Report of the Overview and Scrutiny Committee on Health on the Kensington & Chelsea Primary Care Trust’s Outline Turnaround Plan 2006-2009
Chairman’s Foreword

The PCT's financial position is a matter of serious concern to the Royal Borough's elected Councillors. Whilst we recognise that the PCT must return to a stable financial position as soon as possible, it is clear that many of the savings identified in the PCT Board's Turnaround Plan, in response to the Government requirements for £10 million of savings in the current financial year, will jeopardise key local services and destabilise a number of long-established voluntary organisations, with potentially serious consequences for some service users and providers.

Our public meeting revealed deep concerns not just from Committee Members but also from members of the public, service users and providers, and another NHS Trust. I have therefore written to the Secretary of State asking her to delay the imposition of 'top-slicing' this year, which would remove the need for 75% of the cuts proposed for the current financial year.

Our findings are set out on page 10 and in bold italic type at the relevant places within the body of the report.
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1 THE ROLE OF THE COMMITTEE AND THE BACKGROUND TO THE 21 JUNE 2006 MEETING

1.1 The Council’s Overview and Scrutiny Committee (OSC) on Health has powers under Section 7 of the Health and Social Care Act 2001 to scrutinise local health services and to make recommendations accordingly.

1.2 This Committee's predecessor with responsibility for health scrutiny held a special meeting on the PCT’s first Recovery Plan on 7 March 2005 and published its findings ('Report of the Overview and Scrutiny Committee on Social Services, Health and Housing on the Kensington and Chelsea Primary Care Trust's Recovery Plan' - 15 March 2005).

1.3 The Committee looked at the PCT's latest recovery plan - its 'Outline Turnaround Plan 2006-09' - at a public hearing on 21 June 2006. The meeting was widely publicised and interested parties invited to attend and speak - and make advance written submissions if they so wished.

1.4 The meeting was well-attended, with the principal statutory agencies represented at senior level and around 100 service users or providers, carers, healthcare staff and other members of the public in attendance. A list of attendees is included at Appendix A.

1.5 The following Committee Members were present:

- Cllr. Marianne Alapini
- Cllr. Christopher Buckmaster (Chairman)
- Cllr. Terence Buxton
- Cllr. Joanna Gardner (Vice-Chairman)
- Cllr. Dr. Iain Hanham
- Cllr. Margot James
- Cllr. Pat Mason
- Cllr. Matthew Palmer

supported by the following officers:

- Henry Bewley (Health Policy Officer)
- Jean Daintith (Executive Director, Housing, Health and Adult Social Care)
- Ahmed Farooqui (Scrutiny Development Manager)
- Robert Sheppard (Head of Governance Services)

1.6 The Primary Care Trust was represented by Peter Molyneux (Chair), Andrew Kenworthy (Chief Executive) and Simon Bokor-Ingram (Executive Lead for Redesign).
1.7 In addition to papers received from the PCT itself (see 6(a) and (b) appended), written submissions have been received from those listed below:

- The Royal Borough’s Executive Director for Housing, Health and Adult Social Care (papers 6(c) and (d))
- Kensington and Chelsea MIND, incorporating comments from Kensington and Chelsea Mental Health Carers’ Group (papers 6(e) and 6(e)(2))
- Central and North West London Mental Health Trust (paper 6(f))
- CNWLMHT Patient and Public Involvement Forum (paper 6(g))
- CNWLMHT Staff Side (paper 9(h))
- Age Concern (tabled at the hearing - attached as 6(i))
- Kensington and Chelsea Social Council (sent 21 June - attached as 6(j))
- Dr. Christopher Bridgett – Consultant Psychiatrist, South Kensington and Chelsea Mental Health Centre (sent 22 June, attached as 6(k))
- Inkerman Housing Association (sent 22 June, attached as 6(l))
- Patients of Mulberry South/North (sent 22 June, attached as 6(m))
- CNWLMHT (sent 23 June, attached as 6(n))
- Kensington and Chelsea Patient and Public Involvement Forum (sent 23 June, attached as 6(o))

1.8 All the above submissions are appended to this report.

2. THE 21 JUNE 2006 HEARING

2.1 The Committee heard first from the PCT then, after questioning from Committee Members, received oral submissions from the following:

