the immediate necessity to prepare financial systems to support their requirements; and
- The overall transition, in the next few months, from the current reporting structures and the need for continuity of financial reporting through this change, while ensuring financial integrity.

The diagram below illustrates the implementation strategy.



Step 1: Interim Structure

An interim structure will be introduced from 1 October 2013 for a period of 6-9 months. This will enable the CFO signal to the system that changes are underway, and will allow the Finance Specialist and Operational Excellence functions to be established. It will also support the consolidation of regional finance operations into two units as an initial step towards Business Partnering. The move to Step 2 can take place when the following conditions are in place:

- ISA review outcome is known;
- Interim BI reporting solution in place;
- New system requirements defined; and
- The future role of Shared Services is confirmed.

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Step 2 – Transitional Operating Model

The Transitional Operating Model is designed to support the implementation of the key change initiatives required to deliver the new Operating model over time whilst continuing to support business as usual.

The Business Partner model will be introduced, and decision support services to support commissioning and performance management will be developed; and the implementation of financial management arrangements within HSCPs supported.

The transitional operating model will be supported by the following high level organisation structure:

These are key leadership roles within Finance and those in these posts will have clear responsibilities for both service delivery and reform. They will have a clear change management role, and will need supported and developed to deliver that role effectively.

The Implementation Challenge

The scope and scale of the implementation challenge should not be underestimated, and it is important to recognise that the Future Health milestones will drive the pace of change.

Our work has secured significant consensus amongst the finance community both of the need to change, and that the proposed model is the right one to deliver the changes in financial management practices sought. We have secured commitment and buy-in to make these changes a reality.

A quarterly milestone plan to support the next twelve months has been developed as part of a three year change programme.

The plan identifies the need for significant and positive action in the immediate months ahead and the success of the overall programme will likely be defined by these actions.

Key activities include:

- Initiating Phase 2 of the Finance Reform Programme and mobilising the delivery teams;
- Developing the business case for managed service to provide a single integrated financial management system;
- Designing common chart of accounts, data standards and defining system requirements;
- Developing interim BI reporting;
- The design of transitional and final organisation structures, roles and person specifications; and
- Initiating procurement of managed service to provide a single integrated financial management system.

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1 INTRODUCTION

A fundamental change in the way that financial management operates across the health system in Ireland is essential to underpin the reform envisaged in Future Health and to address recognised weaknesses in current financial management systems and infrastructure. This change goes beyond the need for new systems and processes and requires a positive response from both finance professionals and non-financial managers, recognising new roles and owning their budget management responsibilities. A new operating model provides the blueprint design to shape that change ensuring alignment with desired outcomes.

1.1 Background and context

The Health Service in Ireland has embarked on a major programme of change. Future Health: A Strategic Framework for Reform of the Health Service 2012-2015 sets out the main healthcare reforms that will be introduced in the coming years, as key building blocks for the introduction of Universal Health Insurance in 2016. Future Health will focus on the needs of the patient even as difficult decisions on health financing are made.

Since the Health Service Executive (HSE)'s establishment, the Finance function has worked hard to support financial management across the diversity of the HSE's services despite the challenges of multiple systems and many manual, non-standard processes which add complexity and a lack of transparency and flexibility in reporting.

It has become clear that the current financial management arrangements will no longer meet the needs of the emerging health system and the structural change required to support it.

The establishment of hospital groups, new structures for primary care and community services, the development of formal purchaser / provider arrangements and the establishment of a Healthcare Commissioning Agency (HCA) will bring new requirements for financial management, as will the changing funding arrangements arising from Universal Health Insurance (UHI). It will also bring about a change in the role of the Department of Health in the wider health landscape, and a need to build and develop new relationships across the system. These new relationships will bring new requirements from a financial management perspective.

1.2 The Finance Reform Programme

The Finance Reform Programme has been established in response to reports into financial management practice in Health by Ogden and PA Consulting during 2012. This programme is the beginning of a journey of change in culture, systems and processes across the organisation that will

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transform finance operations. The programme aims to develop more effective financial planning and management and build a more cost conscious culture across the Health system by:

- enhancing financial management knowledge, skills and capability both within Finance and amongst service managers and clinicians;
- securing ownership for financial performance at inter-departmental, strategic and operational levels by improving service planning, budgeting and performance management and reporting;
- having a better understanding of the cost of service provision across the system, which aligns current activity and future demand;
- adopting multi-annual planning and budgeting to support reform and deliver cost reduction in a sustainable way;
- being clear about responsibility and accountability, and ensuring the system impact of poor performance is understood and responded to;
- simplifying and standardising systems and processes; and
- ensuring financial management support to services is fit for purpose and delivered by the right people, in the right place, at the right time.

PA Consulting was appointed to support the Finance Reform Programme in November 2012. PA supported the programme in a number of key areas with a view to establishing the foundations of the programme which will be delivered over time. Work on the finance operating model is one aspect of this support, as illustrated below.

Table 1 Phase 1 of the Finance Reform Programme

PMO and Programme Management	Driving the pace of change and ensuring a sense of purpose
Service Planning, Budgeting and Cost Containment	Greater clarity and confidence in 2013 Budget and Service Plan and a new process for 2014
Performance Management and Accountability	Establishing the framework to change behaviours through improved performance management and reporting arrangements evidenced over time through changed behaviours
A new operating model for Finance	Building the foundations for transformation
Financial Strategy, Service Improvement and Future Health	Building the capability for the future

1.3 How an operating model will support the scope and scale of change required

An operating model describes how each of the components of a function or organisation will fit together to deliver an efficient and effective service, aligned to new requirements. In developing a new operating model for Finance we will address the weaknesses identified in current systems and process, and ensure that Finance skills and capabilities are developed to the extent that the emerging financial management needs of the health system are met by new ways of working.

This work provides insight into how finance is being delivered across the health system: nationally, regionally and locally, supporting both statutory and voluntary service providers. We identify and evaluate alternative options to deliver finance services to meet emerging future requirements.

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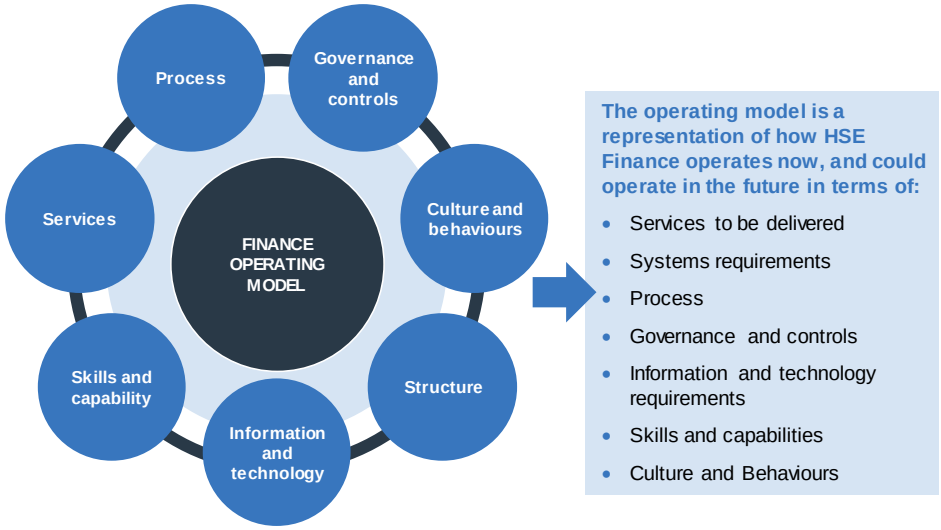

Figure 1: Finance Operating Model

Development of a strong operating model supports a clear understanding across the organisation of the desired outcome of change initiatives underway and will ensure that all aspects of the operating model are aligned and support the achievement of these wider goals.

1.4 Our Approach

This project is a key outcome of phase one of the Finance Reform Programme and will define the next steps to support changes to financial management practices across the system.

This project is sponsored by the CFO Tom Byrne and Mark Fagan provided project management support and acted as key liaison with the HSE finance community.

The project has involved a combined team from the HSE and PA Consulting, bringing together expertise from both organisations.

The Senior Finance Team acted as a steering group, and a Working Group was established to support key aspects of project delivery.

Our approach involved the following logical steps:

- Understanding the current position; informed by engagement, data collection and the findings of recent reviews by PA Consulting and Ogden into financial management practice;
- Identifying future requirements; drawing from the requirements of Future Health and our insights into financial management leading practices;
- The development of options; and the assessment of these options against overall requirements and the insights of the working group as to the specific requirements of the system; and
- Recommendations for the design of the Finance Operating Model.

A critical element of our approach was to begin the journey of change during the analysis by involving key individuals at all stages.

Collaboration and engagement with those that are experienced in HSE finance was supported though a workshop based approach, involving representatives from both statutory and voluntary service providers, and process specialists from across all finance specialisms.

Targeted data collection activity was undertaken to provide a baseline position to support any case for change, to understand the current shape of finance, and to identify the training needs of the wider finance community. This process was designed to enhance rather than duplicate any previous data collection activity, to enable the development of an understanding of the entirety of finance operations across both statutory and voluntary (s38) providers.

1.5 Structure of the report

This report presents the conclusions of our work in developing a new operating model for Finance and draws upon insights into current working practices gained through engagement across the system, in discussions during formal workshop sessions and from insight and analysis arising from

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data collection undertaken. Views on future requirements, delivery options and implementation challenges were sought from the Senior Finance Team, process specialists and members of the working group, and this feedback has shaped our thinking and is reflected in the proposed way forward, which addresses the points raised in earlier reviews of financial management practices and from Future Health.

- Chapter 2 describes the current operating model for financial management across the HSE, highlighting areas of good practice, and identifying aspects of the operating model that are not aligned with new requirements of finance or good practice;
- Chapter 3 describes how financial management must evolve over time to ensure that the changing financial management requirements of the health system are supported effectively;
- Chapter 4 outlines the options considered in relation to key aspects of financial management;
- Chapter 5 describes how financial management will operate in the future to enable the CFO to discharge his accountabilities for financial management across the system; and,
- Chapter 6 presents the implementation strategy and describes the step changes to the operating model proposed over time to ensure continuity and stability in financial management in a complex, changing environment, and outlines a programme for change over a three year period and a clear view of immediate actions required.
- Chapter 7 presents conclusions and recommends that Phase 2 of the Finance Reform Programme to implement the new Finance Operating Model commences with immediate effect.

2 THE CURRENT SHAPE OF FINANCE

The current operating model for finance has evolved over many years as the structure of the organisation it supports has changed. The shape today is a combination of the existing structure of the HSE (formed in 2005) and that of its predecessor (the Eastern regional health authority (ERHA) and boards). It incorporates many examples of good practice, achieved in spite of variations in processes, multiple financial systems and limited engagement with the voluntary sector. This achievement is due to the professionalism and hard work of the finance team. However, the new requirements for finance and the weaknesses identified in earlier reviews means that the current operating model is not fit for future purpose.

2.1 The Current Finance Operating Model

In this section, we analyse the strengths and weaknesses of current financial management practice across the HSE by describing the Current Operating Model. Informed by interviews, the results of data analysis and workshop discussions, we consider financial management in the context of the following operating model elements:

- Customers;
- Service delivery model;
- Process, governance and controls;
- Information and Technology; and
- Skills, capabilities, culture and behaviours.

In doing this we have developed real insight and understanding of current ways of working, which will be used to define the extent of change required and enable examples of good practice to replicated across the system.

2.1.1 Data collection approach

Our understanding of the current operating model was significantly enhanced by the results from two comprehensive data collection exercises:

- The shape of finance; and
- A training needs analysis.

The HR census in December 2012 states the headcount within National Finance as 513.5 whole time equivalents (WTE). Due to limitations in the way in which staff resources are categorised in other parts of the health system, there is no way of knowing the extent of financial management support being delivered by staff out-with National Finance other than by undertaking a data collection exercise. The shape of finance survey was designed to capture the amount of WTE involved in core finance processes. The results provide an analysis of the proportionality of services – decision support, compliance and transaction processing across finance in terms of

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time and cost. Overall, responses received identified 1,628 staff representing 1,273.5 WTE. This includes staff employed directly within National Finance, and those in local finance functions in National Services, and in Health and Social Care Providers (HSCPs) from both the statutory and voluntary sector. Our detailed analysis is presented in Appendix A.

In total 136 template returns were included in the analysis comprising:

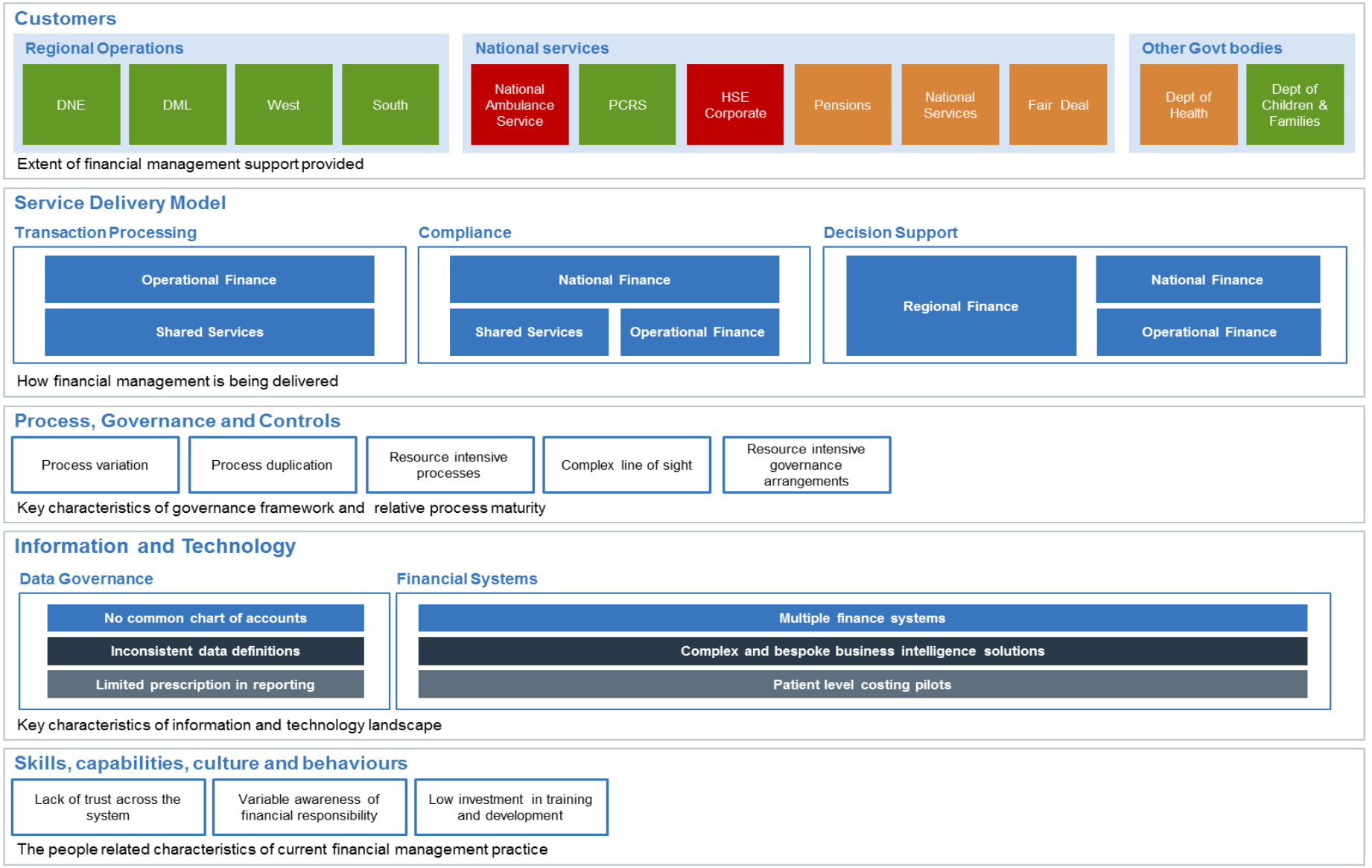
- 23 of the 32 Local Health Offices(LHOs);
- 9 of the 38 S38 community providers;
- 20 of the 29 statutory acute hospitals;
- 9 of the 16 S38 voluntary acute hospitals; and
- 75 for other National Services such as National Finance (both corporate and regional), National Shared Services and National Cancer Screening Service.

The returns are therefore representative but not complete. Whilst they provide sufficient insight into the current state of finance for the purposes of this exercise there would be real value in completing the analysis to inform the detailed design phase and accurately quantify the business case for change.

The training needs analysis survey was developed to assess the requirements for the training and development of future skills and capabilities identified.

702 employees completed the survey from the 1,628 employees identified in the Shape of Finance exercise. Again this is not a complete picture but supports the identification of the broad skills gap and training required for the system. Figure 2 below summarises the current operating model and it is explained in the following paragraphs. Our detailed analysis is presented in Appendix B.

Figure 2: The Current Operating Model



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2.1.2 Customers

Financial management is provided across the entirety of the HSE and to the Department of Health and Department of Children and Youth Affairs (DCYS) by a combination of National, Regional and locally based finance teams. The level of service provision and standards are inconsistent across the customer base, with the greatest level of resource is focused at a regional and local level:

- Regionally based finance teams provide accounting and decision support services to the Regional Director of Operations to support his/her budget management role. They also support local finance teams within statutory acute hospitals;
- National Shared Services provide transaction processing services to statutory acute hospitals; and
- Primary, Community and Continuing Care (PCCC) and voluntary hospitals have local teams providing decision support and transaction processing services.

Services provided to other parts of the health system are less comprehensive, particularly in the context of financial management advice and decision support:

- There is a recently established finance team within Primary Care Reimbursement Service (PCRS) ;
- DCYS receive financial accounting and transaction processing services through a service level agreement;
- National Services such as the National Cancer Screening Service have local finance teams in place;
- National Finance supports corporate budgeting and the provision of financial advice to the Department of Health, Fair Deal and Pensions; and
- There is limited support provided at an operational finance level within HSE Corporate and the National Ambulance Service.

2.1.3 Service Delivery Model

The service delivery model has evolved over multiple organisations and is characterised by high variability and inconsistency.

There are three service categories currently being delivered across the health system: transaction processing, compliance and decision support.

Transaction processing

The main transaction processing services provided are outlined below.

- Order to receipt
- Invoice approval to payment
- Payroll changes
- Payroll processing
- Private health claims
- In-patient statutory charge
- Road Traffic Accident (RTA) claims
- A&E cost recovery
- Other income
- Cash management and debt recovery.

These services are currently provided by operational finance teams or Shared Services.

For some statutory organisations, invoice approval to payment, private health claims income collection and cash matching and debt recovery services are provided by Shared Services from eight locations. Staff involved are located in the regional offices and will be managed by Shared Services (this change is partially implemented).

Voluntary hospitals and PCCC have their own teams for invoice approval to payment, private health claims income collection services and cash matching and debt recovery.

Payroll processing for the statutory providers takes place in nine payroll departments.

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Both statutory and voluntary organisations have staff who perform the front end of finance transaction processes – order to receipt, payroll changes, private health claims preparation, RTA claims, A&E cost recovery and other income.

Compliance

The main compliance services provided are outlined below:

- Governance and controls
- Period end closure
- Cash management
- Financial statements
- Treasury / Vote
- Capital accounting
- Financial risk management and insurance
- Taxation
- Systems support.

Aspects of compliance are delivered by National Finance, Shared Services and Operational Finance teams.

Strategic compliance (policy, guidance and governance) is mainly delivered by centralised National Finance teams and through regionally-based finance teams.

Other staff are involved in operational compliance – for example, Shared Services produce payroll tax returns and regional operational finance are involved in period end processing.

Decision support

The core decision support services are outlined below

- Financial strategy and planning
- Corporate budgeting
- Corporate financial management and reporting
- Programme financial management and reporting
- Operational budgeting
- Operational financial management and reporting
- Cost containment planning
- Costing
- Provision of financial advice
- Value for money

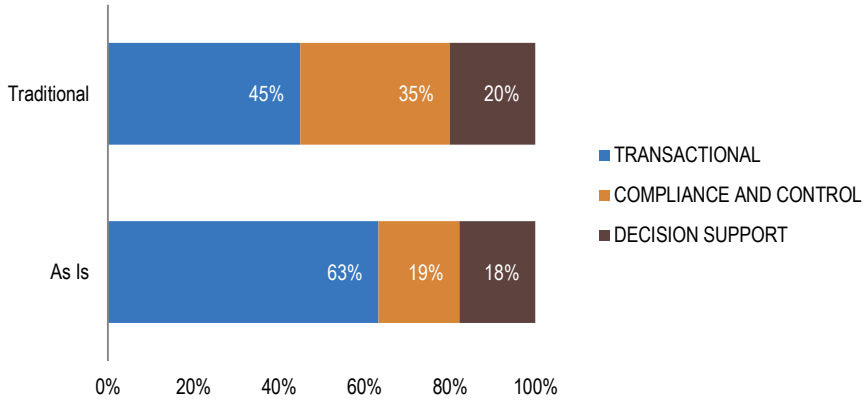
Decision support is provided by National Finance, Regional Finance and by local operational finance teams within health and social care providers, either in hospitals or LHOs.

2.1.4 Process, Governance and Controls

The Shape of Finance analysis (Appendix A) highlights that a disproportionate share of finance resources are supporting Transaction Processing (63%), with 19% of effort supporting Compliance and the remainder (18%) in Decision Support.

This compares unfavourably to a traditional finance function which would typically focus 45% of effort on Transaction Processing, 35% on compliance and the remaining 20% on Decision Support.

Figure 3: The current shape of Finance in the HSE



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We looked further to understand the nature and characteristics of the processes supporting the core finance functions and governance and controls in place and found:

- Processes are characterised by inconsistency, duplication and are resource intensive: and
- Governance and controls are resource intensive due to the manual nature of the controls framework and complexity in line of sight arising from the multiple finance systems in operation.

The proportion of time spent on transaction processing is directly related to the degree of manual intervention required and the non-standard nature of core processes. The lack of integration between systems supporting end to end processes such as HR, procurement and Payroll is also a factor. There is evidence of significant variation in the front end of core processes, such as requisitioning and, timesheet entry, with limited self-service (where users are responsible for inputs and outputs to the system) and system based controls in place. 42% of transaction processing activity supports the front-end of core processes.

The following observations support these conclusions, and relate to the statutory organisations unless otherwise stated. Voluntary providers have local teams providing most of their services and in many instances have invested in improved systems and processes to support core financial management practice:

- **Payroll processing is inconsistent and fragmented**

  Payroll processing reflects the former health board structures with different systems, processes and delivery models in place in each board area, including both internal and external processing and support models. Payroll processing is undertaken in 60 locations. The front end payroll changes are typically manual, with very little use of self-service;
- **Creditor account processing is highly variable and often manual**

  Creditor accounts are paid through 8 regional offices. The invoices are processed locally (in 99 locations) by procurement or finance staff and sent to the regional office for payment. Finance staff based in the regional offices are responsible for ensuring that the accounts are paid correctly and on time and that the ledgers are updated to reflect the transactions. The front end order to receipt processing ranges from highly manual to highly automated;

  Income processing is non-standard and fragmented

  Income is billed, pursued, receipted and accounted for by finance [1]staff at approximately 31 acute hospitals, 184 PCCC locations and 8 regional offices throughout the country.

  Each location is responsible for maintaining accurate debtor accounts in respect of hospital and other charges. Staff in the location investigate and resolve billing disputes and are responsible for pursuing outstanding amounts via standardised follow up procedures (including referral to debt collection agencies). They generate credit notes, issue amended invoices and write off bad debts;
- **Decision support is variable and focused on "backward- looking" monitoring and performance reporting**

  The approach to decision support varies across the regions e.g. different reporting templates and assumptions. There is also variation in the support provided at an operational level in hospitals and ISAs (Integrated Service Areas).

  Decision support effort is mainly expended on 'backward-looking' monitoring and evaluation activity. Operational budgeting, operational financial management and reporting, programme financial management and reporting, corporate financial management and reporting, corporate budgeting and cost containment planning account for 70% of the time spent on decision support;
- **Compliance is resource intensive and complicated by process variation and multiple systems**

  The published Annual Financial Statements are compiled by consolidating 13 individual financial statements from each of the former

[1] Data as per the NFPS business case

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Health Boards and streamlined agencies, each of which are prepared from the legacy financial systems in place in their area;

Whilst significant compliance layers are in place – financial regulations, assurance / compliance statement – the line of sight is complicated by process variation and multiple systems; and

The Shape of Finance analysis identifies examples of process fragmentation; where an individual supports a number of finance activities. In these circumstances there is a risk that skills, capability and service quality are undermined, spans of control weakened and there is increased risk of irregularity. To illustrate, the analysis shows that at Grade VIII staff supported on average 11 different finance activities.

In summary, processes supporting core finance services are not standardised, often manual in nature and are supported by multiple systems, which drives duplication, inconsistency in quality and standards and a resource intensive and often ineffective controls environment.

2.2 Information and technology

The information and technology landscape is complex and reflects many years of under-investment. Multiple finance systems and version variability in support tools, such as Excel are a common feature.

As a consequence the production of timely, reliable management information on which to base informed financial decision making is compromised and highly resource intensive.

Voluntary providers are required to provide financial information in a prescribed format to enable consolidated reporting monthly via Internal Monthly Returns (IMR) and annually through Annual Financial Statements (AFS). Each entity has their own IT infrastructure in place, the maturity of which varies.

Engagement through stakeholder interview and in workshop sessions has identified challenges in Data Governance and the Financial Systems themselves, which are explored below:

Data Governance

- Data ownership is poorly defined and data is managed at a system level rather than as a corporate asset;
- There is no common chart of accounts in place;
- Data definitions are inconsistent ;
- Coding structures developed for core feeder systems are not aligned or integrated; and
- Standard reports for management accounting purposes are not prescribed.

Financial Systems

- The need to consolidate data from 30+ external feeder systems at period end results in significant manual intervention, reconciliation and time delays in closure;
- Month end reports are not circulated to budget holders until day 10 and corporate finance do not receive a consolidated view of spend until day 15;
- There are eight separate instances of finance and procurement systems in place, each disparate, with different systems supporting General Ledger, Accounts Payable and Procurement functionality, including SAP, Masterpiece and Smartstream;
- Four payroll systems support the statutory sector. There is no integration between HR and Payroll systems in place.
- Each HSE area has its own company code, employer Revenue registration number and completes its own end of year tax return;
- For the statutory and voluntary sectors there are currently 55 separate systems consolidated into the Corporate Reporting Solution (CRS);
- The budget is managed and reconciled in a 3-way system; the budget system (SYNERGY), local general ledgers and in CRS.
- The manual nature (such as batch processing) of many processes results in limited line of sight and inability to embed system based rules and controls to improve financial management practice; and

- Other than local pilots of patient level costing there is no single system in place to support service line reporting and operational budgetary control, and to support costing at an operational level.

Financial Reporting

- Consolidated financial reporting is provided by the Corporate Reporting Solution (CRS) which provides information at [2]AFS / General Ledger level only and does not allow drill-down as there is no integration with feeder systems such as procurement and payroll. Further analysis requires email requests to all systems owners across the country;
- CRS has limited flexibility as it reports against consolidated datasets rather than the source data itself. Changes to reporting requirements are time-consuming to address due to the need to maintain complex data mapping arrangements;
- Multiple versions of the truth are in place: reports produced for different audiences are not always consistent in structure and form; resulting in a lack of confidence in the information provided; and
- There is limited use of self-service in place, mainly for report distribution.

2.2.1 Skills and Capabilities

A training needs analysis was undertaken through an online survey to understand the age profile, qualifications, skills and capabilities and experience of staff supporting financial management across the system. Respondents were asked to self-assess their skills across a broad spectrum of requirements.

Overall, 702 staff out of the 1,628 staff identified in the shape of finance survey completed the online questionnaire. This includes staff employed directly within National Finance, and those in local finance functions in National Services, and in [3]HSCPs from both the statutory and voluntary sector. The total size of this population is unknown which was one of the primary reasons for the data collection exercises but unfortunately there are those who did not complete the template. The data provides a usable sample for this analysis but more comprehensive data is required to support implementation of changes.

Finance staff are insightful, innovative and committed but are challenged by an inconsistent investment in training and development, in IT and the impact of a number of years of headcount reduction which has added increasing workloads.

There are examples of knowledge sharing across communities of interest (such as the regional management and financial accounting teams) but limited use of more innovative approaches such as e-learning to support staff development.

Detailed analysis is presented in Appendix B. Key observations include:

- 111 qualified accountants out of the 702 respondents (16%), 73% of which are Grade 8 and higher. Whilst numbers of trainee accountants are not included (or identified through the survey), this statistic raises concerns for succession planning;
- Only 8% of qualified accountants are in the age group 20-39. This is very low and although it does not include those in training, it suggests a significant skills gap that needs to be addressed;
- Responses indicated 280 team managers and team leaders managing 420 team members, which represents a ratio of 1:1.5 and highlights a potential to examine layers of management and spans of control as part of any detailed organisation design. However, there will be a range of spans of control from large to small teams and managers working without teams; and
- 69% of the staff supporting finance activities are aged 40 and above, which although indicating considerable knowledge and experience highlights a requirement for succession planning, particularly for finance activities where deep technical or system knowledge is required.

[2] Annual Financial Statement

[3] Health and Social Care Provider

The table below provides a summary of the perceived strengths and weaknesses amongst the following staff groups:

- Managers undertaking Decision Support
- Team Leaders in Compliance
- Team members in Transaction Processing

Table 2: Current skills and capabilities

	Decision Support: Managers	Compliance: Team Leader	Transaction Processing: Team Member
Strengths	• Outcome focused • Customer focused • Delivery focused • Verbal and written communication skills	• Innovative • Embrace change • Effective communicators is the one Interpersonal skill that is aligned with the desired profile • Confident using MS Office applications	• Self-motivation is very good • Outcome focused • Customer focused • Delivery focused • Organisation awareness is high
Weaknesses	• People management • Contract negotiation • Operations management • Business analysis • Budget Setting • Cost containment delivery	• Building financial models • Fraud detection • Taxation • Treasury management • Improvement techniques • Financial Management	• Financial Modelling • Systems administration and data validation • Operations Management • Business Analysis • Process Improvement

In summary, there is good alignment between the desired and actual behavioural skills of staff across the HSE. However the gap widens with the other three categories; interpersonal skills, technical skills and decision support skills. A successful transition to a new finance operating model will require significant training tailored to the requirements of the new model. This survey highlighted the shortage of qualified accountants in the 20 to 39 year old age bracket and it is important that staff are encouraged and supported to continuously develop their technical and professional skills and are subsequently rewarded with more challenging roles. Continued Professional Development (CPD) programmes should be established and monitored to support and to provide real time skills analysis data.

The area of training needs should be revisited as part of a detailed design process so that the skills required for each grade within each service delivery can be more specifically identified.

2.2.2 Culture and Behaviours

Perhaps the greatest challenge being faced is in changing culture and behaviours across the health system and this is consistent with many change programmes.

Changes to systems and process alone will not drive the change in behaviours sought in order to improve financial management practices across the health system in order to achieve a more cost conscious culture.

Currently culture and behaviours can be characterised as follows:

- Financial management is about reporting not control;
- Budget holders are rarely accountable for success or failure in achieving budgets;
- Staff place a greater importance on meeting external requirements (for example reporting to Revenue Commissioners and the Comptroller and Auditor General over compliance with internal rules and regulations;
- A lack of trust pervades across the system: be it in the financial information available, the budget holder's ability to deliver services within budget; in the wider system adhering to guidance, standard process and deadlines. This is evidenced in the manual controls in place to check, often multiple times, inputs to core processes;
- A low sense of 'belonging' to the HSE – there remains a strong allegiance to the "regional jersey" and alignment to predecessor

organisational structure rather than the HSE. There is no evidence to suggest that this behaviour is limited to finance only. The implication is limited cross fertilisation and proliferation of local ways of working; and

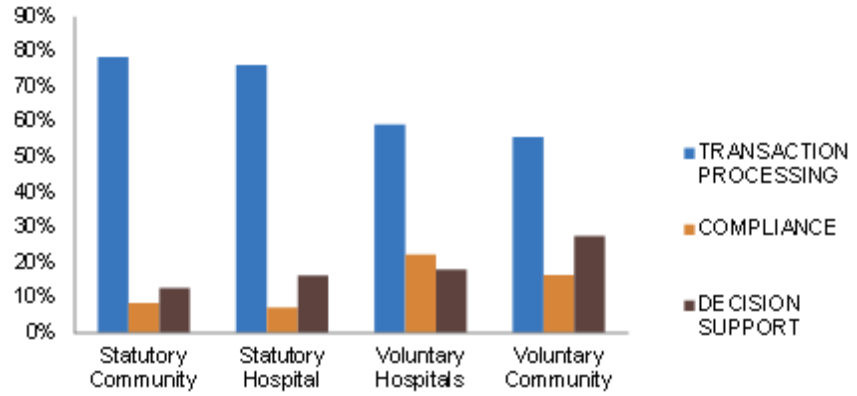
- Variation is the norm: there is limited adherence to corporate standards and deadlines. There is a real belief that variation is essential to meet local requirements. This sanctioned variation to the norm promotes inefficiency.

