

Aligning public services

Strategies for local
integration

JULY 2015



This is the second in a series of *PF Perspectives*, produced by CIPFA and *Public Finance*. They are designed to stimulate discussion on key public finance and policy issues. These essays, by leading public sector practitioners and experts, explore the strategies needed to align and integrate local public services, and challenge government to create radical new frameworks for the sector

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FOREWORD



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***'The world, as we have created it, is a process of our thinking. It cannot be changed without changing our thinking.'* Albert Einstein**

Funding for local services is under serious pressure, and key services – including those in protected areas – face rising demand. The system is under strain, and both government and local communities are looking for routes out of the impasse.

One way forward is through far greater public service collaboration and alignment. To achieve this will require a radical change of mindset. Historically, initiatives such as Total Place and Community Budgets have been slow to deliver tangible benefits, revealing how disjointed centrally controlled public services have become. Information, resources and ideas are inadequately shared, and costs are often duplicated. Meanwhile, 'frontline services' are delivered through an increasingly complex landscape of providers and commissioning bodies – local authorities, NHS and foundation trusts, a variety of school bodies, social enterprises, public companies, voluntary and private organisations.

What is needed is fresh thinking on how to realign public services away from Whitehall-dominated departmental boundaries and towards local communities, in the process joining up this fragmented scenario. There are, at last, signs of more strategic thinking on this front. Interest in devolved, city-based public service delivery, and initiatives to progress integrated health and social care, indicate a promising direction of travel.

The essays in this collection make an important contribution towards fleshing out how to think about and 'do' joined-up public services. New approaches to funding services locally and accounting for outcomes, along with fresh ideas on governance, data-sharing and systems leadership, are amongst the strategies under discussion.

Our hope is that this issue of *PF Perspectives*, together with the supporting guidance CIPFA has published on aligning local public services, will begin to answer some of the practical and policy questions that public sector leaders face. The environment we are working in is certainly changing, and we must adapt to it. But to ensure that it changes for the better, we need some bold new thinking. The ideas developed in the following pages make a positive start.

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TAKE IT FROM
THE TOP

Time for Whitehall to let go

ESSAY



BY LORD KERSLAKE

Devolution of powers and budgets from central government is an essential driver for integrating public services at the local level



Lord Kerslake, the former head of the civil service and DCLG permanent secretary, is chair of King's College Hospital, London

THE GENERAL ELECTION has produced a more certain outcome than many were predicting. This means that we can anticipate with more confidence what the financial outlook for public services is likely to be.

The newly reinstated chancellor set out his plans prior to the election. With a clear Conservative majority, it would be hard for George Osborne to depart significantly from these plans even if he wanted to. We will hear more in the emergency budget in July but, for unprotected departments in general and local government in particular, this will almost certainly mean a continuation of spending cuts at least at the rate of the last parliament and potentially faster.

Local government is widely recognised in central government as having managed its spending reductions – as large as any experienced in the public sector – pretty effectively. The temptation therefore would be to assume that it could simply do this again. This would in my view be a grave mistake. A radically different approach will be needed if serious damage to essential local services is to be avoided.

Continuing austerity and public spending reductions provide the essential context for any discussion about further devolution and the integration of public services. It will be the defining issue in the central/local relationship. The transfer of power from central to local government could provide at least part of the answer to managing with a great deal less money.

Localism – devolution of power to the lowest practical level – was a key theme at the start of the coalition government. Enthusiastically supported by both sides of the coalition, a great deal of cross-government work was undertaken by Greg Clark, the then minister of state at the Department for Communities and Local Government.

Departments were even scored on how far they had advanced the agenda (albeit not very toughly). The then communities secretary, Eric Pickles, proudly described the department's priorities as 'localism, localism, localism'.

There were some real achievements in this period – removal of a lot of the ring fencing and top down monitoring of government funding, further devolution of powers to the London mayor, and local retention of half the business rates income by local government, for example. However, for local government, the results were seen as disappointing and the government was felt to have reduced councils' role in other areas. The fairly wide definition of localism adopted allowed pretty much every department to argue that its policies followed a localist path.

Local economic leadership

One clear-cut success of the last government, though, was the 'deal-based' approach of the City and Local Growth Deals. Skilfully led by Clark with strong championing from the then deputy prime minister, Nick Clegg, and supported by one of the few cross-government civil service teams, the deals strengthened local economic leadership and enabled some important local growth schemes to go forward. An important feature of the Local Growth Deals was that, while areas with strong plans and good projects did better,

all areas were able to benefit from the additional funding and flexibilities.

Successful and popular though the process has been, the Local Growth Deals have not, to date, involved major devolution of new powers. The additional flexibilities granted by departments have been hard fought and relatively modest. It has taken the Manchester Deal, covered elsewhere in this essay collection, to see a real movement of powers and responsibilities.

So why is it, given that devolving more power locally has been a goal of almost all governments in recent years, that we continue to be one of the most centralised countries in Europe?

There are many reasons for this, but here are my top three:

- Devolution is intrinsically a **cross-government** agenda that requires strong cross-government leadership. This is something that departmentally driven Whitehall finds exceptionally hard to deliver. Even with strong leadership and a cross-departmental team, securing agreement in the local growth deals often required titanic effort out of all proportion to the issues involved.
- Devolution is **disruptive**. It cuts across existing departmental programmes in a way that is very uncomfortable for both officials and ministers. I vividly recall one permanent secretary saying to me that he was supportive of the Local Growth Deals and greater devolution so long as they didn't interfere with his department's current plans. For me, this was rather the point of doing it.
- Devolving power and responsibility inevitably results in **different outcomes** in different places. Central government has always struggled to be clear in its own mind where it will accept different services and outcomes at local level. This leads to an inevitable impulse to intervene and standardise when these differences are highlighted.

None of these barriers to devolution are insuperable if there is strong intent by government and clarity on three key questions: why devolve, what should be devolved and who to devolve to?

The age of the city

While greater devolution to Scotland and Wales has opened up the debate in England, the arguments for change have been much more to do with economic growth and public service reform than popular clamour. The *Report of the Cities Growth Commission*, chaired by Jim O'Neill (now Commercial Secretary to the Treasury, responsible for city devolution and infrastructure) set out powerfully the economic case for greater devolution to cities.

Put simply, this is the 'age of the city'. Cities are the drivers of growth and the growth of Britain's cities outside London has been held back by a lack of powers on key functions such as transport and skills. The report proposed much greater devolution starting with those best placed to take advantage of it.

Although the case made in the commission's report was not a new one, it did have the great benefit of close involvement from the Treasury and the chancellor. It provided strong underpinning for the Manchester deal and the Northern Powerhouse.

The other major driver of devolution in England has been public service reform and in particular, creating the opportunity for greater integration of public services at local level. Devolution would allow local services to be reconfigured, improving the experience for users and reducing future costs through better preventive services. This is a beguiling argument for central government as it offers the prospect of better services, reduced costs and improved outcomes. It has therefore been the subject of many initiatives, including Total Place, Community Budgets and the Transformation Panel. The areas that probably offer the most potential are health and social care, employment and skills, and troubled families.

The Troubled Families initiative, powerfully led by Louise Casey, has been both popular and effective, and is on track to deliver the ambition of turning round 100,000 families. It has, though, been a nationally led initiative albeit with local flexibility. The second phase of the project will really test the ability to transform services around the family.

Increasing the local role in employment and skills was one of the most contested areas in the city and local growth deal negotiations. It offers the potential to bring those most remote from the labour market into jobs and ensure that training provision better meets the need of local employers. At the same time it significantly challenges the national schemes and systems established by the Department for Work and Pensions and the Department for Business, Innovation and Skills. ►

'Continued austerity provides the context for any discussion about further devolution and integration of public services'

 ‘Integration of health and social care offers the biggest opportunities but also the biggest challenges’

Integration of health and social care offers the biggest opportunities but also the biggest challenges. The Better Care Fund provided a catalyst for change and local innovation, but funding it from within existing NHS resources meant there were huge pressures to deliver early results. Both health and social care are facing enormous short-term financial and service pressures that make it hard to focus on the longer term opportunities of integration. From my short time as chair of King’s College Hospital in London, I can see the urgent need to bring together and simplify the arrangements for commissioners and providers within the NHS, never mind joining up with social care.

Given the understandable reluctance for any more top-down reorganisation in the NHS, an organic approach allowing individual areas to lead their own wider system change is probably the right approach. This would involve a ‘permissive’ approach by NHS England and the regulators, allowing local flexibility to try out different models. The key question, though, is whether this change can happen quickly enough to help manage the current pressures.

By some margin, the most contentious question in the devolution debate has been over to whom powers should be devolved. For devolution of economic responsibilities, the arguments are pretty compelling that these should follow the natural economic ‘footprint’ of areas rather than the administrative boundaries of local authorities. The local enterprise partnerships (LEPs) formed the best approximation to this. LEPs are in the main, though, informal partnerships and not formally constituted bodies. Delegation of powers and the formal holding of budgets therefore has to be to local authorities or to a combined authority. While a single local authority can hold the responsibility on behalf of a group of local authorities, only a combined authority has the ability to take decisions that are binding on all members.

The above logic is simple to set out but much harder to deliver. It requires local areas to transcend often longstanding rivalries. Supporting an informal partnership to secure funding is one thing. Creating a new formal body is quite another. It is for this reason that only five combined authorities have been formed to date.

The chancellor has added an even higher test, requiring that city regions need not just have a combined authority to secure devolution on the lines of Manchester but also commit to having a directly elected metro mayor. Without a mayor, no deal can be done.

The desire to move forward on devolution will provide a powerful incentive for those cities with maturer partnerships and more developed combined authorities – Leeds and Sheffield – to now agree to a metro mayor. For many other areas, though, the partnership is at a much earlier stage. The prospect of creating a metro mayor would be likely to set back the work rather than advance it. There will be a clear choice for the government on whether to make any offer to areas that are strengthening their collective economic leadership, but are not yet ready to make the move to a directly elected mayor.

While economic powers require natural economic areas, the argument on public service reform is very different. The key test here is the depth of the partnership and the willingness of partners to try out new approaches. Coterminous boundaries help but are not essential. The flexible approach followed by NHS England and the Department of Health to their vanguard areas for integrated care seems to me to be the right one.

There are two final important points to make in the debate over devolution and integration of local services.

First, London. The argument that an over-centralised Britain holds back the growth of our cities is no less true of London. While the mayor has powers now that other cities can only envy, London is a global city that must be able to take rapid decisions on key things like infrastructure to stay competitive. Nowhere is this more important than in housing, where London needs to double its supply of new homes. A successful London is crucial to the success of the UK and other UK cities. Greater devolution is crucial to London’s success.

Second, greater fiscal devolution has to form part of the deal. Whether this is full retention of business rates or keeping the income from another tax source such as stamp duty, there is a limit to how far more functions can be meaningfully devolved without also broadening the local income base.

