

## 1. Purpose of the Report

This report provides an update to the Finance and Performance Committee of progress against the planned savings at Month 2 and the status of schemes for 2012/13.

## 2. Background

The Trust agreed a cost reduction plan of £12.102M in-year following final Income and Expenditure profiling. The list of schemes and values in the amended plan is shown in Table 1 below. The Cost Improvement Programme will be monitored against this programme by the Programme Management Office.

The schemes that show a zero value below, are still required to develop plans in 2012/13 that will generate savings in 2013/14.

Two savings schemes from 2011/12 are due to deliver savings in 2012/13, the impact of slippage of these savings is shown in the plan. Any change to this will be tracked and reported each month.

**Table 1a)** (Full page version at Appendix 1)

Cost Reduction planned	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total in-year savings
	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'
Medical Consultants									125	292	292	292	1000
WLI Payments	43	43	91	91	91	91	91	91	91	91	91	91	1000
Nursing	25	25	25	25	25	25	25	25	25	25	74	75	400
Bed Reductions										0	0	0	0
Theatres							83	83	83	83	83	83	500
Admin & Outpatients													0
Pathology reconfiguration													0
Allied Health Professionals													0
On Call Payments	6	13	19	26	32	38	45	51	58	64	71	77	500
Estates and Corporate Services									67	67	67	67	400
Temp Staffing Reduction	0	100	420	420	420	420	420	420	420	420	420	420	4300
Diagnostic Test	0	0	0	0	0	0	0	0	0	0	0	0	0
Coding Alterations	0	0	18	36	55	73	91	109	127	145	164	182	1000
Procurement	13	26	38	51	64	77	90	103	115	128	141	154	1000
Centre identified Non Pay schem	87	87	87	87	87	87	87	87	87	87	87	87	1047
VAT Charges - locum Doctors	0	0	30	30	30	30	30	30	30	30	30	30	300
Reduce Non Pay Month 10	110	110	110	110	110	110	110	110	110	110	110	110	1325
<b>Sub total</b>	<b>284</b>	<b>404</b>	<b>838</b>	<b>876</b>	<b>914</b>	<b>951</b>	<b>1139</b>	<b>1176</b>	<b>1338</b>	<b>1542</b>	<b>1630</b>	<b>1668</b>	<b>12772</b>
Slippage from 11/12 schemes	-253	-173	-69	-43	-17	-17	-17	-17	-17	-17	-17	-17	-670
<b>Total CIP planned</b>	<b>33</b>	<b>231</b>	<b>771</b>	<b>835</b>	<b>1023</b>	<b>1060</b>	<b>1248</b>	<b>1285</b>	<b>1323</b>	<b>1360</b>	<b>1448</b>	<b>1485</b>	<b>12102</b>

Table 1b) is an extract at Month 2 of savings described in the detailed plans submitted by the Project Leads.

**Table 1b)** (full page version Appendix 2)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
	2012/13 Cost Reduction planned	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total In Year
1														
2		£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'
3	Medical Consultants	2.7	2.7	2.7	103.1	111.1	111.1	111.1	111.1	111.1	111.1	111.1	111.1	1000
4	WLI Payments	83.3	83.3	83.3	83.3	83.3	83.3	83.3	83.3	83.3	83.3	83.3	83.3	1000
5	Nursing													
6	Bed Reductions													
7	Theatres				4	3	16	18	20	26	32	64	69	325
8	Admin & Outpatients													
9	Pathology reconfiguration													
10	Allied Health Professionals													
11	On Call Payments													
12	Estates and Corporate Services													
13	Temp Staffing - Medical	46.3	97.3	124.8	149.8	169.1	169.1	169.1	169.1	169.1	169.1	169.1	169.1	1771
14	Temp Staffing Non Medical													
15	Diagnostic Test													
16	Coding Alterations	0	0	0	-2	-3.2	-9.2	168	173.5	171	174	171.5	174	1018
17	Procurement	100.7	99.6	94.3	88.8	88.6	88.3	86.8	84.7	84.7	83.8	0.5	0.5	901
18	Centre identified Non Pay schemes													
19	VAT Charges - locum Doctors													
20	Reduce Non Pay Month 10	110	110	110	110	110	110	110	110	110	110	110	110	1320
21	<b>Total 12/13 schemes</b>	<b>343</b>	<b>393</b>	<b>419</b>	<b>536</b>	<b>575</b>	<b>571</b>	<b>748</b>	<b>758</b>	<b>761</b>	<b>795</b>	<b>714</b>	<b>721</b>	<b>7334</b>

