

COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

**MINUTES of the meeting of Health Scrutiny Committee held  
at The Council Chamber, Brockington, 35 Hafod Road,  
Hereford on Tuesday, 14th August, 2007 at 10.00 a.m.**

**Present:** Councillor JK Swinburne (Chairman)  
Councillor SPA Daniels (Vice Chairman)

**Councillors:** PJ Edwards, MJ Fishley, KG Grumbley, P Jones CBE,  
G Lucas, GA Powell, AP Taylor and PJ Watts

**In attendance:** Councillors PA Andrews, WLS Bowen, JP French, AE Gray,  
RI Matthews, SJ Robertson and AM Toon. Mr J Wilkinson and Mrs A  
Stoakes, Chairman and Vice-Chairman of the Primary Care Trust  
Patient and Public Involvement Forum were also present.

**9. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors W.U. Attfield, A.E. Gray, and K.S. Guthrie.

**10. NAMED SUBSTITUTES (IF ANY)**

Councillor P.J. Edwards substituted for Councillor A.E. Gray and Councillor K.G. Grumbley for Councillor K.S. Guthrie.

**11. DECLARATIONS OF INTEREST**

<b>Councillor</b>	<b>Item</b>	<b>Interest</b>
WLS Bowen	Public Service Trust for Herefordshire	Personal – Non-Executive Director of Herefordshire Hospitals NHS Trust
SPA Daniels	Public Service Trust for Herefordshire	Personal – Employee of Herefordshire Hospitals NHS Trust
PJ Edwards	Public Service Trust for Herefordshire	Personal – Relative employed by Primary Care Trust

**12. MINUTES**

**RESOLVED:** That the Minutes of the meeting held on 28th June, 2007 be confirmed as a correct record and signed by the Chairman.

**13. SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY**

There were no suggestions from members of the public.

**14. PUBLIC SERVICE TRUST FOR HEREFORDSHIRE**

*(Councillors WLS Bowen, PJ Edwards and SPA Daniels declared personal interests in this item)*

The Committee considered the proposal to develop enhanced partnership working between Herefordshire Council and Herefordshire Primary Care Trust (PCT) leading to the formation of a Public Service Trust (PST) for Herefordshire for the benefit of people in the County.

The Chairman praised the way in which the public consultation had been conducted. It was through no lack of effort that public engagement had been limited. A positive outcome from the process nonetheless was that those who had participated had recognised that the aim of the PST project was to deliver improved services.

The Government's clear expectation was that, whatever form it took, there would be closer working between councils and primary care trusts and that further integration of service delivery was expected. She explained that the Committee intended to scrutinise the proposal as a whole, within this context, by focusing on the following aspects: leadership, governance, finance, communication and ICT, administration, the timetable for the project and the consultation exercise.

Mr Hamilton, Project Director for the Herefordshire Public Service Trust, presented the report. He traced moves towards closer integration between the Council and the PCT noting that these preceded the national consultation on the reconfiguration of Primary Care Trusts. However, it was in their formal response to that consultation in March 2006 that the Council and the PCT had argued that a PCT for Herefordshire should be retained on the clear understanding that this would involve greater collaborative working between the two organisations. He added that the actual idea of a Public Service Trust for Herefordshire had originated from the then West Midlands Strategic Health Authority (South).

The aims of the PST project as described in the report included the generation of efficiencies and savings. Mr Hamilton stressed that the intention was that any such savings would be reinvested in improving and developing services. Work was continuing on the detail of the proposal. It was planned to report to the Council's Cabinet and the PCT Board in September.

He updated the Committee on the response to the public consultation and commented on the process. Responses now totalled 221. Based on this 57% of respondents supported the proposal with 41% opposed. He considered the process had been rigorous although the level of response was disappointing. The report to the Committee set out the findings in an open and transparent way.

He emphasised that the proposal was not a result of central direction but reflected national guidance. In support of this point he quoted statements on the need for closer integration from a national inter-agency working group, the Lyons Inquiry into Local Government, the former Secretaries of State for Health and Communities and Local Government and the former Prime Minister.