2.3 Inconsistency in support levels and standards

As mentioned above, there are significant differences in terms of systems, process, culture and behaviours, skills and capabilities and structures across the current finance operating model. This level of inconsistency exists both at a national and regional level.

Currently, the customers of finance within the regional operations such as the statutory and voluntary acute hospitals and PCCC organisations receive various levels of service provision from Finance; the statutory organisations receive greater support than the voluntary organisations. This should imply that the statutory organisations spend less of their time on transaction processing however our research suggests differently. The following chart illustrates the resources allocated to transaction process, compliance and decision support across the statutory hospitals and communities and the voluntary hospitals and community. It highlights that the statutory organisations, both hospital and community spend more time on transaction processing than the voluntaries. This supports the anecdotal evidence that the voluntary hospitals have invested greater resources in their financial management systems relative to the statutory hospitals in recent years.

Figure 4: The variation in support across the statutory and voluntary sector



2.4 The provider landscape

Health services are provided by hospitals, Integrated Service Areas (ISAs), grant funded organisations (S38 and S39) and national services.

The HSCPs are in transition to new organisational groups. Six new Hospital Groups have been announced, and their composition is shown in Appendix C.

Hospital Groups generally comprise a combination of statutory and voluntary providers. Whilst voluntary providers may continue to have external reporting requirements, within the HSE the distinction between statutory and voluntary is removed as the Hospital Groups will work with HSE as a single organisation (with several locations).

An analysis of the financial management arrangements in place across each of the emerging hospital groups is presented in Appendix C. Further work is required to complete this picture. The analysis presents the 2013 budget allocation, the number of finance WTEs, the financial systems, the financial performance and the maturity of financial management practice by hospital for each group.

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This provides a useful snapshot of the current position and insight to inform the direction of travel each group should take as it transitions to Trust status over time, to ensure that financial management arrangements are appropriate given the challenging financial context in which they are operating.

It is clear that there is little correlation between size of budget, finance staff in place and relative financial performance.

In general and not specific to any hospital in particular, this is down to a number of reasons such as:

- Hospital spend is outside the control of finance – finance is seen purely as a reporting function.
- Inappropriate resource selection – HR policy of filling a finance post at most grades with a general administration person irrespective of experience, knowledge or ambition perpetuates this problem.
- Resource allocation – the balance of WTE across transaction processing, compliance and decision support is significantly skewed towards transaction processing and as such the budget holder in the individual health and social care provider is unlikely to get the support needed in terms of decision support. In the case of one hospital, transaction processing takes up 79% of finance WTE resource.

A similar exercise should be undertaken for community services once the ISA review has concluded.

2.5 The cost of finance

Using the data collected as part of the Shape of Finance exercise, the cost of supporting core finance processes is estimated at €74m. As previously stated, the data analysis is representative, but not complete, and it would be fair to assume that the financial case presented here is conservative as a result. Non-core finance process costs of €11.1m are included in the €74m and detailed below.

[4]This cost has been derived on a 'full cost basis' comprising salary, salary on-costs for PRSI and pensions, and overheads consumed (such as accommodation, technology and training). To put this in context, the net budget allocated to National Finance in 2013 was €48.3m, highlighting the extent of resources supporting financial management which are not managed directly by the CFO.

Our analysis has enabled an outline process "cost to serve" to be produced and this is summarised in table 3 below and explored in detail in table 4.

Table 3: Cost by Finance Service (excluding non-core finance processes)

Finance Service	WTE	Cost €
Transaction Processing	690	33,988,059
Compliance and Control	207	13,559,411
Decision Support	195	15,270,307
Total	**1092**	**62,817,777**

The survey sought to collect volume information (e.g. number of purchase invoices and number of payslips) but insufficient data has been returned to enable transaction costs and a meaningful benchmarking to be undertaken at this stage. Finance should continue to capture volume data, particularly from the voluntary sector in order to identify opportunities to reduce transaction volumes and simplify processes. Appendix A includes a proposed list of data to be collected.

This is important to inform the future design and to provide guidance on the overall shape of finance required going forward. Reviewing the cost to serve data highlights areas where cost savings and efficiencies are possible, and these are explored in further in Chapter 3.

[4] Blended rate of 8% for PRSI, 9% for Pensions and 20% for overheads

Table 4: Cost by Finance Activity

Transaction processing	Locations	WTE	Cost
Order to receipt	78	98	€4,734,700
Invoice approval to payment	99	178	€8,608,780
Payroll changes	68	116	€5,636,377
Payroll processing	60	143	€7,147,621
Private health claims	28	70	€3,482,828
RTA claims	25	6	€335,620
A&E cost recovery	129	9	€460,515
Other income - car parks, restaurants	58	26	€1,343,688
Cash matching and debt recovery	56	44	€2,237,930

Compliance	Locations	WTE	Cost
Governance and controls	86	27	€1,966,733
Period end closure	79	69	€4,242,995
Cash management	64	19	€1,202,174
Financial statements – HSE and schemes	58	18	€1,446,877
Treasury / Vote	32	7	€506,756

Capital accounting	34	13	€813,435
Financial risk management and insurance	29	7	€461,299
Taxation (PAYE, PRSI, USC, VAT)	37	24	€1,403,532
Systems support	47	23	€1,515,610

Decision support	**Locations**	**WTE**	**Cost**
Financial strategy and planning	63	14	€1,292,923
Corporate budgeting	37	7	€601,607
Corporate financial management and reporting	61	22	€1,822,695
Programme financial management and reporting	47	13	€992,793
Operational budgeting	79	22	€1,679,153
Operational financial management and reporting	86	52	€3,649,235
Cost containment planning	76	16	€1,468,328
Costing (job, project, patient level)	48	17	€1,142,115
Provision of financial advice	82	22	€1,853,988
Value for money	60	10	€767,470

None-Core Finance Processes	Locations	WTE	Cost
Corporate Governance	46	4	€379,632
Line Management	97	44	€2,961,162
General Administration	107	95	€5,048,343
Finance Related Project work	77	37	€2,690,248

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2.6 Strengths to build on and areas for development

The current finance operating model incorporates many examples of good practice, achieved in spite of variations in processes, multiple financial systems and limited engagement with the voluntary sector.

Strengths that we want to build on include:

- Aspects of the existing service delivery model which support:
  - business partnering (e.g. ANDOF[5]s, NCSS[6]);
  - finance specialists operating as centralised corporate teams (e.g. treasury, taxation, financial statements and corporate budgeting and reporting); and
  - the development of shared services.
- Plans in place within National Shared Services to develop standardised and simplified processes and to invest in technology to improve and streamline processes. Progress has been made on standardising the payments process;
- Aspects of the financial management framework to support compliance which are already in place: – financial regulations, assurance / compliance statements; and
- The flexibility, professionalism and commitment of the finance team in the way that they work within current structural and systems constraints to meet customer requirements.

However the analysis of the current operating model has identified significant areas to be addressed in any new model proposed. These include the following:

- Inconsistency in the level and standards of service provided to different customer groups across the system;
- The extent of financial management activity being supported by teams with no direct accountability or responsibility to the CFO;
- The extent of process variation, inconsistent data definitions and multiple finance systems in place inhibit the ability of staff involved in decision support and compliance to make best use of their skills and expertise;
- Effectiveness of decision support being compromised by time spent validating and manipulating data to meet information requirements of customers;
- A lack of shared ownership of transaction processes – finance, HR and procurement results in duplication and inconsistency in processes and a lack of integration;
- Significant under-investment in technology which has compromised the ability of finance to improve current working practices;
- Weak accountability for actions and recognition that financial management is a corporate responsibility undermines the controlling role of finance; and
- A lack of investment in training and development of both finance staff and budget holders to ensure that they discharge their financial management responsibilities effectively.

[5] Assistant National Director of Finance

[6] National Cancer Screening Service

3 HOW FINANCE NEEDS TO CHANGE

There are three distinct drivers for change in the financial management practices within the health system in Ireland:

- current financial management practices are overly resource-intensive and inflexible, and do not adhere to many core leading practice principles;
- better financial management is required to provide key stakeholders with the confidence that expenditure in health is under effective control; and

  the requirements of the emerging health system (Future Health) means that the current finance operating model is no longer fit for purpose.

In considering how these drivers will influence the future operating model, it is important to draw from leading practice principles. In this chapter, we explore both the drivers of change and leading practice principles and conclude by setting out the requirements for change across the finance operating model for health in Ireland.

3.1 Drivers of Change

The review of current financial management arrangements secured consensus amongst the finance community that the current operating model is no longer fit for purpose. There are a number of opportunities to address legacy weaknesses and these are explored further below.

The appointment of the CFO signals a clear response to stakeholders that steps will be taken to demonstrate that the health budget is being spent wisely and is subject to effective financial management and control. We consider the changes necessary to ensure that the CFO can make this happen.

The importance of effective financial management in securing the desired outcomes from Future Health should not be underestimated. We consider the requirements arising from reform which require a change in the way finance operates.

3.1.1 Opportunities Identified by the Current Operating Model

The review of the Current Operating Model highlighted opportunities to address legacy weaknesses in financial management and highlighted areas where cost savings and efficiencies are possible.

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It is important to note that realising these savings is contingent on being able to re-train and redeploy staff into different roles across the system as process and system improvements change staffing requirements.

Our analysis and supporting high level costings are drawn from our Shape of Finance work, and are based on an in-complete data-set. The detailed analysis can be found in Appendix A. There is no doubt that a complete picture would strengthen further the case for change

Transaction processing - Purchase to pay (P2P)

There are 277 whole time equivalents (WTE) supporting the P2P process in over 99 locations at an estimated cost of €13.3m. The purchase to pay process ranges from highly manual to highly automated.

There are opportunities to standardise, simplify and further automate the order to receipt process, to reduce transaction volumes and to consolidate accounts payable activity.

The P2P strategy must be developed in conjunction with procurement. We are aware that there is parallel work to restructure procurement, stores management and the order to receipt process underway.

To optimise benefits, it is critical that purchase to pay is reviewed from an end-to-end process perspective through co-ordinating finance and procurement initiatives. Particular initiatives to investigate from a process perspective will include:

- Strengthen strategic procurement (commodity management and structured strategic sourcing programme) to reduce the number of suppliers and transactions
- Implementation of best practice e-procurement technology to further automate the order to receipt process, reducing paper-based manual ordering and reducing time in the approval process, and improving financial control.
- Improved compliance management in relation to supplier, process and contract.

Our analysis estimates a potential annual saving of €4.3m from automating and streamlining the P2P processes.

The move to HSCP groups provides an opportunity to make a step change within the current systems environment as we see legacy hospital and PCCC finance teams merging at group level.

Transaction processing - Payroll

There are 259 WTE supporting the payroll process in over 60 locations at a full cost of €12.8m.

Payroll processing staff are currently located in 9 departments and there are a range of processing arrangements in place. The process for payroll changes is largely manual. There are opportunities to automate the front end of payroll through self-service technologies and as part of operational systems development, such as the use of rostering systems to provide input data.

The end-to-end payroll process redesign has to align with work in HR and operations. There is a significant, but challenging, opportunity to reduce the number of payrolls. There are currently 101 different payroll cycles (6 weekly, 75 two weekly, 4 four weekly and 16 monthly) and this figure does not include all of the voluntary organisations.

Payroll process efficiencies will arise from:

- Standard payroll data capture, processes and procedures
- Centralisation of payroll processing
- HR and payroll systems integration
- Self-serve technology
- Automation of payroll changes through self-service technologies and operational systems
- On-going benchmarking of payroll processes and costs.

The median benchmark for payroll staff to total employees is 1:1200. Applying this benchmark to the HSE would suggest a requirement for 97 WTE to support the payroll process, some 162 WTE less than current

staffing levels. A reduction of staffing at these levels equates to an annual saving of €5.7m.

Transaction processing - Income

There are 113 WTE involved in the income process in over 100 locations at a full cost of €5.6m.

Income processes across the system are inconsistent and range from highly manual to highly automated pointing to potential opportunities from process redesign, simplification and standardisation.

Whilst processing road traffic accident (RTA) income, accident & emergency (A&E) and other income such as parking fees must remain local, the creation of hospital groups will provide the potential for some consolidation.

There is the potential to increase the role played by Shared Services in supporting Private Health Claims processing, and this should be considered further in the context of the move to MFTP[7] and UHI[8].

Our analysis estimates a target annual saving of €0.5m from automating, standardising and centralising income collection. There are also cash flow benefits to be derived from automated, efficient income processes supporting all HSCPs.

Compliance

Compliance involves 207 WTE at a full cost of €13.6m.

Compliance is resource intensive due to the need to support multiple systems and non-standard, often manual processes. Specialist advice and support is often fragmented with an increased risk of inconsistency and variations in the quality and extent of support provided.

Mandated common processes supported by a single integrated financial management system with systems based controls system based controls will improve the control environment significantly, and will limit the extent of non -compliance across the system.

It will remove the requirement to support period end processing validation and verification at current levels

Our analysis estimates a target annual saving of €4.2m from mandating and standardising compliance processes.

Decision support

Decision Support involves 194 WTE at a full cost of €15.2m. Decision support is currently inconsistent and focused on performance management and reporting activities.

The move to HSCP groups will facilitate the introduction of a consolidated model for operational financial management and reporting i.e. support will be provided at a group rather than individual hospital or LHO.

The Shape of Finance survey estimated that 43% of senior finance staff time was spent on processes other than Decision Support. Anecdotal evidence suggests that a lot of this time is spent on validation of data prior to making decisions

It is important that the improvements made in transaction processing and compliance enable a shift in focus, and transfer of resources towards Decision Support.

There are opportunities to invest in decision support to improve:

- The quality and extent of strategic planning and performance management provided
- Ensure consistent and appropriate levels of decision support for all areas of the system
- The extent of forecasting, scenario planning, benchmarking and comparative analysis undertaken to improve decision making and challenge current ways of working

We have assumed a saving of €2m is possible through more effective use of resources, and increasing the time spent by existing senior staff in

[7] Money Follows The Patient

[8] Universal Health Insurance

supporting decision support. There will be a further un-quantified benefit from better decision making across the system overall, which should result in better outcomes for patients as a result of more effective use of resources.

Conclusion

The high level case for change arising from opportunities to address existing weaknesses in financial management is compelling, and builds on the earlier arguments supporting business cases for systems implementation developed in recent years by the HSE.

The table below summaries the potential savings and estimates that €15.8m in annualised savings could be achieved representing 21% of the cost of finance.

Potential Savings	Total €m
Purchase to Pay	4.3
Payroll	5.7
Income	0.5
Compliance	3.0
Decision Support	2.0
Total Potential Savings	15.5
Savings as % of total Finance Cost	**21%**

In addition to these financial savings, there are significant non-financial benefits to be achieved. There is a strong case for investing in financial management as a means of realising significant benefit from cost reduction and efficiency across the system through improved decision making.

Opportunity	Benefits
Transaction processing • Automation of the end-to-end process • Simplification and standardisation of processes • Reduction in transaction volumes • Consolidation of teams	• Enhanced control of pay and non-pay expenditure • Improved customer experience (e.g. between shared services and HSCPs). Operations excellence has a focus on customer relationship management
Compliance • Simplification and standardisation of processes • Rationalisation of systems • Controls embedded in systems • Mandatory financial management framework	• Strengthened control • Simplified compliance monitoring • Opportunity to implement automated exception reporting software • Staff able to focus more on proactive advice rather than reactive support • Efficiency savings or redeploying resources to added value activity or activity that currently can't be undertaken
Decision support • Standardised reporting • Standardised data definitions • Alignment of management and financial accounting – one version of the truth	• Strengthened support to operational decision-making at national, regional and HSCP level • Focus on analysis, not data validation and manipulation • Trust in the data
Skills and capabilities • Training and development plans • Succession planning and career development	• Workforce better equipped to deliver financial management standards that finance staff aspire to – professional qualifications, appropriate development of technical skills.

3.1.2 Achieving greater financial control

The HSE has responded to recognised weaknesses in current financial management practice by establishing a new role of Chief Financial Officer

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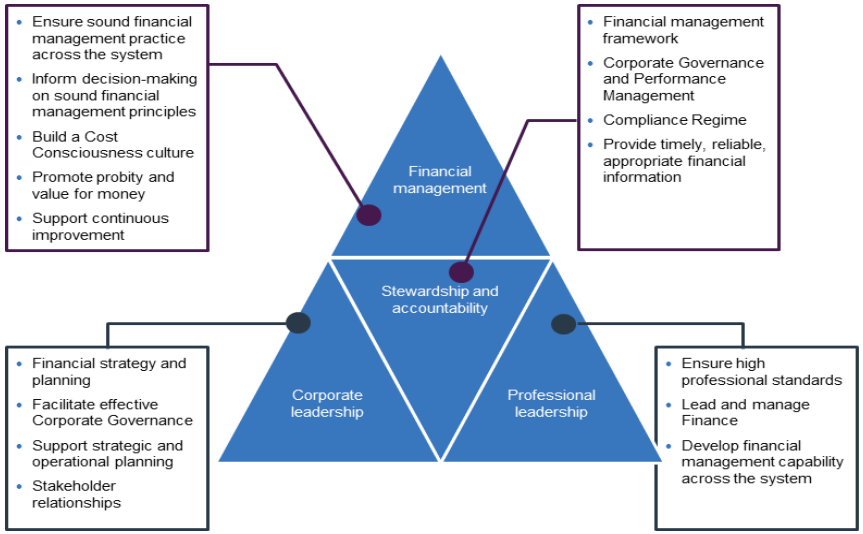
(CFO) The CFO's appointment sends a clear statement of intent to stakeholders that steps will be taken to improve confidence in financial management practices and to achieve greater financial control.

Figure 5: The Role of the CFO



The CFO has accountability for financial management across the entire health system. To discharge that accountability the CFO must ensure that the financial management framework enables him to deliver against all four facets of his role described in figure 5 below.

- *Stewardship and accountability*: ensuring the compliance framework is in place to provide and true and fair view, and trust in the financial information provided; and
- *Financial Management*: ensuring practices across the system inform decision making, promote probity and value for money and a culture of cost consciousness and continuous improvement.
- *Corporate Leadership*: as a Board member providing strategic direction, effective corporate governance and building strong relationships; and
- *Professional Leadership*: driving professional standards, leading the profession and building capability across the system.

This role cuts across the entire system and relates to financial management practices supported by the CFO and his staff in controlling finances and providing advice and support to Budget Holders in delivering services within agreed resources.

The current operating model does not provide the CFO with the adequate tools to discharge this responsibility.

The CFO is responsible for putting a financial control framework in place and ensuring advice and support is provided to budget holders. He must have the ability to escalate where exceptions are identified through performance management or other channels to ensure that budgets are managed effectively.

Key to this will be:

- building a culture of corporate responsibility for financial management;
- ensuring that budget holders have information and advice to support expenditure decisions;
- mandating a system wide financial management framework;
- establishing training and development support and career development plans;
- developing skills and capabilities for key finance roles and implementing compulsory Continuous Professional Development (CPD) for all finance professionals; and
- learning and development for both finance professionals and non-financial managers to be recommended and supported by the CFO. In particular, we recommend that all new budget holders receive training in their financial responsibilities.

Understanding the different, but complementary roles, of operational and financial managers in the context of budget management is critical to ensuring an effective system of financial control across the system. Figure 6 overleaf outlines the roles as presently understood.

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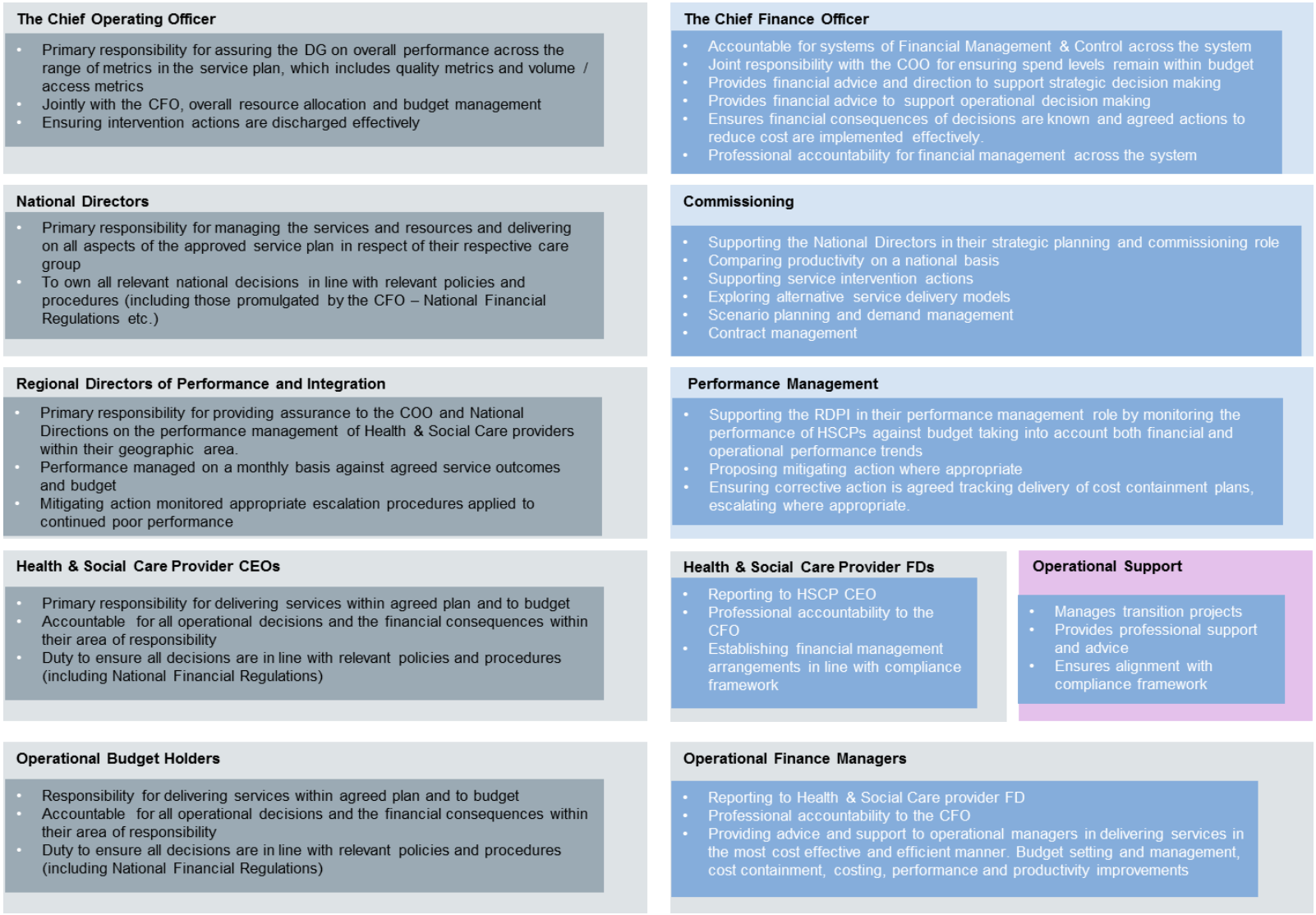
Figure 6: The differing roles of operational and financial managers in the context of budgetary control



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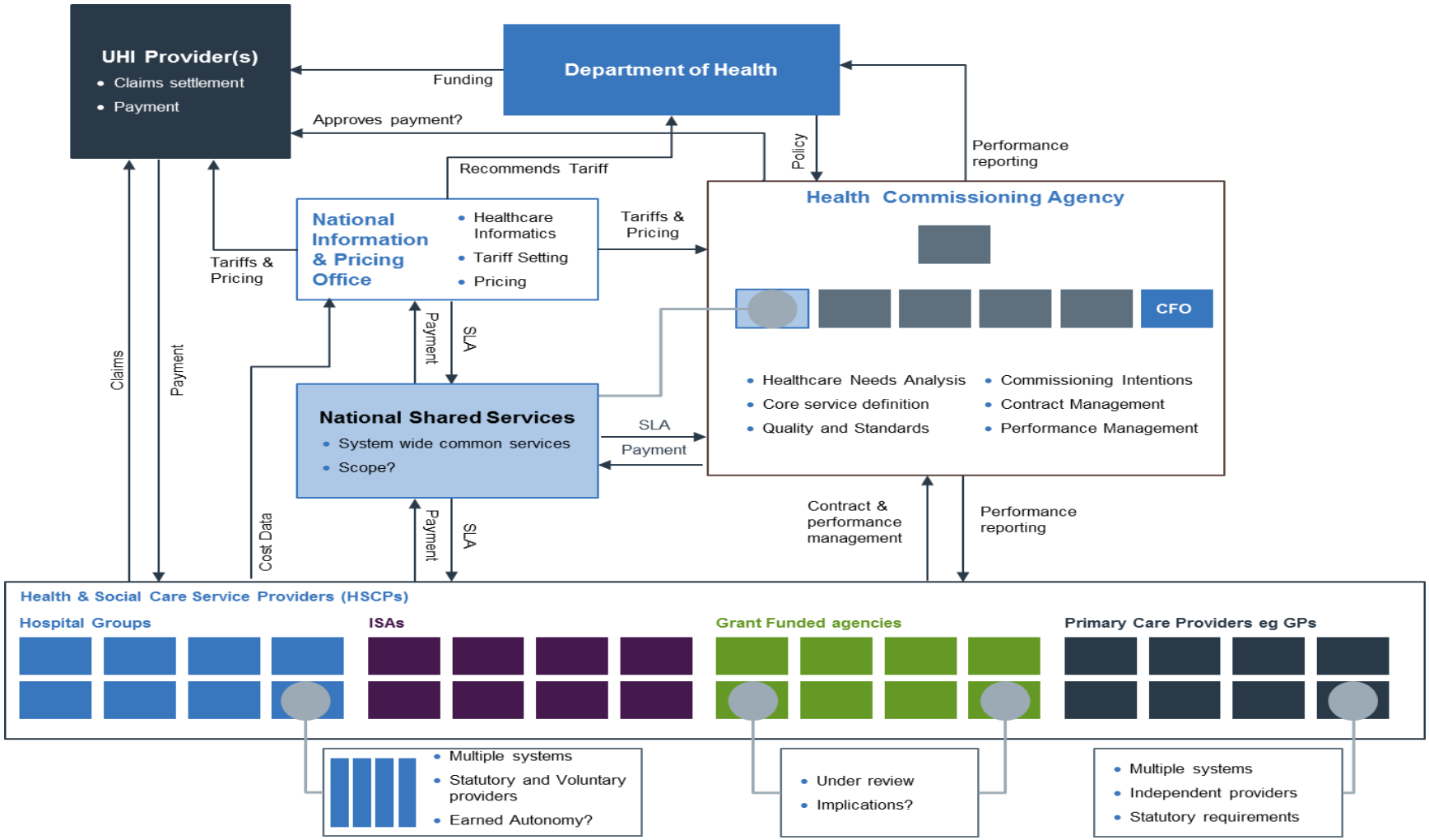
3.1.3 The emerging landscape and requirements for financial management

The long term changes in Ireland's health system, as described in *Future Health: A Strategic Framework for Reform of the Health Service 2012 – 2015)* have significant implications for finance. In particular, finance has to respond to the HSE moving to a commissioning body, funding based in part on money follows the patient and budgets organised by national care groups. Whilst finance has traditionally found innovative solutions to new requirements, the consensus of the Working Group is that the current operating model cannot effectively respond to these changes. Figure 7 overleaf is our interpretation of the emerging landscape and the primary changes are:

- The transition from the HSE to the HCA;
- The changing relationship with the Department for Health;
- The financial management requirements from Money Follows the Patient;
- The changing Provider landscape; and
- The introduction of UHI.

Figure 7: The Emerging Landscape



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The transition from the HSE to the HCA

One of the key features of *Future Health* is the separation between the agency purchasing health services and the agencies providing those services. This objective will be fulfilled with the establishment of the Healthcare Commissioning Agency, planned for Q1/Q2 2014. Currently, healthcare is both commissioned and provided through the HSE with the exception of ancillary health services which are provided through grants to the voluntary sector.

Five National Directors accountable to the Director General for acute, primary care, social care, mental health and health and wellbeing services have been appointed. They are responsible at national level for the reform and delivery of services in their specified service domain, and the development of national service strategies and strategic commissioning frameworks for their areas of responsibility. Their role starts to model the type of management approach that will be in place once a fully-fledged commissioning model is in operation.

Performance management and responsibility will reside at the most appropriate level with HSCP CEOs (or equivalent) having performance management as a core part of their roles. RDPIs[9] will serve as 'Contract Managers' at a regional level and will be expected to manage performance issues directly with HSCP CEOs in the first instance. 'Exceptional' performance issues will be dealt with through a formal escalation process. The HSE will introduce an interim performance contract which will integrate the key performance and financial targets of the service plans and cost containment plans, set out the performance management requirements and conditions as well as intervention and support provisions.

From a financial management perspective, transition to the HCA requires the provision of financial advice and support to the National Directors and RDPIs and requires a view of financial information by care group (nationally and by region).

Commissioning creates a need for decision support services which draw upon financial and non-financial information (such as demographics and health economics). Decision support services typically include:

- Strategic planning: scenario planning around levels of activity and performance to inform external and internal resource allocation and policy and best use of resources; and
- Procuring services: shaping health care provision and using tariff and patient costing information to inform distribution of activity targets to health care providers.

The appointment of the National Directors means that finance will need to prepare cash and expenditure budgets and report cash and expenditure by care group, with drill down to underlying transactional detail. This has implications for coding structures to enable income and expenditure to be recorded by care group and region. The ability to do this will depend upon coding structures in feeder systems and the general ledger.

The separation of commissioning services and service provision exists in other health jurisdictions. The following describes the arrangements for the NHS in England, and figure 8 illustrates the framework in place to support commissioning arrangements.

From April 2013, Clinical commissioning groups (CCGs) are the cornerstone of the new health system. Each of the 8,000 GP practices in England is now part of a CCG. There are 211 CCGs altogether, commissioning care for an average of 226,000 people each. CCGs will commission the majority of health services, including emergency care, elective hospital care, maternity services, and community and mental health services. In 2013/14 they will be responsible for a budget of £65 billion, around 60 per cent of the total NHS budget.

[9] Regional Director for Performance and Integration

Figure 8: The Commissioning Wheel for the NHS

The RDPIs will require support for performance management and planning, in particular, to monitor and evaluate HSCPs, the analysis of financial performance (including cost containment plans) with a risk rating to indicate if further information or intervention is required and benchmarking of unit costs.

The changing relationship with the Department for Health

The relationship with the Department of Health will change because of:

- Return of the Vote to the Department in 2014, which will result in a significant change in the relationship and financial governance arrangements that exist between the HSE and the Department of Health at present.
- The changing role of the department as the HCA (with a direct reporting line to the Minister) is established in the move to the separation of commissioning and provider.

At the very least these changes will require the ability to be flexible in reporting spend, both on a cash and income and expenditure basis, and there will inevitably be changing financial reporting requirements as commissioning becomes a reality.

The changing relationship between commissioners and providers, and the inevitable change in the level of detail reported to the Department for Health, where there will be a greater focus on strategic rather than operational information, will have consequences in terms of culture and behaviour for both the Department and the HCA as the system emerges.

The financial management requirements from Money Follows the Patient

Under money follows the patient (MFTP) payment will be made on the basis of each patient seen or treated, taking into account complexity of healthcare needs and will therefore replace block grant allocation for activities in scope. Implementation of the HCA will see the use of Performance Contracts to link payments with the achievement of targets. The System Reform plan anticipates that MFTP will be operating in shadow form in 2013 and is planned to be fully operational from 2014. Work is underway to develop a national tariff based on an assessed level of complexity and case mix. The following flow charts are our interpretation of the planning and operational processes that could follow from the MFTP policy papers.

