National Audit Office

DEPARTMENTAL OVERVIEW

A summary of the NAO's work on the Department of Health 2010-11

SEPTEMBER 2011

Our vision is to help the nation spend wisely.

We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the NAO, which employs some 880 staff. He and the NAO are totally independent of government. He certifies the accounts of all government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.

National Audit Office

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Introduction

Aim and scope of this briefing

The primary purpose of this Departmental Overview is to provide the Health Select Committee with a summary of the work by the National Audit Office on the Department of Health since June 2010. It is one of seventeen we have produced covering our work on each major government department. The briefing draws on the Department's Annual Report and Accounts for 2010-11 and other published sources, but its main focus is the findings of work published by the National Audit Office, in particular those areas where we believe the Department's performance could be improved. The content of the briefing has been shared with the Department to ensure that the evidence presented is factually accurate, but the content of the briefing is the sole responsibility of the NAO.

In the last year, we supported the Health Select Committee by preparing a briefing to inform its examination of health resource allocation, and a memorandum to support its review of progress being made towards delivery of planned year-on-year efficiency gains via the Quality, Innovation, Productivity and Prevention (QIPP) programme.

We will continue to support all select committees in 2011-12, providing briefing on each major department and supporting specific inquiries wherever our expertise and perspective can add value.

Part One

About the Department

The Department's responsibilities

1 The Department of Health (the Department) is responsible for the overall performance of the NHS and for adult personal social services. Services are delivered to people in England through the 1.4 million staff who work in the NHS and the 197,000 staff who work in local authority social services departments. The Department also sets the direction on promoting and protecting the public's health, taking the lead on issues such as environmental hazards to health, infectious diseases, health promotion and education, and the safety of medicines.

How the Department is currently organised

2 The Department is led by a team of Ministers, who are supported by officials, the most senior of which are:

- the Permanent Secretary – the Principal Accounting Officer, with personal responsibility for the proper presentation of the Department's Resource Accounts. The Permanent Secretary is responsible for leading the Department and for ensuring that Ministers receive the advice and support they need;
- the NHS Chief Executive – the Additional Accounting Officer for NHS expenditure, with responsibility for leading the NHS and acting as chief adviser to the Secretary of State for Health in respect of all aspects of NHS delivery and management; and
- the Chief Medical Officer – the most senior professional advisor to both the Department of Health and Government Ministers more widely on medical and public health issues.

3 The Department currently devolves responsibility and resources for delivering NHS services to primary care trusts, which are overseen by strategic health authorities (**Figure 1** overleaf). The Department allocates resources to each primary care trust on the basis of local needs, aiming to ensure equal access to healthcare and to help reduce avoidable health inequalities. Primary care trusts commission services on behalf of their local population from a range of providers including hospitals – either NHS acute trusts or foundation trusts (which have a greater degree of independence from the Department) – GPs, dentists, opticians, pharmacies and private sector and voluntary sector organisations.

4 The NHS has two main regulators, which are arm's length bodies of the Department:

- the Care Quality Commission, which licenses and monitors health and adult social care services in England; and
- Monitor, which determines whether NHS trusts are ready to become foundation trusts and regulates those trusts that achieve this status.

5 Some national functions are also carried out by other arm's length bodies of the Department, such as the Information Centre for Health and Social Care, the National Institute for Health and Clinical Excellence (NICE) and NHS Blood and Transplant (Appendix One).

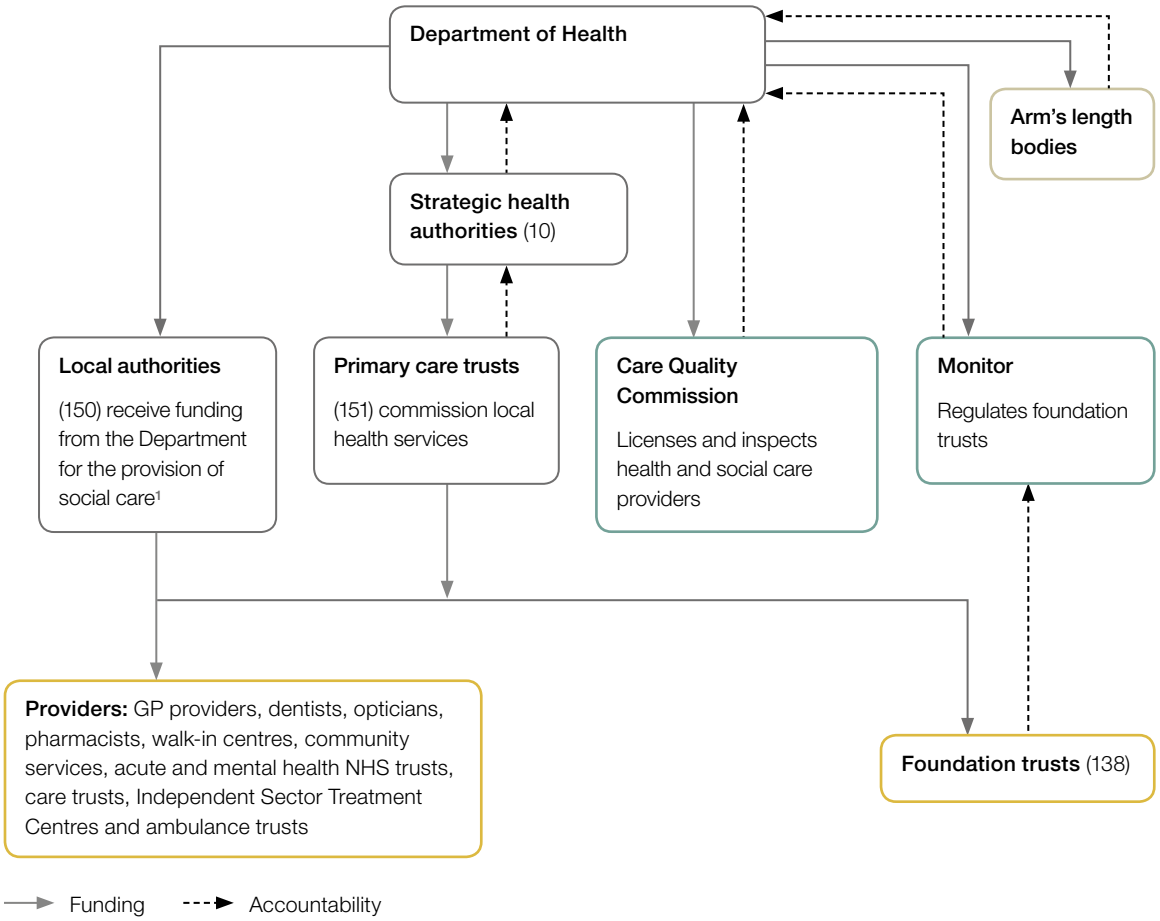
Reform of the NHS

6 In July 2010, the White Paper, *Equity and excellence: Liberating the NHS*,[1] set out plans for a fundamental reform of the NHS. The Government's vision for the future of the NHS is to:

- "put patients at the heart of everything the NHS does;
- focus on continuously improving those things that really matter to patients – the outcomes of their healthcare; and
- empower and liberate clinicians to innovate, with the freedom to focus on improving healthcare services."

1 *Equity and excellence: Liberating the NHS, Department of Health,* July 2010.

Figure 1
The Department of Health's current delivery network



NOTE
1 The main source of funding for adult social services is the Department for Communities and Local Government.

