NHS 24

Report on the 2005/6 Audit

Contents

Summary

Introduction

In 2005/6 we looked at the key organisational risks facing NHS 24. These include delivering sustainable services, achieving financial balance, managing the workforce, arrangements towards the achievement of Best Value and the Scottish Executive's Efficient Government initiative, information management and technology and partnership working. We audited the financial statements and looked at aspects of performance management and governance. This report sets out our key findings.

Delivering Sustainable Services

Management's response to the recommendations of the 2005 Independent Review of NHS 24 was finalised in November 2005. Actions to address the findings had largely been identified and implemented based on management's assessment of improvements required.

The principal measures taken to effect improvements were:

- Implementation of a dispersed model of delivery using satellite centres.
- A recruitment drive to increase call handler/nurse advisor numbers.
- Involvement in the winter planning process at all partner boards.
- Formal agreement with partner boards for additional GP resources to triage calls at peak periods.
- Improved call handling processes, with the facility to transfer calls to appropriate specialists.
- A media campaign to inform the public in appropriate use of the out of hours service.
- Replacement of the call-back system from December 2005 with "Time to Clinical Response".
- The introduction of a predictive modelling application to assess likely demand on the service.
- The introduction of a self-help guide and health encyclopaedia on the NHS 24 website.

Based on operational performance information reported to the Board, significant improvement in key areas has been achieved. Performance over the Festive Period 2005/6 was much improved over the previous year, with no major concerns or issues reported at NHS 24 or its partner Boards.

Initiatives to recruit frontline staff have been successful in relation to Call Handlers, however, recruitment of required numbers of Nurse Advisors fell short of the nominal target. Changes to the skills mix within NHS 24 during 2005/06 indicate that it is appropriate for this target to be revised in light of operational experience, however, recruitment and retention of front line staff continues to be a risk to service performance.

Achieving Financial Balance

NHS 24's proposed revenue resource limit (RRL) allocation for 2006/7 reflects an underlying reduction in baseline recurring costs, despite the organisation having taken on additional costs associated with satellite centres and other initiatives contributing to the development of the new service delivery model. In addition, final costs of Agenda for Change are still to be determined, and it has been recognised that the future financial implications of the expansion of NHS 24's role in the health service have still to be assessed.

Additional transitional funding has been provided by the Scottish Executive Health Department for 2006/7 to complete the transformation programme begun in 2005/6. Thereafter, the Scottish Executive has indicated that the revised baseline RRL will be in line with that allocated in 2004/5. NHS 24 requires to ensure the continued alignment of its service profile and its financial resources.

Financial Position

We have given an unqualified opinion on the financial statements of NHS 24 for 2005/6.
NHS 24's financial performance in 2005/6 was as follows:

Table 1 - 2005/2006 Financial Targets Performance £m

Financial Target	Limit as set by SEHD	Actual Out-turn	Variance (Over)/Under
Revenue Resource Limit	51.501	50.692	0.809
Capital Resource Limit	4.409	2.524	1.885
Cash Requirement	55.910	53.216	2.694

Source – Annual Accounts 2005/6

At the beginning of the financial year 2005/6, NHS 24 had a cumulative surplus of £4.988m, brought forward with the agreement of SEHD, and included in the total RRL for the year of £51.501m. NHS 24's outturn for 2005/6 was a surplus of £0.809m. The RRL for 2006/7 has now been set at £56.658m, however, this includes £5.5m additional non-recurring allocation for completion of the transformation programme begun in 2005/6, and the £809k carried forward from 2005/6. Thereafter, the Scottish Executive has indicated that the revised baseline RRL will be in line with that allocated in 2004/5.

Managing the Workforce

Recruitment of sufficient frontline staff, especially skilled nurse advisors, to cope with peaks of demand for the service will continue to be a key risk to delivering NHS 24 core services. A Strategic Workforce Plan was approved by the Board for submission to SEHD in April 2006. The plan aligns with NHS 24's overall Strategic plan and is designed to support achievement of management objectives. Detailed implementation plans are currently being developed.

Implementation of the national pay modernisation programme has progressed well, with all national timescales for staged completion having been met. Progress has been made towards achieving full implementation of the Knowledge and Skills framework. NHS 24 is working to a revised timescale agreed with the Scottish Executive Health Department for completion of the Knowledge and Skills Framework by October 2006.

An Equality & Diversity Committee was formed to co-ordinate anti-discrimination activity. In order to lead on the construction and delivery of a corporate approach to the Equality & Diversity agenda, an E&D Co-ordinator was appointed in March 2006, and a related Strategy and Implementation Plan has been drafted.

Information Management and Technology

A major E-health programme (Connect) was undertaken during the year for completion by June 2006, in addition to the integration of new satellite centres. Risks to completion were management capacity and provision of necessary training. Due to delays in development of the new Patient Relationship Management (PRM) system, the Connect Programme has not been completed in full within the original timetable. PRM v2 will now be going live in Spring 2007, the Knowledge Management System project was developed separately and is currently under test with rollout expected in November and the Emergency Care Summary is running as a pilot on a stand alone basis.

Patient information is a major element of the e-health programme, and we planned to carry out a review of information sharing between NHS 24 and its Health Board partners as part of our 2005/6 Performance Management work. Work on this review is ongoing and it is anticipated that a final report will be available by end August 2006.

