

Why is a **Budgeting
Tool Essential** to
support operational
improvement?

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The annual budget compilation has traditionally been a strenuous task, typically involving numerous spreadsheets for individual departments and large-scale spreadsheets for consolidation.

The Deputy Director of Finance, under the pressure to reconcile bottom-up calculations with top-down assumptions imposed by higher management, and then submit their planning return, may be left with a dilemma: instruct the Finance team to revise the detailed calculations or set an additional cost-saving target to be achieved within the year.

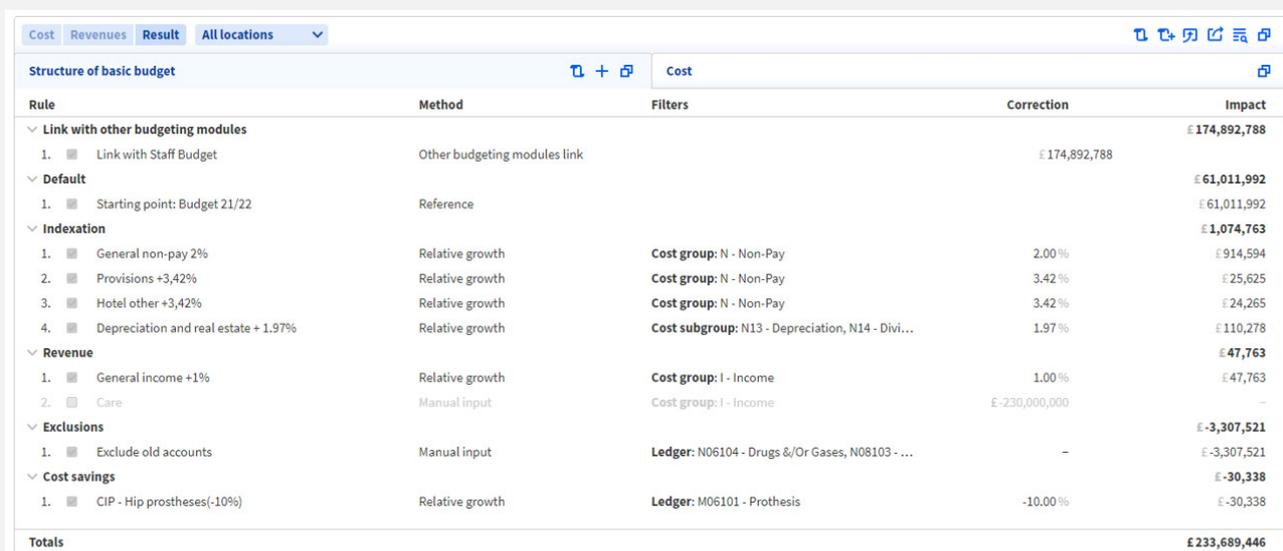
Predicted changes in activity are often either meticulously costed for planned developments or treated as general impacts, leading service managers to complain about inadequate funding.

Finance Business Partners, whose teams compile the detailed budgets, are caught between the needs of their service areas and that of the senior Finance team, and even if not actually gaming, the process may not apply the centralised assumptions in quite the same manner as intended.

Accountants, by instinct, like to create complex spreadsheet models to address these issues and often become very attached to their creations. However, experience suggests that the larger the spreadsheet model, the less comprehensible and auditable it becomes to anyone other than its creator.

“LOGEX helped us migrate 70 individual Excel sheets with scattered information into one clear overview where volume, capacity, and finances are linked.”

– Radboud University, Medical Center

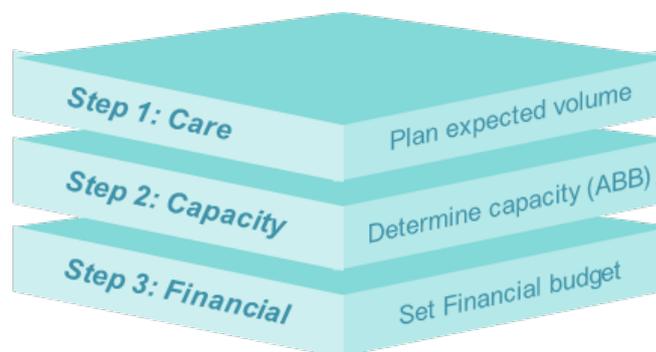


Rule	Method	Filters	Correction	Impact
Structure of basic budget				
▼ Link with other budgeting modules				£174,892,788
1. Link with Staff Budget	Other budgeting modules link		£174,892,788	
▼ Default				£61,011,992
1. Starting point: Budget 21/22	Reference			£61,011,992
▼ Indexation				£1,074,763
1. General non-pay 2%	Relative growth	Cost group: N - Non-Pay	2.00%	£914,594
2. Provisions +3,42%	Relative growth	Cost group: N - Non-Pay	3.42%	£25,625
3. Hotel other +3,42%	Relative growth	Cost group: N - Non-Pay	3.42%	£24,265
4. Depreciation and real estate + 1.97%	Relative growth	Cost subgroup: N13 - Depreciation, N14 - Divi...	1.97%	£110,278
▼ Revenue				£47,763
1. General income +1%	Relative growth	Cost group: I - Income	1.00%	£47,763
2. Care	Manual input	Cost group: I - Income	£-230,000,000	-
▼ Exclusions				£-3,307,521
1. Exclude old accounts	Manual input	Ledger: N06104 - Drugs &/Or Gases, N08103 - ...	-	£-3,307,521
▼ Cost savings				£-30,338
1. CIP - Hip prostheses(-10%)	Relative growth	Ledger: M06101 - Prothesis	-10.00%	£-30,338
Totals				£233,689,446

