

Forth Valley Health Board

Report on the 2005/6 Audit



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Summary

Introduction

In 2005/6 we looked at the key organisational risks facing NHS Forth Valley. These included maintaining service sustainability during the introduction of transitional arrangements for the delivery of health care, achieving financial balance, managing the workforce, implementing the new health care strategy through new hospital provision and arrangements for the achievement of Best Value and the Scottish Executive's efficient government initiative. We audited the financial statements and we looked at aspects of performance management and governance. This report sets out our key findings.

Service Sustainability

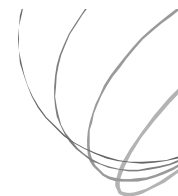
In October 2005 NHS Forth Valley successfully introduced transitional arrangements which involved the relocation of many services and staff between Falkirk, Stirling and Larbert. During this period of significant change the Board generally continued to meet its operational targets, although targets for cancer waiting times and delayed discharges were not achieved. The Board also made significant progress with its plans to deliver acute services from a single site in Larbert.

Organisational Change

During 2005/6 the Board's management and committee structures were reviewed to reflect the development of single system working. A revised management structure was approved in April 2005 and further revisions to the management and committee structures were approved in November 2005.

Workforce Planning

During 2005/6 the Board appointed a Workforce Planning and Development Manager and completed and submitted their first workforce plan to Scottish Executive Health Department (SEHD) in April 2006. A Single System Information Project has been established to progress the rationalisation of workforce information across NHS Forth Valley. There has been significant progress on Agenda for Change in 2005/06 albeit nationally this is slower than had originally been anticipated.



Financial Position

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

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

*Table 1
2005/6 Financial Performance*

Description	£ million
Planned in-year operating surplus	nil
Actual in-year operating deficit	0.003
Cumulative surplus	0.407
Planned savings target	2.860
Actual savings achieved (recurring & non-recurring)	2.643

The Board initially forecast that it would achieve a break even financial position in 2005/6, incorporating forecast savings of £2.860m. Projections from November indicated a surplus of £0.400m - the final outturn achieved was a surplus of £0.407m. The Board achieved savings of £2.643m.

Performance Management

Our review of the Board's financial management and budgetary control system confirmed that the Board has sound financial management arrangements and robust systems of budgetary control. These systems and key internal controls continued to operate effectively during a period of transition involving significant organisational and geographical change.

NHS Forth Valley made significant progress in achieving its waiting times targets in 2005/6 with no outpatients or inpatients waiting more than 26 weeks at 31 March 2006. This was achieved against a backdrop of significant change in the delivery of acute services and whilst transitional arrangements were in place.

The Efficient Government initiative is a five year programme with the aim of attacking 'waste, bureaucracy and duplication in Scotland's public sector'. Our review of the Board's arrangements for Efficient government concluded that the processes to identify baselines and monitor results at NHS Forth Valley are generally robust but that in other, newer areas of savings, better information is required to enable the establishment of sound baselines and reliable output measures.

We carried out a baseline review of the Board's arrangements for Best Value. Our preliminary assessment of the Board's arrangements indicated that they were well developed in seven of the nine principles of Best Value.



Governance

Sound governance arrangements were maintained during a period of significant change and which had required organisational re-structuring for the continued development of single system working.

NHS Forth Valley has made good progress with the development of its three Community Health Partnerships (CHPs) during 2005/6. In addition to the three new CHP committees which report directly to the Board, the Primary Care Operating Division committee was retained to provide an overview during the transitional period. The Board commissioned an evaluation tool with Stirling University to review the partnership arrangements and assess the extent to which the CHPs are meeting their objectives

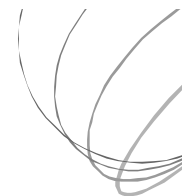
Clinical governance arrangements have been strengthened during the year 2005/6 with the existence of a board wide Clinical Governance Strategy. This was approved in March 2005 and is underpinned by the Board-wide risk management strategy. A sub group of the Clinical Governance committee has been established to conduct a self assessment of compliance with NHS QIS clinical governance and risk management standards ahead of a formal review in January 2007. The Board continues to make steady progress in this area.

NHS Forth Valley 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 Management Team, and so had agreement and support across the organisation. Our follow up review concluded that the Board was making good progress in completing its 2005/6 action plan with seven out of nine action points completed.

As disclosed in the Statement on Internal Control, management acknowledge that there is no formal, cohesive disaster recovery plan in place. The Board plans to incorporate the development of the IT Disaster Recovery Plan into the business continuity planning process in 2006/7.

Audit Scotland

June 2006



Introduction

1. This report summarises the findings from our 2005/6 audit of NHS Forth Valley. The scope of the audit was set out in our Audit Risk Analysis and Plan, which was submitted to the Audit Committee on 27 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 some of the issues we 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. A copy of this report will be submitted to the Auditor General for Scotland and will be available on our website www.audit-scotland.gov.uk.



