

BOARD MEETING

15 May 2008
 Item No 08/05/08

Darlington PCT Structural Changes

Introduction/ Summary of Scheme/Report

Much attention and focus has been directed on ensuring viable arrangements are in place to support commissioning and providing separation across County Durham PCT and Darlington PCT. This report sets out proposals that acknowledge the statutory standing of Darlington PCT whilst at the same time affords opportunities for it to take on a lead provider responsibility across both PCTs.

1. Implications and Risks

<i>Will there be a significant impact on patients or patient care?</i>	No change.
<i>Are there any financial implications to implementing this item?</i>	Yes – related to creation of two Executive Director posts. Financial implications will be determined once RATs have agreed salary point on VSM.
<i>Will there be an impact on Equality, Diversity or Human Rights?</i>	Recruitment process for two Executive Director posts.
<i>Does this item form an essential part of quality or performance standards e.g. Healthcare Commission, NHS Litigation Authority? If yes, detail which standard.</i>	Yes, in terms of senior management capacity to ensure delivery of the PCT's targets.

2. Recommendation

The Board is requested to support:

- i. the selection of Option A as the most appropriate executive team structure to support DPCT,
- ii. the establishment to DPCT the posts of Director of Finance and Director of Patient Safety and Patient Experience – grade to be in accordance with Very Senior Managers pay scale arrangements,
- iii. the proposal to transfer staff currently employed by CDPCT to DPCT working in both providing and support functions and to the transfer of DPCT staff currently employed in commissioning, performance, support and other service areas to CDPCT;
- iv. the establishment of a Provider Committee;
- v. support the appointment of a Non-Executive Director Chair to the Provider Committee;
- vi. the allocation of one additional Non-Executive Director to join the Provider Committee;

- vii. the commencement the above arrangements in “shadow” form from May 2008 with “go live” anticipated from 01 August 2008;
- viii. agree that the new director level posts will in the first instance be “ring fenced” to applicants from both CDPCT and DPCT.

3. Submitted by

Author: Colin Morris
Title: Chief Executive
Date: 05 May 2008

4. Purpose of the Paper

Information sharing Development/discussion Decision/action

Darlington PCT Structural Changes

1. Introduction

- 1.1 Events of recent months have significantly accelerated the change agenda for PCTs. There are now two new specific challenges; one related to World Class Commissioning and the associated accreditation process and secondly developments around PCT provider functions as set out within the 2007 Operating Framework.
- 1.2 Within County Durham and Darlington ongoing work has focused upon arrangements whereby County Durham PCT (CDPCT) will manage commissioning services on behalf of Darlington PCT (DPCT) and DPCT manage the delivery of provider services on behalf of both PCTs.
- 1.3 This report sets out the requirements for effective governance and proposals which meets the above requirements.
- 1.4 Any new arrangements must ensure that DPCT discharges its accountabilities and responsibilities as a statutory PCT. In doing so, it must also ensure that any structural arrangements represent an economically viable and cost effective solution, whilst at the same time wherever possible be “future proofed” in terms of the likely direction of travel for PCT provider functions and responsibilities.

2. Background Issues

- 2.1 In defining the appropriate governance model for DPCT, both in terms of Board and accountable officer responsibilities (and the appropriate structures to support and deliver such duties), it is crucial that robust and transparent mechanisms are in place to ensure that World Class Commissioning requirements are addressed. In this respect it will also be crucial to clarify the nature of relationships DPCT has with CDPCT.
- 2.2 In considering the options an important element to be factored in relates to the timescales in terms of implementation requirements. Implementation of World Class Commissioning is rapidly approaching, running side by side with the requirements in the Operating Framework to create robust separation between commissioning and providing responsibilities.
- 2.3 In response to enquiries from the SHA both DPCT and CDPCT have agreed to formalise the existing split of commissioning and providing functions through the separation of budgets, transfer of staff, and the introduction of SLAs for the provision of services across both PCTs. The challenge now is to identify, define and reach agreement on how the proposed split of commissioning and providing responsibilities can be best implemented within DCPT and to determine the best governance infrastructure and support for the PCT and

within this, its service provider directorate.

