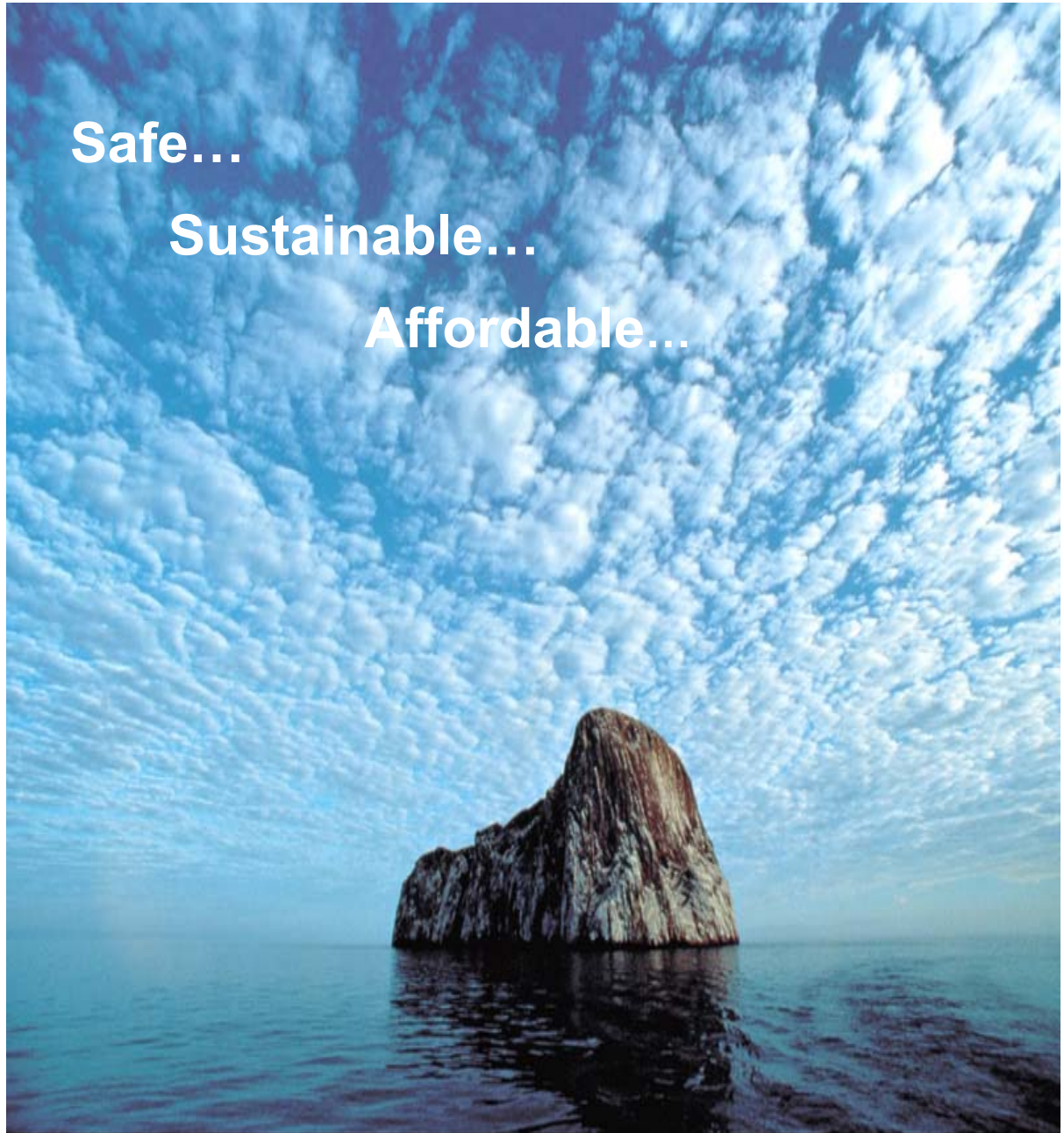


# Isle of Wight – final report for organisational reconfiguration by PricewaterhouseCoopers



# Executive Summary

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## **Background and context**

