

Report to: **East Sussex Health Overview and Scrutiny Committee (HOSC)**

Date: **17th June 2010**

By: **Assistant Director - Legal and Democratic Services**

Title of report: **Moving towards a single Primary Care Trust for East Sussex**

Purpose of report: **To brief HOSC on proposals to merge the two Primary Care Trusts serving East Sussex to form a single commissioning organisation for the county, and the arrangements for consultation.**

RECOMMENDATIONS

HOSC is recommended to:

- 1. Consider and comment on the proposed merger.**
 - 2. Agree how HOSC will prepare a response to the consultation in due course.**
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1. Background

1.1 The role of Primary Care Trusts (PCTs) in the NHS is to identify the health needs of their population and to plan and buy (or 'commission') appropriate health services to meet these needs, within the resources available. PCTs also lead on improving the health of the population and reducing health inequalities, working in partnership with others, including local authorities.

1.2 East Sussex Downs and Weald (ESDW) PCT and Hastings and Rother (HAR) PCT came into existence on the 1st October 2006, as part of a national programme to reorganise PCTs, prompted by the Department of Health guidance 'Commissioning a Patient-Led NHS'. In most areas, this resulted in the creation of fewer, larger PCTs and in many places the new PCTs shared boundaries with the 'top-tier' local authority (the social services authority).

1.3 ESDW PCT was formed from two previous PCTs – Eastbourne Downs PCT and Sussex Downs and Weald PCT. HAR PCT was also formed from two previous PCTs – Bexhill and Rother PCT and Hastings and St Leonards PCT.

1.4 Prior to the mergers in 2006, consultation was carried out by the Strategic Health Authority with partner organisations and representative groups in East Sussex to gather views on what the shape of any new PCTs should look like. Some responses favoured a single PCT for East Sussex which would share a geographical boundary with Social Care and other county-wide organisations, and some favoured retaining smaller PCTs covering different parts of the county. The latter view was particularly put forward in the Hastings area, where it was argued that Hastings had particular local needs due to higher levels of deprivation. There was also concern that the PCTs in the west of the county had a history (at that time) of financial deficits, whereas PCTs in the east had a history of surpluses.

1.5 Responses to the consultation were fed back to the Department of Health via the Strategic Health Authority. The decision in East Sussex was to establish the two current PCTs,

servicing the east and west of the county. This was in contrast to other areas of the south east where single PCTs were established to cover each of West Sussex, Surrey, Kent and the unitary local authority areas of Brighton & Hove and Medway.

1.6 A review was undertaken by the Strategic Health Authority to consider the best management structure for the two East Sussex PCTs, which resulted in the establishment of a single Chief Executive and management structure across the two PCTs which remains in place. Many of the PCTs' staff also work across both organisations. The two PCTs do however retain separate Boards (and associated committees), separate Professional Executive Committees (which provide clinical input from GPs and other primary care health professionals) and separate budgets and accounts.

2. Proposed merger

2.1 NHS ESDW/HAR have supplied a report (attached at appendix 1) with proposals for the merger of the two current PCTs, the case behind this and the arrangements for consultation and decision making. Lisa Compton, Director of Assurance and Engagement and Sam Chittenden, Director of Strategy and Primary Care will present the report to HOSC and take questions.

2.2 In summary, the report suggests that the main reasons behind the proposed merger are:

- To enable the new PCT to focus more on county-wide strategic leadership and partnership, facilitating transformational change and improved value from commissioning.
- To achieve greater consistency of standards and access for patients in all care settings across the whole county
- To make a direct saving to the NHS of over £600k in a full year
- To make indirect savings through reducing duplication and bureaucracy
- To strengthen Practice Based Commissioning and local strategic partnerships
- To ensure greater alignment of all parts of the PCTs with the East Sussex-wide transformation agenda

3. Consultation

3.1 In January 2010, the Chief Executive of NHS ESDW/HAR wrote to HOSC to invite the Committee's advice in relation to consultation, should the PCT Boards decide to move towards a merger. HOSC's response is attached at appendix 2.

3.2 HOSC's response reflects the fact that different legislation applies to consultations on organisational changes in the NHS, compared to service changes. Where an organisational change is proposed, consultation with specific local partner organisations and representative groups is required by legislation. HOSC's letter makes clear that, should any service changes be proposed as a result of, or following the merger, appropriate patient and public involvement and consultation with HOSC should take place as is usual in relation to service change.

