An NLGN Green Paper

Healthy Places

Bonds that bind local government and primary care trusts

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Introduction

The King's Fund health foundation has issued a welcome call for clarity around the meaning of greater local accountability in the NHS.[1] In its report, *Should Primary Care Trusts be made more locally accountable?*, the authors note that the Governance of the NHS is "highly centralised," and although Primary Care Trusts spend an equivalent amount of money as local authorities their prime accountability is "to the Department of Health and national regulators and auditors, rather than to local people."[2]

However, the King's Fund report then questions whether people want more control over how primary care trusts (PCTs) spend their money.[3] It recognises that greater accountability would mean "radical systemic change,"[4] which could include the "transfer of PCT responsibilities to local authorities."[5] However services would possibly suffer from "discontinuities of leadership due to political turbulence."[6]

The King's Fund report suggests that such radical change maybe unnecessary as "it is by no means clear that [the] current situation is problematic"[7] and argues that "the nature and objectives" of local public involvement "are commonly conflated" with those of public accountability.[8]

Their research, they say, has found "no compelling evidence that outcomes are clearly better with greater rather than less public engagement" and "to improve the effectiveness of PCTs" the authors "suggest that a more incremental approach might be preferred."[9]

We disagree with the King's Fund findings. We believe that there are not only strong democratic and service user reasons for improving PCT accountability, but crucially, that local democratic control may also be a better route to swifter service improvement and enhanced management arrangements.

The purpose of this paper is to test the proposition that a greater role for local

1 http://www.kingsfund.org.uk/media/debate_around_local.html
2 Ibid; Thorlby et al. 2008, Should Primary Care Trusts be made more locally accountable?, London: Kings Fund, p.64
3 Thorlby et al. 2008, Should Primary Care Trusts be made more locally accountable?, London: Kings Fund, p.64
4 Ibid. p.2
5 Ibid. p.48
6 Ibid. p.59
7 Ibid. p.64
8 Ibid. p.7
9 Ibid. pp.64-65

authorities in primary health care provision is, somehow, inconsistent with improved services. We explore this question in two ways – firstly by examining case studies where there has been a high level of integration; secondly, by reviewing comparable performance data across both local authorities and PCTs.

We argue that there is an alternative proposition with more validity, namely, that there are synergies in service provision between local authorities and PCTs – both because the nature of these frontline services are compatible and because there is an opportunity to transfer managerial good practice across the sectors.

Rather than there being some trade-off between local ownership versus managerial efficiency, we argue instead that greater localism within the NHS is entirely compatible with improved service delivery. These findings should count as strong evidence to back up the intuitive argument that stronger local accountability would lead to improved services suited to local needs.

So far, a locally responsive health service has struggled to emerge as part of a centrally accountable health system. PCTs face concerns about their ability to manage budgets adequately. For the financial year 2006/07 PCTs had an overall deficit of £633million[10]. Recognising the importance of shared services to improved outcomes, the Government has encouraged public agencies at the local level to work more closely together.

However, there are a number of PCTs that could benefit from closer organic ties with high-performing, geographically co-terminus local authorities.

Comparability and compatibility

The Audit Commission currently evaluates the corporate governance of local authorities through its Comprehensive Performance Assessment (CPA). The Audit Commission also produces the Auditors' Local Evaluation (ALE), the assessment framework for scored judgements on financial performance in the NHS.

Both assessment frameworks of financial management use the same categories of performance (financial reporting, financial management, financial standing, internal control and value for money). They both use the same scale to score performance, 1 through to 4. Although the assessment frameworks look identical and they both belong to the Audit Commission, it is not necessarily the case that contrasting the financial management scores of PCTs with those of local authorities is comparing like with like. However, we believe it is reasonable to see the scores as approximately equivalent and that they can legitimately serve as a basis to compare performance across the public sector. From 2008/09 PCTs are being assessed under the Audit Commission's use of resources framework.