- 1 We were commissioned by the three key public sector organisations on the Island involved in Health and Social Care to develop and appraise options for organisational structures to take forward work done in the last two years on strategy for the delivery of health and social care. The terms of reference of the review are given in Appendix 1.
- 2 In autumn 2002, under the direction of the Hampshire and Isle of Wight Strategic Health Authority (SHA), the NHS organisations in Hampshire and the Isle of Wight embarked on a process called HealthFit. This process aimed to develop an agreed strategic framework for the development of sustainable, efficient and affordable health services in the local health economy. The two healthcare organisations on the Isle of Wight (IOW), and with the involvement of officers within the Social Services & Housing Directorate of the Isle of Wight Council, developed their own local strategy in response to HealthFit, which is known as the IOW Local Healthcare Strategy.
- 3 The local strategy reflects the changes that the health and social care stakeholders believe are necessary but would require further amendment to ensure it reflected necessary health and social care developments. The focus of the local strategy is service oriented as it identifies changes that are required in areas such as maternity services, mental health, children's services to name a few. One of the key elements of the local strategy is the commitment to joint working. In June 2003 the Council wished to build upon the HealthFit document and agreed with health partners a commitment to joint working with the possibility of organisational change. This was encapsulated in the "statement of intent" which described the desire to see joint delivery of care, and a move to integration of services where possible.
- 4 Following on from the commitment to joint working, it was agreed between the Island health organisations and the SHA that the shape and configuration of Island Health organisations should be reviewed. This decision led to the appointment of external consultants to conduct the review.
- 5 From a national perspective the recently published NHS Improvement Plan "Putting people at the heart of public services", June 2004 emphasises the need to continue to develop high-quality services that are responsive, convenient and personalised. It focuses on improving waiting times even further, ensuring public health is central to the decision making processes and encourages a wide range of service providers to be considered in order to achieve the targets. Linking this to a local agenda which needs to address severe financial challenges means that the design of services and organisations are critical to its success
- 6 We commissioned Bevan Ashford to provide a legal view under existing legal frameworks and current NHS regulations on shortlisted options, solely for the purposes of this review and to support our conclusions. You should take your own legal advice on the final decision.

## **Process for conducting review**

- 7 A steering group was formed in April 2004 and has met 5 times, providing the project with direction and key decisions. The members of the group are given in Appendix 2. We clarified our terms of reference with the steering group, and confirmed that our focus is on organisational design rather than service strategy.
- 8 We then interviewed 18 key stakeholder groups on the Island (Appendix 3), analysed their views on the status quo and options for change, and developed a number of options:

- **Option 1** Do not change the current organisational reconfiguration
- **Option 2** The Isle of Wight Healthcare Trust transfers all primary and community care services (including mental health) to the Isle of Wight Primary Care Trust, leaving a core service of acute focused provision, including ambulance services
- **Option 3** The Isle of Wight PCT transfers all primary and community care services to the Isle of Wight Healthcare NHS Trust, leaving the PCT to focus on its commissioning function. (The PCT would continue to commission public health and GP services)
- **Option 4** The management executive teams of the Isle of Wight Primary Care NHS Trust and Isle of Wight Healthcare Trust merge. This will retain two legal entities (the PCT and Healthcare Trust) until further changes are agreed
- **Option 5** Establish a health & social care trust on the Isle of Wight that includes commissioning functions
- **Option 6** Establish a health & social care trust on the Isle of Wight that does not include commissioning.
- **Option 7** SHA as commissioner of services for the island's population. Establish a Commissioning organisation that is an "out-post" of the SHA, and as part of this the primary care functions transfer into one health service body on the Island
- **Option 8** Establish one Public Service organisation on the Island that encompasses all public services on the Isle of Wight
- **Option 9** Establish a joint commissioning body and develop clinical networks of care so that services are commissioned on a programmed basis. This could mean that service provision is provided from a mixture of Island only, mainland only and Island/mainland services, including the independent sector

At that meeting we also agreed the following evaluation criteria:

