

# 5 BIG WAYS TO CUT COSTS

Our Managing Director, James Wilson, outlines 5 often overlooked ways to reduce costs



Several years of CIP schemes have meant most trusts and FTs cutting their costs in key areas, but with little to show in terms of efficiency gain.

The five points below can go some way to improving the 'yield' of cost-cutting initiatives by zoning in on some less obvious savings opportunities.

## 1. Critically Evaluate All CIP Schemes

Most trusts and FTs have a long list of CIP schemes they are pursuing. More often than not though these schemes produce little benefit and may actually dilute operational focus.

To mitigate against this board members and senior managers should make an examination of how CIP schemes have grown over time and also their relative contribution to the organisations future plans. Then they can be ranked into core and noncore schemes, and resources can be reallocated accordingly.

## 2. Reallocate Your Resources

In cutting back on resources allocated to noncore and non-valued-added schemes, trusts and FTs can redeploy resources to activities that actually improve value.

For example, this could include a renewed focus on procurement across the whole organisation, rather than in just one department/specialty.

## 3. What Do You Define As Overhead?

Overheads can be different things to different people. The board should make a judgement on what they mean by overhead cost and then the finance department should decide on the best way of measuring those costs.

Clinical engagement is often hampered because medical staff feel they are being assessed on spend that is effectively out of their control.

Having back-office staff (e.g. finance, HR) embedded in specialties can make spend more overt, but it also muddies the water as far as overhead is concerned.

#### **4. Focus On “Shadow Staff”**

As with the example of embedded back office staff in point 3 above, there can often be staff members in specialties performing duties that are also provided on a centralised basis. Over time this can lead to overstaffing.

All trusts and FTs should have a rolling programme of rationalisation in order to make sure they are operating as efficiently as possible.

#### **5. Reduce Excess Capacity**

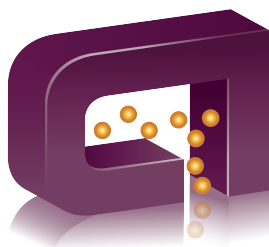
Excess capacity is a huge driver of cost and can display itself in a number of different ways. Most notably there can surplus physical capacity – too many operating theatres – or staff – where there are too many relative to patient volumes.

A big giveaway to me when I arrive at a trust or FT is whether I can easily get a parking space. If I can I generally also find surplus physical capacity too.

A good way to estimate the underlying costs of excess capacity is to compare the difference between operating efficiency at highest volumes against average volumes.

If you’ve got any examples from your Trust that you’d like to share email us at [enquiries@assista.co.uk](mailto:enquiries@assista.co.uk) and we’ll feature them in a future Briefing Note.

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