EXECUTIVE SUMMARY

REPORT TO THE BOARD OF DIRECTORS MEETING

HELD ON 21ST MARCH 2012

Subject 2012/13 Efficiency Plan
Supporting TEG Member Neil Priestley
Author Neil Priestley
Status A

PURPOSE OF THE REPORT

To describe the 2012/13 Efficiency Plan and see Board approval.

KEY POINTS

1. Considerable focus has been applied over the last 9 months or so to further develop the Trust’s architecture and infrastructure for the Efficiency Programme.
2. The 2012/13 Efficiency Plan shows the potential to deliver significant savings but there are significant risks to delivery.
3. The key risks are operational, particularly reducing length of stay and avoiding delayed discharges and medical outliers; and making surgical pathways more productive. The speed of workforce change will also be a key factor.
4. The 4 Trust wide Programmes will be Clinical, Workforce, Corporate & IT and Commercial.
5. Processes to drive the work of the Programmes and delivery in Directorates will be crucial.
6. Developing capability, capacity and expertise within the organisation will be critical in delivering the necessary efficiency savings in a sustainable way consistent with the provision of high quality services.

IMPLICATIONS

Achieve Clinical Excellence
Be Patient Focussed
Engaged Staff

RECOMMENDATIONS

As per section 7 of the report.

APPROVAL PROCESS

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1 Status: A = Approval  
A* = Approval & Requiring Board Approval  
D = Debate  
N = Note

2 Against the three pillars (aims) of the STH Corporate Strategy 2008-2012
1. **Introduction**

1.1 Delivering significant efficiency savings each year is critical to the Trust remaining financially viable and being able to deliver good quality services. Over a number of years the Trust has introduced processes for driving such efficiency savings and these have been further developed for 2012/13.

1.2 Considerable focus has been applied to the issue over the last nine months or so with key actions including:-

- An Opportunity Search process undertaken by KM&T Consultants engaging Directorate and Corporate managers.
- A Task and Finish Group to work closely with the most challenged Clinical Directorates to develop Efficiency Plans and identify key operational actions to enable their delivery.
- The development of formal programme management arrangements to oversee workstreams and projects.
- The introduction of a Programme Monitoring process, via the Programme Management Office (PMO), led by the Chief Executive.
- Closer links between the corporate arrangements to drive efficiency and the performance management function driving Directorate delivery of efficiency savings.
- Enhanced resources to ensure that workstreams and projects are developed and managed optimally.
- Improved reporting processes to link Directorate performance to workstreams and projects.

1.3 The following sections of the report provide further details on the key elements of the 2012/13 Efficiency Plan and the processes designed to enhance delivery.

2. **Programme Architecture**

2.1 The Efficiency Programme will be closely aligned to the new Corporate Strategy as a key element of the Aim “To Spend Public Money Wisely”. The criticality of the 2012/13 Efficiency Plan and the on-going Efficiency Programme will be reinforced in the communication of the new Corporate Strategy.

2.2 There will be four Programmes within the 2012/13 Efficiency Plan each led by an Executive Director. This represents a development of the previous arrangements as a result of consideration of the Opportunity Search proposals. The four Programmes are as follows:-

- Clinical (Mike Richmond, Medical Director)
- Workforce (Mark Gwilliam, Director of Human Resources and OD)
- Corporate and IT (Kirsten Major, Director of Service Development)
- Commercial (Neil Priestley, Director of Finance)

2.3 The four Programmes will contain various workstreams and projects and will be supported by the PMO, managed by the Service Improvement Director. The Programmes will report through the PMO arrangements to the Chief Executive who will chair weekly meetings to oversee performance.
2.4 Performance Management of Directorate financial and efficiency plan delivery will be strengthened. The Chief Nurse/Chief Operating Officer will lead the performance management process with support from other Directors as required, particularly the Director of Finance regarding financial and efficiency performance.

2.5 The matrix between the four Programmes (monitored by the PMO) and Directorate delivery of efficiency savings (monitored by the Performance Management function) will be crucial and is shown at Appendix A. The Director of Finance has a key role in overseeing both aspects and in ensuring that the matrix works in a positive and productive way. The Deputy Chief Operating Officer also has a key role in working at the interface of efficiency workstreams/projects and Clinical Directorate operations and ensuring that key actions are operationalised.