He noted that it was expected that aspects of the closer working envisaged, for example aligning performance assessment and governance arrangements would develop over different timescales.

Referring to the appointment of a single Chief Executive for the Council and the PCT which would be a unique step, he sought to address concerns that had previously been expressed to him about the advertisement of this post whilst the consultation process was underway. He explained that the advertisement did not pre-empt any decisions but would enable the project to proceed in accordance with the project plan if that was what the Council and the PCT decided to do.

He concluded by saying that the project was challenging and involved a great deal of hard work but had the potential to gain Herefordshire national recognition.

The Committee then asked a series of questions on the aspects of the proposal which the Chairman had highlighted in her opening remarks. The principal areas of questioning and the responses are summarised below.

The following people had specifically been invited to provide evidence to the Committee:

**Herefordshire Council**

Mr NM Pringle - Chief Executive  
Mrs S Rees - Director of Resources

**Herefordshire Primary Care Trust**

Mr P Ashurst – Non-executive Director and Deputy Chairman of the PCT Board  
Professor T Thompson – Interim Chief Executive  
**Leadership**

Questions were asked about the estimated financial saving associated with appointing a single Chief Executive, how the conflicting demands of two very different organisations could be reconciled, how the Chief Executive's time would be divided between the two organisations and who would be the postholder's employer.

Mr Pringle replied that single managerial leadership was crucial, although he could not say critical, to the project's success. Whilst the Council and the PCT were different there was a shared public ethos. Single managerial leadership was important to overcoming the cultural differences that did exist and achieving the desired integration. A new leader would become the focal point to whom all managers would look for direction. His experience of Local Government Reorganisation in Herefordshire supported the case for single managerial leadership.

In relation to accountability he said that the new Chief Executive would be responsible to the PCT Board for health matters and through the Board to the West Midlands Strategic Health Authority (SHA). There would be separate accountabilities to the various inspectorates.

Asked about the selection process for the new Chief Executive he said that this had yet to be agreed but would involve a joint Panel drawn from the PCT Board and the Council. He himself would have no part in the process.

Professor Tamar Thompson reported that the Chief Executive of the SHA would sit on the selection panel.

Asked about the approaches of other authorities Mr Pringle said that a variety of approaches were being pursued, for example the appointment to a single post of Director of Adult Services and Chief Executive of a PCT. The Isle of Wight was exploring a similar approach to Herefordshire but was some months behind (although there was a difference there in that there was no district general hospital on the Island). He noted that most of the examples of experimentation involved smaller unitary authorities where there was greater comparative benefit to be achieved through pooling resources.

In response to further questions about the appointment of a single Chief Executive it was reported that a significant number of high calibre applications for the post had been received. This suggested that the salary attached to the post was attractive although such matters were always subject to negotiation.

Concern was expressed that given the post's responsibilities the postholder would need a deputy and an office including other senior staff as support, casting doubt on the level of projected managerial savings. Mr Pringle answered that the post needed to be put in context, drawing a comparison with the scale of the responsibilities borne by Chief Executives of some of the larger shire counties. He also commented on the managerial capacity issue both the Council and the PCT faced in that they were required to undertake a broadly similar level of strategic planning to larger authorities but with less resource.

The difficulty of achieving cultural change was raised, giving the example of the time taken to establish the Council's Children's Services Directorate. The Cabinet Member (Corporate and Customer Services and Human Resources) acknowledged that there was often resistance to change. The Council and the PCT had to work together to improve performance. The evidence from the project's working groups was that closer working would deliver improved services for the County's residents.

Mr Pringle added that progress in achieving integration nationally would be tested in the future Comprehensive Area Assessment (CAA) 2009. The Audit Commission's Chief Executive had recently stated that organisations which were found during the CAA not to be working well together would be explicitly criticised because of the view that failure to do so was to the disbenefit of the public. It would be a failure if the Council could not derive economies from a model for joint working.