**The criteria are as follows:**

- 1. Is the option sustainable?  
(sustainable meaning the ability to ensure long term flexibility and viability of organisational configuration bearing in mind any future changes)**
- 2. Does it provide the potential to achieve economies of scale and reduce costs?**
- 3. Is it consistent with, and assists in the development of, the local healthcare strategy?**
- 4. Does it recognise existing and emerging national policy and planning guidelines for the NHS and Social Care agenda's?**
- 5. What is the ease of transition and timescale for change?**

**Outcomes of discussions and evaluation**

- 9 Three options were discarded early on as they could not sensibly be evaluated using the agreed criteria and scoring:
  - Option 4 – Merging the management of the PCT and the Healthcare Trust – this was the SHAs proposal. We concluded that this could not be evaluated separately as it could only be regarded as a step in a change to a future

organisation state. However clearly this could be a sensible first step for a number of options.

- Option 7 – there were too many similarities to option 6
- Option 8 – one public service body for the Island – although a number of those we talked to saw this long term goal, the level of debate and consultation required to appraise this option was not possible within the time and the agreed terms of reference.

10 At the steering group meeting on 24 May, options were scored. The remaining options following scoring were 5 and 6. Further work has since been done to refine the options, understand the potential legal issues and develop an indicative transition plan. These were presented to the steering group on 22 June and 6 July.

### Short-listed options

11 The two short-listed options are as follows:

- **Option 5** Establish a health & social care trust on the Isle of Wight that includes commissioning functions.
- **Option 6** Establish a health & social care trust on the Isle of Wight that does not include commissioning.

12 Strengths and weaknesses for the two options have much in common. For example, both options will enable greater coordination and integration of services across health and social care. From a patient perspective, this has the potential to provide seamless care and a way of developing a joined up strategy for the longer term provision of care. Similarly, each option provides a logical step to creating a single public services body in the future. This would be innovative and would require a significant shift in policy and legislative changes despite an increasing emphasis given to cross sector working across Government.

13 From a financial perspective, there could be scope to achieve savings. It has not been possible to establish the costs of establishing or operating the new organisation. Based on our experience of organisational change of this magnitude we would expect to see greater efficiencies in areas such as senior management, human resource departments, financial services and information management and technology departments.

14 Option 6 potentially provides a clearer separation for the commissioning function, whereas the lines of commissioning in Option 5 could be less effective if robust arrangements for ensuring transparency and challenge are not in place. This is particularly important in relation to two key NHS initiatives: Patient Choice and Payment by Results.

15 Option 6 was initially developed with a view that commissioning could be either mainland or Island based. For the purposes of this review the concept of commissioning being mainland based has not been developed as it is outside the terms of reference.

## Drivers for the short-listed options

- 16 We considered five key drivers for change in the NHS and on the island to throw further light on the short-listed criteria.

### *Cross Sector working*

- 17 The Office for Public Management (OPM) contributed to the HealthFit process by identifying key forces and drivers for change the NHS.<sup>1</sup> Their identification of cross-sector working as a driver is particularly relevant here. They reported that the Government's policy direction is underpinned by an understanding that the wider determinants of health and the well-being of the population do not lie solely within the remit of health services. In order to address health inequalities it requires cross-sector working at all levels.
- 18 The two options that have been developed will help to achieve a greater degree of cross sector working because there will be a requirement to develop an integrated vision for the provision of health, social care and housing on the Island. This in turn should result in a unified strategic plan that reflects the objectives of all stakeholders involved in the delivery of care. This will provide an innovative model locally (i.e. within the Hampshire & IOW economy) and nationally.

### *CHOICE and Payment by Results*

- 19 These initiatives pose real challenges to the Island in offering realistic options for alternative providers regardless of the organisational configuration option that is chosen. It could be argued that if there is only one organisation that includes commissioning the need for robust commissioning functions will be paramount to ensure that the Patient Choice agenda is implemented and that historical reasons for commissioning do not become the primary driver.
- 20 The local response to HealthFit considers the issues of transport costs for patients who require mainland based treatment. If in the future there is agreement that patient transport costs are met either partially or in full for mainland based treatment, then the Patient Choice agenda takes on a different perspective on the Island and will represent an even stronger challenge from a governance perspective to ensure that commissioning and choice is robust and transparent.