Source: National Audit Office

7 In January 2011, we published an **NHS landscape review**[2] which provided an overview of the proposed reforms to inform a hearing of the House of Commons Committee of Public Accounts. The review noted that the proposed changes are complex with many inter-related elements. More than 500 organisations are likely to be abolished, created or have their functions changed. Given the scale of the reforms and the number of inter-dependencies, the Department faces a major challenge in ensuring coherence during the transition period. It has put a management structure and processes in place to manage the risks of the reform programme.

8 A key objective of the proposed reforms is to improve the quality of service which the NHS offers to patients. Our landscape review identified a number of risks to service quality during the transition process, including that GP services to patients may decline as GPs focus on their new commissioning role and that primary care trusts may cease to function effectively if key staff leave before their organisations are abolished. The Department has transition plans in place designed to maintain service quality.

9 In April 2011, the Government announced 'a listening exercise' through which it would consult on the proposed reforms. The 'NHS Future Forum', a group of clinicians, patient representatives and others from across the health sector, was established as an independent advisory panel to oversee the listening exercise. The Forum reported to the Prime Minister, Deputy Prime Minister and the Secretary of State for Health in June 2011 on how the Government's modernisation plans for the NHS might be improved. The Government's response, issued later in June 2011, set out revised plans for change, addressing the key recommendations from the listening exercise.[3]

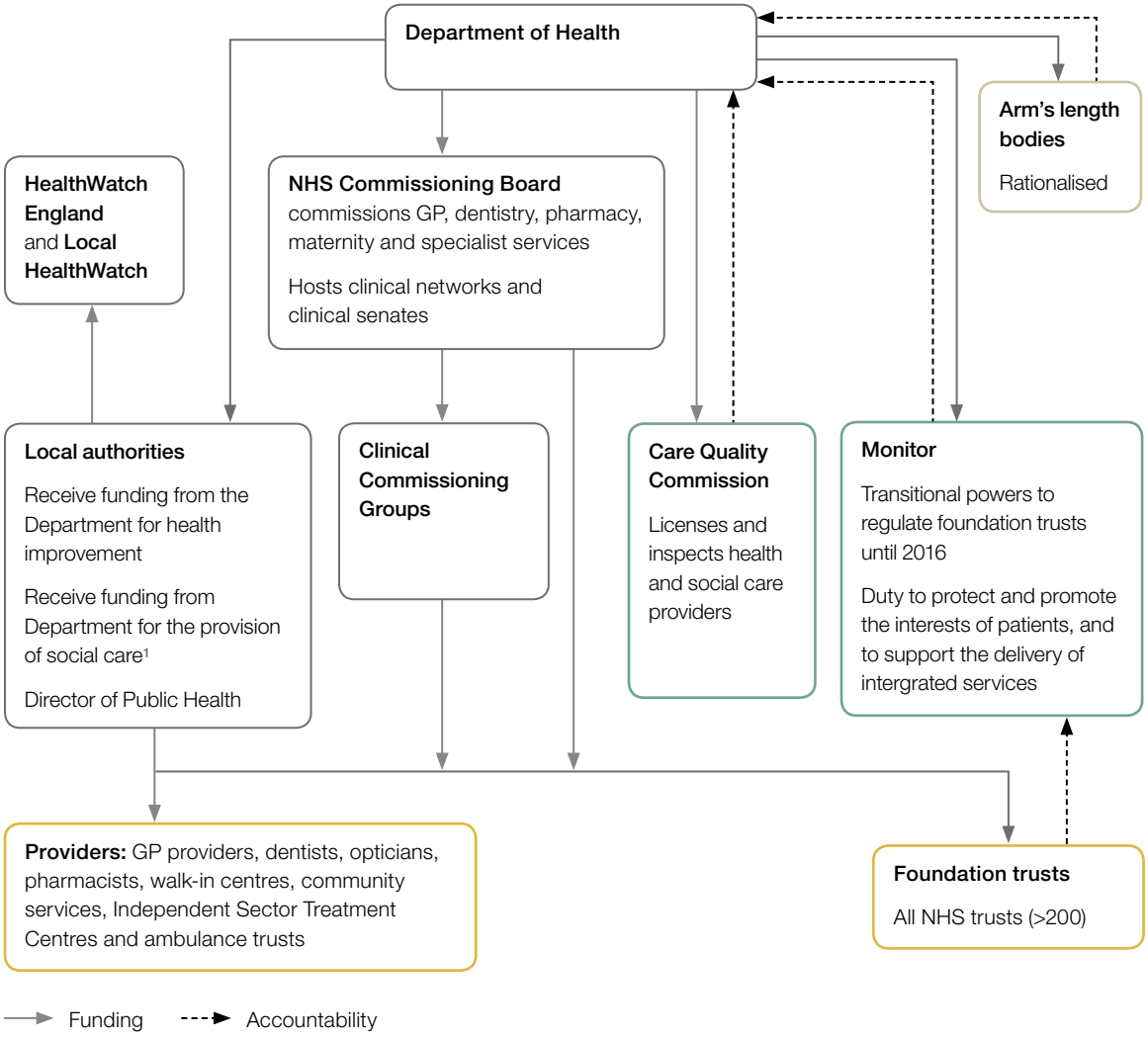
10 The Department's proposed delivery network is set out in **Figure 2** overleaf.

11 The planned changes to the NHS involve fundamental changes to the way health and social care services are commissioned and delivered in England. Key elements of the changes proposed by the Department are set out below.

- By April 2013 primary care trusts will cease to exist, and responsibility and resources for commissioning secondary care services will be devolved to local 'clinical commissioning groups' comprising groups of GP practices, doctors, nurses, and other health and social care professionals. During a transitional phase, primary care trusts are to be formed into clusters and will work with the proposed clinical commissioning groups to help them prepare for their new role.
- Clinical networks, advising on single areas of care such as cancer, and new clinical senates, providing advice on local commissioning plans, will support clinical commissioning groups in each area of the country.
- An NHS Commissioning Board will be established from April 2012 to: provide leadership for the new commissioning system as a whole; directly commission primary care services, some specialised services and services for those in prison or custody; and be nationally accountable for the outcomes achieved by the NHS.
- The 10 strategic health authorities will cease to exist in April 2013. In late 2011, they will be formed into a smaller number of clusters and will support the transitional work of the NHS Commissioning Board.
- Local authorities will become responsible for promoting integration and partnership working between the NHS, social care, public health and other local services.
- All NHS trusts will be required to become foundation trusts. The Department expects most of the existing NHS trusts to be authorised as foundation trusts by April 2014.
- The role of Monitor will be extended to include the protection and promotion of patients' interests, by promoting value for money and quality in the provision of services.

2 National Health Service Landscape Review, www.nao.org.uk/publications/1011/nhs_landscape_review.aspx
3 Department of Health: Government response to the NHS Future Forum report, June 2011.

Figure 2
The Department of Health's proposed delivery network



NOTE
1 The main source of funding for adult social services is the Department for Communities and Local Government.

Source: National Audit Office

12 In September 2011, the Health and Social Care Bill, which provides for the legislative change required to implement the Government's proposals, was at the Report stage in the House of Commons.

Where the Department spends its money

13 In 2010-11, the Department's budget was £101.4 billion. The majority of this money was spent by primary care trusts (**Figure 3** overleaf).

14 The core Department employed an average of 4,791 whole-time equivalent staff at a cost of £377.5 million during 2010-11. At 30 September 2010, when an NHS-wide census was carried out, there were 1.4 million staff in the NHS workforce.