3.3 HOSC also requested that the Committee be consulted as an interested party to the consultation. The Committee is asked to consider how it wishes to respond to the consultation in due course.

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Consideration of a Merger between NHS East Sussex Downs & Weald and NHS Hastings & Rother

1 Summary

At their May meetings the Boards of both NHS Hastings and Rother and NHS East Sussex Downs and Weald agreed that there were clear advantages to merging in order to create a single commissioning organisation for East Sussex, subject to stakeholder consultation. It was agreed that work should continue to finalise the Business case and consultation process for merger. The Boards were mindful of the need for flexibility, given the emerging policy from the new coalition government, and therefore agreed that they should move towards even more joint working until such time as a formal merger could be achieved.

In scoping the merger proposals, informal discussions have already been held with staff, local clinicians and key stakeholder organisations, including the Local Medical Committee, Professional Executive Committees, Practice Based Commissioning Committees and other GPs, East Sussex County Council and Local Strategic Partnerships. We have approached South East Coast Strategic Health Authority, and agreed a process for consultation.

This paper sets out the case for change, and highlights the issues that would be addressed in moving towards merger.

2 Strategic Context

East Sussex Downs and Weald (ESDW) PCT and Hastings and Rother (HAR) PCT came into existence on the 1st October 2006. From the start, they have shared a single management team working across the two organisations with one chief executive and one set of directors.

The two PCTs do not map to any other organisational boundaries in East Sussex. The current governance arrangements result in duplication of management effort and a focus on arbitrary boundaries at PCT level. Merging the PCTs would enable us to focus strategically across East Sussex, providing stronger local leadership of the health economy. This will ensure that we can drive forward the ambitious programme of service transformation we will set out in our strategic commissioning plan for 2010-2015 in order to achieve *Better Health, Better Care, Closer to Home* across East Sussex. At the same time it will enable us to strengthen our focus on definable local population health needs, and to deliver the necessary support to Practice Based Commissioning localities or clusters to commission services that meet these needs.

ESDW and H&R PCTs wish to integrate those functions which are not already undertaken corporately, to create a new, commissioning organisation covering an area identical to that covered by East Sussex County Council (ESCC) thus creating a coterminous East Sussex health economy.

The objectives of the merger are:

- To use the combined skill and experience of the two PCTs to build a new commissioning organisation that is in a position to best respond quickly and robustly with sustainable commissioning solutions
- To commission cost effective, best in class patient care for all, whilst still addressing health inequalities and need at a locality level.
- To enable the new PCT to focus more on county-wide strategic leadership and partnership, facilitating transformational change and improved value from commissioning. This will support the delivery of an ambitious service transformation programme and achievement of our £30 million savings plan.
- To achieve greater consistency of standards and access for patients in all care settings across the whole County
- To make a direct saving to the NHS of over £600k in a full year
- To make indirect savings through reducing duplication and bureaucracy
- To strengthen Practice Based Commissioning and local strategic partnerships
- To ensure greater alignment of all parts of the PCTs with the East Sussex-wide transformation agenda

Merger is in line with the national Quality Improvement and Productivity agenda which may result in fewer PCTs. The Board would wish to merge as quickly as possible in order to reap the benefits of savings and enable us to focus on the county-wide Transformation Programme.

3 The Case for Merger

The PCTs have produced a Merger Business Case which sets out the strategic, economic and financial cases for change, summarised below.

3.1 The Strategic Case - Commissioning Benefits

A single East Sussex PCT would be better able to drive forward a county-wide programme of service transformation, working with local partner organisations, many of whom represent the whole county. However, we would also wish to maintain a local focus.

Providing a strong focus on localities and addressing the needs of disadvantaged communities

Health improvement work is commissioned and delivered in partnership as part of Health Improvement Partnerships (HIMPs) and Local Strategic Partnerships (LSPs). Although the current geographical split of the PCTs does not align with LSPs and HIMPs, the Practice Based Commissioning (PBC) clusters do. Through a greater focus on our clusters, we will develop stronger relationships between primary care, HIMPs and LSPs. This will support health improvement particularly for those people who are in hard to reach groups, in vulnerable groups and those areas with higher rates of deprivation.