Organisational Risks

Introduction

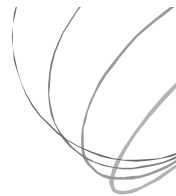
4. In our audit plan, we identified seven main areas of risk for NHS Forth Valley. We also described longer term planning issues which will impact on the Board and its external auditor in the future. In this section, we describe the risks and our views on their current status. We also comment on longer term planning issues.

Service Sustainability and organisational change

5. In October 2005, NHS Forth Valley introduced transitional arrangements which involved the relocation of many services and staff between Falkirk, Stirling and Larbert. Falkirk Infirmary is now primarily responsible for providing planned care and Stirling Infirmary is responsible for providing unscheduled or emergency care. We identified the risk that the Board would have to deliver against key operational targets such as Waiting Times and Delayed Discharges during this period of major change. The Board has continued to make significant progress in reducing waiting times and has achieved its targets in most areas. Waiting times for patients with cancer have been met at periods during the year but not consistently sustained. Although the number of patients delayed in discharge at April 2006 is at its lowest recorded level, (68), the Board failed to achieve its target of 59.
6. The Board has reviewed the provision of both acute and community hospital services. The provision of acute services from 2 sites was no longer sustainable and is to be replaced by provision from one site, supported by 4 community hospitals. The new Acute hospital and the Clackmannanshire Community Hospital have completed Key Stage 2 Review process and are following SEHD guidance regarding the procurement process.

Managing Financial Pressures

7. NHS Forth Valley identified an underlying deficit of £3.889 million in 2005/6 Plans but planned to achieve in year financial balance through slippage and the use of non recurrent funds. In our audit plan we noted that the impact of the full costs of the GMS contract and the Waiting Times Initiative could threaten the achievement of financial balance.
8. The Board successfully met its financial targets for 2005/6, see also paragraph 25 of this report. At the end of the financial year the Board's net resource outturn showed a cumulative saving of £407,000 against the revenue resource limit (RRL).



9. The 2005/6 NHS Forth Valley Financial Plan identified an underlying deficit of £3.889 million but the Board aimed to eliminate this entirely by 2008/9. The Financial Plan for 2006/7 - 2010/11 now shows the underlying deficit forecast reduced to £2.6million in 2006/7 with recurrent financial balance being achieved in 2007/8. However, despite the forecast improvements the Board is aware of a continuing risk that this target of recurrent financial balance may not be achieved, because of reductions in the relative levels of funding, continuing cost-pressures and the need to continue to achieve greater efficiency savings as part of the Efficient Government initiative.

Action Point 1

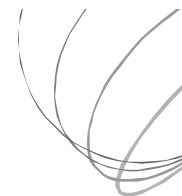
Best Value and Efficient Government

10. 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. 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.
11. NHS Forth Valley had not carried out a specific review of its services against the requirements of Best Value. In 2005/6 we carried out a review of the Board's arrangements in relation to Best Value in order to establish a baseline against which developments and progress can be measured. We were able to identify that in many areas the Board's processes adhered well to Best Value principles in the delivery of its services and responsibilities. Further details are contained in the Performance Management section of this report.

Action Point 2

12. We carried out an overview of NHS Forth Valley's management arrangements in relation to the requirements of the Scottish Executive's efficient government initiative. All boards are required: to reflect the requirements of efficient government in a programme for delivering efficiency savings. Audit Scotland undertook a central exercise to evaluate the processes adopted throughout the whole of the NHS and an assessment diagnostic was completed for NHS Forth Valley.
13. NHS Forth Valley met the efficiency targets of £4.7 million arising from the Efficient Government initiative. A portion of this target was achieved through non-recurrent measures but this has been addressed in the 2006/7 financial plan. We noted that in newer areas of savings better information is required to enable establishment of sound baselines and reliable output measures. We shall report in greater detail NHS Forth Valley's arrangements in the context of the wider NHS.

Action Point 3



Workforce Planning

14. In 2004/5 we reported that the Board had not developed a workforce plan and that workforce information was being provided from three separate systems and consequently information may be recorded and reported on an inconsistent basis.
15. In January 2006, NHS Forth Valley appointed a Workforce Planning and Development Manager. The Board submitted their workforce plan to the SEHD at the end of April 2006. A Single System Information Project has been established with a completion date of April 2007 for the implementation of a single information system. Sickness absence policies are being rationalised and work is underway to ensure more standardised and reliable reporting and analysis.

Action Point 4

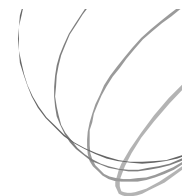
16. There has been significant progress on Agenda for Change in 2005/2006 albeit nationally this is slower than had originally been anticipated. Revised dates have been agreed on a national basis. A number of staff were assimilated to the new grades in February and March and it is anticipated that all staff will be paid under the new arrangements by December 2006. As part of the pay modernisation agenda NHS Forth Valley prepared a benefits realisation plan which will be monitored by the Scottish Executive.