15 The NHS Business Services Authority administers the NHS Pension Scheme (for England and Wales) which paid £6.7 billion, including lump sums on retirement, to around 670,000 people in 2010-11.[4]

Capability and leadership

16 In 2006, the Cabinet Office launched Capability Reviews to assess departments' leadership, strategy and delivery – to improve departmental readiness for future challenges and to enable departments to act on long-term key development areas. Since publication of the last round of external assessments, between April 2008 and December 2009, departments are now required to conduct and publish self-assessments and resultant action plans against standard criteria set out in the Cabinet Office model of capability, which was updated in July 2009.[5] Departments must rate their capability against ten criteria under three themes:

- **Leadership criteria** – 'set direction'; 'ignite passion, pace and drive'; and 'develop people'.
- **Strategy criteria** – 'set strategy and focus on outcomes'; 'base choices on evidence and customer insight'; and 'collaborate and build common purpose'.
- **Delivery criteria** – 'innovate and improve delivery'; 'plan, resource and prioritise'; develop clear roles, responsibilities and delivery models'; and 'manage performance and value for money'.

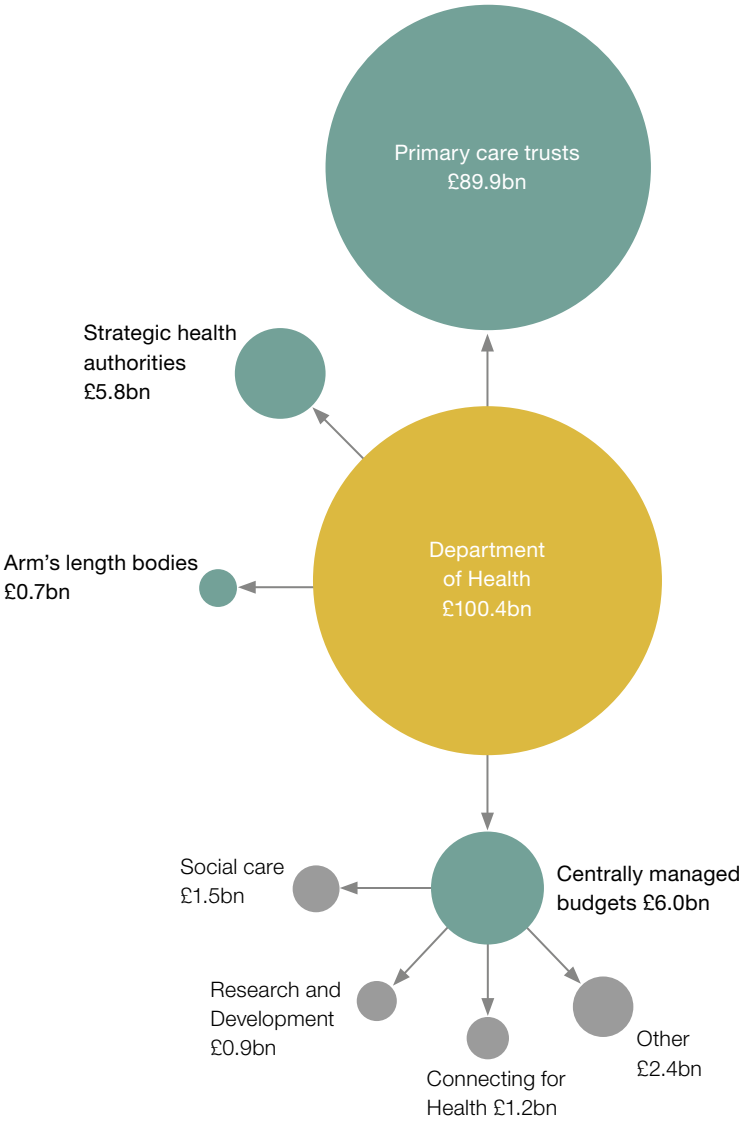
17 All self-assessments are due for completion by March 2012, with the first self assessment nearing completion. In addition to self-assessment, Departments also have the option of asking the Cabinet Office to undertake a full external Capability Review assessment.

18 The Civil Service People Survey aims to provide consistent and robust metrics to help government understand how it can improve levels of engagement across the Civil Service. As part of this survey, civil servants across all participating organisations are asked a range of questions across nine themes which seek to measure their experiences at work. We present here the results of the second annual people survey for the Department of Health – undertaken between mid-September 2010 and the end of October 2010 – covering the themes of leadership and managing change, and understanding of organisational objectives and purpose (**Figure 4** overleaf). The results of 17 major departments are in Appendix Two.

19 As part of the annual survey, each Department receives an engagement index, assessing the level of staff engagement determined by: the extent to which staff speak positively of the organisation, are emotionally attached and committed to it, and are motivated to do the best for the organisation. In 2010, the Department of Health achieved an engagement index of 55 per cent, five percentage points lower than in 2009 and one percentage point lower than the 2010 Civil Service average.

4 NHS Business Services Authority, *NHS Pension Scheme & Compensation for Premature Retirement Scheme, Annual Accounts* 2010-11.
5 More information about Capability Reviews is available at: www.civilservice.gov.uk/about/improving/capability/index.aspx

Figure 3
Where the Department spent its money in 2010-11



NOTES

1 The Department under-spent by £968 million against its budget in 2010-11.

2 The total value of expenditure shown sums to more than £100.4 billion because of surpluses and budgeting adjustments.

Source: Department of Health, Annual Report and Accounts 2010-11, September 2011

Figure 4
2010 Civil Service People Survey: Department of Health

Theme	Theme score (% positive)[1]	Difference from 2009 survey	Difference from Civil Service 2010[2]
Leadership and managing change			
I feel that the Department as a whole is managed well	39	-9	-2
Senior Civil Servants in the Department are sufficiently visible	51	-2	+6
I believe the actions of Senior Civil Servants are consistent with the Department's values	42	-2	+2
I believe the Departmental Board has a clear vision for the future of the Department	28	-13	-7
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	37	-8	+1
I feel that change is managed well in the Department	21	-6	-7
When changes are made in the Department they are usually for the better	14	-11	-9
The Department keeps me informed about matters that affect me	52	-10	-2
I have the opportunity to contribute my views before decisions are made that affect me	29	-11	-4
I think it is safe to challenge the way things are done in the Department	33	-9	-7
Organisational objectives and purpose			
I have a clear understanding of the Department's purpose	74	-11	-10
I have a clear understanding of the Department's objectives	69	-11	-8
I understand how my work contributes to the Department's objectives	74	-7	-6

NOTES

1 Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.

2 The 2010 benchmark is the median per cent positive across all organisations that participated in the 2010 Civil Service People Survey. The difference between the Department and the Civil Service (Appendix Two) may differ due to rounding.

Source: Department of Health People Survey Results Autumn 2010

Part Two

Financial management

20 The ability of departments to control costs and drive out waste requires professional financial management and reporting. In particular, departments need to be better at linking costs to services, and benchmarking performance to determine whether costs are justified and value for money can be improved. Organisations also need to move their risk management arrangements from a process-led approach to one which supports the efficient and effective delivery of services. Organisations have to publish Statements on Internal Control[6] with their Annual Financial Statements, which describe their arrangements for risk management, internal control and governance.

Financial outturn for 2010-11 and comparison with budget

21 The Department must manage the revenue expenditure of all organisations inside its budgeting boundary. This boundary comprises two separate budgets:

- Revenue Departmental Expenditure Limit (RDEL); and
- Annually Managed Expenditure (AME) – expenditure which HM Treasury has deemed to be demand-led or exceptionally volatile scores against the AME budget.