- Jean Daintith, Executive Director of Housing, Health and Adult Social Care
- Dr. Peter Carter, Chief Executive of CNWLMHT
- Catherine Taylor, Mental Health Service user
- William Snagge, voluntary sector
- Charlotte Green, Mental Health Service user
- Monique Klang-Voves, Mental Health Carers' Association and CNWLMHT Patient and Public Involvement Forum
- Roger Dunn, Kensington and Chelsea (mental health) Forum
- Peter Okali, Age Concern Kensington and Chelsea
- Jane Turner, Inkerman Housing Association

The Primary Care Trust’s Outline Turnaround Plan

2.2 Andrew Kenworthy (PCT Chief Executive) set out the aims of the Turnaround Plan: the key aims were to get the PCT to:
• a state where it could deliver sustained high quality healthcare
• a clear level of financial stability
• a position where it is robust and fit for purpose

2.3 He went on to set out the financial context¹. There is a brought forward deficit of £26m in 2006/07 (to be fully repaid in three years) and in 2006/07 there is a projected deficit of £10.1m (£7.6m of which comes from monies 'top-sliced' - i.e. deducted and held back as reserves - by the Strategic Health Authority (SHA)).

2.4 At short notice, and very late in the financial planning process, the Secretary of State and SHA have made it clear that the PCT must have a Plan to 'break-even' in the current Financial Year. The scale of these cuts in the Turnaround Plan was described by the PCT as "non negotiable".

2.5 Achieving the savings in the PCT’s Turnaround Plan should enable the PCT to reach financial balance. A copy of the PCT’s Outline Turnaround Plan was circulated with the agenda papers and made available at the meeting. A copy is appended as attachment 6(a)-(b).

2.6 The Committee made it clear that it acknowledged the principle of the PCT making savings to achieve financial balance. However it also noted, with concern, the reservation of the PCT’s Director of Finance (expressed in public session at the PCT Board meeting on 20 June, the day before this public hearing) on whether or not these cuts will be sufficient to deliver the necessary savings this year.

Public document

2.7 The Committee finds it difficult to give detailed comment on the Turnaround Plan without fuller information on the rationale behind which services have been chosen for the cuts (as made available to PCT Board members) being placed in the public domain.

2.8 It is unfortunate that in the Outline Turnaround Plan the proposals appear in many occasions to be bundled together. It is often not possible to see which specific services and staffing are being reduced nor to see any analysis of the displacement effect a cut on one service will have on another or whether this was even considered when determining the services to be cut.

¹ For more information on how the Kensington and Chelsea PCT came to be in its present situation, its external auditors issued a Public Interest Report which can be viewed at http://www.kc-pct.nhs.uk/pdfs/report_pct_finances/public_interest_report.pdf
2.9 Finding 1 - The Committee urgently invites the PCT to place the full Turnaround Plan 2006-09 in the public domain.

Public consultation

2.10 It is important that involvement and consultation is adequate and appropriate to reflect the significant impact of the Turnaround Plan.

2.11 The development of a Plan such as this requires adequate time for consultation with partners and meaningful consultation with stakeholders. Time needs to be built-in for better consultation with partners, so as to avoid hasty decisions and to allow for a proper assessment of their likely consequences by the PCT and other organisations.

2.12 The Committee notes the requirement on the PCT, under the terms of the Health and Social Care Act 2001:

- to engage and involve local people in the planning and delivery of health services (Section 11); and
- formally to consult with the Local Authority Overview and Scrutiny Committee(s) (Section 7), when making proposals for 'substantial change and variation in services'.

2.13 It is the Committee's view that there has been inadequate consultation on these proposals both with the Committee and with users. This is in clear breach of the legislation and the established Health Scrutiny Protocol between the PCT and the Council.

2.14 The Committee notes that it has the authority, if it decides that the process has not been conducted appropriately or that it is not in the best interests of local people, to refer the matter to the Secretary of State with the possibility of further referral to the national Independent Reconfiguration Panel.

2.15 Finding 2 - There should in future always be a clear and open process for consulting with the public and stakeholders (e.g. other NHS trusts) on proposals of substance such as this.

Haste in producing the Turnaround Plan

2.16 The Committee considers that the PCT has developed its Turnaround Plan in haste under instructions from higher authority. A 'panic response’ is not the best way to deal with a difficult situation.

