

Managing a Budget in Healthcare Professional Education

Introduction

What do you do each year when budget time comes around? Do you leave things to the department's management team? Do you look at last year's budget and add a small percentage close to the rate of inflation plus another small percentage which is halfway between hopefulness and expectation? If you adopt either of these tactics, then you may be missing an opportunity to influence what your department does throughout the year. There is growing interest in the issue of cost and value in healthcare professional education – whereby funders, providers, and consumers of education are keen to ensure that maximum effectiveness, benefits, and/or utility is accrued from investments. At a time of economic recession when all budgets are coming under pressure, such interest is only likely to increase. By getting more involved in the management of budgets, you will have the ability to convert what could be merely an academic interest in cost and value into practical activities and subsequent results. In this article, we offer guidance to help you plan and manage departmental or project budgets in healthcare professional education. The guidance is aimed not just at budget holders but at all those who are responsible for the delivery of some aspect of education.

Think About Your Department's Goals and Strategy

The purpose of healthcare professional education is to educate learners to a high standard and keep them up to date – not to make a profit. Hence, while budgeting is important, you should always remember that it is a means of achieving an end and not a goal in itself. The primary purpose of your department should be reflected in its goals and strategy. Hence, it is important to get involved in the development of strategy and the definition of goals.^[1] The strategy might be to be the best school in the UK, or to produce graduates who are interested in primary care and who will stay in the region, or to produce an unparalleled research output in healthcare professional education. When the strategy has been decided on, then the budget will need to be modeled to help you meet your goals.

Get Involved in Budget Planning

The earlier that you get involved in budgetary planning, the more likely you will be able to influence outcomes. Planning will involve deciding upon strategic goals, reviewing options,

and deciding upon the best one. A strategic goal might be that your school should make available for its learners the best possible E-learning resources that are available. Next, you will need to review options. Should you create a set of new resources from scratch? Or should you license in existing resources? Or join a consortium that shares resources? Each option will have associated benefits, risks, and costs. Deciding upon, the best option will involve weighing up the benefits, risks, and costs of each and choosing what is likely to be best for your department and your students.

Communicate the Budget Plan to the Team

Most departments of education will be responsible for carrying out a range of different and yet interrelated tasks. For example, a department might be responsible for curriculum design, delivery of education, assessment strategy, and receiving and acting on feedback from students. However, these are unlikely to be discrete activities – there probably will be significant overlap between assessment and learning and between feedback and curriculum design.^[2] The budget must be able to capture this complexity and must be communicated to the team in a format that they will understand. Communication in this circumstance is essential and the bigger the organization, the more continuous and effective the communication must be. All team members must understand what the goals are, what budgetary allocations have been made, and how their activities might overlap with activities in other teams.

Monitor Adherence to the Planned Budget

If there is going to be an over- or under-spend of the budget, then the time to know about it is as soon as possible. A small over-spend on say simulation equipment in the first quarter may turn into a massive over-spend by the end of the financial year. Corrective action taken into the first quarter may well be effective; action taken in the last quarter is unlikely to have much effect. The difference between actual spend and planned spend is called the variance.^[3] Under-spending and saving money may be attractive but beware – if you under-spend in 1 year, your budget is likely to be cut by the variance in the next year. This may not be best practice – but it is the reality in many private and public sector organizations. E-learning is a good case study to evaluate and as you can measure spend and also evaluate usage and outcomes on a continuous basis.^[4,5]

Evaluate the Outcomes, Learn from Them, and Start Planning Again

At the end of the financial year, it will be time to review the results from the last year, consider any lessons learned and plan for the next year. It is best to do this as a team and to share lessons learned widely.^[6] If you have monitored results closely throughout the year, then there should be fewer surprises at the end of the year that planning and managing the budget should be a continuous process and not an annual one.

Consider What Your Budget Cycle Should be

In the above examples, the budget cycles are annual but that may not necessarily be the best way to run things. Some simple short-term projects may be started and completed in 6 months – in which case the budgetary plan for the project should only span these 6 months. However, other projects may be more long-term – for example, there may be a plan to set up a satellite of a nursing school in another country. This is likely to be 10 years project and the budgetary planning should reflect this. Most budgetary cycles are likely to lie between these 2 extremes – but it is important not to be constrained by an annual cycle if that does not fit with your plans.