22 The Department under-spent by £968 million (1.0 per cent) against its final RDEL budget of £101,384 million in 2010-11. The Department under-spent by £2,053 million (42.4 per cent) against its final AME budget of £4,844 million in 2010-11, mainly because the NHS reforms were delayed to allow for the listening exercise to take place.

Progress on efficiency

23 Departments are under increasing pressure to reduce costs. The scale of cost reduction required means that they are having to look beyond immediate short-term savings, and think more radically about how to take cost out of the business and how to sustain this in the longer term. Our **Short Guide to Structured Cost Reduction**[7] published in June 2010, sets out the high level principles that we expect Departments to follow in taking a structured approach to cost reduction. It covers the three stages of cost reduction – tactical efficiency savings, strategic operational realignment, and sustainable cost reduction – and outlines nine principles underlying structured cost reduction, including, having a data-driven approach to understanding, comparing and interrogating costs.

24 We have published detailed information and guidance on a number of the principles underpinning effective structured cost reductions, including **Managing risks in government**,[8] **Progress in improving financial management in government**,[9] and **Taking the measurement of government performance** (Appendix Four).[10]

25 The Department aims to deliver up to £20 billion of efficiency savings in the NHS by the end of 2014-15 through the Quality, Innovation, Productivity and Prevention (QIPP) programme. Part of the savings expected to be achieved is a 33 per cent saving in administrative costs across parts of the health sector – the Department itself, its arm's length bodies and NHS organisations, excluding foundation trusts.[11] The Department has identified three broad areas for the efficiency savings:

- centrally-driven savings (40 per cent) through pay freezes, central budgets and management cost savings;
- provider-driven savings (40 per cent) through hospital staff productivity, procurement, primary care, mental health and community services; and
- commissioner-driven savings (20 per cent) through urgent and emergency activity, elective care, prescribing and services from non-NHS bodies.[12]

6 From 2011-12 departments will produce a Governance Statement rather than a Statement on Internal Control.
7 www.nao.org.uk/publications/1011/structured_cost_reduction.aspx
8 *Managing risks in government*, www.nao.org.uk/publications/1012/managing_risks_in_government.aspx
9 *Progress in improving financial management in government*, www.nao.org.uk/publications/1011/financial_management_in_govt.aspx
10 *Taking the measure of government performance*, www.nao.org.uk/publications/1011/government_performance.aspx
11 *Department of Health – Spending Review 2010.*
12 *Committee of Public Accounts: National Health Service Landscape Review, April 2011.*

26 The Department has established a number of national workstreams designed to support the NHS to achieve the quality and productivity challenge it has been set. Some workstreams deal with the commissioning of care, for example covering long-term conditions or ensuring patients get the right care at the right time. Other workstreams deal with how NHS organisations are run, staffed and supplied, for example, by supporting NHS organisations to improve staff productivity or procurement.

27 During 2010-11 the NHS developed its plans for achieving the Departmental savings. Delivery against the locally identified programmes and national workstreams began in some areas in 2010-11, but delivery is expected to begin in earnest across the NHS in 2011-12.[13] Our review of the **delivery of efficiency savings in the NHS**[14] found that strategic health authorities had identified potential efficiency savings of £18.9 billion by July 2011.

NAO reports on financial management and efficiency

28 During the last year, our reports have identified a number of areas where financial management and efficiency could be improved across the NHS.

29 Productivity: Our report on **NHS hospital productivity**[15] found that since 2000 productivity in hospitals had fallen by around 1.4 per cent per year. Increased funding had paid for more, better paid staff, and extra goods and services, but hospital activity – adjusted to reflect these improvements in the quality of care – had not risen at the same rate as these additional resources. Our study also identified that there were unexplained variations across England in the money spent by hospitals to provide the same treatments, and the hospitals we visited did not understand why their costs were higher or lower than the average.

30 Funding allocations: Our report on the **formula funding of local public services**[16] found that the objectives of the formula for apportioning funds to individual primary care trusts are transparent and clearly linked to the structure of the funding model. However, we concluded that the objectives could be further refined to provide greater clarity as to their relative weighting within the formula. Our report also showed that in years where funding formulae were significantly redesigned, coinciding with reorganisation of the health service, the funding received by individual primary care trusts moved away from their calculated needs. The operation of stability adjustments led to some primary care trusts being funded significantly above or below their needs-assessed levels for extended periods.

31 Procurement: Our report on **the procurement of consumables**[17] found that prices paid for the same items and services vary widely from one trust to another, and the NHS is incurring unnecessary administrative and management costs as a result of trusts making multiple disjointed purchase orders. We found that if hospital trusts were to amalgamate small, ad hoc orders into larger, less frequent ones, rationalise and standardise product choices, and strike committed volume deals across multiple trusts, they could make overall savings of at least £500 million, around 10 per cent of the £4.6 billion spent annually on NHS consumables.

13 Department of Health, *Annual Report and Accounts, 2010-11.*
14 Delivering efficiency savings in the NHS: A memorandum for the House of Commons Health Committee, September 2011.
15 *Management of NHS hospital productivity,* www.nao.org.uk/publications/1011/nhs_hospital_productivity.aspx
16 *Landscape review: Formula funding of local public services,* www.nao.org.uk/publications/1012/formula_funding.aspx
17 *The procurement of consumables by NHS acute and Foundation trusts,* www.nao.org.uk/publications/1011/nhs_procurement.aspx

32 Use of resources: Our reports on **the cancer reform strategy**[18] and **high value capital equipment**[19] showed that challenging the use of existing resources could enable the NHS to use capacity more productively and help meet increasing demand. For example, we found that value for money is not being achieved across all NHS trusts in the use of high value equipment, such as Computed Tomography (CT) and Magnetic Resonance Imaging (MRI) scanners, used for diagnosis, and Linear Accelerator Machines and radiotherapy machines, used for cancer treatment. There are significant variations across England in levels of activity achieved, and a lack of comparable information about performance and cost of machine use. The use of radiotherapy machines alone varies over two-fold per year, per machine, by centre across the NHS.

NAO financial audit findings

33 We audit the accounts of the Department and its arm's length bodies, the NHS summarised accounts and foundation trusts' consolidated accounts. With the exception of foundation trusts, which appoint their own independent auditors, the Audit Commission is currently responsible for appointing the auditors of individual NHS bodies in England. In August 2010, the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission. The audit work carried out by the Audit Commission will move to the private sector, subject to Parliament approving the necessary legislative changes. The Department of Health and the Department for Communities and Local Government are in discussions about what new arrangements need to be in place for independent external audit of those NHS bodies currently audited by the Audit Commission.

34 The Comptroller and Auditor General certified the Department's Resource Accounts for 2010-11 in September 2011, giving an unqualified opinion.

Issues raised in Statements on Internal Control

35 We work with the Department and its sponsored bodies to improve their published Statements on Internal Control. We aim to ensure that the processes by which Statements are produced are robust, and that the statements comply with Treasury guidance.

