

ITEM: 11/139
Doc: 09

MEETING: TRUST BOARD

TITLE: COST IMPROVEMENT PROGRAMME 2011/12 MONTH 6 REPORT

SUMMARY: This report summarises performance to date, year-end forecast and risk assessment of the savings programme

ACTION: to note the actions taken and proposed

REPORT FROM: Eleanor Hellier, Assistant Director of Finance

SPONSORED BY: Richard Martin, Director of Finance

Financial Validation

Lead: Director of Finance

Compliance with statute, directions, policy, guidance

Lead: All directors

Compliance with Healthcare Commission Core/Developmental Standards

Lead: Director of Nursing & Clinical Development

Reference:

Compliance with Auditors' Local Evaluation standards (ALE)

Lead: Director of Finance

Reference:

Compliance with requirements of FT application and monitoring regime

Lead: Director of Strategy & Performance

Reference:

1. YEAR-TO-DATE C.I.P. PERFORMANCE

- 1.1. The table below reports on progress made with implementation of the savings identified to date.
- 1.2. The “unidentified CIP” requirement has been reduced to £242 k, i.e. the remaining proportion of the £19.6m target for which no savings proposals have been put forward. As new projects are worked up in detail at budget level, the centrally held savings target of £4,682k will be reduced to the latest estimate for residual unidentified savings. At the time of writing this residual sum is approximately £1.1m, which consists of the £242k unidentified CIP plus forecast slippage against existing schemes.
- 1.3. Across the organisation as a whole, savings have been delivered to the level of 98% of the profiled year-to-date target. A number of high and medium risk schemes are falling short of their planned targets, however this is being offset by under-spending budgets (predominantly through holding posts vacant).
- 1.4. The profiling of the target, however, reflects the fact that many of the planned savings will not deliver cost reductions until the second half of the year. Overall, taking account of this phasing, and of the remaining unidentified CIP target, at this half-way point in the year we have only achieved 42% of the full £19.6 million cost improvements required to achieve the financial target at year-end.

Figure 1 : CIP Year to Date Performance

Division	Full Year Plan £'000	Plan to Month 6 £'000	Proportion of annual plan planned to date %	Actual saving delivered to date £'000	Proportion of profiled plan delivered %	Proportion of annual plan delivered to date %
Integrated Care & Acute medicine	4,787	2,187	46%	2,275	104%	47.5%
Surgery & Diagnostics	3,127	1,100	35%	929	85%	30%
Women Children & Families	1,190	556	47%	684	123%	57%
Estates, Facilities & Corporate, + Trust-wide initiatives	4,878	1,770	36%	1,710	97%	35%
Community savings identified before April	4,400	2,200	50%	2,200	100%	50%
Other savings / benefits	976	488	50%	488	100%	50%
Total Identified CIPs	19,358	8,300	43%	8,286	99.8%	43%
Unidentified CIPs	242	121	50%	0	0	0
TOTAL	19,600	8,421	43%	8,286	98%	42%

Under-delivering savings schemes

1.5. The reasons for reported under-achievement include :

- Original assumptions behind some savings proposals have been found, on more investigation, to be invalid;
- Delays in implementation of projects, for a variety of reasons, some due to external factors, some due to management capacity constraints during a period of major reorganisation;
- Some proposed savings were referred back by senior managers for additional work, and have in some cases become part of a more wide ranging review of the service, which has inevitably taken longer to implement;
- Activity levels in some areas have prevented cost reductions from being achieved.
- Continued reliance on high cost agency staff in specific service areas, though this is currently being reviewed urgently.

2. FORECAST AND RISK ASSESSMENT

2.1. The risk-rating of each project is under continual review; projects have been assessed as “green” (no risk of under-achievement), “amber” (some risk of under-achievement) or “red” (definite risk of under-achievement). In each case, a “most likely” forecast has been produced (although in the case of projects which have yet to be implemented, there are a range of possible scenarios around this figure).