Proposed local clusters

Our Practice Based Commissioning Clusters are groups of practices that serve natural communities and have a sense of local identity. There are currently 7 clusters in ESDW and 5 in HAR.

High Weald	Single Cluster
Havens, Lewes, Seaford and Alfriston	Three Clusters increasingly acting as one
Eastbourne and Hailsham	Three Clusters increasingly acting as one
West Hastings and East Hastings	Two clusters currently meeting separately but considering joint meetings
Rural Rother	One Cluster
Bexhill	One Cluster
Upper and Lower St Leonard's	Two clusters acting as one

It is proposed that these structures should continue to form the basic building blocks of a merged PCT.

The two PBC committees would wish, in the first instance, to maintain separate Committees for the two localities of ESDW and H&R. However, PBC clusters would meet in different configurations as appropriate; e.g. across East Sussex for strategic/single provider issues (e.g. Mental Health, Community Services) and clusters aligned to provider catchment areas for acute commissioning.

Structures to support localities and Primary Care/PBC in NHS East Sussex

Informal conversations have been held with representatives of primary care over recent months, in order to shape thinking over a possible future merger. These representatives include the Local Medical Committee (LMC) as well as the Professional Executive Committees (PEC) and PBC Committee/Board. The two PECs have already agreed in principle to the creation of a merged PEC. Feedback has been supportive of merger in principle. Local GPs would want to maintain and increase local focus, strengthen commissioning arrangements and clinical engagement, and ensure that any changes to funding flows were carefully managed. The PCTs believe that these requirements are both desirable and achievable within an East Sussex PCT.

As a merged organisation, the PCT would take the opportunity of reduced duplication and bureaucracy to further focus management resource across the organisation to support PBC localities and clusters. This would include identifying named individuals from all key PCT functions to link with the clusters. We also propose to identify an Executive Director to take a lead role within each of the two (current PCT) localities. Identifying the clusters as the focus of development will help to increase engagement amongst all practices and clinicians in primary care.

The majority of clinical pathways and service improvements will be developed and implemented across East Sussex. PCT merger would provide a stronger focus on county-wide transformation. Through Transformation, a merged PCT would ensure that commissioned services are patient/population focused, responding to expressed need, and informed through best practice frameworks. Using the PBC clusters as the vehicle for implementation will ensure that the Transformation Programme becomes a reality consistently and quickly.

We are in discussion with neighbouring PCTs about strengthening arrangements for cross boundary management of contracts. This will build on the existing Sussex and region-wide arrangements, including Sussex Acute Commissioning Service (SACS) and the development of the Commercial Support Unit. We will ensure that representatives of the appropriate PBC clusters are involved in contract discussions.

