

Ayrshire and Arran Health Board

Report on the 2005/6 Audit



Contents

Executive Summary	1	Performance Management	13
Introduction	4	Governance	18
Organisational Risks	5	Looking Forward	22
Financial Statements	8	Appendix A: Action Plan	23



Executive Summary

Introduction

In 2005/6 we looked at the key organisational risks facing NHS Ayrshire & Arran. These include service sustainability, managing financial pressure, working with partners and the arrangements towards the achievement of Best Value and the Scottish Executive's efficient government initiative. We audited the financial statements and looked at aspects of performance management and governance. This report sets out our key findings.

Service Sustainability

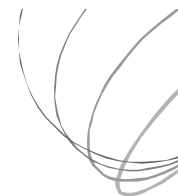
The Board has recognised the need to change the way services are delivered to meet the future needs of the population. As such, the Board has recently implemented a consultation process on options for change in the delivery of Emergency and Unscheduled Care, which were consistent with the recommendations in the Kerr Report. This would involve consolidating emergency care at Crosshouse Hospital in Kilmarnock and creating local community casualty units in a number of locations across the region. At the Board meeting on 8 March 2006, the Board received a detailed analysis of the views expressed during consultation and at the Board meeting on 19 April, it approved consultation on proposals for Elective and Rehabilitation Care services. In order to fully consider the revised proposals and associated risks, the consultation period was extended and a decision on both aspects is expected to be made at the Board meeting on 4 October 2006.

Managing Financial pressures

Ayrshire and Arran Health Board has a net cumulative surplus of £17.4 million which is being carried forward to the 2006/7 financial year. While most of the carry-forward is allocated to specific projects, the continued high level of surplus leads to a risk that the Board is perceived to be under funding services or not applying funding efficiently.

Financial Position

We have given an unqualified opinion on the financial statements of Ayrshire & Arran Health Board for 2005/6.



The Board's financial performance in 2005/6 was as follows:

Table 1 - 2005/6 Financial Targets Performance £ million

Financial Target	Limit as set by SEHD	Actual Out-turn	Variance (Over)/Under
Revenue Resource Limit	549,019	531,614	17,405
Capital Resource Limit	22,374	21,778	596
Cash Requirement	515,241	515,241	0

Source – Annual Accounts 2005/6

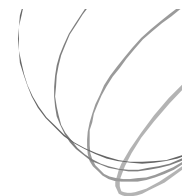
At the start of 2005/6, the Board had forecast that its cumulative surplus would be reduced to £9.3 million by the end of the financial year. This increased gradually throughout the year with the level of carry-forward to 2006/7 being finalised at £17.4 million, almost double the initial forecast. This occurred mainly as a result of £13 million coming from new funding sources which were not utilised in the financial year.

In the 2005/6 financial year, the Board had a net excess against the RRL in year of £5.5 million, with a total carry-forward of £17.4 million. This compares to in-year savings of £9.4 million in 2004/5 and £7.9 million in 2003/4.

Performance Management

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 Ayrshire & Arran Health Board. Overall, NHS Ayrshire & Arran can demonstrate commitment to Best Value and continuous improvement.

The Efficient Government initiative is a five year programme with the aim of attacking 'waste, bureaucracy and duplication in Scotland's public sector' (*Building a Better Scotland, 2004*). The Board has identified both cash and time releasing savings over a range of headings from asset management, managing absence, procurement and shared support services. Managing absence alone is anticipated to generate savings totalling £5 million in the period 2006/7 to 2007/8.



Governance

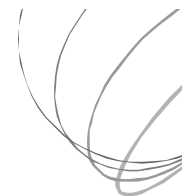
The Board has established single system working within Ayrshire and Arran's Clinical Governance Structure, and this has helped to address some of the findings of the NHS Quality Improvement Scotland "Standards for Clinical Governance & Risk Management Report" published in June 2005 which had indicated that single system working had only been partly reflected in the Board's organisational frameworks and arrangements for implementation and feedback.

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 your financial position. Our work on corporate governance included our Information Management & Technology (IM&T) Computer Services and e-Health Strategy Update and our new General Medical Services (nGMS) Contract Update. Both of these reports concluded that progress had been made against planned actions in-year, but also identified areas where work was outstanding and detailed these in revised action plans included within the reports.

