CIPFA The Chartered Institute of Public Finance & Accountancy

Response to White Paper on:

Equity and excellence: Liberating the NHS

5 October 2010

the people in public finance

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We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

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5 October 2010

White Paper Team
Room 601
Department of Health
79 Whitehall
London
SW1A 2NS

Dear Secretary of State for Health

Equity and Excellence: Liberating the NHS

CIPFA welcomes the opportunity to contribute to the NHS White paper consultation. Given its position as the only professional accountancy body specializing in the public services, CIPFA is well placed to support the proposed transition of the NHS. It is from this perspective that we have sought to identify the key issues and risks that need to be addressed, and to propose solutions that will enable the reforms to be successfully delivered.

The 2013 implementation deadline is ambitious given the scale of the changes proposed. Major structural reforms are planned at the same time as delivering a programme of unprecedented cost reductions, during a period of severe demographic and other cost pressures. However many of the key measures that could mitigate the significant risks involved remain poorly defined, and considerable work will be required in order to develop them sufficiently to allow the proposed timescales to be met successfully. A strong programme management framework will also be necessary in order to monitor progress, and to enable issues to be identified and addressed promptly.

This letter addresses the most significant components of the Government's proposals which will require primary legislation. We will provide separate responses to the more detailed questions raised in the supplementary White Papers.

Local Democratic Legitimacy

CIPFA supports the overall thrust of the White Paper proposals in the area of local democratic legitimacy. In our 2010 Manifesto we state that: 'Government should guard against over-centralisation. Local decision making – closer and more accessible to citizens – should be the natural order; central decision making should be adopted only when there is a compelling case to do so in the public interest.'

Strong governance will be critical to the success of the reforms. Three of the principles in the Good Governance Standard for Public Services[1] will be particularly relevant. These state that good governance means:

[1] The Good Governance Standard for Public Services -2004
http://www.lfhe.ac.uk/governance/govpublications/goodgov.pdf

- Engaging stakeholders and making accountability real;
- Performing effectively in clearly defined functions and roles; and
- Taking informed, transparent decisions and managing risk.

We therefore welcome the proposals to address the 'democratic deficit' in health, through the development of local HealthWatch, local authority leadership for health improvement, and strengthened links between the NHS and local authorities. In particular we believe that local HealthWatch should have a formal role in seeking patients' views on whether local providers and commissioners of NHS services are taking account of the NHS constitution.

The proposed Health and Wellbeing Boards (HWBs) will also provide a key democratic element. We are however concerned that it is unclear whether they are to be deeply embedded in the system or are to provide a relatively 'light touch'. We believe that HWBs should be set up on a statutory basis, rather than it being left to local authorities to decide how to take forward joint working arrangements. This should provide clarity as to what is likely to be a complex set of functions, and provide consistency across England, while reinforcing the ability to take decisions locally.

We believe that the proposed functions for HWBs should help ensure that, despite the extent of the changes, the critical linkages between public health needs assessment, developing service strategies, and service modernization are retained in the new arrangements so that the NHS continues to focus on strategic public health matters rather than concentrating simply on treatment. In order to support rapid and successful transition to the new framework we recommend that models are developed for the detailed arrangements that will be required to underpin the statutory framework.

CIPFA also welcomes the emphasis on strengthened links between health and social care budgets. If significant cuts to social care budgets follow the forthcoming Spending Review stronger integration between health and social care services will be increasingly important. However, the financial impact of the transfer of public health to local government and other changes will need to be clearly identified if heath budgets are to be ring-fenced at the local level.

The Patient Perspective

The case for clinical prioritization over waiting times is clearly made in the White Paper. Nevertheless, as waiting is such a significant part of patient experience, we believe that consideration should be given to it remaining part of the new dataset of targets.

The consultation documents refer to the impact of the structural reforms on other existing initiatives, such as patient choice, personalisation and the need for transparency, but the detailed impacts need to be worked through.

The proposed move to an 'NHS Outcomes Framework' from process targets should in time provide better performance indicators. However in the shorter term, the need to develop portfolios of appropriate comparable indicators, and build up data series, could introduce volatility, so the transition will need to be managed carefully.

Increasingly divergent measures of performance across the NHS in the United Kingdom means that performance comparison between the four health systems is becoming ever more complex. Processes to accurately identify strengths and weaknesses in each health system to support improvement should be developed alongside the new framework in order to help identify potential improvement areas.