36 One significant internal control issue – the delayed publication of the Resource Accounts – was raised by the Department in its Statement on Internal Control for 2010-11. The Department reported that, due to a number of factors, it had failed to meet the Treasury timetable to publish its Resource Accounts before Parliament rose for the summer; and, while no individual factor represented a significant internal control problem, the delay in laying the Resource Accounts, resulting from the cumulative impact of these factors, represented a significant control problem. The Department noted that each of the individual issues is being addressed, and that it is undertaking a lessons-learnt review, with the advice and assistance of the National Audit Office, to ensure that the 2011-12 Resource Accounts are published by the agreed date.[20]

18 *Delivering the Cancer Reform Strategy,* www.nao.org.uk/publications/1011/cancer_reform_strategy.aspx
19 *Managing high value capital equipment in the NHS in England,* www.nao.org.uk/publications/1011/nhs_high_value_equipment.aspx
20 *Department of Health: Resource Accounts 2010-11.*

Part Three

Use of information

37 Government needs robust, timely information on context, activities, costs, progress against its objectives, and the cost-effectiveness of its activities. It also needs to be able to interpret that information, by reference to trends, expectations, benchmarks and other comparisons, to identify problems and opportunities. Departments need reliable information on which to design and deliver services and monitor quality, be confident about their productivity, and drive continuous improvement.

38 The Coalition Government has pledged, under the transparency agenda, to make more government information available to the public to help improve accountability and deliver economic benefits. In June 2010 the system of Public Service Agreements ended and instead, departments are to be held accountable to the public based on the data they use to manage themselves.

Reporting performance: Annual Reports and Business Plans

39 Each government department now reports its performance against the priorities and objectives set out in its Business Plan. The Plan's transparency section includes performance indicators selected by the department to reflect its key priorities and demonstrate the cost and effectiveness of the public services it is responsible for. These indicators fall broadly into two categories:

- input indicators: a subset of the data gathered by the department on the resources used in delivering services; and
- impact indicators: designed to help the public judge whether departmental policies are having the desired effect.

40 The Plan's structural reform section provides a detailed list of actions and milestones designed to show the steps the department is taking to implement the Government's reform agenda.

41 Departmental progress against indicators is published regularly in a Quarterly Data Summary, most recently in July 2011. The Quarterly Data Summary is designed as a standardised tool for reporting selected performance metrics for each government department, in a way that facilitates comparison across departments where this is appropriate. Data published in the summary can be compared to the previous quarter (April 2011) which will also be the baseline for this data set. The information in the summary has not been audited and the Cabinet Office has said that the accuracy of the data for all departments needs to improve.[21] However, the Cabinet Office expects that over time, with improvements in data quality and timeliness, the public will be able to judge the performance of each department in a meaningful and understandable manner. An annual version of this information is expected to be formally laid in Parliament in departments' Annual Reports and Accounts from 2012 onwards.

42 It is too early to comment on Departmental performance reported against the new performance indicators. Through its review of departmental business planning, however, the House of Commons Committee of Public Accounts[22] identified some essential elements to help ensure effective accountability and value for money, including the need for:

- monitoring arrangements which align costs and results for all significant areas of Departmental activity and spending; and
- clear definitions of expected outcomes and standards, rigorous timelines and appropriate strategies to intervene when expectations are not met.

21 www.cabinetoffice.gov.uk/resource-library/business-plan-quarterly-data-summary
22 *Departmental Business Planning* (Thirty-seventh Report of Session 2010-12), House of Commons Committee of Public Accounts, May 2011, http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/650/650.pdf

Performance reported by the Department

43 The Department's Business Plan[23] outlines its vision and priorities for 2011-15, as well as the key commitments involved in delivering the proposed NHS reform programme. The Plan sets out the indicators which the Department believes are most useful to the public in understanding the costs and outcomes of health and social care services. Input indicators include the unit costs of various treatment activities, such as the unit cost of a GP consultation or the cost of a patient attending accident and emergency departments. Impact indicators include differences in life expectancy between areas, and measures of patient experience in hospital.

44 In the most recently published data on its performance against its Structural Reform Plan Actions[24], the Department reported that six actions were overdue. The overdue actions, which included the establishment of GP consortia (now clinical commissioning groups) and the NHS Commissioning Board in shadow form, had been delayed to allow for the conclusion of the Government's listening exercise and the publication of the NHS Future Forum report on the proposed reforms.[25] The timetable for delivery of these actions has been amended as the Government's response to the Future Forum report resulted in a generally revised timetable for the Health and Social Care Bill and the implementation of the proposed reforms.

Testing the reliability of performance data across government

45 Some of the data systems used to report against the new performance indicators will be the same as those used by the Department to report against Public Service Agreements. In July 2010, we published our Sixth Validation Compendium Report[26] on our work to test the systems used to report against Public Service Agreements. Our report found that the quality of data systems had improved but a third of the systems examined needed strengthening to improve controls or transparency and 10 per cent of systems were not fit for purpose.

46 Over the next three years we will complete work to validate the data systems underpinning the Departmental business plans and other key management information.

Use of information by the Department

47 In October 2010, the Department launched a consultation on its proposals for "an information revolution" through which NHS patients would be given more information and control, and greater choice about their care.[27] Under the proposals, the Information Centre for Health and Social Care would become the single, national repository for data collected from NHS and social care organisations. The consultation closed in January 2011 and the Department published its response in August 2011.[28] The Department is now developing a strategy to put its plans into action, taking account of feedback received during the consultation period. The Department has not stated publicly when the information strategy will be published.

48 During the last year, our reports have identified a number of areas where the use of information within the Department and the NHS could be improved.

49 Information to assess need: It is important that commissioners across the NHS have accurate information in order to assess and meet demand for services across England. Our review of **the cancer reform strategy**[29] found that the Department had taken action to improve the quality of information on cancer, but that key gaps remained. For example, incomplete data on how advanced patients' cancers have become at the time they are diagnosed limits understanding of variations in patient outcomes and the effective allocation of resources. Our report on **tackling inequalities**[30] in life expectancy in deprived areas recommended that commissioners should

23 Department of Health, *Business Plan 2011-15, July 2011.*
24 The performance data has not been audited.
25 Department of Health, *Structural Reform Plan Monthly Implementation Update*, June 2011.
26 *Taking the measure of government performance,* www.nao.org.uk/publications/1011/government_performance.aspx
27 Department of Health, *An Information Revolution: a consultation on proposals*, October 2010.
28 Department of Health, *An Information Revolution: Summary of responses to the consultation*, August 2011.
29 *Delivering the Cancer Reform Strategy,* www.nao.org.uk/publications/1011/cancer_reform_strategy.aspx
30 *Tackling inequalities in life expectancy in areas with the worst health and deprivation,* www.nao.org.uk/publications/1011/health_inequalities.aspx

maintain a clear understanding of the needs of local populations in order to achieve greater equity in access to health services.

50 Information to assess outcomes: A number of our studies have found a consistent lack of effective management information to demonstrate whether strategies have delivered intended outcomes. Our study on **the cancer reform strategy**[31] showed that data on chemotherapy activity and outcomes are poor. Our report on **NHS ambulance services**[32] found that improvements in ambulance trusts' performance over the last decade had been hampered by a narrow focus on response times to calls, rather than on patient outcomes, although a broader, outcome-led performance regime had been put in place in April 2011. Similarly, our review of **tackling inequalities**[33] found that performance management by the Department was focused on changes to life expectancy and mortality rates, rather than on key interventions known to address risks to health that disproportionately affected deprived populations. As a result, it was not clear why geographical areas were performing well or badly, and what action was needed to address poor performance.

51 Information to benchmark costs: Our recent work has found that commissioners often lack data to understand and benchmark their costs. Examples include our reports on **high value capital equipment**[34], **tackling inequalities**[35], and **the cancer reform strategy**[36]. This lack of good cost information at a local level also reduces the Department's ability to improve efficiency and demonstrate that its devolved delivery model is achieving value for money. Our report on **the procurement of consumables**[37] by NHS acute and foundation trusts found that the NHS is not achieving the best prices on hospital equipment and supplies because trusts do not collaborate on purchases or share cost information.