We reviewed the progress made by the Board in delivering on the actions agreed within the Staff Governance Self Assessment Audit Tool. The Board has made good progress in achieving previous year's actions, with 72% of actions either partially or fully complete. Organisational redesign and continued progression towards single system working has resulted in the implementation date for some actions being postponed to 2006/7.

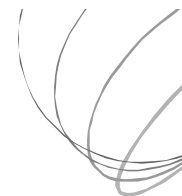
Ayrshire and Arran Health Board has established three Community Health Partnerships (CHPs) within its geographical area—North Ayrshire CHP, East Ayrshire CHP and South Ayrshire CHP—to take forward the *'Delivering for Health'* agenda. We carried out a high-level overview of on the development of CHPs within the Ayrshire and Arran area. Our review found that CHPs are well-established and are working towards closer integration with local authority partners to deliver community-based healthcare services and facilities.

**Audit Scotland
July 2006**



Introduction

1. This report summarises the findings from our 2005/6 audit of Ayrshire and Arran Health Board. The scope of the audit was set out in our Audit Risk Analysis and Plan, which was submitted to the Audit Committee on 12 January 2006. This plan set out our views on the key business risks facing the Board 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 raised in this report. Each report set out our 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 a 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 work. 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 four main areas of risk for Ayrshire and Arran Health Board. We also described longer term planning issues which will impact on the Board. In this section, we describe the risks and our views on their current status. We also comment on longer term planning issues.

Managing financial pressures

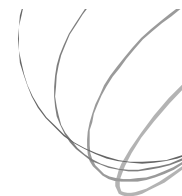
5. In our audit plan, we commented on the pressures for the Board to make effective use of its significant resource carry-forward. At the end of the 2004/5 financial year the Board had a cumulative surplus of £22.9m, and forecast that this would be reduced to £9.3m by the end of the 2005/6 financial year. The actual cumulative surplus disclosed in the 2005/6 financial statements is £17.4m.
6. While most of the balance carried forward is allocated to specific projects, the continued high level of the net under-spend increases the risk of funding not being utilised effectively. The high level of surplus leads to a risk that the Board is perceived to be under-funding services or not applying funding effectively. While it is noted that the high levels of under-spend are largely due to non-recurring funding being unspent in-year, continued failure to achieve projected carry-forward targets does raise concerns over the ability of the Board to reduce the carry-forward figure.

Action Point 1

7. There are significant challenges for Ayrshire & Arran Health Board in trying to maintain long term financial balance whilst reducing the cumulative surplus. These include the implementation of initiatives such as Agenda for Change, Modernising Medical Careers and other cost pressures such as drug costs.

Service sustainability

8. In our audit plan, we identified that a significant risk for the Board was the ability to provide appropriate, sustainable services in an environment of changing clinical demands. The Kerr report sets out the sustainability challenge facing the NHS in Scotland over the next 25 years. This involves shifting the balance of care from episodic acute care to a more proactive approach in the form of preventative care services based in the community.



9. The Board recognises the need to change the way services are delivered. The Board is currently consulting on options for changing the delivery of Emergency and Unscheduled Care and for changing the delivery of Elective and Rehabilitation Care services. A decision on both aspects is expected to be made at the Board meeting on 4 October 2006. The outcome of this meeting will shape the future direction of the Board in terms of both service provision and staffing.

Action Point 2

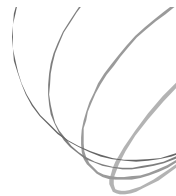
10. Operational targets such as Waiting Times still have to be delivered as the Board is implementing its redesign projects. The Board has continued to make significant progress in reducing waiting times and has achieved its targets in most areas. Further progress is, however, required in relation to Cancer Waiting Times. The Cancer in Scotland target is to ensure a maximum waiting time from urgent referral to treatment for all cancers of two months by December 2005. For the period October to December 2005, this target was only achieved for 2 of 11 cancer areas in Ayrshire and Arran, with achievement of targets in other areas ranging from 53.8% for head and neck cancers and 57.1% for lymphoma, to 87.5% for ovarian cancer and 86.4% for lung cancer.