For much of local government, the dominating debate will be how to manage another three to five years of budget reductions. It would be a huge missed opportunity if there is not also a debate with central government on how to advance on devolution. The benefits won’t just be to local government. In my experience, the volume of detail that central government deals with crowds out the space for more strategic thinking. At a time when its own capacity is likely to be reducing, central government must learn to devolve more and do less. ●

Planning for a place-based future

ESSAY



BY LORD RICHARD

The silos of Westminster and Whitehall are not impregnable. Hard-won lessons from the Total Place initiative point the way to improved public service alignment



Lord Richard, former Benefits Agency chief executive and permanent secretary at the then Department for Education and Employment, is chair of the National Audit Office board

IT'S EIGHT YEARS since I suggested the development of the Total Place initiative as a way of improving public services during a time of austerity. And it's five years since, to my great regret, the coalition government effectively distanced itself from the initiative.

The world has moved on but the lessons of Total Place remain relevant at a time when everyone seeks to embrace, ever more enthusiastically, the need for greater integration, collaboration and partnership working. So, what are the lessons? Let's take a dozen that, I think, remain relevant.

1/ MAKE SURE USERS COME FIRST

Collaboration/integration has to start and end with the citizen/client. Bringing organisations closer together will mean very little if it is not driven by improved outcomes as perceived by the users. If all you do is bring together ineffective organisations then you will get larger, equally ineffective organisations which will most likely be even less accessible to the most disadvantaged.

2/ START WITH THE SMALL STUFF

It helps to focus initially on a small number of issues that all the partners regard as priorities, so that confidence and trust can be developed by way of measurable improvements. Grand sounding, high level memorandums of understanding tend to change little and the harsh reality is that all the effort that has gone into collaboration down the years has hardly registered with citizens.

3/ BRING ON THE VOLUNTARY SECTOR

We cannot restrict ourselves to the statutory sector. The voluntary sector has a huge part to play in the development and provision of services for the public good. Too often it has been excluded at worst, and undervalued at best. The sector is not only innovative, flexible and responsive, it also commands the trust of citizens in a way the statutory sector, sadly, does not.

4/ STOP SILOS GETTING IN THE WAY

The way in which Whitehall is organised and behaves remains a barrier to progress. The silos live on and the incentives continue to support the growth of isolated agencies rather than the cooperative enterprises we need if seamless, accessible services are to be made available. The structure of budgets and the targets set for the separate bureaucracies make it difficult for those on the front line to work effectively together.

5/ DEVOLVE IN ORDER TO INTEGRATE

It is difficult to see how integration/collaboration will happen unless there is much greater devolution of power. This is different to the decentralisation of administrative functions. People need to know that they have the power locally to decide their own priorities, taking account of community needs. Integration cannot be ►

prescribed by and from the centre, but if you devolve more power locally it can liberate the huge potential that exists in communities but often lies dormant.

6/ BREAK DOWN PROFESSIONAL BARRIERS

Professions can be as big a problem as Whitehall when it comes to delivering client-centred services. They can see change as a threat to their own power; and have different traditions reinforced by separate training and powerful institutions that protect the provider interest ahead of client need. The health service is one of the most important place-based providers but it also remains one of the worst offenders in this respect. This has not only hindered the integration of health and social care services, but also damaged the productivity of the health service.

7/ FOCUS ON OUTCOMES AND TRUST

Leadership really makes a difference. Good leaders understand that their task now is not just to achieve success in their own organisation, but to develop a vision for the future of 'their' place which others buy into. They have the skills and competence to sustain genuine collaborations and they know how important it is to retain the trust of local partners. They focus relentlessly on client outcomes and have the courage to innovate because they know that traditional models have not worked.

8/ DON'T OBSESS OVER TARGETS

The focus on narrow agency-based targets has often worked against the more collaborative behaviour we need. Indeed the determination of a single agency to pursue its targets in a single-minded way can actually work against the user's interest by conflicting with the efforts of other providers. The fragmentation of governance during the past four decades, coupled with this obsession with targets for individual providers that have sometimes focused on inputs rather than outcomes, has been a major obstacle to progress.

9/ RESIST ENDLESS REORGANISATION

The design of services remains an underdeveloped area. The desire to constantly reorganise the structure of organisations has long been evident in our public services. In fact it has delivered little for the citizen and has demotivated generations of staff. We need to give much more attention to the way services are designed and to the customer journey. Our services need to be seamless, accessible, functional and affordable and these qualities do not derive from organisational structures. They derive from good design but the sector is desperately short of service design skills or understanding.

10/ MAKE CO-PRODUCTION A REALITY

At the heart of place-based provision is an acceptance of the need to reduce the levels of the individual's dependence on state provision and to provide citizens with much more power to shape the services they need. Co-production is another of those words in danger of overuse. But co-production needs to be taken seriously if we are, at last, to reform public services in a way that benefits users. That doesn't mean just more consultation and participation, but the transfer of real power to enable people to design services that make sense for them.

11/ DON'T NEGLECT THE COMMUNITY

We can too easily underestimate the potential that exists in local communities. As ever more power has been sucked away to the centre, and as the state has sought to offer a solution to every problem, so the role and the potential of the community has been neglected. Finding ways to unlock this potential is central to the concept of 'place' and central to coping with a world where resources for public provision are likely to remain constrained. People often forget that Total Place was about value as well as quality.

12/ MAKE FRIENDS WITH COLLABORATION

Regulation and inspection have rarely been the friends of collaboration. Instead they have tended to reinforce the provider silos by concentrating on the performance of single agencies. I am pleased that the National Audit Office – of which I recently became chair – has undertaken many more collaborative audits in recent times and I hope that trend will continue. The new Care Quality Commission regime will need to take great care that separate inspections of acute, residential and GP services do not reinforce the

 “The fragmentation of governance, coupled with an obsession with targets focused on inputs rather than outcomes, has been a major obstacle to progress”

existing divisions. In many ways the shape of our public services owe a great deal to the way in which regulation has behaved and we need to see a greater emphasis on how well agencies co-operate to deliver quality as defined by the user. If accountability and focus remain concentrated on the silos it seems unlikely that the place-based approach will flourish.

So the obvious next question is what have we learned from these lessons and how optimistic can we be about the future? There have been some encouraging signs, mostly in the world of local government – and not just in Manchester, impressive though that city region has been. We have seen many other examples of brave leadership in the face of financial adversity as well as the willingness to share responsibility to deliver a place-based vision.

Elsewhere in the forest, the troubled families programme has further underlined the potential of joint endeavour. But the picture is not uniformly encouraging. The political debate in the run-up to the general election was again rooted in the structure of institutions and the public service reform agenda hardly featured, certainly not in terms of greater collaboration in the design and delivery of services around clients.

Room for optimism

The one exception to this was in the field of health and social care and it may be worth dwelling on this given that we now have a government with a majority and therefore capable of pursuing the more radical collaborative policy initiated during the coalition's final years.

The Better Care Fund and, even more so, the Care Act might just provide some room for optimism if they are energetically pursued – not least because they cover areas of significant expenditure and growing social need as a result of demographic change.

In its own way the Care Act encapsulates many of the lessons I have touched on already. It is about designing services around the needs of the individual; it focuses on outcomes not the analysis of need; it seeks to build on the strengths of individuals rather than the capacity of the state and, of course, it requires cooperation between agencies local, national, statutory and voluntary.

If the new government drives and supports its implementation then we would see some of the key principles I have referred to incorporated into a major policy area. Equally if the Cities Devolution Bill does offer real devolved power, rather than more responsibility for decentralised administration, then again we may be on the verge of a breakthrough. The vested interests of Whitehall and Westminster will not, however, cede genuine power without a fight. We could be in for a fascinating battle. ●

‘If accountability and focus remain concentrated on the silos it seems unlikely that the place-based approach will flourish’

Reasons to be cheerful on alignment



BY JULIAN McCRAE

A Treasury led change is underway which is decentralising government powers and realigning central functions



Julian McCrae is deputy director of the Institute for Government and formerly held the same role at the Prime Minister's Strategy Unit

THERE IS A very short version of this article. It would simply recognise that silos are an inherent part of government – speak to people in any government around the world and they will point to similar dividing lines – and we just have to learn to live with them.

The slightly longer and hopefully more interesting version recognises that silos are not going to disappear, but there are ways of mitigating their worst effects on the effectiveness of government.

Indeed in the UK, there is a real possibility that both political and administrative changes could profoundly reduce the chronic tendency of our government to operate in silos. This is not for the trite reason that we have to make further, large savings. The last few years have shown that fiscal pressures do not automatically lead to innovation and breaking out of traditional ways of doing things. If anything the opposite is probably true, as people hunker down within well-understood silos, relying on tried and tested ways to reduce costs.

So if you want to reduce costs in transport, scale back the maintenance budget for a while; to save costs in the justice system, overcrowd the prisons and create queues in the courts to stop the flow; to save money in the NHS, just put queues everywhere.

To understand why some of the changes under way may be so important, it is worth exploring why the UK has a particularly acute problem with silos within our governmental structure. The silo that receives the most attention is defined by policy area. The UK government is structured in departments that look at particular policy problems. So help for people out of work comes through the Department for Work and Pensions, help with skills comes through the Department for Business, Innovation and Skills, while help with health problems comes through the Department of Health. Of course, this obscures our underlying concern, which is about people – in this case the large numbers of people out of work, who have disabilities and low levels of education.

Capability issues

The UK, or at least England, also lacks lower tiers of government to help link up these silos. In most countries, many of these policy areas would be under the control of regional, or even very local, tiers of government. In the UK we go for the extreme opposite – if you want to join up back-to-work services with skills provision and health treatment, the only point at which these things meet is with the prime minister.

Aside from policy, a less commented-on set of silos in UK government lies between functions. In Whitehall, the policy function has long been the first among equals. It dominates the interface with ministers, which is the primary source of power. Only a few analytical functions have come close to matching its influence – economists in the Treasury being the most obvious example. There is a long history in other professions – from finance to commercial to legal – failing to exert an appropriate level of influence. Lord Fulton was pointing these out back in the 1960s. The issue is often portrayed as one of poor capability – but half a century is enough time to address any capability issue. Instead, the fundamental problem is that Whitehall, unlike commercial environments,

This is about more than
changing structures – it
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their jobs

simply does not demand these skills because they are not necessary for a department to survive and thrive. Policy generalists undertake roles that in other organisations are performed by specialists; departments led primarily by policy generalists do not have the experience or outlook to bring specialist functions together at the heart of Whitehall.

It takes consistent pressure over a long period to change such ingrained characteristics. This is about more than changing structures – it is about fundamentally changing behaviour, transforming how people in Whitehall go about their jobs. Far too many attempts to bring about change have had little long-term impact, with the system rebounding to its previous state once the initial pressure was removed. Michael Heseltine, who focused on improving the way Whitehall operated more than any other minister of his generation, nonetheless felt intensely frustrated towards the end of his career. His 2012 missive, *No Stone Unturned*, while primarily about greater localism, contained a whole chapter about the continuing need to reform Whitehall.

However, 2015 offers a much more positive situation than those of us who have watched silo-breaking initiatives come and go could have hoped. There were a host of initiatives in the last parliament that the new government looks set to build on. The most high profile is the so-called Northern Powerhouse, which is looking to decentralise spending power and budgets to the major cities of northern England. This combines two key features that will, it is hoped, differentiate it from the many previous attempts to move power out of Whitehall.

