



## BARCLAYS COMMERCIAL BANK HOSTS *INSIDE TRACK* INDUSTRY FORUM TO HELP UK HEALTHCARE, PUBLIC AND THIRD SECTOR THROUGH THE RECESSION

21 May, 2009, leaders from the Healthcare, Public and Not-For-Profit sector gathered to debate future trends and discuss best practice in remaining competitive in the current economic climate at a recent *Inside Track* event hosted by Barclays Commercial Bank. The need to integrate private sector disciplines into the public sector, the spectre of downsizing and consolidation, the increasing scrutiny on top management and the moral and financial imperative to provide donors and funders with evidence based results of effective service delivery, were just some of the issues tackled at the event.

Anthony Hilton, Financial Editor at the Evening Standard, chaired the event and began the discussion by asking panellists what they considered to be the main challenges confronting individuals working in the health, public and third sectors as they faced the worst squeeze on the sector since the late 1970s.

Addressing the decline in funding, Richard Glynn, Chairman of Sporting Index and Special Trustee of Great Ormond Street Hospital, said: "The consequences will be increased scrutiny and an increased call for more evidence based funding as donors scrutinise end results. The quality, performance and accountability of management will rise and they in turn will be responsible for training or replacing people that are not achieving in line with the organisation's goals, and as donors and government become more demanding in their requirements, organisations will need to become more effective."

Mr Glynn also predicted that the drive for the more efficient use of resources predicated by donor pressure will act as a catalyst for managerial led mergers and consolidation of charities and education institutions over the next year in order to benefit from economies of scale. However, he added, it may inevitably lead to the closure of small charities.

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Alan Maynard, Professor of Health Economics at the University of York and Chairman of York Hospitals NHS Foundation Trust, added that it was increasingly important for the healthcare sector to increase its levels of transparency but most importantly to set and measure criteria for success which reflected its main objectives; improved mortality and the functional status of the patient, which would form its own evidence base: “It is perverse to say the crisis is welcome but we should be squeezing evidence of inefficiency and translating it into better delivery of services and focus on what we are going to research, how are we going to hit better targets and how to best incentivise people to deliver this.” He also stated that to deliver effective organisational cultural change, top management needed to address the dichotomy between the nominal and actual managers and bring these two parties together to collaborate and achieve shared goals.

The importance of strategic cost cutting was also addressed as was not making financial savings at the expense of quality service delivery. Mr Maynard said: “In healthcare, cutting expenditure by cutting staff will have implications which affect the core objectives in terms of patient care and safety, health and infection rates. So as you squeeze an organisation, do not become over obsessed with the bottom line but think of the balance between cutting expenditure and your outcome activity.”

Commenting on this in terms of the not-for-profit sector Mr Glynn, said: “Trust and reputation is a quintessential part of this sector and it is built by showing that the charity delivers. Getting things done increases the cycle of trust. But it can disappear and be undermined. So if you have the evidence base behind this delivery which donors can see, this begets the trust which will deliver the funding.”

Mr Glynn also provided advice to those facing the prospect of downsizing. “Do not look at the short term; do not slash things that will bring in benefit in three to four years time. Cut as deep as you can without hitting the bone, take out non essentials, but reinvest where there will be a tangible return and do it once and do it quickly, people need certainty –it’s vital for the health of the organisation.”

Reversing their position on taking on debt was also something Mr Glynn felt that charities may have to become accustomed to if they are to survive: “Bankers are able to use assets from intellectual property, future revenue streams, and other assets to equip charities with the money they need now. In days gone by the Public Sector shied away from debt. A recent survey we did on trustees showed most charities had a huge cash buffer they held on to, in case they suffered a decline in funding, this however, has been a very inefficient use of capital, and in the future the use of debt and alternative funding will be part of the sector.”

Hosting the event, Paul Birley, Head of Healthcare at Barclays Commercial Bank, summarised the group’s perspective: “There are both commonalities and differences between the private and public sector but increasingly the private sector has disciplines that need to be incorporated into public sector business models in terms of goal and objective setting and delivering on these. For the private sector this is profit, but for the public sector different goals are needed which will provide the tangible evidence that donors and funders require to make their financial contribution. Consolidation, another private sector discipline is often difficult to execute but it remains something to be drawn on in order to secure organisational survival. Downsizing is horrible to do but is often key to driving organisational health and fitness and so there is often a moral imperative to do it in order to improve service delivery.”

The ‘Inside Track’ event was part of Barclays Commercial Bank’s *Turning the Corner* programme, which combines practical guidance, workshops, industry discussions and networking events to offer business owners and managers specific skills and knowledge that will help them in meeting the unique challenges, and identifying potential opportunities, the current recession presents.

The programme also includes a website with recession-specific content to help aid decision-making in areas such as human resources, supply chain management, foreign exchange and other finance and management disciplines. The website includes third party guidance from a range of industry experts as well as a Barclays perspective on market conditions and developments. ([www.barclayscommercial.com/turningthecorner](http://www.barclayscommercial.com/turningthecorner)).