Performance Detailed Report

April 2006

Pooled Budgets

Herefordshire Primary Care Trust and Herefordshire Council

Audit 2004/2005

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Introduction

1 Section 31 pooled budget arrangements are among the flexibilities offered by the Health Act 1999. They allow NHS organisations and local authorities to allocate funds to a joint budget for the furtherance of health and social care. This can be through joint commissioning or integrated provision. The use of pooled budgets is intended to support partnership working and result in service improvement through joining up existing services or developing new services.

2 The Audit Commission's recent report 'Governing Partnerships' noted the potential of pooled budgets to bring clarity of purpose to partnership working. However, the report also notes that integration without clear protocols and agreements can reduce accountability and increase risks. To avoid these problems, and to create a clear and shared focus on users and value for money, partnerships need strong governance and accountability and well developed leadership, decision making, scrutiny and risk management. In the future, Local Area Agreements (LAAs) may offer better opportunities to help clarify relationships, based on shared outcome measures, and to manage risks.

3 The recently published government white paper 'Our health, our care, our say' notes that LAAs 'should be a key mechanism for joint planning and delivery'. It also states the intention to assist joint commissioning between health and social care by streamlining 'budgets and planning cycles between PCTs and local authorities, based on a shared outcome-based performance framework, and aligned performance assessment and inspection regimes'. Successful implementation of these reforms should help to address some of the frustrations of operating Section 31 agreements under current arrangements, with different planning and budgeting cycles and separate performance management and inspection regimes.

Background

4 Herefordshire PCT (HPCT) and Herefordshire Council (HC) were amongst the first in the country to develop section 31 agreements. There are currently five pooled budget agreements in place:

- Mental health services (2002) - integrated provision and lead commissioning of adult and older people's mental health services (hosted by the PCT);
- Learning disabilities (2002) - integrated provision and lead commissioning (hosted by HC);
- Kington Court (2002) - joint commissioned service from independent sector provider;

- Hillside Intermediate Care Unit (2003) - joint health and social commissioned intermediate care with PCT as provider; and
- Integrated Community Equipment Services (2004) - joint provision.

5 In 2004/05 there were overspends on the budgets for mental health (£334,000 on a £17.4 million budget) and learning disabilities (£1.5 million on an £10.8 million budget). Both services have experienced pressures from overall increased demand, and the use of placements. The position in learning disabilities reflects pressures which are occurring nationally as set out in the recent report from the Association of Directors of Social Service (ADSS) on 'Pressures in Learning Disability Services.' The main cause of the mental health overspend was pressure on social care placements, mainly for older people. Additional cost pressures have arisen in mental health from costs of locum consultant cover, use of agency nurses and implementation of NICE guidance.

6 The future arrangements for the services currently provided by the PCT will be subject to change in the light of the Department of Health's proposals as set out in 'A Patient led NHS'. Mental health services and learning disability services in particular have been subject to debate and further review. The exact configuration has yet to be agreed but in due course the services may become part of a Foundation Trust. The implications of this for pooled budget arrangements are unclear.

7 The PCT, in its response to the West Midlands consultation on the changes sees an opportunity for closer integration of functions with HC.

Objectives, scope and audit approach

8 The objectives of this audit were to provide an overview assessment of the arrangements in place to manage the performance and ensure effective use of resources and integrated provision in the services covered by the pooled budget agreements for learning disabilities and mental health. We reviewed the arrangements for:

- securing strategic and operational objectives;
- ensuring that services meet user needs;
- monitoring and reviewing performance; and
- managing resources and achieving value for money.

9 The report draws on the good practice set out in the Audit Commission's recent report on 'Governing Partnerships' (October 2005).

10 The assessment will inform our judgements as part of the Auditors Local Evaluation (ALE) for the PCT. If further audit work is indicated this will be discussed as part of future audit planning.

Main conclusions

11 Our overall conclusion is that the integrated health and social care services for mental health and learning disabilities are delivering some benefits to service users. Further potential benefits could be realised by treating the budget more as a pooled resource. Currently some parts of the budget are managed as separate health and social care elements.

12 In response to the overspend in learning disabilities, a fundamental review of key elements of service provision is being carried out with the aim of providing more targeted and cost effective services. In mental health, efficiencies are being achieved across the integrated services, but a more strategic approach to managing the pooled fund is needed to ensure that resources are appropriately targeted. In both areas these need to be supported by strengthened commissioning arrangements and stronger partnership agreements which incorporate clear measurable outcomes, with associated monitoring mechanisms.

Securing strategic and operational objectives

13 Strategies for mental health and learning disabilities have included clear targets and milestones for delivery, based on national targets and guidance. These strategies are currently being updated to reflect new demands and pressures on the services and to improve the way services work together. To ensure the benefits from pooling budgets are realised the PCT and Council need to be clear about what they are trying to achieve, and how they will achieve it by working in partnership, and pooling resources.

14 Joint commissioning has been limited to date and this has been a major barrier to effective use of pooled funds in meeting strategic objectives. The commissioning role for both mental health and learning disabilities is being strengthened through new joint planning and commissioning structures. This should help to ensure a more strategic approach to the use of the overall pooled funds for these services.