10 NHS Financial Perfromance Quarter Four, 9-10. Http://www.dh.gov.uk/en/Publ;icationsandStatistics/Publications/PublicationsPolicyandGuidance/DH_075230

Local authorities existing scores for use of resources outperform PCTs' overall scores under ALE. The modal score for local authorities is 3 whereas it is 2 for PCTs. The same is true for four of the five common categories of financial performance. This is not to say that on average councils are better at financial management than PCTs - although local authorities have delivered significant efficiency gains following the Gershon review[11] – £1.2 billion in 2005/2006[12].

The differential scores nevertheless highlight the possibility that local authorities may have skills and managerial capacity that could be shared elsewhere in the local public sector.

Modal averages for local authorities and PCTs across England

	Local Authorities	PCTs
	Mode	*Mode*
Use of resources (LAs)/ Overall score (PCTs)	3	2
Financial reporting	3	2
Financial management	3	2
Financial Standing	3	3
Internal control	3	2
Value for money	3	2

So what is the ingredient to improved financial management in local public services? One explanation for differences in performance across the public agencies may be the way in which they are accountable. PCTs are accountable upwards to the Department of Health and Secretary of State. On the other hand, local authorities are more responsive to the needs of their respective areas and are accountable through direct election. Would the discipline of local accountability, and the benefit of shared skills and expertise, improve the performance of primary care services?

Case Studies

Some local authorities and primary care trusts are taking already the opportunity to work more closely together. Two examples are Swindon and Torbay. We spoke with Gavin Jones, Chief Executive of Swindon Borough Council, Nick Bye, Elected Mayor of Torbay, and Paul Mears, Director of Operations, Torbay Care Trust. Our interviews aimed to find out more about the motivations, barriers and the options being looked at by these local partners.

Motivations

Both authorities that we spoke to had two similar motivating factors: demography and finance. Swindon has a growing population and an ageing demographic while Torbay already has significant elderly and very elderly (over 80) populations. The mixture of ageing and expanding populations combined with financial pressures led the local authorities to consider closer working with their respective PCTs.

An ageing demographic can lead to greater resources being spent on acute care[13]. Gavin

11 Gershon Review is a HMT 2004 publication. Releasing resources for the front line: Independent review of public sector efficiency

12 DCLG, Annual Efficiency statements: 2005/06 backward look

13 Definition Acute Care - Short-term medical treatment, usually in a hospital, for patients having an acute illness or injury or recovering from surgery.

Jones said the majority of money spent on social care and healthcare in Swindon tends to be in response to the small number of acute cases they face. Acute care often requires spend from both organisations: the local authority through social care and the PCT through acute care provision. Acute care also represents a demand-led budget. Gavin Jones referred to demand-led budgets as "the biggest risk" to council finance. Given the tightened financial environment for the public sector "a strategy that can reduce demand-led budgets is important".

In Swindon it was thought that joint commissioning might facilitate preventative courses of healthcare and subsequently reduce the spending on acute care.

Preventative healthcare requires policy interventions in areas other than health, and for strategies to be successful there needs to be a cross-cutting coordination of policies. For example schools would be involved in helping prevent childhood obesity. Interventions across local authority and PCT policy areas therefore would involve good communications as well as joint commissioning and pooled budgets.

In Torbay decisions to move towards integrated working were linked to the priority of improving the Council's star rating, especially in social care. Its demographic profile is broadly in line with that across the country apart from the very elderly (over80) population. Mayor Bye said that 10,000 (7.7%) of Torbay's 130,000 residents were over 80 and that it is growing as a percentage of Torbay's population. This is significantly above the national figure of 4.3%.

Mayor Bye pointed out that Torbay does not receive any extra funding through the grant formula to recognise the significant costs related to very elderly populations. Integrated working across primary and social care was viewed as essential to improving care services without additional resources.

Barriers

Both Swindon and Torbay found barriers to initiating greater integrated working, but a level of 'political will' meant that obstacles were overcome.

In Swindon some of the elected members were sceptical of the move. Of particular concern was financial management. Elected members felt that pooled funding may open up the local authority to more risk.

After discussions between elected members, officers and the PCT, the case was successfully made that this could actually lead to less risk. This is mainly because demand-led elements of the budget could be reduced with a combined approach to preventative care.