- 2.4 Currently, DPCT as a statutory body must continue to discharge its obligations as delegated by the Secretary of State, until, or unless, there is a statutory change. DPCT Board will determine its commissioning and service development priorities for Darlington's population. Any such arrangements must demonstrate transparency of separation between commissioning and providing functions, whilst at the same time, satisfy SHA scrutiny around Value For Money (VFM) and efficiency. Any such proposals should also, wherever possible, anticipate future opportunities/requirements in provider separation.

3. PCT Service Provision Directorate

- 3.1 Requirements identified in the 2007/08 Operating Framework – that “*during 2008/09 all PCT's should review their requirements for community provider services and use this process to consider all options for models of provision. Whilst this is being undertaken, and from 01.04.08 all PCTs should create an internal separation of their operational provider services and agree SLAs for these based on the same business and financial rules as applied to all other providers*”.
- 3.2 In consequence a demonstrable change in relationships between the provider and commissioning functions of DPCT will be a key criterion for defining future governance requirements. This will be achieved by:
- i. internal SLAs based on same business and financial rules as applied to all other providers;
 - ii. the creation of a Provider Committee (which will be a sub-committee of the PCT Board) chaired by a PCT Non-Executive Director and that reports to the main PCT Board;
 - iii. a senior executive who takes responsibility for the strategic business development, organisational development and investment issues;
 - iv. a senior management provider team that includes finance, clinical, HR and business development leadership; and
 - v. a supporting clinical governance and risk management sub-committee. Appendix 1 sets out further information around possible provider committee functions, membership and responsibilities.
- 3.3 In this context, the service provision directorate will need to deliver cost effective, fit for purpose services that are ultimately capable of competition through a process of external market testing. It is anticipated that commissioners will initially agree SLA commitments of probably 18 months (2 years maximum) duration, but even within that timeframe considerable modernisation, service improvement, and cost reduction will need to be demonstrated. It is expected that commissioners will give early notification of services it would wish to market test, along with specified timeframes for doing so.

4. PCT Support Services

- 4.1 In principle, support services (e.g. Finance, Human Resources (HR), Health & Safety (H&S), Governance etc) can be provided from any organisation provided that they have detailed robust service specifications supported by SLAs.
- 4.2 Whilst there are still final discussions to be concluded between DPCT and CDPCT around the exact location of support services it is proposed that DPCT acts as a host organisation for HR and H&S and communications. Finance, Performance Management, IM&T and Commissioning will be hosted by CDPCT. Both organisations will require robust support around clinical and corporate governance and complaints – definitive arrangements are still under discussion around this.
- 4.3 The one remaining significant issue relates to the location of Estates and Facilities management and this is the subject of ongoing discussion at CE level. A commitment has been given to the Strategic Health Authority (SHA) that this issue will be resolved and a final position reached by December 2008.

All support services will be accessed from the host PCT via SLAs.

5. Options for Consideration

- 5.1 The Chief Executive has worked closely with Newchurch Ltd, a known and respected consultancy, who have produced a series of options taking cognisance of changing national requirements; the pace of change; circumstances particularly pertinent to the PCT; and the specific requirements as identified in the 2007 Operating Framework. Following this work, four options have been identified for DPCT Board to consider.

Darlington PCT to:-

- a) have its commissioning services provided by Service Level Agreement (SLA) from CDPCT,
 - b) create (jointly with CDPCT) a single executive with commissioning and providing responsibilities across both DPCT and CDPCT.
 - c) create a joint commissioning function with Darlington Unitary Authority – thus establishing a joint social care and health body, or
 - d) seek out external support under the Framework for securing External Support for Commissioners (FESC) to deliver the commissioning functions of assessment and planning; contracting and procurement; performance management; settlement and review; and patient and public engagement.
- 5.2 **Option A** – within this option it is proposed that DPCT will require its own Chief Executive (CE), Director of Public Health (DPH) and Director of Finance (DoF) to support the PCT's independent commissioning strategy, meet its statutory finance duties, and deliver the corporate governance requirements of the organisation. A clinical lead in the form of a Director of Patient Safety and Patient Experience (DPSPE) is also proposed to ensure effective clinical input

and support to the Provider Directorate.

Under these proposals the role of DPCT's CE will be to act as the "intelligent client" holding the CDPCT CE to account for the delivery of the commissioning SLA required to meet the assessed health needs of Darlington's population.