Working with partners

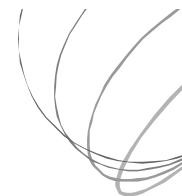
11. In our audit plan we identified the importance of regional planning and the necessity for Boards to work well together to tackle common problems and concerns such as staff shortages and the location of shared service sites. We also identified the importance of support from local authorities and for Community Health Partnership sub-committees to operate effectively.
12. The Board continue to be involved in the West of Scotland Regional Planning Group, and all three Community Health Partnerships are now in place with sub-committees in operation since January 2006.

Best Value and Efficient Government

13. 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 findings from our local review of arrangements for Best Value will be reported shortly.
14. We carried out an overview of Ayrshire and Arran Health Board's management arrangements in relation to the requirements of the Scottish Executive's Efficient Government initiative. The Efficient Government initiative aims to reduce waste, bureaucracy and duplication in Scotland's public sector.



15. The Board have identified both cash and time releasing savings over a range of headings from asset management, managing absence, procurement and shared support services. The Board are estimating that it will make over £26 million in efficiency savings over the period 2005/6 to 2007/8 with managing absence alone anticipated to generate savings totalling £5 million. The findings from our review of Efficient Government arrangements will be reported shortly.



Financial Statements

Our Responsibilities

16. 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 have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements; and
 - the regularity of the expenditure and receipts.
17. 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

18. We have given an unqualified opinion on the financial statements of Ayrshire and Arran Health Board for 2005/6.

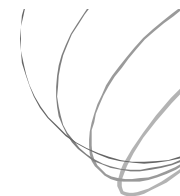
The Board's Financial Position

19. The Board is required to work within the resource limits and cash requirement set by the Scottish Executive Health Department. Ayrshire and Arran Health Board's performance against these targets is shown below.

Table 2 - 2005/6 Financial Targets Performance £ million

Financial Target	Target (£ 000)	Actual (£ 000)	Variance (£ 000)
Revenue Resource Limit	549,019	531,614	17,405
Capital Resource Limit	22,374	21,778	596
Cash Requirement	515,241	515,241	0

Source – Annual Accounts 2005/6



20. At the start of 2005/6, the Board had forecast that its cumulative surplus would be reduced to £9.3 million by the end of the financial year. This increased gradually throughout the year with the level of carry-forward to 2006/07 being finalised at £17.4 million.
21. In the 2005/6 financial year, the Board had a net excess against the RRL in year of £5.5 million, with a total carry-forward of £17.4 million. This compares to in-year net savings of £9.4 million in 2004/5 and £7.9 million in 2003/4. Analysis of the 2005/6 carry-forward shows that only £4.4 million of the carry-forward relates to monies carried forward in the previous year, with the remaining £13 million coming from new funding sources.
22. The level of cumulative surplus was due to a number of non-recurring and earmarked allocations received from the Scottish Executive which were not utilised in the year. A breakdown of the cumulative surplus is given in Table 3. These allocations will be utilised for the intended purpose in future years. The cumulative surplus was approved for carry-forward by the SEHD.

Table 3 – 2005/6 Details of Cumulative Surplus

Use of 2005-06 Carry Forward	£ m
Ear-marked carry-forwards	8.5
Non-recurring prioritised cost pressures	7.8
Allocations dated 2006	1.1
Total Carry Forward	17.4

23. In March 2006 the Board submitted its 5-year Strategic Financial Plan to the Scottish Executive Health Department. This forecast future years' cumulative savings against the Revenue Resource Limit as detailed in Table 4.