### 3. Savings Status at Month 2

- 3.1. As requested at last months meeting, the overall savings reported this month have been validated back to the budget based on the plan at Table 1. Members are asked to note that using this treatment last months report would have been savings validated at month 1 of £0.184m against a plan of £0.033m.
- 3.2. The savings validated at month 2 are £0.232m against a plan to deliver £0.264m.
- 3.3. Plans are being developed for all areas of cost reduction, these are aligned to workbooks with Executive Sponsors, Clinical Leads and lead Managers. A key requirement for all schemes is to submit a Quality Impact Assessment before the scheme can be assessed as ready to implement, i.e. achieve green on the readiness assessment below.
- 3.4. The readiness of plans to deliver savings assessed by the PMO has not improved significantly from last month as the Theatre Productivity and Nursing workforce schemes have not progressed in month as planned. Also the savings from Medical Consultant Job Planning have not been confirmed in month, these are not expected by the end of June.
- £4.401M of schemes assessed as ready to implement savings, the main change from last month is that the savings associated with Medical Workforce have moved from amber to green.
  - £0.765M of schemes still require more detail before they can be confirmed as ready.

**Table 2**

PMO Readiness Review Level	Workbook Name	Area of Cost Reduction	Total Savings described £000'
3	Medical Workforce	Medical Consultants	0.000
		WLI Payments	1.000
		Temp Staff reduction - medical	1.200
		VAT savings (medical)	0.300
3	Coding	Coding	1.000
3	Operational Procurement	Procurement	0.901
2	Theatre Productivity	Theatre	0.325
1	Shaping Nursing Workforce	Nursing	0.440
1	Booking & Scheduling	Admin & Outpatients	0.000
Total value of savings 12/13 schemes			5.166
Value assessed as ready to deliver			4.401
Value assessed as amber			0.765

- Medical Consultant (Job Planning)\* - The savings associated with this are due to be confirmed at the end of June.

#### 4. Changes since last month and action to address these

##### 4.1. Changes since March 2012 report

Readiness assessment shows slight improvement this month.

March	April	May
£2.486M	£4.236M	£4.401M
£2.775M	£0.775M	£0.765M
£8.325M	£7.091M	£6.936M

The schedule and trajectory of savings by month (Table 2) have been extracted from the workbooks submitted to the PMO at the end of May. The plans have been risk adjusted, as applied last year, using the assessment of compliance with the detailed planning requirements known to improve certainty of delivery.

The CIP Review meetings led by the Director of Finance commenced in May, with the focus on weekly scrutiny and challenge to improve the completion of plans and accountability for savings.

