

# FINANCE AND MANAGEMENT CASE STUDY

## QUESTION 1

### NOTES TO CANDIDATE

- (i) Answers to be prepared as on 30 November 2005 by Kim O'Mile, Accountant (Corporate & Projects) at the Royal Riverside UHT
- (ii) The questions below are intended to test the candidate's understanding of the situation in the case.

### QUESTION

1. Draft a briefing note for the Assistant Chief Executive in response to the attached memorandum. (20%)

# MEMORANDUM

**FROM** ~ Assistant Chief Executive – Marie Gold

**TO** ~ Director of Finance – Rhoda Dendron

**DATE** ~ 30 November 2005

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## RSG – New Member

I attach a copy of a letter that arrived on the Chief Executive's desk this morning from Dr Tom Artow, the new RSG representative for the Garden City PCT (Dr Harry Cotbean's replacement). As you know, the Chief Executive is away at conference, but I spoke to him during a break this morning and he asked me to see Dr Artow as soon as possible. I have therefore arranged a meeting with him this afternoon.

As you know, I have not been directly involved with the RSG so far and there were no such zonal arrangements in my previous Trust. I would therefore very much appreciate a briefing note on the points raised in the letter and I hoped that Kim O'Mile, your Accountant (Corporate and Projects), might oblige.

Marie Gold

Assistant Chief Executive

*Please pass to Kim and ask for the briefing note to be drafted.*

*Rhoda*

Dr Tom Artow  
Passata Practice  
Vine Lane  
Garden City

*The Chief Executive  
Royal Riverside Hospital  
Poplar Drive  
Riverside  
ME0 1CL*

29 November 2005

*Dear Mr Ranium*

*I am writing to you as Executive Officer of the Renal Strategy Group (RSG). I have just arrived in the area from my former practice in the east of Eden, only to find myself nominated as the replacement for Dr Cotbean as the representative of the Garden City PCT on the RSG.*

*First of all, there were none of these zonal arrangements in the SHA covering my previous practice and I really am struggling to understand the concept. Surely it is better for doctors locally to determine what is needed for their patients and arrange this to be provided locally through the hospitals in the area? I agree that high dependency can be a problem, but perhaps you could explain to me briefly about these zonal arrangements and what their benefits are.*

*In my view, any sort of pooling arrangement, if that is what it is, ends up producing winners and losers. I have managed to have a look through some of Dr Cotbean's RSG papers and noted the move to 5-year planning. What is the purpose of this? Will it make the figures look better or, more likely, just help to conceal the truth? Anyway, I have concentrated specifically on the 2005 and 2006 "Forecasts". These make interesting reading and indicate quite clearly that the east area of the SHA fares far worse than the west! Perhaps this is not surprising when the RSG's power base lies in the west and proves my point about winners and losers.*

- *On demand, the only actual figures are the opening figures (1 January 2005) and, whilst I accept that the population in the west is bigger, demand in the east is high and pro rata probably represents a greater proportion than in the west. Also, what are these externals?*
- *On supply, the opposite is true. The shortfall against demand is far higher in the east than in the west and increasing in 2005 and 2006. Clearly the west is receiving preferential treatment and there appear to be no plans at present to address this.*
- *This shortfall is clearly being exacerbated by the development programme. Garden City is being closed with the loss of 11 stations and 44 patient slots in 2006, whilst the facilities at Raceham in the west are being extended! What is going to be done to address the shortage in the east? Very little, it seems. A comparison of the additional patient slots to be provided over your 5-year planning period would tell its own story, I suspect!*
- *Finally on the projections, I come to costs. Why do we have to pay over £36,000 per patient, when our local hospital, Garden City costs well under £29,000. Why should we subsidise the likes of Bowpark and Royal Riverside, clearly hospitals that cannot control their spending and are seriously uneconomic. It proves again that zoning does nothing but produce winners and losers! Sadly the east always seems to be the loser.*

*I would appreciate an urgent meeting on these matters. I am a better friend than an enemy and I want to give you a chance to allay my fears before I voice them in the wider RSG forum.*

*Yours sincerely*

**Tom Artow**