GP Commissioning Consortia

The NHS in England is underpinned by excellence in General Practice. As independent contractors, GPs will already have knowledge of working to practice budgets; a number will have been involved in GP fund holding and more latterly practice based commissioning. The proposals in *Liberating the NHS* are, however, on a different scale to those initiatives, since the new GP consortia will be holding aggregate budgets valued at between £70bn - £80bn.

Getting people engaged is one of the seven key principles for success identified in our recent publication on 'leading in hard times'[2]. We are therefore concerned at the apparent absence of widespread enthusiasm for this significant change among GPs, particularly given the decidedly mixed history of GP-led purchasing. Significant effort will need to be put into developing GP engagement at both national and local levels if this key aspect of the reforms is to succeed.

GP consortia will be the bedrock of the new system, but they will be complex organisations. On the one hand they will commission clinical services from providers, while on the other they will purchase specialist support services, such as finance. CIPFA therefore recommends that their roles and responsibilities be clearly and firmly established from the outset. Once this is done the rest of the new arrangements can be constructed around them.

The proposal is to make GP consortia statutory public bodies with their own Accountable Officers, Chief Financial Officers (CFOs) and other accountability requirements. Even though services and posts such as the CFO could be shared, this will inevitably impose a minimum level of overheads in order to at least meet minimum governance and financial management standards. There will therefore be an inherent tension between the desire to make GP consortia as small as possible so that they can address local health issues, and them being sufficiently large to undertake their proposed duties and responsibilities in respect of healthcare analysis, commissioning, and influencing future service design. The drive to reduce overall NHS management costs by 45%, which will be cascaded to GP consortia through a maximum allowance for management costs, will then determine a minimum viable size for GP consortia. To avoid confusion and wasted effort, we recommend that a minimum size is set.

The individual GPs leading the commissioning agenda for their consortia, and potentially acting as Accountable Officers will need to complement their clinical skills with in depth training in a range of non-clinical disciplines. As well as commissioning, these will include, in particular, financial and risk management. We believe that the provision of practical guidance will be essential if GPs are to embrace the new system with confidence. CIPFA already has a track record of supporting the devolution of significant financial responsibility to local bodies, for example during the introduction of local management in schools, and in the development of the prudential system of local authority borrowing. We therefore plan to play our part in

[2] leading in hard times – June 2010
http://www.improvementnetwork.gov.uk/imp/aio/1358769

this process by working in partnership with the medical profession to develop the appropriate tools and models, and to provide good practice examples of how these models can be successfully applied.

NHS Commissioning Board

The White Paper describes the NHS Commissioning Board (NHS CB) as 'a lean and expert organisation'. What is meant by 'lean' is unclear as it will have five major functions:

- Providing national leadership on commissioning for quality improvement;
- Promoting and extending public and patient involvement and choice;
- Ensuring the development of GP commissioning consortia;
- Commissioning specialised services as well as national services – GPs, dentistry, community pharmacy and primary ophthalmic services; and
- Allocating and accounting for NHS resources.

The nature of these functions, in particular the large number of direct commissioning arrangements indicates that for practical reasons some form of regional operational structure will be required. Early decisions will be required on this in order to allow the Board to deliver the key role envisaged in coordinating and overseeing implementation of the major changes proposed in the White Paper. Other key areas where clarity will be required include:

- **Roles of the other regulators**: The respective roles of Monitor, the Care Quality Commission will be mutually interdependent, but remain to be clarified. For example Monitor's regulation of prices will require clear service specifications.
- **GP consortia accountability**: while it should be possible for the accountability lines between the Department of Health and the NHS CB to follow the existing SHA model, those between the NHS CB and the GP Consortia; and between the Consortia and their GPs would all need to break new ground. CIPFA believes that robust and clear arrangements will be essential - informal partnership arrangements are unlikely to have the robustness necessary to deal with the problems likely to be encountered.
- **Criteria for specialist commissioning**: the White Paper is unclear in its rationale for the NHS CB rather than GP consortia being the commissioner of maternity services. Without this clarity the reasoning behind the commissioning arrangements for this and potentially other specialised services may be similarly open to challenge.
- **Information flows**: the new commissioning arrangements will need to be supported by an information strategy that will provide credible information on financial and clinical outcomes.
- **Asset management**: With the abolition of Primary Care Trusts (PCTs) and Strategic Health Authorities (SHAs) there will be a number of complex NHS estate ownership and management issues that need to be addressed in a coordinated way. the role of GP consortia in the procurement of large IT and major PFI contracts also needs further definition.