First, it is led by the politics of the situation – the transfer of powers is dependent on creating powerful elected mayors. This is not everybody's preferred form of city governance but, by creating strong local politicians capable of operating on a national stage, these changes follow the pattern of decentralisation to Scotland, Wales and London. In each of these cases, as the local political leadership has become established it has led to increased pressure for power to be decentralised. This feature of politically led decentralisation is in stark contrast to administratively driven efforts which have typically seen Whitehall reimposing control, either in the face of the first scandal or simply as the next minister wanted to do something that was notionally no longer in their power.

Second, the Treasury is the Whitehall powerhouse behind the Northern Powerhouse. The politics of the chancellor, George Osborne, have combined with the Treasury's unrivalled ability to make things happen. For the first time the vetoes of the major spending departments over passing parts of their budgets down to more local levels can be overridden. The forthcoming Spending Review, with the Treasury keen to ensure real decentralisation, could be a game-changer. It is at least conceivable that city governments, which would normally lack even a seat at the table for the discussions, will emerge with greater real powers and budgets.

Beyond these moves to decentralise, a second set of initiatives now underway has the potential to join up Whitehall. There is an increasing recognition that there are a whole host of tasks, necessary for a successful government, which only make sense if they are organised on a cross-departmental basis. To name but a few, these include:

- Getting people with the right skills working on the government's priorities across Whitehall.
- Ensuring it is possible to track how effectively priorities are being implemented – and having the capacity to intervene to address major issues and accelerate progress.
- Making sure areas of waste can be identified through benchmarking and then eliminated, for example by removing duplication and exploiting economies of scale.
- Adopting the innovative ways of working demanded by changes such as decentralisation that affect the whole of Whitehall.

Within Whitehall, this has evolved into the 'functional leadership' agenda – building up the leadership and capability of specific functions that are required across government, such as finance, digital and major projects. This approach is standard in many organisational settings and can build on professional disciplines that are well understood. It also allows a clear differentiation between cross-departmental functional leaders (who are responsible for ensuring there is a strategy for how these functions should develop) and departmental leaders (who are responsible for delivering the government's priorities).

There is still a long way to go on clarifying these cross-departmental responsibilities. But at least we are starting to have the right debate, which has historically seen a conflict

 ‘There is the possibility
 of a genuine alignment
 between the Treasury
 and Cabinet Office on
 improving the financial
 management capability of
 Whitehall’

between departments and the centre over whether responsibilities should be centralised or decentralised. There is now a growing recognition that this debate is pointless, and the aim must be to support departments in their tasks. Whether it is managing people’s careers, buying goods and services, or checking things are on track, the basic operating model must be clarified and then done well.

Much of this functional agenda has been associated with Francis Maude, so there was a worry that it might disappear when he was replaced as Minister for the Cabinet Office. But the functional approach has deep roots. Again, the Treasury’s attitude has been vital. The 2013 *Review of financial management in government* set the basis for the Treasury taking responsibility for the development of one of the key functions: finance. While this was widely seen as a defensive move by the Treasury, resisting an attempted takeover of this function by Maude’s Cabinet Office, the Treasury is proving the sceptics wrong. Sir Nick Macpherson, its permanent secretary, has given real impetus to the implementation of the review, with the Treasury taking a highly collaborative approach relative to its normal *modus operandi*.

‘Functional glue’

In this context, the appointment of Matt Hancock, a close ally of the chancellor, to succeed Maude as Cabinet Office minister is a welcome development. It raises the possibility of a genuine alignment between the Treasury and Cabinet Office on improving the capability of Whitehall. Again, it will be important to see how this plays out in the Spending Review. It could prove to be another false dawn – certainly the Treasury is likely to want headcount reductions in the Cabinet Office, which has been one of the few departments to increase in size in the last five years.

But it is possible that the Cabinet Office will have a role to play in the Spending Review beyond that of victim. It should be at the heart of the centre of Whitehall’s discussion about the feasibility of departmental plans, whether in their commercial or project management dimensions. It should be helping the centre move beyond simply second-guessing departments, to a position where it genuinely helps departments to find the people and ways of working that will make more fundamental reforms possible.

There is, therefore, reason to be optimistic that Whitehall may be starting to tackle its chronic problem of silos, both through decentralising powers to geographic levels that are better able to join up, and through providing itself with some ‘functional glue’. ●



THINKING
OUTSIDE THE
SILOS

Breaking down city limits

ESSAY



BY SIR HOWARD BERNSTEIN

The groundbreaking deal on integrating health and social care spending in Greater Manchester is in the vanguard of moves towards city-based devolution

THERE WAS CONSIDERABLE surprise when Greater Manchester and NHS England announced groundbreaking plans around the future of health and social care, bringing £6bn of health and social care budgets together under local control.

While a platform had been established by Greater Manchester's devolution deal, signed in November 2014, the speed with which the agreement was concluded took many aback.

While progress has indeed been rapid, and the agreement is a momentous one, it is in many ways only the logical next step in Greater Manchester's much longer journey towards greater devolution – a journey which has as its ambitious destination control or influence over all public spending in the region.

How did we come to be in the vanguard of devolution? We are in a unique position. Not only do we have a clear economic geography, we also have a strong tradition of co-operation across local authority and organisational borders – established through the voluntary Association of Greater Manchester Authorities (AGMA) and put on a statutory footing in 2011 with the establishment of the Greater Manchester Combined Authority (GMCA). The city region is already the most important economic centre outside London, generating over £44bn of gross value added and representing some 5% of the national economy.

It is now recognised that dynamic engines of growth, such as Greater Manchester, have to be encouraged if the country's full economic growth potential and the rebalancing of the economy away from London and the Southeast is to be achieved.

There has been rapid progress in attracting investment to the North. To help our great cities to thrive, significant investment in infrastructure is needed to address years of relative under-funding. This has been recognised with a commitment to the £15bn One North transport infrastructure plan, improving east-west links between northern cities. The other pillars for growth – supporting the development of the knowledge economy and providing a strong cultural offer – are also being backed. This includes establishing a £250m centre for advanced materials research and The Factory Manchester, a £78m world-class arts venue on the former Granada Studios site, which will become the permanent home of Manchester International Festival.

Pockets of deprivation

For all of the planned investment, we face significant challenges. There remain high levels of worklessness, complex dependency issues and pockets of deprivation. Below average earnings persist and Greater Manchester residents have some of the worst health outcomes in the country. One-size-fits-all national programmes have conspicuously failed to address these issues. To really tackle them we must have the decision-making powers to create tailored policies to address local needs and priorities.

Here in Greater Manchester we have led the way in pursuing a twin-track policy of investing in growth (and the jobs it creates) while supporting our people to increase their independence and equip them with the skills our employers need. We developed this approach initially through the Community Budgets work that established ►



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public service reform as a key priority. Our experience has demonstrated that tackling the multiple, overlapping issues faced by residents – working together across service boundaries to provide the right interventions in the right order – has enabled us to help families with complex challenges to stabilise and secure employment. To realise our full potential, these difficult and deep-rooted issues have to be tackled.

Responses range from delivering better early years provision, ensuring school readiness, to providing support to families with complex needs such as mental health problems and drug and alcohol dependency, enabling them to live full and fulfilling lives.

We have worked hard to develop an evidence base, working alongside New Economy – the policy, strategy and research body sometimes described as our ‘brains trust’. The approach has been to test what works, develop the evidence and then seek to replicate the approach at scale. Our clear and evidence-based vision of what needs to change is an approach that has increasingly chimed with the mood in Westminster and Whitehall.

There is a financial imperative too. Austerity is set to continue. Over the first period of public sector cuts in 2011-15, spending on public services in Greater Manchester remained stubbornly consistent at £22bn a year. If nothing changes, there will be a £1.1bn funding gap across health and social care by 2018-19. Our ambition is to be a self-sustaining region, where the tax raised exceeds the cost of public services and where we can be less reliant on ever-diminishing government funding. It is a significant challenge.

Last year’s devolution agreement gave the region greater powers over transport, strategic planning, housing, further education and skills training. This means we have more influence over the levers of growth. There is an agreement to co-commission the Work Programme and scale up the complex dependency programme. The deal is a significant first step towards greater devolution of budgets and increased financial responsibility to support the reform of public services. From 2017, a new directly-elected mayor – who will also take on the role of the existing Police and Crime Commissioner – will work alongside the combined authority to act as an effective voice for the area. The devolution of funding to deliver public services has to be the logical next step.

A new deal for health

This next step is now being tested sooner than expected with health and social care. This was a natural coming together of the radical ambition within Greater Manchester and the fact that NHS England was seeking ways to test the vision set out in its *Five year forward view*. The timing could not have been better and the new deal was born.

The agreement established the principle that no decision about health and social care budgets in Greater Manchester – a combined sum of £6bn – would be taken without Greater Manchester, with a road map to their full devolution by 2016/17. Lord Peter Smith, chair of the GMCA, described the scope and nature of the agreement as ‘unprecedented’ and ‘another defining moment in Greater Manchester’s devolution journey’. Under the new arrangement NHS England (NHSE), 12 NHS Clinical Commissioning Groups (CCGs), 15 NHS providers and 10 local authorities will agree a framework for health and social care. Crucially, it will happen without any reorganisation of the NHS or its principles.

The scope of the deal is significant. It takes in the entire health and social care system in Greater Manchester, including adult, primary and social care, mental health and community services plus public health. The second part of the agreement provides a framework for strategies around governance and regulation, resources and finances, the property estate, health education, workforce and information sharing and systems being brought together. Local leaders of NHSE, the CCGs and local authorities came together in a remarkably short time to sign the memorandum of understanding. Letters of support have been provided by acute and foundation trusts and the ambulance trust.

The agreement may be groundbreaking but we will only have succeeded if we can make a real difference by improving services for our population. As the memorandum itself begins, the underlying purpose of the project is ‘to ensure the greatest and fastest possible improvement to the health and wellbeing of the 2.8 million citizens of Greater Manchester’.

This is not about a bureaucratic change in how the money is managed. It is about grasping the opportunity to deliver transformational change and innovation. While the principal of subsidiarity is a key part of the devolution agreement – local authorities and CCGs will keep their existing responsibilities and funding flows – what this will enable us to do is operate within a framework with the right levers and incentives so decisions can be made for the benefit of people rather than organisations.

Arrangements are in place to form shadow bodies: a health and social care strategic

‘Working together across service boundaries to provide the right interventions in the right order has enabled us to help families with complex challenges’

partnership body to oversee strategic development and a joint commissioning body to agree decisions on Greater Manchester-wide spending. The first task is to set out through a strategic plan how, with additional investment, we can become financially sustainable over the five-year period. Underpinned by locality plans, it will bring together the vision in the *Five year forward view*, a radical vision for public health, and ensure effective and integrated social care provision. And all of this needs to be done by December 2015 when the detail of the devolution of funds and governance arrangements will be formally agreed.

We have already started to consider areas where the benefits of devolution can bring improvements. The most headline-grabbing are the proposals that are being developed for improved access to GPs – helping people see or talk to a doctor more readily, at a time that suits their lifestyle. But this is not the only early improvement planned. There is a focus on driving faster integration of health and social care, easing pressure on hospitals by making sure only people who really need to be seen in a hospital go there.