Partnership Working

To enhance relationships with partner bodies a Partnership Engagement Project was initiated with implementation planned for February/March 2006. A Project Board was set up from October 2005, with members from Health Boards and other partners, and a Project Reference Group started meeting from November 2005, with membership drawn from healthcare partners across Scotland. The project has been successfully completed and partner engagement teams have been established to ensure cross service partnership working. Partnership Agreements with partner Boards have been developed and agreed.

The Strategic Plan 2006/9 has been drafted and is subject to a consultation process with SEHD, NHS Boards, other partner groups and the public. At operational level, a specific objective within the 2006/7 Local Delivery Plan is to increase integrated working with partners. Overall, NHS 24 has been actively developing this key area of work.

Performance Management

In our audit plan, we noted that a more strategic approach to performance management was being developed, with more integration of performance management with the planning process. A new operating model was introduced across the whole organisation, including satellite centres. A key feature of the new model was clear separation of operational and clinical activity. It was recognised that this represented a significant change in approach to performance management, and that full implementation would be challenging. The new model has been successfully implemented, and is integral to the Strategic Workforce Plan submitted to SEHD. Overall, operating performance has improved at the main contact centres and has been satisfactory at the new satellite centres; the system is now coping with periods of high demand.

As part of our 2005/6 Performance Management work, a review of the transfer of information between NHS 24 and its health service partners during the Out of Hours period is being undertaken. The review will consider this activity, and review the patient journey, separately for referrals to Scottish Ambulance Service, Accident & Emergency services and GP Practices. It is anticipated that a final report will be available for consideration in August 2006.

There is no statutory duty of Best Value in the wider public sector outwith local government. Instead, the SEHD issued draft secondary guidance in August 2003, on the duty of accountable officers to ensure arrangements are in place to secure Best Value. As part of our 2005/6 work we carried out a baseline review of Best Value arrangements within NHS 24. The key finding from our review is that NHS 24 can demonstrate a commitment to Best Value and continuous improvement.

We carried out an overview of NHS 24's management arrangements in relation to the requirements of the Scottish Executive's Efficient Government initiative. This initiative aims to reduce 'waste, bureaucracy and duplication in Scotland's public sector' ("Building a Better Scotland", Scottish Executive, 2004). NHS 24 has been growing significantly every year since its formation in 2001/2. Consequently, creation of true efficiency savings has not been a key objective. Management consider that their circumstances are understood and accepted by SEHD, but recognise the need to generate real efficiencies from 2006/7 on. One area which has been identified for early attention is the cost of management administration.

At the request of management we carried out a review in 2004/5 of major procurements. In agreement with NHS 24, the review was extended to cover a wider range of contractors. A final report was issued in January 2006, and its main findings are listed at paragraph 58 of this report.

Governance

In March 2006 NHS 24 appointed a new Chairman and four new non-executive directors. The appointees together bring a considerable amount of business, clinical and other relevant expertise to the Board.

Much progress has been made in embedding clinical governance processes across the whole organisation and, specifically, a suitable framework has been developed and implemented for satellite sites.

Audit Scotland

July 2006

Introduction

1. This report summarises the findings from our 2005/6 audit of NHS 24. The scope of the audit was set out in our Audit Risk Analysis & Plan, which was presented to the Audit Committee on 14 February 2006. This plan set out our views on the key business risks facing NHS 24 and described the work we planned to carry out on financial statements, performance and governance.

2. We have issued a range of reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and the Board's agreed response. Appendix A of this report sets out the key risks highlighted in this report and the action planned by management to address them.

3. This is the final year of our current five year audit appointment. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of the Board during the course of our audit. We are delighted to have been appointed for another five years. This report will be submitted to the Auditor General for Scotland and will be published on our website. www.audit-scotland.gov.uk

Organisational Risks

Introduction

4. In our audit plan, we identified eight main areas of risk for NHS 24. In this section, we describe the risks and our views on their current status. We also comment on longer term planning issues.

Delivering Sustainable Services

5. In our audit plan, we commented on NHS 24's responses to widespread concern over service performance, and to the Independent Review findings from 26 October 2005. The review had identified the main problems with service delivery as being general responsiveness, and time taken to answer calls (especially during periods of peak demand). The main risks attaching to service delivery going forward were failure to achieve required improvements in access, and failure to achieve targets for reduction in the use of "call-back".

6. Management's response to the recommendations of the Interim Report was presented to the Board at its September 2005 meeting. At that time actions to address the draft findings had largely been identified and implemented, based on management's own assessment of improvements required. The management response to the Final Report was approved by the Board at its November 2005 meeting.

7. The principal measures taken to effect improvements were:

   - Implementation of a dispersed model of delivery using satellite centres.
   - A recruitment drive to increase call handler/nurse advisor numbers.
   - Involvement in the winter planning process at all partner boards.
   - Formal agreement with partner boards for additional GP resources to triage calls at peak periods.
   - Improved call handling processes, with the facility to transfer calls to appropriate specialists.
   - A media campaign to inform the public in appropriate use of the out of hours service.
   - Replacement of the call-back system from December 2005 with "Time to Clinical Response".
   - The introduction of a predictive modelling application to assess likely demand on the service.
   - The introduction of a self-help guide and health encyclopaedia on the NHS 24 website.

