

## **Board of Directors in public**

**Subject:** CIP Reconciliation  
**Date:** 26<sup>th</sup> March 2015  
**Author:** Jonathan Clements – Financial Planning and Strategy Manager  
**Lead Director:** Paul Robinson – Chief Financial Officer

### **Executive Summary:**

The Trust produces financial information on its CIP from both the PMO and Finance. The financial values reported are different as:

- They are measuring different aspects of the CIP
- The PMO report on all schemes from initiation to give a high level assessment of the overall likely level of CIP, including schemes that are currently in development.
- Finance report on schemes that have been implemented. Schemes that have not yet been implemented are not included.

In order to provide an overall view of the Trust's CIP delivery it needs to be acknowledged that the PMO and Finance financial information is different.

A partial reconciliation of the financial information is however possible and is being finalised at the time of writing this report, on the basis of the table on page 2 of the attached report.

### **Recommendation:**

Board members are recommended to:

1. Note the contents of this paper.
2. Acknowledge that the CIP reporting by PMO and Finance is based on different assumptions.
3. Note that Finance and the PMO will reconcile their reporting on a monthly basis.
4. Note that the SFH Delivery Engine will review and enhance CIP reporting and the Finance / PMO interface for 2015/16.

<b>Relevant Strategic Objectives (please mark in bold)</b>	
To consistently deliver safe, effective high quality care achieving a positive staff and patient experience	To eliminate the variability of access to and outcomes from our acute and community services
To reduce demand on hospital services and deliver care closer to home	To develop extended clinical networks that benefit the patients we serve
<b>To provide efficient and cost effective services and deliver better value healthcare</b>	

<b>Links to the BAF and Corporate Risk Register</b>	PR3 - Financial sustainability
<b>Details of additional risks associated with this paper</b> ( <i>may include CQC Essential Standards, NHSLA, NHS Constitution</i> )	Not applicable
<b>Links to NHS Constitution</b>	Not applicable
<b>Financial Implications/Impact</b>	Opportunities to reduce costs
<b>Legal Implications/Impact</b>	Not applicable
<b>Partnership working &amp; Public Engagement Implications/Impact</b>	Not applicable
<b>Committees/groups where this item has been presented before</b>	Finance Committee
<b>Monitoring and Review</b>	Not applicable
<b>Is a QIA required/been completed? If yes provide brief details</b>	Not applicable

## **Board of Directors 26<sup>th</sup> March 2015**

### **CIP PMO and Finance Reconciliation**

#### **Introduction**

The Trust produces financial information on its CIP from both the PMO and Finance. The financial values reported are different as:

- They are measuring different aspects of the CIP
- The PMO report on all schemes from initiation to give a high level assessment of the overall likely level of CIP, including schemes that are currently in development.
- Finance report on schemes that have been implemented. Schemes that have not yet been implemented are not included.

#### **PMO**

The PMO identifies the different gates that a CIP goes through as follows:

1. Initiated – project established
2. Developed – project designed
3. Implemented – project delivered
4. Sustain and review – project benefits sustained

Project initiation documents are prepared for each scheme, showing the journey through these gates. These are reported to the Executive and the Finance Committee and are held in the PMO.

When a project is established a financial value is associated with delivery, either cost reduction or income benefit. This value is scrutinised and then finalised when the project workbook is finalised, as part of gate 2, project development.

The PMO scheme status report records by division the value of CIP schemes in each stage of development.

Each project is also RAG rated and a risk adjusted CIP value is calculated based on the following risk assessments (as agreed at Programme Board in 2013):

- Green 100% of financial value assumed to be delivered (Implemented schemes will therefore always be rated green).
- Amber 70% of financial value assumed to be delivered
- Red 30% of financial value assumed to be delivered

The RAG rating is assessed and agreed by the PMO and divisions based on professional judgement of likely delivery. Implemented schemes will always be RAG rated green.

## Finance

When schemes are implemented where possible (i.e. a budget exists) they are formally transacted through the Trust's general ledger. The value of these implemented CIPs is reported in the management accounts on both historic (benefits achieved to date) and future benefits (in the current year and in a full year) bases.

## Reconciliation PMO to Finance

The PMO report on all CIPs at all stages.

Finance report those projects that have passed through gates 1 and 2 and are in stage 3 (implemented).

Initiated schemes and those in development are reported by the PMO and will always be in addition to the Finance reporting.

## Month 11 2014/15 year to date

The month 11 CIP reporting from Finance and PMO is outlined in the table below.

CIP Monitoring February 2015	Savings YTD	Forecast 14/15	Full Year
	£000	£000	£000
Implemented and transacted schemes reported by Finance	1457	1800	
Implemented but not transacted schemes reported by Finance	609	700	
<b>Implemented schemes reported by Finance</b>	<b>2066</b>	<b>2500</b>	<b>2200</b>
<b>Implemented schemes reported by PMO</b>	<b>2787</b>	<b>3286</b>	<b>1783</b>
Initiated schemes reported by PMO	841	917	1948
Schemes in development reported by PMO	0	0	0
<b>Total schemes reported by PMO</b>	<b>3628</b>	<b>4203</b>	<b>3731</b>

The above table highlights that there is a significant difference between the values reported by Finance and the PMO for implemented schemes.

Final reconciliation of this difference is being undertaken at the time of completing this report.

## **2015/16 Reporting**

In reviewing CIP reporting it is clear that current reporting is not fit for purpose and further development is needed to be clear on what is counted and how CIP reporting from Finance and the PMO fits together.

The Trust is moving to a “delivery engine model” to drive improvement and CIP achievement. As this is implemented CIP reporting responsibilities and the Finance / PMO interface will be clarified to ensure that future reporting meets the requirements of the Trust in 2015/16.

In the interim Finance and the PMO will reconcile their reporting on a monthly basis.

## **Recommendation**

Board members are recommended to:

1. Note the contents of this paper.
2. Acknowledge that the CIP reporting by PMO and Finance is based on different assumptions.
3. Note that Finance and the PMO will reconcile their reporting on a monthly basis.
4. Note that the SFH Delivery Engine will review and enhance CIP reporting and the Finance / PMO interface for 2015/16.

Jonathan Clements  
Financial Planning and Strategy Manager  
19<sup>th</sup> March 2015