Meeting user needs

15 There are mechanisms in place for obtaining service user feedback and involving service users and carers in service planning. Service users and carers have been involved and continue to be involved in development of service plans and strategies through the Local Implementation Team (LIT) and Valuing People Partnership Board. In the new planning structures this involvement will be via Reference Groups with wide stakeholder representation. Arrangements for ongoing feedback from service users are in place and should be used to inform performance monitoring and future service improvement and development. The PCT and Council need to ensure that effective communication with users and carers is maintained through the service changes and that the modernisation and focusing of services does not result in a deterioration of service provision.

16 There is a general view that service integration has benefited service users, although this has not been formally evaluated. Evidence includes fewer complaints about people being passed between services, and improvements in user satisfaction in mental health services. There is scope for better integration between elements of the service for example to provide an integrated mental health rehabilitation service.

17 The PCT and Council are working closely together to resolve barriers to integration but some challenges remain eg in agreeing arrangements for the permanent transfer of staff from one organisation to the other, the development of joint information systems and breaking down professional boundaries.

Monitoring and reviewing performance

18 Arrangements for performance monitoring and review are not fully effective in that there are not yet jointly agreed criteria against which the S31 partnerships can be evaluated to show that they are achieving benefits for service users. This is not helped by the separate national performance targets applied to health and social care.

19 Each service area is monitored against a range of performance indicators, mostly based on national health and social care targets. Performance monitoring is becoming more aligned with budget monitoring through the new Programme Boards. There have been some difficulties caused by separate information systems for health and social care but both agencies are working to resolve these. Integrated performance monitoring is made difficult by the separate health and social care monitoring systems at national level.

20 Actual performance is improving on most key indicators, but a more focused approach to performance management would enable the partners to work more effectively together to ensure that weaker areas are addressed.

Managing resources and value for money

21 The PCT and the Council have made considerable progress in working together to tackle some of the practical difficulties around budget monitoring and reporting. Along with tighter budget monitoring and control, each service area is actively seeking to address the issues which caused the overspends in 2004/05, in order to prevent a recurrence. Some of the steps being taken will not result in savings in year, but are essential for the long term sustainability of the services within current resources.

22 An interim agreement has been reached on risk sharing in the event of future overspends, with the intention in due course of the host organisations carrying the risk.

23 The budgets for the joint teams are integrated but for other parts of the service, such as placements and continuing care, health and social care elements of the budgets are managed separately. This may limit the ability to consider the budget in a more flexible way and use resources more effectively.

24 The current pressure on resources is forcing the services to consider value for money and a number of measures are being taken to improve efficiency as part of the recovery plans. There is scope for a more systematic and ongoing approach to ensure that value for money considerations are built into service planning, delivery and monitoring.

The way forward

25 The PCT and Council need to ensure that the pooled budget arrangements are supported by clear and updated agreements to reflect progress and new strategic priorities.

Recommendation
R1 To strengthen their partnership working through the pooled budget arrangements, the PCT and Council should update the Section 31 agreements for mental health and learning disabilities to reflect developments since the original agreements were made. These should include: • *joint strategic priorities and expected benefits for service users;* • *specific details of which resources are to be pooled and for what;* • *financial management arrangements including risk sharing and reporting;* • *performance management arrangements including joint targets and indicators and how and when they should be reported;* • *arrangements for ensuring feedback from service users including joint complaints systems; and* • *arrangements for ensuring value for money.*

26 Additional recommendations are made in the detailed report.

Detailed report

Securing strategic and operational objectives

27 *Strategies for mental health and learning disabilities have included clear targets and milestones for delivery, based on national targets and guidance. These strategies are currently being updated to reflect new demands and pressures on the services and to improve the way services work together. To ensure the benefits from pooling budgets are realised the PCT and Council need to be clear about what they are trying to achieve, and how they will achieve it by working in partnership, and pooling resources.*

28 *Joint commissioning has been limited to date and this has been a major barrier to effective use of pooled funds in meeting strategic objectives. The commissioning role for both mental health and learning disabilities is being strengthened through new joint planning and commissioning structures. This should help to ensure a more strategic approach to the use of the overall pooled funds for these services.*

Service strategies

29 Strategies for mental health and learning disabilities set out the plans for implementation of national frameworks:

- The National Service Frameworks (NSF) for Adult Mental Health;
- The NSF for Older People (standard 7); and
- Valuing People for learning disabilities.

30 The strategic direction of mental health services in Herefordshire was set out in the Mental Health Strategy, last updated in 2003. The Local Delivery Plan 2005 - 2008 (LDP) summarises key current initiatives and targets as well as priorities for the use of development monies. It notes that all autumn assessment plans, NSF and LDP plans are being combined into an overarching mental health delivery plan.

31 Strategies are currently under review. The review of the mental health strategy for adults is in response to the need to ensure that the new service models work together as a 'whole system' of mental health care. Lack of integration between mental health services was highlighted in a recent review of rehabilitation services.