2.6 Directorates will report monthly on their performance in delivering their Efficiency Plans and this will also be reanalysed in order to identify delivery of savings at workstream/project level. The Trust Executive Group will consider the information monthly and a quarterly report will be provided to the Board.

2.7 The Medical Director and Chief Nurse/Chief Operating Officer will continue to monitor efficiency plans for any potential adverse impact on the quality of services. Any concerns will have to be fully addressed before the relevant scheme is progressed.

3. Key Workstreams

3.1 A summary of the 2012/13 Efficiency Plan showing the workstreams within each Programme and target savings is shown at Appendix B. Further information on the various workstreams is provided within the following sections.

3.2 Clinical

This Programme is the largest of the four programmes and has developed considerably over the last two years to achieve quality and financial benefits. For 2012/13 the main focus of the Programme will be:-

♦ Supporting the redesign of Unscheduled Care, in particular Geriatric and Stroke Medicine pathways. This includes reductions in beds and medical outliers supported by length of stay reductions; a review of Trust discharge processes (hospital and community); enhanced community capacity; and redesign of the Bed Management Team, Patient Flow Team and Discharge lounge to support improved flow of patients. There are also significant project interdependencies with the Sheffield-wide Right First Time Programme.

♦ Redesign Surgical Pathways to maximise efficiency and performance to deliver the increased surgical activity through the existing infrastructure and resources. Phase 1 of this work will focus on the Royal Hallamshire.

♦ Outpatient Improvement will involve four streams of work to support Clinical Directorates in Service Redesign; E-Check In/Workload Management System; A&C/Organisational Systems; and to investigate Space Management opportunities.

♦ Unlocking Medical Resources will encompass a range of projects to free medical staff to front line activity to maximise productivity and efficiency of clinical processes. This will include a review of cancer-related Multi-Disciplinary Team (MDT) functionality, structures and efficiency.
**Medicines Management Optimisation** will continue to seek opportunities to reduce spend on medicines and improve safety in medicines management. It will also deliver a range of enabling work including outsourcing OPD dispensing to improve patient services; automating NGH pharmacy stores and dispensary; reduce stockholding; reducing prescription turnaround time and the dispensing error rate; addressing gaps in ward-based clinical services; and improving medicines management across the primary/secondary care interface.

**Diagnostics** in order to understand current and predicted activity in diagnostics; improve clinical management information; ensure effective use of standard diagnostic pathways; and investigate future models to optimise diagnostic capacity in primary/secondary care.

**Hospital Out of Hours** – building on the work of Hospital at Night, this workstream will develop the concept and supporting business case for extending the model to Hospital Out of Hours (weekends and after 5pm on weekdays) to improve patient safety.

### 3.3 Workforce

The Workforce Programme has also matured over the last two years to deliver a range of schemes to support savings by Directorates. The 2012/13 work will include:

- **Workforce Savings** - the continuation of work to drive review of staff costs and to identify savings opportunities, including from areas such as MARS/MAFS schemes and **Voluntary Purchase of Annual Leave**.

- **Workforce Initiatives** – a range of actions to reduce costs including review of policies, reducing over-payments, improving HR processes, reducing absences, etc.

- **Cross Cutting Administrative Savings** - completion of the pilots for Contact Centre and development of the business case for trust-wide implementation; finalising the business case and implementing an **E-Rostering system**; implementing **case-note tracking**; and scoping potential developments around **voice recognition software**.

### 3.4 Corporate and IT

The Corporate and IT Programme is less mature than the Clinical and Workforce Programmes but will be developed further during 2012/13. The key areas for initial focus are:

- **Estate** – maintaining the good progress from previous years in reducing energy consumption and developing short and medium term plans to rationalise the estate.

- **IT** – developing and implementing a plan to drive improvements to efficiency and effectiveness in all areas via IT developments.