2.17 The PCT needs to manage this deficit and make ‘the right savings’ and should not be rushed into making bad decisions.
2.18 The Plan needs to ensure any negative impacts are minimised and should make reference to all the long-term impacts of savings proposals. The Committee regrets that there was no evidence presented to it that these cuts arose from any considered business plan, nor did there appear to be any consideration of the consequences of these decisions. The promise to monitor the consequences after the event was felt to be like 'closing the gate after the horse had bolted'.

2.19 The scope for re-working or modifying the Plan seems limited. This is an unsatisfactory way to arrive at major changes to health services.

2.20 The Plan therefore needs more time in preparation. Specifically the Committee urges the SHA (and the Secretary of State) to grant the PCT three years to claw back its deficit thereby softening the blow of service changes on patients, who include some of the most vulnerable members of the community, and service providers.

2.21 *Finding 3 - The Committee urges the London SHA (and the Secretary of State) to grant the PCT 3 years to 'get its house in order' so that there will be a greater timescale to consider both decisions and their consequences which affect some of the most vulnerable members of our community.*

**Whole picture**

2.22 Successful management of services has to be based on a planned and consistent approach.

2.23 The effect of the PCT being compelled (and at such short notice) to have no deficit for 2006-07 has been to force the PCT into proposing sudden cuts in a tight financial timetable. The nonsense of a short-term approach is more apparent when the PCT moves to financial stability, perhaps even surplus. A ‘bust then boom’ approach to the provision of services is not good management. Services which are cut are not capable of being switched off and on again like a tap when required in the future.

2.24 After the PCT budget had been prepared, the SHA exacerbated the situation by top slicing 3% from the PCT’s income and this reducing the PCT's income by £7.6m, which has gone into a London SHA reserve fund. 75% of the cuts proposed by the PCT are due to this 'top-slicing'.

2.25 *Finding 4 - The Committee urges the London SHA to release funds, at least equivalent to the 3% top slice, quickly from its reserves this financial year to alleviate the need for the*
**PCT to make sudden cuts on this scale.** (A letter to this effect - attached at Appendix B - has been sent to the Secretary of State for Health asking her authority for this action.)

**Partnership working**

2.26 A pre-requisite for successful partnership working is that a consistent approach is taken by each of the partners. Without due care long established partnerships carefully built up over the years will be damaged. Some smaller providers may find it difficult to continue operations.

2.27 **Finding 5 - The Committee strongly urges better collaborative working between the PCT and its partners to resolve the deficit in a way that minimises the detrimental impact on local service users.**

**Rationale behind the cuts**

2.28 The Plan should be able to explain where the ideas have come from and why they have been suggested. There is no explanation as to why one set of cuts should have been chosen above some others.

2.29 The Committee notes that the Turnaround Plan makes savings across the board rather than taking as a starting point the protection of priority services. We would also expect any full Plan to explain how the proposed savings relate to the needs of service users.

2.30 The Committee has requested, but not yet seen, evidence that the PCT has carried out an impact assessment of making these savings (e.g. on the voluntary sector and on CNWL Mental Health Trust).

2.31 **Finding 6 - The Committee would like to know the rationale for specific savings. How do the proposed savings relate to the needs of service users? Where is the impact assessment of making these savings?**

**Alternatives to acute commissioned services**

2.32 The vision set out in the White Paper “Our Health, Our Care, Our Say: A New Direction For Community Service” is for more outside hospital care.

2.33 However, the PCT has proposed a cut to long-term social care of £1.16m and a number of voluntary sector providers of social care. For example, Peter Okali (Chief Executive, Age Concern Kensington and Chelsea) brought to the Committee’s attention the proposed
cut to the Home Bathing Service, where estimates suggested that some 30-40 fewer older people would now be bathed.

2.34 If savings are expected to be achieved from acute commissioned services, viable alternatives in the community will need to be adequately resourced.

2.35 Finding 7 - There has to be adequate investment going into community-based alternatives to hospital care to cope with expected increased demand. Otherwise there will be additional costs in terms of service and finance.

The Future of the St. Charles Hospital Site

2.36 Section 4 of the Outline Turnaround Plan indicates that the PCT will be consulting on changes at St. Charles in the near future.