8. Based on operational performance information reported to the Board, significant improvement in key areas has been achieved:

   - Average time to answer calls for March 06 was 6 seconds (March 05; 52 seconds).

- Calls answered within the 30 second target in March 06 was 92% (March 05; 54%).
- Calls abandoned in March 06 was 0.5% (March 05; 10.3%).

9. **Festive Period 2005/6:** Over the 8 day period, more than 81,500 calls were answered in an average time of 44 seconds, compared with an average time of 2 minutes 38 seconds for 2004/5. Immediately life threatening calls are transferred directly to the Scottish ambulance Service, calls which require immediate clinical attention are put straight through to a nurse. The next most serious and urgent calls category received a clinical response within 20 minutes in 94% of cases (target 90%). Non urgent calls received clinical response within 1 hour in 93% of cases (target 90%). This demonstrates significant improvement compared to the previous year. Overall, no major concerns or issues were reported by NHS 24 contact centres or partner boards.

10. **Frontline Staff:** Numbers of call handlers have increased from 267 (178 whole time equivalent or wte) at March 2005 to 489 (302 wte) at March 2006. Nurse advisor numbers have increased from 457 (287 wte) at March 2005 to 525 (316 wte) at March 2006, with 95 of these operating at the new satellite centres. Whole time equivalents for call handlers appear to be on target, however, the historic target for nurse advisors was 405 wte ie 89 down on target. Changes to the skills mix within NHS 24 during 2005/06 indicate that it is appropriate for this target to be revised in light of operational experience. Frontline staffing targets are therefore currently under review, given that operational experience and service developments in 2005/6 indicate that the historic target for nurse advisers no longer reflects the requirements of the service. Until staffing resource requirements can be defined and maintained on a sustainable basis, recruitment and retention of frontline staff remains a risk to service performance.

Action Points 1/2

Achieving Financial Balance

11. In our audit plan, we noted that NHS 24's proposed revenue resource limit (RRL) allocation for 2006/7 reflected an underlying reduction in baseline recurring costs, despite the organisation having taken on additional costs associated with satellite centres and other initiatives contributing to the development of the new service delivery model. In addition, final costs of Agenda for Change were still to be determined, and it was recognised that the future financial implications of NHS 24 expanding its role in the health service had still to be assessed.

12. During 2005 NHS 24 management commented to SEHD on the underlying reduction in baseline recurring costs reflected in the allocation for 2005/6, and has now concluded discussions with SEHD on the allocation for 2006/7. The RRL for 2006/7 has now been set at £56.658m, however, this includes £5.5m additional non-recurring allocation for completion of the transformation programme begun in 2005/6, and the £809k carried forward from 2005/6. Thereafter, the Scottish Executive has

indicated that the revised baseline RRL will be in line with that allocated in 2004/5. NHS 24 requires to ensure the continued alignment of its service profile and its financial resources.

Action Point 3

13. The budgeting process for 2006/7 had been delayed to allow elements of the new Strategic Plan to be included in the case for additional funding which has now been agreed with SEHD. The draft budget is now being revised to reflect the newly agreed funding resources. This will also enable completion of NHS 24's Five Year Financial Plan.

14. Implementation of the national pay modernisation programme has progressed well, with national timescales for staged completion generally having been met. However, at 31 March 2006, final backdated costs of implementing Agenda for Change had still to be confirmed. A provision of £2m (2005: £0.6m) has been included in the financial statements, based on estimates for the main components which management consider prudent. It is important for financial planning purposes that the final financial implications of Agenda for Change are confirmed during the first half of 2006/7.

Managing the Workforce

15. In our audit plan, we Identified the risk that management capacity might not be sufficient to progress effectively specific initiatives such as the integration of the Knowledge and Skills Framework, and the implementation of new anti-discrimination legislation.

16. Recruitment of sufficient frontline staff, especially skilled nurse advisors, to cope with peaks of demand for the service will continue to be a key risk to delivering NHS 24 core services. A Strategic Workforce Plan was approved by the Board for submission to SEHD in April 2006. The plan is aligned with NHS 24's overall Strategic Plan and is designed to support achievement of management objectives. Detailed implementation plans are currently being developed in order that progress on individual work streams can be monitored and reported.

17. Progress has been made towards achieving full implementation of the Knowledge and Skills framework. NHS 24 is working to a revised timescale agreed with the Scottish Executive Health Department for completion of the Knowledge and Skills Framework, including the development of personal development plans, by October 2006.

18. An Equality & Diversity (E&D) Committee was formed to co-ordinate activity in the anti-discrimination field, and is scheduled to hold its first meeting in August, 2006. In order to lead on the construction and delivery of a corporate approach to the Equality & Diversity agenda, an E&D Co-ordinator was appointed in March 2006. A related strategy and implementation plan has been drafted which includes work streams for necessary training and development of management structures and practices.

Best Value and Efficient Government

19. In our audit plan, we identified that Accountable Officers have a duty to ensure that arrangements are in place to secure Best Value. There is no statutory duty of Best Value in the wider public sector outwith local government. Instead, the Scottish Executive issued draft secondary guidance in August 2003, on the duty of accountable officers to ensure arrangements are in place to secure Best Value. The key finding from our review is that NHS 24 can demonstrate a commitment to Best Value and continuous improvement. Further details of the work carried out on Best Value arrangements are contained in the performance management section of this report.

