

In late 2010 EC Harris released a paper entitled ‘*Refocusing the NHS Estate*’, which detailed ten steps to facilitate radical cost reduction and service transformation. ‘*Seizing the Opportunity*’ updates our findings.

Using the latest information available, as well as including more data, we are now in a position to make direct comparisons with NHS progress over the previous 12 months and with recent trends in private sector facilities management.

This is a précis of the full research paper. To request the complete version or to discuss the findings in more detail please get in contact.

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Like any system in revolution, this has been a very testing time for the NHS. Further changes will be made in the health reforms to accommodate the needs of clinical and managerial staff. This is likely to clarify who will own which assets.

We maintain that the largest opportunity for NHS efficiency is from clinical change and achieving current top quartile performance. We support the desire to have clinical engagement in all matters and this must also be used to drive out failing regimes.

In our estimation of the NHS estate, its energy and running costs come to around £7 billion per annum. EC Harris has benchmarked all those organisations that supplied central data for a range of space, energy, hard and soft facilities management and estate management costs.

By excluding data that falls below the first quartile value and above the third quartile it has been possible to provide a trimmed mean which allows meaningful comparison and provides a realistic cost target which most Trusts of all types should be able to achieve.

An improving picture

Latest figures demonstrate that the NHS is using its estate more efficiently than the previous year (by nearly a third on underutilised/surplus space) and this is to be welcomed. However, there is still significant opportunity for further improvement.

Total estate occupancy costs, for example, have improved in most cases, but of concern is the variation in performance. The table below shows the top five best performing Trusts compared to the trimmed mean against the bottom five Trusts (taking hard FM, soft FM and energy costs into consideration).

The gap between the best and mean is still too great to explain by simple organisational estate or service history.

	Acute Trusts		Primary Care Trusts		Mental Health & Community Health Trusts	
	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
Best Performing (%)	27.9	20.2	55.4	44.7	37.4	31.7
Worst Performing(%)	37.1	25.0	46.5	41.1	35.1	31.7

Overall, the total space of the NHS is 28.379million m² of which there is still some 2.107 million² of space left unoccupied or underused (this represents 7.4% of total space).

The good news is that this has shrunk from more than 3 million m² in 2008/09. However, this still represents the entire footprint of Sainsbury’s and Waitrose stores combined.

The vacant/underused space could provide a likely capital receipt of £1.08 billion, based upon achieving 50% of total available area. At worst even if 50% of this space was just demolished, it would reduce hard and soft FM and energy charges by £248 million per annum.

The opportunity

A range of opportunities exist around the estate to make radical savings:

- Should the NHS rationalise its supply chain and target 15% service cost reduction this would lead to a potential hard FM saving of £572 million per annum. NHS collaboration targets should be sought given the scale of investment.
- In considering procurement of consumable and equipment items external sources, including the NHS Business Services Authority and the recent NAO report, agree with our view that a saving of around £500 million per annum is achievable
- In many Acute Trusts and community organisations we have demonstrated that benchmarked annual savings from between £1 million to £15 million per annum could be secured by achieving a reasonable estate standard, this excludes any possible capital receipts
- One of the growing discrepancies is that parts of the NHS are individually increasing the specification of performance above the accepted national NHS standard for FM services; this increases the costs per m² to service without any discernible improvement in quality / value ratios.

Overall, EC Harris believes that there is opportunity to secure revenue savings in excess of £1billion annually. This is in addition to the capital opportunity of over £1 billion. The full version of this research paper details the steps needed to achieve these savings.

Conclusion

Given that our method for calculating the EC Harris NHS mean already excludes the very worst performers in terms of both under and over spend (due to historical buildings, dispersed or local political issues) we see no reason why, with diligence and technical back up, current service costs cannot be successfully aligned in relation to cost and quality.

There may be months of fine tuning the current Health Bill, not least due to the intensifying current opposition. This should not stop legitimate changes targeted at reducing expenditure on the NHS estate and improving service delivery.

Given the availability of comparison analysis and benchmarking, health organisations should seize the day to generate savings and improve services, to the benefit of communities across the UK.

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**This is a précis of the full research paper.
To find out more information, please go to:
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