

X Community Equipment Service Finance Model Options

Model A – Traditional % share

- Current financial contributions repaid on basis of:
 - historical % for share of Operating (Store Service Running) Costs;
 - Actual new equipment Costs
- Move to 'Core Stock' for all equipment including beds, Physio equipment etc... which can be purchased by any Partners.
- Monitoring arrangements as present, augmented with specific reports which detail local service teams ordering and expenditure.

Benefits of current financial model

Top slicing the Operating (Store service costs) removes the requirement for Partners to manage activity, and local service managers are only required to manage expenditure for equipment purchases.

Partners know in advance what they will pay for their share of the Store service Operating costs.

Disadvantages of current financial model

As allocating Operating costs is based on an estimate of yearly activity, some Partners can generate more or less activity and still pay the same. Risk requires to be managed in a robust and transparent manner with ongoing scrutiny of accounts to satisfy Partners of the appropriateness of funding levels, and ensure ongoing opportunities for efficiencies and savings for the Partners.

Lack of flexibility in the Operating costs restricts the responsiveness of the delivery service.

Lack of responsibility to manage Activity from the local services perspective, can create growing pressures for the Store Service without understanding of the impact.

Model B – Unit Cost

- financial contributions repaid on basis of actual activity:
 - via a Unit Cost for the share of Operating (Store Service Running) Costs;
 - Actual Equipment Costs – new, and recycled (allocated %)
- Unit Cost calculated based on agreed annual Store Service Operating costs divided by predicted annual total Activities. E.g. division of 2014/15 budget £623,430, by 17,345 Activities (delivery & uplift) = Unit Cost of £35.94
- ‘Core Stock’ for all equipment including beds, M&H, Physio equipment etc... which can be purchased by any Partners.
- Monitoring arrangements provide information on both the Operating Costs of the Store (Activity Income against Actuals) as well as equipment expenditure.

Benefits of Unit Cost financial model

Partners are required to directly manage the impact of Activity on the delivery of the Store Service.

Provides more detailed scrutiny of Store costs.

Can see individual activity by staff and teams to monitor practice against expenditure.

Partners only pay for the actual activity that they use and this provides better information for the strategic development of the service.

Relatively simple model.

Store service can be more responsive to actual demand as Partners are paying for this in real time.

Disadvantages of Unit Cost financial model

Requires more detailed reports on the Operational costs.

Partners will rely on the Activity predictions to accurately assess Budget requirements (with good historical data this would be less of an issue and has worked well for some Partners)

Model C – Recharge

- financial contributions repaid on basis of actual activity:
 - via a Recharge Cost for the share of Operating (Store Service Running) Costs based on % of actual activity;
 - Actual Equipment Costs – new
 - Equipment costs for recycled equipment allocated a % charge based on number of times expected to be reissued.
- Recharge Cost is calculated based on the gross expenditure for each quarter. Removing the direct costs (equipment) and then dividing the remaining amount (indirect (Store) costs) by the number of actual orders per Partner to get the % share of Activity for recharging all costs.
- ‘Core Stock’ for all equipment including beds, M&H, Physio equipment etc... which can be purchased by any Partners.
- Monitoring arrangements provide information on the Operating Costs of the Store and apportionment of equipment costs.

Benefits of Recharge financial model

Based on Partners actual Activity.

Partners are required to directly manage the impact of Activity on the delivery of the Store Service.

Provides more detailed scrutiny of Store costs.

Partners only pay for the actual activity that they use and this provides better information for the strategic development of the service.

Disadvantages of Recharge financial model

More complex to apply and Partners need to provide detailed reports to understand Activity by local teams as do not see individual orders. No opportunity to scrutinise individual and service level practice.