Barriers in Torbay centred on concerns over governance arrangements. To address governance concerns a partnership agreement was drawn up detailing arrangements across a range of corporate governance elements. Elements included: management structure, secondment agreement, financial contributions, prescribed

functions, and non-financial contributions of the local authority and care trust[14].

A potential barrier across all areas was highlighted by Paul Mears, Director of Operations, Torbay Care Trust. Senior managers can be reluctant to release control over budgets, especially where there are issues of managerial responsibility and liability.

Necessities

Though situations change depending on location there may be some common factors for successful integrated working.

Pre-integration

At the outset there must be strong leadership. In Torbay's case integration discussions were already occurring but the impetus delivered by a new enthusiastic Chief Executive 'definitely helped'. A contributing factor to strong leadership is agreement among senior figures across organisations of the benefits, barriers and processes moving forwards.

There should also be collective support for the move. Support must not only come from a number of levels within each organisation (Local authority and PCT) but also from local stakeholders such as Police, Schools and the voluntary sector as they will be important partners in delivering broad health interventions.

14 Torbay Council and Torbay Care Trust: Partnership Agreement relating to the proposed Torbay Care Trust. December 2005. Bevan Brittan

In Swindon elected members, officers and PCT employees had meetings to resolve any concerns the local authority or PCT had. In Torbay a local Commission brought together local authority members, non-executive PCT board members as well as a range of other local stakeholders to discuss approaches to integration.

In our two case studies it seems that political and managerial buy-in from senior figures in the local authority and the PCT is best achieved when there are compelling reasons for both to integrate through synergies and complementary aims. In both Swindon and Torbay there were convergent aims across organisations. In each case both organisations wanted to reduce spending related to acute care. The local authority often incurred costs through social services while the PCT funded the direct services. Reducing the amount of acute care required by the residents of an area would help both budgets.

Post integration

Once partnerships or integrated working arrangements are established there remain factors that are required to aid continued success.

Pooled budgets

In Torbay there was a strong feeling that pooled budgets were essential. Without them arguments may remain over which organisation was responsible for a patient's services and the resulting costs. With pooled budgets this does not happen but it may with aligned budgets. On the other hand, Swindon

currently operates arrangements under section 75 of the NHS Act 2006 which allow for aligned budgets. If they adopted section 10 arrangements this would enable them to pool budgets.

Shared staffing
Swindon wants to make the move from section 75 to section 10 powers for staffing. Section 75 allows only for secondments between organisations but section 10 allows permanent joint staff positions.

Communications
In Torbay the Care Trust Chief Executive is also the Council's Director of Adult Social Services and attends Council Management Meetings. At the same time the Council retains an Assistant Director of Adult Social Services who acts as a conduit between organisations. These arrangements ensure that there can be a joined up view. The integration of staffing as well as budgets enables a single strategic approach allowing Torbay to produce a Joint Strategic Needs Assessment.

Benefits

While Swindon is currently exploring more deeply integrated working Torbay has been running integrated services for just over four years and as a Care Trust for just over two years. Torbay has already seen tangible benefits for the area. Torbay's social care was a one star with uncertain capacity for improvement in 2005. By 2006 Torbay was judged by the Audit Commission as having promising capacity for improvement and by 2007 Torbay's social care services were two star with promising capacity.

The Joint Strategic Needs Assessment has helped to highlight health inequalities across the area and provide a more coherent approach to reducing the burden of acute care provision.

Paul Mears felt that actions are now more effective because all the levers are in the one place. It is far easier to take quick decisions and put them into action when the key personnel are in the same office. Mr Mears pointed out another benefit stemmed from a pooled budget. With separate budgets there were times when the PCT and local council social care department would debate about where a patient's costs lay as both organisations wanted to keep costs to a minimum. The pooled budget meant all staff members were "pulling in the same direction".

Options

Swindon and Torbay demonstrate two different approaches that could be taken to integrating PCT work with that of the local council's social care work. In Torbay a situation has developed where the joint Care Trust is essentially commissioned by the local authority to provide its social care services. Swindon has aligned budgets and seconded staff.