52 Information to manage contracts: Our report on **the National Programme for IT in the NHS**[38] found that there was a lack of clarity between the Department and its suppliers about basic management information. The Department was also unable to provide us with a full breakdown of the cost of its contracts and what it had paid for each system, or to explain the cost implications of changes to its contract with BT in London. Our report on **hospital PFI contracts**[39] highlighted a need for more central information on the PFI portfolios of individual trusts, in order to leverage common issues and facilitate improved performance.

31 *Delivering the Cancer Reform Strategy,* www.nao.org.uk/publications/1011/cancer_reform_strategy.aspx
32 *Transforming NHS ambulance services,* www.nao.org.uk/publications/1012/nhs_ambulance_services.aspx
33 *Tackling inequalities in life expectancy in areas with the worst health and deprivation,* www.nao.org.uk/publications/1011/health_inequalities.aspx
34 *Managing high value capital equipment in the NHS in England,* www.nao.org.uk/publications/1011/nhs_high_value_equipment.aspx
35 *Tackling inequalities in life expectancy in areas with the worst health deprivation,* www.nao.org.uk/publications/1011/health_inequalities.aspx
36 *Delivering the Cancer Reform Strategy,* www.nao.org.uk/publications/1011/cancer_reform_strategy.aspx
37 *The procurement of consumables by NHS acute and Foundation trusts,* www.nao.org.uk/publications/1011/nhs_procurement.aspx
38 *The National Programme for IT in the NHS,* www.nao.org.uk/publications/1012/npfit.aspx
39 *The performance and management of hospital PFI contracts,* www.nao.org.uk/publications/1011/pfi_hospital_contracts.aspx

Part Four

Service delivery

53 Public services are different in the ways they are delivered, but their quality and cost effectiveness depends on a number of common minimum requirements. For example, service delivery requires a well thought-out delivery model, sound programme and project management, strong commercial skills, mature process management and a real understanding of customer needs. Many of our reports to Parliament cover these issues. We summarise below some of this work, organised by key areas of the Department's business.

54 In recent years, the Department has devolved increasing levels of responsibility for service delivery to 151 primary care trusts, which spend around 80 per cent of total NHS funding. They do this through a process known as 'commissioning' – identifying what health and care services are needed locally, purchasing services from a range of local providers such as hospitals, and having systems in place to measure performance. Within their allocated budgets primary care trusts are, broadly speaking, free to commission services for their local population as they see fit. Under the Government's proposed reforms, responsibility for commissioning will continue to be devolved – to a larger number of clinical commissioning groups.

55 During the last year, our reports have identified scope for improvements in service delivery, including issues relating to the Department's devolved model of resource allocation and decision-making.

56 Variations in outcomes: Our report on **tackling inequalities**[40] found that the Department had made a serious attempt to tackle health inequalities but its 2003 strategy for reducing the inequalities gap by 2010 lacked effective mechanisms to drive delivery. For example, primary care trusts lacked evidence on the cost-effectiveness of interventions to prevent or reduce health inequalities relative to their other priorities, and their commissioning of local services, a key tool for achieving greater equity in access to health services, was largely under-developed. It was not until 2006-07 that the strategy was matched by focused action to tackle health inequalities, leaving little time for these actions to have an impact before the target date.

57 Reducing hospital admissions: Our report on the **cancer reform strategy**[41] found that significant reductions had been made in inpatient hospital bed days for cancer. This reduction was achieved through a combination of measures such as reducing length of stay for all admissions and increasing the number of patients treated as day cases. We found, however, that emergency admissions for cancer are still increasing (albeit at a reduced rate), even though a key aim of the 2007 cancer reform strategy was to minimise such admissions. Wide variations in emergency admission rates exist between primary care trusts and there is a poor understanding of the reasons for the variations.

58 Our report on **NHS ambulance services**[42] found the ambulance service could achieve reductions in the number of patients being transferred to accident and emergency departments by encouraging greater take-up of new approaches to responding to calls. Ambulance services are now handling more calls over the phone by providing clinical advice to callers, treating patients at the scene, and conveying patients to a wider range of care destinations. However, the percentage of calls treated in these ways varies considerably across England's eleven ambulance services. Our report identified indicative financial savings to the NHS from increased take-up of these new response models of £100 million to £280 million a year.

40 *Tackling inequalities in life expectancy in areas with the worst health and deprivation,* www.nao.org.uk/publications/1011/health_inequalities.aspx
41 *Delivering the Cancer Reform Strategy,* www.nao.org.uk/publications/1011/cancer_reform_strategy.aspx
42 *Transforming NHS ambulance services,* www.nao.org.uk/publications/1012/nhs_ambulance_services.aspx

59 Understanding the costs and benefits of different delivery models: Our reports on **NHS ambulance services,**[43] **the cancer reform strategy**[44] and **hospital productivity**[45] found that commissioners had difficulties in moving funds from hospitals to commission services in non-hospital settings, an approach which may provide benefits to patients while also improving efficiency. The Department has identified the migration of services from hospitals into the community as a key source of many of the provider-driven and commissioner-driven savings to be made through the QIPP programme, but recognises that these savings will be the most difficult to achieve.[46]

60 Our report on **establishing social enterprises**[47] found that primary care trusts had not generally specified in initial contracts all the benefits that social enterprises are expected to deliver. The Department and primary care trusts are therefore unable to monitor the extent to which social enterprises are able to deliver cost savings and benefits over and above those provided by other delivery models.

61 Delivering a national tariff: The challenges faced by the Department in developing and implementing a national system of tariffs for acute services, under which hospitals are paid at a set tariff rate per procedure carried out, were highlighted in our reports **on NHS ambulance services**,[48] the **cancer reform strategy**[49] and **hospital productivity.**[50] The Department's original intention was that by 2008 all commissioning would use national tariffs, which have been shown to drive reductions in length of stay and increase the proportion of operations undertaken as day surgery rather than more expensive inpatient admissions; however, the rolling out of a national tariff for all hospital activity has been delayed.

62 Collaboration: Our reports on **high value capital equipment**[51] and **the procurement of consumables**[52] demonstrated that the NHS is not achieving the best prices on hospital equipment and supplies because trusts do not collaborate on purchases or share cost information. Opportunities are frequently missed to secure lower prices by grouping together requirements and achieving economies of scale. The majority of hospital trusts are foundation trusts and therefore outside the Department's direct control and the remainder of trusts are expected to achieve this status in the next few years. Collaborative procurement is therefore voluntary, and the Department has no mechanism for securing the commitment of individual hospital trusts to purchase a single class of supplies.

63 Programme management: Programme and contract management has been a critical factor in the relative successes of two of the Department's key programmes covered by our reports in the last year.

- We found that most **hospital PFI contracts**[53] are being well-managed by primary care trusts, and evidence collected by the NAO from trusts' performance management systems suggests the contracts are currently achieving the value for money expected when the agreements were signed.
- Our report on the **National Programme for IT in the NHS**[54] highlighted the difficulties the Department has encountered in recent years in managing suppliers' delivery against contractual milestones. The original aim of the Programme was for every NHS patient to have a detailed electronic patient record by 2010. Although some care records systems are in place, progress has fallen far below expectations and the Department has not delivered systems across the NHS or with the functionality that will enable it to achieve the original aspirations of the Programme.