32 For older people the strategy is being reviewed to address gaps in the current service as compared to the NSF standards. It is also taking into account epidemiological data predicting a significant increase the incidence of dementia in Herefordshire in the next ten years.

33 For learning disabilities, the Joint Investment Plan 2000-2004 set out Herefordshire's response to the Valuing People framework. The Joint Investment Plan has been superseded by the Valuing People Strategy. The Valuing People Partnership has agreed an overarching strategy for people with learning disabilities. Within this, the Learning Disabilities service is taking a strategic approach to reconfiguring and prioritising service provision to take account of changing demands as well as to meet the requirements of Valuing People. In response to the current pressure on the learning disabilities pooled budget, service modernisation plans are being developed with a view to providing a more cost-effective and targeted service. These should form the basis of a longer term health and social care service strategy.

34 It would be beneficial to provide a similar focus to the development of mental health services. Strategic objectives need to be delivered largely within existing resources. Development monies are available mainly for adult mental health and learning disability services. However these are considered insufficient to meet all requirements so decisions on priorities need to be taken.

35 For both mental health and learning disabilities services the service strategies need to be underpinned by medium term financial plans, setting out, where appropriate, how resources are to be redirected and used alongside development monies.

36 There are uncertainties facing the service, including the future provider arrangements, and the implications of the proposed new mental health Act. However a clear statement of strategic direction, based on assessed needs, user consultation and capacity planning, and linked to resource plans would help to ensure that mental health and learning disabilities services in Herefordshire continue to develop and meet local needs.

Recommendations
R2 Agree a joint service strategy for learning disabilities setting out the specific health and social care contribution to the over-arching learning disabilities strategy.
R3 The PCT and Council should work together, and with other partners, to jointly agree future service plans for mental health for adults and older people. These should be prioritised according to assessed need and available resources and supported by medium term financial plans.

Planning and commissioning structures

37 Although planning forums have successfully developed joint strategies, joint commissioning of the PCT's and Council's directly provided mental health and learning disabilities services has been limited. The PCT and Council have reviewed the planning and commissioning structures for adult services, including mental health and learning disabilities, with a view to improving the links between planning and commissioning to ensure that plans can be successfully implemented. Stronger commissioning should also help to ensure that the resources are used more effectively.

38 For mental health services, the key service planning and monitoring forums have been:

- the Local Implementation Teams (LITs) for Mental health and Older People, and their associated task groups. These have wide representation, including service users and carers, and are responsible for agreeing the strategies for implementation of their respective NSFs and for monitoring progress in implementation;
- the Mental Health Section 31 Partnership Board. This oversees the management of the pooled budget and monitors both finance and performance; and
- the Mental Health Operations Board - this oversees the operational delivery of mental health services.

39 The key planning forums for Learning Disabilities have been:

- the Valuing People Partnership Board. This is the equivalent of the mental health LITs and sets the wider strategic direction of Learning Disabilities services; and
- the Learning Disabilities Section 31 Partnership Board.

40 The new structure is based on Programme Boards, which will focus on commissioning. There will be four of these, including one for mental health and one for learning disabilities. Implementation of strategic plans and service delivery will be done through Commissioning Plans. The Boards will be responsible for performance monitoring and reporting and will take on the governance arrangements previously held by the Section 31 Boards. The commissioning work of the Programme Boards will be informed by the work of reference groups, which will have wide stakeholder involvement and will take on the planning functions of the LITs. These, in turn, will be supported by time limited project groups set up to deliver specific pieces of work.

41 The developments provide the opportunity to extend commissioning to cover all services covered by the Section 31 agreements. Up to now the commissioning role of the PCT as lead commissioner for mental health has only covered external contracts, accounting for only £4.9 million of the £18.7 million pooled budget. There was no real strategic commissioning of the PCT and council's jointly provided services. The separation of the PCT's commissioning and provider functions will require a clear commissioning strategy for mental health. This will be particularly important to retain a strategic overview in the light of the move towards practice based commissioning.

Recommendation
R4 Ensure commissioning strategies for both mental health and learning disabilities services link to practice based commissioning.

Meeting user needs

42 *There are mechanisms in place for obtaining service user feedback and involving service users and carers in service planning. Service users and carers have been involved and continue to be involved in development of service plans and strategies through the Local Implementation Team (LIT) and Valuing People Partnership Board. In the new planning structures this involvement will be via Reference Groups with wide stakeholder representation. Arrangements for ongoing feedback from service users are in place and should be used to inform performance monitoring and future service improvement and development. The PCT and Council need to ensure that effective communication with users and carers is maintained through the service changes and that the modernisation and focusing of services does not result in a deterioration of service provision.*

43 *There is a general view that service integration has benefited service users, although this has not been formally evaluated. Evidence includes fewer complaints about people being passed between services; improvements in user satisfaction in mental health services. There is scope for better integration between elements of the service for example to provide an integrated mental health rehabilitation service.*

44 *The PCT and Council are working closely together to resolve barriers to integration but some challenges remain eg in agreeing arrangements for the permanent transfer of staff from one organisation to the other, the development of joint information systems and breaking down professional boundaries.*

Consultation with service users

45 The LITs and VPPB, and their associated task groups, include representation from users and carers. Their views are also championed by non executive directors and council members who are represented on a number of forums. For example, the Chair of the mental health Section 31 Partnership Board is also the Chair of the Carers Strategy Board.