### **Governance**

A question was asked about the role of elected Councillors if the PST were established. Mr Pringle said that the role would potentially be wider. The role of executive Councillors would remain although the aspiration over the longer term was that the relationship with health colleagues would become closer. Statutory responsibilities for planning and regulatory matters and scrutiny would also remain. There would also be a continuing role for Members as advocates on behalf of their communities.

Professor Thompson said that the non-executive directors of the PCT would have an equal role to elected Councillors in the PST. They would also continue to have a role in relation to the PCT which would continue as a statutory body.

Mr Ashurst said that the key point would be for both non-executive Directors and Councillors to focus on benefits for the people of Herefordshire.

A question was asked about the split between the commissioning and provider roles of the PCT. Professor Thompson said that the Strategic Health Authority had required the provider services to be removed from the PST consultation document. This was because of a lack of clarity over Government policy. There had initially been a clear desire at national level for complete separation of the commissioning and provider roles but many models had been considered and there now appeared to be a move away from having a complete demarcation. There was currently no encouragement to PCTs to separate off the provider role. Whilst it would be wrong to say it would not happen it appeared less likely. It was expected that the position would become clearer in November 2007 when the NHS operating framework was due to be published.

Mr Pringle noted that the Council had reduced the amount of services it provided directly, making use instead of the private and voluntary sectors as providers. This had had benefits but lessons had also been learned. A strict separation of roles did not always lead to best value. The Compulsory Competitive Tendering regime, for example, had required a strict separation of roles when that had been introduced but had become more flexible. It may be that the NHS proposals would follow a similar course over time.

In response to a further question about uncertainty over the national position and intervention by the SHA Professor Thompson said that the Chief Executive of the SHA was supportive of the direction of travel of the PCT and the Council.

Mr Hamilton commented that the SHA wanted a successful organisation to be in place delivering improved services. His experience was that organisations that were delivering services well were subject to less intervention.

Asked about the legal framework for establishing a PST Mr Pringle said that changes in primary legislation were not expected at this stage. The PCT and the Council could, however, make progress using existing legislation. The Council had previously pursued such a course when it had introduced a Leader and Cabinet model of governance in advance of new legislation. Once it had been demonstrated that a project was workable amending legislation might potentially follow.

### **Finance**

The proposal envisaged that any savings generated would be reinvested in services. It was asked what guarantee there was that the SHA would not claw back sums, noting that the budgets of all PCTs had been topsliced in 2006/07, to meet an overall shortfall in the NHS. Professor Thompson said that the advice to her at this time was that there would not be a clawback of any savings in the current financial year. The position in future years was unknown. Mr Pringle stated that the Council could similarly be subjected to a tougher financial regime and to that extent he considered the issue to be cost neutral to the proposal.

The flexibility available to the PCT to reallocate funds between services was discussed. It was noted in reply that a lot of the funds allocated to the PCT by Government under the Comprehensive Spending Review were for specific purposes. Mr Pringle said that the proposal did not envisage reallocating large sums of money between the budgets of the PCT and the Council for a number of years although it was hoped that freedom and flexibility might be granted over time. The aim at this stage was to generate savings within existing budgets for reinvestment. These financial risks to the Council and the PCT were unchanged by the proposal.

Clarification was sought on the projected savings in management costs envisaged in the proposal and the other savings projected.

The Director of Resources commented that the emerging financial case set out in appendix 4 to the report before the Committee was very outline and very illustrative. The report had been prepared in full consultation with PCT colleagues. It was, however, a model which was being developed and contained significant assumptions about the pace and degree of innovation. These assumptions would need to be reviewed as the proposal developed.

She compared the approach to that being followed by authorities currently engaged in bids for unitary status. They had found it challenging to develop proposals and where bids had been approved were now working to develop the detail. In considering the PST proposal consideration had been given to the areas of savings

identified in these bids.

Possible savings from applying the principles of the Council's Herefordshire Connects project had also been taken into account.

In relation to senior management costs broad assumptions had been made about the number of appointments and the salary levels. No attempt had been made to look at roles and responsibilities of senior managers under a new structure. Currently the PCT and the Council had 13 senior managers and 2 Chief Executives between them. The model assumed 1 Chief Executive and 6 senior managers. On this basis assuming a phased saving over three years savings of up to £450k per year were envisaged. In response to a question she acknowledged the need for caution and the need to control the establishment budget if savings were not to be offset by increased salaries and numbers of staff below the senior management level.