43 *Transforming NHS ambulance services,* www.nao.org.uk/publications/1012/nhs_ambulance_services.aspx
44 *Delivering the Cancer Reform Strategy,* www.nao.org.uk/publications/1011/cancer_reform_strategy.aspx
45 Management of NHS hospital productivity, www.nao.org.uk/publications/1011/nhs_hospital_productivity.aspx
46 House of Commons Public Accounts Committee, *National Health Service Landscape Review*, HC 764 Thirty-third Report of Session 2010-12, April 2011.
47 *Establishing social enterprises under the Right to Request Programme,* www.nao.org.uk/publications/1012/the_right_to_request_programme.aspx
48 *Transforming NHS ambulance services,* www.nao.org.uk/publications/1012/nhs_ambulance_services.aspx
49 *Delivering the Cancer Reform Strategy,* www.nao.org.uk/publications/1011/cancer_reform_strategy.aspx
50 *Management of NHS hospital productivity,* www.nao.org.uk/publications/1011/nhs_hospital_productivity.aspx
51 *Managing high value capital equipment in the NHS in England,* www.nao.org.uk/publications/1011/nhs_high_value_equipment.aspx
52 *The procurement of consumables by NHS acute and Foundation trusts,* www.nao.org.uk/publications/1011/nhs_procurement.aspx
53 *The performance and management of hospital PFI contracts,* www.nao.org.uk/publications/1011/pfi_hospital_contracts.aspx
54 *The National Programme for IT in the NHS,* www.nao.org.uk/publications/1012/npfit.aspx

Appendix One

The Department's arm's length bodies as at 1 April 2011

Regulatory arm's length bodies

Arm's length bodies that regulate the health and social care system. They often have their own primary powers and on the whole operate independently.

- Care Quality Commission
- Council for Healthcare Regulatory Excellence
- General Social Care Council
- Human Fertilisation and Embryology Authority
- Human Tissue Authority
- Medicines and Healthcare Products Regulatory Agency
- Monitor

Standards arm's length bodies

Arm's length bodies that focus on establishing national standards and best practice.

- National Institute for Health and Clinical Excellence

Public welfare arm's length bodies

Arm's length bodies that focus primarily on safety and the protection of public and patients. Some of these bodies have international remits as well.

- Health Protection Agency
- National Treatment Agency

Central services to the NHS arm's length bodies

Arm's length bodies that are intended to provide more cost-effective services and focused expertise across the health and social care system.

- Information Centre for Health and Social Care
- NHS Appointments Commission
- NHS Blood and Transplant
- NHS Business Services Authority
- NHS Institute for Innovation and Improvement
- NHS Litigation Authority
- National Patient Safety Agency

Appendix Two

Results of the Civil Service People Survey 2010

Question scores (% strongly agree or agree)	Civil Service overall
Leadership and managing change	
I feel that the department as a whole is managed well	**41**
Senior Civil Servants in the Department are sufficiently visible	**45**
I believe the actions of Senior Civil Servants are consistent with the Department's values	**39**
I believe that the Departmental Board has a clear vision for the future of the Department	**35**
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	**36**
I feel that change is managed well in the Department	**27**
When changes are made in the Department they are usually for the better	**23**
The Department keeps me informed about matters that affect me	**54**
I have the opportunity to contribute my views before decisions are made that affect me	**32**
I think it is safe to challenge the way things are done in the Department	**39**
Organisational objectives and purpose	
I have a clear understanding of the Department's purpose	**84**
I have a clear understanding of the Department's objectives	**78**
I understand how my work contributes to the Department's objectives	**80**

Source: Civil Service People Survey 2010, http://www.civilservice.gov.uk/about/improving/employee-engagement-in-the-civil-service

Department for Business, Innovation and Skills (excluding agencies)	Cabinet Office (excluding agencies)	Department for Communities and Local Government (excluding agencies)	Department for Culture, Media and Sport (excluding agencies)	Ministry of Defence (excluding agencies)	Department for Education	Department of Energy and Climate Change	Department for Environment, Food and Rural Affairs (excluding agencies)	Foreign and Commonwealth Office (excluding agencies)	Department of Health (excluding agencies)	HM Revenue & Customs	HM Treasury (excluding agencies)	Home Office (excluding agencies)	Department for International Development	Ministry of Justice (excluding agencies)	Department for Transport (excluding agencies)	Department for Work and Pensions (including Jobcentre Plus and Pension, Disability and Carers Service)
38	33	27	38	23	55	47	38	58	39	12	56	43	60	38	42	25
50	48	42	62	27	60	68	49	64	51	23	68	50	65	46	53	25
40	38	28	43	28	49	52	37	60	42	19	52	43	56	40	39	23
29	24	19	25	21	40	35	31	49	28	15	35	30	51	32	29	20
33	33	23	33	20	46	49	32	52	37	11	51	39	50	34	32	17
31	20	21	29	16	41	31	29	45	21	11	35	26	41	27	25	22
18	15	13	12	12	23	25	20	37	14	9	32	21	30	24	15	15
58	52	51	68	45	64	69	62	64	52	31	64	57	66	53	57	41
28	32	29	48	22	34	34	34	43	29	16	54	34	44	31	36	19
34	38	32	44	35	41	45	40	47	33	21	57	40	42	37	40	28
75	70	63	71	83	79	89	77	82	74	65	85	82	94	76	68	76
68	58	59	67	77	69	83	71	79	69	62	79	77	91	70	61	73
76	67	67	70	81	73	84	77	83	74	65	77	79	90	73	69	75

Appendix Three

Publications by the NAO on the Department since 2008

September 2011	Delivering efficiency savings in the NHS: A memorandum for the House of Commons Health Select Committee	www.nao.org.uk/publications.aspx	
20 July 2011	Formula funding of local public services	HC 1090	2010-12
24 June 2011	Establishing social enterprises under the Right to Request Programme	HC 1088	2010-12
10 June 2011	Transforming NHS ambulance services	HC 1086	2010-12
18 May 2011	The National Programme for IT in the NHS: an update on the delivery of detailed care records systems	HC 888	2010-12
30 March 2011	Managing high value capital equipment in the NHS in England	HC 822	2010-11
2 February 2011	The procurement of consumables by NHS acute and Foundation trusts	HC 705	2010-11
20 January 2011	National Health Service Landscape Review	HC 708	2010-11
17 December 2010	Management of NHS hospital productivity	HC 491	2010-11
14 December 2010	Health Resource Allocation: A briefing for the House of Commons Health Select Committee	www.nao.org.uk/publications/1011/health_resource_allocation.aspx	
18 November 2010	Delivering the Cancer Reform Strategy	HC 568	2010-11
2 July 2010	Tackling inequalities in life expectancy in areas with the worst health deprivation	HC 186	2010-11
2 July 2010	Short guide to the NAO's work on the Department of Health	www.nao.org.uk/publications/1011/short_guide_doh.aspx	
17 June 2010	The performance and management of hospital PFI contracts	HC 68	2010-11
16 June 2010	Review of the data systems for Public Service Agreement 19	www.nao.org.uk/publications/1011/review_data_systems_for_psa_19.aspx	
30 March 2010	The Community Pharmacy Contractual Framework and the retained medicine margin	www.nao.org.uk/publications/0910/community_pharmacy.aspx	
10 February 2010	Ministry of Defence: Treating injury and illness arising on military operations	HC 293	2009-10
05 February 2010	Major trauma care in England	HC 213	2009-10
3 February 2010	Department of Health: Progress in improving stroke care	HC 291	2009-10