Developing new services and expertise in dementia care, including a National Institute for Dementia, is also high on the agenda. So too is doing more to help people whose mental health is making it difficult for them to work.

This is driven by our belief that we can achieve better results by bringing decision-making and resources closer to Greater Manchester residents. It will erase false boundaries between hospital and neighbourhood care and support, providing genuinely joined up care. Through working together towards common goals, rather than organisational priorities, significant change can be delivered.

Of course, there remain enormous challenges in health and social care. But joint work will mean a step change in models of care and how money is spent. It will also give the opportunity – using an evidence-based approach – to create a stable funding framework for Greater Manchester going into the next Comprehensive Spending Review.

We in Greater Manchester are facing up to the big questions and planning for the longer term. While there is a strong focus on delivering financial sustainability, we will only have succeeded when we move from people living here having some of the worst health outcomes in England to having some of the best. I have no doubt that the journey won't be without its challenges. Delivering financial sustainability, embedding the collaboration into definitive partnership structures and dealing with the regulatory changes required are not insignificant issues.

Make no mistake, this is an exciting moment in devolution and we have a strong platform for real change. Like all apparent overnight successes, it took years to establish the foundations on which this is built. Our challenge now is to use the freedoms we have negotiated to deliver for people in Greater Manchester. We are pleased to be pioneers but there is no reason why other parts of the country cannot follow suit if local leadership and political will allows. What started with the signing of a deal could usher in a devolution revolution. ●

‘Bringing decision-making and resources closer to residents will erase false boundaries between hospital and neighbourhood care and support, providing genuinely joined-up care’

The parts the state can't reach



BY DAME CLARE TICKELL

Housing is just one area where third and public sector organisations can deliver joined-up services that reach out to local communities



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THE 2015 CONSERVATIVE manifesto marked the comeback of the Big Society. Quietly dropped early in the coalition government, the concept now warrants its own chapter. Within this, record volunteering levels (officially at a 10-year high) are celebrated, as is the experience of delivering public services, like the Work Programme, with the voluntary sector. The manifesto pledges to build on this approach and to 'scale up' the use of social impact bonds and payment-by-results.

The pledge of the Big Society, in the current context, is potentially momentous. We know that public services will be squeezed tighter than ever before. Within 10 days of the election, council leaders representing all parties and every type of local authority took the unprecedented step of issuing a stark warning: local authorities have exhausted the scope for efficiency savings and more cuts will have serious consequences for community life and social care, and knock-on effects for the NHS. In the same week, Danny Kruger – charity leader, former speechwriter to David Cameron and champion of the Big Society – wrote in the *Financial Times* that the new government will be forced to ask public services 'to do less'. The trick, Kruger argued, is to reduce demand for existing services and for a truly preventive approach to take root. He urged the third sector to step up, be more independent and 'work far better'.

Kruger's perspective is pretty compelling. Demand for public services is increasing and the current supply is not sustainable. We all know that prevention is better than cure but, while many politicians have paid lip service to this truism, they are notoriously shy about committing to long-term strategies. Unfortunately, this has made robust evaluation of value for money and impact almost impossible. For years, professionals have urged a preventive approach to services provided to offenders, adults with learning disabilities, children and older people. Sadly, existing preventive services are the first to go when difficult funding decisions arise since the effects of withdrawal are not immediately visible.

Powerful allies

The third sector prides itself on innovation, and on reaching the parts that the state can't or won't reach. Much of this work falls within the preventive domain. The third sector now receives more public funding for services, be they statutory or not. The constriction of the sector is quite palpable as organisations find themselves either cut as low-hanging fruit, especially if they haven't been able to show evidence of their efficacy, or they have found themselves outbid by others when services go out to tender. As chief executive of a national housing provider for older people, I am reminded constantly of the void this creates for older residents dependent on low-level services such as befriending, lunch clubs and community transport.

While debates continue to rage about the merits of continued 'protection' for older people in welfare terms, older people have been disproportionately hit by cuts to local services, especially in the North and Southwest. Often, housing associations are the last ones left standing, in part because we have homes, and buildings, to keep us there.

Here is where Kruger and others miss an opportunity in discussions about the ►

future of public services. First, they underestimate the value of good housing as a preventive measure. Second, they overlook housing associations as powerful and capable social enterprises, and as an ally to both the public and voluntary sectors.

New service hubs

It is difficult to imagine a successful wellbeing outcome for an individual that does not have a safe, warm and affordable home at its heart: some things just can't happen without a good home. The home is the enabler for dimensions such as family life, education and employment to function well. The home environment is often the place where interventions, such as care and support, are received and where services have the potential to interact, especially where there are communal settings.

The last bout of NHS 'winter pressures' prompted significant discussion about why large numbers of older people were being admitted to A&E in the first place and why there was a delay in them being discharged. An explicit link between health and care services was made. The situation also highlighted, though, that many older people are not living in environments conducive to preventing or delaying the onset of ill-health. It showed too that their homes do not support recovery after a spell of ill-health. In short, it outed a very inefficient system that impacts on wider public services.

To be fair, housing has been given more airtime in recent years, and it is reassuring that housing is recognised as an ingredient of wellbeing in the new Care Act. However, housing has a cameo role when a starring turn is warranted. Winter pressures allowed the spotlight to fall on housing, briefly: extra money was pumped into A&E and there was some interest in (short-term again) initiatives. Ultimately, such reactive measures do not address the systemic failure to recognise housing as a true enabler.

Ideally, we would create a system where home is the hub – the point at which a range of public services and providers meet and where staff expertise, services and buildings come into their own and efficiently facilitate good and measurable outcomes for individuals in their local communities. It's a system that builds resilience – for the individual, for the community, and for public services as a whole.

Ultimately, we can use existing resources better. These days, school buildings are put to better use outside of class-times. Many providers have communal assets that are under-used in community terms but have the potential to be the space where multi-agency services can be delivered. Similarly, the ability of housing managers to facilitate early interventions and catalyse connections, often through sheer persistence, could be better utilised within the greater system.

Collaboration win-wins

Housing associations could facilitate partnership between the third and public sector. They occupy a peculiar place, insofar as they are neither fish nor fowl: not quite public or third sector. This means our role is not always understood and there has been an unfortunate focus of late on the large surpluses that many of the bigger housing associations generate. In part, this is a consequence of associations having to reinvent themselves in a world where government grant has dwindled and there is an imperative to look at new ways to meet our core purpose of providing affordable housing.

Associations continue to be able to borrow on favourable terms thanks to large and relatively secure asset bases. Many have been established community players for decades, and in many cases already enjoy a good relationship with the voluntary sector. These associations aren't going anywhere and are often trusted by residents and other local stakeholders.

In theory then, this makes housing associations ideally placed to facilitate greater integration, especially when it comes to better health, care and housing outcomes. They're used to working with local commissioners and planners, and can offer the third sector assets, community spaces and potential users. Many associations are keen to work with charities because they are better placed to provide expertise and skills, including in volunteer recruitment and management. Hanover, for example, has already benefited from working with organisations such as the Royal Voluntary Service by having community transport services based on at least one of our extra care estates. Organisations such as South Yorkshire Housing Association have used their awesome local presence to secure a place at the Health & Wellbeing Board and have managed to secure Department of Health funding for several initiatives. There are win-wins in abundance if we look for them.

In practice, there are three broad challenges to scaling up partnerships, especially where housing associations do not have a clear local presence. First, the sector can be

‘Under-used communal assets have the potential to be the space where multi-agency services can be delivered’

timid about talking up housing as a preventive service, especially when the evidence is not as robust as we would like. This can get in the way of more strategic and long-term partnerships. Second, councils do not always perceive housing associations positively. They, understandably, believe the sector has prospered at the expense of local housing authorities through long-term government policy. Third, the ‘what’s in it for me’ principle gets in the way. This blights public services in general, as we know: why invest and increase exposure to risk when someone else reaps the rewards of your investment? This is just as true of housing associations, which could in theory do more with their surpluses. In practice, they must balance innovation with risk in an environment with lots of unknowns, most recently the intention to extend Right-to-Buy. We know too, from experience, that over-exposure to risk can jeopardise the entire sector’s credibility with lenders.

Prevention is the key

How can we achieve a united approach to wellbeing with housing at its core? The challenges are not insurmountable. A key step would be to improve the evidence base. The What Works Network, which helps drive better decision-making in public services, is hugely welcome, but housing is not mainstreamed within this. Working towards an evidence base on preventive housing would help to ensure long-term commitment and a badly needed entrepreneurial spirit. If organisations are prepared to take financial risks now, we can go to the Treasury and others later with new evidence and move towards the goal of payment by results, where providers can get a return on their investment for preventive measures that ultimately benefit health and other providers.

The Core Cities group (the largest city economies outside London) could be the ideal test-bed for large scale, long-term and evaluated integration with housing at its core. In Greater Manchester, of course, there is an opportunity to apply integration to social care, health, housing – and beyond – for the benefit of the greater good with some plucky housing association volunteers and willing third sector partners.

One challenge is to make sure that areas outside the core cities aren’t left behind. A seasoned senior colleague told me he was ‘genuinely shocked’ on a recent visit to Cornwall. Local cuts there had left vulnerable residents without the care they needed; concerned Hanover staff had stepped in to provide tasks more akin to personal care than housing support. This was against a backdrop of a significantly reduced voluntary sector. My organisation considers we have a duty of care to residents and there is a real fear that such scenarios will become more commonplace. Even so, it makes business sense to be proactive and strategic when presented with a known risk.

Kruger is absolutely right. The supply of public services will constrict, one way or another. So what we need is an integrated approach, across sectors and disciplines, to shape that supply and to ensure that our communities are resilient in the face of what are likely to be very tough times ahead. Doing nothing, and even tweaking around the edges, is no longer an option. ●

‘The supply of public services will constrict, one way or another. We need an integrated approach, across sectors and disciplines, to shape that supply and ensure our communities are resilient in tough times’

Joining the payment dots

ESSAY



BY CHRIS HAM

Health payment systems are not fit for the purpose of providing integrated, patient-centred care. What should be done?



Chris Ham is chief executive of the King's Fund. This essay is co-authored with Hugh Alderwick, senior policy assistant and integrated care programme manager at the think-tank

PEOPLE OFTEN EXPERIENCE fragmented services within the NHS and between health and social care. This is because our population's care needs have changed faster than our health and care systems have been able to respond, resulting in a mismatch between the kind of care that people need and the services that they end up getting. This well-known problem requires new ways of delivering services, where care is much more coordinated than it is today. This is often described as integrated care.

One way to encourage integrated care is to align the way that care is paid for with the objective of providers working more closely together around the needs of patients. While NHS payment systems can often seem overly-technical, complicated and detached from the reality of delivering services, they are one of the main policy levers that can be used to encourage providers of services to behave in new ways. However, (re)designing payment systems to achieve policy goals is easier said than done, and in the case of paying for integrated care there has been much more said than done in the NHS to date.