46 There are a number of examples of user involvement in service planning.

- The joint PCT and council 'Involving People' team supports people to participate in service planning as well as activities to obtain service user views on an ongoing basis.
- The Older People's mental health task group are currently reviewing the service, with the involvement of carers.
- The Valuing People Partnership Board, which includes service user representation, has been kept up to date on the financial situation and has been able to comment on the proposals to reduce costs and given a steer on priorities. The People's Union have identified a member (with learning disabilities) to co-chair the Partnership Board.
- The council has funded a Citizen's Advocacy post who liaises with the various user groups across the County.

47 In mental health, the Herefordshire Users Group (HUG) has recently disbanded. This could potentially have left a gap in user representation but the Involving People Team has been working with users eg through the Mental Health Regeneration Forum to maintain their input.

48 For mental health the main mechanism for ongoing feedback from service users is the annual patient survey, carried out by the Healthcare Commission. For learning disabilities there is no similar national mechanism for regular feedback. The partnership board is currently considering how to obtain feedback on an ongoing basis. Each of the Board sub-groups, addressing aspects of the White Paper 'Valuing People', has service users represented. The pilot of the Single Gateway Assessment is seen as an opportunity to obtain service user feedback.

49 Feedback is also obtained through complaints, which are dealt with by either the council or the PCT as appropriate, and through the PCT's PAL service. We have previously recommended to the PCT that the arrangements for jointly managing complaints be set out in the S31 agreements. This is not currently the case.

50 The PCT and council need to ensure that service users are able to have a say in agreeing priorities in the light of the service changes being planned to allow services to be managed within the financial constraints. Arrangements for communicating planned changes to service users and their carers should be agreed. A key challenge for the partners will be to ensure that there is no deterioration in provision.

Recommendations
R5 Agree arrangements for jointly managing complaints and include these in the Section 31 agreements.
R6 Ensure that service users are able to contribute to the agreement of service priorities.
R7 Agree a communications plan as part of the modernisation process for learning disabilities.

Benefits of service integration

51 The expected benefits of service integration are outlined in the Section 31 agreements, but are not translated into measurable objectives. The agreements note the expected benefits from service integration in very broad terms eg 'The partnership arrangements will lead to a health gain as defined by the Health Improvement Programme'. The agreements set out the intention to fully integrate assessment and care management, multi-disciplinary teams and management and support services. The pooling of resources was to allow maximum flexibility in the allocation of resources as part of one system and allow greater freedom for money to be invested or re-invested into priority service areas.

52 There has not been any formal evaluation of the benefits of service integration but interviewees were unanimous in the view that integration has provided benefits for service users in providing a single point of access and joint decisions on funding, without having to be passed from on agency to the other. Whilst the mechanics of managing the pooled budgets arrangements themselves have caused frustrations, it was generally felt that the pooling of funds had facilitated the integration, in that health and social care staff have access to a single source of funding.

53 Examples cited include fewer complaints from service users about being passed from one part of the service to the other, feedback from mental health service users that they don't see a difference between health and social care. In learning disabilities there has been positive feedback from service users on the community teams.

54 Whilst there may be good integration within teams, there does appear to be more scope for different teams to work more closely together and for better integration with other agencies. A recent review of mental health rehabilitation services noted the lack of communication between different components of the mental health services eg assertive outreach and Oak House (one of the rehabilitation facilities) and even worse communication between Oak House and Supporting People and Housing Services. The review found little evidence of a coherent overall model for the provision of rehabilitation, resettlement and recovery. The review of the mental health strategy (noted above) is intended to address the problem and ensure that the various components of the mental health service operate as a 'whole system'.

55 There have been some barriers to integration, for example staff still identifying with particular professional groups. In learning disabilities there is a move to break down the barriers between professional groups through the development of integrated systems for allocation, assessment and care management.

56 The current integrated teams are made up of staff from the host organisation (the PCT for mental health and the council for learning disabilities) and staff seconded from the other organisation. The secondment arrangements were due to terminate in September 2004 but have been extended while discussions have taken place about the full transfer of staff across from one organisation to the other. Difficulties with this process have stemmed partly from the differential terms and conditions of each partner, in particular with the introduction of Agenda for Change (AFC) for staff employed by the PCT. The terms under AFC are seen as more favourable than the equivalent 'job evaluation' process in the council. So, whilst mental health staff from the council are generally happy to move across to the PCT, learning disability staff have been more reluctant to move to the council. There are other factors involved - for example a perception by PCT staff that transfer will mean leaving behind the professional support structures of the PCT. The partners were working to address these issues although at the time of the audit they were unresolved.

57 There are a number of other barriers to integration, most of which the PCT and Council are not able to influence directly.