Efficiency savings in the PCT taking account of lessons from the Herefordshire Connects project were assumed to reach £1.9 million a year after three years.

Cash released from Council budgets was estimated at £1 million per year after 3 years.

The projected total saving per year in year 3 of some £3 million represented about 1% of the combined budgets of the Council and the PCT and she therefore considered the assumed savings to be cautious.

The additional investment needed to deliver the benefits of the proposal, including accommodation costs and staffing, had also been estimated. The conclusion was that the benefits should outweigh the transitional costs over the three year period considered.

The Director of Resources also commented on the Comprehensive Spending Review for 2007 the outcome of which was due to be announced in October. The expectation was that the settlement would be very challenging with increases for health and for education but a standstill for other services. It was not clear at this stage what efficiency savings Councils would be expected to make and how they were taken into account in the settlement.

Questioned further about the robustness of the assumptions in the financial case and in particular the projected savings the Director of Resources reiterated that the financial model was in its initial stages. Every effort had been made to avoid double counting of savings. She added that the Audit Commission would consider the soundness of the financial assessment.

A question was asked about the prospect of additional financial support being forthcoming from the Government to support the project. Mr Hamilton said that although there had been discussions with Government Office West Midlands, no financial support had been offered so far. He still remained hopeful that some support might materialise. Mr Pringle commented that at the recent Local Government Association Conference the Audit Commission and Government Ministers had referred to the interest in Herefordshire's proposed approach. His view was that the proposal would have to proceed further before any overt support would be considered. This was typically the case with proposals of this type.

*(The meeting adjourned between 11.35 am and 11.45 am)*

**Communication and Information Communication Technology (ICT)**

Concern was expressed about the ICT issues, noting the delay, which had befallen a number of NHS ICT projects and the numerous protocols needed to govern the sharing of information between the Council and the PST.

Mrs J Jones, the Council's Director of Corporate and Customer Services informed the Committee of work being undertaken to develop protocols and minimise risk to the PST proposal. In particular all those involved recognised the need to ensure public confidence in the way information was held and shared. She confirmed that consideration of links to the Herefordshire Connects project and how the PCT could benefit from that project had also started.

Professor Thompson confirmed in response to concern about the security of patient information that the ICT links to GPs were being taken into account and she was quite confident that a solution could be achieved.

In relation to accommodation Mr Pringle said that working in joint teams was one of the keys to the project's success. It was noted that the PCT had very little estate and the onus therefore was on the Council to find a solution. Mr Pringle said that this was an issue, which ultimately could only be resolved by Members. To date Members had lacked confidence to confront these admittedly difficult issues and they had therefore remained unresolved.

The Committee noted that a working group was considering accommodation issues. Concern was expressed that it appeared that no solution was yet in sight. Mr Hamilton commented that it had never been envisaged that solutions would be in place at this stage of the proposal regard being had to avoiding any impression that decisions were being taken which pre-empted a formal decision on whether or not to proceed with the project.

A Member emphasised the need for accommodation and ICT plans to proceed in concert.

The Cabinet Member (Corporate and Customer Services and Human Resources), whilst acknowledging some of the concerns expressed, stressed the benefits which could be derived from the Council and the PCT sharing services.

Further concern was expressed that across the Country a number of ICT projects had cost more than expected and taken longer than expected to implement. In response Surrey County Council was given as an example of an organisation that had implemented a similar project to Herefordshire Connects faster than projected and had achieved greater savings than projected. The key was to be determined to deliver change.

**Administration**

A question was asked about the different terms and conditions in place in the PCT and the Council and difficulties this might create in integrating teams.

Mr Pringle said that analysis had shown that the differences were quite small and related principally to conditions of service rather than salaries. He considered that these issues were far less significant than those encountered during Local Government Reorganisation and were capable of resolution over time. The Trades Unions had responded positively to the proposals. Continued communication to reassure staff would be important.

