Response to NHS Chief Executive’s Open Call for Evidence and Ideas

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Department of Health
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Summary

1 The Audit Commission is pleased to respond to the NHS Chief Executive's Innovation Review. The Commission's response is focused on a few specific areas. Firstly, our knowledge and experience of innovation in local government, published in our 2007 study, *Seeing the Light*. Secondly, our current series of briefings on value for money in social care. Thirdly, our knowledge of the Commissioning for Quality and Innovation (CQUIN) payment framework.

2 All our published briefings can be downloaded from our website, [http://www.audit-commission.gov.uk/nationalstudies/pages/default.aspx](http://www.audit-commission.gov.uk/nationalstudies/pages/default.aspx). There are also ten case studies of innovative practice in local authorities that form part of our *Seeing the Light* report.

3 We believe that *Seeing the Light* contains some key messages about innovation and individual local authorities, which are probably equally relevant to the NHS.

4 We found six facts are critical to innovation in an organisation:
   ■ the level of ambition;
   ■ openess to novelty;
   ■ organisational structure;
   ■ empowering staff and partners;
   ■ the space for creative thinking; and
   ■ using information effectively.

5 However, there are several barriers to innovation at that level:
   ■ failures in risk assessment and risk management;
   ■ overestimation of capacity;
   ■ lack of effective leadership or strategic input;
   ■ poor organisation and communication;
   ■ absence of or poor quality project management;
   ■ inadequate reporting to members;
   ■ failings in the use of external advice;
   ■ poor management of contractual partnerships; and
   ■ poor procurement practice.

6 Appendix 1 contains a checklist, taken from our report, for local authority chief executives, which they could use to assess the level of innovation in their organisation. We believe this checklist could be adapted for use by NHS chief executives as well.
Our key messages on social care are:

- integration between social care and the NHS was one of the least common ways of achieving efficiencies;
- there is great variation in performance on the measures that suggest joint working across the NHS and social care;
- the evidence on the impact of partnership initiatives is not strong; and
- we suggest the social care-NHS interface should become a specific focus of the DH's innovation strategy for the future.

Our key messages on developing CQUIN are:

- we feel the CQUIN payment framework could be better delineated from other financial incentive schemes, such as Never Events, contract KPIs and Best Practice Tariffs; and
- the CQUIN payment framework could be a vehicle to encourage the spread of innovations across and between organisations and to shorten the lag between innovations in practice and in policy.
Detailed response

Introduction

9 The Audit Commission is pleased to respond to the NHS Chief Executive's innovation review. The Commission's response is focused on two areas. Firstly, our knowledge and experience of innovation in local government, published in our 2007 study, Seeing the Light. Secondly, our knowledge of incentivising the adoption and diffusion of innovation in the NHS, through the Commissioning for Quality and Innovation (CQUIN) payment framework.

Innovation in local government

10 By innovation, we mean an approach to improvement with three defining features: novelty, influence on change and the goal of improvement. As such, risk is inherent in the innovation process. The principal risk in innovating lies not in producing new ideas but in implementing them.

11 Innovation is widespread in local authorities. Nearly half of local authorities reported that they were engaged in a great deal of innovation. We did not find any relationship between a local authority’s Comprehensive Performance Assessment rating and the level of innovation it reported. Nor was the level of innovation related to the number of changes of political control a council had undergone.

12 Local authorities innovate across the range of their activities:
- service design or delivery innovation;
- process or managerial innovation;
- democratic innovation; and
- strategic innovation.

13 In local authorities, the drivers to innovate are pressures to deliver improvements in performance for users and increased value for money for taxpayers. We found that efficiency was the strongest driver of innovation. We found no evidence that central government requirements or audit and inspection act as a brake on innovation. Local political pressures and the expectations of local communities can also provide a stimulus to innovate.

14 Innovation offers several potential benefits to local authorities: improving value for money; achieving more effective service delivery; and building stronger community engagement. The pressure for efficiency has driven some authorities to reconfigure their activities in innovative ways, rather than making quick savings or ‘salami slicing’ budgets. The move to a single point of contact for customers is a good example of how many councils have improved service delivery.
We found six facts are critical to producing innovation in an authority:

- the level of ambition;
- openness to novelty;
- organisational structure;
- empowering staff and partners;
- the space for creative thinking; and
- using information effectively.

We found evidence in our fieldwork of innovation emerging where chief executives and leaders set aspirational, outcome-based targets in specific service areas while being flexible about how managers might achieve them. Equally, we found evidence that innovative authorities are organising themselves to harness innovation to two specific ways. Chief executives are giving directors responsibility for corporate projects and freeing them of day-to-day responsibly for service-specific areas. However, we did not find many examples of specific innovation units in local government. High numbers of respondents to our survey claimed that staff were regularly contributing and sharing ideas, although they reported that staff are not always rewarded for doing so.

Using information intelligently can also help produce innovation. Analysis of data and management information to identify trends and anomalies can make future options clearer and spark creative thinking. It can also provide evidence of potential performance improvements or efficiency savings.

We identified several barriers to innovation at authority level:

- failures in risk assessment and risk management;
- overestimation of capacity;
- lack of effective leadership or strategic input;
- poor organisation and communication;
- absence of or poor quality project management;
- inadequate reporting to members;
- failings in the use of external advice;
- poor management of contractual partnerships; and
- poor procurement practice.