- Disparity in funding - health services have had significant investment, which has not been matched in social care in Herefordshire, as a low council tax area). Also the different way that the funding comes (local vs national).
- Structural barriers eg different reporting structures - Council to Cabinet; PCT to PEC and Board.
- Each agency is performance managed differently, with different targets in health and social care. There is concern that priority is given by service managers to the targets relating to the host organisation.
- Information systems are not integrated.
- Availability of suitable accommodation. Only recently have the health and social care staff from the older people's mental health team been located in one building.

Recommendation
R8 In updating the partnership agreements the PCT and Council should agree a joint supporting plan to tackle any remaining barriers to integration.

Monitoring and reviewing performance

58 *Arrangements for performance monitoring and review are not fully effective in that there are not yet jointly agreed criteria against which the S31 partnerships can be evaluated to show that they are achieving benefits for service users. This is not helped by the separate national performance targets applied to health and social care.*

59 *Each service area is monitored against a range of performance indicators, mostly based on national health and social care targets. Performance monitoring is becoming more aligned with budget monitoring through the new Programme Boards. There have been some difficulties caused by separate information systems for health and social care but both agencies are working to resolve these. Integrated performance monitoring is made difficult by the separate health and social care monitoring systems at national level.*

60 *Actual performance is improving on most key indicators, but a more focused approach to performance management would enable the partners to work more effectively together to ensure that weaker areas are addressed.*

Performance indicators, targets and monitoring arrangements

61 Both mental health and learning disabilities services are monitored against national targets and performance indicators. These are given a local interpretation through the PCT's Local Delivery Plan and the Council's Delivery and Improvement Statement (DIS). The focus of each organisation tends to be on the key targets which affect star ratings. For the Council these are the Performance Assessment Framework (PAF) activity and cost indicators. For the PCT, the Healthcare Commission star ratings targets, based on service process implementation. A national review carried out by the Valuing People Support Team in 2004 used a wide range of indicators to assess and compare the performance of Council's learning disabilities services.

62 There are specific health targets for learning disabilities incorporated into the PCT's LDP and monitored by the Health task group of the VPPB.

63 The PCT achieved a two star rating for its mental health services in 2004/5, an improvement from the previous years' one-star rating. All key targets were achieved and the PCT was in the top band in two of the three focus areas for the balanced scorecard indicators.

64 In 2004, the learning disabilities service (as part of the overall adult services) was rated as two stars with promising prospects. In the 2005 CSCI assessment for Adult Social Care Herefordshire was rated as 'serving some adults well' with 'uncertain prospects for improvement'.

65 The council performed well on a number of the indicators used in the Valuing People review in 2004.

66 As well as the nationally set targets and indicators, each service is working to the targets in the service strategies. These are agreed and monitored by the LITs for mental health and the VPPB for learning disabilities, through a system of quarterly reports and annual reviews, including for mental health the annual Autumn Assessment by the Strategic Health Authority.

67 The fact that the PCT and council have to report through the separate performance management systems operating for health and social care does not facilitate joint performance management. There is some concern that there is pressure for the joint service managers to give priority to the indicators relevant to their own organisation. This is demonstrated by the emphasis on the key health targets in reports to the mental health S31 Board. Information systems are geared towards one set of targets.

Recommendation
R9 The PCT and council should agree a joint set of targets and indicators for the integrated services and ensure that these are regularly reported to the partnership boards.

Managing resources and ensuring value for money

68 *The Audit Commission in its Governing Partnerships report highlighted the need for the Government to 'improve the integration of financial accounting frameworks and regulations to enable organisations working in partnership to report on joint expenditure and financial activity'. Better integrated systems would allow partnerships to align strategic and operational activity and develop effective performance management systems and processes. It should also provide a basis for assessing value for money. Partnerships will achieve value for money if they can achieve better outcomes for the same expenditure, or equal outcomes for less.*

69 *The PCT and the Council have made considerable progress in working together to tackle some of the practical difficulties around budget monitoring and reporting. Along with tighter budget monitoring and control, each service area is actively seeking to address the issues which caused the overspends in 2004/5, in order to prevent a recurrence. Some of the steps being taken will not result in savings in year, but are essential for the long term sustainability of the services within current resources.*

70 *An interim agreement has been reached on risk sharing in the event of future overspends, with the intention in due course of the host organisations carrying the risk. The budgets for the joint teams are integrated but for other parts of the service, such as placements and continuing care, health and social care elements of the budgets are managed separately. This may limit the ability to consider the budget in a more flexible way and use resources more effectively.*

71 *The current pressure on resources is forcing the services to consider value for money and a number of measures are being taken to improve efficiency as part of the recovery plans. There is scope for a more systematic and ongoing approach to ensure that value for money considerations are built into service planning, delivery and monitoring.*

Resources

72 The initial contributions of each partner to the pooled budgets were based on historical allocations. Since then, the health contribution (for mental health) has increased at a greater rate than the contribution from social services. This is partly a result of the overall increased investment in the NHS, which has not been matched in local government.

73 The original and 2004/05 contributions of each partner for mental health and learning disabilities are summarised in Table 1.