#### 5. Breakdown of Savings Validated in Month 2

Table 3 – Savings against Budget

<b>Table 3</b>	<b>Month 2 YTD Target £'000</b>	<b>Month 2 YTD Actual £'000</b>	<b>Month 2 YTD Variance £'000</b>
Medical Consultants	0	6	6
WLI Payments	86	0	-86
Nursing	50	0	-50
Bed Reconfiguration			0
Theatres			0
Admin & Outpatients			0
Pathology Reconfiguration			0
Allied Health Professional			0
On Call Payments	19	0	-19
Estates and Corporate Service			0
Temp Staffing Reductions - Non Medical	100	0	-100
Temp Staffing Reductions - Medical			0
Diagnostic Tests			0
Coding Alterations			0
Procurement	39	34	-5
Centre identified Non Pay schemes	174	42	-132
VAT Charges - Locum Doctors			0
Reduce Non Pay Month 10	220	220	0
<b>Sub Total 12/13 schemes</b>	<b>688</b>	<b>302</b>	<b>-387</b>
<b>Slippage on 2011/12 schemes</b>	<b>-426</b>	<b>-496</b>	<b>-70</b>
<b>Total</b>	<b>264</b>	<b>232</b>	<b>-33</b>

Table 4 - New cost reduction schemes in 2012/12 show significant underperformance compared with the original plan.

	12/13 Schemes	
	Plan YTD	Achieved YTD
	Month 2 £000	Month 2 £000
Medical Workforce WLI	86	6
Nursing	50	0
On Call	19	0
Temp staff - medical	100	0
Temp staff - non medical		
Procurement	39	34
Centre indentified non pay	174	42
Reduce Non Pay to Month 10	220	220
<b>Total</b>	<b>688</b>	<b>302</b>

Table 5 -11/12 schemes show underperformance of £70K which adds to the planned slippage of £670K for the year if not addressed. It should be noted that the over achievement on the Agency Contract is due to more expenditure through the contract compared to the plan, for the second month.

	11/12 Schemes	
	Plan YTD	Achieved YTD
	Month 2 £000	Month 2 £000
Bed Reduction Phase 1&2	294	142
Agency Contract	84	166
<b>Total</b>	<b>378</b>	<b>308</b>

## 6. Project Issues and Actions

Temporary Staff reductions non medical

Issue : The planned £0.100m savings have not been delivered as agreeing the reductions and subsequent confirmation of the savings and when they will be realised, is taking longer than expected.

Action : The issues has been escalated and addressed through the CIP Review meetings, and the Executive Lead has confirmed that a WTE figure and the savings for 2012/13 will be confirmed in the workbook by the end of June. There is an expectation that some reductions will already have been enacted in April and/or May.

Centre identified non pay

Issue : Underachievement of £0.132m savings as agreeing the reductions and subsequent confirmation of the savings and when they will be realised, is taking longer than expected due to the complexity of ensuring no double count of savings with the other non pay savings projects.

Action : The issues has been escalated and addressed through the CIP Review meeting, 8 Centres have confirmed savings during June.

## Nursing workforce

Issue : The planned savings for workforce reductions of £0.050m have not been achieved, and a plan has not been submitted to confirm how the savings will be achieved in May.

The adoption and correct utilisation of the E rostering system for a number of ward areas, continues to be a cause of concern.

Action : The issues has been escalated and addressed through the CIP Review meeting, the Executive Lead has confirmed that the plan is being progressed, that Quality Impact Assessments have been completed for all wards affected, discussions commenced with TNCC and the documentation and detailed plan will be submitted in June. The PMO rating of this scheme this month is zero assurance until the detailed plan describing this is submitted.

The Deputy Chief Nurse, Director of Ops and Workforce Director are meeting to address the issues with E rostering utilisation.

## Bed Reduction Project

Issue : The savings continue to be significantly lower than planned although the work commenced last month has identified in May that a reduction of 56 WTE was achieved as a direct result of closing the beds and this project.

The detailed workbook for the enabling project to improve effective discharge and support sustainability of the bed closures, is now 3 months late.

Action : The CIP Review Group have asked that the overall bed reconfiguration plan is reviewed, and that a new trajectory of savings be determined from the findings of the review. This new plan and any consequences will be reported to the Finance and Performance Committee.