Potential benefits	Potential disadvantages
<ul style="list-style-type: none"> • Retains a separate executive to support Darlington PCT. • Meets local expectations. • A least disruption change option. • Provides for separation of providing and commissioning responsibilities • Shared executive functions could reduce costs. 	<ul style="list-style-type: none"> • Cost of a separate executive function to support commissioning responsibility. • Shared executive functions could reduce costs but this will give a less transparent provider/commissioner split.

- 5.3 **Option B** would see a joint management team taking responsibility for both County Durham and Darlington residents; the creation of a commissioning strategy, and for the development work on the Annual Operating Plan (AOP).

Potential benefits	Potential disadvantages
<ul style="list-style-type: none"> • Minimal overlap and duplication in dual PCT executive responsibility for commissioning. • Potential for reduction in ongoing recurrent operational/management costs. 	<ul style="list-style-type: none"> • Would require confidence from Darlington PCT Board that the interests of the local population could be best served by a shared executive team. • Would require senior management changes and redundancy costs for senior managers. • Challenge to ensure effective joint working with Darlington Unitary Authority in the joint assessment of local need and development of AOP. • Potential opposition from Darlington Unitary Authority due to perceived lack of focus on Darlington specific issues. • No clear separation of commissioning and providing functions.

- 5.4 **Option C** sets out the possibility of integrating DPCT's commissioning responsibilities with that of Darlington Unitary Authority. Within such a proposal DPCT would establish formal joint arrangements for commissioning both health and social care. The CE would remain accountable to the DPCT Board for delivery of a joint health and social care needs assessment and the

production of a joint health and social care commissioning strategy. Achievements of this option would require significant discussions with the Local Authority.

Potential benefits	Potential disadvantages
<ul style="list-style-type: none"> • Shared executive posts potentially delivering cost effective solution. • Close working with Darlington Unitary Authority • Darlington-centric commissioning strategy assured. 	<ul style="list-style-type: none"> • Significant resources, time and skills required to develop an effective World Class Commissioning service that will duplicate the development undertaken by County Durham PCT commissioning responsibilities. • A different approach to commissioning by health and local authorities may result in duplication in approach. • Delay in commencing development of function will introduce risk for Darlington PCT in delivering on WCC requirements. • Legal constraints. Currently such a joint arrangement is only permissible in transition form through a Section 75 Agreement.

5.5 **Option D** envisages a scenario whereby DPCT procures commissioning skills and services from an independent source through a FESC arrangement. Within this arrangement the CE would remain accountable to the Board, with the external contractor being “governed” or managed via legal contract.

Potential benefits	Potential disadvantages
<ul style="list-style-type: none"> • Assurance of best value commissioning support. • Demonstrable separation of commissioning and provider function. • Meets FESC requirements. • Darlington PCT Board retain local Darlington commissioning solution. 	<ul style="list-style-type: none"> • Risks from failure to perform of contractor. • Lose synergy and scale economies from joint function with County Durham PCT. • Costs of Darlington PCT Executive function. • Possible delay in award of contract.

5.6 Appendix 2 sets out an assessment of the options identified above arising from that work where it can be seen, that in pure terms, Option B (one executive function serving both PCTs under the leadership of one CE but responsible to both Boards) to have “best fit” and may ultimately be considered in the longer term.

5.7 Whilst Option C fits well with the PCT’s close alignment with Darlington Unitary Authority it seems highly likely at this stage that the differences between the imperative for health and social care would require much duplication of the

existing CDPCT commissioning development and hence would prove costly, and would require time for the PCT to acquire the skills to perform such joint functions.

- 5.8 Using FESC (or the services of another PCT) as set out in Option D whilst attractive in terms of adhering to the new “agenda” will take time and capacity to complete the tender process and might introduce an element of performance “drift” risk for DPCT.
- 5.9 Option A is identified as the immediate preferred option for DPCT. It significantly satisfies identified criteria, signals a clear direction of travel in the journey of both the PCT, and within its Service Provider Directorate; enables the separation of commissioning and providing functions and responsibilities; and crucially can be implemented rapidly. It should also be noted that Option C or D may come up for further consideration in the longer term.