20. We carried out an overview of NHS 24's management arrangements in relation to the requirements of the Scottish Executive's Efficient Government initiative. This initiative aims to reduce waste, bureaucracy and duplication in Scotland's public sector. Our initial findings, as summarised at paragraphs 51 and 52, will be reported fully in July. Areas for improvement are the processes for recording and managing absence, and reducing levels of administration costs.

Information Management & Technology

21. In our audit plan, we noted that NHS 24 had planned a major E-health Programme (the Connect Programme) for completion by June 2006, in addition to the integration of new satellite centres. It was identified that management capacity and the provision of necessary training were risks to satisfactory completion within timetable. A major element of the E-health Programme is patient information sharing between NHS 24 and health boards. We therefore planned to carry out a review of Information Sharing as part of our 2005/6 performance management work. The findings of this review will be available by end of August.

22. The Connect Programme noted above has not been completed in full within the original timetable; the three main work streams are (i) Knowledge Management System (KMS) (ii) Patient Relationship Management System version 2 (PRMv2) and (iii) Emergency Care Summary (ECS).

23. Supplier technical issues encountered in the second half of 2005 resulted in delays to commencing work on PRMv2. With the onset of the winter planning period, and the need to prevent adverse impact upon core service standards, development work on many projects was suspended, and it was decided by the Programme Board to delay going live until Spring 2007, although a simulated pilot will be undertaken later this year.

24. Following delays with PRMv2, the KMS Project was developed separately from the overall Connect programme, since the potential benefits of integrating the knowledge management system with the front line software application could not be realised in the short term. KMS is currently being tested with rollout to Health Information Advisers expected in November, 2005.

25. Again due to delays with PRMv2, it was agreed with SEHD that the Emergency Care Summary would be implemented on a stand alone basis, with an integrated version to be in place when v2 goes live. A pilot for the stand alone version has now gone live at the Tayside site for nurse advisors, and for all sites in relation to pharmacists.

26. We have commenced a review of the transfer of information between NHS 24 and its health service partners during the out of hours period. The review will consider this activity, and review the patient journey, separately for referrals to Scottish Ambulance Service, Accident & Emergency and GP Practices. It is anticipated that a final report will be available for consideration by end of August.

Governance

27. In our audit plan, we highlighted the issue of new appointments to the Board, especially non-executives, requiring to have sufficient expertise in key governance and business issues, and emphasised the need for strong governance especially where an organisation is undergoing rapid and significant change.

28. We also identified the need for the Clinical Governance Framework to become embedded in the organisation at all levels. This was particularly relevant with the introduction of new satellite centres, which could have the potential for control and accountability to become less well defined.

29. In March, 2006, NHS 24 appointed a new Chairman and four new non-executive directors. The appointees together bring a considerable amount of business, clinical and other relevant expertise to the Board. In order to clarify their roles and responsibilities as Board members, since their appointment they have received relevant briefings, attended workshops and visited the contact centres. There are also plans to provide a formal development programme for non-executive members, covering aspects of governance, ethics and communications.

30. Much progress has been made in embedding clinical governance processes across the whole organisation and, specifically, a suitable framework has been developed and implemented for satellite sites. More detailed comments are included in the Governance section of this report.

Performance Management

31. In our audit plan, we noted that a more strategic approach to performance management was being developed, with more integration of performance management with the planning process. A new operating model was being introduced across the whole organisation, including satellite centres. A key feature of the new model was clear separation of operational and clinical activity. It was recognised that this represented a significant change in approach to performance management, and that full implementation would be challenging both in terms of management capacity and staff support for the change.

32. During the year software issues had to be resolved with CorVu, the main performance management tool, requiring to be upgraded or replaced and replacement options for the Shift/Rota software Qmax being developed. It has been confirmed that the CorVu software will be capable of meeting NHS 24's requirements for the immediate future. Management have negotiated new arrangements for upgrades and support, and an action plan for progressing the project was produced in January 2006.

33. The new operating model has been successfully implemented, and is integral to the Strategic Workforce Plan 2006/9 submitted to SEHD. Operating performance has improved at the main contact centres and has been satisfactory at the new satellite centres; the system is now coping with periods of high demand. The Strategic Workforce Plan incorporates the key features of NHS 24's operating model (ie forecast / plan / implement / review), with the new workforce management system designed to facilitate each stage of the cycle.

34. The shift /rota software issue was addressed during the year with the major acquisition of a new workforce management system. The contract was awarded in January 2006, with work on system integration ongoing since then. Rollout is expected to commence during the summer of 2006. The new system will enhance the organisation's rostering and shift allocation, and therefore provide more effective utilisation of available staff. It will also provide a platform for more effective performance management and reporting, including continuous professional development.

Action Point 4

Partnership Working

35. In our audit plan, we noted that strong partnership arrangements with other boards and healthcare providers were critical to NHS 24's service delivery. To enhance relationships with partner bodies a Partnership Engagement Project was initiated with implementation planned for February/March 2006. It was recognised that partner acceptance of new working methods was critical to this project's success, and that management capacity to complete the component work streams would be challenging, especially given winter planning demands on key staff during its development period.

