

## SAVING DEFINITIONS

Type of Saving	Saving Method	Description / Example
<b>Cashable</b>	Volume Reduction	Demand Management saving secured from a reduction of planned volume
<b>Cashable</b>	Price Reduction	Same-for-Less Situation. Savings resulting from a margin reduction or discount offered by the supplier. This could take place in a number of forms including as part of a contractual renegotiation e.g. Change to payment terms, Price breaks etc.
<b>Cashable</b>	Rebate	Return of a portion of a purchase price by a seller to trust, usually on purchase of a specified quantity, or value, of goods within a specified period. Rebates may only be claimed as "cashable" for "Year 1" (first 12 months to which the rebate applies) and must be claimed in the Year the rebate is actually <u>received</u> by trust . Future Years must be reported as "Cost Avoidance".
<b>Cashable</b>	Scope Reduction	Savings secured by scope reduction. The reduction must not materially impact the core outcome or benefits derived.
<b>Cashable</b>	Cancellation	Savings arising from the cancellation of a contract, net of any liabilities inherent in such an action. In these cases, savings will be calculated as the remaining costs over the period. Note - If a new contract is awarded to achieve the same deliverable, a saving cannot be claimed (unless it falls within another Saving Method e.g. Price Reduction)
<b>Cashable</b>	Free Product/Service	Care should be taken when attributing savings to 'Cashable - Free Services' to ensure that robust evidence exists that the service would have been paid for to ensure it is genuinely cash releasing.
<b>Cashable</b>	Income	Where there has been procurement involvement to create or improve income generation schemes a cashable saving may be claimed. New income streams can be claimed in full in Year 1 (first 12 month). <u>Additional</u> income when compared to the previous year is deemed cashable also - hence savings could be claimed over the life of a contract if incremental increases have been built in.
<b>Cost Avoidance</b>	Added Value	Where an improvement in terms leads to a More-For-Same situation. For example Trust now receives a higher level of service for the same price as that for which the service was historically purchased (e.g. Gold as opposed to Bronze).

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<b>Cost Avoidance</b>	Cost Increase Avoidance	Where a supplier price increase is reduced or negated. The difference between the proposed price and negotiated price is the cost increase avoided. *Note: If the negotiated price is less than the historic price a cashable price-reduction saving can also be claimed
<b>Cost Avoidance</b>	Delayed Cost Increase	Negotiating a deferred implementation of a proposed price increase. Consider claiming an additional saving with regards to impact on cash flow.
<b>Cost Avoidance</b>	Efficiency Improvement	Activity results in performance improvement of available resources/improved ratio of output. For example holding less stock, Ordering less stock, saving with regards to impact on cash flow.
<b>Cost Avoidance</b>	Rebate	Return of a portion of a purchase price by a seller to buying organisation, usually on purchase of a specified quantity, or value, of goods within a specified period. Report as Cost Avoidance for recurring rebate in future year (not Year 1). Again these must be claimed in the Year the rebate is actually <u>received</u> by Trust.
<b>Cost Avoidance</b>	Asset Maximisation	An initiative that leads to the optimisation of an asset. For example, retaining fleet for an additional year. The difference between the in year cost vs. replacement of asset(s) delivers a saving.
<b>Cost Avoidance</b>	Capital Reducing	Where the capital cost is reduced by procurement negotiation/rationalisation activity. The saving is the difference between the proposed price and the final cost. Do not submit a saving under this category if a 'Cashable - Capital Reducing' savings has been claimed.
<b>Cost Avoidance</b>	Capital interest Saving	Where capital cost has been reduced by procurement activity and hence avoidance of interest charges
<b>Cashable</b>	Capital Reducing	Where the capital cost is less than budgeted, and the savings has been removed from the budget by Finance.