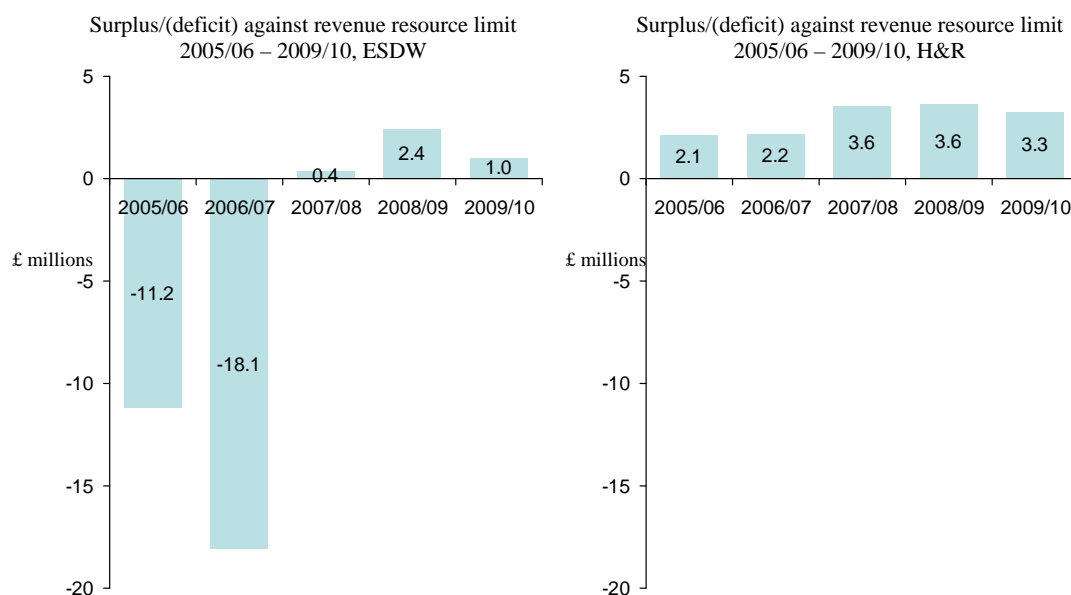
3.2 Economic Benefits

Background

When the two East Sussex PCTs were being established in 2006:-

- ESDW had a history of financial deficits whilst H&R had a history of financial surpluses
- Hastings & St Leonards PCT had been under its target level of resource but had been given additional growth in the years to 2007/8 to bring it onto target.
- Bexhill & Rother PCT, Eastbourne Downs PCT and Sussex Downs and Weald PCT were all over target

The following table illustrates each PCT’s financial outturn for the five years from 2005/6 to 2009/10, and highlights the historic financial differences between the two PCTs.



Currently both PCTs now have a track record of surpluses and are effectively the same distance (c2%) over the target resource level.

Management Cost Reduction/ Organisational Efficiencies

The latest NHS Operating framework requires a 30% reduction in management costs, half of which must be achieved in 2010/11. The divestment of provider services and the proposal to establish a Commissioning Support Unit to provide back office functions on a wider geographical basis will also have an impact on the management costs of the PCT. It is within this context that the PCTs also need to consider merger, which would deliver further cost savings with minimal impact on staff.

It is estimated that it currently costs about £0.6m per year extra to support two PCTs and their Boards. This estimate does not include the cost of management and administrative time involved in preparing for and attending two sets of Board meetings and associated committees. Reducing duplication would enable us to focus our management resource where it is most needed, in particular on primary care development, and on transforming services through our commissioning arrangements.

The breakdown of anticipated direct savings is as follows:

Full year effect	£k
- One less Board	87
- One less PEC	185
- Reduction in Audit	150
- Systems (one ledger etc.)	150
- Support costs (one annual report etc.)	28
Total savings	600

There are one off costs associated with moving to a merged structure which include:

Non Recurring Costs	£k
- Notice on Systems, contracts etc.	100
- Cost of consultation	50
- Notice on pay, severance etc.	100
Total Non recurring costs	250

3.3 Financial Issues

Practice Based Commissioning

We are reviewing the arrangements to support PBC, including the creation of shadow budgets, provision of robust and timely contract information, and simplifying decision making processes to put the PBC clusters at the heart of service redesign and health improvement. Over the next few months Government policy is likely to accelerate the process of devolving cash budgets to PBC. In the mean time, we will progress this agenda as quickly as current legislation allows.

Although there is no benefit from maintaining two PCTs with respect to the level of annual growth received, there is a difference in historic funding per capita for the two PCTs and H&R receives c15% more per capita than ESDW PCT. This funding recognises the historic spend of each PCT in terms of acute activity, primary and community care provision as well as prescribing costs.

A move from the current spend per capita towards fair shares for each practice could have a destabilising impact. It is therefore suggested that, in the immediate

term, the budgets for Practice-Based Commissioning clusters should remain broadly the same, thus avoiding any destabilisation of parts of the local healthcare economy and ensuring that individual practices and clusters remain aligned to their PBC developments. Over time, East Sussex PCT may wish to use the greater flexibility of a unified budget to consider a phased redirection of resources to communities whose needs are greater than others. By doing this in parallel with our transformation programme, which will be redesigning services and making step changes to reduce excess costs, we can reduce financial risk, whilst maintaining the motivation of practices to remain involved in PBC activity.

4 Implementation

4.1 Business continuity and risk management

The PCTs have produced a Business case that sets out the benefits of merger in greater detail and highlights the steps required to implement it. The plan includes a risk analysis and business continuity plan, both for the process of merger, and for the future commissioning organisation. A shared governance framework for the integration will also be agreed.

A draft transition plan has been developed that would support the establishment of a single PCT. A Transition Group would be formed to manage the transition plan.