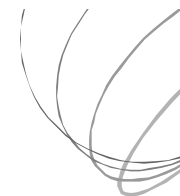
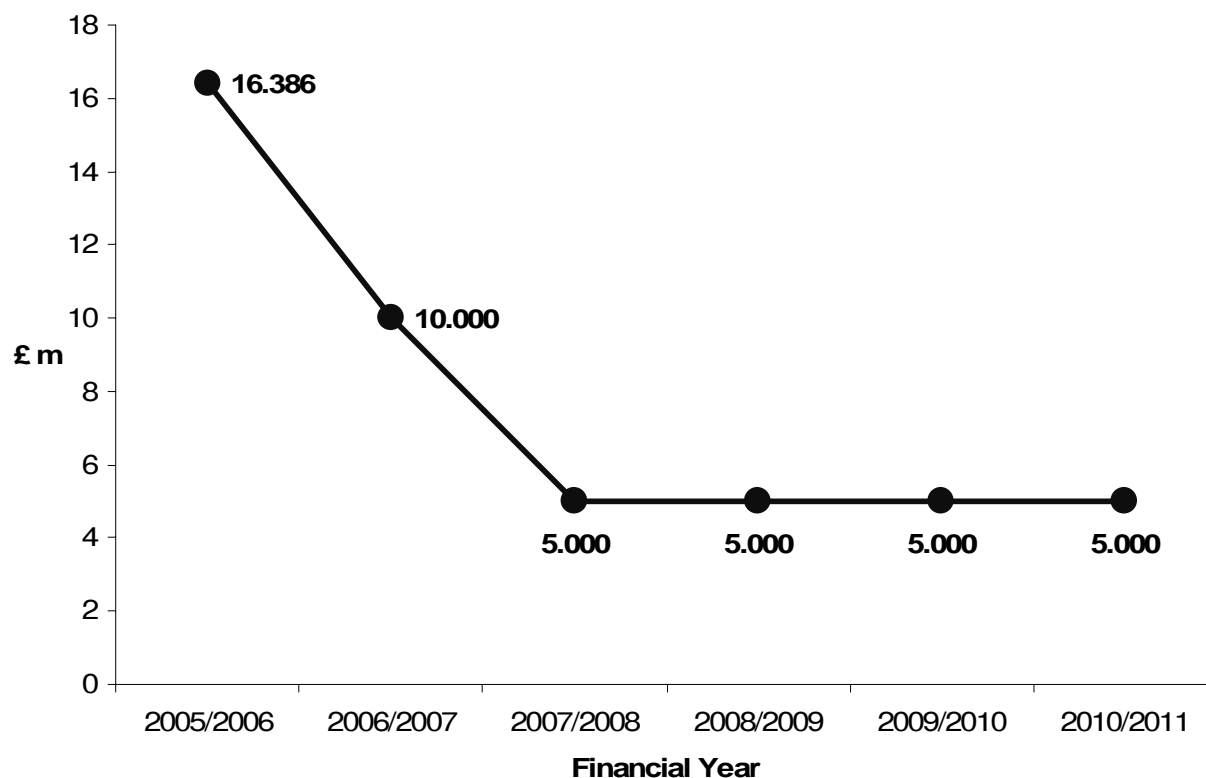


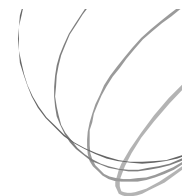
Table 4 – Forecast Cumulative Savings against the RRL



Source – NHS Ayrshire and Arran “5-Year Strategic Financial Plan”, March 2006

24. The forecasts in Table 4, submitted in March 2006, show a cumulative saving against the RRL of £16.4 million in 2005/6, reducing to £5 million by 2007/8. There are concerns, however, over the Board’s ability to achieve these forecast reductions given that the cumulative saving against the RRL for 2005/6, as per the financial statements, is £17.4 million, an increase of £1.0 million from the figure forecast in March 2006. However, we noted that the Board received late allocations from the SEHD which it could not have predicted. The Board’s original budget for the cumulative saving against RRL in 2005/6 was £9.3 million, and the final balance is almost double this forecast. The challenge for the Board is to maintain long term financial balance whilst reducing the cumulative surplus and ensuring that funds are appropriately spent on services that deliver benefits to its population.