Table 1 Contributions to pooled budgets

The PCT contribution to mental health services has increased significantly

Pooled Budget	Partner	Original (2002) contribution £ million	2005/6 allocation £ million	Increase
Mental Health	Herefordshire PCT	8.2	13.3	62%
	Herefordshire County Council	3.5	4.1	17.5%
Learning Disability	Herefordshire PCT	2.7	3.0	10%
	Herefordshire County Council	5.6	6.3	13%

Source: Section 31 Agreements and 2004/5 Budget

74 For 2005/06 some investment has been made by both partners in response to the increased pressures on the mental health services. Mental health developments have been prioritised to ensure that they can be met within the available resources. There is a total of £700,000 development monies available for the next three years, together with money for additional prescribing costs. However, the cost of addressing priorities to meet star ratings targets has been estimated at £324,000 in a full year.

Budget allocations

75 The mental health budget has three elements:

- PCT provider - which covers the jointly provided health and social care mental health services for adults and older people (£8.6 million in 2004/05);
- PCT commissioning - which includes external health providers, continuing healthcare and continuing nursing care (£4.8 million in 2004/05); and
- Herefordshire Council - which includes community care placements and care homes.

76 The learning disabilities budget is similarly split into PCT and Council elements. For 2004/05:

- the council element included both directly provided and commissioned residential and home care services (£5.7 million);
- the PCT provider element was mainly for the Southbank Close residential respite establishment. (£1.3 million + £273,000 contribution to health services staff); and

- the PCT commissioning element (£1.4 million for placements and independent bodies).

77 For learning disabilities the overspend of £1.5 million was entirely on the council element. For mental health most of the overspend was on the council element (£328,000) with an £86,000 overspend on the PCT commissioning element.

78 The fact that the budgets are currently split into health and social care (and that the overspends are seen by some as the result of historic and continuing underfunding from social services) does not encourage a partnership approach and true pooling of resources. Analysis of data from the Department of Health's listing of Section 31 agreements indicates that the Council's contribution, at 23 per cent of the total spend on mental health is not out of line with other areas. From a sample of twenty sites ranging from inner city to rural areas, the average contribution from social care was 20 per cent of the total budget for mental health. The allocation from social care is unlikely to increase significantly and, unless funding priorities for both health and social care are reviewed, both partners will need to work with the funding that they have. The learning disabilities service appears to be closer to accepting this, with plans to redesign services. To date, savings in mental health have been sought from efficiencies in the integrated provider services and tighter control on placements, but not from a consideration of overall service priorities and funding.

79 In the future, partnership arrangements in Herefordshire may develop, for example through Local Area Agreements, which could bring additional funding. In the meantime, to move forward under the current Section 31 agreements the partners will need to come to an acceptance of the contributions that each agency is able to make. This may mean reviewing which service elements are included in the pooling arrangements. In doing so, priority must be given to the needs of service users and consideration of alternative service models which may be able to meet those needs more cost effectively. In particular the scope to reduce external placements by developing local services, backed up by additional support for carers should be explored.

Recommendation
R10 The PCT and Council should review the current Section 31 agreements in the light of possible future developments in partnership working. If necessary they should review and agree which service elements should be covered under the Section 31 agreements, whilst considering whether alternative service models could reduce reliance on external placements and offer a more effective way of meeting user needs.

Budget monitoring

80 The service budgets for mental health and learning disabilities are managed by the operational managers, and budget monitoring is overseen by senior finance managers who are responsible to the Section 31 Officers in the PCT and Council. The use of the placement and continuing care budgets is overseen by joint health and social care panels.

81 The PCT and Council have been constrained by the different accounting regimes and cycles in health and social care eg with different month and year ends. During 2004 there were problems with the timeliness of reporting for both mental health and learning disabilities and overspends (particularly for learning disabilities) were not identified soon enough to take action. For Learning Disabilities, budget risks were identified and reviewed at regular 'budget clinics' - but this failed to re-align services sufficiently. The S31 finance managers have worked closely together to resolve the difficulties and move reporting timeframes together. This has allowed for more timely reporting which should allow the S31 Partnership Boards to identify and address problems more effectively in year.

82 The work to improve budget monitoring has included staff training and close working between finance and operational managers to get a better understanding of each element of the budget and to better identify impact of service delivery on financial forecasts. Monthly meetings are held to discuss performance against savings targets and agree any further action needed to address problems. The council is continuing to hold 'budget clinics' to discuss actions needed to mitigate the financial risks.

83 Arrangements are to be put in place to report performance on non financial indicators alongside budget monitoring.

Budget management

84 A balanced budget has been set for 2005/06 for Social Care but it makes assumptions including:

- Learning Disability Recovery Plan savings;
- Risk Sharing Agreement on the pooled budgets; and
- the deficit carried forward from 2004/05 of £714,000 will be held as a deficit. (This has now been written off).

85 Plans to reduce expenditure on learning disabilities services are summarised in a recovery plan. This notes plans to reduce expenditure through the redesign and development of the service. The modernisation process covers accommodation and support services, community teams and day opportunities. Opportunities to provide the services in a more cost effective way are being sought and the commissioning role has been developed to support this (see above).