4.2 Approach to engagement and consultation on merger

It is the strategic health authority's responsibility to ensure that an appropriate period of consultation on a proposed merger is undertaken as set out under *The Primary Care Trusts (Consultation on Establishment, Dissolution and Transfer of Staff) Regulations 1999*.

The SHA will determine the formal consultation questions, but we anticipate that these could be:

- How do you feel about the proposed creation of a new commissioning organisation for East Sussex through the merger of the two PCT Boards?
- What do you think a single PCT Board should do to maintain a clear local focus and sustain local relationships, both at a strategic and operational level, given the geography of East Sussex and its communities?

A communications and engagement action plan has been developed to underpin the process. It should be noted that that PCT merger would be an organisational change as opposed to a service change, and that full public consultation would not be required.

4.3 Legal mechanisms

The Department of Health Transactions Manual sets out the legal mechanisms for a Statutory Merger of two PCTs.

For the PCTs :

- Board approvals are required where the PCTs instigate the merger

For the SHA:

- Approves the merger

For the Department of Health:

- Transactions Board Approval
- SoS to make order dissolving PCTs and to order the transfer of staff and property

Preliminary discussions with the Appointments Commission indicate that the process would include two rounds of appointments to a 'shadow' Board. The shadow Board would succeed the existing Boards at the point of a SoS approved merger date.

5 Conclusions

We believe that merger of NHS East Sussex Downs and Weald, with NHS Hastings and Rother would support the continued improvement in commissioning services for the population of East Sussex. It will save money and improve the effectiveness of the organisation in support of the Transformation Programme necessary to meet our ambitions of Better Health, Better Care, Closer to Home.

May 2010

**East Sussex
Health Overview and
Scrutiny Committee**

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16 February 2010

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Dear Mike

Potential consultation on a single PCT for East Sussex

Thank you for your letter dated 22 January confirming that NHS East Sussex Downs and Weald and NHS Hastings and Rother are exploring the possibility of moving towards a single Primary Care Trust (PCT) for East Sussex and inviting HOSC's view on the potential consultation arrangements.

Although it is not within HOSC's remit to direct the PCTs as to how they should discharge their duties under the various pieces of legislation relating to consultation, HOSC is able to confirm the Committee's understanding of the relevant requirements.

The Committee understands that the potential establishment of a single PCT would constitute an organisational change as opposed to a service change. The relevant requirements are therefore outlined in the *PCTs (Consultation on establishment, dissolution and transfer of staff) regulations 1999 (no. 2337)* which require the Strategic Health Authority to consult:

- Local Involvement Network (previously Community Health Councils)
- Any local authority within the area of the PCT to be established
- Any NHS Trust providing services for which the PCT is to be responsible
- The Local Medical Committee and other bodies considered to represent local health care professionals
- Voluntary organisations representing local patients and carers
- 'such other persons as the Health Authority considers appropriate'

Cont:/

The Committee would therefore anticipate that the listed groups would be consulted and requests that HOSC be added to the list of stakeholders included, should a consultation take place. A discussion at the HOSC meeting on 17 June may be appropriate, dependent on your timetable.

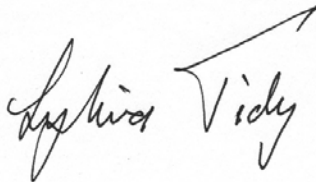
In addition, the Committee would advise that the PCTs consider extending the required list to include neighbouring local authorities (Brighton & Hove, Kent, West Sussex) and to ensure that district, borough, town and parish councils within East Sussex be included, as well as the various County Council departments.

In terms of the voluntary sector, consultation with the major voluntary organisations representing patients and carers may be best co-ordinated through the Councils for Voluntary Service – 3VA, Hastings Voluntary Action and Rother Voluntary Action.

Of course, should any proposals for *service* change be developed following, or alongside the proposed organisational changes, HOSC would expect to be involved and consulted in the usual way, alongside appropriate patient and public engagement.

I look forward to receiving further information as the process develops.

Yours sincerely

A handwritten signature in black ink that reads "Sylvia Tidy". The signature is written in a cursive style with a long, sweeping tail on the letter 'y'.

Councillor Sylvia Tidy
Chairman
Health Overview and Scrutiny Committee

Cc: Lisa Compton, Director of Assurance and Engagement, NHS East Sussex Downs and Weald/NHS Hastings and Rother