Selection of Option A would result in the following:

- i. establishment of a small executive team to support DPCT’s corporate functions comprising of:
- Chief Executive
 - Director of Finance
 - Director of Public Health (jointly appointed with Darlington Unitary Authority)
 - Director of Patient Safety and Patient Experience
 - Director of Service Provision
- 5.10 Appendix 3 sets out the proposed executive team structure with illustrative proposals around shared service locations and functional responsibilities. Some of these issues are yet to be finally confirmed.

5. Recommendations

- 6.1 It is therefore recommended that the Board supports:
- i. the selection of Option A as the most appropriate executive team structure to support DPCT,
 - ii. the establishment to DPCT of the posts of Director of Finance and Director of Patient Safety and Patient Experience – grade to be in accordance with Very Senior Managers pay scale arrangements,
 - iii. the proposal to transfer staff currently employed by CDPCT to DPCT working in both providing and support functions and to the transfer of DPCT staff currently employed in commissioning, performance, support and other service areas to CDPCT;
 - iv. the establishment of a Provider Committee;
 - v. the appointment of a Non-Executive Director Chair to the Provider Committee;
 - vi. the appointment of one other Non-Executive Director to join the Provider Committee;

- vii. the commencement the above arrangements in “shadow” form from May 2008 with “go live” anticipated from 01 August 2008;
- viii. agrees that the new director level posts will in the first instance be “ring fenced” to applicants from both CDPCT and DPCT.

Author

Colin Morris, Chief Executive

Purpose of the Paper

Information sharing Development/discussion Decision/action

Version	Date	Summary	Owners Name	Approved
1	5 May 2008		C Morris	

PCT Provider Committee

Function

- Develop the strategy to ensure services are responsive to commissioner intentions.
- Oversee operational management, governance, clinical, financial and performance systems of the Provider Directorate to ensure high quality delivery of services at best value.
- Hold Provider Directorate to account.

Responsibilities

- Ensure that robust SLAs are in place to monitor the Service Provider Directorate's performance against such SLAs.
- To oversee and monitor the development of a strategy for Provider Directorate in response to commissioner strategies.
- To develop a business development strategy and associated business plan and key objectives.
- To ensure efficient, effective, value for money use of resources through the approval and monitoring of financial and business plans for service units.
- Assess the priorities for investment and promote the need for investment in the Provider Directorate within the PCT.
- Approve all proposals for service and organisational development.
- Approve all contracts, service agreements, payments etc. within delegated limits as set out by SFIs, SOs.
- Ensure the development and implementation of integrated governance systems for Provider Directorate.
- To oversee and monitor the introduction/implementation of the relevant clinical governance, risk management/assurance and performance management processes in relation to the Provider Directorate.
- To manage relationships with key stakeholders, including liaising with managers/other committees/sub groups to support the development of overall PCT policies.

Membership

- Director of Service Provision
- 1 PCT Non Executive Chair
- 1 PCT Non Executive Director
- 1 Clinical/Medical Lead
- 1 Lead Provider Directorate Financial Officer
- 1 HR Lead
- Heads of service

Governance

- Established as standing committee of the PCT Board.

- Business conducted in accordance with the PCT SO and SFIs
- The PCT Board will retain responsibility for all aspects of the Provider Directorate, supported by the Provider Committee.
- The Committee will oversee and be accountable for the work of any supporting governance structures for governance and risk, business development, workforce planning and performance management.
- The Committee is authorised to create such working groups as are necessary to fulfill its responsibilities within its Terms of Reference but may not delegate executive powers and remains accountable for the work of any such group.

Frequency of meetings

- Monthly

Review arrangements

- Annual “fit for purpose” assessment and Provider Directorate Improvement Plan.

Assessment of Overarching Governance Options

	Meets Statutory Obligations	Delivers separation provider and commissioner	Supports delivery of world class provision	Locally acceptable	Cost effective	Supports future potential growth and organisational independence of provider organisation
Option A	Fully meets	Fully meets	Partially meets	Fully meets	Partially meets	Fully meets
Option B	Fully meets	Fully meets	Fully meets	Unmet	Partially meets	Fully meets
Option C	Partially meets	Partially meets	Partially meets	Partially meets	Unmet	Partially meets
Option D	Partially meets	Fully meets	Fully meets	Unmet	Partially meets	Partially meets

 Fully meets

 Partially meets

 Unmet