### 3.5 Commercial

This is a largely new Programme which it is hoped will supplement the other Programmes in the coming years. The key objectives for 2012/13 are:

- **Procurement** – to continue the good work from previous years in delivering savings from procurement and supply chain logistics.
4. **Financial Results**

4.1 Appendix B shows that the target or possible efficiency savings for 2012/13 are around £36m. Quantification is inevitably subjective but the analysis uses the Efficiency Plan workstreams/projects with values as per Directorate 2nd Cut Efficiency Plans (before reductions for risk) as supplemented by other savings not felt to be reflected in Directorate plans. Every effort has been made to avoid double counting but this still remains a risk.

4.2 If the individual workstreams within the £36m target/possible savings plan are risk rated and abatements applied to reflect the risk ratings, then the assessment of a more likely level of savings in 2012/13 would be a little under £24m. Again this is very subjective but does give some idea of the potential to not deliver possible savings for a variety of reason, e.g. planning optimism, operational constraints, workforce management issues, project capacity limitations and general slippage. The work of the PMO and Performance Management function will be crucial in identifying and addressing risks and, therefore, in improving delivery.

4.3 The risk adjusted value of efficiency savings reflected in 2nd cut Directorate 2012/13 Efficiency and Financial Plans at the end of January was just under £28m and this is the minimum level required if the aggregate budget position of Directorates is to balance in 2012/13. The Directorate Plans reflect risk ratings/abatement in the same way as described in 4.2 above. However, it is felt that in a number of areas the risks ratings may be overly optimistic, particularly where they rely on action by others. However, again Directorates will need to identify and manage risks to optimise their delivery of efficiency savings.

4.4 In summary, therefore, savings of up to £36m are theoretically possible but achievement of the £28m reflected in Directorate 2nd Cut Plans would be a huge achievement. However, savings of much below £24m would lead to the Trust’s 2012/13 Financial Plan being under threat.

5. **Capability and Capacity**

5.1 A key aspect of the Trust’s strategy in this area is the on-going development of capability, capacity and expertise. This has both external and internal aspects.

5.2 A further £1.5m of funding, in addition to existing resources, has been identified in the 2012/13 Financial Plan to support the delivery of the 2012/13 Efficiency Plan. The aim is to ensure that the necessary project management, consultancy support, infrastructure and investment can be mobilised quickly to support the delivery of 2012/13 plans and to develop projects and plans for 2013/14 and beyond.

5.3 In addition to the cross-cutting projects which often require time-limited project management, building capability and capacity for improvement and innovation within the Trust’s workforce is a high priority over the next three years. Encouraging and developing talented people to lead their teams through this challenging period will be an essential component of the drive for efficiency and value whilst maintaining quality of care. The size and complexity of the Trust presents a particular challenge for leading change at scale and for spreading innovation. However, a gap analysis will be undertaken shortly to consider the existing and
desired levels of capability, which will result in a robust action plan and potentially further investment in training.

5.4 All of the above will be supported by the on-going work of the Communications Team in raising basic awareness of improvements across the Trust to encourage active engagement and participation of the workforce.

6. **Conclusions**

6.1 The Trust faces a major challenge in continuing to deliver significant efficiency savings in the right way to maintain financial viability and service quality.

6.2 Considerable attention has been given to further developing management processes for the Efficiency Programme and in ensuring robust plans for 2012/13.

6.3 The key central Programmes for 2012/13 will remain Clinical and Workforce but the new areas of Commercial and Corporate and IT will be developed during the year to bring greater benefit in subsequent years.

6.4 Current plans for 2012/13 appear reasonable but there are significant risks which need to be managed by a combination of Directorate management, the PMO and the Performance Management function.

6.5 Key risks relate to the Trust's ability to drive operational improvements, particularly related to eliminating delayed discharges/medical outliers and improving surgical pathways, and delivering workforce change.

6.6 Monitoring arrangements will be strengthened in a number of ways to ensure that delivery of efficiency savings is optimised.

6.7 Developing capability, capacity and expertise within the organisation is crucial to long-term success in delivering sustainable improvements to quality and efficiency.

7. **Recommendations**

The Board is asked to:

7.1 Note the Efficiency Programme architecture, the key actions undertaken to improve its effectiveness and the development of organisational capability and capacity in this area.

7.2 Approve the 2012/13 Efficiency Plan.

7.3 Note the financial parameters relating to the efficiency savings requirement in 2012/13 and the key risks to delivery.

Neil Priestley
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March 2012