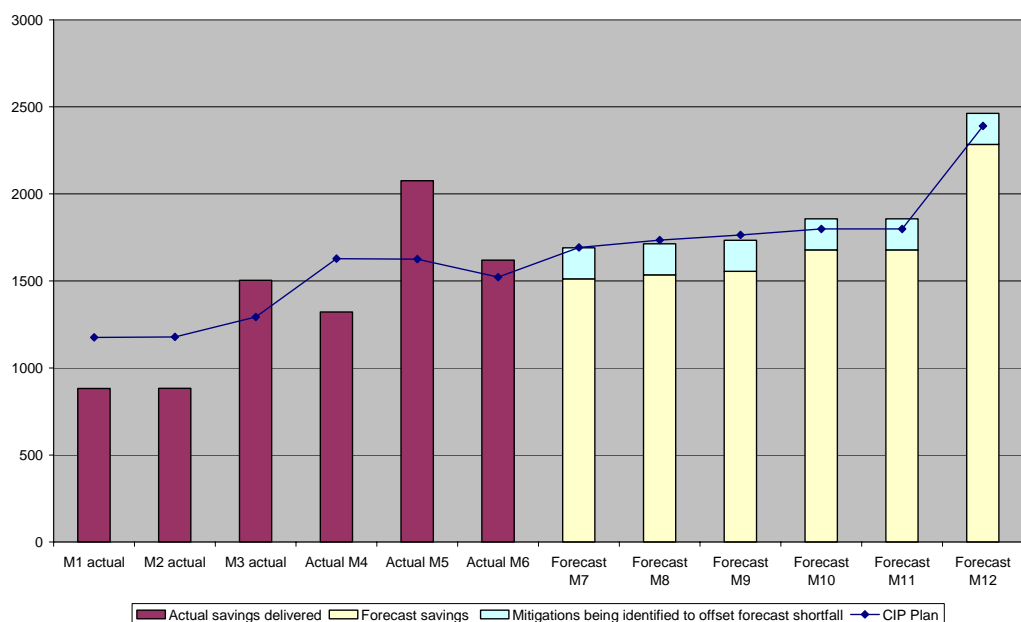
2.2. The risk-rating and forecasts are set out in the table below. The potential shortfall against the £19.6 million target is £1.1m. To address this, the approach as agreed by the CIP Board is to draw up a programme of expenditure control through headcount reductions re. vacant posts / reductions in use of temporary staffing.

Figure 2 : CIP Year-end Forecast

Project Risk Category	2011/12 Savings Target £'000	Target YTD at M6 £'000	Achieved YTD at M6 £'000	Variance YTD £'000	Forecast Achievement “Likely case” £'000	Forecast Variance £'000
Green	14,998	7,023	7,510	487	15,291	403
Amber	2,992	796	566	(229)	2,648	(344)
Red	1,719	603	210	(393)	590	(1,128)
Headcount/ temp staff reductions					1,070	1,070
TOTAL	19,600	8,421	8,286	(135)	19,600	0

2.3. The month-by-month forecast savings required are presented in the graph below, which shows how the mitigations in the final quarter of the year are planned to offset the slippage in the earlier months.

Figure 3 : CIP monthly performance year-to-date / forecast



2.4. Analysis of Schemes by QIPP category

Figure 4 : These QIPP categories are used by NHS London to report on savings delivery

QIPP Category	2011/12 Savings Target £'000	Target YTD at M6 £'000	Achieved YTD at M6 £'000	Variance YTD £'000	Forecast Achievement "Likely case" £'000	Forecast Variance £'000
Supporting Staff Productivity	9,601	4,240	4,335	96	10,325	725
Medicines use, Prescribing, Clinical procurement	1,474	569	538	(31)	1,267	(208)
Non-clinical procurement	274	68	65	(3)	119	(155)
Clinical support rationalisation	1,451	653	546	(107)	1,397	(55)
Estates	333	133	112	(21)	308	(25)
Back office	6,224	2,637	2,690	52	6,185	(39)
Unidentified	242	121	0	(121)	0	(242)
TOTAL	19,600	8,421	8,286	(135)	19,600	0

3. Performance Management

- 3.1. In order to deliver the CIP programme, which will underpin the Trusts ability to achieve the planned financial position, the following actions will be necessary:
- The identification of schemes to bridge the current gap (£1.1m), this is being managed through reductions in the number of vacant posts recruited to, and through reduced usage of temporary staffing and agency.
 - Where savings are being made on a non-recurrent basis in the current financial year, these need to be formalised onto a recurrent reduction in cost base, moving into 2012/13.
 - Close monitoring of delivery against schemes, and particularly those identified as being high risk.
 - The ongoing consideration and development of mitigating / corrective action to address any shortfalls in delivery against current CIP schemes.
 - Detailed project plans with accountable leads.
 - Confirmation by lead directors that the schemes identified are feasible and realistic in all respects.
 - Agreed phasing of actions and savings to be agreed, to enable monitoring to take place.
 - Identification of the remaining part of the £20m corporate objective savings target, which equates to a further £13m on top of the planned £19.6m CIP. Without this additional surplus, the key objective of further capital investment would require a loan/charitable funds based solution or the use of future surpluses.
- 3.2. It should be noted that the resource available to cover the costs of severance has now not been fully committed. Approximately £675k has been committed to date out of the £1.2m available.