The systems we have

The main approaches to paying for health services can be mapped on a scale depending on the scope of services that are being paid for. This ranges from payments made to providers for single services at one end (fee-for-service), to block payments made for multiple services (irrespective of how many patients are treated) at the other. Different approaches along this scale include payments for related parts of a person's care (bundled payments) – say, from diagnosis through to acute treatment and rehabilitation – and payments for defined patients or population groups for a range of services (capitated payments). These payments can be made prospectively or retrospectively, or both, and can be linked to the quality of services or desired care outcomes.

Various elements of each of these systems are used in the NHS today, and mostly in combination. Broadly speaking, acute hospitals are paid for their work on a fee-for-service basis under the payment by results tariff (PbR), as well as receiving some block payments for other services, while community and mental health services are largely reimbursed through block payments, and GPs are paid through a mix of capitated payments, fee-for-service payments and some reimbursement of costs. Some of these payments are linked to achievement of quality measures, for example through the quality and outcomes framework (QOF) for general practice services, or commissioning for quality and innovation payments (CQUINs) made to providers through standard NHS contracts.

These payment systems are complex and rarely incentivise integrated working. A good example is the PbR tariff that pays hospitals for their activity. While PbR was successful in achieving its original policy goals of improving productivity and reducing waiting lists in the early 2000s, it is not well designed to meet current policy goals of moving some care out of hospitals and into the community and coordinating services across professional boundaries.

It's not just hospitals that face conflicting incentives. The flipside is that block budgets and capitated payments for out-of-hospital services can offer little incentive to improve

productivity or increase activity in the ways required to achieve the same ambitions of delivering more care in the community .

Further complicating this already fragmented picture are the number of organisations involved in paying for health services. In simple terms, within England, NHS England pays for primary care and some specialised services, while Clinical Commissioning Groups pay for hospital, community and mental health services. Most public health services are paid for, not by either of these commissioners, but by local authorities and Public Health England. And social care services are paid for altogether separately by a combination of local authorities and individuals – depending on people’s needs and how much they can afford to pay for themselves – creating a lack of alignment in both entitlements and funding streams between health and social care.

While there have been a range of policy initiatives encouraging these commissioners to pool some or all of their budgets – most recently in the form of the Better Care Fund, which has seen more than £5 billion pooled between the NHS and local authorities – commissioning for health and social care services is characterised by fragmentation rather than integration. This fragmentation was made worse by the reorganisation of commissioning in the recent NHS reforms.

Taken together, it’s clear that new payment systems are needed that encourage joint working between providers across systems to deliver the outcomes that matter to patients. These outcomes can very rarely be achieved by a single organisation working alone. Yet while there have been some innovations in payment systems to try to overcome these challenges – including ‘year of care’ capitated payments and integrated personal commissioning, both for people with long-term conditions – these approaches remain the exception rather than the norm. So what should these new payment systems look like in the NHS?

The systems we need

Paying for integrated care in England requires a new approach across three broad levels: between commissioners, between commissioners and providers, and between providers across systems.

First, budgets held by different commissioners in the NHS and local government should be pooled for services that need to be integrated. The reasons for this are simple. Take the example of care for an older person with diabetes, breathlessness and arthritis, who also needs some help getting dressed in the morning. Over the course of a year they are likely to use a range of services; they might visit their GP, their local hospital in an emergency, receive rehabilitation support from community services and get help carrying out daily tasks like dressing from social care services. At the moment, this is likely to involve three commissioners paying for different parts of this care, each holding different contracts with providers and each with their own incentives attached. By bringing together budgets for a local population’s care, commissioners could take a coordinated approach, using their combined resources to improve people’s health and wellbeing and join up local services.

Making this happen would mean extending joint commissioning arrangements already established in a number of parts of the country. It would also create risks that would need to be managed by commissioners – for example, that budget pooling between health and social care might result in deeper cuts in social care funding by local authorities. This could be managed by meaningful shared governance arrangements (rather than talking shops) that provide collective oversight and stewardship of local resources. Over time, these arrangements might be extended to pool budgets for other services with an impact on population health, including housing, welfare and planning.

Second, commissioners need to develop new ways of contracting with providers to encourage them to work together to deliver coordinated services. Again, the reasons for this are not hard to find. Staying with our example of an older person with multiple care needs, commissioners are faced with the challenge of aligning incentives between the range of organisations involved in delivering the different parts of a person’s care – whether that’s getting the GP to work more closely with social care professionals, or getting the local hospital to work better with both the GP and social care as part of a team.

To encourage these providers to deliver coordinated services, commissioners could use their pooled budget to let a single, capitated contract for the care of the whole local population. Payments to providers under the contract could be linked to the delivery of a common set of outcomes, developed through engagement with people using services about what matters to them. Rather than an approach focused on single disease groups, a population approach recognises that people’s needs are multiple and overlapping ▶

‘One way to encourage integrated care is to align the way care is paid for with the objective of providers working more closely together around the needs of patients’

and avoids creating new silos to replace the old ones. There is a range of contracting vehicles that could be used to support this type of approach. Examples include prime contracts and alliance contracts, both of which are being explored and tested in various parts of the NHS, as well as in other countries. Prime contracts involve payments being made to single providers, who in effect become commissioners, responsible for managing the budget, coordinating the supply chain and making payments to other providers. Under alliance contracts there is no lead provider, as commissioners and providers enter into a single contract to share risk and responsibility for meeting a common set of outcomes, relying on internal governance arrangements to manage relationships and the delivery of care. These models are best seen as ideal types, with a range of versions and variants in between.

Third – and whatever the contracting model used – this type of approach will require providers of care to develop new ways of allocating resources between themselves and agreeing how they will share the financial risks and rewards. This is likely to be the most challenging element of a new approach, as it will require providers to think of themselves as systems rather than individual organisations. It might involve developing multilateral risk-sharing agreements that set out how resources will flow between providers in different scenarios to support integrated care. To be successful, these rules and agreements for managing common resources will need to be developed and monitored by local leaders who see themselves as stewards of limited resources. More important than the technical detail, it will require strong relationships between local leaders willing to work together to improve the health of the population that they collectively serve.

Across each of these three levels, emphasis needs to be placed on giving power to patients and the public, to ensure that the services they receive deliver the outcomes that really matter to them. As a start, this can be done by working with people to understand what they want to get out of their services to support better commissioning decisions, and by giving people greater control over where money is spent across the system, building on the experience of integrated personal commissioning.

Making it happen

The challenges in implementing these ideas should not be underestimated and lessons should be learned from chequered attempts to make similar ideas work elsewhere. Capitated contracts became popular in the US in the 1990s as a way to encourage integration of services and contain growing costs by transferring risks from payers to providers. These ambitions were largely unrealised as many providers failed to develop the capabilities required to manage risk, align incentives and – most importantly – develop new models of coordinated care for people with complex needs. After a lull in popularity, capitated payments are back on the agenda in the US – this time employing more sophisticated mechanisms to share risk between payers and providers while maintaining incentives to integrate services and reduce care costs. Unless providers can manage change more effectively this time round, the outcome is likely to be no different.

In the NHS, care needs to be taken not to fall into a similar trap by expecting payment systems to deliver too much on their own. Instead, attention needs to be given to developing the capabilities required by providers to make improvements to services and manage change across local systems. ●

‘Commissioning for health and social care services is characterised by fragmentation rather than integration. This was made worse by the reorganisation of commissioning in the recent NHS reforms’

All in it together

ESSAY



BY JANE WEST

London's tri- and bi-borough arrangements prove the enormous potential for local government collaboration. You just need to be committed to the end result

IN OCTOBER 2010, Westminster City Council, the London Borough of Hammersmith and Fulham, and the Royal Borough of Kensington and Chelsea announced plans to combine specific areas of service delivery as a response to financial pressures facing local government. In February 2011 the chief executives of the three local authorities published a report entitled *Bold ideas for challenging times*. This set out the plan to share services and combine back office and management costs. At the time the projected savings were £33.4 million by 2015/16 and these have now risen to over £47 million by 2016/17.

Since April 2012 each council's children's service, adult social care and library service has been combined to create tri-borough services. From 1 April 2013 a combined tri-borough public health function has also been in place as part of the Adult Social Care Directorate. Hammersmith and Fulham (H&F) and Kensington and Chelsea (RBKC) also have bi-borough shared arrangements in place for transport and environmental services. Each service is headed by a single executive director and shared management team.

Specific areas of corporate services have also been combined across the three councils. This began with a single treasury and pensions team and a single internal audit, anti-fraud and risk team. More recently a single legal services team and a single ICT team have been established. Further opportunities are still being explored, for example strategic human resources and procurement. There is already in place a shared e-sourcing system (CapitalEsourcing) across all three boroughs and many of the services have cheaper, single instances of 'line of business' software, for example in adult social care and libraries. There is one network, one intranet and a framework of ICT contracts for data centres, distributed computing and the service desk. The three councils also share a total facilities management contract.

Delivering at scale

The councils remain legally distinct entities responsible for service specification and delivery. An annual mandate is agreed with each relevant cabinet member setting out the nature of the service required. The mandates are unique to each borough, but there is significant overlap. Clearly, the more overlap agreed by the boroughs, the greater the potential for delivering at scale and therefore achieving savings.

Staffing arrangements are governed by Section 113 agreements under the Local Government Act 1972 for each service. These set out the contractual arrangements between the councils – such as notice periods, HR protocols, financial protocols and dispute resolution – and a list of the staff covered by the agreement, plus the proportion of their time being spent at each borough. Charging arrangements are reviewed by the finance function quarterly, with a full review on an annual basis to ensure they remain accurate. The senior finance community across all three boroughs meets monthly and signs off all changes to the s113 agreements. Each borough retains a separate Section 151 officer who oversees this process. Inter-borough charging is undertaken quarterly. The three boroughs share an external auditor.

There is extensive member and officer governance in place. The leaders meet ►



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regularly as do the cabinet members in each service area. There is a shared services board where the senior officer teams for each borough meet monthly to deal with tri-borough business. This includes, for example, the annual staff survey, the tri-borough ICT strategy, signing off contracts covering all three boroughs and transformation plans for shared services. The meeting is chaired in rotation by the three chief executives. There are also shared services boards in place for finance (as outlined above), property, office accommodation, HR, procurement and ICT. There is an annual management conference for the top 250 managers across the three councils.

What has worked

The tri- and bi-borough services have been very successful. Despite huge savings needing to be delivered, services have generally improved and resident satisfaction has risen. One of the great successes has been the fact that all three authorities have been prepared to make small shifts in their previous business models to reach an alignment that can deliver efficiency and cost savings. An example would be the work to align finance and HR processes to underpin the single enterprise resource planning (ERP) system.

In 2010, all three authorities were Conservative controlled. Then, in May 2014, a Labour administration was elected in H&F. One cornerstone of tri-borough working is the sovereignty guarantee which provided flexibility for the new Labour administration to define its own relationship with the other two boroughs. To date, only limited changes have needed to be made. These included the return to a single chief executive in all three boroughs (before May 2014, H&F and RBKC shared a chief executive) plus some changes in procurement arrangements. Examples of clauses in the guarantee are:

- Each council will continue to set its own council tax and publish its own budget and accounts.
- Each council will continue to be able to set its own spending priorities.
- No council can be 'out-voted' by the two other councils in a way that requires it to adopt a policy, accept a cost or change a priority that its decision makers are not willing to support.
- No council will be obliged to break an existing contract.
- Each council will be able to set its own policy for how services are delivered.
- The councils will commission services from contractors, voluntary bodies and others together, but can also decide to commission, or grant aid, on their own.
- Nothing in these proposals is intended to stop councils developing local ideas about how to support their local communities.