86 However this redesign won't result in savings until 2006/07 and beyond. So the service needs to reduce current expenditure to reduce the potential overspend for 2005/06 as much as is achievable. A recovery plan paper in June listed £470,000 of potential savings in year from a range of measures including:

- £100,000 from re-negotiation of a supported living contract (to provide a lower level of service),
- a reduction in day opportunities; and
- £100,000 from use of the Learning Disability Development Fund (LDDF) and transfer of workers roles into community access services.

87 Savings have been achieved but have gone to minimise the base budget pressures on learning disabilities. The forecast outturn as at January 2006 stands at £874,000 over budget.

88 Further savings are being sought through reviewing placements, and for a small number of individuals to move them to placements offering better value for money. The council has carried out an analysis of existing placements to compare the costs of existing provision for individuals with similar levels of need and dependency. This cost comparison exercise has identified that, through more effective commissioning and procurement practices, the Council could potentially secure significant financial efficiencies.

89 However, there are some concerns about the capacity to undertake re-assessment of individuals receiving services from the learning disability team, due to staff vacancies. There is an expectation that review of individuals' needs will result in cost savings, although any associated reduction in service may adversely affect performance assessment indicators.

90 Herefordshire is participating in the national 'In Control' project. This allows for resources to be allocated to individuals based on complexity of need, and allows individuals to 'take control' of their own services by supporting them in putting together an individual package of care and support within the agreed financial resources. In other authorities it has been found to ensure that the allocation of resource is more in line with need.

91 The overspend on the mental health budget was in the council and PCT commissioning elements. Measures to tighten up on the number of placements will be key to containing expenditure within current resources. These have included quantifying the number of placements which are affordable, and tighter control of placements made. To support this, details of resources committed and turnover are reported to the S31 Partnership Board. Pressures from placements continue and have significantly increased the forecast outturn for 2005/06, which was £740,000 over budget at the end of December 2005.

92 For the longer term, the possibility of using the funding currently used for placements to provide services directly is being considered by the mental health service manager, working with the commissioning team.

93 In the short term, savings have been sought mainly from the PCT and joint provider element where there have been cost pressures from use of agency nurses, and locum consultants to fill vacant posts, and increasing drug costs associated with implementation of NICE guidance. The PCT has now provided additional funding for drugs.

94 Actions taken have included:

- nursing bank set up to reduce agency costs - resulting in a forecast saving of £157,000 for 2005/06 against the 2004/05 outturn;
- monthly budget meetings (with social care attending);
- team leaders and ward managers notified of budget problems and asked to assist in providing solutions;

- tighter control on non pay expenditure (approval by operational managers); and
- limiting placements to urgent referrals.

95 Additional resources totalling £1.2 million have been committed to the pool in 2005/06. But cost pressures remain, for example the need for locum cover whilst recruiting for a consultant in old age psychiatry.

96 In the longer term continuing pressures on the social care element will arise from the increasing numbers of people with dementia.

Risk sharing

97 The original S31 agreements did not include agreements between the partners on risk sharing in the event of overspends. Both parties would like each organisation to take the full risk for the budget it hosts. However, the PCT is not currently willing to do this because of the issue around the relative contributions of each partner.

98 A compromise solution has been reached for 2005/6 for the mental health and learning disabilities pooled budgets. The host organisation will pick up the first £280,000 of any overspend and any additional overspend will be shared between the partners, according to their relative contribution to the budget.

99 From April 2006 both organisations hope to move to full host commissioner responsibility.

100 As noted above, unless both organisations accept the relative contributions, the issue of risk sharing may still cause friction. The solution may be to review what elements of the service budgets should be pooled in the first place.

Value for money

101 The current financial difficulties are providing an incentive to review the value for money of the services provided. This is happening in both mental health and learning disabilities. The measures being taken are detailed in the previous section.

102 Both organisations are seeking Gershon efficiency savings. In mental health this is being done through reviewing agency staff, staff:patient ratios on the inpatient unit, and seeking more cost effective agency arrangements for locum consultants. The crisis resolution team is starting to have an impact on acute admissions and length of stay on the adult wards.

103 Sickness absence rates are being reviewed across both organisations. In social care the service managers group is looking at Gershon efficiency savings across social care. This includes reviewing contracts and home care services.

104 The 'In Control' project in learning disabilities is a good example of a means of ensuring that resources are appropriately targeted in a way that meets the needs of service users.

105 Some use is made of benchmarking information. Available benchmarking information includes:

- unit costs of learning disabilities services including costs of residential and nursing homes and of home care;
- numbers of out of sector/out or area placements in mental health and learning disabilities (West Midlands data collection);
- reference costs for mental health; and
- mental Health Financial Mapping data.

106 Support for developing effective and efficient working practices is available through the Care Services Improvement Partnership (CSIP) - via NIMHE for mental health and the Valuing People Support Team for learning disabilities. Although staff capacity for attending events is limited, service managers are able to access and share good practice examples.

107 To ensure that savings can be realised and best use is made of the pooled budgets in the future, value for money needs to be a key consideration in planning, delivery and monitoring of services.