Action Point 3



The Issues Arising from the Audit

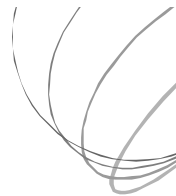
25. We reported the following main issues to the Audit Committee on 22 June 2006:

- **Agenda for change accrual:** we drew specific attention to the accrual of costs for the Agenda for Change programme for the period October 2004 to March 2006. Such an accrual is necessary to reflect the costs properly falling in 2005/6 but as yet not fully determined by the Board. A national methodology was developed to provide a basis for calculating this accrual and this has been applied in 2005/6 yielding a figure of some £10.9 million for Ayrshire and Arran Health Board. This figure was then subsequently revised to £11.7 million after further information became available. We asked the Board for formal assurances, in a letter of representation, that this methodology, in their judgement, best reflects anticipated costs.
Resolution: The Board confirmed that, based on current information, the methodology used best reflects anticipated costs.
- **Equal pay claims:** following recent successful equal pay claims from staff at local authorities there is a possibility that similar claims will be raised by Health sector staff which could represent a contingent liability to Ayrshire and Arran Health Board. We were informed by Finance staff that the likelihood of the Board facing significant challenge was unquantifiable at this stage.
Resolution: This is now included within Contingent Liabilities.
- **EU gas emissions:** In 2005/6 an allowance scheme for greenhouse gas emissions was introduced. In common with several other Health Boards, Ayrshire and Arran Health Board joined this scheme. This requires the allowances to be accounted for as intangible assets, as they are tradable commodities, charged against the Capital Resource Limit. If emissions fall within the allowances, a benefit may accrue to the Board and if allowances are exceeded there can be a charge. Allowances also have to be revalued annually and now stand at £196,000.
Resolution: The necessary accounting entries have been made to the financial statements for 2005/6.

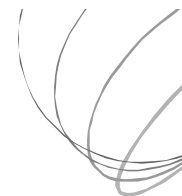
Statement on Internal Control

26. The Statement on Internal Control provided by the 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:

- During 2005/6 NHS Quality Improvement Scotland issued “Standards for Clinical Governance and Risk Management”. Preliminary work to assess compliance has commenced with 11 working groups established;



- A number of issues concerning the effective operation of the national PECOS e-Procurement system have been raised with the central team in meetings and have been communicated to the National Procurement Director;
- Formal policies and procedures for a number of operating systems will be reviewed as a result of the move to a national shared financial services; and
- Development of an Occupational Health and Safety Strategy and Action Plan.



Performance Management

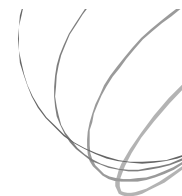
Introduction

27. This section covers our assessment of the way in which Ayrshire and Arran Health Board secures value for money in the use of its resources. This year we focussed on four main areas:

- Efficient Government;
- Best Value;
- Workforce management update; and
- Overview of Financial Management.

Efficient Government

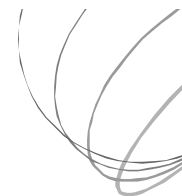
28. The Efficient Government initiative is a five year programme with the aim of attacking 'waste, bureaucracy and duplication in Scotland's public sector' (*Building a Better Scotland, 2004*). The primary objective is to deliver the same services with less money or to enable frontline services to deliver 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.
29. Ayrshire and Arran Health Board's financial and performance reporting incorporates Efficient Government targets. Progress against savings are monitored through the monthly financial monitoring reports which are submitted to the SEHD and this details savings for the year of £4.6 million.
30. Other aspects of the Efficient Government initiative, such as managing absence, procurement and asset management are expected to deliver significant savings. Managing absence alone is anticipated to generate savings totalling £5.0 million in the period 2005/06 to 2007/08, while Procurement and Asset Management are expected to achieve savings of £1.5 million and £2.9 million respectively over the same period. The findings from our local review of Efficient Government arrangements will be reported on shortly.



Best Value

31. 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.
32. As part our 2005/6 work we carried out a baseline review of Best Value arrangements within Ayrshire and Arran Health Board. The primary aim of the baseline review was to establish the arrangements put in place by management for taking forward the Best Value agenda and demonstrating continuous improvement. In carrying out our review we made use of a number of sources of evidence, primarily:
- the Best Value self-assessment prepared by management (with support from internal audit);
 - information collated for our Priorities and Risks Framework document; and
 - information gathered from our review of Committee and Board minutes.
33. Overall, Ayrshire and Arran Health Board can demonstrate commitment to Best Value and continuous improvement. We found the Board's Best Value arrangements to be either planned, under development or well developed as summarised below.