Combined teams have been a real success. Management costs have generally reduced by half. Tasks can be done once rather than three times in relation to business planning, implementing legislation changes and sharing of ICT systems.

The councils recently signed off one internal public health strategy, setting out how the one public health team will work with service delivery teams across all three boroughs to generate better health outcomes. There is more opportunity for good practice to be identified and shared because the service has a wider group of people than there would be in one borough. Teams can afford to have specialists available to them as they are serving three councils.

At single borough scale, prior to shared services, some teams were losing sustainability. For example, the treasury and pensions teams were becoming too small to be viable before they went tri-borough.

Contractors have also responded positively to the shared services. They find it more cost-effective to set up framework agreements with the three councils (which are often let on a London-wide basis) than make borough by borough arrangements. They also value the shared contract management arrangements where they only have to deal with one client function, rather than three. This allows them to present lower prices to the three boroughs.

What hasn't worked

A number of contracts have been jointly entered into and some of these have not honoured the sovereignty guarantee. This has tended to arise where early contracts were held by one of the councils, with inter-authority agreements defining the relationship between the other two authorities and the contracting authority. When issues have arisen, individual councils have found they were unable to deal with contractors directly. This has been remedied for new contracts, which are being let as frameworks with each authority having its own relationship directly with the contractor.

 'All three authorities have been prepared to make small shifts in their business models to reach an alignment that delivers efficiency and cost savings'

The challenges

One of the big challenges has been aligning decision-making. All decisions must be taken through the three cabinets independently. On occasion, two authorities have quickly signed off decisions while another council lags behind. This can cause confusion for staff, delay in savings being achieved and occasionally procurement or contractual issues. Officers have needed to become adept at managing the decision-making process to a micro-level of management. Patience is indeed a virtue and a fact of life. But the final outcomes are usually worth the wait.

Appointments panels are interesting, with panels of up to 12 members plus chief executives, which must be daunting for potential candidates. Each council has one vote and all three must agree before a tri-borough appointment can be made. This can be particularly difficult where one of the candidates has been successfully undertaking a bi-borough role for some time but needs to be formally appointed to a tri-borough role.

The three councils have very different pay schemes and terms and conditions, so under s113 staff are working alongside each other with different reward packages. This occasionally creates some noise but is usually easily resolved and there has been no pay inflation. No one has received any additional pay for taking on a tri or bi-borough role.

Moving between office buildings and differing ICT within teams are challenges that have been steadily met by providing shared applications across the three boroughs, guest wifi and, more recently, a shared network. Zones have been identified as 'touch-downs' with all three councils' networks available. Luckily the tri-borough ICT lead officer intervened in time to make sure the techies colour-coded the three cables in the same colours in each location. We are exploring Office 365 as the solution to truly 'working from anywhere' and hope to have this in place by the end of the year.

The extent of tri-borough working and the successful continuation of the arrangements beyond the tenure of the original leaders and chief executives who initiated the programme (all have now moved on) demonstrate that there are no limitations to tri- and bi-borough working. Today, the vast majority of services are subject to some form of shared arrangements across the three councils. No shared arrangements have yet been reversed.

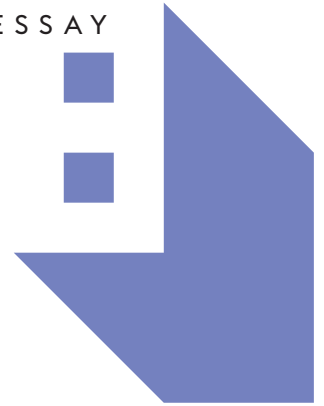
The three boroughs all agree that joint working should extend further than their boundaries. Contracts are often set up as London-wide frameworks and a number of boroughs have placed orders under the ICT framework contract established last year and from the CapitalSourcing contract. The boroughs often collaborate through the West London Alliance and Central London Forward.

Beyond all the practicalities, the one thing that has made the tri- and bi-borough arrangements work has been the willingness of members, senior managers, middle managers, staff and partners to make it happen. Without the commitment of all these stakeholders, challenges could easily become insurmountable barriers and the opportunity for delivering savings to assist the councils in solving their financial deficits would be lost. Arrangements like tri-borough take commitment and tenacity. Participating councils must be in it for the long run. Strong, positive personal relationships definitely oil the wheels. Like marriage, you can't give up at the first row. ●

“There are no limitations to tri- and bi-borough working. No shared arrangements have yet been reversed”

A channel shift on sharing

ESSAY



AS INCREASING NUMBERS of commercial outsourcing providers knock on my door, it is worth pausing to reflect on what is the holy grail for the NHS and its complex administration, and what radical lessons we can learn from elsewhere. We need to consider what we can do to consolidate, realign and integrate services.

It is generally agreed that the finance function in the NHS needs to change, and that we must refocus away from merely keeping score towards adding value for patients. Whenever I meet colleagues from other public services, I am constantly reminded of the journey they have been on to remove costs from their transactional processes. I am also reminded of how tricky it can be, and the pitfalls that we must avoid.

While we will never eliminate the need for some transactions, now, more than ever, we must reduce the basic costs of administration, and switch resources to improving patient outcomes and experiences.

Local authorities have been engaged in this switch since 2010 and it's time we joined them. If we don't reform, the NHS will face an enormous financial gap – up to £30bn in 2020, based on NHS England's latest calculations. NHS providers in the acute sector are confronting budgeted deficits in 2015/16 of up to a reported £2 billion. This surely must provide the impetus to really address the costs of administration.

Our history of modernisation and integration is chequered, which is one of the reasons why, 18 months ago, the NHS launched its Future Focused Finance programme. The programme, sponsored by the main NHS bodies (NHS England, the Department of Health, Monitor, the Trust Development Authority and Health Education England, as well as the Healthcare Finance Managers Association), aims to define and deliver a five-year vision for the 15,000 finance staff who work at every level across the fragmented health service.

The programme is exploring how we might move from a transactional service to one that genuinely adds value – that is, improves the quality of patient services, as well as saving on costs.

Consolidate to survive

One way to do this is through consolidating our business processes. For example, NHS Shared Business Services was established in 2005 as a joint venture with a commercial partner to consolidate traditional transactional functions – procure to pay, activity to cash, record to report and hire to retire. Some say that the NHS could save up to 50% of these costs if everyone shifted to SBS. There are also other commercial providers active in this market, although the appetite for outsourcing waxes and wanes.

Savings of 15-20% are usually achievable for most finance teams through the application of lean design principles and good IT, before even considering partnering or outsourcing. It is the next 20% of savings that seem harder to get at, and where we must start to think about sharing our services more widely or outsourcing. However, to jump into such an arrangement without considering the impact on the whole organisation is naive.

Lessons from organisations that have outsourced business processes suggest that the most successful have really considered the end-to-end processes, across the whole system,



BY CAROLINE CLARKE

The NHS internal market has become a barrier to collaboration. The health service must become less transactional and focus more on adding value for patients



Caroline Clarke is chief finance officer and deputy chief executive at the Royal Free London NHS Foundation Trust

and that they have not left the re-engineering to the technicians and accountants. The very best examples of consolidation and integration in health have had clinical champions to promote their cause.

So what about those other business processes that are often embedded within the operational core of an organisation? My hospitals receive many more complaints about our administrative processes than about the direct care that patients receive. So any redesign programme that seeks to add value by stripping out waste must take into account the whole business of managing patients.

We must find ways of communicating really simply with patients, allowing them much greater control of their records and healthcare more generally. The government has stated that by 2020 all care records should be digital, real time and inter-operable – which has to be the most amazing opportunity to streamline our processes and stop duplicating administration and care.

But how do we achieve this ‘channel shift’? And how do we do this for our internal and patient facing services, ensuring that a 21st century NHS really focuses care on prevention rather than cure?

Conversations with other sectors point to some critical success factors:

- Focus on the really important processes that you want to improve, and don't get distracted. Accept that this is a whole organisation programme and not just something for the accountants.
- Redesign processes internally before outsourcing. Don't bake inefficiency into an outsourced solution.
- Begin with your own staff. I am embarrassed that the 10,000 staff in my own organisation don't yet have the means to deal with their own employment matters, nor really effective home-working and mobile friendly working policies, though all are coming soon. Until we are competent ourselves, it's difficult to deliver this for patients.
- Clinical champions, who understand the cost and value equation, are critical. Behavioural change is just as important as great technology. The best change programmes are often led by the least obvious people. Our Future Focused Finance programme has a whole work-stream led by a doctor that is dedicated to breaking down the barriers between the NHS tribes.

Of course we must simplify our processes. But first, we must consider whether we need them at all. This could be as simple as re-engineering procure to pay systems within an organisation or, at its most radical, we could do away with swathes of the internal market.

Beyond the internal market

There is an argument to suggest that the current contracting environment is not maximising the talent we have in the NHS. The market has given birth to a whole industry of contract conditions, penalties and complex tariff mechanisms, all requiring deep expertise to understand them. Queries result in queries, and we have machinery that forces NHS organisations to treat each other with more hostility than in regular commercial relationships. There seems to be very little trust in this system, and we are in danger of losing sight of our shared objectives and outcomes.

The cost of this is hard to estimate – hundreds, possibly thousands, of bright people engaged in mechanical contractual activity each month when that resource could be redeployed in improving the cost and quality of patient care – genuinely adding value.

One part of a solution might be a central clearing house to deal electronically with so called ‘intra-company’ transactions, of which there are literally millions (my organisation spends countless hours billing and paying other NHS organisations). This could remove a few processing staff from most organisations in one neat step. But that solution doesn't get to the heart of the problem. The NHS trading environment has become overly complex.

Most policymakers now agree that ‘payment by results’ has had its day, and that we must move towards a system of payment that promotes integrated clinical care, and allows us to look at the whole patient, not just isolated individual episodes of care. I would add to this that we must learn the lessons from the past, and ensure that any new systems are less transactional and depend upon trust and partnership to work well.

So my holy grail will include some big steps towards redefining relationships within the NHS along less transactional and more collaborative lines, and redesigning what's left in keeping with 21st century principles. The biggest challenge of course is whether we can do all this at speed – and simultaneously keep our doors open to the patients who need us. ●

‘Of course we must
simplify our processes.
But first, we must
consider whether we need
them at all’



THE FINAL
FRONTIERS

Shared knowledge is power



BY LYNNE SHACKLEY

It can feel like giving away the family silver. But information sharing is cost-effective and less vulnerable to error – and sharing knowledge with your partners can also save lives



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INFORMATION SHARING IS sensible, encouraged by government and often expected by the public. It's crucial to cost-effective service provision. So why isn't the public sector doing it better, faster and more often? Are cultural barriers real? Can they be addressed?