## Appendix 1a

Cost Reduction planned	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total in-year savings
	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'
Medical Consultants									125	292	292	292	1000
WLI Payments	43	43	91	91	91	91	91	91	91	91	91	91	1000
Nursing	25	25	25	25	25	25	25	25	25	25	74	75	400
Bed Reductions										0	0	0	0
Theatres							83	83	83	83	83	83	500
Admin & Outpatients												0	0
Pathology reconfiguration													0
Allied Health Professionals													0
On Call Payments	6	13	19	26	32	38	45	51	58	64	71	77	500
Estates and Corporate Services							67	67	67	67	67	67	400
Temp Staffing Reduction	0	100	420	420	420	420	420	420	420	420	420	420	4300
Diagnostic Test	0	0	0	0	0	0	0	0	0	0	0	0	0
Coding Alterations	0	0	18	36	55	73	91	109	127	145	164	182	1000
Procurement	13	26	38	51	64	77	90	103	115	128	141	154	1000
Centre identified Non Pay schem	87	87	87	87	87	87	87	87	87	87	87	87	1047
VAT Charges - locum Doctors	0	0	30	30	30	30	30	30	30	30	30	30	300
Reduce Non Pay Month 10	110	110	110	110	110	110	110	110	110	110	110	110	1325
<b>Sub total</b>	<b>284</b>	<b>404</b>	<b>838</b>	<b>876</b>	<b>914</b>	<b>951</b>	<b>1139</b>	<b>1176</b>	<b>1338</b>	<b>1542</b>	<b>1630</b>	<b>1668</b>	<b>12772</b>
Slippage from 11/12 schemes	-253	-173	-69	-43	-17	-17	-17	-17	-17	-17	-17	-17	-670
<b>Total CIP planned</b>	<b>33</b>	<b>231</b>	<b>771</b>	<b>835</b>	<b>1023</b>	<b>1060</b>	<b>1248</b>	<b>1285</b>	<b>1323</b>	<b>1360</b>	<b>1448</b>	<b>1485</b>	<b>12102</b>

Appendix 1b

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1	2012/13 Cost Reduction planned	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total In Year	Assurance rating Month 2 1 = 100% assurance	Forecast risk adjusted savings based on latest savings planned
2		£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'		£000'
3	Medical Consultants	2.7	2.7	2.7	103.1	111.1	111.1	111.1	111.1	111.1	111.1	111.1	111.1	1000	0.6	600.0
4	WLI Payments	83.3	83.3	83.3	83.3	83.3	83.3	83.3	83.3	83.3	83.3	83.3	83.3	1000	0.6	599.8
5	Nursing														0	0.0
6	Bed Reductions														0	0.0
7	Theatres			4	3	16	18	20	26	32	64	69	73	325	0.42	136.5
8	Admin & Outpatients														0.47	0.0
9	Pathology reconfiguration														0	0.0
10	Allied Health Professionals														0	0.0
11	On Call Payments														0.31	0.0
12	Estates and Corporate Services															
13	Temp Staffing - Medical	46.3	97.3	124.8	149.8	169.1	169.1	169.1	169.1	169.1	169.1	169.1	169.1	1771	0.6	1062.6
14	Temp Staffing Non Medical														0.11	0.0
15	Diagnostic Test														0.2	0.0
16	Coding Alterations	0	0	0	-2	-3.2	-9.2	168	173.5	171	174	171.5	174	1018	0.48	488.4
17	Procurement	100.7	99.6	94.3	88.8	88.6	88.3	86.8	84.7	84.7	83.8	0.5	0.5	901	0.65	585.8
18	Centre identified Non Pay schemes														0	0.0
19	VAT Charges - locum Doctors														0.6	0.0
20	Reduce Non Pay Month 10	110	110	110	110	110	110	110	110	110	110	110	110	1320	NA	
21	<b>Total 12/13 schemes</b>	<b>343</b>	<b>393</b>	<b>419</b>	<b>536</b>	<b>575</b>	<b>571</b>	<b>748</b>	<b>758</b>	<b>761</b>	<b>795</b>	<b>714</b>	<b>721</b>	<b>7334</b>		<b>3473</b>