There are other possible models and the model chosen will depend on local circumstances. For example, Herefordshire

Council has appointed a joint Chief Executive of the local authority and PCT and is thought to be looking to establish a Public Service Trust. The proposed Public Service Trust would have integrated the PCT completely into the local authority. Torbay's Care Trust model combines just Social Care with the PCT. [15]

However, in Herefordshire, having considered a Public Service Trust, Council Leader, Cllr Roger Phillips, is reported as saying that "there were governance and finance issues which just rule [a Public Service Trust] out and I think actually hamper the proper work, which must be of greater collaborative working."[16]

There will be some joint posts at Herefordshire, such as Director of Public Health and Director of Integrated Commissioning. Chris Bull, new Herefordshire Joint Chief Executive said the move would allow "both the PCT and council [to] gain influence over decisions which would normally have been taken just by the other organisation."[17]

Modelling Integration

Swindon, Torbay and Herefordshire are amongst a number of areas developing possible models for integrated working. The models used vary as do the motivations. Importantly, what factors influence which model or approach is taken? The anticipated benefits of integrated working offer one set of influences.

Authority	Model	Anticipated Benefits
Torbay	Care Trust – pooled budgets and joint staff	Faced with financial pressures, integration seen as way to service improvement
Herefordshire	Joint Leadership	Expected improvements through joint commissioning and collaboration
Swindon	Aligned budgets and seconded staff focusing on preventative strategies	Expected benefits through improved communications and coordination

Without overriding financial and managerial imperatives, the pressure to move towards a fully integrated solution can be resisted. However, from this model there would seem to be three areas where benefits can be derived from joint working: Financial Management, Commissioning, and Communications.

Financial Management

Combining budgets in Torbay has matched service delivery improvements. It is reasonable to suggest that in Torbay, pooled budgets have been consistent with more efficient outcomes delivered by the PCT and local authority as one. For 2005/06 PCT deficits totalled £616million but had reached £633million by 2006/07. Much of this has been a result of a 'lack of financial management expertise in the NHS' according

15 Local Government Chronicle, 15th November 2007
16 Ibid.
17 Ibid.

to the House of Commons Committee on Public Accounts. Folding the commissioning function of PCTs into local authorities could deliver benefits in financial management.

Commissioning

One of the three main stated functions of PCTs is to 'commission a comprehensive and equitable range of high quality, responsive and efficient services'[18]. Local authorities directly provide or commission services that will affect the health outcomes of the area: Children's services, Adult Social Care and Housing.

Commissioning is a significant function of PCTs and has direct impacts on the financial position of the trust and the services offered to patients. There is a lack of commissioning expertise with few officers having specialist procurement skills[19] and often procuring on a 'one size fits all' basis. 'One size fits all' may save initial costs but the lack of responsiveness can lead to sub-optimal health outcomes for patients. Local authorities have more experience in commissioning and procurement as well as being closer to citizens. The information held in local authorities can help inform the commissioning process and improve outcomes. Folding the commissioning function of PCTs into local authorities could deliver benefits in a similar fashion to improved financial management. Herefordshire are also expecting benefits from joint commissioning led by a combined leadership.

Communications and Coordination

The ability of PCTs to deliver responsive services to a local population has been stymied by financial management systems that leave PCTs in deficit. The Public Accounts committee has recommended the need to 'strengthen communication between those responsible for the finances and for the delivery of local health services'. Possible mergers could increase local accountability of health services and enable common procurement strategies tailored to the community.

Swindon wants increased breadth of vision to deliver preventative strategies cutting across policy areas. Communications that strengthen joint action will be central to delivering such strategies and to improving commissioning.

Synthesis: compatible or complementary blends?

The case study areas developed integrated working as a result of synergies. Synergies in objectives – improving health outcomes, maximising spend efficiency – and difficulties – changing demographics, tightened financial environments. In Swindon aligned budgets, seconded staff and improved communications are helping them along the path to strategic joint commissioning for preventative interventions. In Torbay financial management has improved through pooled budgets and helped deliver an improvement in the authorities social care rating. Herefordshire now has a Joint Chief Executive of both, the local authority and PCT as well as other senior joint posts. A joined leadership and

18 Department of Health Guidance, www.dh.gov.uk
19 Primary Care Trusts: Tailoring Commissioning. New Local Government Network. June 2007

commissioning team could deliver improved services.