2.37 Finding 8 - The Committee invites the PCT to put its plans for the future of St. Charles into the public domain as soon as possible, for consultation, before reaching any decision.

Mental Health

2.38 Peter Carter (Chief Executive of CNWL Mental Health Trust) expressed the opinion that if the proposals go through "it will cost more in the future".

2.39 He also questioned the logic of the Mental Health Trust being penalised (as a good performer which operated within its budget) to bail out NHS "poor performers".

2.40 The argument that the Mental Health Trust is well-funded in comparison with another comparable NHS has little validity if the comparator provides a poorer level of service (see also Dr. Bridgett’s letter at 6(k) attached).

2.41 The Committee also heard from a number of users who expressed their distress at the proposed cuts and the adverse effects these were likely to have on their treatment and care.

Indirect impact of savings

2.42 The haste and lack of consultation around the proposals increases the risk of indirect additional costs arising from the proposals.

2.43 Given the joint nature of much of the Council’s work, the Committee believes it is inevitable that reductions to PCT-funded and PCT-provided services will have a major detrimental impact on the services provided to Kensington and Chelsea residents.
2.44 Finding 9 - The Committee asks the PCT for assurance that it will embark on a process whereby any additional cost pressures for partners (that result from the Turnaround Plan) are picked up again by the PCT for funding when the PCT is in surplus again.

3. IN CONCLUSION

3.1 The Committee recognises the need for the PCT to make efficiency savings to achieve financial balance. However, the impact of the savings on the delivery of services and on users must be minimised. We are concerned that we do not have available to us a full Turnaround Plan, including a full impact assessment of the risk of making these savings on our community.

3.2 The Committee feels unable to endorse the PCT Turnaround Plan in its current form.

3.3 The Committee has identified and expressed views on various issues within the above paragraphs. These are shown in bold italic text at the relevant places within the report.

3.4 The Committee has asked the Secretary of State to release this year the 3% 'top-slicing' deducted from the PCT's funds, and a copy of that letter is attached at Appendix B.

Cllr. Christopher Buckmaster
Chairman, Overview and Scrutiny Committee on Health
The Royal Borough of Kensington and Chelsea

Officer contact: Robert Sheppard, Head of Governance Services, Kensington Town Hall, London W8 7NX at e-mail: robert.sheppard@rbkc.gov.uk or on direct tel: 020 7361 2265.
List of Attendees at 21 June 2006 Public Hearing - APPENDIX A

Of those present in the Public Gallery, the following 73 people identified themselves by signing the attendance register:

- Melissa Adams (CNWLMHT)
- Kingsley Akuffo (CNWLMHT)
- Stella Baillie (RBK&C Head of Adult Social Care)
- Dr. Owen Bowden-Jones (CNWLMHT Substance Misuse Service)
- Bill Boyle (K&C Users' Forum)
- Aisha Braithwaite (Edenham Way Residents' Association)
- Shiela Bravin (Mental health carer)
- Christopher Bridgett (CNWLMHT)
- Chris Bumstead (CNWLMHT Acute Mental Health Services)
- Cllr. Fiona Buxton (Cabinet Member for Housing, Health and Adult Social Care)
- Adam Campbell (CNWLMHT)
- Peter Carter (Chief Executive, CNWLMHT)
- Mary Cash (CNWLMHT)
- Steve Chamberlain (RBK&C Mental Health Service)
- Eric Craig (CNWLMHT)
- Gabrielle Crockhart (CNWLMHT)
- Edward Donald (Chelsea and Westminster Hospital)
- Rob Doran (CNWLMHT Substance Misuse)
- Michelle Draper (CNWLMHT)
- Roger Dunn (Kensington and Chelsea (mental health) Forum)
- Richard Evans (CNWLMHT)
- Jackie Floyd (CNWLMHT)
- Mary Fotheringham (Voluntary sector - MIND)
- Caroline Frayne (CNWLMHT Substance Misuse Service)
- Michael Fullerton (CNWLMHT)
- Charlotte Green (Borough resident)
- John Green (CNWLMHT)
- Mary Green (CNWLMHT)
- Justinian Habner (CNWLMHT)
- Dr. Annie Hall (CNWLMHT General Adult Psychiatry)
- Julie Hamilton (Carers - Rethink)
- Hilary Hawking (User Forum/Advocate for Mental Health)
- Anna Higgitt (CNWLMHT)
- N. Hobbs (Patient)
- James Hughes (CNWLMHT Adult Acute Service)
- Bernadette Isturis (Co-Ordinator, CNWLMHT Patient and Public Involvement Forum)
- Deborah Jones (NHS)
- John Kentish (CNWLMHT Psychology Service)
- Monique Klang-Voves (Kensington and Chelsea Mental Health Carers' Association)
- Catherine Larkin (Mental health carer)
• William Lawford (Mental health carer)
• Patricia Leung (CNWLMT, RCN Branch Chair)
• Alex Lewis (CNWLMT)
• Cllr. David Lindsay ('Lead Member, Housing, Health and Adult Social Care)
• Jim Logan (Kensington and Chelsea Forum)
• Dr. Mike McClure (CNWLMT)
• Ian McIntyre (CNWLMT)
• Kirin McRobert (CNWLMT)
• G. Mellon (CNWLMT)
• Steve Mellor (RBK&C Finance Manager)
• Gwyn Morris (RBK&C Head of Older People's Services)
• Claire Murdoch (CNWLMT - Mental Health and Substance Misuse)
• Dyan Murray (CNWLMT)
• Jim O'Donnell (CNWLMT)
• William O'Neill (Mental health carer)
• Peter Okali (Age Concern Kensington and Chelsea)
• Roseline Okiti (Mental health carer)
• Henrietta Parr (Willow Day Centre and Chelsea Mental Health Team)
• Cathy Phippard (CNWLMT Acute Mental Health Services)
• Richard Poxton (Consultant)
• Geraint Price (CNWLMT)
• Paul Rackham (RBK&C Head of Disability and HIV Services)
• A. Rapley (CNWLMT)
• Barbara Samuel (CNWLMT)
• Harry Singer (K&C PCT Patient and Public Involvement Forum)
• Dr. Clare Smith (CNWLMT)
• William Snagge (Voluntary sector - Mental Health and SMART)
• Fiona Sutcliffe (CNWLMT)
• Raj Tanna (CNWLMT)
• Catherine Taylor (Willow Day Hospital service user)
• Cllr. Peter Tobias (LB Hammersmith and Fulham)
• Jane Turner (Inkerman Housing Association)
• Richard Vergez (CNWLMT)
• Peter Walsh (CNWLMT)
• Dennis Yandoli (CNWLMT Family Service)
• Mo Zoha (CNWLMT)
27th June 2006

The Secretary of State for Health
Richmond House
79 Whitehall
LONDON SW1A 2NS

Dear Secretary of State,

Kensington and Chelsea Primary Care Trust

I am writing to you as Chairman of the Overview and Scrutiny Committee (OSC) of Kensington and Chelsea. Across the party lines in this Borough we are all concerned at recent decisions taken by our local Primary Care Trust (PCT) to cut services to bring the Trust back into financial balance. The amount in question for this year is £10.1m of cuts, approved by the PCT board on Tuesday 20th June.

OSC Meeting last week

At a packed public meeting of the OSC, held on Wednesday 21st June in Kensington Town Hall speaker after speaker, from the Committee members and from the public gallery, attacked these cuts and stressed the adverse consequences which will flow from them. A copy of the Report of that meeting is enclosed.

The cuts and their proposed implementation breach the Local Authority (Overview and Scrutiny Health Scrutiny functions) regulations 2002 – prepared under section 38 of the Local Government Act 2000 – specifically Section 4(5) (a) and (b) dealing with inadequate consultation and Section 4(7) dealing with proposals not being in the interests of health services in the area. They also breach the Protocol agreed between this Council and the PCT.

As such we have the right formally to refer the matter to the Secretary of State. While this is a formal letter it does not constitute a formal referral.

Lack of Advance Notification

All of us in this local authority recognise the need for NHS Trusts to be in financial balance. It is only when this is the case that the health needs of our community can be effectively and sustainably delivered. We recognise both that our local PCT has in the past suffered from poor management which allowed unwarranted deficits to arise and also that the current management of the PCT is struggling to correct its inherited situation.