The development of accurate GP consortia budgets will be critical to maintaining financial control and developing confidence in the new system. This will be a technical challenge, because in the transitional phase there will be a tension between the need to maintain stability while also ensuring that consortia receive a fair share of resources for the needs of their population. For example, GP consortia will be reluctant to accept budget allocations that are below their assessed fair weighted capitation share, while those that are above target may be reluctant to accept a reduction or nil increase in allocations while establishing their commissioning portfolio and also tackling the QIPP agenda.

Managing local transition risks

In the interim period until 2013 PCTs and SHAs will be managing with progressively reduced numbers of staff as both functions and staff transfer to the new bodies. GP consortia will also be able to choose to source their commissioning support from PCTs, their local authority or the private sector. Taking these factors together, there is likely to be a loss of expertise and corporate memory unless this aspect of the transition is managed in a coordinated way. Comparable risks exist in finance and other professional areas.

Finance and information staff in particular have a critical role and contribution to make during this period and it is important that strategies are developed to retain these key staff during this period. If transition is not managed well, deterioration in financial and operational performance, higher costs and loss of essential skills and expertise can be expected to result.

There is also the potential for very significant non-recurring costs associated with the transition unless these can be mitigated by the sharing of roles and the adoption of shared services. The CIPFA 'Sharing the Gain' publication[3] provides useful guidance on the issues involved in setting up shared services successfully.

The role of the Chief Financial Officer (CFO) will be critical to the corporate and operational development of the new GP commissioning consortia, as well as developing the systems necessary for financial stewardship and maintaining sustainable balanced budgets. CIPFA has produced best practice guidance on the Role of the CFO in the Public Services[4] that provides guidance on the organisational, professional and personal factors necessary for success in this complex role. CIPFA would advise that CFO posts in the interim period are employed by the NHS CB to retain a critical financial focus until GP consortia become established and to play a key role in implementing effective risk management strategies.

The relatively small size of the proposed GP consortia is likely to limit their ability to build up the necessary systems and assurance mechanisms. To manage the risks involved, it will be essential to establish appropriate corporate governance parameters to assess fitness for purpose at a given point in time. This need not necessarily be a 'one size fits all' approach, and could accommodate a variety of governance arrangements. The parameters could provide an accreditation system based around a development path in which GP consortia are allowed to take on responsibilities according to the extent of the competencies they individually display. Such an approach would help to ensure the diversity of commissioning bodies sought by *Liberating the NHS*'

Regulating Foundation Trusts

NHS Foundation Trusts are a well-established component of the NHS in England, and in view of experience to date with this type of organisation, we generally welcome the proposals on regulating healthcare providers, including the increased commercial freedoms. However those

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[3] The CIPFA 'Sharing the Gain' publication January 2010
http://www.cipfa.org.uk/sharingthegain/report.cfm

[4] The Role of the CFO in the Public Services -June 2009
http://www.cipfa.org.uk/panels/finance_director/download/Role_CFO.pdf

providers not presently en route to Foundation Trust status will require significantly increased support to obtain that status, or plans will need to developed for them to become part of an existing Foundation Trust. As some of the issues involved will inevitably be less tractable than those faced previously in the Foundation Trust preparation process, contingency plans are likely to be required.

Strategic Health Authorities will no longer be managing risk by providing brokerage and other forms of support, in addition the risk of financial failure of NHS Foundation Trusts will be increased. In view of the closed financial system within the NHS, CIPFA believes that more clarity is needed on basic issues such as options for provision of the 'basic' services that would have to be maintained in the event of the failure of a provider, and the ultimate ownership of public assets in the event of a trust being 'wound up'.

Linkages with Local Authorities

The implications of Health being protected from allocation reductions within the actions to address the UK deficit and other parts of the public sector with health responsibilities not being protected places an increasingly important role on joint agency working and joint impact assessment of decisions to be taken to achieve best possible public sector results, CIPFA has specialist expertise in this area.

We believe that models for handling the NHS / LA interface should be developed together with consultation processes on the financial transfer from the NHS to Local Authorities for the public health function.

Conclusions

Our response has highlighted the major risks involved in implementing the most significant components of the Government's proposals. Many of the detailed arrangements necessary for successful implementation remain to be developed and CIPFA stands ready to play a part in this process. Given the interdependence of all the components of the NHS system, change on this scale will need to be carefully coordinated during the transitional period in order to achieve the desired aim of liberating the NHS.

Yours faithfully

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