Best Value Characteristics	Planned	Under Development	Well Developed
Securing best value		√	
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			√



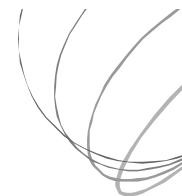
34. We also identified a number of good practices, including:

- the resource allocation process involves six expert groups who examine the expected cost pressures for the following year and also identify possible savings so as to advise on the extra funding required. Their recommendations are reported to the Chief Executive Management Team, who prioritise requirements across the groups and identify efficiency savings in order to achieve a balanced budget which can be recommended to the Finance Committee and then the Board. This has helped achieve financial targets, and resulted in comprehensive identification of cost pressures and a minimisation of unexpected cost pressures being identified during the financial year. It has also helped bring about ownership of the final budget and enabled the budget to be approved by March for the last two years;
- the extensive lay involvement, in conjunction with professional staff, in the development of options for the “Review of Services: Emergency & Unscheduled Care Option Appraisal”. Ayrshire and Arran Health Board adopted an innovative approach by carrying out parallel benefit scoring processes, with lay and professional groups; and
- the Board has set up a formal procedure involving the Area Drug & Therapeutics Committee and a Medicines Resource Group in order to take account of current advice from the Scottish Medicine Consortium and ensure the managed introduction of new drugs into prescribing practice.

Workforce Management Update

35. NHS Ayrshire and Arran is progressing well on the planned actions identified in our 2004/5 Review of Workforce Management report. The Board is in the process of implementing a human resource information system for the organisation as a whole which will help to improve information gathering and reporting. The Organisation and Human Resource (HR) Department is also in the process of re-organising as the Board moves towards a centralised HR function.

36. A number of the actions identified in the Review of Workforce Management remain ongoing, and will be developed once current initiatives have been completed. A detailed review of the progress made and revised action dates can be found in our follow up report.



Overview of Financial Management

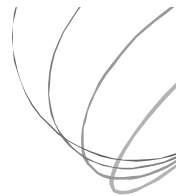
37. Our overview of financial management identified that Ayrshire and Arran has a well developed and robust system of budget monitoring. The management accountant support system for budget holders is well developed, with relevant and accurate budgetary monitoring information provided on a timely and consistent basis. The level of monitoring information presented to the Board was also found to be good with regard to the revenue position, although we found that capital information is not provided on a consistent basis and this may present a risk to the Board. This system will help the Board to monitor the utilisation of the cumulative surplus whilst retaining financial balance.
38. Our report also identified a number of areas for improvements within the financial management and budgeting process, and these are detailed in our “Overview of Financial Management” report which has been issued in draft form.

National Studies

39. 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 53 to 55 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

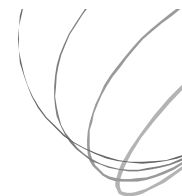
40. This national study reviewed the performance of the NHS in Scotland against current waiting times targets for elective healthcare. It evaluated whether the current approach produces value for money and assessed whether current strategies are likely to achieve sustained reductions in waiting times.
41. 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.



42. The report also identified that Ayrshire and Arran Health Board had the highest ratio of return outpatient appointments to new outpatient appointments, with a ratio of 2.8 in September 2005 against a national average of 2.2. The report recommends that NHS boards should improve service efficiency through reviewing outpatient activity to reduce the level of return outpatient visits in relation to new appointments.

Implementing the NHS Consultant Contract in Scotland

43. 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.



Governance

Introduction

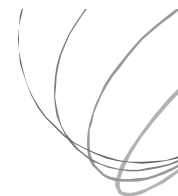
44. This section sets out our main findings arising from our review of corporate governance as it relates to:
- clinical governance;
 - corporate governance ; and
 - staff governance.