However it is unacceptable that, with nearly one quarter of the current financial year over, cuts of £10.1m should now be introduced out of the blue. This Council, other NHS Trusts and voluntary organisations, are all working to budgets approved before these cuts were...
announced. They are working to funding arrangements from the PCT which they thought were agreed. To go back now on firm understandings, and in some cases legal contracts, is to destroy any confidence in future joint partnership arrangements. This affects not just those organisations which are suffering but also those not directly affected and who look with astonishment on what is happening. Some small voluntary organisations may be forced to cease operations, at precisely the time the Government is talking of boosting such relationships with the appointment of Ed Milliband as Minister for the Third Sector.

What credibility will the PCT and the NHS now have?

**Consequences of Action by PCT**

Contrary to stated Government policy well managed NHS Trusts, such as the Central and North West London Mental Health Trust, which in the past has balanced its books, is now being, through these cuts in its own services, forced to bailout its failed PCT. Joint agreed services between the local authority and the PCT are being terminated or reduced without statutory notice being given, at precisely the time when Government is asking the NHS and local authorities to co-operate more effectively.

These PCT cuts bear all the signs of a knee jerk financial reaction to a dictat from elsewhere, rather than a considered response to real problems. It was clear in answer to questions at our OSC that the PCT had not thought through the consequences of its proposals, some of which by reducing preventative care will lead to greater NHS costs in the future. There has been no consistency in approaching the needs of the community. On the one hand the PCT argues for the closure of a nursing home, citing amongst other reasons the current trend to treat patients in their own homes, while elsewhere the PCT is cutting grants to those services designed to keep people in their homes.

These ill thought through proposals will divert patients to more expensive hospital care and will delay the discharge of patients from hospitals, as funding to prevent bed blocking is reduced.

By taking national average statistics, or indeed comparators from areas with a different patient profile, as the excuse for some of these cuts the PCT has failed to respond to the specific needs of its own locality.

There is a particular problem in central London and this Borough, with Drug and Alcohol abuse, but with no prior consultation the PCT proposes to reduce funding in this critical area by £400,000, after the year is well under way. There was no evidence of any thought to the consequences of this proposal.

All of this is happening when our PCT is planning to be in surplus next year! These short term decisions will do nothing to address the deep rooted problems of poor management within the NHS, will not address long term issues and will have consequences for years to come which will have to be faced, probably at greater expense.

As a responsible local authority we feel compelled to bring these matters to your attention and to suggest a solution.
Release of Top Slicing Funds

The extent of these cuts stem from a decision handed down to the PCT in April, after the financial year had started, to remove part of the PCT’s funding by means of a 3% top slice off its funding. This amounts to 75% of the cuts required. We understand the problems of a demand led service business, such as Health. We want financial balance. We recognise the desirability of creating a reserve, through the 3% top slicing, to deal with volatility in demand.

We do however argue, forcefully, that to introduce the 3% top slicing this year, when the PCT is already in deficit and had set its budget, is wrong. The effect is to increase the very deficit which the top slicing is designed to alleviate. This compels the imposition of ill thought through cuts, some of the consequences of which I have outlined.

I therefore formally request that you authorise the London SHA to release this year the 3% top slicing imposed on the PCT for the year 2006/07. This will bring the PCT back to its original budget, which includes some cuts. It does not mean increasing the NHS deficit, as this money is already within the NHS system. The money exists to provide a reserve for a situation that already exists. The top slicing can be reintroduced later to rebuild the reserves but this is precisely the wrong time on the wrong PCT for its prompt application.

Could I ask for your immediate consideration of this request, as the PCT intends to introduce the cuts in July? We believe that this proposal is wholly in line with your need for financial balance this year. It does not involve requests for additional funding from the Treasury. It will allow for a more careful and considered approach to returning our PCT to that financial stability which we all seek.

Should you be unwilling to return the top slice to the PCT now when will decisions be taken about its allocation and what will be the criteria for making the allocations?

Yours faithfully

Cllr Christopher Buckmaster
Chairman of the Overview and Scrutiny Committee for Health
Royal Borough of Kensington and Chelsea

cc The Rt Hon Sir Malcolm Rifkind MP
Karen Buck MP
Chairman of the Strategic Health Authority
Chairman of Kensington and Chelsea PCT