36. A Project Board was set up from October 2005, including members from health boards and other partners, and a Project Reference Group commenced from November 2005, with membership drawn from healthcare partners across Scotland. The reference group's role was to co-ordinate progress on the separate work streams within the project. As part of the above project, partnership agreements were agreed with host boards on the operation of the satellite centres.

37. The project has been completed and partner engagement teams have been established to ensure cross service partnership working. The teams will work within a multi-layered partner engagement framework developed with input from key stakeholders across NHSScotland. Partnership agreements governing inter-relationships are currently being agreed with partner NHS boards. To ensure the

Strategic Plan 2006/9 reflects the views and expectations of key stakeholders, a consultation process has also been developed which will conclude in early August, involving SEHD, NHS Boards and other groups.

38. At the operational level, a specific objective within the 2006/7 Local Delivery Plan is *"increasing integrated working with our partners"*. The detailed plan includes the HEAT Objective *"Work with partners to improve and enhance patient experience".* In relation to this, there are also plans to develop joint Key Performance Indicators around the total patient journey. Overall, NHS 24 has been actively developing this key area of working.

Financial Statements

Our Responsibilities

39. We audit the financial statements and give an opinion on:

- whether they give a true and fair view of the financial position of the Board and its expenditure and income for the period in question;
- whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements; and
- the regularity of the expenditure and receipts.

40. We also review the Statement on Internal Control by:

- considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control; and
- assessing whether disclosures in the Statement are consistent with our knowledge of the Board.

Overall Conclusion

41. We have given an unqualified opinion on the financial statements of NHS 24 for 2005/6.

The Board's Financial Position

42. NHS 24 is required to work within the resource limits and cash requirement set by the Scottish Executive Health Department. NHS 24's performance against these targets is shown in the table below.

2005/6 Financial Targets Performance £ million

Financial Target	Limit as set by SEHD	Actual Out-turn	Variance (Over) Under
Revenue Resource Limit	51.501	50.692	0.809
Capital Resource Limit	4.409	2.524	1.885
Cash Requirement	55.910	53.216	2.694

43. At the beginning of the financial year 2005/6, NHS 24 had a cumulative surplus of £4.988m, brought forward with the agreement of SEHD, and included in the total RRL for the year of £51.501m. NHS 24's outturn for 2005/6 was a surplus of £0.809m.

44. The RRL for 2006/7 has now been set at £56.658m, however, this includes £5.5m additional non-recurring allocation for completion of the transformation programme begun in 2005/6, and the £809k carried forward from 2005/6. Thereafter, the Scottish Executive has indicated that the revised baseline RRL will be in line with that allocated in 2004/5. NHS 24 requires to ensure the continued alignment of its service profile and its financial resources.

Action Point 3

45. The final allocation for capital expenditure was £4.409m, including £1.209m relating to slippage in 2004/5 brought forward into 2005/6. The under spend of £1.885m in 2005/6 will be carried forward into 2006/7, on agreement with SEHD, to fund ongoing capital project developments.

The Issues Arising from the Audit

46. We reported five main issues to the Audit Committee and the Board:

- **Accrued Facility Management Charges:** Included in creditors is a balance of £250k intended to cover premises management charges at the Golden Jubilee National Hospital (GJNH). The accrual is based on an informal May 2004 e mail estimate from GJNH management, and no further information has been received as to the costs which are being incurred. No payment has been made by NHS 24 for these management charges since the date of occupation, 12 November 2002.

  Resolution: Finance department to contact GJNH in order to confirm the liability and ongoing charges.

- **Accrued Migration Funding**: A total of £290k is included in creditors for funding amounts due to various health boards under the migration funding scheme. Under the migration funding arrangements GP practices could receive financial assistance towards improving their IT systems to make them compatible with NHS 24 systems. NHS 24 received this funding as part of their allocation, and had the responsibility for administering the scheme and awarding the funds. Within the outstanding claims noted above, around £200k of the balance has shown no movement since 2004/05.

  Resolution: Finance department will write back amounts for which no final claim is received by end July 2006.

- **Agenda for change provision**: We draw specific attention to the provision for costs of the Agenda for Change programme for the period October 2004 to March 2006. Provision is necessary to reflect the costs attributable to the eighteen month period ended 31 March 2006, but as yet not fully determined by the Board. A national methodology was developed to provide a basis for calculating these costs, and this has been applied, where possible, in arriving at the Agenda for Change provision of £2m in these financial statements. However, the total has largely

been arrived at by estimation, based on NHS 24's assumptions. We asked the Board for formal assurances, in a letter of representation, that the provision, in their judgement, represents a prudent estimate of anticipated costs.

Resolution: Appropriate disclosure in Letter of Representation.

- **Fatal Accident Inquiry:** Final determination is expected in the next few weeks in connection with a Fatal Accident Inquiry, held during 2005/6, involving NHS 24. It is possible that claims against NHS 24 will follow. Given that final legal determination is still outstanding, management have disclosed this matter as a contingent liability which cannot presently be quantified.

  Resolution: Disclosure as a contingent liability and reference in Letter of Representation.