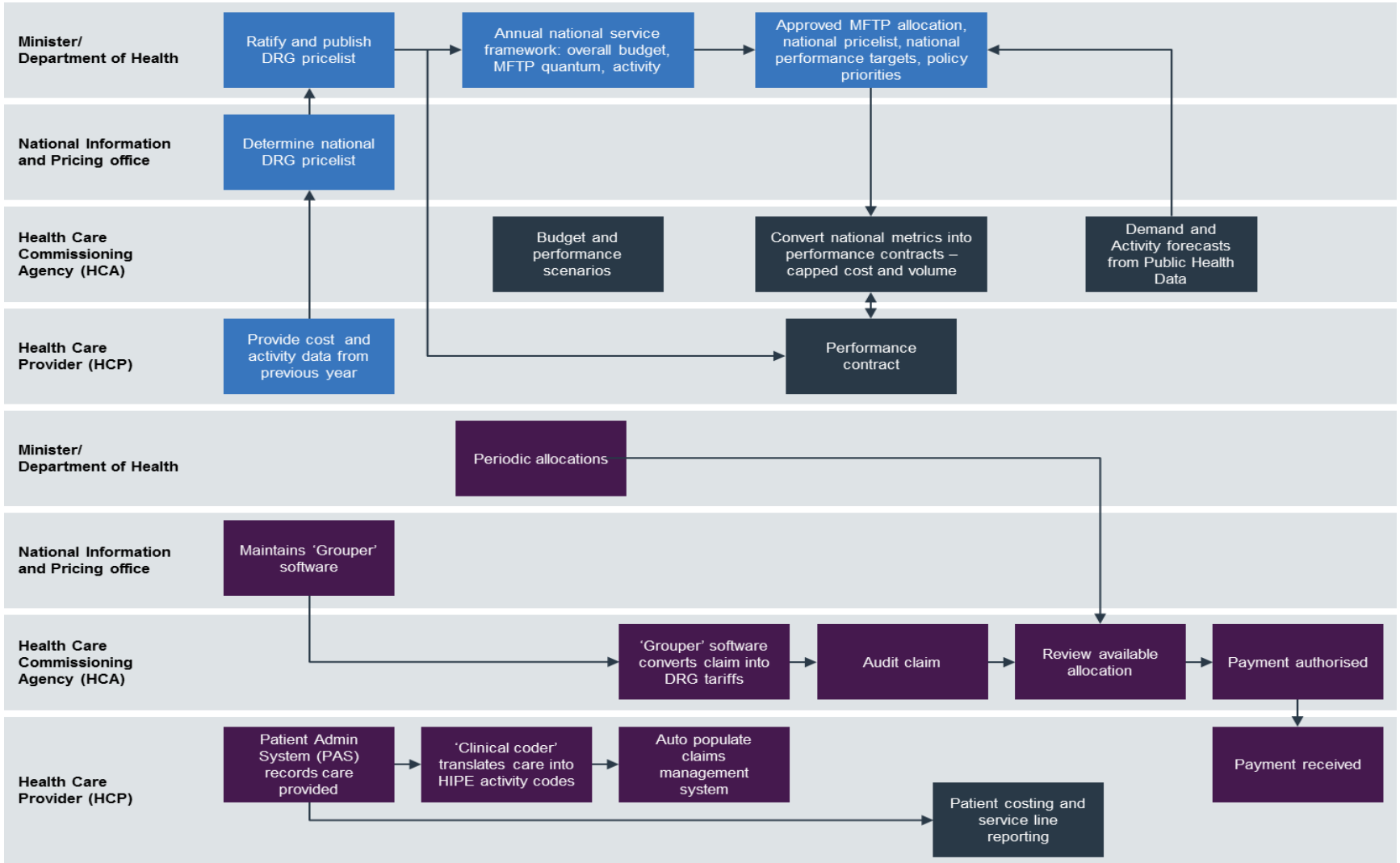
From a finance perspective, capacity and capability will be required at two levels:

- Nationally to determine the DRG (diagnosis related group) pricelist, support budget and performance scenarios, convert national metrics into performance contracts, monitor performance contracts, maintain systems to , convert claims into tariffs, audit and pay claims. In particular, finance will play a role in supporting over/under-trade activity analysis to understand the system wide impact; and
- Locally (within HSCPs) to prepare claims and deliver patient costing and service line reporting.

MFTP has to be supported by a patient costing system which both provides costing information to inform tariff setting and enables HSCPs to understand their performance relative to the tariffs set. The patient costing system should be supported by a standard costing manual and collation/sharing of patient level costing expertise. A system is also required to support claims management.

It is our understanding that MFTP will operate on average tariffs. When MFTP has been implemented there is typically a 2-3 year period of support to allow providers with costs above average to revise ways of working.

Figure 9: The planning and operational processes that could follow from the MFTP



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The changing Provider landscape

One of the fundamental changes envisaged under *Future Health* is the establishment of independent hospital trusts. The reorganisation of acute hospitals into groups, each with their own Board and Group Chief Executive, is a cornerstone of Government policy. Six hospital groups have been created on an administrative basis that will see operational responsibility for all statutory and HSE funded hospitals transfer to Hospital Group Chief Executives and interim Boards, who in turn will report into the National Director for Acute Services. Hospital Groups will eventually become independent hospital trusts, however they will in the interim each have a Hospital Group Board with an independent Chair.

Plans for the structures of primary care, social care, mental health and health and wellbeing services are at this stage less developed than for acute hospital services. However what we currently know is that:

- Primary care, social care, mental health and health and wellbeing services will be managed within an integrated management structure at the level of what are currently described as Integrated Service Areas (ISAs). This will include HSE funded agencies in these service areas.
- A review of ISAs will be undertaken in 2013. This review is expected to lead to a reduction in the number of ISAs nationally.

From a financial perspective, the move to HSCP groups creates the following financial management issues and requirements:

- Rationalisation of finance systems, processes and finance teams within HSCPs;
- Operational financial management: support to HSCP operational managers in areas such as service line management, operational budget management and cost containment plans. Operational financial management business partners and management accountants will provide this support; and
- Potential implication for grant funded bodies and primary care providers following introduction of commissioning frameworks. Evidence from England is that consolidation of the market and market forces can drive some social care providers out of business.

The introduction of UHI

The current plan is to move the health service from a tax funded system to a combination of UHI and tax funding from 2016. Under this arrangement, claims for payment for health services within the scope of UHI will be submitted to insurance companies for payment.

This will result in a further change in funding arrangements from the system, and may lead to insurers being funded directly from the Department, and the HCA as commissioners relying on the UHI provider to provide core information on service levels and spend to enable contract management to be supported. This will require support mechanisms similar to MFTP – patient costing system and a claims management system – and is likely to be an enhancement of the system adopted to support tariffs, with an underlying change in roles, responsibilities and accountabilities. Both MFTP and UHI require a patient costing system and a claims management system. Under UHI, responsibility for approving claims and paying HSCPs will transfer to the insurance companies.

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3.2 How Finance functions in other organisations are transforming

The "traditional" finance function is characterised by a significant investment in terms of people, and cost, in core finance operations processes, such as general accounting, reporting and transaction processing, with less of a focus on policy development and decision support.

In recent times there has been an increased focus on "professionalising" the Finance function with a focus on skills and capability development around the following areas:

- Effective leadership
- Cost conscious culture
- Professionalism Expert central functions

This implies a step change in the way finance supports the organisation, involving a shift in resources from finance operations towards decision support, with finance shaping future strategic direction and adding real value in embedding that cost conscious culture across the organisation.

This new approach has its origins in the HR model developed by Dave Ulrich of Ross School of Business at the University of Michigan. Ulrich introduced the concepts of three business components: business partners, specialists and operations excellence.

Achieving this shift is challenging, however, as the “engine room” needs to operate effectively if the Finance function is to have credibility in the organisation, and is to earn the right to act as trusted adviser, participating more in added value activities such as decision support and policy and strategy development. This move, beyond governance and probity, to supporting the commercialisation of services and ensuring decisions have a sound financial footing, is essential to support the change agenda.

The figure below illustrates how leading organisations have transformed their Finance operations, to refocus resources to higher value decision support services, whilst ensuring the “engine room” or core financial administration is operating as efficiently as possible.

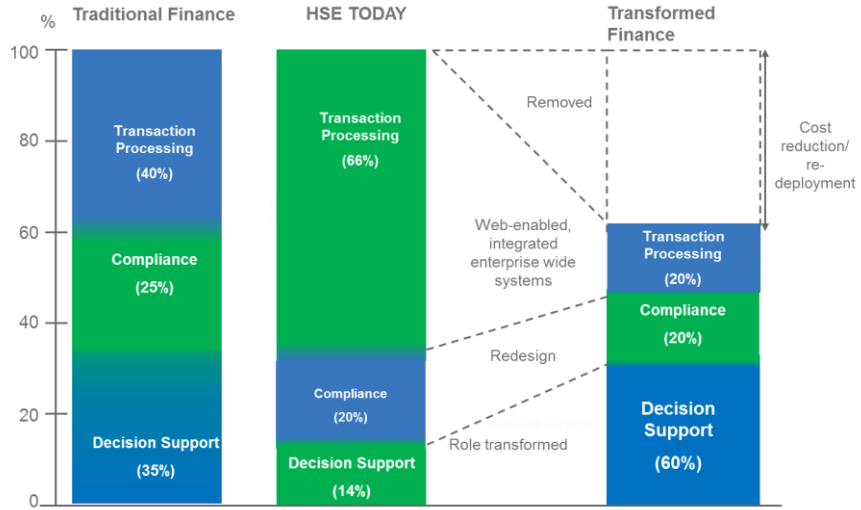

Figure 10: How leading organisations have transformed their finance operations

There are three underlying prerequisites of a best in class finance operating model:

- A Financial Management Framework that sets the rules to achieve desired behaviours;
- Ensuring Finance adds value; and
- Efficient and effective Transaction Processing

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3.2.1 A financial management framework that sets the rules to achieve desired behaviours

Effective compliance within the financial management framework relies upon providing timely, accurate, consistent, relevant and comparable financial records that are kept and filed in accordance with accepted accounting practices to satisfy the needs of all stakeholders, both internally and externally.

The particular challenge for finance is securing influence over the front end of payroll, payments and income processes since this is where risk predominantly lies and these parts of the processes are usually outside the direct control of finance. This challenge is further complicated where there are multiple systems and variation in process. Influencing the front end of processes is essential for two reasons:

- trust in the integrity of information; and
- control over pay and non-pay expenditure and income.

The CFO is accountable for financial management across the entire organisation and requires assurance that effective systems of financial control are in place. Assurance is provided by setting the rules, establishing guidance and principles and monitoring compliance. Assurance means that key stakeholders can rely upon the data for decision support.

Where compliance is robust, it tends to be underpinned by the following culture and behaviours:

- **Trust**: On a personal level, individuals in the organisation must operate with honesty and propriety. Senior staff should lead by example in following procedures and by declaring any personal interests that might conflict with their official duties.
- **Integrity:** An organisation's integrity is derived from the standards of its people and processes. It is imperative that people with the appropriate skills and capabilities are in situ to ensure that predetermined standards are met to provide assurance to the CFO.
- **Accountability**: An organisation must explain how it has used its resources and what it has achieved as a result to all stakeholders and has an operational, moral and legal duty to explain its decisions and actions, and submit its financial reports to scrutiny.
- **Consistency**: An organisation's financial policies and systems must be consistent over time. This promotes comparability, efficient operations and transparency, especially in financial reporting. Inconsistent approaches can be a sign that the financial situation is being manipulated.
- **Timeliness**: An organisation must ensure the timely production of its financial reports so that action, when required, can be taken close to the event. Information losses its relevance the further away it is from the time period it refers to.
- **Accounting standards**: The system for keeping financial records and documentation must observe internationally accepted accounting standards and principles. Any accountant from anywhere around the world should be able to understand the organisation's system for keeping financial records.
- **Sustainability**: Expenditure must be kept in balance with incoming funds, both at the operational and the strategic levels. Viability is a measure of the providers' financial stability. Management should prepare a financing strategy to show how it will meet its financial obligations.
- **Acceptance**: compliance framework accepted across the organisation.

Regulation ranges from light touch to prescriptive. A prescriptive approach should be taken where there is variable financial management maturity across the organisation. This means that the CFO will specify rules and regulations, systems and controls, and the risk management / intervention process. This could include the following:

- Rules and regulations covering scheme of delegation, reporting formats, operational protocols, standard chart of accounts, procurement codes;
- Risk management: working capital KPIs (key performance indicators), integrity of balances;

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- Rules embedded in systems to prevent override and manipulation;
- Mandatory compliance training, including online training;
- Sanctions for non-compliance, including no response to formal recommendations; and
- Advice: online access to regulations through a governance web site, single point of contact for technical guidance.

International experience also identifies the need for inspection to provide assurance that there is compliance throughout the organisation. Inspection models typically include the following components:

- Risk assessment: operating units will have a varying risk profile, for example reflecting scale and dependency. Arguably, operating units with a higher risk profile would receive a more focused inspection regime';
- Monitoring: routine performance management, supported by analysis is the basis for assessing financial risk. Typically, a performance management framework sets out the financial information that will be captured monthly. Monitoring also includes exception reporting e.g. of taxation issues. A dashboard of key information that highlights exceptions / areas of concern is produced;
- Investigation: where monitoring highlights areas of concern, further analysis is undertaken to confirm whether there is an issue, the scale and impact of the issue and to propose regulatory action; and
- Action: where investigation identifies an issue to be addressed, action ranges from support to the local team through to administration.

3.2.2 Ensuring Finance adds value

Decision support is concerned with providing financial advice to both internal and external stakeholders to enable them to address policy and service delivery challenges (both tactical and strategic). The advice is based upon deep analytical capability, horizon scanning and scenario planning to provide evidence-based and insightful analysis to support decision making.

Critical to decision support is the leading practice principle of **business partnering**. The CIMA report *Mastering Finance Business Partnering* states that 'Finance Business Partnering' is increasingly viewed as the most effective way for in-house finance teams to add value'. Appendix D contains selected case studies of organisations that have implemented finance business partnering.

Operational Business partners are embedded in the business, often with a matrix reporting structure such as a full line to the CFO and a dotted line to the business manager or vice versa.

They have a professional responsibility to ensure that the organisation is compliant with its reporting and control responsibilities and support operational financial management and reporting, service line reporting.

Strategic business partners support strategic decision making and challenge business managers to improve performance. Evidence from PA experience, published case studies and academic research is that business partners act as trusted advisers at the side of senior operational managers.

"Within Deutsche Post DHL, the finance community sees itself as the 'navigators' of the business. In fact, there is an extensive set of training and coaching available within our in house 'Advanced Navigator' program. There is a very clear split between financial accounting and controlling"

Pete Bandtock

DIRECTOR FINANCE BPO, DHL

Strategic business partners provide business leaders with information and analysis about the organisations or function's position and course, contributing to strategic decision making and risk/performance management. This means that these finance business partners are co-located with senior

operational managers. These business partners need to be close enough to operational managers to identify and understand the main areas of focus.

There is evidence that higher-performing organisations have finance teams that influence all functional areas of the business.

"Balancing responsibilities to control and empower. Finance business partnering is not so much a new role as an extension or rebalancing of the finance function's traditional responsibilities so that finance is not just an overhead but helps to create value'"

Toby Willson

FD, MICROSOFT UK

Finance business partners take a different approach from the conventional finance team's focus on historical numbers. Whilst the core finance function continues to handle transaction processing, compliance and standard reporting activities, the finance business partners look forward, providing strategic insights.

Top quartile organisations have around 15% of finance WTE in business partnering roles.

Trust is critical to the effectiveness of business partnering and is earned through:

- Trust of information – the first step towards maturity is finance's ability to present impartial, accurate and timely information that the business trusts;
- Trust of execution – finance needs to build on the first level of trust by always following up on what it says it will do, and being proactive in its advice; and
- Trust of judgement – this third stage takes time, as it depends on the business partners' track record of value-creating analysis and ideas. Here, the business comes to recognise and value the finance business partners' grasp of how operational decisions deliver financial outcomes. The business partner becomes the first person the business unit manager calls to help guide decision making.

"The best business partners I have seen are able to simplify complex situations so that line management are able to grasp it, engage with it and understand the consequences of different courses of action'"

Graham Colbert

VICE PRESIDENT OF FINANCE FOR ISMO, ASTRAZENECA'S INTERNATIONAL SALES AND MARKETING ORGANISATION

The empirical evidence is that the effectiveness of finance business partners strengthens as trust from operational managers develops and finance matures (so that decision support is based upon reliable, relevant and timely data). However, the evidence is also that organisations implement finance business partners whilst addressing weaknesses in finance.

A finance business partner has a core skill set of finance and accounting skills. Above this they have a combination of skills which on the one side are about business understanding and strategic awareness and on the other, how to influence people and even provide leadership. This requires a passion for the business as well as the soft skill set. These skills are capped with professional standards to provide integrity.

Implementation of finance business partners typically has the following components:

- Appointments follow developments in the operational organisation structure;
- Tripartite agreement between senior operations manager, finance business partner and CFO on areas of focus;
- Training and development programme to enhance the range of skills required in a finance business partner, combining e-learning with bespoke coaching and mentoring;
- Creating a community of interest to share experiences and highlighting examples of success to build credibility, for example through an online portal;
- Review of effectiveness through annual customer surveys completed by both the finance business partners and their customers, scoring performance against specific goals; and
- Rotation of finance business partners every 2-3 years to expand their understanding of the business and to gain experience of working with different management styles.

3.2.3 Efficient and effective Transaction Processing

The "engine room" needs to operate effectively if the Finance function is to have credibility in the organisation. Leading practices in transaction processing are concerned with the efficient processing of high volume, repetitive and predictable activities. Efficient processing of transactions depends upon the following principles:

- Single finance system;
- Single chart of accounts;
- Common procurement and HR codes;
- Standards and controls nationally defined and implemented;
- End-to-end management of processes, including integration with Procurement and HR;
- Processes that are standardised, simplified and automated as far as possible;
- Reduction of transaction volumes through rationalisation of suppliers, consolidation of invoices and rationalisation of payrolls;
- Focus on continuous improvement, including benchmarking; and
- Resources with appropriate skills and capabilities: operational excellence, change management, project management.

"The structure of the accounting and finance function is changing. Increasingly both transaction processing and analysis are being handled in a shared service model. In this environment a finance person still re-working numbers will be an additional overhead. Finance is going to become a smaller exception-based advisory group"

Roy Barden

THE HACKETT GROUP

Transaction processing can be delivered in house or outsourced. With regards to outsourcing, a distinction can be made between processing and supporting technology.

Shared services operate through service level agreements, which set out both levels of performance for shared services (quality, timeliness and cost) and expectations from customers (timeliness and accuracy).

In the UK, NHS Shared Business Services (NHS SBS) is a joint venture between the Department of Health and Steria, and leads the way in developing and providing Finance & Accounting, Payroll, e-Procurement and Family Health Services to all types of NHS organisations. Under this arrangement, Steria provides IT business services whilst transaction processing is undertaken by NHS staff. With over 1,200 people employed and in excess of 4.5 million transactions processed per annum, NHS SBS works with over 30% of NHS organisations to deliver operational efficiencies, cost savings and improved service quality.

3.3 Requirements for change across the finance operating model for health in Ireland

In section 3.1 above we identified three drivers of change; consensus that the current operating model is not fit for purpose; the need for improved financial management accountability and control; and the changing requirements due to the emerging healthcare landscape.

We also explored leading practice and the changing role of the finance function with a particular focus on adding value through decision support. The Working Group has endorsed this assessment.

The changes needed, and the drivers for those changes are summarised in Table 5 below.

Table 5: Changes required in financial management practices

Driver of change	What needs to change
Transition from HSE to HCA	• Re-alignment of business partners from the current mainly regional structure to align with National Directors and RDPIs • Ability to report cash and expenditure by care group. Whilst budgets can be restructured by care group, coding structures do not allow actual cash usage and expenditure to be reported by care group. Further detail on the issues is contained in Appendix H
Relationship with Department of Health	• Ability to report cash and expenditure by care group. Whilst budgets can be restructured by care group, coding structures do not allow actual cash usage and expenditure to be reported by care group. Further detail on the issues is contained in Appendix H
Money Follow the Patient and UHI	• National Clinical Data Dictionary developed for Ireland to support consistency of data • Default patient costing system defined • Minimum standards of costing capability and use of costing information • Community of interest for staff involved in PLC • Budget allocation model based where relevant on tariffs • Claims management system developed to initially meet requirements of the HCA and in the longer term the requirements of insurers • Auditing and inspection regime established, including access to individual patient records • Develop analytical capability for MFTP budget modelling and policy scenario testing
Provider landscape	• As HSCP groups are formed, rationalisation of systems, processes and finance teams will naturally happen. There is an opportunity to define and influence the strategic direction of these changes through a mandated financial management framework • Development of HSCP CFOs (or equivalent) and management accountants into operational financial management business partners
Enablers (supporting building blocks that underpin the above)	• Standardised and simplified processes • Further automation of front end of processes, including deployment of self-service technology • End-to-end management of processes, including integration with HR and Procurement • Clearly defined and understood governance model, including reporting relationships with the CFO • Rules embedded in systems where practicable • Clear accountability arrangements for the new operational structure, including authority to intervene where there is significant non-compliance • Business intelligence, drawing upon multiple sources of data with deep analytical skills • Financial system that is able to provide different views of financial information • Standardisation of data, with System wide data standards • Clear ownership of data - finance data should be owned by finance • Performance management framework that includes sanctions • Cultural change to strengthen recognition that financial management is a corporate responsibility and sanctions for non-compliance • Workforce development plan, including learning and development and career progression

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The future operating model must be able to achieve the following if it is to fulfil the real opportunity that it is currently presented with:

- Commissioning and strategic planning support to National Directors;
- Performance management support to RDPIs;
- Operational financial management support to HSCP operational managers;
- Capacity and capability to respond to new requirements such as MFTP;
- Flexible systems capable of supporting new requirements (and adaptable to future requirements);
- Consistent data definitions and single point of data ownership;
- Standard processes that are simplified and automated as far as practicable;
- Mandated financial management framework; and
- Auditing and inspection regime established.

To conclude however, the future operating model will only be able to deliver these if the following components are in place:

- A single financial management system providing line of sight and supporting embedded controls, standardised processes and facilitating effective self-service principles;
- Trusted financial management information which supports effective decision making; and
- Budget holders who are supported in undertaking their financial management responsibilities and appropriate performance management arrangements which reward good practices and provide sanction where appropriate.

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4 OPTIONS APPRAISAL

Chapter 3 explored the reasons why financial management practices within the Irish health system must change and considered ways in which leading practice principles could shape future ways of working. There are, however, choices as to how key leading practice principles should be adopted within the context of the Irish health system. Workshop sessions facilitated the exploration and appraisal of these options and the outcomes are explored further in the paragraphs that follow.

4.1 Our approach to options appraisal

Workshops were held with the Working Group and process specialists to consider and appraise the extent to which leading practice principles should be applied in relation to:

- How best to achieve effective compliance and control, and the level of prescription required to underpin the Financial Management Framework;
- the most appropriate way to deliver effective transaction processing; and
- the complexities in the Business partnering role and how to facilitate accountability to the CFO without a direct line management relationship.

At each workshop:

- Options were described
- Evaluation criteria proposed
- Scoring mechanism proposed.

Workshop attendees then debated the options against the evaluation criteria and scoring mechanism to reach a recommended solution. Appendix E contains further detail in relation to the options appraisal undertaken, whilst the key issues are discussed in the following sections.

4.2 Defining the Financial Management Framework

Chapter 3 outlines the importance of an effective financial management framework in providing assurance to the CFO in relation to financial management practice across the system. The degree of prescription required depends on the relative maturity of each organisation.

The leading practice principles underpinning robust financial management were explored and the degree to which these were made a mandatory requirement across the system was assessed. The elements considered and options appraised are summarised in the adjacent table.

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Table 6: Delivery Options and Evaluation Criteria

Operating model element	Delivery options	Evaluation criteria
• Process (the way in which the service is undertaken) • Governance and controls (internal and external regulations) • Information (data governance) • Technology (supporting systems) • Skills of the finance professionals in the System • Culture and behaviours (compliance and sanctions)	• Mandatory: all HSCPS are required to comply with standards defined by CFO • Recommended: all HSCPS are encouraged to comply with standards defined by CFO • Guidance: all HSCPS are to consider standards defined by CFO	• Alignment with design principles • Meets requirements of Future Health • Improves quality of management information • Changes behaviours • Releases resources for value-added services • Deliverability: capability, capacity, affordability and risk.

The detailed options appraisal is in Appendix E.

There was overwhelming consensus for the need for a high level of prescription across the system, with the CFO mandating all aspects with the exception of Culture and Behaviours, which due to its nature, could only be recommended.

The recommendations are:

Aspect of Compliance	Degree of prescription by CFO
Process (the way in which the service is carried out)	**Mandatory**
Governance and Controls (internal and external regulations)	**Mandatory**
Information (data governance)	**Mandatory**
Technology (supporting systems)	**Mandatory**
Skills of finance professionals in the system	**Mandatory**
Culture and Behaviours	**Recommended**

4.3 Delivering effective transaction processing

The importance of effective transaction processing to the overall effectiveness of financial management was discussed and agreed. The HSE is on a journey to transform transaction processing through a shared services delivery model, and this has been given further impetus with the creation of National Shared Services. As a result the CFO does not have direct line management responsibility for the delivery of core finance functions which are critical to, and underpin the effectiveness of overall financial management practices.

The Working Group explored the delivery model options available to consider the best way to ensure :

- finance can influence the end to end transaction process, and that these are standardised and consistently adhered to;
- effective information management and data governance; and
- the delivery of a single financial system in the most efficient and cost effective way.

The detailed options appraisal is contained in Appendix E.

The recommendations are:

Operating model component	Preferred Provider / Owner
Data Governance	**CFO**

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Transaction Processing	**National Shared Services**
Technology to support transaction processing and financial reporting	**Managed Service provider**

- It was considered that this approach would provide the optimum solution in terms of cost, flexibility and future proofing in an unknown environment;
- In addition it was concluded that strong governance between Finance and National Shared Services is essential to support system implementation and process transformation, through a combination of reporting relationships and service level agreements; and
- The introduction of a client / contractor split would be essential to manage operational delivery arrangements.

4.4 Addressing line management and accountability in Business Partnering

Leading practice principles stress the importance of ensuring that Finance adds value through its role in shaping strategic and operational decision making through the provision of financial advice and support. The concept of Business partnering was introduced as an effective model to support this process.

The Working Group explored the relative strengths and weaknesses of deploying a business partnering model which involved three distinct roles:

- Commissioning Business Partners, who support National Directors in their responsibilities;
- Performance Business Partners, who work with the Chief Operating Officer (COO) and RDPIs in supporting the planning and performance management process; and
- Operational Business Partners who are responsible for financial management support within HSCPs.

The nature of Business Partnering is such that it requires dual reporting lines to enable:

- Accountability to the 'customer' to be a trusted adviser and to provide the highest standards of professional advice and support to inform decision making; and
- Accountability to the CFO to adhere to and enforce appropriate systems of financial management and control, and to maintain professional standards, codes of practice and ethics.

In these circumstances, matrix reporting lines are established. To be effective, these require clarity in terms of respective responsibilities and accountabilities, a means of agreeing performance standards and an approach to address poor performance where a line management relationship does not exist.

It has been concluded that a direct line reporting arrangement between the CFO and the Finance Director (FD) of an HSCP is not appropriate due to:

- Complexities within the HSCP environment arising from the diverse governance and reporting arrangements in place; and
- SFT's view that that line management of finance staff within providers may result in a lack of ownership for operational financial management amongst clinicians and service managers.

It is envisaged that staff in HSCPs will have a professional accountability to the CFO as head of profession and the CFO will play a role in ensuring the quality of financial management provided across the system.

However, FDs in HSCPs must directly report to the CFO in respect of the introduction of any new financial management framework, systems, processes, structures, and any costing and service line management arrangements.

This can be achieved by managing that change as part of an overall programme, where the CFO is the SRO and the FD is responsible for local project delivery.

4.5 Conclusion and recommended way forward

In shaping the new operating model the following principles should apply:

Mandatory financial management framework to apply across the health system	• Use of a single financial management system (covering Finance, HR and procurement) • Provision and management of the system to be outsourced • Information and data governance to be owned by the CFO enabling a common chart of accounts and data standards to be consistently applied System wide • Information to be collected once and used many times with financial reporting and data analytics being delivered in a standardised, consistent way to all users through operations excellence • Governance and controls (internal and external regulations) and the use of standard processes and the way in which services are delivered • Ownership of end to end transaction processes resting with operations excellence • Skills and capabilities for key finance roles • CPD compulsory for all finance professionals • Learning and development for both finance professionals and non-financial managers to be recommended and supported by the CFO.
Facilitating leading practices in transaction processing	• Data governance should be owned by Finance • Transaction processing should be delivered through operations excellence • Technology to support transaction processing should be delivered through a managed service. • Strong governance between Finance and National Shared Services required to support system implementation and process transformation, through combination of reporting relationships and service level agreements. • Introduce client / contractor role to manage delivery arrangements.
Addressing line management and accountability for financial management	• Finance staff within HSCPs will be accountable to the CFO as head of profession and will have a “dotted line” reporting relationship in place. • The implementation of any new financial management framework, system, process or structure will be part of the Finance Reform Programme and will be owned by the CFO • FDs in HSCP will project manage implementation within their area of responsibility, reporting to the CFO through the head of Operational Business Partnering • Once financial management arrangements are embedded and operating effectively, “earned autonomy” will be deemed to be in place and the relationship to the CFO will be one of professional accountability.”

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5 NEW FINANCE OPERATING MODEL FOR HEALTH IN IRELAND

The new Finance operating model for Health in Ireland represents a fundamental change in financial management practice and will enable Finance to deliver valued, responsive and effective services in line with the system's changing needs. The CFO will:

- Define the financial management framework to be followed;
- Provide trusted and timely information to support decision making, in a standard and consistent way;
- Inform strategic and operational decision making through trusted professional advice, insightful analysis and decision support; and
- Ensure expected standards are maintained through effective compliance and performance management.

The model is underpinned by a commitment to develop the financial management capability of both finance staff and budget holders to build a cost-consciousness culture and change behaviours across the system.

5.1 Purpose

The operating model for financial management across the Irish health system is designed to support the CFO in discharging his professional accountability for financial management across the System and his responsibility for establishing appropriate systems for financial control. It draws on aspects of leading practice principles where appropriate and will deliver a flexible, responsive financial management approach to meet the changing demands of the system.

5.2 Vision and Design Principles

The Vision for Finance sets the context for the new Finance operating model:

> Finance will deliver valued, responsive and efficient services and adapt to the Irish health system's changing business needs. Finance will encourage excellence, seek innovative solutions, take calculated judgements and work in partnership with those who can help it achieve its goals. Finance will respond to change and use it to release the potential in its people to really make a difference.

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This aspiration will be underpinned by the following design principles which set the framework for the detailed design:

- We have Trust in information, execution and judgement;
- Our flexible and resilient operating model is underpinned by finance processes which are simple, standardised, understood, owned and applied consistently;
- We focus on continuous improvement, delivering services our customers need in the most effective way;
- Information is collected once and used many times;
- Self-service is common-place, bringing new responsibilities for all and a renewed sense of ownership; as an employee, as a budget holder and as a financial manager;
- We expect compliance to core processes and agreed performance standards and the consequences are known and understood; and
- We recognise that our staff will make the new operating model for finance a reality and we will make best use of their talents, skills, knowledge and expertise.

5.3 A new Finance operating model

The new Finance operating model for Health in Ireland represents a fundamental change in financial management practice and will enable Finance to deliver valued, responsive and effective services in line with the system's changing needs

This approach is well established in finance functions in major organisations across both the public and private sector, and its appropriateness for the emerging health system in Ireland has been tested by considering the characteristics of the services that finance provides. Further detail is provided in Appendix F

Figure 11 outlines the key characteristics of the new Finance operating model and these are discussed in more detail in the sections that follow.

"I would expect to see three facets in the modern and efficient finance function: a strong specialist finance function covering tax, treasury, corporate finance, statutory reporting and central planning and analysis; a central centre of excellence for transaction procession to ensure accounting processes operate in a consistent and cost effective way throughout the group; and a business partnering function".

ADRIAN MARSH, DIRECTOR OF GROUP TAX, TREASURY AND CORPORATE FINANCE, TESCO PLC.

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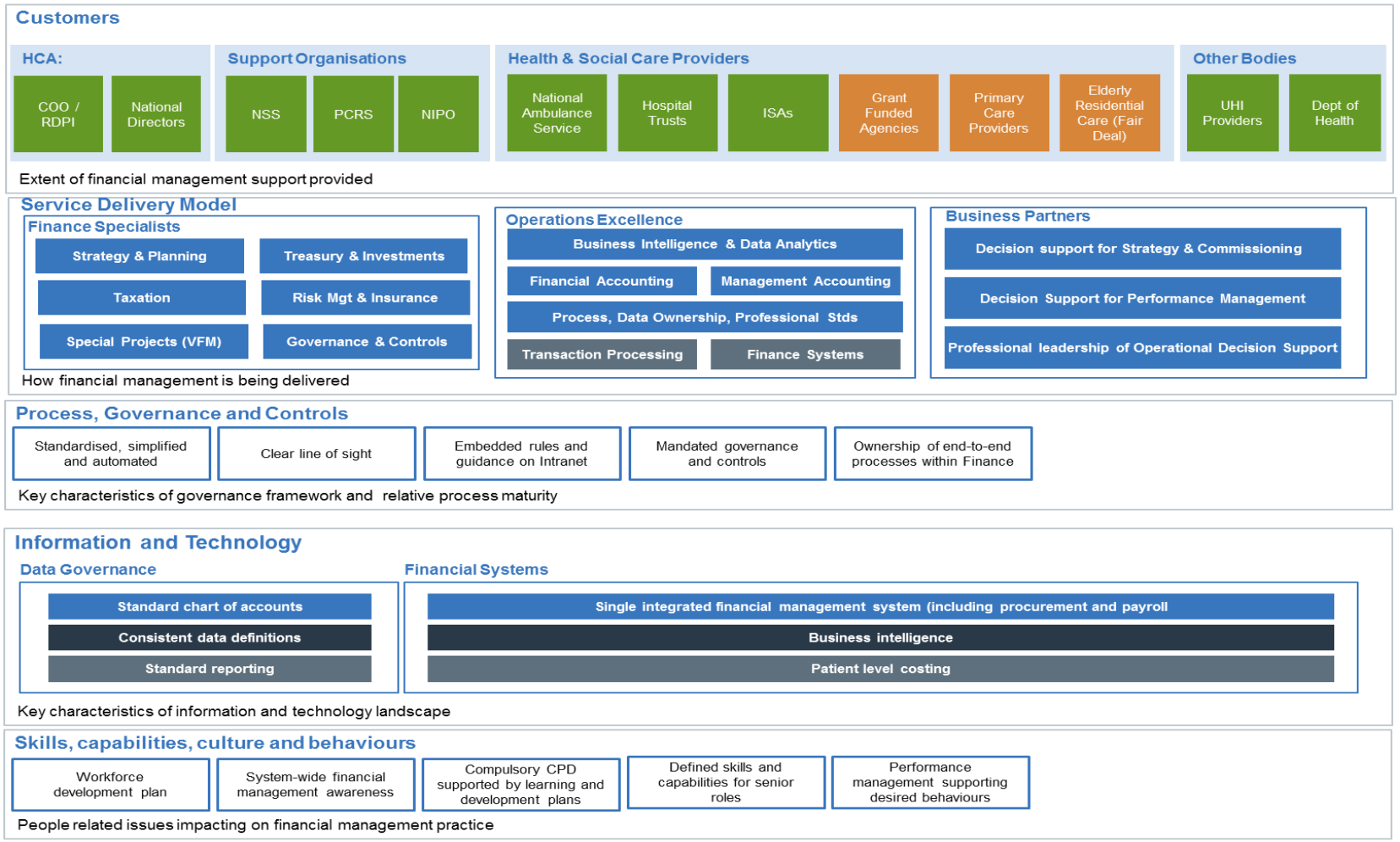
Figure 11 The new operating model for Finance



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5.3.1 Customers

An appropriate level of service will be agreed with all organisational entities across the system, ensuring a level of support which is commensurate with the specific requirements of that entity, using a risk based framework to assess need.