Clinical Governance

45. In March 2006 a single system Ayrshire and Arran NHS Clinical Governance structure was approved by the NHS Clinical Governance Committee and Patient Services Management Team. This new structure addresses some of the findings of the NHS Quality Improvement Scotland (QIS) “Standards for Clinical Governance & Risk Management Report”, published in June 2005, which stated that *“strategic development of clinical governance is in line with the principles of single system working but is only partly reflected in organisational frameworks and arrangements for implementation and feedback”*.
46. The NHS QIS report also included self-assessment questionnaires for completion by the end of 2006. The Board has undertaken preliminary work on assessing compliance and have set up 11 working groups to complete the templates and produce an action plan to ensure full compliance by the required date.

Corporate Governance

47. 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 your financial position. We have made comment on the Board’s financial position at paragraphs 19 to 24.
48. We relied on the work of Internal Audit to give us assurance in these areas and we looked at two further areas of risk to see what governance arrangements were in place to manage them:
- Information Management & Technology (IM&T) Computer Services Review and e-Health Strategy update; and
 - new General Medical Services (nGMS) Contract Update.



IM&T Computer Services Review and e-Health Strategy update

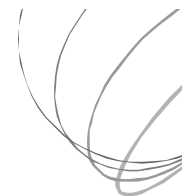
49. We submitted a report on the IM&T Computer Services Review in July 2005. We followed this report up this year and can report that the Board has prepared a Knowledge Management and eHealth Strategy covering the period 2006 to 2008. However, a number of actions from our original report remain outstanding and these are detailed in our follow up report.
50. Outstanding action points include:
- the need for a prioritised 3 year rolling implementation plan to be developed to manage resource requirements and measure progress;
 - establishing an organisational structure in the eHealth section;
 - the creation of service level agreements with all other user departments, and
 - the establishment of Business Continuity Planning at a corporate level.

nGMS Contract Update

51. We followed up our 2004/5 report on the Implementation of the new General Medical Services Contract. Our review focussed on the progress the Board has made against the three identified risk areas and resulting planned actions as detailed in our original report. We can report that the Board is progressing well on the planned actions identified in our report.
52. The workforce plan baseline analysis has enabled the requirements of primary care in Ayrshire and Arran to begin to be evidenced, and GP practices have gained a greater understanding of the importance of planning, with the inclusion of planning on the agenda for each contract review meeting. Also, a national level Primary Care Working Group is now in place for workforce planning, with the Scottish General Practitioners Council developing a data collection form which is being piloted in October 2006.

Staff Governance

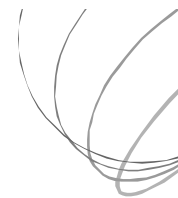
53. Ayrshire and Arran Health Board completed a self assessment audit and a staff survey to assess their effectiveness in staff governance. The self-assessment process was carried out in partnership with significant staff involvement. The resulting action plan was approved by the Area Partnership Forum and 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.



54. 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.
55. We concluded that Ayrshire and Arran Health Board had made good progress in achieving actions agreed last year. We found that of 24 actions in last year's action plan, seven (29%) were fully implemented and ten (42%) are partially complete. Organisational redesign and continued progression towards a Single System has resulted in the implementation date for some actions being revised to 2006/07. The outstanding issues include the need to fully develop an Occupational Health & Safety Strategy and Action Plan but work is progressing in this area.

Overview of Community Health Partnership Developments

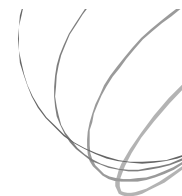
56. In October 2004, the National Health Service Reform (Scotland) Act 2004 required every Health Board to establish Community Health Partnerships (CHPS). CHPs are seen as the key building blocks in the modernisation of the NHS in Scotland through the development of community-based healthcare services and facilities.
57. In November 2005, the Scottish Executive Health Department issued its long-term, strategic programme for healthcare —*Delivering for Health*—which was informed by the report of Professor David Kerr. The strategy is based on an integrated model of health care where CHPs are at the forefront in developing community-based services rather than hospital-based services.
58. We carried out a high-level overview of the progress made on the development of CHPs within Ayrshire and Arran. The main aim was to collate baseline information for future performance assessment and to inform the annual overview of the performance of the NHS in Scotland.
59. Ayrshire and Arran Health Board established three 'shadow' CHPs on 1 April 2004 and these became fully operational on 1 April 2005. The three CHPS cover the different local authority areas within the Board (i.e. North Ayrshire, South Ayrshire and East Ayrshire). Each CHP has been constituted as a sub-committee of the Health and Performance Governance Committee which in turn reports to the Board. Our overview highlighted that the development of CHPs within Ayrshire and Arran is building on long-standing joint working arrangements developed around Joint Futures.