- **Ongoing Pay Enquiry:** Management are currently investigating a number of pay scale anomalies which occurred in prior years. There is a possibility that the outcome of these investigations will result in additional pay costs to the organisation. This matter has been disclosed as a contingent liability in the notes to the financial statements, on the basis that the outcome of the investigation work by NHS 24 has still to be finalised. We are of the view that disclosure as a contingent liability is indeed more appropriate than providing for a future liability, on the grounds that no clear obligation appears to have been created.

  Resolution: Disclosure as a contingent liability and reference included in Letter of Representation.

Statement on Internal Control

47. The Statement on Internal Control provided by the NHS 24 Accountable Officer reflected the main findings from both external and internal audit work. The Statement refers to areas of internal control that need to be strengthened, including:

    - Risk management and reporting arrangements, and risk awareness training are still developing, whilst the Risk Management Strategy, established in 2003, is currently being revised;
    - Significant progress has been made on IM&T Security Policy and Business Continuity Plan with a small number of actions to be completed; and
    - Minor improvements to strengthen payroll controls will be put in place during the first quarter of 2006/7.

Performance Management

Introduction

48. This section covers our assessment of the way in which NHS 24 secures value for money in the use of its resources. This year we focussed on three main areas:

    - Information Sharing;
    - Best Value; and
    - Efficient Government.

49. In addition to the above, we carried out more work on the study started in 2004/5 on Major Procurements.

Information Sharing

50. Work has started on a review of the transfer of information between NHS 24 and its health service partners during the out of hours period. The review will consider this activity, and review the patient journey, separately for referrals to Scottish Ambulance Service, Accident & Emergency and GP Practices. It is anticipated that a final report will be available by the end of August 2006.

Best Value

51. There is no statutory duty of Best Value in the wider public sector outwith local government. Instead, the SEHD issued draft secondary guidance in August 2003, on the duty of accountable officers to ensure arrangements are in place to secure Best Value. In May 2005, Ministers decided that they would not bring forward legislation which extends Best Value in the wider public sector. However, Ministers do wish to encourage and embed the principles of Best Value across the wider public sector, and the Best Value and Performance Team within the Scottish Executive were tasked with taking this forward. Revised guidance was issued in April 2006 and included in the Scottish Public Finance Manual.

52. As part of our 2005/6 work we carried out a baseline review of Best Value arrangements within NHS 24. The primary aim of this review was to establish the arrangements put in place by management for taking forward the Best Value agenda and demonstrating continuous improvement. From discussions with management, and from available strategies, plans and other processes, we were able to assess NHS 24's current arrangements for securing Best Value. NHS 24's plans contained most of the elements expected of a Best Value organisation, but it had not yet carried out its own detailed review against the requirements. Most of the recognised characteristics underpinning Best Value in practice

were either well developed or under development (as detailed below), with clear commitment in the strategy and local plan to continuous improvement.

Best Value Characteristics	Planned	Under Development	Well Developed
Commitment and Leadership		√	
Sound Governance at a Strategic & Operational Level		√	
Accountability			√
Sound Management of Resources & Contractual Arrangements			√
Responsiveness and Consultation		√	√
Use of Review and Options Appraisal		√	
Contribution to Sustainable Development		√	
Equal Opportunities Arrangements		√	
Joint Working		√	

53. We also identified a number of good practices including:

- Establishment of a Public Involvement Forum to take forward the agenda for engaging with members of the public.
- Establishment of a Clinical Forum which operates as a reference group and includes representatives from clinicians and professional bodies from throughout the NHS.
- Formation of an Equality & Diversity Committee, and appointment of an Equality & Diversity Co-ordinator to lead on response to the E&D agenda.

54. A.separate audit report will be issued in due course, which will include an action plan for improvements, and a baseline report on the results of our best value assessments throughout the NHS will be submitted to the Scottish Executive later in 2006.

Action Point 5

Efficient Government Initiative

55. The Efficient Government initiative is a five year programme with the aim of attacking waste, bureaucracy and duplication in Scotland's public sector. The primary objective is to deliver the same services with less money or to enable frontline services to deliver more or better services with the same money. The Efficient Government Plan sets targets to achieve £745 million (rising to £900 million) of cash-releasing savings and £300 million (rising to £600 million) of time-releasing savings,

by 2007-08. The NHS in Scotland is expected to contribute £166 million of cash releasing savings and £173 million of time releasing savings per year.

56. NHS 24 has been growing significantly every year since its formation in 2001/2. Consequently, creation of true efficiency savings has not been viewed as a key objective. The year 2006/7 presents the first period for the organisation where significant change in operational activity and structures is not anticipated. Savings reported from 1 April 2005 have only emerged from the shortfall in planned recruitment of frontline staff and associated costs, and these have been utilised to fund major service developments in response to the Independent Review. Management believe that their circumstances are understood and accepted by SEHD, but recognise the need to generate real efficiencies from 2006/7 on. An area which has been identified for early attention is the cost of management administration.