For almost 30 years the public sector has focused on compliance with the Data Protection Act (DPA). Personal information has traditionally been closely guarded and security viewed as the premier duty of data controllers. This has engendered an artificial, but ostensibly lawful, basis for refusing information sharing as a risk to compliance.

Undeniably information sharing can be problematic. But it's possible and worthwhile. Barriers can be removed and risk mitigated to create cost-effective services. Cultural barriers are more difficult to overcome but the effort is worth the investment in organisational time, although it can feel like trying to turn round a super-tanker.

Why is information sharing so vital?

The public sector is evolving: councils are commissioning more services and supplying fewer of them, austerity requires the amalgamation of any duplicated service provision. Education is changing: academies and free schools are independent of local authorities. Housing associations commission services from charities.

More change is imminent, at the least a new Data Protection Regulation from Europe and legislation on information sharing in the new parliamentary term.

Quick fixes are exhausted so organisations must innovate. Can 'regional' working further integrate and rationalise services? Would 'patient pathways' allow records to follow the individual from GP, to hospital to home – not silo-based but available to all carers?

These are logical methodologies. Information gathered once and used by many organisations is more cost-effective and less vulnerable to input error than information gathered discretely and utilised across separate systems. It facilitates single processes for access to records and query or complaint management. Why should service users need to correct their record many times?

The public accept information sharing and joint records, when necessary. Many people manage their lives electronically, finding it convenient and cheap. They expect the public sector to manage services in the same way. Individuals won't accept service cuts as necessary when they have to repeat their personal details and service needs many times just to maintain record silos.

Serious Case Reviews have cited information sharing as requiring improvements that could save lives.

Why then do organisations hesitate or refuse to share? The cost and effort of creating a resource makes sharing seem like giving away the family silver. There are concerns about legal liability and reputational damage, or fear of losing control when there is a duty to protect, especially when sharing with unfamiliar new partners. In the background is the Information Commissioner's Office, the DPA regulator, which can issue penalties up to £500,000 for breaches of the Act.

Government drivers, austerity and regulators are the big stick but the carrot is sizeable: efficient, integrated cost-effective services, with partner support throughout the process, all based on shared information. But there are barriers:

1/ **LEGISLATION: ARE WE LEGALLY ALLOWED TO SHARE?**

Public sector organisations are ‘creatures of statute’, their activities governed by legislation. Local authorities must interpret numerous local government, finance and planning acts, plus DWP and social services legislation, among others. All are likely to say something about using information. So local authorities must decide what information they want to share and then check what the law allows.

If a local authority is sharing information with other public sector bodies they will also have to go through this process. But some legislation mandates or enables information sharing and has been around for quite some time.

For example, Section 17 of the Children Act 1989 requires local authorities to provide services to safeguard and promote the welfare of needy children. It also says that some of these services should come from the voluntary sector. This cannot be done without information sharing.

Additionally, the Children Act 2004 lays a duty on local authorities to create Local Safeguarding Children Boards to oversee provision of these services. Members of the board are mandated not only to tell local authorities to share, but who to share with.

There is a myth that the Data Protection Act 1998 prevents information sharing. In fact, the eight principles of the Act create a framework allowing organisations to utilise personal information to fulfil their needs while benefitting data subjects. This includes enabling information sharing where necessary.

Legal questions are often referred to in-house legal teams. This expensive exercise may be duplicated by all of the partners if they are public bodies. Partners can make all this more efficient and timely by pooling resources to fund a shared specialist in legislation or information governance.

When an Information Sharing Agreement (ISA) is created, partners can be encouraged to use the agreement in their own information sharing groups. This informal standardisation can create a truly regional approach to information sharing by increments with trusted partners. One immediate benefit will be the natural rationalisation of ISAs across the sector. (One organisation we know has 60+ ISAs needing a full time administrator).

It isn’t easier if the sharing is between public and private sectors or charities. There is less legislation for partners to interpret, but that may cause problems. Public sector organisations may be unable to determine if sharing is lawful because there is little legislation to refer to.

2/ **TECHNICAL: WE HAVE DIFFERING IT SYSTEMS AND NETWORKS**

Concerns about partners’ information technology will be wide ranging: is it fully supported; are their firewalls adequate; is portable media encrypted? Do staff use their own devices, work from home, or on the move. How is work-related information secured day to day?

Common standards and approaches such as Public Services Network (PSN), secure e-mail and IG Toolkit can reduce IT risk. Suppliers offer many solutions, including cloud-based, that may address infrastructure and access problems associated with IT integration.

Cloud computing has myths attached, including: the Information Commissioner’s Office (ICO) prohibits it; it is not secure; information routinely moves worldwide without the knowledge or consent of the data controller; data controllers can’t issue privacy notices because they don’t know where information is. There are established methodologies that bust the myths. Complete the ICO cloud computing checklist, get tips on what to ask your provider to help ensure compliance. Get information governance (IG) staff involved in IT discussions to address their concerns.

By completing privacy impact assessments for new systems, and updating them as circumstances or uses of information change, a log of privacy impacts and concerns will be available for inspection. Make them routine. They show risks that can be dealt with before they escalate. Regularly review and update the privacy notice as uses of information evolve. An accurate notice is a legal requirement. Review contracts and service level arrangements as required.

Ensure staff understand the information asset and risk hierarchy. They need access to senior information risk owners (SIROs) and information asset owners (IAOs) for IT for risk management and decision making.

‘Successful information sharing is based on mutual trust. Good information governance is important to support and articulate this’

3/ GOVERNANCE

Successful information sharing is usually based on mutual trust. Good information governance is important to support and articulate this.

This is not simply about a single organisation's policies and procedures, it's also about how all the partners' IG frameworks align.

Policies, procedures, training, asset management, access controls and sanctions should all be discussed. If necessary some decisions or exceptions should be added to the ISA as annexes. But, this is not about word for word document agreement, it is about agreeing acceptable cross-group standards, however they are worded. It is about a framework that offers a replacement for the loss of control.

4/ CULTURAL BARRIERS

These often relate to a lack of mutual understanding, and therefore trust. Effective communication is key. However, professionals speak in exclusive jargon so speaking isn't always communicating.

Organisations must allow their people to talk to each other. This is neither as glib nor as frivolous as it sounds. Initial informal meetings allow colleagues to understand partner organisations and their aims. This engenders respect and trust between colleagues and can help move the agenda forward more quickly.

Some cultural barriers relate to trust. Do partners vet and train their staff to a high standard (our standard), who will see information once it's shared, how senior are they and how will the information be used?

The public sector worries that private or voluntary organisations won't understand its legislative constraints or its need to comply. This is often expressed as concern about information governance or the adequacy of policies and procedures.

Senior managers must lead by example and be adequately trained to advise the organisation and senior managers on information matters. The SIRO is the board member responsible for reporting on information matters. They sign off on information sharing while, in the NHS, the Caldicott Guardian (a senior person responsible for confidentiality and appropriate information-sharing) considers how it should be shared.

Common understanding

Training may be the best option to resolve a number of these issues. Good quality training can walk staff through legal issues. If delivered to all the partners, joint funding can make it cost-effective. Joint training will further increase trust, and help resolve issues about differences in standards or procedures. It can be done in-house at a reasonable cost; the ICO supplies free training materials and there are numerous online training modules.

Basic training should be delivered to all information sharing partners at the same time, possibly followed by more in-depth training for social workers or mental health specialists.

This approach creates a common understanding of what is appropriate information sharing. In other words the information sharing partners create their own shared culture.

Training will increase the competence and confidence of staff. Involving managers so they gain an understanding of the issues will reassure practitioners that there is support should they need it.

The ICO expects organisations to provide and regularly refresh training as part of their commitment to good information governance. If you aren't sure of the need for training think whether your staff could answer these questions:

- Who to escalate issues about jointly owned information to and how long will they take to resolve?
- Who are the Caldicott Guardian and SIRO, what are their roles and responsibilities?
- Is information training in partner organisations as good as yours?
- Can you find and understand key information documents, such as the privacy impact assessment, privacy notice or information sharing agreement.

The solutions suggested are those we have seen working over many decades of public sector experience, much of it concerned with information sharing. We hope they help explain how your organisation can share information better, faster and more often. By addressing the cultural issues, you can start turning the tanker around. ●

‘Organisations must allow their people to talk to each other. This is neither as glib nor as frivolous as it sounds’

The tools for the job



BY ANDREW BURNS

Pressure on resources is forcing the public sector to deliver the aligned services that people demand. CIPFA has developed tools to help shape this collaborative future



Andrew Burns is chair of CIPFA's Aligning Local Public Services Group and director of finance and resources at Staffordshire County Council

PUBLIC SERVICE PROVIDERS HAVE long recognised the potential for harnessing their collective resources to deliver better results for the people and places they serve.

In an era of diminishing public sector resources, greater collaboration is key to a successful and affordable future. More importantly, the public is rightly demanding a more joined-up, personalised offer that puts them in the driving seat. Only by coming together and aligning services, can the public sector truly be greater than the sum of its parts and address challenges in local areas. If we are to improve outcomes then better integration is essential. It is a win-win proposition.

The challenges are many and varied but include: integrating health and social care to manage the demands of an ageing population; continuing the economic recovery; and creating safer, stronger communities in which people can live, work and go to school.

Practitioners operate in a complex delivery landscape of public, private and voluntary providers, working with government both locally and centrally. In any given area, the work of many organisations will overlap but not always join up.

CIPFA's Aligning Local Public Services (ALPS) programme has generated new tools and publications offering practical help to practitioners to maximise the potential of collaborative working. The work originated from a roundtable event in December 2013, where interested practitioners and other parties addressed common issues.

The *ALPS Guide* is being published as one of CIPFA's *Keystones in public financial management* series. It includes examples from across the UK, demonstrating how many organisations and partnerships already walk the talk, and are breaking down organisational barriers and applying innovative, radical or simply commonsense thinking to deliver results. This often involves understanding how what we all do separately impacts on other parts of the public sector and beyond, so that we search for opportunities to collaborate and work towards shared outcomes.

Other elements in the series of tools and publications include:

- A framework for aligning local public services based on the CIPFA Financial Management Model.
- A simple-to-use spreadsheet tool that enables partners to map total spending.
- A revamped guide to local assets management based on One Public Estate, a place-based approach to asset management.
- A publication on measuring outcomes and outputs in public service delivery.

Aligning Local Public Services Framework

The *ALPS Framework* has been developed by CIPFA as a 'free to air' reference guide to good practice. It helps to coordinate delivery by local public service organisations in a particular area. It builds on the concepts in CIPFA's Financial Management Model for individual organisations and uses the same levels. The first level, securing stewardship, represents basic practice and local bodies are encouraged to develop through the progressive levels of supporting performance and enabling transformation.

The levels work like this:

Securing Stewardship Places an emphasis on control, probity, meeting regulatory requirements and accountability. An organisation's strategy should be evidence- and insight-based. There should be openness and transparency in reporting data and an entity should accept accountability for the Whole Place.

Supporting Performance Being responsive to customers, as well as efficient and effective, with a commitment to improving performance. Measuring performance against complementary output and outcome indicators.