The CFO will prescribe the financial management arrangements appropriate for each part of the system and will ensure that these are supported effectively.

The quality of services provided to customers will be monitored and subject to continuous review.

The customers in amber within figure 10 will have a more arms-length relationship with the CFO than others supported, given the nature of the entities concerned.

What this will mean in practice:

- Consistent levels of service;
- Consistent service quality and responsive services;
- CFO can give assurance that financial management is properly supported across the system; and
- Budget holders will be supported in making strategic and operational decisions which are informed by financial implications.

5.3.2 Service Delivery Model

There will be three distinct functions supporting service delivery in the new finance operating model

- Operations Excellence:
- Finance Specialists; and
- Business Partners

The characteristics are illustrated in Figure 12 and explored in more detail in the following paragraphs.

Figure 12: The New Service Delivery Model

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Operations Excellence:

Operations Excellence is the 'finance engine room' which will ensure that the infrastructure is in place to deliver financial reporting and transaction processing effectively and efficiently.

Operations Excellence will ensure that Finance Specialists and Business Partners are equipped with the core financial information they need to do their jobs well, and to add value to the business.

The 'engine room' will put in place processes, systems and controls to deliver:

- Line of sight
- Single version of the truth
- Trust in data
- Effective transaction processing
- Assurance that financial management is supported across the system
- Assurance in relation to service quality and standards.

We envisage that operations excellence would include the following service components:

	Service Component	Description
Service Management	Service Strategy & Development	Engaging with users to identify new requirements and defining how operations excellence services will support these new requirements. Planning future development activity on behalf of the CFO
	Process Ownership	Designing all processes to support Finance activities and ensuring they are deployed in line with requirements. Approves all process changes and variations from standard.
	Professional Standards	Defining expected professional standards and ensuring processes are in place to support achievement of these standards
	Service Design and Quality Assurance	Designing services and ensuring alignment with standard processes and operational service delivery
	Supplier relationship management	Managing Operations Excellence Service Delivery quality and standards. Managing relationship with national shard services and managed services providers Development and management of service level agreements
Service Delivery	Business Intelligence	Operations Excellence providing management information and data analytics service to all users across the system

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	to support Budget Holders and Business Partners
Financial Accounting and Management Accounting Shared Service (Including Treasury, Vote and Capital Accounting)	Providing routine accounting services in a consistent and standardised way to support Budget Holders and Business Partners
Transaction Processing	**National Shared Services** providing an Efficient and effective transaction processing service for all transaction processing requirements using defined standard processes and integrated financial management systems
Financial Systems	**Managed Service** providing integrated financial management systems will Provision of integrated financial management system.

There is a clear distinction between Service Management and Service Delivery. The CFO owns all aspects of Operations Excellence and will define service standards, quality and own standard processes. The CFO may, however choose to use other organisations to deliver aspects of the services and will manage the delivery of services against agreed standards through contractual arrangements with external suppliers and service level agreements with other entities such as National Shared Services.

What this will mean in practice:

- Defined standards and quality of service
- Standard processes deployed consistently across the system
- Service delivery being supported by those best placed to do so
- Defined professional standards and investment in skills to develop these standards
- Centres of excellence to support routine standard accounting and reporting functions to delivery consistent standards of service; and
- Ability to manage service quality through contractual relationships with suppliers.

Finance Specialists:

The concept of finance specialists is well established in HSE – teams of experts currently provide advice in areas such as taxation, external financial reporting, treasury and corporate budgeting.

The new operating model proposes the strengthening of this capability, improving the way it is delivered by centralising expertise and improving the way in which advice and guidance is shared amongst the system.

Finance Specialists will provide deep technical skills and expertise providing a single point of contact for expert advice. Services will be provided in-house where appropriate, and will draw on the best advice available from the professional services marketplace to ensure the right advice is provided. Finance specialists will provide the following services:

- Financial strategy and planning;
- Corporate budgeting;
- Corporate financial management and reporting;
- Value for money;
- Governance and controls; including data governance
- Financial risk management and insurance; and
- Taxation.

What this means in practice:

- Centres of excellence providing expert advice;
- Consistent standard and quality of advice;
- Greater investment in skills and capability of team;
- Improved access to specialist services;
- More proactive role in decision making rather than reacting to issues arising;
- Reduced validation and manipulation of data through data standardisation;
- Simpler consolidation of financial information through fewer systems;
- Clearer line of sight as systems are rationalised; and
- Stronger control through rules embedded in systems and automated exception reporting.

Business Partners:

Business Partnering will provide all decision support activity across the system and will form the majority of WTE effort. The function will support the CFOs responsibility to improve financial management decision making and promote a culture of financial responsibility across the system. This decision support will be forward looking in the main. Decision support is concerned with providing financial advice to both internal and external stakeholders to enable them to address policy and service delivery challenges (both tactical and strategic). The advice is based upon deep analytical capability, horizon scanning and scenario planning to provide evidence-based and insightful analysis to support decision making.

Decision support will include the following services:

- Decision support for strategy and commissioning;
- Decision support to performance management; and
- The professional leadership of operational decision support.

There will be three distinct Business Partnering roles as per figure 13 below:

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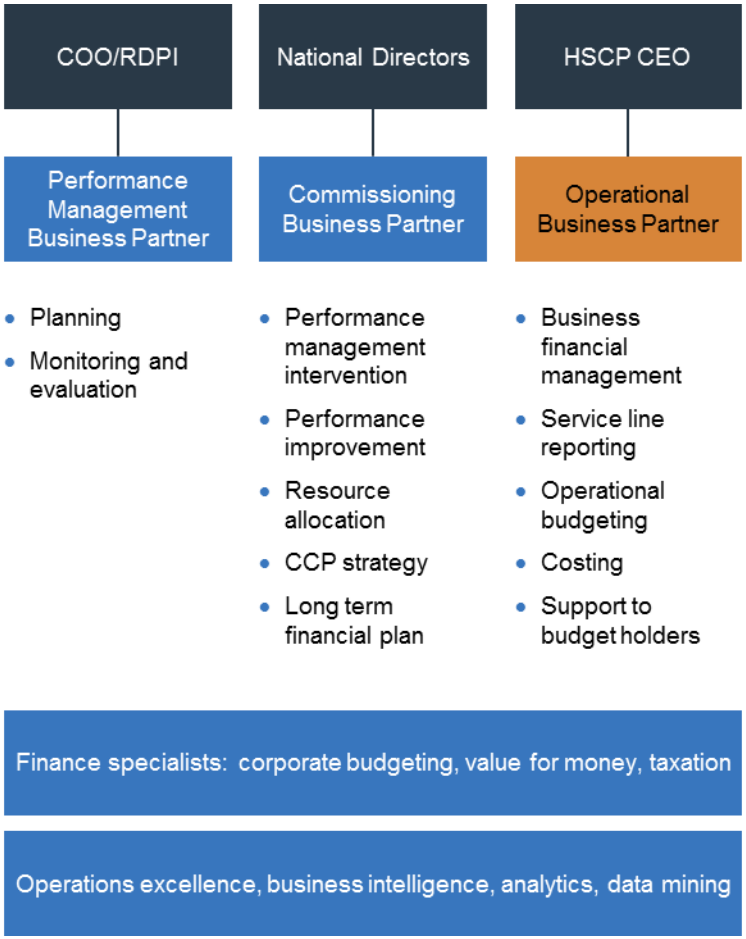

Figure 13: Business Partnering Roles

The Performance Management Business Partner will be part of the Planning and Performance team and be aligned with the RDPI structure. Performance management arrangements will ensure that financial control is maintained within a system which has earned autonomy.

The performance management business partners will support the RDPI in the planning and performance management process, as part of a multi-disciplinary Planning & Performance team. The performance management business partners will receive a regional view of care group data from Operations Excellence (as the provider of routine management information) and holds reviews with the HSCPs in their region. These meetings will enable the finance business partners to provide monitoring and evaluation reports for their area overall and for each care group. The National Directors' finance business partners will draw upon these monitoring and evaluation reports for major, escalated issues.

The Commissioning Business Partner will be the face of finance for the National Directors and will be part of the National Director team. Their focus is forward looking, engaging with business intelligence (a multi-disciplined team of analysts), finance specialists and operations to develop scenario plans and business cases.

The Operational Business Partners are the Finance Directors of the HSCPs. They provide financial management support and are responsible for all financial management within their organisation. Reporting to the CEO, they are a key member of the HSCP management team.

HSCP Finance Directors will have professional accountability to the CFO and will be required to operate within the terms of the financial management framework.

Business Partners will receive Business Intelligence and routine management and accounting support from Operations Excellence. This will allow them to spend time interpreting the information and analysing results, and then working in partnership with the business to solve business challenges rather than preparing the core information requirements.

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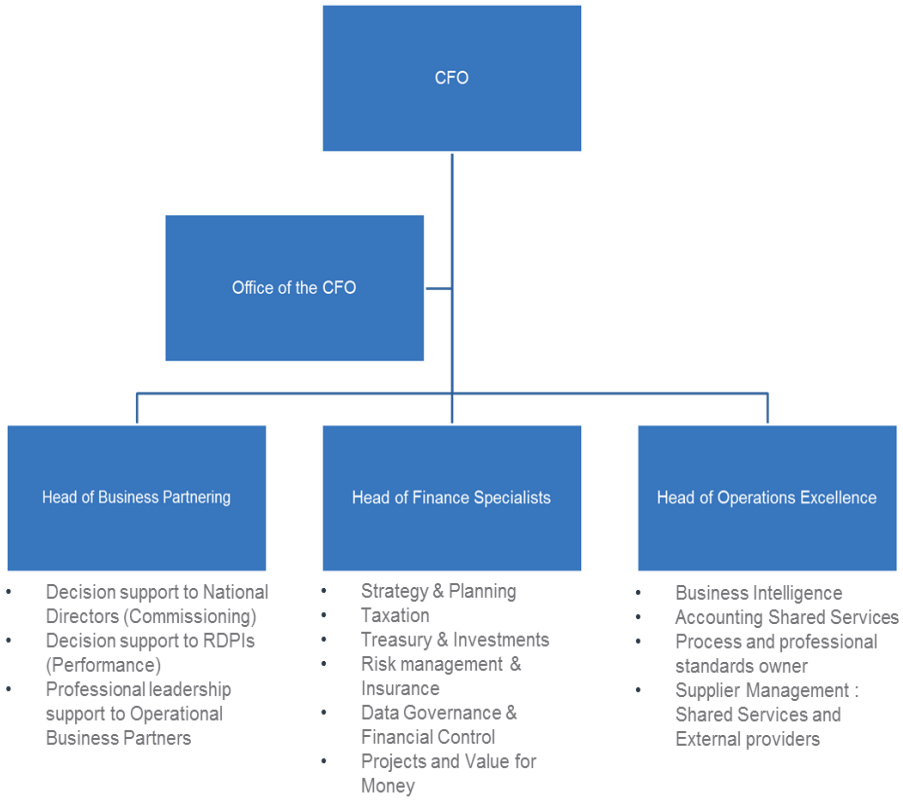
High Level Organisation Structure

The service delivery model reflects the requirements of the new health system and will be supported by the following high level organisation structure:

Figure 14: Organisation Structure



5.3.3 Process, Governance and Controls

An effective financial management framework is required to provide assurance to the CFO in relation to financial management practice across the system.

Processes will be streamlined, simplified standardised and automated. These changes will be underpinned by a single integrated financial management system providing a clear line of sight. This will limit variation and provide a consistent approach to most finance actions which in turn will lead to a significant reduction in the required resources to carry out these processes. This will facilitate the ownership of end to end processes within finance and these freed up resources will then be allocated elsewhere.

The CFO will mandate all aspects of governance and controls. All HSCPS are must comply with standards defined by CFO.

Embedded rules across the entire system will help alignment it with the design principles effectively.

What this will mean in practice:

- Processes supporting financial management will be defined by the CFO and deployed consistently across the system
- Adherence to governance and controls will be mandated; and
- Controls will be systems driven wherever possible making compliance simple
- A risk based approach will be deployed which is light touch and focused on key areas of concern..

5.3.4 Information and technology

A single integrated financial management system will reduce the existing complexity and eradicate the use of multiple systems. It will support the use of tools such as business intelligence, patient level costing and excel to radically improve the ways of working. It will be characterised by a standard chart of accounts, consistent data definitions and standardised reporting.

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This will result in the production of timely, reliable management information on which to base informed financial decision making.

The characteristics are as follows:

Data Governance

- Data ownership is clearly defined and data is respected as a corporate asset;
- A common chart of accounts will be in place;
- A data dictionary will be created so that definitions are consistent;
- Coding structures developed for core feeder systems will be aligned and integrated; and
- Standard reports for management accounting purposes will be prescribed.

Financial Systems

- Period end closure will be automatic and timely;
- Month end reports will be circulated to budget holders very soon after period close;
- Finance, HR and Procurement will all be integrated;
- Statutory and voluntary providers will operate on the one system which will eliminate consolidation;
- Financial management practices will improve significantly due to the embedded system based rules and controls.and the line of sight provided by the single integrated system.; and
- Patient level costing will support service line reporting and operational budgetary control.

What this will mean in practice:

- A single financial management system supporting HR, Procurement and Finance processes will be deployed across the health system;
- Information and data governance to be owned by CFO;
- Single version of the truth;
- Trust in data; and
- Information to be collected once and used many times with financial reporting and data analytics being delivered in a standardised, consistent way to all users through Operations Excellence.

5.3.5 Skills and capability and culture and behaviours

Skills and capabilities for specific roles will be defined and staff will be supported to ensure that they have the right skills and capabilities to carry out their role effectively. The following actions will be instigated in order to achieve greater alignment between the actual and the desired skills and capabilities within the system:

- A workforce development plan will identify the specific requirements across the system;
- System-wide financial management awareness will be created by the provision and completion of course by both finance and non-finance staff. Budget holders and service managers will be trained and supported in financial management, but will be expected to take ownership of their budget and their performance will be assessed accordingly;
- A compulsory Continuous Professional Development (CPD) programme supported by learning and development plans will be enacted;
- Defined skills and capabilities for senior roles will be established; and
- A programme of performance management will be created supporting desired behaviours. This will reward positive behaviours but will also

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have the support of the CFO to take action when undesirable behaviours are discovered.

Perhaps the greatest challenge being faced is in changing culture and behaviours across the health system. The effective implementation of these actions will drive change in existing behaviours.

What this will mean in practice:

- Skills and capabilities mandated for key finance roles;
- CPD compulsory for all finance professionals; and
- Learning and development for both finance professionals and non-financial managers to be recommended and supported by CFO.

5.3.6 Conclusion

This operating model represents a fundamental change from the existing financial management practices. The work required to achieve it should not be underestimated. The following chapter explores the strategy for implementation..

6 IMPLEMENTATION STRATEGY

The scope and scale of change required to implement a new operating model for financial management across a changing health system should not be underestimated. Consequently, a phased approach to implementation which recognises both the changing environment and the need to maintain business continuity in such a critical area as financial management is key.

In this chapter we describe the steps required to support the transition from the current way of working to a fully reformed finance operating model and the implementation steps required to deliver a successful outcome.

6.1 Essential components of the new operating model

The future operating model for Finance is only achievable if the following components are in place:

- A single financial management system providing line of sight and supporting embedded controls, standardised processes and facilitating effective self-service principles;
- Trusted financial management information which supports effective decision making; and
- Budget holders who are supported in undertaking their financial management responsibilities and appropriate performance management arrangements which reward good practices and provide sanction where appropriate.

The Finance Reform programme will deliver these components over time, but there is a need for interim changes to the financial management operating model to support the system during this transition period, delivering the reform programme whilst ensuring that systems of financial control remain robust and effective during transition.

This is particularly important given:

- Many commissioned reports, including the C & AG Audit report that the current financial systems are not fit for purpose;
- The recent establishment of 'National Directors' and the immediate necessity to prepare financial systems to deliver on their requirements; and
- The overall transition, in the next few months, from the current reporting structures and the need for continuity of financial reporting through this change, while ensuring financial integrity.

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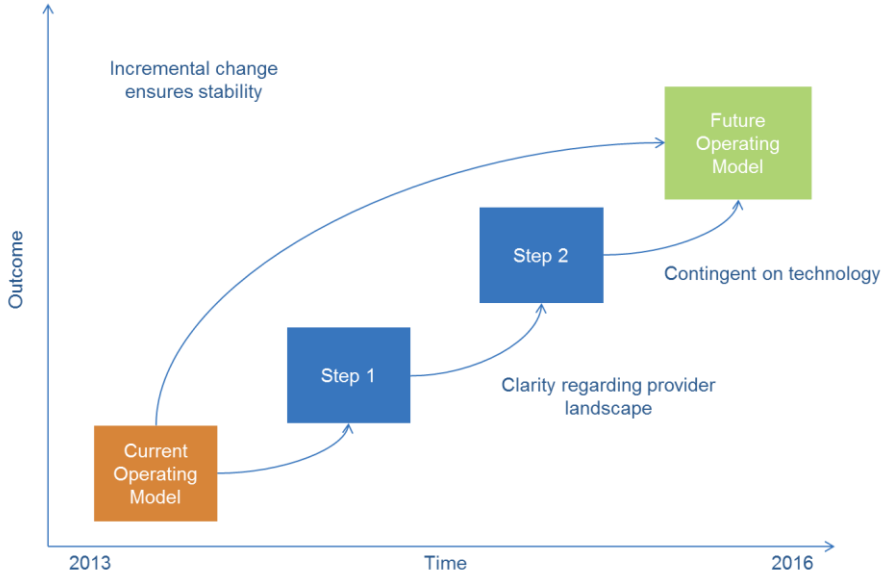
6.2 An incremental approach to change

To ensure that the changes envisaged as part of this complex change programme are implemented whilst ensuring business continuity, a two stage interim operating model will be put in place for a period of up to 3 years. The approach is illustrated in figure 15 below, and the key aspects of the approach explored in more detail in the following paragraphs.

Figure 15 The transition steps towards a future operating model



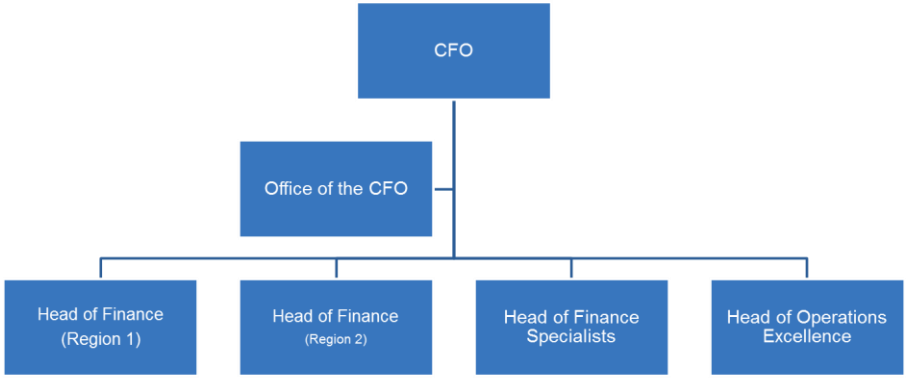
6.3 Step 1: An interim organisational structure

As a first step towards reform, an interim organisational structure will be established with effect from 1st October 2013, and will be operational until such time as the following conditions are achieved:

- ISA review outcome is known;
- Interim BI reporting solution in place;
- New system requirements defined; and
- The future role of Shared Services confirmed.

The proposed high level organisation structure is presented below.

Figure 16 The interim organisational structure



Given the degree of uncertainty with regard to the future shape of the provider landscape, coupled with a need to support the new structures whilst maintaining stability and financial probity within existing operational arrangements, the Business Partner will be introduced incrementally, with the first step being to consolidate existing regional financial management into an effective East Coats and West Coast / South split.

It is anticipated that this interim arrangement will be in place for a period of between 6 to 9 months at most.

6.4 Step 2: A transitional operating model

In this section, we describe the key elements of the transitional operating model, outlining the key change initiatives required to deliver the new operating model over time, and how that change will be supported whilst ensuring financial probity and reporting requirements continue to be

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supported during the transition. Figure 17 summarises the key transition projects required to support the changes required to each of the component parts of the new operating model, and these are explored in detail in the sections that follow.

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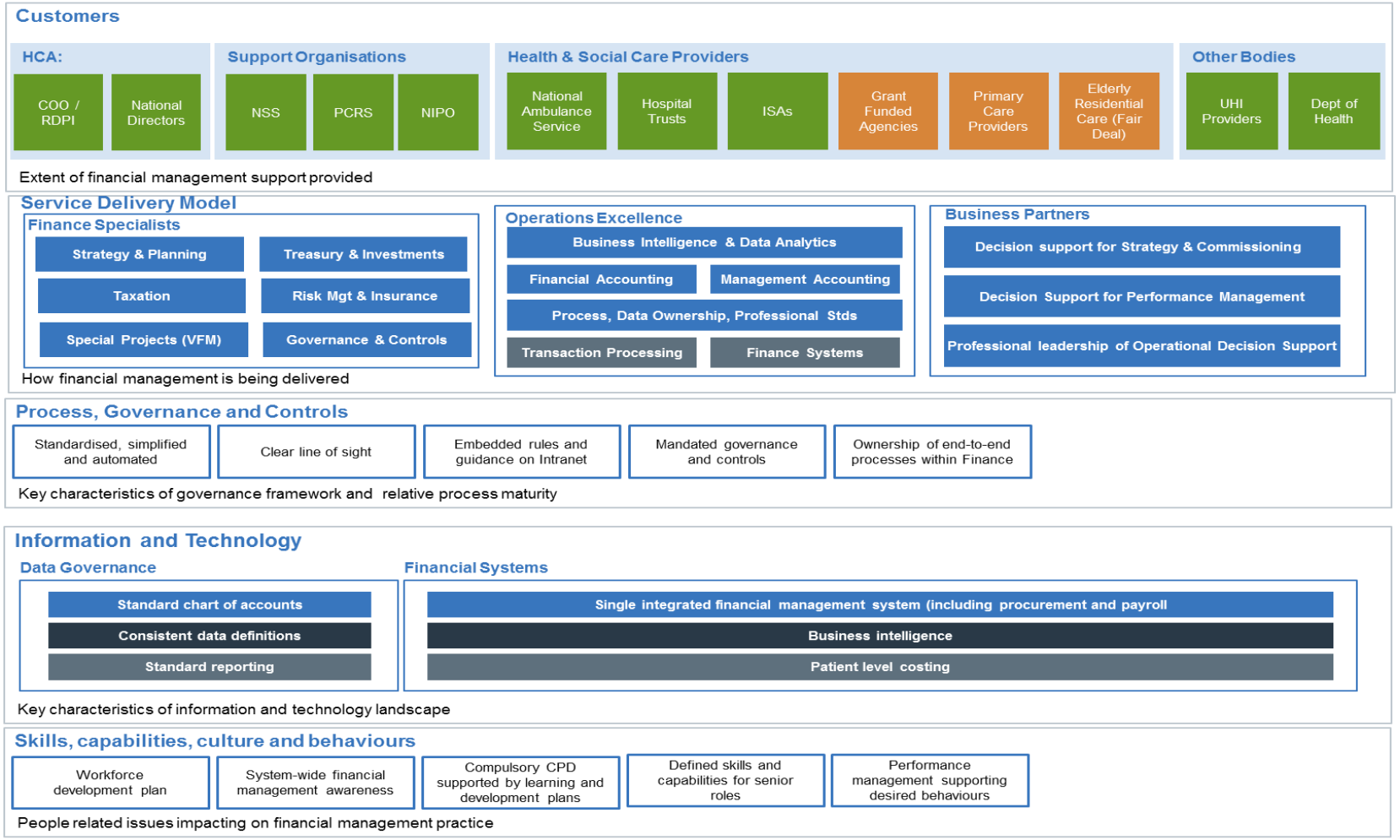
Figure 17 The transitional operating model for Finance



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6.4.1 Customers

The Emerging HCA:

As the new structures evolve, financial management arrangements will require to be introduced to support this. There is an immediate need to support the National Directors in their new role, and in providing the resources, management information and support to the Regional Directors of Performance and Integration (RDPIs) in supporting planning and performance management activity.

National Services:

There is inconsistency of support across National Services, and this has been recognised recently with the secondment of an Assistant National Director of Finance to PCRS. During the transition to the new operating model the provision of financial management support to other National Services will be reviewed, and resources deployed based on relative need, taking into account the complexity and financial management challenges of the service concerned, the extent of change to be supported and the financial risk to the system as a whole.

The Department for Health:

Links with the Department will continue to be supported and will become a key area of focus during the transition as the vote is transferred.

The Department for Children and Youth Affairs:

DCYS will continue to be supported during the transition period and beyond.

6.4.2 Service Delivery Model

The Transitional Service Delivery Model will be introduced over time, and will build on the elements already in place, and provide additional support to the emerging organisations as the transition progresses. It will provide the infrastructure to address the immediate priorities for improvements in financial management practices essential in the short term, support the longer term reform agenda and continue to address the financial management challenges of current operations.

The following interim structure will support the service delivery model, and roles and responsibilities are outlined in the table that follows.

Figure 18 Transitional Management Structure

These are key leadership roles within Finance and those in these posts will have clear responsibilities for both service delivery and reform. They will have a clear change leadership role, and will need supported and developed to deliver that role effectively.

The key roles and responsibilities of each post are in the table that follows.

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Table 7: Roles and Responsibilities within the Transitional Operating Model

Role	Responsibilities	Finance Reform Lead
Office of the CFO	• Providing support to the CFO to enable the discharge of his accountability for financial management across the system. • Support to the CFO in engaging with the wider reform agenda • Support to the CFO in transitioning to his new role • Support to the CFO in engaging with key stakeholders and the political system, including reporting to DH, DPER and Cabinet and engagement more broadly.	• Finance Reform PMO
Head of Business Partnering (Operations)	• Programme management of transition projects to introduce effective financial management arrangements in HSCPs • Professional leadership of Hospital Group / ISA Finance Directors • Liaison with wider finance family as required	• Hospital Group formation • ISA review • MFTP: operational implications
Head of Business Partnering (Commissioning & Performance)	• Provision of Business Partnering support to National Directors to support their strategic role as Care Group budget holder, and to support commissioning and service improvement objectives • Provision of Business Partnering support to the COO and Regional Directors of Performance and Integration to support the planning and performance management arrangements of the organisation.	• Standardised and simplified processes for business partnering • Design and development of dashboard based exception reporting • Design of engagement model with customers and other aspects of finance
Head of Finance Specialists	• Managing the provision of specialist finance services across the system (Tax, Insurance and Risk Management, Corporate Budgeting) • Building the capability in financial strategy and planning • Relationship management with Department of Health(excluding Vote & Treasury) • Data governance and financial controls • Engagement with other government departments	• Design of new financial management framework • Data governance and controls • MFTP: governance, controls, process, standards • Resource allocation • Commissioning infrastructure
Head of Operations Excellence	• Process design and service standards • Business Intelligence and Financial Reporting • Financial Accounting(including Vote and Treasury) • Management Accounting • Shared Services development	• Transfer of Vote • Establishment of Business Intelligence capability • Establishment of Accounting Centre of Excellence to support routine financial and management accounting activities • Ownership of the design of end to end processes • Commissioning a new integrated financial management system

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6.4.3 Process Governance and Controls

The transitional operating model will support the move to a mandatory compliance regime supported by system based controls. Work can progress in developing the financial control framework and in developing the performance management framework to support it.

There is also a good opportunity to explore ways in which improvements in transaction processing efficiency can be harnessed ahead of any system implementation by simplifying contractual arrangements, consolidating pay scales, payrolls and rationalising the supplier base.

Design and development of new end to end processes which minimise variation from standard system templates, and support front-end automation and self-service can also be progressed.

6.4.4 Information and Technology

There will be an immediate need to address reporting requirements to support the new performance management arrangements, Care Group reporting and the new hospital groups.

It is likely that a Business Intelligence led short term solution adopting Big Data technology will provide the best option to address the transitional reporting requirements. Big Data means taking large amounts of data from a range of sources and using analytical tools to draw out business insights at low cost. These solutions can be implemented rapidly and across disparate systems. Appendix D contains case studies for Big Data.

Meanwhile the design and development of a single chart of accounts and coding structures for procurement and HR will make a significant contribution towards the final requirements for a single system.

Analysis by the Senior Finance Team (Appendix H refers) concluded that the current business case for a new financial system does not meet the future requirements of the system and will not deliver an optimum solution.

A business case for a managed service to provide an integrated HR, procurement and finance system capable of meeting the future requirements of the system should be progressed as a matter of urgency

In developing plans for the future in relation to Information and Technology it is important to maintain a link with, and to involve the Strategic ICT Group as part of this process. This will ensure that proposals fit with the developing ICT strategy for the system and that requirements across the entirety of the system are consistently defined and addressed effectively.

6.4.5 Skills, capabilities, culture and behaviours

The focus will be in addressing skills and capability gaps to prepare finance staff and financial managers for their new roles.

There will be a significant workforce agenda, to design roles, appoint staff to posts, and to support their learning and development.

At the same time, there is a need for significant engagement with the Budget Holder community to set expectations and to provide support to them as a culture of cost consciousness is developed.

6.4.6 A programme management approach to ensure operational alignment with new operating model design

The emerging health landscape and legacy challenges means that finance will be embarking on a substantial and wide-ranging change programme. There is therefore a transition period as finance moves from the current situation to a new ‘business as usual’ operating model.

This transition period requires the definition of a programme of work which will establish the financial management framework. Managing this change will require a strong programme management approach to ensure that the mandated requirements of the operating model are achieved, and that the CFO can be assured that financial management arrangements are fit for purpose within parts of the System over which he has no direct control.

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To facilitate this we recommend that the introduction of any new financial management framework, systems, processes, structures and supporting service line management is managed as part of the Finance Reform Programme, where the CFO is the Senior Responsible Officer (SRO).

Programme and Project management arrangements consistent with those proposed to support overall System Reform will be put in place.

The HSCP FD will accountable to the CFO/SRO for project delivery, consistent with the CFO's role as head of profession. In practical terms this responsibility will be carried out by the Head of Business Partnering (Operations) on behalf of the CFO.

This ensures the CFO has the necessary control over how financial management is set up and delivered, to ensure that the framework is complied with, and through professional accountability, has the ability to step in if standards slip, and more positively be able to provide whistleblowing support / advice and support where they feel their professional responsibilities around financial management are being compromised.

6.5 Implementation success factors

Our engagement has identified four key implementation challenges which must be addressed explicitly to ensure that the Finance Reform programme can achieve a successful outcome. Tackling these issues will also go a long way to securing the buy-in and commitment of key players across the financial management community whose involvement is critical for success.

6.5.1 Demonstrating intent and ability to deliver

From discussions with the Senior Finance Team it is evident that the financial management community wants to see evidence that change will happen and there remains a degree of scepticism that there will be any real change in the short to medium term arising from this work. This is largely based on previous experience and in relation to the financial system replacement in particular.

In reality there are a number of factors in play which provide the "perfect storm" necessary to drive the changes necessary:

- Universal recognition of the need for change;
- Broader system wide reform introducing new requirements;
- Cross departmental senior leadership support and ownership, through the Finance Reform Board;
- A commitment through the Memorandum of Understanding with the Troika to deliver a new financial management system; and,
- The appointment of the CFO as the first step in driving changes in financial management practices across the system.