Action Point 6

57. The main findings from our review of current management arrangements relating to the Efficient Government initiative are as follows;

- **Asset management:** The organisation leases all its properties so has not developed an asset management strategy to date, however, it will be developing a property strategy to enhance its property management function once the Strategic Three Year Plan is finalised;
- NHS 24 currently shares accommodation with the Golden Jubilee National Hospital and with host boards at the five satellite sites, and has major plans for further property sharing with partner boards;
- **Managing Absence:** Sickness absence levels across NHS 24 are high in comparison to the wider NHS at 9%. Management believe this is due to the nature of the work being carried out and, to a degree, the categories of staff employed. Improvements are being made in processes for recording and managing absence, and absence rates are falling, however, the organisation is not yet in a position to estimate future savings from improving absence rates.
- **Procurement:** Partnership agreements are in place with the largest contracted suppliers, and procurement outwith these arrangements is of relatively small value. NHS 24 follows all relevant guidance, and purchases from national contracts wherever possible. No major change in procurement policy is planned, so future efficiency savings from procurement are likely to be minor;
- **Shared Support Services:** Payroll and financial ledger services have been provided by NSS since NHS 24 was formed, therefore there will be minimal savings achievable under the national project;
- **Streamlining Bureaucracy:** Management are aware there is a high proportion of management and administration staff across the organisation in comparison to main Boards, due to the nature of

its activity. A workforce review will consider this issue as part of the delivery of the strategic plan. It is recognised that centralisation of administrative functions would be a potential source of savings.

Review of Major Procurements

58. Since December 2000, NHS 24 has paid in excess of £15m for management consultancy services. These services were mainly used in drafting, developing and delivering the original service design blueprint, and subsequently in ongoing programme and technical support. At the request of management we carried out a review in 2004/5 of the procurement and subsequent management of these services. In agreement with NHS 24, the review was extended to cover a wider range of contractors and the findings from that review were reported in 2005/6.

59. A final report was issued in January, 2006. The main findings of the extended review were:

- That the appointment of consultants and contracted service providers were made in accordance with relevant guidance;
- NHS 24 has made extensive use of consultancy and contracted service providers. Although the scale of this activity is much reduced, there remains a risk that the organisation may be failing to develop the skills of in-house staff;
- The use of widely-scoped framework contracts facilitates their extension into previously unplanned areas, and their use should be reviewed;
- No formal post implementation reviews were undertaken by NHS 24 following the completion of consultancy and related contracts;
- The contract for the software for the Patient Relationship Management System (PRM) was procured on the basis of an existing contract between NHS Direct and AXA. NHS 24 is currently reviewing the suitability of this system; and
- There remain areas of "difference" between NHS 24 and BT in respect of the contract for provision of contact centres which the organisation requires to resolve in moving forward.

The report included a detailed action plan which has been agreed with management.

National Studies

60. In 2005/6, Audit Scotland carried out three national studies:

- Staff Governance review of previous year's action plan. Our findings are reported in paragraphs 71-73 of the section on governance;
- Tackling Waiting Times in the NHS in Scotland (reported to the Scottish Parliament in February 2006); and

- Implementing the NHS Consultant Contract in Scotland (reported to the Scottish Parliament in March 2006).

Tackling Waiting Times in the NHS in Scotland

61. This national study reviewed the performance of the NHS in Scotland against current waiting times targets for elective healthcare. It evaluated whether the current approach produces value for money and assessed whether current strategies are likely to achieve sustained reductions in waiting times.

62. The report concluded that significant progress had been made towards meeting waiting times targets, but that the total number of people waiting for inpatient and day case treatment has changed little in the last two years. It recommended that more efficient use be made of the Golden Jubilee National Hospital.

63. NHS 24 did not participate in this study and the findings are not directly relevant to NHS 24 activities.

Implementing the NHS Consultant Contract in Scotland

64. This report concluded that there were no clear benefits from the £235 million cost arising from the implementation of the consultant contract. It also highlighted that the new contract offers an opportunity to focus the work of consultants on priority areas, and improve patient care. However, it is not yet being used to its full potential and there is limited evidence of benefits to date. The report also noted that the consultant contract had contributed to cost pressures for boards as the national costing model used by the SEHD contained inaccuracies and it underestimated the financial cost by £171 million, on a national basis, for the first three years.

65. NHS 24 did not participate in this study, and its findings are not directly relevant, however, the small numbers of GPs employed do fall within the NHS Consultant Contract. No estimate had been provided for the cost to NHS 24 of implementation, based on previous advice that the new contract was not applicable to GPs employed by NHS 24. It was subsequently determined that it did apply and a significant settlement resulted, which impacted financially on 2005/6 and was retrospective to 2003 in some cases. In March 2006 the contracts were able to be re-negotiated and ongoing costs were reduced.

Governance

Introduction

66. This section sets out our main findings arising from our review of NHS 24's corporate governance as it relates to:

- clinical governance;
- corporate governance ; and
- staff governance.

Clinical Governance

67. We noted in our 2004/5 Annual Report that Quality Improvement Scotland (QIS) had reported to the Board on Clinical Governance in July 2005. The main findings of that report were (i) that NHS 24 had separate strategies in place to manage risk, clinical governance and quality and (ii) clinical governance has still to be embedded throughout the organisation.

68. In the longer term NHS 24 intend to integrate the various strategies as recommended by QIS in their report. In recognition of the need to focus fully on clinical governance priorities, the Board has divided its former Healthcare Governance Committee to form separate Audit and Clinical Governance Committees.

