Suggested answers
As the Management Accountant working for SCT, my recommendations are:

Recommended 4 management actions that will be required in order for SCT to grow its revenue streams:

1. Education and Participation – there would be a need for the CEO to hold a series of briefing meetings and for a clear and positive email to be sent to all employees of SCT stating that the trust needs to find ways to deliver £6 million in operational cost savings to meet government funding targets. The briefings should stress that patient care and safety will always be the foremost concern and that ways to achieve the savings will always try to minimise the impact on the community in which SCT is based.

2. Participation and involvement – In order to get employees and Trade Unions to understand the changes that will need to happen to deliver the cost savings required by the cuts in government funding, the CEO and the management team should meet and involve employees from a wide range of SCT services and also Trade Unions, to ask for their help and support. The purpose of ‘participation and involvement’ is to get their suggestions for how SCT could change, rather than imposing change upon them.

3. Facilitation and support – Redundancies are likely to be highly contentious in SCT and must be handled carefully and sensitively. There needs to be a fair and transparent system in place to reduce SCT’s headcount. Voluntary redundancies should be offered with fair terms, especially for long-term employees.

4. Explicit and implicit coercion – as the cost savings need to be achieved by the start of April 2017, there is also an urgent need for action to be taken by the CEO and his management team to start finding ways to achieve some of the budget cuts and to make swift decisions. Whilst the discussion and involvement of employees is an on-going process, there will also be a need for some decisions to be made and forced upon SCT employees.

Recommend whether the new treatment machines should be introduced in SCT or not and give 2 justifications for your recommendation.

5. Recommendation: Yes – proceed to introduce the 3 new machines with 75% of the capital cost funded by national charity.

6. Justification 1: the new machines are expected to improve the quality of patient treatment, with just 1 treatment session rather than 20 sessions, and improved long-term outcome.

7. Justification 2: the new treatment machines could deliver costs savings of £3.0 million every year based upon a reduction of 100 employees.

Recommend 3 ways in which SCT could help deliver the required operational cost savings over the next 3 years.

8. Improved operational efficiency by introducing new working methods and by SCT teams working together to achieve a good quality of care for patients. An example would be the administrative procedure for a doctor’s surgery to refer a patient to a hospital. This could be done in a more efficient way by booking an appointment directly with the hospital or through the use of secure electronic exchange of patient information with the hospital. This compares to the current inefficient system where a doctor’s surgery spends time and money dictating a letter, posting the letter to the hospital, then the patient waits for appointment to be made by the hospital by receiving a letter from the hospital by post.

9. SCT heads of departments will need to identify where operational cost savings could be made rather than having cuts imposed upon them.

10. Outsourcing to private sector partners to achieve cost savings in areas such as hospital meals, waste management and non-emergency patient transport services. This would be where a specialised private sector company is contracted to deliver the required services, with specified time and quality criteria, usually set out in a Service Level Agreement (SLA) more efficiently that the current SCT in-house departments can achieve.