14 January 2010	Improving Dementia Services in England – an Interim Report	HC 82	2009-10
12 November 2009	Young people's sexual health: the National Chlamydia Screening Programme	HC 963	2008-09
15 July 2009	Services for people with rheumatoid arthritis	HC 823	2008-09
12 June 2009	Reducing healthcare associated infections in hospitals in England	HC 560	2008-09
5 June 2009	Supporting people with autism through adulthood	HC 556	2008-09
29 January 2009	NHS Pay Modernisation in England: Agenda for Change	HC 125	2008-09
26 November 2008	End of Life Care	HC 1043	2007-08
29 October 2008	Department of Health: Reducing Alcohol Harm: health services in England for alcohol misuse	HC 1049	2007-08
10 October 2008	Feeding back? Learning from complaints handling in health and social care	HC 853	2007-08
16 May 2008	The National Programme for IT in the NHS	HC 484	2007-08
28 February 2008	NHS Pay Modernisation: New Contracts for General Practice Services in England	HC 307	2007-08
25 January 2008	Releasing resources to the frontline: the Department of Health's Review of its Arm's Lengths Bodies	HC 237	2007-08

Appendix Four

Cross-government NAO reports of relevance to the Department since December 2008

06 June 2011	Managing risks in government	www.nao.org.uk/publications/1012/managing_risks_in_government.aspx	
26 May 2011	Option Appraisal: Making informed decisions in government	www.nao.org.uk/publications/1012/option_appraisal.aspx	
28 April 2011	Lessons from PFI and other projects	HC 920	2010-12
11 March 2011	Managing staff costs in central government	HC 818	2010-11
03 March 2011	Progress in improving financial management in government	HC 487	2010-11
17 February 2011	Information and Communications Technology in government. Landscape Review	HC 757	2010-11
21 December 2010	Short Guide to reorganising arm's length bodies	www.nao.org.uk/publications/1011/arms_length_bodies.aspx	
14 October 2010	Central government's use of consultants and interims	HC 488	2010-11
18 August 2010	A framework for managing staff costs in a period of spending reduction	www.nao.org.uk/publications/1011/managing_staff_costs.aspx	
19 July 2010	Progress with VFM savings and lessons for cost reduction programmes	HC 291	2010-11
01 July 2010	Assessing the impact of proposed new policies	HC 185	2010-11
July 2010	Sustainable development	www.nao.org.uk/publications/1011/sustainable_development.aspx	
21 June 2010	Managing complex capital investment programmes utilising private finance	www.nao.org.uk/publications/1011/complex_pfi_projects.aspx	
18 June 2010	A short guide to structured cost reduction	www.nao.org.uk/publications/1011/structured_cost_reduction.aspx	
03 June 2010	Assurance for high risk projects	www.nao.org.uk/publications/1011/project_assurance.aspx	
27 May 2010	Non-Departmental Public Bodies Performance Reporting to Departments	www.nao.org.uk/publications/1011/ndpb_performance_reporting.aspx	
18 March 2010	Reorganising central government	HC 452	2009-10

12 March 2010	The cost of public service pensions	HC 432	2009-10
6 November 2009	Commercial skills for complex government projects	HC 962	2008-09
21 October 2009	Measuring Up: How good are the Government's data systems for monitoring performance against Public Service Agreements	HC 465	2008-09
16 October 2009	Government cash management	HC 546	2008-09
29 April 2009	Addressing the environmental impacts of government procurement	HC 420	2008-09
26 March 2009	Innovation across central government	HC 12	2008-09
27 February 2009	Helping Government Learn	HC 129	2008-09
13 February 2009	Recruiting civil servants effectively	HC 134	2008-09
5 February 2009	Assessment of the Capability Review Programme	HC 123	2008-09
19 December 2008	Central government's management of service contracts	HC 65	2008-09

Appendix Five

Other sources of information

Reports from the Committee of Public Accounts since 2008

24 May 2011	Thirty-seventh Report of Session 2010–12 Departmental Business Planning	HC 650
20 May 2011	Thirty-fifth Report of Session 2010–12 The procurement of consumables by National Health Service acute and Foundation Trusts	HC 875
27 April 2011	Thirty-third Report of Session 2010–12 National Health Service landscape review	HC 764
15 March 2011	Twenty-sixth Report of Session 2010-11 Management of NHS hospital productivity	HC 741
22 February 2011	Twenty-fourth Report of Session 2010-11 Delivering the cancer reform strategy	HC 687
18 January 2011	Fourteenth Report of Session 2010-11 PFI in housing and hospitals	HC 631
2 November 2010	Third Report of Session 2010-11 Tackling inequalities in life expectancy in areas with the worst health and deprivation	HC 470
7 April 2010	Thirtieth Report of Session 2009-10 Tackling problem drug use	HC 456
30 March 2010	Twenty-sixth Report of Session 2009-10 Progress in improving stroke care	HC 405
29 March 2010	Twenty-seventh Report of Session 2009-10 Treating injury and illness arising on military operations	HC 427
16 March 2010	Nineteenth Report of Session 2009-10 Improving dementia services in England – an interim report	HC 321
23 February 2010	Tenth Report of Session 2009-10 Service for people with rheumatoid arthritis	HC 46
28 January 2010	Seventh Report of Session 2009-10 Young people's sexual health: the National Chlamydia Screening Programme	HC 283
10 November 2009	Fifty-second Report of Session 2008-09 Reducing Healthcare Associated Infections in Hospitals in England	HC 812
15 October 2009	Fiftieth Report of Session 2008-09 Supporting people with autism through adulthood	HC 697
30 July 2009	Forty-seventh Report of Session 2008-09 Reducing Alcohol Harm: health services in England for alcohol misuse	HC 925
16 July 2009	Thirty-seventh Report of Session 2008-09 Building the Capacity of the Third Sector	HC 436
18 June 2009	Twenty-ninth Report of Session 2008-09 NHS Pay Modernisation in England: Agenda for Change	HC 310
14 May 2009	Nineteenth Report of Session 2008-09 End of life care	HC 99
27 January 2009	Second Report of Session 2008-09 The National Programme for IT in the NHS: Progress since 2006	HC 153

9 October 2008	Forty-first Report of Session 2007-08 NHS Pay Modernisation: New contracts for General Practice services in England	HC 463
17 June 2008	Twenty-sixth Report of Session 2007-08 Caring for Vulnerable Babies: The reorganisation of neonatal services in England	HC 390
24 January 2008	Sixth Report of Session 2007-08 Improving Services and Support for People with Dementia	HC 228
17 January 2008	Second Report of Session 2007-08 Department of Health: Prescribing costs in primary care	HC 173

Recent reports from central government

July 2011	Department of Health	Business Plan 2011-15
June 2011	Department of Health	Government response to the NHS Future Forum report
January 2011	Department of Health	Health and Social Care Bill 2011
November 2010	Department of Health	(White Paper) Healthy lives, healthy people: our strategy for public health in England
July 2010	Department of Health	Liberating the NHS: Report of the arm's-length bodies review
July 2010	Department of Health	(White Paper) Equity and excellence: Liberating the NHS
December 2009	HM Government	Putting the frontline first: smarter government

Cabinet Office Capability Reviews

July 2009	Cabinet Office	Department of Health: Progress and next steps
July 2008	Cabinet Office	Capability Review of the Department of Health: One Year Update

Where to find out more

The National Audit Office website is **www.nao.org.uk**

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