69. From our review of Clinical Governance activity we noted that:

- A Head of Clinical Governance, and local Clinical Governance Facilitators, were appointed during the year to provide more pro-active clinical risk management and a local focus on clinical governance activity;
- During the year a Foundation Clinical Governance and Risk Management Framework for Satellite Sites was developed and implemented;
- A report by Internal Audit found that:
  - a clinical governance structure had been established
  - there was engagement with front-line staff and involvement of Team Leaders at Regional Clinical Governance Committees
  - Significant Adverse Events and complaints were reviewed as part of the process of bringing together all clinical risk information.
- The Clinical Governance Infrastructure has been reviewed for implementation in 2006/7.

Corporate Governance

70. Our work on corporate governance focused on our Code of Audit Practice responsibilities as they relate to systems of internal control; prevention and detection of fraud and irregularity; standards of conduct and the Board's financial position. We have made comment on the financial position at paragraphs 41 to 44.

71. We relied on the work of Internal Audit to give us assurance in relation to other governance responsibilities, particularly those relating to systems of internal control.

Staff Governance

72. NHS 24 completed a self assessment audit and a staff survey to assess their effectiveness in staff governance. The self-assessment process was carried out in partnership with significant staff involvement. The resulting action plan was approved by the Partnership Forum and Management Team, and so had agreement and support across the organisation. This work is part of an ongoing NHS Scotland initiative designed to recognise the value and importance of staff in service delivery and generally improve staff relations in the NHS.

73. This year we identified and assessed the risks associated with Staff Governance as part of the audit planning process and we reviewed the evidence that the previous year's action plan is being delivered.

74. We concluded that NHS 24 had made good progress in achieving actions agreed last year. We found that of eleven actions in last year's action plan, five (45%) are being delivered and the organisation and staff are starting to benefit from the actions taken, and six (55%) are still in the process of being completed or have target dates in the future. These include actions relating to the development of learning plans and the finalisation of a Learning and Development Service Level Agreement.

Looking Forward

75. NHS 24 faces significant challenges in 2006/7 which include:

- NHS 24 has done much over the past year to establish a service model which addresses the actual pattern of demand which it faces. This will require to be assessed and developed in the light of its first year of operation.
- Management have had ongoing discussions with SEHD over a revision to the base RRL funding, on the basis that the service model has changed significantly from the original Blueprint. NHS 24 faces the challenge of ensuring the alignment of improvements in service performance and its related funding.
- NHS 24 will continue to require to develop more effective and efficient working relationships with NHS partner organisations and other healthcare and social services providers, building on the progress achieved in this area in 2005/6.
- With the likelihood of involvement in a wider range of health service provision, and further local devolvement of main service provision, clinical governance processes will require to be increasingly robust to maintain their effectiveness.
- NHS 24 needs to recruit and retain the required levels of frontline staff, with the appropriate mix of skills and experience, and this will be critical to the achievement of operational objectives.
- Completion of ongoing projects such as PRMv2, the Emergency Care Summary and the Knowledge Management System, among others, will continue to utilise significant management and staff resource.
- Compliance with the requirements of Equality & Diversity legislation will absorb considerable management resource for the development of processes and monitoring of outcomes.
- NHS 24 needs to ensure that arrangements and practices are put in place to demonstrate commitment to continuous improvement as prescribed under Best Value guidance.
- The Efficient Government agenda will need to be addressed now that NHS 24 core activities are largely now operational.

Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para. No	Risk Identified	Planned Action	Responsible Officer	Target Date
1	10	The new service delivery model may not fully address the changing requirements of NHS 24's service.	The model is being defined, with partners, to ensure it addresses the developments in the NHS 24 service, including the levels of frontline staff required to operate at the planned levels of performance.	Paula Speirs, Director of Planning	30th September 2006
2	10	NHS 24 may not secure and retain sufficient staffing resources to service its business needs.	a) Recruitment processes for NAs will continue throughout 2006. b) Management is addressing the attrition and absence rates. c) The new shift planning system will have a positive impact on staff relations. d) It is planned to develop additional satellite centres to assist with recruitment. e) The target number required for NAs is being reviewed.	Jane McCartney, Director of HR	31st March 2007
3	12/44	NHS 24 may not achieve a financial settlement which aligns with its service development plans.	a) The Budget for 2006/07 is being finalised within the resources allocated. b) Work is underway to reduce the cost base for non-essential expenditure for 07/08 onwards.	Bill Templeton, Director of Corporate Services	31st August 2006
4	34	Performance management information may be inadequate if the new Workforce Management System is not implemented on schedule.	The WMS is being implemented in the next few weeks as planned and should provide improved information flows on shift planning and attendance management with resultant improvements in overall staff performance.	Gill Stillie, Director of Service Delivery	30th September 2006

Action Point	Refer Para. No	Risk Identified	Planned Action	Responsible Officer	Target Date
5	54	Best Value principles may not become fully embedded within NHS 24.	The ethos of Best Value has been in place since the start of the NHS 24 Project. Action will be taken to implement and sustain the recommendations from any Best Value Report.	John McGuigan, Chief Executive	31st March 2007
6	56	Savings required under the efficient government agenda may not be achieved in 2006/7.	It is recognised that it is difficult to achieve "true" performance efficiency savings while the organisation continues to develop through transition. The target is 1% of RRL and plans are being finalised to ensure those planned gains are achieved and reported.	Bill Templeton, Director of Corporate services	31st August 2006