### *Commissioning*

- 21 The key issue for Option 6 will be the establishment of appropriate Governance arrangements. Initially, the PwC project team considered three broad sub-options for the stand alone Commissioning body:
- Entirely stand alone (separate commissioning body)
  - Exist as part of the (expanded) LA Commissioning team
  - Exist as part of the SHA

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<sup>1</sup> Forces and Drivers for change in the provision of healthcare in England, OPM, February 2003

22 The key factor in assessing these three alternatives is the issue of Governance and the legality of each. Based on the advice provided to PwC, the position is that:

- Sub-option (ii) would not be possible because the Local Authority cannot commission a wide range of acute health services (e.g. surgery).
- The third sub-option (iii) is also not possible given the existing statutory framework. Neither is this option seen to fit with the current direction of national or local policy.

23 The first sub-option (i), of the entirely stand alone body, is feasible. However, a number of caveats exist regarding how this could be achieved. For example, a PCT which covers the IOW is a statutory requirement therefore one option could be for the PCT to cease providing services itself and commission these services from the Healthcare Trust. Further detail is provided in the section relating to what is legally possible in the main body of the report.

#### *Leadership and creating capacity*

24 One of the key issues in bringing about change of this scale will be the ability of the Island Health economy to create additional capacity to help manage the change process. In addition to this there is a need for dynamic leadership that can create the unity of vision that is required to achieve this change.

25 Due to constant and demanding pressures, relationships appear strained between executive teams of the Isle of Wight PCT and Isle of Wight Healthcare Trust. Whilst this may be an unfortunate trait in today's NHS, locally, it reinforces our view that the need for single management and leadership of the two healthcare organisations is a necessary step in the process of bringing about organisational change, as long as it can be implemented within existing and future legal frameworks and NHS regulations.

#### *Achieving financial stability*

26 One of the key challenges facing the Island is how to achieve financial stability without adversely affecting the quality of patient care. This is a key driver for change. However merely reorganising the organisations will not necessarily result in less cost or indeed contribute to achieving financial balance. The opportunities to achieve management cost savings may be negated by the need to create additional management capacity, at least in the short term. However, a new organisation should lead to greater opportunities for increased efficiency by streamlining processes and introducing new ways of working.

27 One factor that will influence the Island's ability to achieve savings could be the implementation of the **European Working Time Directives (EWTD)**. The isolation of the Island may lead to some services potentially becoming unviable unless provided by outreach from larger organisations.

28 The EWTD is a directive from the Council of the European Union (93/104/EC) to protect the health and safety of workers in the European Union. It lays down minimum requirements in relation to working hours, rest periods, annual leave and working arrangements for night workers. The Directive was enacted in UK law as the Working Time Regulations, which took effect from 1 October 1998. The impact of implementing this is immense in terms of affordability, improving working lives and maintaining safe levels of working, to name a few key concerns.

## Organisational transition

- 29 We have mapped out in Tables 1 and 2 indicative transition plans for Option 5, Option 6 and the integration of Children's Services.
- 30 The following need to be considered in more detail:
- The transition process needs to be funded and have dedicated support. A change programme such as this cannot succeed without having dedicated project management.
  - It will require effective co-ordination of actions across all key stakeholders, while ensuring that existing operations continue unaffected.
- 31 For the changes to have maximum impact, they need to be implemented as soon as possible, recognising legal and recruitment timescales.