Professor Thompson said that there were currently some integrated teams in operation and she was not aware of difficulties over this subject. She would monitor the situation.

**Timetable**

Appendix 5 to the report contained a project brief for a combined audit of the PST arrangements on behalf of the Council and the PCT by the Audit Commission. It was noted that the Commission had requested documentation by 3rd August 2007 and it was asked whether this deadline had been met, noting also that the Commission's timetable also indicated an interim report would be prepared by the end of August. It was suggested that this appeared to be a tight timetable.

Mr Hamilton said that the Commission's report was not now expected by the end of August. The report was needed to allow the proposal to proceed and it was expected that a draft would be available in time for meetings of the Council's Cabinet and the PCT Board in September. Mr Pringle commented that it had been agreed that the timescales included in the project brief had not been realistic. This was not seen as a hindrance.

Professor Thompson noted that Lord Darzi had been commissioned by the Government to produce a report marking 60 years of the creation of the NHS, reviewing the organisation and advising on how to meet future challenges. It was expected that the review would be published by October 2007 and would inform the Comprehensive Spending Review.

The Cabinet Member (Corporate and Customer Services and Human Resources) drew a distinction between taking steps to work more closely together and the creation of an integrated single organisation. This needed to be borne in mind when considering the stated intention to establish the PST by 1 April 2008.

Mr Pringle expressed concern that it could be difficult to maintain focus if timetables for change were elongated. It would also increase uncertainty and the risk that key staff would leave. Local Government Reorganisation in Herefordshire had been achieved to a tight timescale.

It was suggested that it might be better to await a clearer indication of the Government's thinking on the separation of commissioning and provider roles. Mr Pringle stated that greater freedoms and flexibilities could be gained by those who led the way, provided their approach was working well.

**Consultation**

The Committee had nothing to add to the Chairman's opening remarks on the conduct of the public consultation exercise.

**Summing Up**

A Member commented on the need to recognise the potential of the project to strengthen services in Herefordshire and local control over them and advocated a positive approach to the proposal.

The Chairman thanked those who had appeared before the Committee remarking that it was in the nature of scrutiny that it should focus on areas of concern. This did not, however, imply a negativity about the potential benefits of the proposal.

Mr Pringle thanked the Committee for the way in which it had conducted its questioning.

*(The meeting adjourned again between 12.30 pm and 1.20 pm.)*

On reconvening the Committee's conclusions were read to the meeting.

**RESOLVED that Cabinet and the Primary Care Trust Board be advised that:**

- (a) The Health Scrutiny Committee welcomes the principle of further exploration with regard to the establishment of a Public Service Trust in Herefordshire. It also endorses the current steps being taken towards further integration, to more effectively deliver better services to the citizens of the County.**
- (b) The Committee supports the proposed appointment of a single Chief Executive for both organisations, but stresses the need for a rigorous selection process to both attract and select the best available candidate. The Committee suggests that the primary task for the new Chief Executive will be to deliver integrated services as a matter of priority with a view to realising the ambition of a Public Service Trust being established.**
- (c) The Committee notes the embryonic governance structure proposed and looks forward to further reviewing this structure as it develops.**
- (d) The Committee recommends the obtaining of external financial due diligence expertise to more fully understand the financial implications of the proposal and the production of a more robust financial model.**
- (e) The Committee accepts the reassurances given with regard to information communication technology (ICT) and in particular those relating to compatibility of systems and the efficiencies which can be derived.**
- (f) The Committee further recommends the early preparation of a joint accommodation strategy which fully addresses organisational requirements.**
- (g) While noting the proposed timetable for transition, the Committee believe this to be both optimistic and over-ambitious having particular regard to:**
  - changing legislation**
  - the Darzi review;**
  - accommodation issues;**
  - impact of the comprehensive spending review;**
  - the need for clarity in the provider and commissioning activities of the organisations.**
- (h) The Committee notes the extensive consultation exercise and the helpful comments made during the consultation by those who participated including the Hereford Hospitals NHS Trust. The Committee however regrets the lack of wider public engagement within the process.**