Recommendation
R11 Agree mechanisms to secure and monitor value for money across the joint services including the use of value for money indicators such as unit costs and reference costs to identify and address problem areas. The scope for using the National Institute for Mental Health's (NIMHE) Ten High Impact Changes for Mental Health to improve efficiency should be explored.

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R1 To strengthen their partnership working through the pooled budget arrangements, the PCT and Council should update the Section 31 agreements for each service area to reflect developments since the original agreements were made. These should include:	3	Mike Metcalf/Jean Howard	Yes	This important and extensive piece of work which will start April 2006 will be completed by the 31 March 2007. It is envisaged, that Mike Metcalf will work with key Commissioners and Service Managers to address each bullet point and ensure this is reflected in the revised section 31 agreements. These will be ratified by the relevant Programme Boards.	31 March 2007
	• *joint strategic priorities and expected benefits for service users;*	3	Mike Metcalf/Jean Howard	Yes		
	• *specific details of which resources are to be pooled and for what;*	3	Brian Hanford/ Andrew Tanner	Yes	A revised Annual Schedule detailing resources for each financial year will be provided.	30 September 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	• *financial management arrangements including risk sharing and reporting;*	3	B Hanford/Joint Commissioning Manager/Mike Metcalf	Yes	The Section 31 Agreements will outline the Risk Sharing Agreement and Risk Protocol.	30 September 2006
	• *performance management arrangements including joint targets and indicators and how and when they should be reported;*	3	Mike Metcalf/Jean Howard	Yes	The Programme Board will explore the development of Performance Management reporting and joint targets.	30 September 2006
	• *arrangements for ensuring feedback from service users including joint complaints systems; and*	2	Mike Metcalf/Jean Howard			31 March 2007
	• *arrangements for ensuring value for money.*	2	B Hanford/ Andrew Tanner/ Joint Commissioning Manager	Yes	Andrew Tanner and Brian Hanford to work with Joint Commissioning Manager (Adults and Community) to explore best value and benchmarking of services.	30 September 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
10	R2 Agree a joint service strategy for learning disabilities setting out the specific health and social care contribution to the over-arching learning disabilities strategy.	3	Mike Metcalf	Y	A Valuing People Partnership Board Strategy has already been adopted. The next phase is to develop the LD Commissioning Plan and define the specific health and social care contributions.	30 September 2006
10	R3 The PCT and Council should work together, and with other partners, to jointly agree future service plans for mental health for adults and older people. These should be prioritised according to assessed need and available resources and supported by medium term financial plans.	3	Mike Metcalf/Diane Topham	Y	A detailed Commissioning Plan for adult and older adult mental health services has been mandated by the Programme Board and work will be led by Diane Topham in 2006/07.	31 March 2007

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	R4 Ensure commissioning strategies for both mental health and learning disabilities services link to practice based commissioning.	1	Mike Metcalf/Diane Topham/Bill Buck	Y	As per R2 and R3. These will link to practice-based commissioning as this develops.	31 March 2007
13	R5 Agree arrangements for jointly managing complaints and include these in the Section 31 agreements.	2	Helen Phillips/ACS Complaints Manager	Y		31 March 2007
13	R6 Ensure that service users are able to contribute to the agreement of service priorities.	1	Mike Metcalf	Y	This has already occurred in the development of the LD Strategy via the wider reference group, LD Newsletter, and a subsequent Stakeholder Day. The agreed process for the MH Commissioning Plan incorporates service user focus groups and extensive consultation through the wider reference group, including a stakeholder event in the summer.	Now/ ongoing.

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
13	R7 Agree a communications plan as part of the modernisation process for learning disabilities.	1	Mike Metcalf	Y	This has already been done, and communication is a standing item on the LD Commissioning Group's agendas.	Now/ ongoing
15	R8 In updating the partnership agreements the PCT and Council should agree a joint supporting plan to tackle any remaining barriers to integration.	2	Mike Metcalf/Jean Howard	Y		31 March 2007
17	R9 The PCT and council should agree a joint set of targets and indicators for the integrated services and ensure that these are regularly reported to the partnership boards.	3	Mike Metcalf/Jean Howard	Y	The Programme Boards have already commissioned regular progress reports on targets for each service.	Now/ ongoing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
20	R10 The PCT and Council should review the current Section 31 agreements in the light of possible future developments in partnership working. If necessary they should review and agree which service elements should be covered under the Section 31 agreements, whilst considering whether alternative service models could reduce reliance on external placements and offer a more effective way of meeting user needs.	3	Mike Metcalf/Jean Howard	Y	As per earlier comments - this will form part of revising the agreements.	31 March 2007

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
24	R11 Agree mechanisms to secure and monitor value for money across the joint services including the use of value for money indicators such as unit costs and reference costs to identify and address problem areas. The scope for using the National Institute for Mental Health's (NIMHE) Ten High Impact Changes for Mental Health to improve efficiency should be explored.	3	B Hanford/ Andrew Tanner /Joint Commissioning Manager		It is accepted that an exercise surrounding VFM, benchmarking and unit cost comparisons needs to be undertaken. In LD services this is already underway as part of an independent needs analysis and benchmarking exercise within the council.	30 September 2006