Enabling Transformation Organisations take a strategic approach that transforms the way services and other interventions are delivered locally. They are customer-led, future-oriented, proactive in managing change and risk, and receptive to ideas. Delivering strategies, owned by all local partners, with integrated mechanisms for delivery.

There are three dimensions associated with ALPS delivery. Strategy looks at the extent to which local bodies work with all relevant potential partners to develop a collaborative strategic vision and plan, with underpinning strategies for necessary deliverables that will provide sustainable outcomes.

Delivery focuses on the extent to which outcomes are delivered collaboratively where appropriate, with bodies working with all relevant potential partners at an operational level. Operational plans turn the strategic vision and plan into activities, outputs and outcomes.

The third dimension is data. Starting from the level of securing stewardship, CIPFA suggests that existing datasets (for example, Whole of Government Accounts and financial data or equivalent for non-WGA entities) should be used to report financial data on outputs and outcomes.

In the *ALPS Framework*, we have developed statements of good practice, supported by questions to demonstrate performance in some dimensions at a higher level than in others. For illustration this includes:

Securing Stewardship with Data An annual consolidated return is prepared that presents total public spending in the area by specific programmes.

Supporting Performance in Delivery Local bodies co-operate to resolve any service delivery issues identified in quarterly performance reviews.

Enabling Transformation through Strategy Strategies for the local area are jointly developed and owned by relevant partners.

The *ALPS Framework* is designed for both entity and organisational boards, for leaders – and those responsible for delivery at operational level – as an improvement tool to help assess the degree to which they are coordinating their activities against a framework of good practice.

Partners can easily understand a speedy self-assessment, choose to focus on the issues and priorities that emerge, and develop an approach that improves alignment in support of local priority outcomes.

Using the *ALPS Framework* is not mandatory, but one of a number of guides to an outcomes- or results-based delivery approach that recognises the need for collaboration across and between organisations. However, the statements of good practice represent a sound benchmark against which an entity or organisation can test its approach to collaborative service delivery.

The power of a picture

Once partners and relevant data have been identified, then total local public spending can be mapped. CIPFA has developed a simple tool that gives local authorities and partners an easy-to-use mini-consolidation spreadsheet into which data can be imported and used to produce reports in a variety of formats (tabular, or bubble diagrams, for example).

Taking the results of the financial mapping exercise and the mapping of customer groups and partners' policy objectives together, informed decisions might be taken about, for example:

- Aligning policy and service objectives where they overlap or are in conflict between different partners.
- Streamlining policy and service objectives that are common to different partners. ►

“The public is rightly demanding a more joined-up, personalised offer that puts them in the driving seat”

- Aligning delivery arrangements where partners have differing approaches to the same customer groups.

An increasing focus on the interconnectivity between services means that achieving the desired outcomes might need to involve consideration of how linkages should be designed into service delivery. For example, housing problems such as dampness, noise, pollution, grime or other environmental problems have an impact on health, educational achievement and employment prospects. A desired outcome in relation to education might need, therefore, to look not only at education but also at general wellbeing in terms of housing and health.

Challenges and solutions

As many practitioners testify, partnership working is not easy. Any relationship is a constant work in progress, at times requiring compromise, at others requiring leadership.

Common themes that have emerged in our work to date are reflected in the case studies included in the *ALPS Guide*. They include: the importance of getting governance right from the outset; being clear on accountability, where the buck stops and who holds the purse strings; the ability to map total spend in any given area; the importance of leadership; an emphasis on challenge and scrutiny being welcomed within organisations – and there a willingness to listen to views from the public.

Some locally developed solutions to these challenges include:

- Starting with a focus on outcomes and shared objectives for people and places served – and not on individual organisations – can avoid the sometimes difficult defensive or territorial discussions about governance and finance stifling progress at too early a stage.
- Financial planning with a medium-term focus. Moving from planning for one organisation and one financial year to planning across partner organisations over multiple years. Recognising and capturing that an investment by Organisation A in Year 1 generates savings or benefits for Organisation B in Year 3
- Considering the use of existing assets and balance sheets, and not just revenue budgets, and having a 'business case' (rather than budget availability) mind-set for all revenue and capital investments and thinking about the impact on both financial and social value outcomes.
- The data quality needed should be 'fit for purpose' – being open and transparent, using existing data and information, and being good enough to be credible rather than seeking unnecessarily and potentially costly absolute precision.

Arguably the biggest challenge to achieving aligned local public service delivery is getting it started in the first place, particularly in changing culture and turning talk into action.

Traditional organisational boundaries have to be crossed and trust needs to be built between local and national bodies, and between public, private and third sectors. Success will depend to a great extent on the leadership and operational maturity in the various public service delivery bodies. CIPFA believes that it is in residents' best interests for local authorities, as the democratically elected community leaders, to be the driving force behind change. A local authority will generally have a broad view of the issues affecting local communities and will usually be in a position to identify potential partners, bring them together, and then develop shared aspirations and desired outcomes in response. But, in doing so, the local authority will need to take account of the aims, objectives and sensitivities of potential partners.

It is clear that for local areas to thrive in the coming years, public service providers need to forge a shared vision for those areas, translated into a joined-up, deliverable plan of action, underpinned by constant evaluation to monitor progress. The *ALPS Guide*, *ALPS Framework* and related tools are designed to help but not provide all the answers. Solutions will be local and therefore cannot or should not be prescribed.

Our work aims to help better alignment of all local public services to deliver outcomes that are important for the people and places we serve, and not just the organisations to which we belong. If necessity is the mother of invention, austerity may just see the birth of a truly aligned approach to local public service delivery in the UK. ●

 'Arguably the biggest challenge to achieving aligned local public service delivery is getting it started in the first place'

Integration: the human factor



BY GILLIAN QUINTON

Embracing collaboration in public sector organisations requires effective leadership and the engagement of employees in decision-making from the start



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THE NEED FOR integration and effective cross-organisation working in the public sector has never been more urgent. Despite all the high level strategic planning that takes place to achieve integration, the evidence is that making the necessary changes is often fraught with difficulty and sometimes impossible to achieve.

Yet we all know that successfully aligning a workforce behind a specific cause is key to creating cultures of innovation and collaboration that can drive success. Regardless of the catalyst for the change, it is employees who determine whether any change programme successfully achieves its desired outcomes. They can make sure that we succeed in delivering public services that not only appear joined up to customers, but are joined up behind the scenes. Given the urgent need for better integration across the public sector, we should look more closely at the human capital dynamics that can deliver the desired outcomes.

We have amassed a great deal of evidence about what works and what doesn't in terms of successfully changing the way organisations operate. Many people believe we need to be focused on, and invest in, the people element to achieve powerful results. The trick is to find those 'people factors' that have a force multiplying effect.

While force multiplication has its origins in the military world, it has the same powerful effect in all sectors. For example, effective leadership in an organisation is a significant force multiplier, creating added value in terms of output from every highly engaged employee it produces. So what are the force multipliers that could be applied to drive a more joined up approach to public services?

1/ STRONG AND EFFECTIVE LEADERSHIP

The power of leaders to facilitate change should never be underestimated in any organisation. Every move they make is scrutinised by colleagues. If they get it right, it has a significant impact on engagement and productivity. Get it wrong and ultimately it can lead to organisational failure. As public services try to work more collaboratively and encourage their people to do so, leaders need to understand how to model collaborative behaviours and strategies. Different styles of leadership are needed in the context of integration in order to make progress. For example, engaging with partners by really hearing their perspectives, leading through influence and leading from behind.

There are a number of leadership approaches that help minimise resistance to change and which could be useful as we look at deeper integration and collaboration across the sector.

2/ BUILD A COMPELLING CASE FOR CHANGE

Public sector leaders must make a compelling case for why an organisation needs to change, and this needs to be done face to face. Effective leadership is all about communication, building relationships, listening to people and coaching for performance. So, if leaders are spending most of their time sat behind a desk, they are getting it wrong. They have the authority and influence needed to bring people with them, and this ►

needs to be deployed at each organisational level. In the context of integration this vision needs to be shared across all partners and all partners need to feel equal. Language can have a significant impact when you are trying to build collaborative relationships. In a true partnership all parties are equal, so language needs to feel inclusive, and avoid talk of ‘us and them’.

3/ ENGAGE EMPLOYEES

We are always adamant about listening to the voice of the customer or service-user. What about the voice of the employee? When going down the collaboration road within an organisation, it’s important to make employees a part of the decision-making process from the very first step. Leaders need to listen to their ideas, their needs, and their suggestions and integrate their feedback into the proposed integration strategy. A successful organisation will have created a safe environment and clear channels for debate and discussion. That means constant communication – plenty of forums for talking, listening, debating and discussing.

4/ PERSONAL RESILIENCE

Public sector leaders need to display levels of personal resilience that set an example across the whole organisation. Resilience in this context means retaining clear focus and determination to achieve the end goal of aligning and integrating services. While the focus on listening to employees may well lead to changes in the processes and systems used to achieve change, the end result should remain clear and unequivocal. Despite knockbacks and resistance it is the resilience of leaders that will show the levels of determination needed to ensure that the reconfigured organisation stays on track.

5/ FOCUS ON CULTURE

All organisational change is challenging, but perhaps the most daunting step is changing culture. When considering collaboration and integration with other organisations, this task becomes even more important and mission critical. Culture drives the behaviours of employees. Therefore, if cultural norms across organisations are not identified and discussed it can lead to very powerful resistance to change. We have all heard the saying ‘culture eats strategy for breakfast’, and there are many cases that show it to be true.

Changing an organisation’s entrenched culture is not a simple task. It takes investment in a lot of personal time and energy, but has a huge potential payoff. In fact, effective cultural alignment can be the glue that holds a proposal to integrate services together.

6/ ALIGN REWARD & RECOGNITION

One powerful change element that can often be overlooked is the alignment of reward and recognition systems. These can both be very strong force multipliers, which reinforce the behaviours needed for success in integrating services. If organisations are looking to achieve a change in culture or specific outcomes, then these need to be as high profile as possible. Praise and recognition are essential to outstanding workplaces. People want to be respected and valued for their contribution, so the more that the required collaborative behaviours are recognised and rewarded, the greater the impact.

Driving effective change requires a lot of time and effort. Many public sector leaders start out with a strong belief in the need for change but sometimes fail to make a compelling case for why it is needed. Pushing the large rock of change up a slippery hill can be frustrating, but the process can help crystallise the messages that need to be communicated.

By focusing on those human capital aspects that can be force multipliers in an organisation, we can achieve more successful, sustainable and rapid organisational collaboration. It is important that organisations put the right amount of time and effort into the right things (which may also be the uncomfortable things).

Many attempts at collaboration have resulted in weak or ineffective impact because too much time has been spent on developing detailed plans, whilst ignoring the ‘people’ side of the process. If the same amount of effort was made to address some of the human capital aspects of alignment and change, we would achieve a much better outcome for all concerned. ●

‘The more that collaborative behaviours are recognised and rewarded, the greater the impact’

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Aligning public services

This is the second in a series of *PF Perspectives*, produced by CIPFA and *Public Finance*. They are designed to stimulate discussion on key public finance and policy issues. These essays, by leading practitioners and experts, explore the strategies needed to align and integrate local public services, and challenge government to create radical new frameworks for the sector

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