## Integration of children's services

- 32 During the course of our work, the Children's Services stakeholder group demonstrated a strong, unanimous desire to pursue the integration of Children's services on the Island. The group is very keen that integrated Children's services should not stand alone or be independent from the envisaged Health and Social Care Trust for the Island. While this would certainly appear possible within the scope of the current guidance, specific advice on the acceptability and process for achieving this would need to be sought. Further guidance on the process for establishing Children's Trusts is due to be issued by the DfES in 2004/2005.
- 33 Clearly the timing of integration needs to be considered alongside a number of other factors, including project management capacity, establishing governance arrangements and, importantly the impact integration will have on the Council.
- 34 It would be feasible to develop a Children's Trust in parallel with the formation of a Health & Social Care Trust (HSCT), and consider the integration of this into the new organisation at a later date. The steering group on 22 June agreed that integration of a Children's Trust into the new organisation is unrealistic at the outset of the new organisation, because:
- the new guidance on Children's Trusts will be provided later this year and will require further discussion with DfES, DoH and ODPM in the context of this innovative approach;
  - of the impact on the council's viability and political position through the loss of its two largest service areas namely Social Services and Education; and
  - how members will conduct their corporate parenting responsibility if the service transferred to HSCT.
- 35 This may well impact on the timetable for the development of a Health & Social Care Trust by April 2006. The above issues need to be resolved for Children's Services to become a part of the new organisation. The main focus should be the development of a Children's Trust as part of the Local Authority by April 2006 and integration into the new organisation should be considered at a later date. By this time there will be greater clarity in the governance and reporting arrangements for Children's Trusts.



## Shared Services

- 36 We identified opportunities for maximising the potential of sharing corporate services, notably Finance, HR, IT, and Estates Management. The creation of a new organisation means that services across the Local Authority and health partners could be shared, for example Human Resource departments would lend itself to this and other “backroom” functions with the IM&T departments.
- 37 We identified the existing arrangements for sharing of services and it is clear from this that the majority of services are provided by the Health Care Trust for the PCT and the Corporate Services Department for the Social Services & Housing Department of the IOW Council.
- 38 There appears to be limited use of mainland services in the provision of corporate type functions and we recommend that the potential for testing for value for money needs to be explored further.

## Conclusions

- 39 We recommend that the Steering Group should pursue Option 5 or Option 6.
- 40 It was agreed by the Steering Group on 10 May that we would not identify a preference for either of the two options. It was felt that both options needed to be considered by each respective organisation in light of what we have reported, following which a decision would be made on which way to proceed.
- 41 The decision to review the organisational configuration has been one of the catalysts for change. Stakeholders have suggested, quite forcibly at times, that the need for change is a necessity and that the status quo cannot continue.
- 42 In relation to the integration of children’s services there is clear ambition to integrate fully into the new organisation. Whilst this is positive the timing of this transition and impact on the IOW Council needs to be carefully considered before any firm decision is made. Key stakeholders for children’s services need to embark on further consultation with the IOW Council, PCT and Healthcare Trust to agree the steps required to achieve full integration.
- 43 In summary, we believe that both of the options that have been short-listed could achieve the Island’s original purpose for commissioning this review – that being the reconfiguration of organisations to achieve the Isle of Wight Healthcare Strategy and to deliver safe, affordable and appropriate healthcare.

## Way forward

- 44 In determining the way forward we have made the following recommendations:
  - 41.1 The content of this report should be considered by each respective organisation in order to choose which option to pursue.
  - 41.2 Once each organisation has considered this report, a period of consultation should commence.
  - 41.3 Once a decision has been made in principle based on internal and external consultation, further detailed legal advice should be sought on the legal process to be followed.

- 41.4 Subject to remaining within current and future legal frameworks and NHS Regulations, the NHS in Hampshire & Isle of Wight should strongly consider the appointment of a single CEO and executive management team to provide leadership for the PCT and Healthcare Trust.
- 41.5 Once the CEO is appointed, a Transition Steering Group (TSG) needs to be established to direct and drive the change process.
- 41.6 Specific project management support for the TSG should be identified and appointed.
- 41.7 Project Board should be established to direct the integration of children's services. This Board should encompass senior representation from each of the three principal service areas: Health (PCT and Trust), Education and Social Services.
- 41.8 The Project Board should appoint a Project Manager to drive the day to day progress of the children's integration project.
- 41.9 Project Manager (as in 41.8 above), with oversight from the Project Board and in consultation with the relevant stakeholders, to produce a detailed Project Plan to achieve the integration of Children's services (in a Children's Trust or other body within the LA) by April 2006. The project plan must include key milestones (as set out in the LPS), but also the detailed steps and actions required.
- 41.10 A detailed study should be conducted to explore the development and use of shared service agencies that could support the IOW and to ensure that existing shared service arrangements are providing effective and efficient services.