The areas discussed so far are combinations of two and three star local authorities and PCTs that came together to help each other through shared strengths. They were compatible evenly-matched partners. Herefordshire is a two star authority with a two star PCT; Swindon is a two star authority with two star PCT, and Torbay Council is two star with a three star Care Trust.

However, as alluded to earlier in the paper there are clear competency gaps between local authorities and PCTs across the country. There are nine areas where four star authority areas line up with one star PCTs. In these areas there should be clear financial benefits to be had by PCTs working more closely with local authorities. Across the nine applicable areas local authorities outperformed PCTs on the corporate governance measures. Where this occurs the local authorities also score highly on other categories such as Children and Young People, Social Care and Housing.

For example, the London Borough of Bexley scores 16 out of a possible 20 on the corporate governance measures compared to 6 out of 20 for the PCT. In such places is there then a special case for integration based on the ability of the local authority to pull up the performance of the PCT?

Corporate Governance ratings for 4 star local authorities and 1 star PCTs

Authority	Financial reporting	Financial Manage-ment	Financial standing	Internal control	Value for money
Bexley PCT	1	1	1	2	1
LB Bexley	3	3	4	3	3
Darlington PCT	3	1	2	2	2
MB Darlington	3	3	3	3	4
East Riding of Yorkshire PCT	2	2	1	2	2
East Riding of Yorkshire UA	3	3	4	3	3
Leicestershire County and Rutland PCT	3	2	1	2	2
Leicestershire CC	3	3	4	3	4
Northumberland PCT	2	2	1	2	2
Northumberland CC	3	2	3	3	2
North Lincolnshire PCT	3	1	1	3	2
North Lincolnshire UA	3	3	3	3	3
North Yorkshire PCT	2	1	3	2	2
North Yorkshire CC	2	3	3	3	3
Suffolk PCT	2	1	1	2	2
Suffolk CC	2	3	3	3	3
West Sussex PCT	2	1	1	2	2
West Sussex CC	2	3	3	3	3

Modal averages across the above nine areas	Local Authorities	PCTs
	Mode	*Mode*
Financial reporting	3	2
Financial Management	3	1
Financial Standing	3	1
Internal control	3	2
Value for Money	3	2

The integration of PCTs with local authorities is laden with difficulties. There are different motivations, institutional barriers, interests and obstacles. Restructuring costs may outweigh the benefits. It is not clear under which set of circumstances integration would be most beneficial. Attitudes towards integrating – and the approach taken – may vary depending on the position of both organisations. Would a four star local authority and one star PCT take a different approach to a two star local authority and two star PCT? However, in the few instances where PCTs are struggling in areas that are co-terminus with strong local authorities, merged structures could be piloted.

Conclusion

There is compelling evidence that suggests there are potential synergies to be made by bringing PCTs closer to local authorities – either because the partners are compatible or that the management expertise of one complements that of another.

Although the findings of this paper cannot be counted as conclusive, they represent a strong case for a series of pilot studies, in particular in areas where the centrally accountable PCTs have underperformed compared to their geographically co-terminus local authority.

Indeed, rather than the incremental approach suggested by the King's Fund to test citizens juries and involvement fora,[20] there is a need to undertake pilot schemes that improve local accountability of PCTs through bolder links with high performing local authorities.

Such pilots would test the barriers to integration; find the opportunities for improvement; identify beneficial joint staffing arrangements, and trial pooled budgets. Not least, joint communications and coordination would highlight possible pathways to better health interventions.

Questions

1. what are/would be the key motivations for greater integration of local authority and the PCT in your area?
2. what barriers and obstacles may prevent or hinder closer integration of the services?
3. ranging from closer working to full merger, what level of integration would be most appropriate in your area and why?
4. could joint services be introduced in a single step or should there be a staged approach to introducing joint staff and pooled budgets?
5. what are the political and democratic pro's and con's of local authorities – and elected councillors – taking more responsibility for local health services?

20 http://www.kingsfund.org.uk/media/debate_around_local.html