These factors provide the conditions for change and require that the CFO takes steps to demonstrate intent to the system as a whole. This can be achieved in the following ways:

- Assuming professional responsibility for all staff with a substantive finance role during the transition period. This would include staff currently employed across the statutory and voluntary sector at present and is intended to facilitate the scope and scale of change required across the system.
- Providing a clear statement of intent in the extent of prescription required in respect of the financial management framework to provide assurance in respect of his accountability for system wide financial management.
- Making explicit the expectations placed on budget managers in the context of financial management and providing an infrastructure to support them in meeting these expectations.
- Providing clarity regarding the consequences of failing to meet expectations in this respect; and ensuring that performance management arrangements are in place, and to ensure that management responds through action in addressing aspects of poor performance.

6.5.2 Business Case and approvals

Securing business case approval for any significant investment is seen as a barrier to change based on the experiences of recent years in seeking approvals to proceed in respect of new financial system investment.

The need to demonstrate a case for investment is essential, and that case must be expressed in the context of wider system reform and support the requirements of the future health system, not just address the short term challenges facing the statutory sector.

The commitment to the Troika reinforces the priority to be placed on this exercise, and it is suggested that the business case for a new Integrated Financial Management System (which should consider HR, Payroll, Procurement, Income and general ledger requirements, and the requirement to interface with patient level costing solutions) should be progressed as a matter of urgency in consultation with CMOD (Centre for Management and Organisation Development) (who should be asked to commit to a short timeframe for approvals) and with the support of the Systems Reform Unit.

As a key enabler of the new operating model for financial management in Health, the case for investment in a new system should not be considered in isolation, rather needs to support the overall shift in resources required away from transaction processing into decision support essential to delivering the desired financial management practices required. As such it should form part of a wider business case to support investment in the overall Finance Reform programme.

6.5.3 Workforce issues

The success of the new operating model depends on the ability of the system to:

- Undertake a significant role design exercise and to appoint staff to new roles in an appropriate, transparent manner, ensuring that the roles are resourced with individuals with the right skills and capabilities to carry out the role effectively.
- Redeploy resources across the system to facilitate the transfer of effort from transaction processing to decision support. This may involve changes in location and in job function.
- Ensure that there is a succession plan in place to develop future finance technical specialists, business partners and leaders and to ensure effective knowledge transfer arrangements are in place.

Given the extent of the workforce issues to address it is recommended that dedicated HR resources are provided to support the Finance Reform programme.

6.5.4 Resourcing the programme

The business or business requirements are best defined by those working in that business; it is critical for the success of the programme that the next phase of work is owned by the CFO and that key players from across the financial management community play a key role in delivering the programme of work required.

This highlights a number of challenges which need to be overcome:

- Staff supporting financial management across the system are under pressure with existing workloads. Adding to that pressure would be counter-productive.
- There needs to be a continued focus on the business of financial management during the transition, and key individuals likely to be required to support any change programme are also likely to be critical to the success of business as usual.
- It is likely that delivering the programme effectively wil require a combined team of HSE staff supported by external consultancy support. This will require investment over an 18 month to 2 year period to meet the cost of external consultancy and to provide cover for key individuals currently supporting core business as usual functions whilst they are seconded to the programme team.

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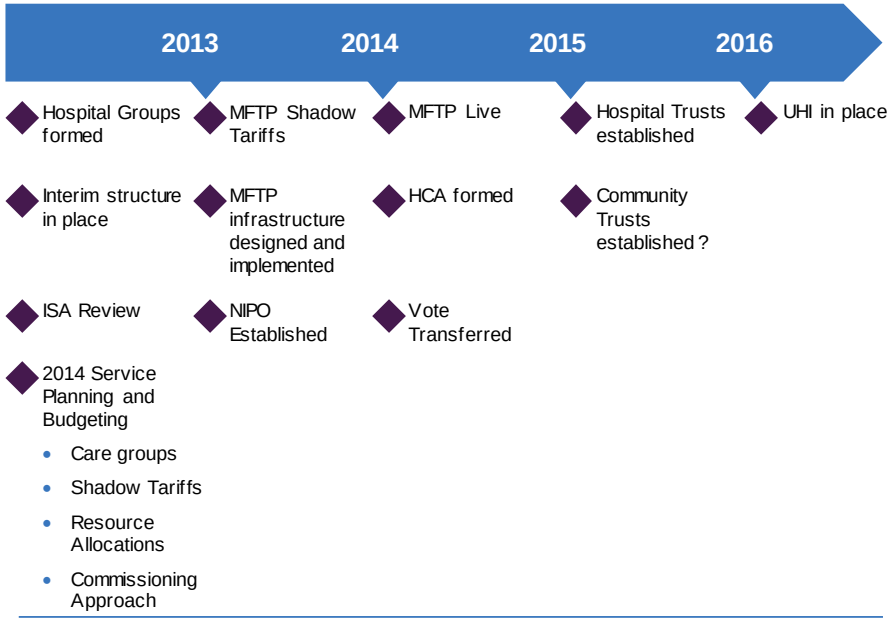
6.6 Implementation plan

This section outlines the implementation plan to deliver the programme of work required, providing clarity in respect of the scope and scale of change required and the wider milestones driving the pace of change.

6.6.1 Key milestones driving the pace of change:

The diagram below highlights the current view of the key milestones from the wider System Reform programme which drive the pace of change required for Finance Reform.



6.6.2 High level programme roadmap

There are four key workstreams to the programme going forward:

- **Programme Management**: to ensure that all aspects of the programme deliver as planned, and that risks and issues are tracked and managed and mitigated, dependencies known and understood;
- **Supporting Interim Arrangements**: tactical projects to address immediate new requirements and weaknesses in current financial management practices prior to the move to the transition period;
- **Supporting Wider Finance Reform:** projects with a core finance component which form the basis of the Finance pillar of System Reform; and
- **Delivering the new Finance Operating Model:** key projects to deliver the longer term model for financial management for a new health system.

A high level programme roadmap is presented below, and the key activities, resource requirements and dependencies are discussed in later sections.

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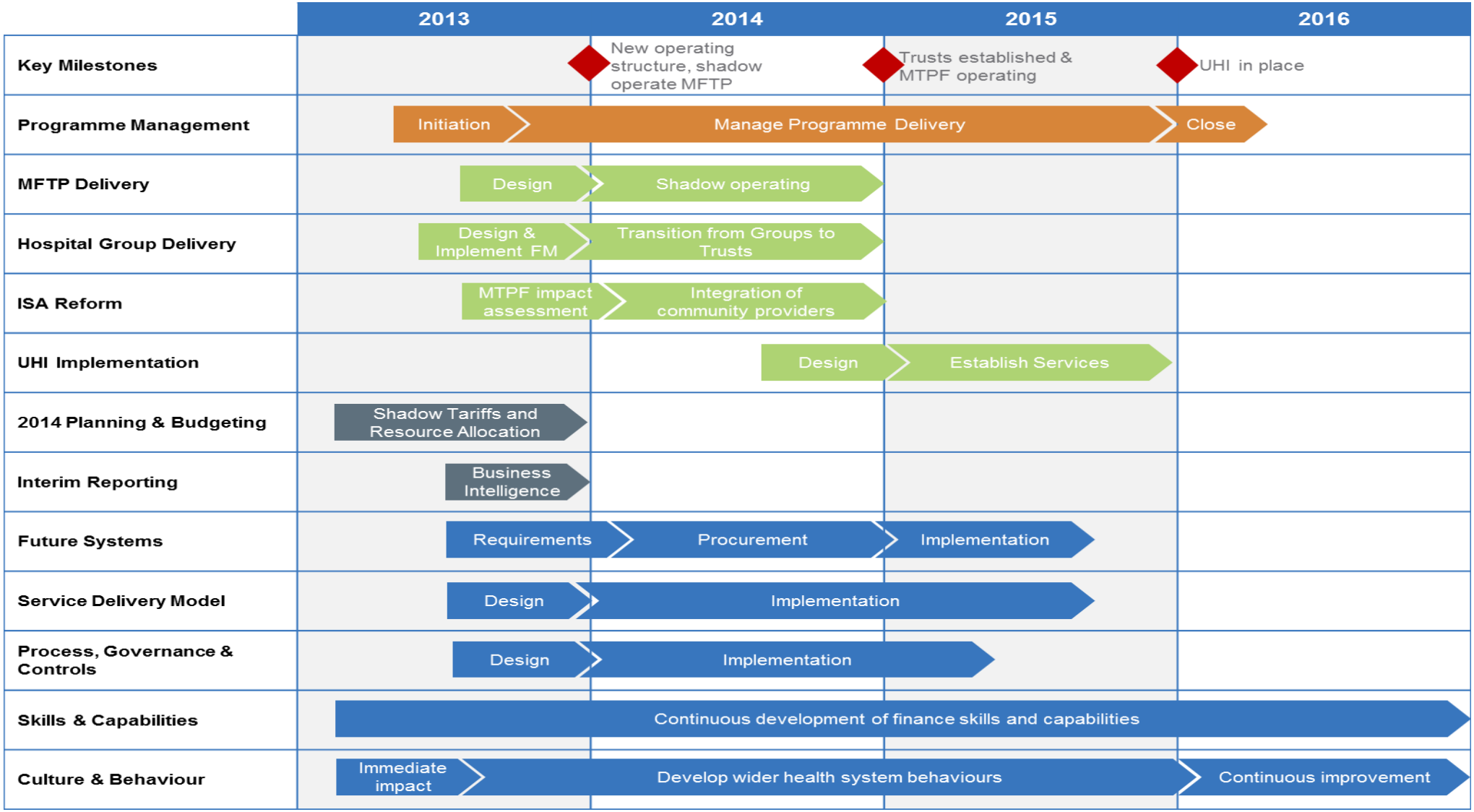
Figure 19 High level road map



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6.6.3 Programme Management

An appropriate programme management infrastructure with reporting links into the System Reform Unit is an essential component for success. The following arrangements are recommended:

Task Group	Key Activities	Resource Requirements	Dependencies
Programme Management	• PMO • Progress reporting • Risk and issue management • Resource deployment and management of external consultancy support • Benefits realisation • Communications	• Programme Manager • PMO support • Access to external support as required to supplement internal resources • Access to HR / IT / Comms support as required	• Alignment with and links to the system reform unit • Sufficient internal resources to manage and deliver the projects within the programme • Ability to prioritise and redirect resources currently deployed on project management activity, and which is not contributing to the overall objectives of the programme.

6.6.4 Supporting Interim Arrangements

Task Group	Key Activities	Resource Requirements	Dependencies
Planning and Budgeting 2014	• Medium term financial outlook to inform direction of travel • Cost containment strategy to inform DH discussions with DPER • Resource allocation approach and link to shadow tariff development • Establishment of Care Group Budgets • Contingency planning	• Internal project team • Access to external support as required to supplement internal resources • Contributions from senior management • Engagement with DH	• MFTP approach in respect of shadow tariffs • Government spending plans over medium term
Financial Reporting: Interim Arrangements	• Identify requirements to report on a cash and income and expenditure basis by care group • Identify approach to provide balance sheet for each hospital group • Identify approach to support MI requirements of national Directors and RDPIs to support planning and performance management arrangements and dashboard reporting • Identify approach to provide consolidated MI across statutory and voluntary providers to support hospital groups • Consider whether CRS can deliver	• Project manager • Contributions from the following key business areas: • Corporate Budgeting and reporting • Cash and Treasury • Financial Accounting • Management Accounting • Business Partners supporting National Directors / RDPIS / Operational • BI / MI expertise • Links with COMPSTAT	• Availability of financial information • Suitability of CRS

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Task Group	Key Activities	Resource Requirements	Dependencies
	requirements or whether “Big Data” approach is required • Implement new reporting requirements	• Head of Planning & Performance Management • Access to external resources to provide leading practices in business intelligence and to support the project	
Process, Governance and Controls	• Consider an interim solution to support requisition management aiding non-staff cost control and compliance with national contracts and frameworks	• Internal project team to be established • Project manager • Access to key staff from the following areas: • Procurement • Finance • IT • Access to external support to provide review and challenge	• Work underway within Procurement • Timeframes for roll-out of integrated financial management system

6.6.5 Supporting Wider Finance Reform

Task Group	Key Activities	Resource Requirements	Dependencies
Money Follows the Patient	• Define process, governance and controls • Establish infrastructure • Patient Level Costing system design. procurement and implementation • Establish NIPO • Tariff Setting • Establishment of payment mechanism • Link to budget allocations • Design interfaces with policy setting and • Establishment of payment mechanism • Modelling impact of tariffs on commissioning intentions	• Multi-disciplinary team with representation from both the Department, the HSE as commissioner and of provider organisations • Finance • IT • Clinical / operational expertise • Shared Services: to inform transaction processing requirements and delivery mechanisms	• Decision on provision of financial systems • Decision on scope of payments element of shared services • Decision on role of NIPO • Decision on scope of shadow tariff process and wider resource allocation approach. • Understand activity levels and forecast demand to inform commissioning intensions • Medium term strategic plan, both operational and financial to inform commissioning intentions and direction of travel
Hospital Group Formation	• Understand impact of shadow tariffs on potential funding levels and establish cost reduction target to be achieved through reconfiguration • Support integration of hospital operations across the group structures • Implement new Financial Management	• Project teams from each group • Operations support • HR support • Financial Management expertise to implement service line reporting arrangements	• Shadow tariffs • 2014 resource allocations • Understanding of transition arrangements towards financial stability • Commissioning intensions from National Director

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Task Group	Key Activities	Resource Requirements	Dependencies
	arrangements		• Visibility of financial and operational management information across the group structures
ISA Review	• Understand impact of shadow tariffs on potential funding levels and establish cost reduction target to be achieved through reconfiguration • Support integration of community organisations across the new structures • Implement new financial management arrangements	• Project teams from each group • Operations support • HR support • Financial Management expertise to implement service line reporting arrangements	• Shadow tariffs and / or 2014 resource allocations • Understanding of transition arrangements towards financial stability • Commissioning intensions from National Director • Visibility of financial and operational management information across the group structures

6.6.6 Delivering a new operating model for Finance

Task Group	Key Activities	Resource Requirements	Dependencies
Service Delivery Model	• For each component of the service delivery model (business partners, specialist finance and operations excellence, develop detailed design for the: • A) interim model; • B) transitional model; and • C) future operating model for finance.. This will involve: • Detailed organisation structure • Role description, job specifications, person specifications • Service standards • Processes and procedures • Implementation • Appointments process • New processes and procedures • Skills and capability development	• HR to support workforce / IR issues • Organisation design / finance leading practices expertise • Process specialists	• Pace of change dependent on wider structural reform and will align to establishment of new organisations • Decision on financial system • Timeframe for interim solutions? • Decision on shared services strategy: timeframe for consolidation of operations and delivery of services to Hospital Groups and ISAs from Shared Services

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Task Group	Key Activities	Resource Requirements	Dependencies
Process, Governance and Controls	• Design common standardised processes with limited divergence from system standards • Focus on front – end of the process which will impact on service operations and develop approaches which will remove manual processing, drive self-service and interface with core operational systems such as rostering to improve operational efficiency • Define system based control requirements and specify requirements • Develop infrastructure to support the sharing of guidance and information • Develop on-line and face to face training to support budget holders • Revise and Develop IMRs to reflect revised processes and procedures • Design and develop an approach for exception reporting • Implement common processes • Launch guidance and support framework • Support learning and skills development	• Process specialists • IT / systems support • Operational staff • Internal audit • Governance and controls	• Decision on core systems • Clarity regarding function and form of new organisations • Interaction with other projects to implement operational systems e.g. rostering systems to drive automation

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Task Group	Key Activities	Resource Requirements	Dependencies
New Financial System	• Identify critical requirements • Detailed Design to include: • Chart of Accounts • Coding structures for HR, Procurement and GL • Data definitions • Reporting requirements • MFTP patient level costing • Develop strategy to reduce the volumes of transactions and complexity of grading structures etc (payroll, AP and procurement) • Procurement of managed service: • HR, Finance, Procurement, PLC. MI and Business Intelligence • System configuration • System roll out	• Process specialists: • HR • Procurement • Finance • IT / systems support • Financial Accountants • Management Accountants • Operational staff • Internal audit • Governance and controls specialists	• Decision on financial system investment • MFTP system selection and approach to costing
Skills and Capabilities	• Confirm desired skills and capabilities to support the new service delivery model • Confirm skills and capability gaps and priority areas for development • Develop learning and development strategy and supporting materials for both e-learning and classroom based support • Develop support to build the skills and capabilities of Budget Holders and other non-financial managers in financial management • Form and develop the wider Finance Community and build communities of practice to develop skills and capabilities • Open Irish branch of HFMA to support finance community and leverage the infrastructure in place	• HR / Workforce development support • Finance leading practices expertise	• Securing investment in skills and capability development

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Task Group	Key Activities	Resource Requirements	Dependencies
	• Trainee Programme • Selective recruitment to build capability in key areas		
Culture and Behaviours	**Both within Finance and across the wider Health System** • Identify desired behaviours and how success will be measured • Identify key messages and actions which will make an immediate impact and plan their execution • Support desired behaviour changes through skills and capability development • Incorporate measures within performance management arrangements • Demonstrate success and build momentum • Share outcomes and lessons learned • Celebrate success	• Dedicated resources to support change management as part of the programme • Access to external support • Support from Corporate Communications • Nominated Change Champions to “walk the talk” across the system	• Performance Management in place • Investment in learning and development • HFMA relationship developed

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6.7 Planned Outcomes: Year 1

Being seen to deliver against plan and to make incremental steps towards the desired end position in a manner which both builds momentum and secures buy-in from both users of finance and those within the financial management community is essential for success.

Having clarity of purpose and a time-bound set of milestones to achieve is a key enabler of this, as is the adoption of a rigorous project management approach to oversee programme delivery.

Planned outcomes, for the next twelve months, in quarterly intervals are shown below will assist in managing delivery. Communicating the successful achievement of these goals is important to raise the profile of the programme and to celebrate the contribution made by the team to the overall objective.

Task Group	Q4 2013 (Oct –Dec)	Q1 2014 (Jan-Mar)	Q2 2014 (Apr-Jun)	Q3 2014 (Jul-Sep)
Programme Management	• Phase 2 Plan agreed • TOM Agreed • Securing budget to resource team to deliver programme	• Programme support in place • Project roles resourced • Key posts backfilled	• Progress reporting • Risks and Issues • Dependencies • Benefits • Skills transfer plan agreed	• Progress reporting • Risks and Issues • Dependencies • Benefits • Skills transfer underway •
MFTP Delivery	• Team mobilised • Approach agreed	• Shadow tariffs modelled • Resource allocation strategy developed	• Shadow tariffs in place • Performance reporting aligned with tariff approach	• Q1 review • Assess tariffs and pricing • Revision plan agreed
Hospital Group Delivery	• Programme management arrangements in place • Team mobilised • Professional alignment of Finance staff to CFO • Transitional arrangements planned	• Group financial reporting arrangements in place • SLM developed • Shadow tariff regime / patient level costing approach in place.	• Shadow tariffs in place • Performance reporting aligned to tariff approach	• Q1 review • Assess effectiveness of financial management arrangements • Revision plan agreed
ISA Reform		• Team mobilised • Approach agreed	• Group financial reporting arrangements in place	• Q1 review • Assess effectiveness of

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Task Group	Q4 2013 (Oct –Dec)	Q1 2014 (Jan-Mar)	Q2 2014 (Apr-Jun)	Q3 2014 (Jul-Sep)
		• Finance staff aligned to CFO • Transition arrangements planned and agreed	• SLM developed to support financial management and control	financial management arrangements • Revision plan agreed
UHI Implementation			• Team mobilised • Approach agreed	• Design work underway
2014 Planning & Budgeting	• Three year financial strategy developed • Cost of Reform developed • Cost Containment Strategy agreed	• Resource Allocations by Care Group • Shadow Tariffs • Agree service plans in line with revised management arrangements		
Interim Reporting	• Team mobilised • Approach agreed • Appraisal of options for reporting	• Big data implementation • Reports designed and tested	• New reporting in place	
Future Systems	• Confirmation of strategy • Business Case for managed service for HR, procurement and finance system approved • PIN notice issued • Critical requirements identified • Chart of Accounts and HR, Payroll and Procurement coding structures designed	• System Design continues • Procurement underway	• Supplier negotiations • Preferred supplier identified • Contractual negotiations	• Contract concluded • Configurations underway • Roll-out to commence
Service Delivery Model	• Interim Heads of Function roles in place	• Appointments to Business Partner roles	• Appointment to Finance Specialists roles	• Roll out to commence

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Task Group	Q4 2013 (Oct –Dec)	Q1 2014 (Jan-Mar)	Q2 2014 (Apr-Jun)	Q3 2014 (Jul-Sep)
	• Relationship and way of working with National Shared Services agreed. • Detailed design completed • Job roles and person specifications developed	• Appointment to Finance Reform roles • Backfilling as required	• Appointment to Operations Excellence roles	
Process, Governance & Controls	• Define data governance arrangements • Define controls framework and approach • Support process and Chart of Accounts design activity	• Build BI capability • Develop Accounting Centre of Excellence • Develop risk management plan and governance approach for Finance Reform	• Support suppliers negotiations for new systems • Advise on reporting , governance and controls requirements	• Act as client for new system implementation • Act as client for process redesign
Skills & Capabilities	• Skills and capabilities defined • HFMA link agreed	• CPD plan in place • Learning and Development plan in place	• First cadre of Business Partners trained • First cadre of Budget Holder training supported	• Review of Q1 • Agree plan for next 12 months
Culture & Behaviour	• CFO in post • Engagement with key stakeholders • Communications with health system to define requirements for financial management and share new operating model proposals	• Performance management expectations made clear • Reward and sanction defined • Communication and engagement	• Business Partners in place • Support to Budget Holders provided • Communication and engagement	• Review of Q1 • Agree plan for next 12 months • Communication and engagement

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6.8 Critical Success Factors

In taking this initiative forward it is important to learn from others to ensure that the programme is best placed to succeed. The critical success factors and how these will be achieved are outlined in table 8.

The programme set out in this section is aimed at radically transforming the overall financial management across Ireland's health sector and underpinning broader health reform in line with Government aspirations. The overall plan identifies the need for significant and positive action in the immediate months ahead and the success of the overall programme will likely be defined by these actions.

Table 8: Critical Success Factors

Critical Success Factors	How this will be achieved
Clarity of Vision	• As articulated within this document through the high level design of the Finance Operating Model
Strong Leadership	• Through the Finance Reform Board and the sponsorship of the CFO
Capacity and capability to implement the Vision	• Back-filling key roles to free up capacity to support the programme • Securing budget and investment to address capability and capacity gaps from external consultancy support
Effective Project and Programme Management	• Appointing a programme manager from within the senior management team • Establishing a programme management infrastructure • Ensuring that the programme remains properly resourced
Ownership within the business	• Involvement of key players from financial management community • Lead roles in delivery of key projects
Effective communications and sharing success	• Communications role within the programme infrastructure • Website to share information more widely • Events to celebrate success
Promoting an environment which encourages innovation and a considered approach to risk.	• Within the context of effective project management and risk management and mitigation in place, encourage action and recognise that a partial outcome is better than none.

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7 CONCLUSIONS

A new Finance operating model is essential to support the emerging financial management requirements of Future Health and to provide confidence to key stakeholders that the Health budget is being used wisely and well to deliver quality, safe and sustainable services to patients. The new model represents a fundamental change in financial management practice and the extent of change required should not be underestimated. Consequently, a phased approach to implementation which recognises both the changing environment and the need to maintain business continuity in such a critical area as financial management is key

Phase 2 of the Finance Reform Programme will radically transform financial management across Ireland's health sector and will underpin broader health reform in line with Government aspirations.

The future operating model for Finance is only achievable if the following components are in place:

- A single financial management system providing line of sight and supporting embedded controls, standardised processes and facilitating effective self-service principles;
- Trusted financial management information which supports effective decision making; and
- Budget holders who are supported in undertaking their financial management responsibilities and appropriate performance management arrangements which reward good practices and provide sanction where appropriate.

The Finance Reform programme will deliver these components over time, but there is a need for interim changes to the financial management operating model to support the system during this transition period, delivering the reform programme whilst ensuring that systems of financial control remain robust and effective during transition.

Our work to date has started the change journey by building real consensus amongst the finance community. There is a shared understanding of the need to change and a commitment to make that change happen.

A quarterly milestone plan to support the next twelve months has been developed as part of a three year change programme. The plan identifies the need for significant and positive action in the immediate months ahead and the success of the overall programme will likely be defined by these actions

This report recommends a new Operating Model for Finance and seeks approval to progress with Phase 2 of the Finance Reform programme as outlined in the Implementation Strategy with immediate effect.

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A SHAPE OF FINANCE

A.1 Introduction

The Shape of Finance survey was designed to capture the amount of whole time equivalents (WTE) involved in finance processes. The combined results allow an analysis of the proportionality of services – decision support, compliance and transaction processing across finance in terms of time and cost. The survey was completed by the relevant Assistant National Directors of Finance, Finance Managers in statutory hospitals and community, Finance Directors in voluntary acute hospitals and Finance/Administration managers in voluntary community agencies on behalf of their teams.

The survey provides a high level structured view of the current service delivery model for finance across the System. This highlights how resources can be utilised more effectively. Leading practice trends free up resources from transaction processing to enable investment primarily in decision support but also compliance where necessary, and to reduce the overall size of the finance team. This is achieved by further automation of transaction processing, simplification and standardisation of processes and embedding controls in systems.

Section A7.1 below contains a breakdown on the templates received and included in the analysis. The survey was sent out on Monday, May 20th with participants being requested to complete it by Friday, May 31st. The initial response was poor and an extension was provided till Monday, June 17th.

Responses continued to come in till the date of this submission but those received after Monday, June 24th have not been included.

Overall, responses received covered 1,628 staff (1,273.5 WTE). This includes staff employed directly within National Finance, and those in local finance functions in National Services, and in HSCPs from both the statutory and voluntary sector.

- The estimated cost of headcount involved in finance processes is €74m.[10]This cost is a 'full cost basis' comprising salary, salary on-costs for PRSI and pensions, and overheads consumed (such accommodation, technology and training) and equates to 0.55% of total HSE expenditure of €13.68bn. This figure only relates to the templates returned so the actual figure is higher.

In total 136 template returns were included in the analysis:

- 23 of the 32 LHOs
- 9 of the 38 S38 community providers
- 20 of the 29 statutory acute hospitals
- 9 of the 16 S38 voluntary acute hospitals
- 7 for national services such as regional corporate finance and National Shared Services

[10] Blended rate of 8% for PRSI, 9% for Pensions and 20% for overheads

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In the following sections, we analyse the data at by process, activity, cost and grade.

A.2 Process analysis

Total finance headcount and WTE was analysed by core processes (decision support, compliance and transaction processing), non-core finance processes and other non-finance processes.

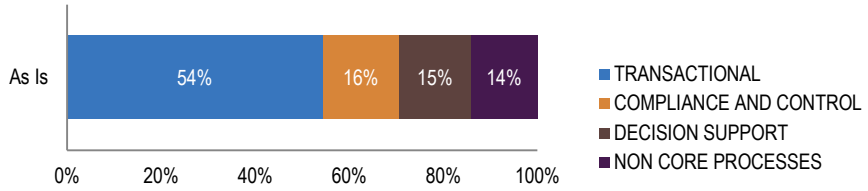

Figure 20: WTE by core and non-core finance processes

- This analysis shows that 54% of effort (WTE) is expended on transaction processing, 16% is on compliance and 15% is on decision support.
- The analysis also shows that around 14% of effort (180 WTE) is expended on non-core finance processes – corporate governance, line management, general administration and finance related project work.
- Around 53% of the non-core time is spent on general administration (95 WTE).
- It would be interesting to see whether general administration is significant in other support functions and whether there are opportunities to restructure administration across functions.
- 37 WTE are engaged in finance projects.
- Understanding these projects and how they relate to the Finance Reform Programme would be helpful particularly in the context of releasing resources to work on that programme.
- Line management accounts for 44 WTE suggesting an average span of control of 1:34.
- We would expect a ratio of 1:15 in transaction processing and 1:9 in compliance and decision support.

Focusing on the core finance processes, the allocation of finance WTE is as follows:

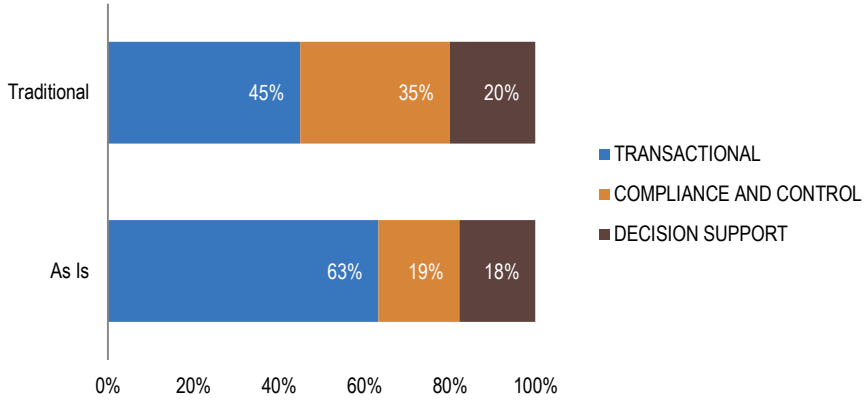

Figure 21: The Current and Future shape of Finance

Research across public sector organisations found that the average 'shape' is decision support 20%, compliance 35% and transactional 45%, with an aspiration to move towards 40% decision support and 30% on both compliance and transaction processing. Best in class is 70% focused on decision support.

The analysis shows that disproportionate effort is being spent on transaction processing which echoes previous reports and business cases and argues for process redesign, transaction volume reduction and a restructured service delivery model.

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A.3 Duplication of process activities

By duplication of process activities we mean the number of locations where a process activity (such as payroll processing) takes place. Significant duplication increases the risk of process variation and complicates governance and control. It is also an inefficient use of resources. Good practice suggests that process activities should be located:

- In operational or regional finance where the process activity requires local interaction or data capture
- In national finance where the process activity requires specialised knowledge or expertise
- In shared service where the process requires little or no site-specific input and is process intensive.

The following charts show the number of locations where each finance activity takes place. Where process activities should be local, the challenge is to ensure standardisation and reduce the volume of transactions/complexity of work; where process activities should be centralised, the challenge is to consolidate.

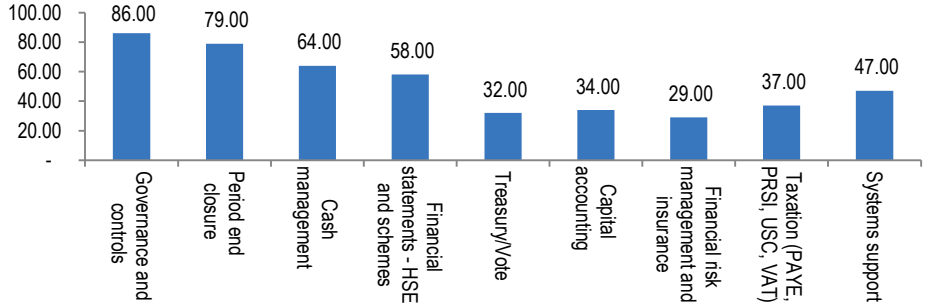

Figure 22: Compliance

Applying leading practice principles, the following table indicates where these processes should be delivered.

Activity	Operational / regional finance	National finance	Shared services
Governance and controls – development of internal controls and communication of regulatory requirements		✓	
Period end closure - raising of journals and account reconciliations	✓		✓
Cash management – cash forecasts, approval of creditor payments and income cash collection			✓
Financial statements – production of periodic regulatory reports		✓	
Treasury / Vote: cash flow budgeting and management, cash accounting and Vote returns to the Department		✓	
Capital accounting – accounting for fixed assets		✓	✓
Financial risk management and insurance – insurance and risk management strategy and processing insurance claims		✓	
Taxation – advice and guidance and tax returns		✓	✓
Systems support – upgrades and systems maintenance			✓

The analysis suggests that opportunities exist to consolidate compliance activity and to redesign how compliance services are delivered as part of the move to a new operating model.

Figure 23: Transaction Processing

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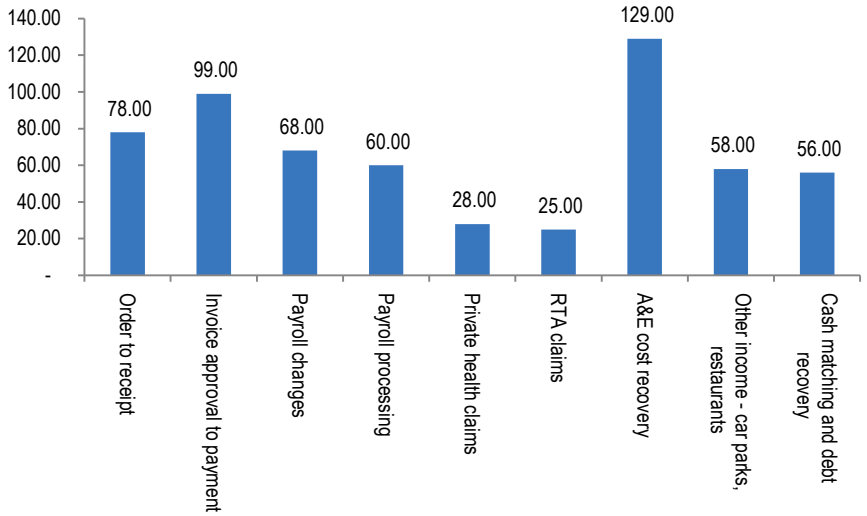

Applying leading practice principles, the following table indicates where these processes should take place.

