

# Service Line Reporting

## A closer look

Service Line Reporting (SLR) should provide a real insight into cost drivers and the dynamics to help inform decision making and target improvement initiatives. SLR is the reporting of income and costs by individual service lines in order to understand the contribution that is made by each service line to the overall performance of the Trust. To achieve this, SLR must bring together both financial and operational data, recognising the interdependencies between them.

For SLR to be effective it must go beyond simply identifying where decisions are required and make available information to aid the decision making process. The level of information and insight provided will depend on the sophistication and maturity of the approach to the SLR and should be expected to evolve over time. The level of sophistication of SLR solutions in operation across the NHS ranges from the very basic to highly advanced incorporating Patient Level Information and Costing Systems (PLICS).

BASIC SLR	ADVANCED SLR
Simple cost allocation methodology	Uses cost drivers reflecting causality
No modelling of cost drivers	Uses robust operational data as a basis for cost drivers
Single dimensional view of services	Multi-dimensional allowing analysis from different perspectives
Little or no insight into why costs are incurred	Provides real insight into macro level drivers of cost
May be based on analysis of reference costs	Costing based on how services consume resources through activities
Income calculated based on costs	Income based on tariffs reflecting commercial reality of decisions made
Reporting may be manual process with lower frequency of production	Largely automated production allows more frequent reporting

### Benefits of SLR

- **Greater efficiency and productivity**

SLR gives clinicians and managers a more profound understanding of their resources and costs, and helps them identify areas where savings can be made. The ownership of budgets at a service line level allows for profits that are made within the service line to be retained enabling business unit leaders to have a real say in investment decisions.

- **Seeing the big picture**

By reporting and monitoring cost and profitability as a portfolio of service lines rather than at an aggregated level, the Trust Board, managers and clinicians can make informed decisions about how to manage existing services, prioritise new developments or plan investments.

- **A robust planning process**

By understanding the contribution that individual service lines make to the overall financial position of the Trust, it can vary budgets to reflect over or under activity in a specific service and can set targets for operational improvement. This helps clarify questions over whether any overspend is caused by inefficiency or unexpected activity.

We have recently completed SLR roll out at a Foundation Trust and their Director of Finance said:

“With the Trust facing significant external pressures RSM Tenon were able to quickly reaffirm Service Line Reporting on the strategic agenda and provide the Trust with a route map to a sustainable solution. By building on the existing work already undertaken and working closely with the Trust to develop an internal trading regime, RSM Tenon were instrumental in enabling the Trust to deliver Service Line Reporting to meet both the Board and Monitors expectations.”

### Key steps for SLR implementation

1. Ensure continuous involvement of all key stakeholders - builds support for the process and helps to ensure implementation
2. Define service lines, profitability measures and reporting frequency - facilitates communication of results, secures accountability and enables link to incentives
3. Set up processes to ensure sufficient quality of coding and data collection - helps ensure robustness of results and credibility among all stakeholders
4. Establish allocation methodology and build tools for allocation of all income and costs to service lines - increases transparency of true contribution from clinical activity without cross subsidisation
5. Develop internal trading regime - will enable the consequences of changing how a service is delivered, to be translated into a picture of financial performance by incorporating cost of support services

A successful SLR implementation is estimated to take around six months at a minimum as demonstrated by the route map shown below:

Activity	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
<b>Continuous key stakeholders involvement</b>						
Launch event with key stakeholders	■					
Regular update meetings with key stakeholders		■	■	■	■	■
Agree final reports with key stakeholders						■
<b>SLR Implementation</b>						
Define service lines, profitability measures, report frequency	■	■	■	■	■	■
Set up processes to ensure sufficient quality of coding and data collection		■	■	■	■	■
Establish allocation methodology and build tools for allocation of income and costs to service lines		■	■	■	■	■
Develop internal trading regime				■	■	■
<b>SLR Toolkit Design</b>						
<b>SLR Roll Out</b>						■

### How we can help

Based on our experience and knowledge gained through previous SLR implementations RSM Tenon can support your organisation in a variety of ways tailored to suit your specific needs dependant on how far down the Service Line Reporting journey you are.

This ranges from an initial assessment of the current SLR solution, support with the development of an internal trading regime through to full implementation and rollout across the organisation supported by appropriate project management.

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