Beware Relying too Much on the Previous Cycle's Activity and Budget

As outlined in the introduction, it is all too common practice to look at last year's activity and budget, reproduce it, and then add to it so that it is in line with inflation and perhaps planned increases in salaries. This is known as incremental budgeting. Incremental budgeting has one key advantage – it is based on previous experience and so unless there has been a transformation in your department, the outcome of the budgeting process is likely to be reasonably accurate. However, the disadvantage of using incremental budgeting is that it assumes little or no change and can be a roundabout way of saying, “we are doing things like this because we have always done them like this.” The alternative to incremental budgeting is zero-based budgeting. As its name suggests, this form of budgeting involves starting from scratch for each cycle and creating the budget a new each time.^[7] The process involves a screening of all proposed activities and associated expenditures – there are no assumptions. The advantage of zero-based budgeting is that it forces the stakeholders to cast a critical eye on all activities; its disadvantage is that it takes a lot more time.

Involve the Team in Budget Planning

Top-down budgeting involves the senior management team in setting the budget and the budget goals. It has a number of inherent advantages. It results in a budget that is consistent with the strategic direction of the institution and will typically

result in challenging goals that will encourage individual teams to think about how they can stretch themselves. However, its obvious disadvantage is that senior management may not realize what is happening at the coalface and so might come up with a budget that unrealistically ambitious or not challenging enough. To overcome this, participatory budgeting has emerged as an alternative.^[8] In this form of budgeting, planning is carried out by those who will be responsible for eventually delivering the service and by the senior management team. Naturally, the main advantage of participatory budgeting is that decision making is partially delegated to those who are closest to the reality of educational delivery. Its downside is that the people on the coalface might not see the bigger picture. On balance, it is probably best to have at least some degree of participatory budgeting in the process.

Do not Forget to Negotiate

It is budgeting time again and you have been sent a high-level paper outlining your department's budget for the next year and inviting you to a meeting with other heads of departments. You think the budget is too low but are not sure what to do. What should you do? The answer is to negotiate – but it is best to adopt a more sophisticated approach than simple horse-trading. First, try to gather as much detailed information as you can. Have you missed or misunderstood a section of the budget – working this section out may reveal that your concerns are unfounded. Second, spend time with the person who has written the first draft. Do they fully understand how your department works and its needs? Do they realize that a cut in administrative staff would mean that your department would not be able to deliver outcomes which are vital for the organization? Ask them, what they are trying to achieve through the budget process. Is it cost savings? If so you may be in a better position to advise where slack could be cut without it affecting educational delivery? Or do they want to achieve more and/or better outcomes for the same investment? Once again, you are likely to be best placed to advise how systems or rules could be adjusted to help achieve this. Finally, spend time with other heads of departments. Do they have similar concerns to you? Are there areas of overlap between your department's activities – where efficiencies could be made? Could you share some resources? Negotiation is unlikely to be a simple process of picking a number half-way between what you have been offered and what you would like – it is likely to be a much more sophisticated process that will involve delving into details and gaining a deep understanding of what needs to be achieved.^[9]

Think About “What if” Scenarios?

The budget for your postgraduate diploma course in healthcare professional education might assume that you will get 20 paying students in the forthcoming year and that to cope with these numbers you will need 5 part time junior lecturers as facilitators. However, what if you only enroll 15 students, or if you cannot recruit junior lecturers and so are forced to recruit

senior lecturers instead? Spending some time thinking about “what if” scenarios is always a healthy exercise. Sensitivity analyses will enable you to look at different outcomes in an objective manner and work through how you might cope if things did not go exactly to plan. You might be able to compensate for reduced numbers of students in the diploma by modularizing the course and recruiting larger numbers onto a certificate course. You could think of alternative faculty to recruit onto the course or consider putting some or all of the course online – junior lecturers may not have time to cope with regular face to face sessions but may have time to cope with an intermittent online commitment. Budgeting is ultimately about measurement: In ideal circumstances, those responsible for the budget are able to show that investment in education improved healthcare professionals’ competence and also patient care. This is difficult to prove – not least because of the problematic nature of measuring the quality of care. However, there is no question but that this is the ideal to which we should aspire to.

Conclusions

Budgeting is an important part of the management of any department. Even if you do not have experience of financial management or indeed a head for numbers, it is important to know what is going on and to be able to influence the process. The budgeting process will ultimately affect the outcome of the department and the people around you. Budgeting is about a lot more than just numbers.

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