Activity	Operational / regional finance	National finance	Shared services
Order to receipt – raising and approving requisitions, approving and issuing orders and receipting goods and services	✓		
Invoice approval to payment – matching of supplier invoices to orders and receipts and payment of invoices			✓
Payroll changes - permanent changes (e.g. starters, leavers, transfers) and temporary changes (e.g. overtime, absence) – data collection, data validation and data input	✓		
Private health insurance - collation of claims documentation, submission of claims to insurers and responding to questions	✓		✓
RTA claims - recovery of hospital care costs from patients who claim compensation for RTAs	✓		
A&E cost recovery - recovery of €100 charge for A&E visits	✓		
Other income - recording of sundry income	✓		
Cash management and debt recovery - matching of receipts to invoices and recovery of overdue receipts			✓

The analysis suggests that there is a requirement to standardise the front end of processes and opportunities to reduce the number of transactions and consolidate activities which should be centralised

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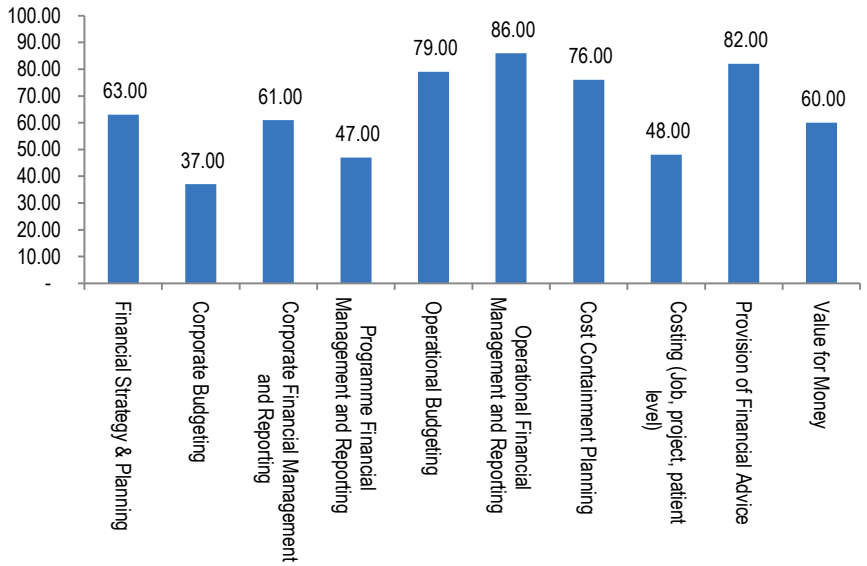
Figure 24: Decision Support



Applying leading practice principles, the following table indicates where these processes should take place.

Activity	Operational / regional finance	National finance	Shared services
Financial strategy and planning - support for medium term financial planning, supporting the organisation to consider the impact of new legislation and changes to planning assumptions		✓	
Corporate budgeting -supporting the Annual Estimates Process and corporate budget setting		✓	
Corporate financial management and reporting - production and development of periodic financial reports for HSE board and internal management, and development and monitoring of cost		✓	
Programme financial management and reporting - analysis of expenditure by care group or national programme		✓	
Operational budgeting - supporting the Annual Estimates Process at a regional or local level and operational budget setting	✓		
Operational financial management and reporting - production of monthly budget statements, review of monthly reports with operations	✓		
Cost containment planning - time spent on the preparation and review of cost containment plans	✓		
Costing - collation of diagnostic and intervention activity into DRG for tariff recovery, income and expenditure statements by directorate/speciality (through activity or patient costing)	✓		
Provision of financial advice - insight and analysis which adds value to routine financial management and reporting	✓	✓	✓
Value for money - service reviews, Benchmarking and consideration of new ways of working and delivery models		✓	

The analysis suggests that there is an opportunity to consolidate decision support activity (such as value for money) and to ensure consistency in

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decision support activity for hospitals and ISAs (e.g. service line costing approach).

A.4 Fragmentation

By fragmentation we mean the number of finance activities undertaken with an individual role. The argument is that where effort is spent on many finance activities, skills are quality are diluted. The following table identifies the average number of activities undertaken at each grade level:

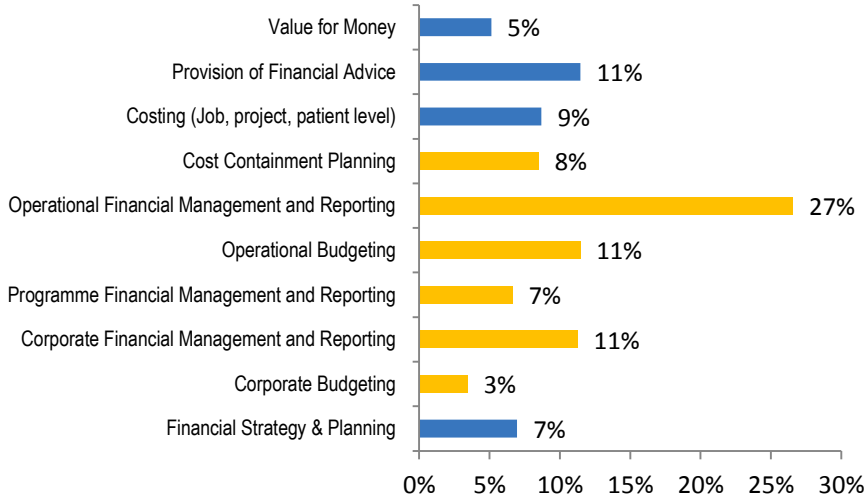
Grade	Average activities
AND	11
Finance Director	15
General Manager	9
Grade VIII	11
Grade VII	8
Grade VI	6
Grade V	5
Grade IV	4
Grade III	2

The analysis indicated that senior grade staff are supporting a wide range of finance activities, which may reflect insufficient capacity in more junior grades through non-replacement of staff and indicates opportunities to make more use of skilled and qualified staff at lower grades.

A.5 Activity profile of core processes

We have looked at the profile of process activities within core processes. The following bar charts identify that the process activities consuming the most WTE effort.

Figure 25:Decision Support



Decision support effort is mainly expended on monitoring and evaluation activity – operational budgeting, operational financial management and reporting, programme financial management and reporting, corporate financial management and reporting, corporate budgeting and cost containment planning (70%).

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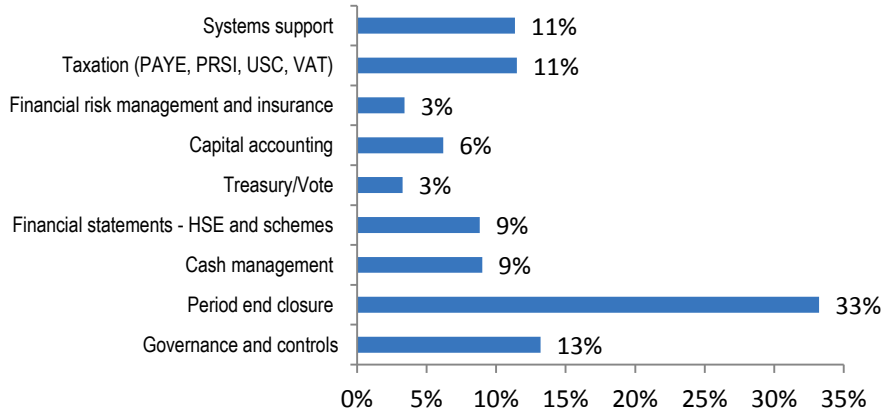
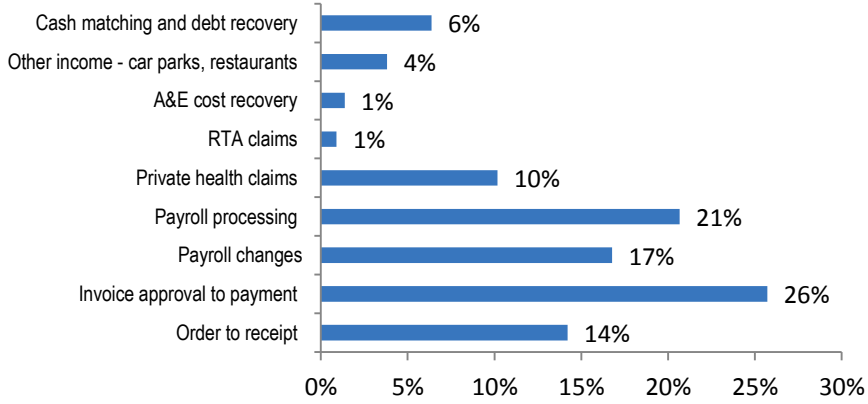
Figure 26 Compliance



Further analysis is required to determine opportunities to consolidate compliance activity particularly in taxation, cash management, period end closure and governance and controls. This analysis should be undertaken by HSE finance now and the findings incorporated into the detailed design stage.

Figure 27: Transaction Processing



The analysis shows that around 42% of activity is focused on the front end of transaction processes, reinforcing the opportunity for standardisation and reduction in the volume of transactions. Around 50% of activity is expended on repetitive and predictable processing of invoices and payroll, reinforcing the opportunity for consolidation.

A.6 Cost Analysis

Our analysis has enabled a process “cost to serve” to be produced and this is summarised in the table below.

The survey sought to collect volume information (e.g. number of purchase invoices and number of payslips) but insufficient data has been returned to enable transaction costs and a meaningful benchmarking to be undertaken at this stage. Efforts will be made to revisit this analysis should transaction data from out-side the statutory sector in particular be made available.

This is important to inform the future design and to provide guidance on the overall shape of finance required going forward.

Reviewing the cost to serve data highlights areas where cost savings and efficiencies are possible, and these are explored below.

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Much of this can be done ahead of any system implementation and will involve further automation and reduction in transaction volumes in front-end transaction processes and the consolidation of processes in National Finance and National Shared Services.

Table 9: Cost, WTE and number of locations by activity

Transaction processing	Locations	WTE	Cost (€'000)
Order to receipt	78	98	€4,734,700
Invoice approval to payment	99	178	€8,608,780
Payroll changes	68	116	€5,636,377
Payroll processing	60	143	€7,147,621
Private health claims	28	70	€3,482,828
RTA claims	25	6	€335,620
A&E cost recovery	129	9	€460,515
Other income - car parks, restaurants	58	26	€1,343,688
Cash matching and debt recovery	56	44	€2,237,930
Compliance	**Locations**	**WTE**	**Cost (€'000)**
Governance and controls	86	27	€1,966,733
Period end closure	79	69	€4,241,995
Cash management	64	19	€1,201,174
Financial statements - HSE and schemes	58	18	€1,446,877
Treasury/Vote	32	7	€506,756
Capital accounting	34	13	€813,435
Financial risk management and insurance	29	7	€461,299
Taxation (PAYE, PRSI, USC, VAT)	37	24	€1,403,532
Systems support	47	23	€1,515,610
Decision Support	**Locations**	**WTE**	**Cost (€'000)**
Financial Strategy & Planning	63	14	€1,292,923
Corporate Budgeting	37	7	€601,607
Corporate Financial Management and Reporting	61	22	€1,822,695
Programme Financial Management and Reporting	47	13	€992,793
Operational Budgeting	79	22	€1,679,153
Operational Financial Management and Reporting	86	52	€3,649,235
Cost Containment Planning	76	16	€1,468,328
Costing (Job, project, patient level)	48	17	€1,142,115
Provision of Financial Advice	82	22	€1,853,988
Value for Money	60	10	€767,470

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The total cost of finance is [11]€73.9m and it is broken down as per the following table:

Table 10: Cost by grade and process

Grade	Transaction Processing	Compliance	Decision Support	Non-Core	Total €m
Grade III	12.10	1.11	0.33	1.59	15.13
Grade IV	12.00	2.00	1.26	1.92	17.18
Grade V	5.60	2.37	1.59	1.47	11.04
Grade VI	2.66	1.93	1.58	1.66	7.83
Grade VII	1.10	2.35	2.45	1.59	7.49
Grade VIII	0.34	2.37	4.28	1.63	8.62
General Manager	0.05	0.82	1.94	0.61	3.43
Finance Director	0.01	0.17	0.31	0.12	0.62
AND	0.13	0.43	1.52	0.50	2.57
€m	33.99	13.56	15.27	11.08	73.90

[11] As there is no grade data for 41 respondents (referred to as N/A in grade data), they are not included in the cost number. We estimate a further cost of circa €2m but do not include this in our analysis.

Observations:

- Of the €15.27 spent on decision support, only €3.77m is accounted for by General Managers, Finance Directors and ANDs.
- The total cost of these three grades is €6.63m; this suggests that €2.85m (i.e. the €6.63m less €3.77m and 43%) is spent on processes other than decision support. Anecdotal evidence suggests that a lot of this time is spent on validation of data.
- Of the €33.4m spend on transaction processing; €24.1m is by grade three and four level staff.
- €11.08m is spent on none-core finance processes such as general administration and projects.
- Of the total of €73.9m, €43.35m is accounted for by grades three, four and five.

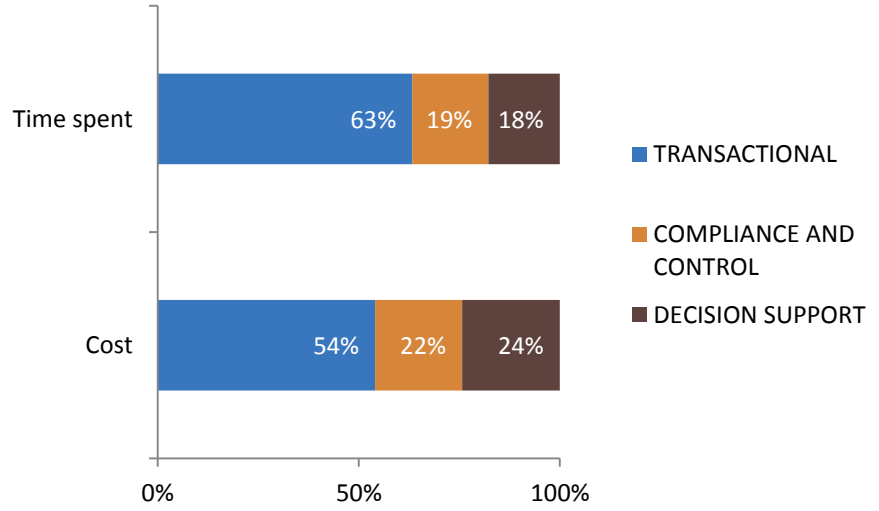

Figure 28: Cost versus time as a % total (excluding non-core)

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Figure 28 compares the cost of the core finance processes against the WTE's involved. The cost of transaction processing at 54% of the total is less than the percentage of WTE's involved of 63%. The following section on grade analysis explains this as the majority of transaction processing is carried out by grades three to six. AT 54%, the current cost transaction processing is too high.

A.6.1 The opportunities for change

There are significant opportunities for change. The case for change at this point responds to legacy weaknesses in financial management and highlights areas where cost savings and efficiencies are possible. Further arguments for change in response to the emerging health landscape are discussed in Section 3 below. This high level case for change endorses previous work on shared services business cases – that there is a significant efficiency opportunity.

It is important to note that the ability to generate these savings relies on a successful combination of up-skilling and/or redeploying staff and a redundancy programme where necessary.

Whilst the following comments are based upon incomplete data, finalising the shape of finance survey will only strengthen the case for change.

Transaction processing - Purchase to pay

There are 277 WTE supporting the purchase to pay process in over 99 locations and a full cost of €13.3m. The salary and salary on-cost element is €11.4m.

The purchase to pay process ranges from highly manual to highly automated. For statutory acute hospitals, accounts payable staff are located in 8 regional offices; for the voluntary hospitals and PCCC accounts payable is a devolved, local activity. There are opportunities to standardise, simplify and further automate the order to receipt process, to reduce transaction volumes and to consolidate accounts payable activity.

The purchase to pay strategy needs to be developed in conjunction with procurement. We are aware that there is parallel work to restructure procurement, stores management and the order to receipt process. To optimise benefits, it is critical that purchase to pay is reviewed from an end-to-end process perspective through co-ordinating finance and procurement initiatives. Particular initiatives to investigate from a process perspective will include:

- Strengthen strategic procurement (commodity management and structured strategic sourcing programme) to reduce the number of suppliers and transactions. [dashboard number of suppliers and invoices]
- Implementation of best practice e-procurement technology to further automate the order to receipt process, reducing paper-based manual ordering and reducing time in the approval process.
- Increased compliance management to supplier, process and contract.

The business case for the national finance and procurement system identified 244 WTE currently involved in purchase to pay and the estimated end state WTE as 136 – a saving of 108 (44%). Applying a 44% reduction to the 277 number (122) and taking a Grade III salary plus salary on-cost of €35,400 equates to a target annual saving of €4.3m.

The 244 WTE as per the national finance and procurement system business case only includes statutory staff. We would expect a much larger number as the voluntary organisations are included yet the data collection suggests 277 people. This is an example of the incomplete nature of this data collection exercise; only 9 of the 16 S38 voluntary acute hospitals and 9 of the S38 community providers submitted returns. Given the localised nature of these activities, it is estimated that the total number is much higher and therefor the potential annual savings is also higher than the €4.3m above.

The move to HSCPs is an opportunity to start to realise savings even within the current systems environment. Formation of groups will necessitate combining legacy hospital and PCCC finance teams.

Transaction processing - Payroll

There are 259 WTE supporting the payroll process in over 60 locations and a full cost of €12.8m. The salary and salary on-cost element is €10.9m.

Payroll processing staff are currently located in 9 departments and there is a range of processing arrangements in place. The process for payroll changes is largely manual. There are opportunities to automate the front end of payroll through self-service technologies and as part of operational systems development, such as rostering. The end-to-end payroll process redesign has to align with work in HR and operations. There is a significant, but challenging, opportunity to reduce the number of payrolls. There are currently 101 different payroll cycles (6 weekly, 75 two weekly, 4 four weekly and 16 monthly) and this figure does not include all of the voluntary organisations.. Payroll process efficiencies will arise from:

- Standard payroll data capture, processes and procedures
- Centralisation of payroll processing
- HR and payroll systems integration
- Self-serve technology
- Automation of payroll changes through self-service technologies and operational systems
- On-going benchmarking of payroll processes and costs.

The median benchmark for payroll staff to total employees is 1:1200. On the basis of 116,964 HSE staff, this suggests 97 staff in payroll – a saving of 162 WTE in comparison to current staffing levels. The National Payroll Shared Services Transition business case identified a potential saving of 94 WTE from the internal implementation option. Taking a Grade III salary plus salary on-cost of €35,400, a saving of 162 staff equates to a target annual saving of €5.7m

Transaction processing - Income

There are 113 WTE involved in the income process in over 100 locations at a full cost of €5.6m. RTA, A&E and other income is a local activity with limited opportunity for efficiency savings. Private health claims processing comprises preparing the claim which has to be local, and processing the claim which should be centralised (and is partly through National Shared Services). Further analysis is required to identify efficiency savings from further consolidation. A 20% reduction in WTE numbers from further standardisation and centralisation (including voluntary organisations) using a Grade III salary plus salary on-cost of €35,400 generates annual savings of €0.5m.

The time value of money should also be considered here. An automated efficient Income process across both voluntary and statutory providers should result in the quicker receipt of cash to the HSE.

Compliance

Overall, Compliance involves 207 WTE at a full cost of €13.6m and a salary plus salary on-cost of €11.6m.

Efficiency opportunities will arise in period end processing from both the implementation of HSCP groups and the move to shared services. Similarly, the move to shared services will also reduce payroll taxation work from the current 9 returns.

The Compliance benefits from the future operating model are principally about control which will have an impact on pay and non-pay expenditure rather than efficiency.

At this stage, it is difficult to calculate potential savings on a bottom up, fundamental basis but it is not unreasonable to take the €4.2m spent on period end process identified above and assume a saving from the introduction of a fully automated system that would significantly reduce the widespread manual intervention that currently takes place. This saving should be redirected towards higher value add compliance processes as the size of compliance is larger in the desired shape of finance.

Decision support

Overall, Decision Support involves 194 WTE at a full cost of €15.4m and a salary plus salary on-cost of €13m.

The move to HSCP groups will rationalise demand for operational financial management and reporting i.e. support will be provided at a group rather than individual hospital or LHO.

The Decision Support benefits from the future operating model are principally around strategic planning and performance management. There will be an impact on the quality of decision-making and challenge to the performance of HSCPs rather than efficiency.

An observation from the data collection is that the total cost of General Managers, Finance Directors and AND grades is €6.63m and of this €3.77m is spent on decision support; this suggests that €2.85m (i.e. the €6.63m less €3.77m and 43%) is spent on processes other than decision support. Anecdotal evidence suggests that a lot of this time is spent on validation of data prior to making decisions. It is not unreasonable to suggest that an operating model that supports the production of timely and reliable reports will free up this resource for greater decision support and hence a potential benefit of circa €2m is achievable as the majority of their time should be spent of decision support. This is before the actual benefit of better decision making is considered on the system overall. This is a very important point.

Conclusion

The case for change at this point responds to legacy weaknesses in financial management. Further arguments for change in response to the emerging health landscape are not included in these estimates. This endorses previous work on shared services business cases – that there is a significant efficiency opportunity.

The table below summaries the potential savings and estimates that €15.8m in annualised savings could be achieved representing 21% of the cost of finance.

Potential Savings Identified Above	Total €m
Purchase to Pay	4.3
Payroll	5.7
Income	0.5
Compliance	3.0
Decision Support	2.0
Total Potential Savings	15.5
Savings as % of total Finance Cost	21%

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A.7 Grade Analysis

The following table details the total WTE numbers by grade and process. A number of observations are as follows:

- 54% of WTE are in transaction processing (692 out of 1273)
- Grade III and IV make up 56% of the total
- Although there is no grade data for 41 respondents as mentioned above, these only account for 17 WTE.

Grade	Transaction Processing	Compliance	Decision Support	Non-Core	Total
AND	0.72	3.00	10.66	3.50	17.88
Finance Director	0.06	1.26	2.29	0.90	4.51
General Manager	0.52	7.91	18.37	5.82	32.61
Grade III	288.09	27.75	8.64	40.42	364.90
Grade IV	245.25	41.70	26.70	38.47	352.11
Grade V	91.45	39.71	26.07	24.40	181.63
Grade VI	38.29	28.72	23.58	23.83	114.41
Grade VII	15.17	32.06	33.09	20.46	100.78
Grade VIII	3.50	23.93	43.47	16.69	87.59
No Grade data	9.53	0.72	1.51	5.32	17.09
	692.57	206.75	194.37	179.81	1,273.50

Table 11: WTE numbers by grade and process

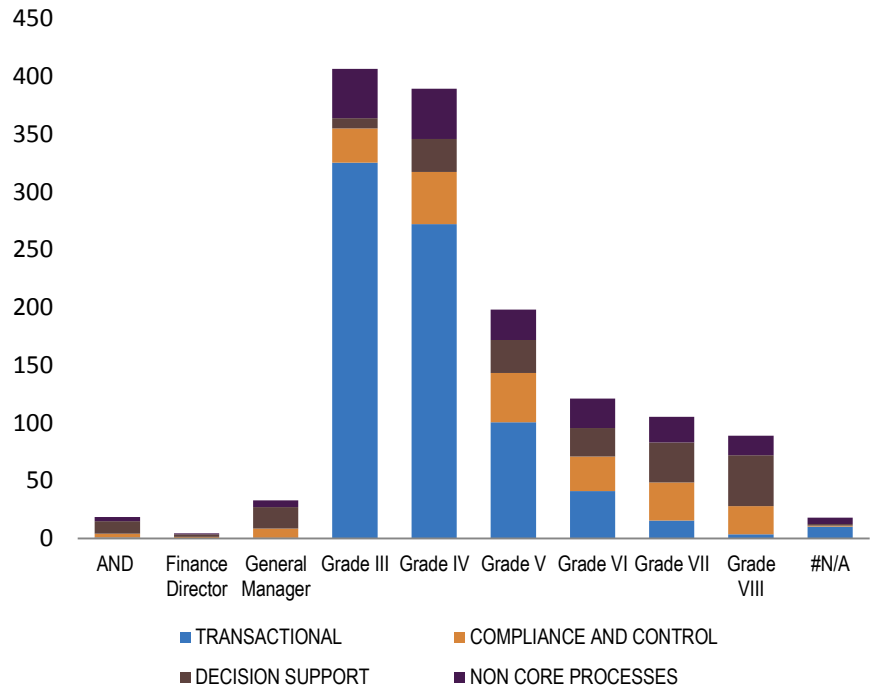

Figure 29: Analysis of grade by process

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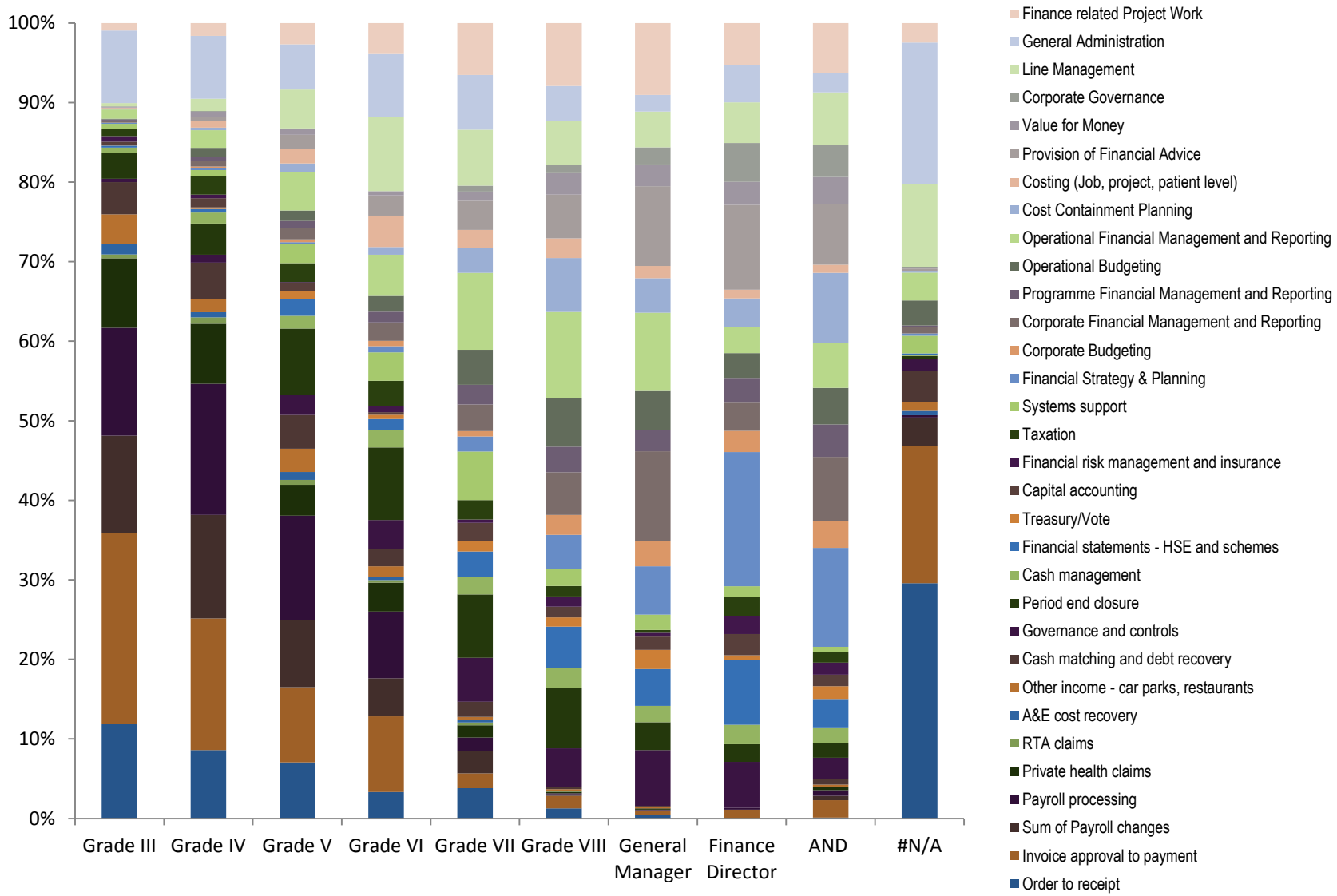

Figure 30: % of time spent on activities (by grade)

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A.7.1 Template Returns

Region	Acute hospitals - statutory	Received
DML	Midland Regional Hospital Mullingar	✓
DML	Midland Regional Hospital Portlaoise	✓
DML	Midland Regional Hospital Tullamore	✓
DML	Naas General Hospital	✓
DML	St Columcille's Hospital Loughlistown	✓

Region	Community - Statutory	Received
DML	LHO Area 10 Wicklow	
DML	LHO Area 9 Kildare / West Wicklow	
DML	LHO Area 11 Laois / Offaly	
DML	LHO Area 12 Longford / Westmeath	✓
DML	LHO Area 1 Dun Laoghaire	
DML	LHO Area 2 Dublin South East	
DML	LHO Area 3 Dublin South City	
DML	LHO Area 4 Dublin South West	
DML	LHO Area 5 Dublin West	

Region	Community - S38 voluntary	Received
DML	Cheeverstown House	✓
DML	Leopardstown Park Hospital	
DML	Royal Hospital Donnybrook	

Region	Community - S38 voluntary	Received
DML	Our Lady's Hospice	
DML	Peamount Hospital	
DML	Stewart's Hospital	✓
DML	Children's Sunshine Home	✓
DML	Drug Treatment Centre	✓
DML	Kare	
DML	Sisters of Charity Moore Abbey	
DML	Sisters of Charity Laois/Offaly	
DML	Sisters of Charity Delvin	
DML	Dublin Dental Hospital Board	
DML	National Rehabilitation Hospital	
DML	St John of God Eastern Region	
DML	Sunbeam House Services	

Region	Acute hospitals - S38 voluntary	Received
DML	Children's University Hospital Temple Street	
DML	Coombe Women's and Infants University Hospital	
DML	National Maternity Hospital Holles Street	✓
DML	Our Lady's Hospital for Sick Children Crumlin	✓
DML	Royal Victoria Eye and Ear	
DML	St James's Hospital	✓
DML	St Michael's Hospital Dun Laoghaire	✓
DML	St Vincent's University Hospital Elm Park	✓
DML	Tallaght Hospital	✓

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Region	Acute hospitals - statutory	Received
South	Bantry General Hospital	
South	Cork University Hospital	✓
South	Kerry General Hospital	✓
South	Mallow	
South	South Tipperary General Hospital	✓
South	St Luke's Hospital Kilkenny	✓
South	Waterford General Hospital	✓
South	Wexford General Hospital	✓

Region	Community - Statutory	Received
South	LHO Kerry	✓
South	LHO West Cork	✓
South	LHO Nth Cork	✓
South	LHO Nth Lee	✓
South	LHO Sth Lee	✓
South	LHO Sth Tipperary	✓
South	LHO Waterford	✓
South	LHO Wexford	✓
South	LHO Carlow / Kilkenny	✓

Region	Community - S38 voluntary	Received
South	St Mary's of the Angels Beaufort	
South	Lota Brothers of Charity	
South	Waterford Brothers of Charity	
South	Cope Foundation	
South	St John of God Tralee	
South	Cork Dental Hospital	
South	St Patrick's Kilkenny	
South	Carriglea Sisters of the Bon Saveur	

Region	Acute hospitals - S38 voluntary	Received
South	Mercy University Hospital Cork	✓
South	South Infirmary University Hospital Cork	

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Region	Acute hospitals - statutory	
DNE	Cavan-Monaghan Hospital Group: Cavan Monaghan and Monaghan General Hospitals	✓
DNE	Connolly Hospital - Blanchardstown	✓
DNE	Louth County Hospital	✓
DNE	Our Lady of Lourdes Hospital Drogheda	✓
DNE	Our Lady's Hospital Navan	

Region	Community - Statutory	
DNE	LHO Cavan Monaghan	✓
DNE	LHO Louth	✓
DNE	LHO Meath	✓
DNE	ISA Dublin North City	✓
DNE	ISA Dublin North	✓

Region	Community - S38 voluntary	
DNE	Central Remedial Clinic	
DNE	Incorporated Orthopaedic Hospital (Clontarf)	
DNE	St Michael's House	✓
DNE	St Vincent's Fairview	
DNE	Daughters of Charity, Navan	✓
DNE	St John of God Drumcar	

Region	Acute hospitals - S38 voluntary	
DNE	Beaumont Hospital	✓
DNE	Cappagh National Orthopaedic Hospital	
DNE	Mater Misericordiae University Hospital	
DNE	Rotunda	✓

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West

Region	Acute hospitals – statutory	
West	Galway University Hospitals	✓
West	Letterkenny General Hospital	
West	Mayo General Hospital	✓
West	Mid-Western Hospital Dooradoyle	
West	Mid-Western Hospital Ennis	
West	Mid-Western Hospital Nenagh	
West	Mid-Western Regional Maternity Hospital	
West	Mid Western Regional Orthopeadic Hospital Croom	
West	Portiuncula Hospital Ballinsloe	✓
West	Roscommon County Hospital	✓
West	Sligo General Hospital	✓

Region	Community - Statutory	
West	LHO Donegal	✓
West	LHO Sligo / Leitrim	✓
West	LHO Mayo	✓
West	LHO Roscommon	✓
West	LHO Galway	✓
West	LHO Clare	✓
West	LHO Limerick	✓
West	LHO Nth Tipperary	✓

Region	Community - S38 voluntary	
West	Brothers of Charity Galway	
West	Brothers of Charity Limerick	✓
West	Brothers of Charity Clare	
West	Daughters of Charity Limerick	
West	Daughters of Charity St Anne's Roscrea	
West	Brothers of Charity Roscommon	✓
West	Wisdom Services Cregg House, Sligo	✓

Region	Acute hospitals - S38 voluntary
West	St John's Hospital Limerick

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ANDOF-led finance teams & National Services	Received
Annual Financial Statements and Governance	✓
Capital	✓
Corporate Reporting (Finance)	✓
Finance, Central	✓
Finance Department, SS	✓
Payroll, Shared Services	✓
Value for Money	✓
Regional Finance DNE	✓
Regional Finance DML	✓
Regional Finance South	✓
Regional Finance West	✓
National Cancer Screening Service	✓
PCRS	✓
NMPDU	✓
National Ambulance Service	✓

B TRAINING NEEDS ANALYSIS

B.1 Introduction

The Training Needs Analysis survey was developed to assess the requirements for the training and development of future skills and capabilities identified. The questionnaire was addressed to all staff involved in finance activities. This on-line questionnaire was designed so that it should have taken no more than 30 minutes to complete. It was sent to each person identified in the Shape of Finance Template. Every person who completed the template was requested to forward the link to each member of their team identified with an instruction and explanation e-mail which was also provided.