7 Benefits of a Budgeting Tool

Consolidating the entire detailed budget calculation for a Trust on a single system would yield numerous benefits:

1. Detailed staff costings could be imported from the HR/Payroll system.
2. Global variables such as pay scales, inflation allowances, vacancy or CIP % could be centrally adjusted.
3. Scenario planning could be accurately performed by flexing assumptions in a single location.
4. The principle of “One version of the truth” can be maintained by keeping everything in the same place, eliminating discrepancies between Central and Directorate level budgets.
5. Rapid turnaround and adjustment of planning submissions without the need to readjust and reconcile multiple spreadsheets.
6. Senior Finance staff can delve into detail without needing FBPs to guide them.
7. Time spent on spreadsheet compilation can be redirected towards more productive work.



STRATEGIC BUDGET

Having a system that works in tandem with a Costing system would yield even more benefits:

1. The ability to model the impact of flexing activity on budgets using detailed marginal cost modelling in the Costing system.

2. Development of activity-based budgeting scenarios using actual or benchmark costing data.

3. A common user interface that will make it easier for management accounts staff to view and understand costing data, promoting a breakdown of the “silo mentality”.

4. Investing in the development of a budgeting module will not only enhance the accuracy and transparency of the budgeting process but also empower senior Finance staff to accurately model the impact of changes in planning assumptions, activity, and inflation, enabling far more precise long-term financial planning.

LOGEX can help you set your Hospital budget with three simple steps

Your healthcare portfolio

A good strategy starts with the care that you want to deliver. LOGEX helps you quantify the impact of portfolio decisions and business cases. Your full-year LOGEX Costing model will serve as a starting point for next year's budget.

Personnel planning

Plan your FTE, followed by precise, built-in automatic salary cost calculations of NHS CLA that drive your budget. Salary costs comprise 60% of a trust's total cost; we understand the importance of getting this right.

Financial budget

The final step combines costs and income to analyse if your plans are feasible. Your final budget can then be easily exported for your (1) Annual financial planning return (2) internal reporting, and (3) input for your LOGEX SLR costing model to compare the budget against your actual cost.

LOGEX Budgeting > Budgeting > Financial Budget
LOGEX NHS Trust Scenario: Demo

Cost Revenues Result All locations

CC group	ABB	Extrap. 21/22	Actuals 20/21	Budg. 22/23	Comparison
A - Acute care	£46,107,790	£44,053,836	£42,974,847	£44,711,100	Relative difference
> AE - A&E	£17,268,201	£16,465,565	£16,100,415	£16,811,100	Absolute difference
> AB - Thoracic and Gastrointestinal	£16,014,993	£15,272,690	£14,932,266	£15,511,100	Comparison
> AF - COVID-19	£3,401,355	£3,350,169	£3,196,424	£3,411,100	<input type="radio"/> ABB
> AA - Complex Medicine	£8,141,868	£7,716,189	£7,531,966	£7,711,100	<input checked="" type="radio"/> Extrapolation 21/22
> AC - Acute care Mgmt	£1,281,372	£1,249,223	£1,213,776	£1,211,100	<input type="radio"/> Actuals 20/21
B - ICS	£27,387,530	£25,729,740	£25,228,134	£26,811,100	<input type="radio"/> Budget 22/23
> BA - Community	£20,417,215	£19,208,246	£18,833,976	£20,011,100	<input type="radio"/> ABB
> BB - Rheumatology	£6,970,315	£6,521,494	£6,394,158	£6,811,100	<input type="radio"/> Actuals 20/21
C - Surgical serv.	£43,343,048	£40,234,456	£39,268,557	£41,569,011	<input type="radio"/> Budget 22/23
> CA - Anaesthesia & Surgical Service	£42,764,196	£39,692,228	£38,741,278	£41,101,531	<input type="radio"/> ABB
> CB - Anaesthetic and Surgical Manag...	£578,852	£542,228	£527,279	£467,480	<input type="radio"/> Actuals 20/21
D - Family care	£50,701,619	£48,491,294	£47,279,186	£49,842,978	<input type="radio"/> Budget 22/23
> DA - Paediatric Service	£23,118,517	£21,866,621	£21,373,288	£22,619,534	<input type="radio"/> ABB
> DC - O&G Services	£19,296,099	£18,377,862	£17,936,226	£18,742,223	<input type="radio"/> Actuals 20/21
> DB - Community Management	£8,287,003	£8,246,811	£7,969,672	£8,481,221	<input type="radio"/> Budget 22/23
Total	£237,961,273	£226,884,161	£220,631,353	£233,692,748	£6,808,586

To deliver improved financial effectiveness and efficiency which will drive operational performance and improve clinical outcomes we need to move away from traditional Excel models and embrace the deployment of Advanced Financial Healthcare Analytics leading to improved budgeting processes.

For more information and a discussion about how using Advanced Financial Healthcare Analytics can help your organisation reach out to www.logex.com