Partnerships are now a significant feature of public service delivery, which we refer to in the next section on the interface between health and social care. Surprisingly, authorities that responded to our survey did not see partnerships as vital and few consider external partners’ interests and support to be critical to successful innovation. However, our evidence shows the capacity to work with local partners is often critical. It will become increasingly difficult to carry out service delivery innovations without the cooperation and collaboration of partner organisations.
Finally, greater improvement can be driven by collaboration and the transfer of knowledge between organisations. Both successful and failed innovations can provide learning for the sector. However, we found only a quarter of authorities were able to access relevant examples when they needed them. This is partly because authorities themselves were not making a sufficient contribution to the collective knowledge of the sector. Barriers to sharing innovative practice include: the difficulty of evaluating innovations; a reluctance to learn from failure; and the burden of dissemination. Central agencies do have a role in helping overcome these barriers.

The published report, available from our website at http://wwwaudit-commission.gov.uk/nationalstudies/pages/default.aspx provides fuller information on all these points

Health and social care

Our work on value for money in adult social care found that integration and working more closely with the NHS was one of the least common ways of achieving efficiencies for local authorities. However, councils planned to focus more on this area in future.

The analysis we have carried out for our forthcoming briefing on value for money at the NHS-social care interface implies there is great variation in performance on the measures that suggest joint working across the NHS and social care, such as emergency admissions, or admissions to care homes.

In addition, the evidence on the impact of partnership initiatives is not strong (as the recent work by the Nuffield Trust on the impact of a sample of Partnerships for Older People Projects initiatives shows).

Our findings show there needs to be greater innovation around joint working at the NHS-social care interface, whether at the invention, adoption or diffusion stages. We suggest the social care-NHS interface should become a specific focus of the DH's innovation strategy for the future.
Incentivising innovation through PFP and PBR

26 Introducing the CQUIN payment framework was a step towards incentivising improvements in quality of health care. CQUIN fits within a suite of other policy levers, which seek to apply financial incentives to quality improvement targets, such as Never Events, contract key performance indicators (KPIs) and Best Practice Tariffs. We await with interest the findings of the independent evaluation of CQUIN’s effectiveness. Meanwhile, we have some suggestions for how the CQUIN payment framework could better be used to drive innovation.

27 In discussions with the Young Foundation, we agreed the NHS needs a vehicle to both spread innovations across and between organisations and to shorten the lag between innovations in practice and in policy. The CQUIN payment framework could be one such vehicle. Other innovation policies, such as Regional Innovation Funds and Innovation Challenge Prizes are better suited to the invention and adoption phases of innovation. However, national and local CQUIN schemes could be used to incentivise the diffusion of innovations, if our suggestions below are adopted.

28 We feel the CQUIN payment framework could be better delineated from other financial incentive schemes, such as Never Events, contract KPIs and Best Practice Tariffs. We suggest there should be a clear policy separation between the CQUIN payment framework, Best Practice Tariffs and contract KPIs. The separation should be based on the scope of the area targeted and whether the action needed is a 'must do', a 'should do' or a 'could do'.

29 We suggest contract KPIs are best used where the scope is wide and the requirement is a must do – VTE risk assessment would fit this category. CQUIN schemes are best used where the scope is moderate and the requirement is a 'could do'. Best Practice Tariffs are best used where the scope is narrow and the requirement is a 'should do'. If this kind of framework were adopted, CQUIN could be used as more of a driver for diffusing innovation than it is.
Appendix 1 Checklist for chief executives

In *Seeing the Light*, we provided a checklist for chief executives of local authorities, which they could use to assess the level of innovation in their organisation. We believe this checklist could be usefully adapted for use by NHS chief executives as well.

**Drivers – does your authority feel the pressure to innovate?**
- Where is your biggest performance challenge?
- How would you meet an efficiency improvement target even more stretching than one you currently face?
- When was the last time pressure from members stimulated an innovative development?
- How do you encourage local people to set you challenges and help you find innovative solutions?

**Enablers – does your authority’s organisation and culture encourage innovative ideas?**
- Which of your targets cannot be achieved by incremental improvement?
- How can front-line staff turn innovative ideas into reality?
- Do staff have enough opportunities to think creatively away from day-to-day pressures?
- Who analyses information for insight which can result in innovation?
- How do staff know that you encourage innovation? Who came up with the last idea you supported?
- How did you behave last time an innovative approach went wrong? What message did that send about your approach to failure?
- What mechanisms are in place to ensure that lessons and insights can be communicated within your authority, and with others?

**Implementation – can your authority manage innovation effectively?**
- Why was your last successful project a success (and your last failure a failure)?
- How would you assess and manage the risks associated with an innovative service improvement idea?
- What innovative projects are your senior team sponsoring?
- How many managers do you have with the ability to manage an innovative change programme? Are they doing so?
- How many of your top dozen operational managers are working on innovative projects?
What have you recently changed in response to a suggestion from an external partner?

How were users involved in the most recent changes you made to service delivery?

Dissemination – is your authority contributing to the spread of innovative ideas?

Where will your authority look for good ideas for service improvement in the next three months?

What were the costs and benefits of the last significant innovative change in your authority?

What have you done to disseminate the success and lessons of the last innovative development?

How will you disseminate the next one? Who might be interested in it? How would you know?
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