Participants were asked to assess their level of expertise against each of the relevant skills and capabilities. It is not expected that all staff will have expertise in all areas identified and a 'not applicable' option (N/A) was there for this purpose. The results of the assessment will be used to identify key areas for future skills/capability development and will inform the design of training programmes to support the development of financial management practice across the HSE.

The survey was sent out on Monday, May 20th with participants being requested to complete it by Friday, May 31st. The initial response was mixed and an extension was provided till Monday, June 17th.

702 people completed the survey from the 1,628 people identified in the Shape of Finance exercise. It must be noted that a number of staff reported difficulties in submitting the survey which was due to HSE servers going down intermittently during this time.

The survey was split into two sections; the first was a number of questions of a factual nature such as age group and length of experience. The second section asked participants to rate themselves against different skills. There were four skills headings and each had a number of questions; behavioural skills, technical skills, interpersonal skills and decision support skills.

B.1.1 Staffing Profiles: Analysis and Observations

The following are the high level observations from the analysis of the data:

- 111 qualified accountants out of the 702 respondents (16%), 73% of which are Grade 8 and higher. Whilst numbers of trainee accountants are not included (or identified through the survey), this statistic raises concerns for succession planning
- Only 8% of qualified accountants are in the age group 20-39. This is very low and although it does not take effect of those in training, it suggests a significant skills gap that needs to be addressed
- Responses indicated 280 team managers and team leaders managing 420 team members, which represents a ratio of 1:1.5

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and highlights a potential to examine layers of management and spans of control as part of any detailed organisation design. However, there will be a range of spans of control from large to small teams and managers working without teams

- 69% of the staff supporting finance activities are aged 40 and above, which although indicating considerable knowledge and experience highlights a requirement for succession planning, particularly for finance activities where deep technical or system knowledge is required.

Grade	Manager	Team Leader	Team Member
AND	9		
General Manager	29	1	
VIII	54	8	5
VII	28	15	13
VII	18	33	16
V	16	32	56
IV		16	125
III		1	203
Other	15	5	4
Total	169	111	422

Table 12: Analysis of Respondents by Grade

Table 13: Analysis of Respondents by Age, Qualifications & Experience

Age Profile	Manager	Team Leader	Team Member
20-29	1	0	23
30-39	25	22	144
40-49	88	49	136
50-59	51	37	104
60-69	4	3	15
Qualifications			
Qualified Accountant	85	9	17
Degree/MBA	89	29	73
Experience			
Up to 3 years	11	7	37
Greater than 3 years, less than 10 years	16	11	145
Greater than 10 years, less than 15 years	29	40	114
Greater than 15 years	113	53	126

B.1.2 Training Needs Analysis and Observations

A view has been taken as to the desired skills for a manager, a team leader and a team member in each of the service delivery model elements: operations excellence, financial specialists and business partnering.

The actual skills for each are taken from those who work in transaction processing for operations excellence, in compliance for finance specialists and in decision support for business partnering.

In summary, there is good alignment between desired and actual behavioural skills of staff across the HSE. However the gap widens with the other three categories; interpersonal skills, technical skills and decision support skills.

The following diagram highlights the gaps between the desired and actual skills of a manager in Business Partnering.

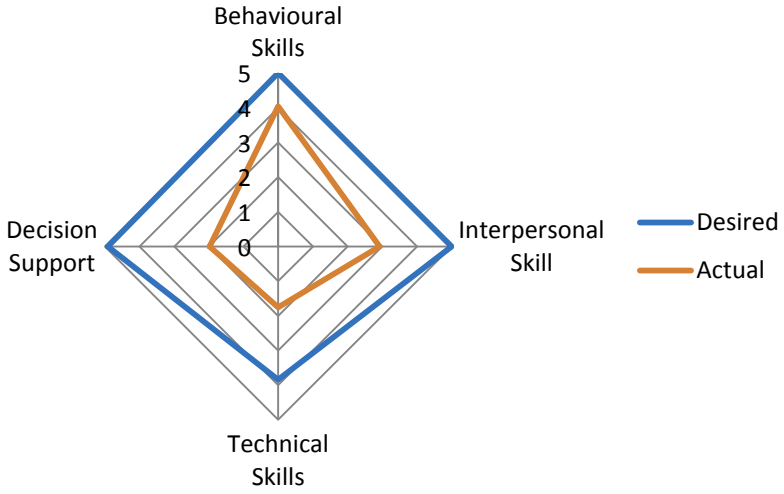

Figure 31: Business Partner – Manager

The following diagram highlights the gaps between the desired and actual skills of a team member in Business Partnering.

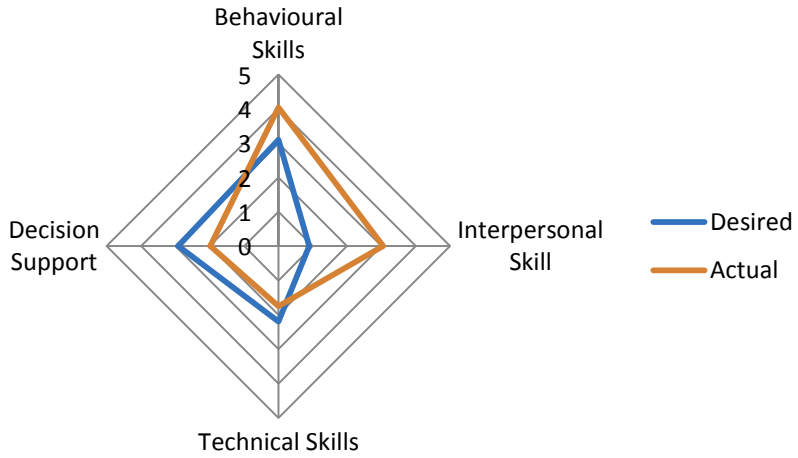

Figure 32: Business Partner - Team Member

Comparing both of the above diagrams highlights the difference in the desired skills of a manager versus a team member. It also highlights the similarities in current skill levels of both roles whereas they should be quite different as can be seen by comparing both blue lines (desired skill levels). The skills gaps at both levels need immediate attention with particular attention required to address the gaps at management level. It is critical that there are supports in place to help and encourage a staff member at in a team member role progress through to a team manager role over a period of time.

It is also worth highlighting the different skills required for a manager in operations excellence versus a manager in transaction processing. Although difficult to see below, the decision support and technical skills are different, therefore the support required in developing these needs to acknowledge this.

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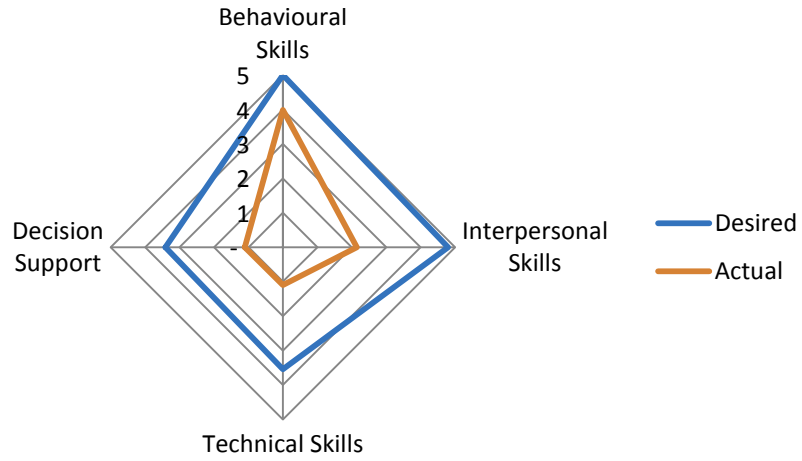

Figure 33: Operations Excellence - Manager

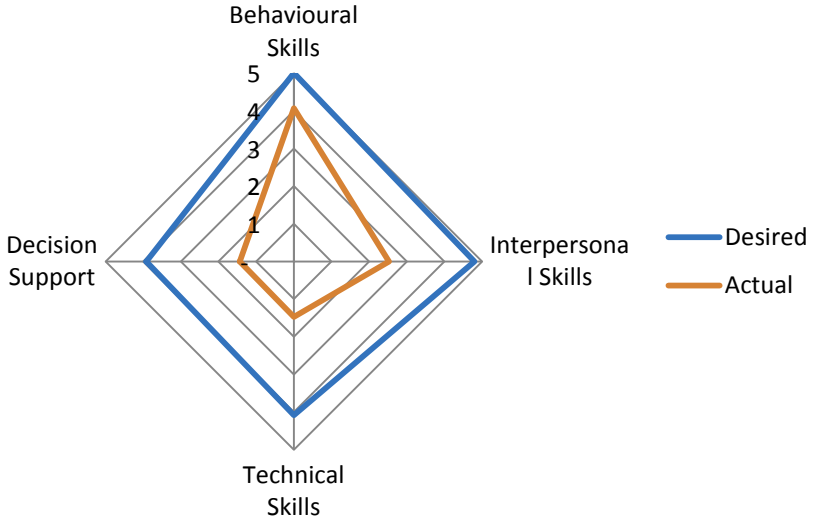

Figure 34: Finance Specialist - Manager

Conclusion

The success of the future operating model will depend heavily on having the right people in the right roles. The various different roles across decision support, finance specialists and operation finance all require different skills. It is critical that the design phase identifies and describes these various roles and skills and that this information is incorporated into the HSE's HR strategy. This strategy should be underpinned by the following activities:

- A workforce development plan, this will identify the specific requirements across the system;
- The provision and completion of financial training courses by both finance and non-finance staff will create system-wide financial management awareness. Train and support budget holders and service managers in financial management as they will be expected to take ownership of their budget and their performance will be assessed accordingly;
- Enable a compulsory Continuous Professional Development (CPD) programme supported by learning and development plans. The survey highlighted the shortage of qualified accountants in the 20 to 39 year old age bracket. It is important that staff are encouraged and supported to continuously up skill and subsequently rewarded with more challenging roles. The results of CPD programmes should provide real time skills analysis data;
- Defined skills and capabilities for senior roles will be established; and
- Create a programme of performance management that supports desired behaviours. This will reward positive behaviours but will also have the support of the CFO to take action when undesirable behaviours are discovered.

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C EMERGING HOSPITAL GROUPS

C.1 Introduction

The emergence of Hospital Groups in the coming months will provide a real opportunity to rationalise financial management across the sector, and bring consistency, transparency and improved effectiveness to operational financial management practices.

There are some strong examples of good practice in financial management within the hospital sector, and it is important that these form the basis for future practice as the sector moves towards Trust status.

The move to groups and money follows the patient will have a significant impact on financial management practice in the acute sector, as further service reconfigurations will be required to ensure long term sustainability.

Financial management practice must change, to enable groups to operate as single entities, not a collection of individual hospitals; and to support the increased focus on service line management and patient level costing required to enable groups to operate effectively in the new environment.

C.2 The emerging group structures

Hospital Groups generally comprise a combination of statutory and voluntary providers. Whilst voluntary providers may continue to have external reporting requirements, within the HSE, the distinction between statutory and voluntary is removed as the Hospital Groups will work with HSE as a single organisation (with several locations).

The following analysis presents the 2013 budget allocation, the number of finance WTEs, the financial systems, the financial performance and the maturity of financial management practice by hospital for each group.

This provides a useful snapshot of the current position and insight to inform the direction of travel each group should take as it transitions to Trust status over time, to ensure that financial management arrangements are appropriate given the challenging financial context in which they are operating.

It is clear that there is little correlation between size of budget, finance staff in place and relative financial performance.

In general and not specific to any hospital in particular, this is down to a number of reasons such as:

- Hospital spend is outside the control of finance – finance is seen purely as a reporting function
- Wrong people in certain jobs – HR policy of filing a finance post at most grades with a general administration person irrespective of experience, knowledge or even interest perpetuates this problem
- Resource allocation – the balance of WTE across transaction processing, compliance and decision support is significantly skewed towards transaction processing and as such the budget

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holder in the individual health and social care provider is most likely not getting the support needed in terms of decision support. In the case of one hospital, transaction processing takes up 79% of finance WTE resource.

C.3 Steps towards a new operating model

The immediate priority for emerging groups will be to introduce financial management arrangements across the entirety of the group to enable the financial position to understood from a group perspective. It is suggested that the financial management arrangements in place within the strongest performing hospital within the group be used as the basis for interim arrangements.

It will be expected that all aspects of the new finance operating model will be implemented in the groups over time which means:

- All transaction processing to be carried out by shared services
- A single financial management system
- A standardised approach to service line management and patient level costing to be deployed across all groups to facilitate Money Follows The Patient.

This will provide a significant opportunity to design and develop a financial management model for the acute sector , which builds on existing good practice, and to deploy this approach consistently across the sector.

This will be a significant programme of change, which should be owned by the CFO to ensure that outcomes align with the mandated financial management framework and the resulting financial management practices are fit for purpose.

A similar approach should be adopted when considering the outcome of the ISA review in due course.

C.4 Dublin East

Group composition

The Mater	St Vincents	Mullingar	St Lukes	Wexford	National Maternity	Our lady's Navan	St Columcilles's	St Michaels	Cappagh	Royal Victoria

Resources (WTE) supporting Financial Management at hospital level

	54.39	13.96	9.18	9.25	13.3		8.4			

Budget Managed

€209,625m	€193,465m	€56,547m	€54,875m	€47,792m	€44,236m	€42,811m	€37,435m	€24,600m	€23,563m	€19,788m

Financial Performance

Financial Systems

Agresso	Integra	SAP 4.0B or SAP 4.6C	SAP 4.0B or SAP 4.6C	Masterpiece		SAP 4.0B or SAP 4.6C	SAP 4.0B or SAP 4.6C	SAP 4.0B or SAP 4.6C		

Maturity of financial management practice

Voluntary | Statutory

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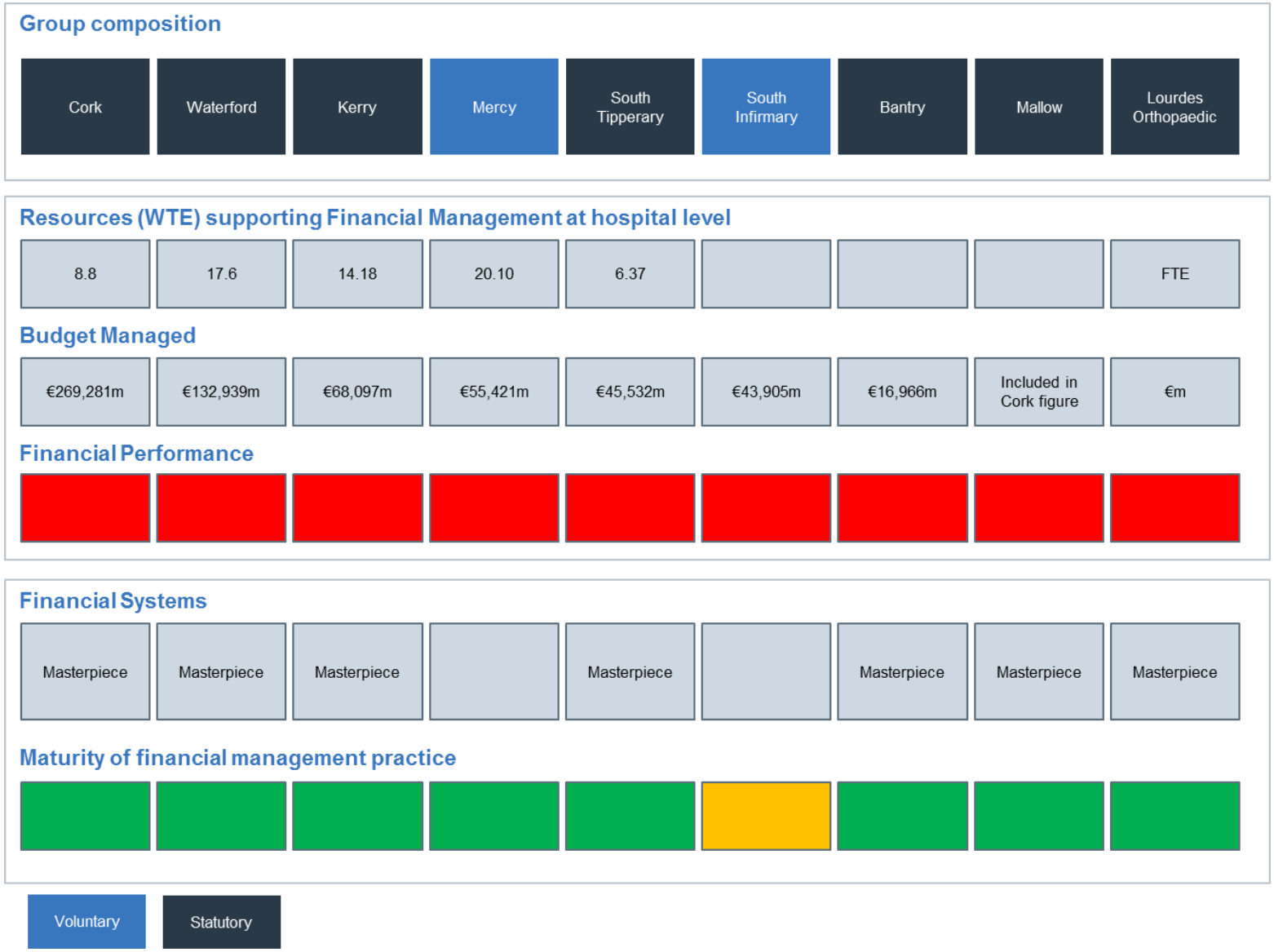
C.5 South / South West



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C.6 Dublin North East

Group composition

Beaumont	Out Lady of Lourdes	Connolly	Cavan general	Rotunda	Louth	Monaghan

Resources supporting Financial Management at hospital level

35.72	23.87	14.53	12.78 (Cavan & Monaghan)	10.85	6.2	

Budget Managed

€238,142m	€127,035m	€84,717m	€81,269m	€43,212m	€13,289m	Included in Cavan General

Financial Performance

Financial Systems

Integra	SAP V4.6C	SAP V4.0B	SAP V4.6C	Exact	SAP V4.6C	SAP V4.6C

Maturity of financial management practice

Voluntary | Statutory

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C.7 Dublin Midlands

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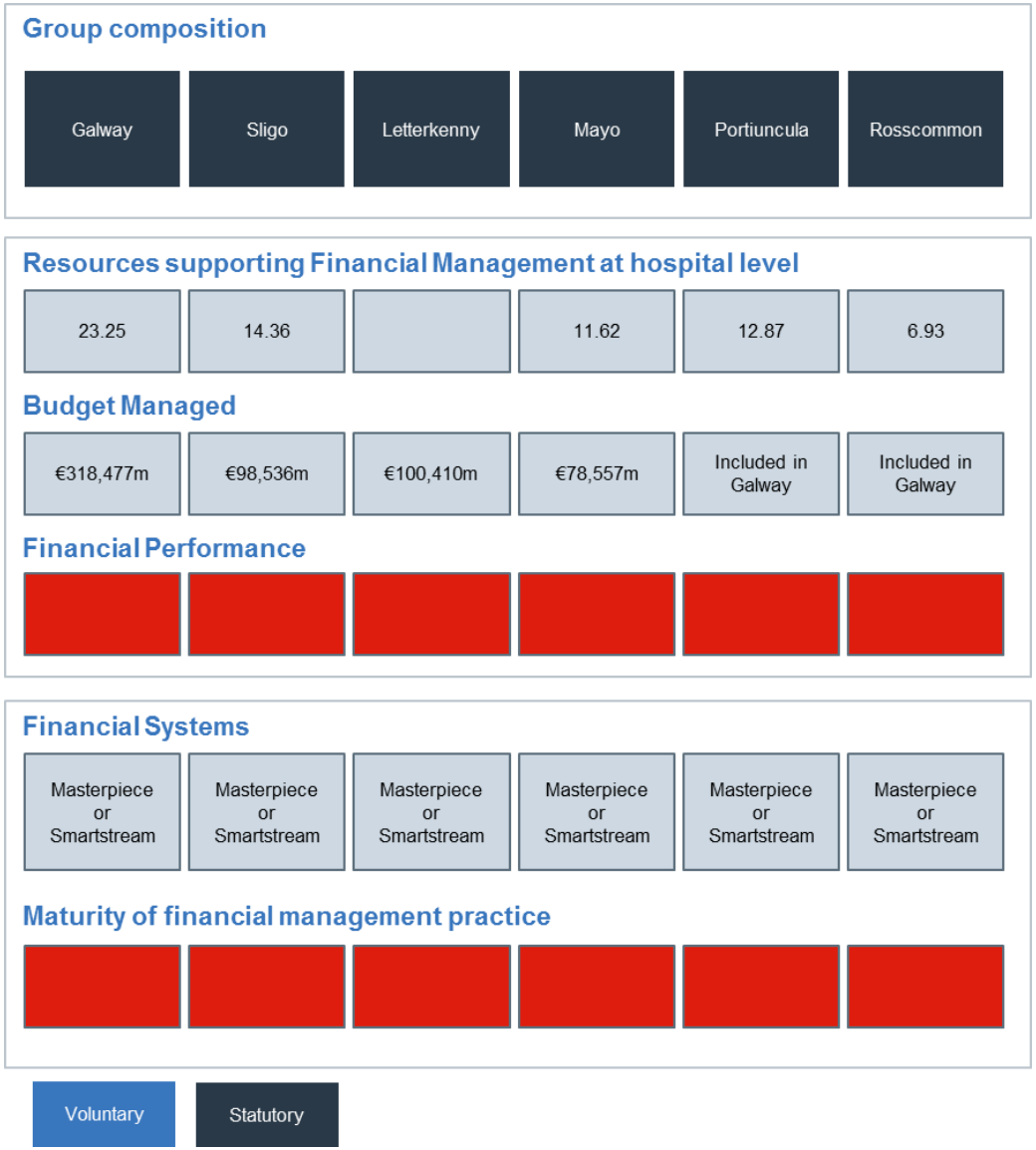
C.8 West / North West



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C.9 Mid West

Group composition

Limerick	St John's	Ennis	Nenagh	Regional Maternity	Regional Orthopaedic

Resources supporting Financial Management at hospital level

Budget Managed

€238,344m Mid West Group	€m	€m	€m	€m	€m

Financial Performance

Financial Systems

Masterpiece or Smartstream	Masterpiece or Smartstream	Masterpiece or Smartstream	Masterpiece or Smartstream	Masterpiece or Smartstream	Masterpiece or Smartstream

Maturity of financial management practice

Voluntary | Statutory

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D CASE STUDIES

D.1 Business partnering

The following are a selection of case studies from organisations that have implemented finance business partners.

Case study – Boeing

Boeing established a strategic vision for Finance and Accounting to become a true partner with the business by shifting focus to value-adding activities. Boeing's senior management recognised that the company's financial processes and related systems did not support the strategic objectives. They therefore:

- Identified the strategic capabilities of Finance
- Focused on the supporting processes to those capabilities to identify opportunities for streamlining, simplification or standardisation, and set priorities
- Compared Boeing practices and capabilities with best practices in accounting transaction processing, close and consolidation, reporting and analytics, planning and budgeting, and systems architecture
- Identified and prioritised improvement opportunities and developed a business case to move forward
- Guided the development and implementation of 'to be' processes and systems to ensure a quality solution in a timely manner.

Based on the pain points and alignment to strategic capabilities, Boeing identified six work streams that simplified and standardised, and created headroom for more effective partnering with the business:

- Rationalised chart of accounts – reduced from more than 15,000 to less than 1,000
- Moved to a single level consolidation – rationalised five sub-consolidation systems
- Standardised and monitored compliance and close procedures – reduced close from 12 to five days
- Implemented common tools for data capture – 75 per cent reduction in the use of spread sheets for statutory data gathering
- Standardised on one general ledger across the enterprise – more than 30 discrete general ledgers were consolidated to one.

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Case study – BBC

The BBC adapted to rapid forecast changes in audience behaviours, programme initiatives and new technologies by creating a new enterprise model. Finance decided it needed to develop a more agile structure to support this and as a starting point redefined its mission:

"Building a better business, proactively driving value for our audiences through informed and insightful decision making, and fostering a culture of continuous improvement across the BBC. A business and Finance team, which works in partnership with the divisions and maintains a transparent system of effective standards, processes and controls."

Characteristics of BBC Finance's vision:

- Finance is a strategic business partner, agile and responsive to business needs
- Processes are streamlined and easy to use
- Finance supports the BBC across all its key measurement needs, providing relevant understandable information
- The Finance organisation comprises a team of skilled professionals
- Finance supports diligence and rigour with internal controls
- A single technology system underpins Finance
- Finance consumes no more than one per cent of revenue

Case study – a multinational pharmaceutical group

After a merger, the new organisation embarked on a programme to drive out the synergies in research and development (R&D), sales, marketing and back-office support services. It therefore:

- Outsourced its IT support (PCs, servers and software support) to IBM
- Reduced the number of enterprise resource planning (ERP) applications
- Consolidated and integrated the businesses in the US.

This left a complex organisation in Europe with a matrix of business units for sales and marketing, discovery, development and manufacturing in each country. The Finance function has responded by:

- Creating three transaction processing shared service centres in Europe
- Embedding Finance specialists in the business units
- Rolling out Hyperion planning

The next stage is to leverage a component business modelling analysis of the existing organisation, and to roll out a PeopleSoft HR platform to construct a framework for global support and enabling services, including Finance.

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Case study – IBM

The IBM financial systems blueprint was redesigned based on commonality across an integrated matrix management system. This involved:

- Creating common data definitions, corporate data standards for financial elements and a worldwide chart of accounts
- On that foundation, building common applications for accounting transactions such as employee disbursements, inter-company billings, accounts payable, accounts receivable and assets
- Feeding source data into a common ledger system to allow aggregation by unit at the corporate level.

On a base of common, worldwide accounting data, IBM could then deploy a robust financial information strategy and common worldwide planning system to deliver business and treasury management information. Systems were run in common geographic mega centres and data maintained in a worldwide financial information warehouse. IBM invested in collaborative solutions: instant messaging, online team rooms and Web conferences. Using programmes such as IBM ThinkPlace*, which is designed to capture ideas from across the company, IBM gained more input on which to build through active collaboration with colleagues. The foundation for this culture of collaboration is the On Demand Workplace, which allows the communication of information to be tailored to the requirements of specific roles.

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D.2 Shared services

In 2012 the UK Government announced plans for significant changes in their corporate shared services. The Next Generation Shared Services Strategic Plan outlines how government departments and arms-length bodies will share functions to deliver potential savings of between £400 and £600m a year in administration costs. These cost savings will come from harnessing the benefits of shared services, including standardized processes, fewer errors, increased automation, leveraged technology, and more efficient use of resources.

As head of the Civil Service, Sir Bob Kerslake, said

"By bringing together more of the services that departments use, we can not only save the taxpayer millions, an important goal in its own right, but we can deliver on our commitment to become a more unified body providing a first class service to the public."

Full details of the structure will be revealed later this year, however there will be a maximum of five Shared Service Centres (SSCs). Two SSCs will be independent of any single customer, and three SSCs will be standalone in terms of operations but will be subject to performance monitoring. There will also be a Crown Oversight Function responsible for governance. The two independent SSCs will be provided through the divestment of the Department for Transport (DfT) SSC to an outsourced provider and the second will be built on the Department for Work and Pensions (DWP) SSC.

The functions that will move into share services include: human resources, payroll, record to report order to cash, and accounts payable. Only certain 'core functions' will be moved into the shared service centres, and for 'optional' services, departments can compare costs with their in-house services and decide whether they will retain the service or move it to shared service centre.

Also announced in the report were details on the creation of a Crown Oversight Function that works with departments to deliver improvements in the quality of service and reduction in the operating costs of shared services towards upper quartile performance. The Crown Oversight Function will monitor performance of all five SSCs and departmental retained functions.

D.3 Big Data

D.3.1 Why better use of information will improve outcomes for patients throughout the NHS

NHS England was introduced towards the end of 2012 and is already playing a vital role in on-going efforts to improve outcomes for patients. One of its main responsibilities is to monitor the performance of commissioners and providers, collating key indicators from thousands of organisations and using them to define clear standards and increase accountability.

Working with data on this scale, however, has proven to be highly problematic in the past. As a result, anomalies that should automatically require urgent management attention – such as high mortality rates and anomalous trends in care provision - were not acted upon in time. To support its duties effectively, the Board needs a single version of the truth that draws from vast data sets in NHS and visualises performance indicators in a consistent and easy-to-use presentation.

A new intelligence tool developed by NHS England in partnership with PA Consulting Group, QlikTech and Google Enterprise is a making this ambition a reality. The first phase in the intelligence tool's development brings together over 100 indicators from 10 different national sources, covering NHS England and including A&E performance and mortality rates. This provides a single version of the truth that allows commissioners to effectively manage the quality of care. Commissioners can use the clear and concise user interface to explore potential issues by comparing performance across providers and interactively exploring the data in near real-time for that specific organisation.

The power of the software that this tool uses has already been demonstrated in a previous experiment by PA, which used the same Google big query tools to analyse anonymised NHS Hospital Episode Statistics data. Running sophisticated queries on this data, which consists of 1 billion rows of data, would previously have taken days, if not weeks. With the new technology, however, the data could be worked with almost instantly. Asking the entire HES database about hospital admissions after heart attacks took about 20 seconds when ordinarily it would have taken much longer. The potential impact of this new tool for NHS England is therefore considerable.

As well as enabling NHS England to work effectively with massive quantities of data, another significant outcome of the new technology is that it will allow a greater number of people to analyse and make sense of healthcare information available. As part of its transparency agenda, the Government has committed itself to making performance figures available to data scientists and to the wider public. As a development, this is in line with trends beyond healthcare. Ofsted, for example, make school reports available – why should it not be the same for healthcare information? This would enable patients to review the performance of health services and individual doctors. The only requirement is the ability to know how to work with data, to ask the right questions and to (in the words of Google) 'have a conversation with the data.'

The creation of this new technology is a clear indication that we are at a hugely exciting time in the development and transformation of both the NHS and healthcare generally. If the industrial revolution was driven by steam, the healthcare revolution will be driven by data.

D.3.2 Potential of Big Data

The amount of data in our world has been exploding, and analysing large data sets—so-called big data—will become a key basis of competition, underpinning new waves of productivity growth, innovation, and consumer surplus, according to research by MGI and McKinsey's Business Technology Office. Leaders in every sector will have to grapple with the implications of big data, not just a few data-oriented managers. The increasing volume and detail of information captured by enterprises, the rise of multimedia, social media, and the Internet of Things will fuel exponential growth in data for the foreseeable future.

D.3.3 Deep analytical talent: Where are they now?

Research by MGI and McKinsey's Business Technology Office examines the state of digital data and documents the significant value that can potentially be unlocked.

MGI studied big data in five domains—healthcare in the United States, the public sector in Europe, retail in the United States, and manufacturing and personal-location data globally. Big data can generate value in each. For example, a retailer using big data to the full could increase its operating margin by more than 60 per cent. Harnessing big data in the public sector has enormous potential, too. If US healthcare were to use big data creatively and effectively to drive efficiency and quality, the sector could create more than $300 billion in value every year. Two-thirds of that would be in the form of reducing US healthcare expenditure by about 8 per cent. In the developed economies of Europe, government administrators could save more than €100 billion ($149 billion) in operational efficiency improvements alone by using big data, not including using big data to reduce fraud and errors and boost the collection of tax revenues. Users of services enabled by personal-location data could capture $600 billion in consumer surplus. The research offers seven key insights.