60. Ayrshire and Arran Health Board is making good progress in developing CHPs but there are still a number of challenges and risks. Some of the keys risks that might impact on the successful implementation of CHPs include:

- establishing clear governance and accountability arrangements;
- the need to work in partnership with the Acute Sector to manage the transition of the balance care from secondary to primary care; and
- the need to develop meaningful ways of engaging with and integrating dentists, opticians and pharmacists into new ways of service delivery.

Risk Area 4 and 5

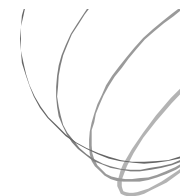


Looking Forward

61. Ayrshire and Arran Health Board faces significant challenges in 2006/07 which include:

- Achieving continuing financial stability is a major goal for Ayrshire and Arran Health Board. While the organisation has a cumulative surplus, the utilisation of the surplus for ring-fenced and earmarked projects does bring challenges for the Board. Reducing the high level of carry forward and maintaining financial balance, whilst spending appropriately on services and managing cost pressures within recurring funding is a key risk.
- The issue of service sustainability will continue to have a major impact on future operational planning. The Board is expected to make a decision on the options for a change in the delivery of services in October 2006. This will impact on both service delivery and recruitment of staff.
- The three Community Health Partnerships were formally implemented in 2005/06. A key challenge will be the need to work in partnership with the Acute Sector to manage, effectively, the transition of the balance of care from secondary to primary care.
- The Efficient Government initiative has provided Ayrshire and Arran Health Board with a challenging set of savings targets to be achieved. In addition, national initiatives, such as shared support services, will also have a significant impact on the Board.
- The Best Value agenda will play an increasingly important role throughout public services in Scotland. Ayrshire and Arran Health Board have made good progress thus far, but recognise that much is still to be done to develop the arrangements which will demonstrate commitment to Best Value and continuous improvement.

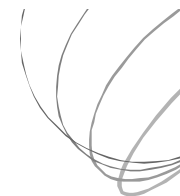
62. The Board recognises these challenges and is taking steps to address them.



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	6	There is a risk that the Board is perceived to be under-funding services or not applying the funding received in an efficient way due to the continued high level of carry-forward.	Reduction in 05/06 by £5m. Further reduction by £5-8m in 06/07.	Derek Lindsay, Director of Finance	Mar. 07
2	9	If proposals for service redesign are not adopted revised plans will need to be developed to ensure the quality of service provided to patients is optimised.	Coherent and detailed plans, following full public consultation and engagement will be delivered to the NHS Board in October 2006. Whilst a key plank of NHS Ayrshire & Arran's response to Delivering for Health, the Review of Services project is not the only response. DfH actions are being reported to and monitored by the Chief Executive's Management Team to ensure sustainable future services.	Bob Masterton, Medical Director Kirsten Major, Director of Strategic Planning & Performance	October 2006 and ongoing
3	24	There is a risk that the Board may fail to achieve long term financial balance whilst utilising the cumulative surplus.	Five year financial plan projects continued reduction in balance. Agreed commitment of £17.4m on non recurring items in 2006/07	Derek Lindsay, Director of Finance	Ongoing
4	60	Governance and accountability arrangements within CHPs may not be sufficiently developed.	Clear terms of reference for CHP sub committees agreed; Audit Scotland CHP toolkit to be used to assess local position and action plan prepared accordingly.	Allan Gunning, Chief Operating Executive	October 2007



Action Point	Refer Para. No	Risk Identified	Planned Action	Responsible Officer	Target Date
5	60	CHPs may not develop effective relationships with the Acute Sector and fail to integrate dental, optical and pharmacy services into the new ways of working.	Operational Plan to be approved by the NHS Board detailing specific CHP Actions; CHP toolkit to be used to assess local position and action plan prepared accordingly.	Allan Gunning, Chief Operating Executive	October 2007