1. Data use has swept into every industry and business function and are now an important factor of production, alongside labour and capital. We estimate that, by 2009, nearly all sectors in the US economy had at least an average of 200 terabytes of stored data (twice the size of US retailer Wal-Mart's data warehouse in 1999) per company with more than 1,000 employees.
2. There are five broad ways in which using big data can create value. First, big data can unlock significant value by making information transparent and usable at much higher frequency. Second, as organizations create and store more transactional data in digital form, they can collect more accurate and detailed performance information

on everything from product inventories to sick days, and therefore expose variability and boost performance. Leading companies are using data collection and analysis to conduct controlled experiments to make better management decisions; others are using data for basic low-frequency forecasting to high-frequency nowcasting to adjust their business levers just in time. Third, big data allows ever-narrower segmentation of customers and therefore much more precisely tailored products or services. Fourth, sophisticated analytics can substantially improve decision-making. Finally, big data can be used to improve the development of the next generation of products and services. For instance, manufacturers are using data obtained from sensors embedded in products to create innovative after-sales service offerings such as proactive maintenance (preventive measures that take place before a failure occurs or is even noticed).

3. The use of big data will become a key basis of competition and growth for individual firms. From the standpoint of competitiveness and the potential capture of value, all companies need to take big data seriously. In most industries, established competitors and new entrants alike will leverage data-driven strategies to innovate, compete, and capture value from deep and up-to-real-time information. Indeed, we found early examples of such use of data in every sector we examined.
4. The use of big data will underpin new waves of productivity growth and consumer surplus. For example, we estimate that a retailer using big data to the full has the potential to increase its operating margin by more than 60 percent. Big data offers considerable benefits to consumers as well as to companies and organizations. For instance, services enabled by personal-location data can allow consumers to capture $600 billion in economic surplus.
5. While the use of big data will matter across sectors, some sectors are set for greater gains. We compared the historical productivity of sectors in the United States with the potential of these sectors to capture value from big data (using an index that combines several quantitative metrics), and found that the opportunities and challenges vary from sector to sector. The computer and electronic products and information sectors, as well as finance and insurance, and government are poised to gain substantially from the use of big data.
6. There will be a shortage of talent necessary for organizations to take advantage of big data. By 2018, the United States alone could face a shortage of 140,000 to 190,000 people with deep analytical skills as well as 1.5 million managers and analysts with the know-how to use the analysis of big data to make effective decisions.
7. Several issues will have to be addressed to capture the full potential of big data. Policies related to privacy, security, intellectual property, and even liability will need to be addressed in a big data world. Organizations need not only to put the right talent and technology in place but also structure workflows and incentives to optimize the use of big data. Access to data is critical—companies will increasingly need to integrate information from multiple data sources, often from third parties, and the incentives have to be in place to enable this, intellectual property, and even liability will need to be addressed in a big data world. Organizations need not only to put the right talent and technology in place but also structure workflows and incentives to optimize the use of big data. Access to data is critical—companies will increasingly need to integrate information from multiple data sources, often from third parties, and the incentives have to be in place to enable this.

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E OPTIONS APPRAISAL

E.1 Introduction

Workshops were held to consider options for compliance, transaction processing and decision support. These workshops were attended by the Working Group and process specialists.

At each workshop:

- Options were described
- Evaluation criteria proposed
- Scoring mechanism proposed

Workshop attendees then debated the options against the evaluation criteria and scoring mechanism to reach a recommended solution

E.2 Compliance

The Compliance option appraisal considered the degree to which operating model attributes should be mandated across the system.

The degrees of prescription considered were:

- Mandatory: where all HSCPS are required to comply with
- Recommended: where all HSCPS are encouraged to comply with standards defined by CFO
- Guidance: where all HSCPS are to consider standards defined by CFO

The appraisal considered the following operating model attributes

Operating model attribute
Process (the way in which the service is undertaken)
Governance and controls (internal and external regulations)
Information (data governance)
Technology (supporting systems)
Skills of the finance professionals in the System
Culture and behaviours (compliance and sanctions)

A group discussion captured the advantages and disadvantages arising from mandating aspects of the operating model, then each option was scored to determine the preferred option.

E.2.1 Recommendation and scoring

The overwhelming recommendation was for a mandatory financial management framework.

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Finance Operating Model **Options Appraisal: Compliance** Average score from all Groups	Alignment with Design Principles	Meets requirements of Future Health	Improves Quality of Management Information	Changes Behaviours	Releases resources for value adding services	Capability, Capacity, Affordability & Risk	
Option	**A**	**B**	**C**	**D**	**E**	**F**	**Total**
Process (the way in which the service is undertaken)							
As Is	0.67	0.33	0.00	0.33	0.00	0.67	2.00
Mandatory: all HSCPS are required to comply with standards defined by CFO	5.00	5.00	5.00	5.00	5.00	4.33	29.33
Recommended: all HSCPS are encouraged to comply with standards defined by CFO	2.33	2.33	2.00	2.33	2.00	2.33	13.33
Guidance: all HSCPS are to consider standards defined by CFO	0.67	0.67	0.67	0.67	0.67	0.67	4.00
Governance and controls (internal and external regulations)							
As Is	1.33	1.33	1.33	1.00	1.00	1.33	7.33
Mandatory: all HSCPS are required to comply with standards defined by CFO	5.00	5.00	5.00	5.00	4.33	3.67	28.00
Recommended: all HSCPS are encouraged to comply with standards defined by CFO	1.00	1.00	1.00	1.00	1.00	1.67	6.67
Guidance: all HSCPS are to consider standards defined by CFO	0.33	0.33	0.33	0.33	0.67	0.67	2.67
Information (data governance)							
As Is	0.67	0.33	0.33	0.33	0.00	0.67	2.33
Mandatory: all HSCPS are required to comply with standards defined by CFO	5.00	5.00	5.00	5.00	5.00	4.33	29.33
Recommended: all HSCPS are encouraged to comply with standards defined by CFO	1.33	1.33	1.33	1.33	1.33	1.33	8.00
Guidance: all HSCPS are to consider standards defined by CFO	0.33	0.33	0.33	0.33	0.33	0.33	2.00
Technology (supporting systems)							
As Is	1.33	1.33	1.00	1.00	1.00	1.67	7.33
Mandatory: all HSCPS are required to comply with standards defined by CFO	5.00	5.00	5.00	5.00	5.00	4.33	29.33
Recommended: all HSCPS are encouraged to comply with standards defined by CFO	2.00	2.00	2.67	2.00	2.00	2.00	12.67
Guidance: all HSCPS are to consider standards defined by CFO	0.67	0.67	2.00	0.67	0.67	0.67	5.33
Skills of the finance professionals in the System							
As Is	0.67	0.67	0.67	0.67	0.67	0.67	4.00
Mandatory: all HSCPS are required to comply with standards defined by CFO	3.67	4.33	4.33	4.33	4.33	3.00	24.00
Recommended: all HSCPS are encouraged to comply with standards defined by CFO	2.33	3.00	2.33	2.33	2.33	3.00	15.33
Guidance: all HSCPS are to consider standards defined by CFO	0.67	0.67	1.00	0.67	0.67	1.00	4.67
Culture and behaviour							
As Is	0.33	0.33	0.33	0.33	0.33	0.33	2.00
Mandatory: all HSCPS are required to comply with standards defined by CFO	3.00	3.67	3.67	3.67	3.00	2.33	19.33
Recommended: all HSCPS are encouraged to comply with standards defined by CFO	2.33	3.00	2.33	2.33	1.67	2.33	14.00
Guidance: all HSCPS are to consider standards defined by CFO	1.00	0.67	1.00	0.67	0.67	1.00	5.00

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E.2.2 . Group Observations

Culture and behaviours:

Advantages	Disadvantages
As Is	
Maintains ‘hard working’ culture	Staff burn out, fatigue and disillusionment
Top down	Financial risk
	No reward for good performance
	Lack of management / resource allocation
	Passive resistance to change
	Little or no accountability
	Decisions based on ‘county jersey’ or ‘it’s my money’
	Sense of entitlement
	Running to stand still
Mandatory	
Delivers significant change, compliance and uniformity	Creates resistance and fear
People feel more involved in the process	Impact on staff morale
Less IR difficulties	Reduced flexibility
Promotes staff development	
Creates time for value added activity	
Clarity and equity	
Trust the system to support them	
Recommended	
Supports ‘consensus’ approach	Less impact than mandatory option
Less IR challenge	Discretionary implementation
Reward system is performance linked	Burdensome consultation process – resource drain
Guidance	
People feel more part of the change	Little or no change
	Wasted effort

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Technology and supporting systems

Advantages	Disadvantages
As Is	
Existing skill set	High cost of maintenance
No capital outlay	Too much data validation
Allows intermediate migration without procurement process	Compliance issues
	Doesn't support changing structures
	Different systems producing inconsistent data
Mandatory	
Consistency of best practice	Implementation costs (but builds on current investment)
Data integrity	Staff resistance
Leads to better use of staff resources	Lack of suitable in house resources
Standard hierarchies	Loss of autonomy at a local level
Aids staff progression	
Better compliance and control	
Frees up resources from transaction processing to value added services	
Recommended	
Empowerment of local management	Higher risk of maintaining the as is environment
	No line of sight
	Promotes resistance
	Only partial improvement of compliance issues

Advantages	Disadvantages
Guidance	
May improve the as is situation	Weakest option
	Little or no improvement

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Skills and capabilities

Advantages	Disadvantages
As Is	
Assumption / expectations for qualifications	Local discretion
Keeps existing staff – great experience	Greater risk of financial errors
Local discretion	Additional training costs
Risk arising from capability of staff	General recruitment for junior grades – square pegs in round holes
	Lack of structured finance for non-financial managers programme
	Lack of structured HSE-wide CPD programmes
	Lack of career progression for experienced staff without qualifications
	Staff can leave at any time
	No succession planning
Mandatory	
Good balance of resources – experience/role/background/skills	Loss of experienced staff
Clear standards for skills requirement	No career progression for staff not qualified
Succession plan	Training costs and resources
Clear standards of what elements are mandatory (key) and recommended (other)	Demarcation issues
Clear and consistent application of financial regulations and reporting	Loss of morale for staff who can't progress because not qualified
Recommended	
Local discretion	Inconsistent level of skills and

Advantages	Disadvantages
	qualification
Incentive for staff	Lack of consistency in training across accountants
Better morale	
Career path	
Encouragement of staff	
Guidance	
More clarity than as is	No consistency at all
Total local discretion – users happy	Even greater risks
Structure to career progression	

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Governance and controls

Advantages	Disadvantages
As Is	
Manpower in maintaining as is	Diverse cultures
High level awareness of governance framework	Levels of compliance with governance framework
Maintain current governance framework	Level of buy-in to governance framework
Meets statutory obligations	Political acceptability
Single legal entity	No line of sight
Awareness of our fit / gap	Unnecessarily time consuming to meet statutory and other financial deadlines
	User perception re impact on their roles
Mandatory	
Adds accountability and ownership	Cost and effort
Enables enforcement	Needs very clear process to communicate rules and processes
Eliminates/minimises appropriate political influence	Huge training requirements
Clarity	
Unambiguousness	
Consistency in consequences	
Recommended	
Softer approach	May be appropriate for some things but not for main fundamental issue
Systems / users may accept much quicker	Encourages inconsistency
More acceptable in a mature, stable environment	No reliance on financial data
	Monitoring more complex
	Difficult to ensure implementation of standardisation
	A la carte
	Lack of consistency in consequences
	More difficult to implement and police
	Lack of clarity
Guidance	
Users may be very happy with it	Throw out existing learning
	No consequences

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Information (data governance)

Advantages	Disadvantages
As Is	
Reflects local ways of working, systems	Inconsistent data structures
	No line if sight
	Promotes inefficiency
	Huge inconsistencies
	Lack of standardisation
	Too much data validation
	Huge resources to maintain as sis
Mandatory	
Consistency for consolidation	Local flexibility in more detailed cost centres
Single chart of accounts	Ability to get agreement
Master data owned and consistent	Benefits across multiple systems
Top level cost centre structure to support aggregation at the element level	
Value added reporting due to greater consistency	
Single chart of account element level consolidation through MI	
Fewer codes and feeder systems	
Recommended	
Only for local requirements, that are not aggregated	Undermines objective of consistent, comparable, reliable data
	Definitions difficult to enforce
Guidance	

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Process

Advantages	Disadvantages
As Is	
Process reflects local needs, skills, capabilities and technology	Creates differentiation, complexity in line of sight and consolidation
	Extreme inefficiencies
	Waste of resources
Mandatory	
More efficient use of resources	Could be inflexible – emergency procedures would be required
Single communication lines	Decision support processes need flexibility – reflecting experience and management styles
Gives staff feeling of security / assurance	Requires people to be trained in context of organisational changes
Process documented	
Guidance manuals	
Ensures data that is reliable, consistent	
Achieves single line of sight	
Creates robust control framework	
Internal and external regulations demand compliance	
Transaction processing and compliance processes should be mandatory for control and efficiency	
Recommended	
Allows flexibility in decision support processes	Would be interpreted as ‘choice’ and work around developed
Transition (if current systems cannot support mandatory processes)	Inconsistency of approach
Guidance	

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E.3 Transaction processing

The Transaction processing option appraisal considered three specific business challenges and sought the best operating model option to achieve the desired outcomes, namely:

- How will Finance influence the end to end transaction processes to ensure that they are simplified standard and consistently followed?
- What is the best way to ensure effective information management and data governance across the system?
- Our goal is a single financial system. What is the most efficient and cost effective way of getting there?

The appraisal compared the current position, or As Is against a number of alternative operating model options.

Operating model options
Operations excellence within finance (i.e. the future requirements from transaction processing will be delivered through shared services)
Operations excellence outside finance (i.e. the future requirements from transaction processing will be delivered through National Shared Services)
Delivered within the Business (i.e. the future requirements from transaction processing will be delivered locally by HSCPs, including through self service)
Outsource Transaction Processing (i.e. the future processing requirements from transaction processing will be delivered through an external partner).
Outsource Financial Systems (i.e. the future financial systems requirements will be delivered through an external partner).

A group discussion captured the advantages and disadvantages arising from mandating aspects of the operating model, then each option was scored to determine the preferred option

Evaluation criteria applied were:

- Alignment with design principles
- Meets requirements of Future Health
- Improves quality of management information
- Changes behaviours
- Releases resources for value-added services
- Deliverability: capability, capacity, affordability and risk.

E.3.1 Recommendations and scoring

The appraisal concluded the following:

- Technology should be outsourced (managed service)
- Information (data governance) should be owned and managed by finance
- Process should be delivered by National Shared Services

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Finance Operating Model Options Appraisal: Transaction processing Average for all Groups	Alignment with Design Principles	Meets requirements of Future Health	Improves Quality of Management Information	Changes Behaviours	Releases resources for value adding services	Capability, Capacity, Affordability & Risk	Total Score
Option	**A**	**B**	**C**	**D**	**E**	**F**	**Total**
Process							
As Is	0.67	0.00	0.33	0.33	0.33	0.67	2.33
Operations Excellence within Finance	1.67	1.67	2.33	2.33	2.00	3.00	13.00
Operations Excellence within NSS	5.00	5.00	4.33	4.33	4.33	3.00	26.00
Business / Self-Service							
Outsource: Process	4.33	5.00	3.67	4.33	5.00	1.00	26.00
Information (data governance)							
As Is	0.33	0.00	0.33	0.67	1.33	1.33	4.00
Operations Excellence within Finance	5.00	5.00	5.00	4.33	3.67	3.67	26.67
Operations Excellence within NSS	3.67	3.67	3.67	2.33	3.67	2.33	19.33
Business / Self-Service							
Outsource: Process							
Technology (systems)							
As Is	1.33	1.33	1.33	1.00	0.33	0.33	5.67
Operations Excellence within Finance							
Operations Excellence within NSS	3.67	4.33	3.67	1.67	3.00	2.33	18.67
Outsource: Systems	3.67	3.67	3.67	2.33	3.67	2.67	19.67

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E.3.2 Group Observations

Technology

Advantages	Disadvantages
As Is	
Unique to HSE	Efficiencies not maximised
New common system delivered	Higher support costs
Less risk	Processes not changed – inefficiencies continue
Improved processes and information	Local fixes
Better security	More expensive to maintain
Staff morale improved	Shared services strategy not supported
Online / self-service	No upgrades since 1999 – customised
Facilitates standard ways of working	Unlikely to deliver objectives e.g. common chart of accounts
	Duplication
	Multiple support
National shared services	
Addresses weaknesses in as is	Staff expertise and resources – affordability
Improved governance	Cost and effort to maintain and implement upgrades
Single owner	Investment in back up procedures
Control over development	Not a core function
In house capability and knowledge	
Security	
Outsource	
Reduced costs	Data protection risks

Advantages	Disadvantages
Maintained versions	Reliance
Access to expertise	Premium cost
Risk transferred	Cost of change – transparency
Effective use of expertise	Is there a provider big enough?
Access to new technology / innovation	Contract management
Greater flexibility	IR issues?
Sign off / approval may be easier	Loss of control
Free up resources – systems administration	Response times to problems
Pace for implementation	

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Information (data governance)

Examples of data are:

Chart of accounts: GL: care group, cost centre, subjective, project	Commodity codes – national codes	Vendor master - procurement and AP
Customer master - income	Employee master: HR and payroll	AFS/IMR/monthly reporting
COMPSTAT – not finance	DRG/patient level costing – not finance	Fair deal reports / occupancy
Payroll pay groups / pay scales		

Advantages	Disadvantages
As Is	
Producing reports, meeting deadlines, paying suppliers – works but creaking	Can't change in line with future
	Too many systems
	Line of sight
	Complex touch points – not automated and takes too long
	Changes take significant effort
	Too much manual intervention
	Lack of comparability
Operations excellence in Finance	
More aligned with finance	Need for engagement
Governance easier to mandate	Ability for NSS to deliver if not
	involving them in the change
Efficiencies / standardised process	
Less duplication	
Operations excellence in NSS	
Co-ownership of data and process	Time delay on decision making if not part of finance
	Different organisations – will be a challenge

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Process

Advantages	Disadvantages
As Is	
Known	Labour intensive
No up-front investment required or risk from change	No line of sight
No disruption	Lacks consistency
	Resource inefficiency
	Won't cope with new structures
	Duplication
	Not sustainable
	Resource intensive
	Not sustainable
	Dependency on local knowledge
	Expensive
Operations Excellence - Finance	
Speed – decision making, access to staff, local knowledge, more control and flexibility	Risk of regional ad hoc regional development
	Lack of standardisation
	Duplication / cost
	Less local control
	Lack of national view – consistency and comparability
	HR / procurement interface – lack of integration
Operations excellence in NSS	
Standardisation	Risk in bigger project
Consistency / comparability	IR issues
Line of sight	Up- front investment
Resource savings / cost benefit over time	Loss of local knowledge
Opportunity to scale up	Time to implement
Lower delivery risk	Availability of resources
Control and compliance	Investment in training
Easier to audit	
More control over front end	
Staff development / career path	
Expertise	
Quality of service	
Business / self-service	
Part of has to be in the business but needs automation and control	Loss of control
	Implementation risk
	Operational risk
	Technology access
Outsourcing	
Speed of start up	Loss of knowledge and control
Economies of scale	Risk of cost escalation due to lock in
Release people	IR issues
Security of service provision	Data security
Should be cheaper	Need to make staff redundant / TUPE to achieve savings

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Advantages	Disadvantages
Leading edge technology	Loss of expertise in provider – staff turnover
Sustainability and capacity	Not current good practice
Not core business	

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E.4 Business Partners

During the option appraisal workshop participants considered the three business partner roles proposed to deliver Decision Support in the new operating model, exploring advantages and disadvantages, and appropriateness for the Irish health system.

Commissioning Business Partners

- Commissioning Business Partners work alongside the National Directors. Responsibilities include:
  - reform and delivery of services in their specified service domain;
  - the development of national service strategies; and strategic commissioning frameworks for their areas of responsibility.

The Commissioning Business Partner is the face of finance for the National Directors and will be part of the National Director team. The role is forward looking, engaging business intelligence, finance specialists and operations to develop scenario plans and business cases. In doing so, the Business Partner is acting as the representative of the CFO.

Commissioning business partners are proposed on the assumptions that commissioning is led by National Directors; there will be an SLA between finance and the National Directors; trusted financial and activity data is available; finance business partners have a care group focus but report to the CFO; and finance business partners are appropriately trained and resourced. On this basis, the advantages and disadvantages of this business partner role are:

Advantages	Disadvantages
Finance has a meaningful value added role	May have conflicts to manage between finance and service priorities

On balance, the recommendation is that commissioning business partners are appointed to mirror the National Director roles.

Performance Business Partners

- Performance Business Partners work with the COO and RDPIs in supporting the planning and performance management process. The Performance Business Partner is part of a multi-disciplinary Planning & Performance team.
- The Performance Business Partner receives a regional view of care group data from Operations Excellence and holds reviews with the HSCPs in their region.
- The Performance Business Partner provides monitoring and evaluation support for their area overall and for each care group, acting as a representative of the CFO;

Performance business partners are proposed since they will enhance regional service planning. The Working Group argued that these business partners need to be appointed quickly to make an impact; that their effectiveness will be influenced by the quality of information and systems in place; and that their role has to be more than number crunchers. On this basis, the advantages and disadvantages of this business partner role are:

Advantages	Disadvantages
Consistency of performance management	There will be variation in effectiveness during transition to the new finance operating model
Standardisation of reports to facilitate a national view	Will take time for a broader perspective to be embedded
Shifts focus to the service – finance only one aspect	
Improves trust – not just a finance hat on	

On balance, the recommendation is that Performance business partners are appointed to mirror the RDPI roles.

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Operational Business Partners

- Operational Business Partners provide decision support activities within HSCPs, and are responsible for ensuring appropriate financial management practices are in place to support effective financial control and sound decision making at a local level.

Operational business partners are proposed with the following assumptions: there are strategic local decisions but these are made in the context of national care group strategy; in the context of a changing environment, finance needs to take control of the agenda and shape how finance services will be provided; support can adapt to multiple reporting relationships and be supported by multi-dimensional reporting. On this basis, the advantages and disadvantages of this business partner role are:

Advantages	Disadvantages
Deep knowledge of local operations through integration with operational staff	Going 'native' – driven by local agenda
Dedicated resources aligned to operations structure	Meeting corporate objectives depends upon operations working effectively with finance business partners. Changing role of Group CFO and move to MFTP should help
HSCP CEO has access to a local business partner	

On balance, the recommendation is that operational financial support business partners are appointed to mirror the HSCP CEO (or equivalent) and HSCP functional director (or equivalent) roles.

They will be the Finance Director of each HSCP and will have professional accountability to the CFO.

F ORGANISATION DESIGN

We recommend a service delivery model that comprises business partners, finance specialists and operations excellence.

The academic basis for this delivery model is the HR model developed by Dave Ulrich of Ross School of Business at the University of Michigan. Ulrich introduced the concepts of three business components: business partners, centres of expertise and shared services.

The way in which HR is structured to deliver its services has been the subject of considerable debate and discussion over recent years. What emerges from the literature are two approaches to HR organisation:

- traditional approaches of a single team of generalists, specialists and administration, or a corporate strategy team aligned by business units or locations
- the 'three-legged stool' Ulrich model of business partners, centres of expertise and shared services.

Research has found that a traditional structure of HR services is still common in many organisations and is particularly prevalent in small and medium sized organisations. This is due to the fact that because of resource constraints, HR teams in SMEs have to be versatile and deal with both the strategic and the operational work.

Over recent years it has been Ulrich's model of human resource services delivery which has become regarded as best practice. The most common interpretation of the model is based on three means or mechanisms of service delivery: HR business partners, HR centres of expertise and shared HR services. In the 2006 Chartered Institute of Personnel Development survey, 83% of organisations reported that they had introduced Ulrich's business partner model in some way (these organisations would mainly be large scale).

Although initially developed for HR services, the principles of the Ulrich model apply equally well to other support services such as finance. Accountancy bodies and international consultancies have endorsed the Ulrich model as best practice and it is widely adopted in large scale public and private organisations.

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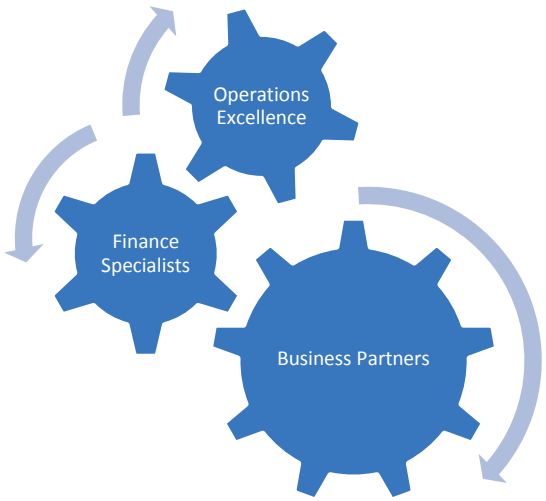

The shared services leg of the model has developed over the period since the Ulrich model was first put forward. Leading practice now is for an integrated shared services model that goes beyond transaction processing into added value accounting and knowledge-based services. The latter has been facilitated by new developments in business intelligence systems. In PA, we refer to this broader role as operations excellence.

Having established the core attributes of the operating model, the next step is to determine the services to be supported in each area by considering the characteristics of each service.

Finance Service	Business Partner	Finance Specialist	Operations Excellence
Decision support			
Programme financial management and reporting	✓		
Operational budgeting	✓		
Operational financial management and reporting	✓		
Cost containment planning	✓		
Costing	✓		
Provision of financial advice	✓		
Financial strategy and planning		✓	
Corporate budgeting		✓	
Corporate financial management and reporting		✓	

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Finance Service	Business Partner	Finance Specialist	Operations Excellence
Value for money		✓	
Compliance			
Governance and controls		✓	
Financial statements			✓
Treasury / Vote		✓	
Capital accounting		✓	
Financial risk management and insurance		✓	
Taxation		✓	
Period end closure			✓
Cash management			✓
Systems support			✓
Transaction processing			
Order to receive			✓
Invoice approval to payment			✓

Finance Service	Business Partner	Finance Specialist	Operations Excellence
Payroll changes			✓
Payroll processing			✓
Private health claims			✓
RTA claims			✓
A&E cost recovery			✓

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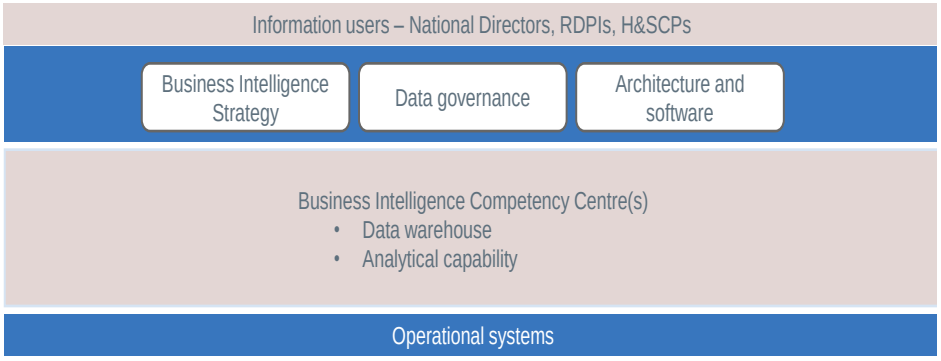
G BUSINESS INTELLIGENCE

Business intelligence is a key enabler for the role of the business partner. Typically, business intelligence involves the following 'layers':

- Information users – finance's key stakeholders
- Management – business intelligence strategy to ensure that business needs are being met; data governance to ensure consistency of data definitions and data ownership; architecture and software to advise on the most appropriate technology solutions
- Business intelligence competency centre(s) – data warehouse and analytical capability
- Operational systems – the source data for the data warehouse.



The term business intelligence is often used to describe the technical architecture of systems that extract, assemble, store and access data to provide reports and analysis. It can also be used to describe the reporting and analysis applications or performance management tools. But business intelligence is not just about hardware and software. It is also about organisation wide recognition that an organisation's data is an important strategic asset that can yield valuable management information that can be used to support decision making.

Leading businesses are investing in business intelligence (BI) solutions to secure improved performance management. There is a commonly held belief that investing in an improved BI solution, to deliver a 'single version of the truth', will enable better decision making and improve performance management. To be successful, investment in BI has to be well co-ordinated, strategic and avoid 'single issue' deployments that lead to an array of local solutions. Establishing a business intelligence competency centre enables a common approach which yields better value for money. The common solution must address the needs of specific business communities to avoid these groups finding solutions of their own and avoid replicating similar functions within these groups.

To establish a BICC that is seen as a 'must have' capability, it has to have business analytical functions at its heart. This will help the service to look beyond data integration and technology and to focus on delivering critical business insights. The BICC provides the information used to support

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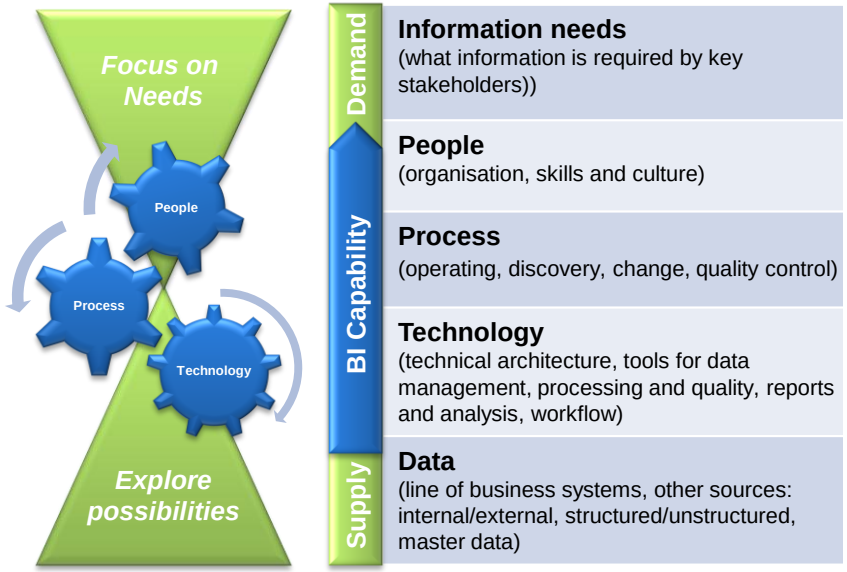
decision making across the business. BICC resources will be knowledgeable about the business. This service will support the management team by providing not only the vital performance measures they need, but also new and challenging views of the business and operations; views that stimulate debate and fresh thinking at the senior management table.



Developing a BI function is an evolutionary process in which all aspects of the capability need to develop in balance:

- The BI capability will bring together key stakeholder requirements (demand) and available data sources (supply) through a balanced mix of people, processes and technology

Both information needs and data sources are undergoing significant change. To satisfy the changing information needs and understand the potential of the new data sources, the BI capability needs to evolve with these changes

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H SENIOR FINANCE TEAM VIEW OF CURRENT INFORMATION SYSTEMS

The primary challenge with the current collection of systems is that they pre-date 2005 and the establishment of the HSE. CRS or Corporate Reporting Solution was implemented in 2006 in response to an urgent need to give one 'health view' and to better enable the organisation to monitor and respond to a changing system. Given the size of the new organisation it was thought best to quickly develop a bespoke consolidation tool to provide a system wide view from a common platform using existing systems architectures as a base. It was never envisaged as a long term solution but in spite of this has been expanded and mimicked in many forms as new reporting pressure points have emerged over the years.

In the absence of a single financial system there has never been an impetus to expand Corporate or local financial systems beyond the one view, a financial and hierarchical view of the organisation. Although HR and Procurement systems exist in many forms there has never been a single view of these functions. Local systems are fragmented and differ in quality, size and scope depending on where they sit geographically. The majority of these systems date back to the Area Health Boards and although new systems have been developed and old systems modernised there has been no real commonality of approach to the financial systems that are used on the ground.

In addition voluntary providers are incorporated into the HSE's reporting at a very high level. We are heavily dependent on provider trust because of a lack of line of sight into each provider's ledger. This is further complicated with each having separate legal status and distinct governance structures. Each of these organisations has developed their own systems in the absence of an integrated approach.

The primary weakness in financial systems is their inability to provide multiple views of the same data. The organisation is now finding itself increasingly compelled to report using a matrix style view including areas such as care groups / programmes, hospital groups, redefined ISA's and other emerging but as yet unspecified organisational changes. The HSE is also in the unique position of having a dual reporting arrangement with Government, reporting on a UK GAAP basis in addition to adhering to Vote accounting rules and regulations. Systems were developed for Vote Accounting to provide a high level view but that aside existing financial systems cannot provide a detailed dual view of the organisations finances. Whilst it is acknowledged that existing Corporate systems can be reconfigured to support most of the above at a high level it is questionable whether all local systems which are primarily functionally driven i.e. by hospital / LHO and also report on strictly drawn geographical / old Area Health Board boundaries will be able to respond to this fundamental change in how to manage our business. Corporate systems are heavily dependent on the systems that feed them and although with development they can present data in a matrix form what they lack is the necessary integration with local finance, HR and Procurement systems which would be deemed a necessity in a rapidly changing organisation

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I KEY STAKEHOLDERS CONSULTED

A substantial number of HSE staff were involved in shaping the recommendations contained in this report. We appreciate their contribution.

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