Governance

17. NHS Forth Valley has made further progress with establishing single system working and has recently re-structured the finance function in line with other organisational changes. Governance structures have also been subject to frequent review and revision. For example, in recognition of the significant risks relating to the major property transactions currently underway, a new Property Committee was established to ensure that the associated risks were properly evaluated and managed.

Action Point 5

18. In November 2005, the Scottish Executive Health Department issued its long-term, strategic programme for healthcare entitled "Delivering for Health" which was informed by the report of Professor David Kerr. The strategy envisages delivery of its key objectives through an integrated model of health care, with Community Health Partnerships (CHPs) leading many of the actions.



19. NHS Forth Valley has established three CHPs in its area and has produced a local delivery plan in line with the guidance. Audit Scotland undertook a high-level review of the progress on the development of CHPs across all of its health board clients to establish a baseline for future performance assessment and to identify areas of good practice. Our review of the current funding arrangements for services carried out by local authorities on the Board's behalf identified that there were no formal arrangements for the monitoring of the payments made to the local authorities. Further details of our findings on the development of CHPs are contained in the Governance section of this report.

Action Point 6

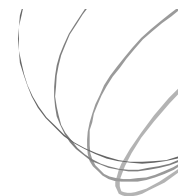
Progression of Healthcare strategy

20. Work on two new hospitals, Clackmannan Community Hospital and the new acute hospital at Larbert is progressing well. A preferred bidder, the Robertson group has been appointed to the Clackmannan project, with building work due to commence in October 2006, and service commencement scheduled for December 2007. The evaluation process for the new acute hospital is nearing completion with the recent appointment of the preferred bidder.

Information Management and Technology

21. In the Statement on Internal Control management acknowledged that there is no formal, cohesive disaster recovery plan in place, and they plan to incorporate the development of the IT Disaster Recovery Plan into the business continuity planning process in 2006/7. We undertook a follow up of our 2004/5 Computer Services review and details of our findings are contained in the Governance section of this report.

Action Point 7



Financial Statements

Our Responsibilities

22. 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.
23. 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

24. We have given an unqualified opinion on the financial statements of Forth Valley Health Board for 2005/6.

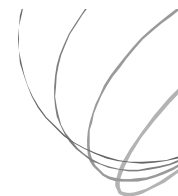
The Board's Financial Position

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

*Table 2
2005/2006 Financial Targets Performance £ million*

Financial Target	Target	Actual	Variance
Revenue Resource Limit	377.451	377.044	0.407
Capital Resource Limit	11.840	11.799	0.041
Cash Requirement	360.650	360.650	0

26. The Board continues to make use of non-recurring income to support its financial position, and plans to do so until recurring savings feed through from service re-design and from the implementation of the Transitional Service changes. The Financial Plan 2005/2006 identified a recurrent funding gap of



£3.889m reduced to £2.600m in 2006/2007. The Board is scheduled to achieve recurrent balance in 2007/2008.

27. The use of capital receipts has been used to support revenue expenditure via the mechanism of capital to revenue transfers. This has supported spending in three areas:

- non-added value capital items;
- advisor costs/project teams for potential PPP/PFI schemes; and
- bridging finance following withdrawal of national brokerage arrangement.

This facility will no longer be available to health boards from 1 April 2006 and may increase the risk that the Board will not achieve recurring in-year balance by 2007/2008.

See Action Point 1

28. NHS Forth Valley is an 'Arbuthnott gainer' in that it receives an uplift in funding in excess of the national average. The Board, in its Healthcare Strategy, agreed that this 'gain' should be ring-fenced on a 'recurrent' basis for the implementation of the Strategy and currently £8.223m is protected on this basis.

29. NHS Forth Valley's recurring income and expenditure amounts were £364.1 million and £368.0 million, leaving a recurring funding gap in year of £3.9million. The Board managed this position through slippage on developments and the use of ring fenced monies.

*Table 3
Funding Position 2005/6*

Description	£ Million
Recurring income	364.1
Recurring expenditure	368.0
Estimated underlying recurring gap	3.9

The Issues Arising from the Audit

30. We reported seven main issues to the Audit Committee on 9 June 2006:

- **Pension and injury benefit provisions:** In 2005/6 guidance was issued in respect of providing for pension increases for early retirement pensions which had come into effect pre1995. This revealed that NHS Forth Valley had overprovided for these by approximately £1.3 million. This



was credited back to the Operating Cost Statement (OCS). At the same time Health boards were advised that they are now required to provide for pension increases in relation to injury benefit provisions and that these should be discounted at 2.8%, whereas NHS Forth Valley had discounted at 3.5%. These adjustments together with the in year movements in provisions resulted in a credit of £737,000 to the OCS. Because the amounts are not considered sufficiently significant as to distort the reader's understanding of the financial statements, this has not been separately disclosed as an exceptional item.

Resolution: Accounting treatment and disclosures agreed.

- **Accelerated depreciation:** Depreciation on Falkirk and Stirling Infirmary sites had been charged on the basis of their normal life expectancies which vary across separate elements of these sites. The Board are planning to replace the two hospitals with a new hospital at Larbert by 2009 and parts of the old Falkirk and Stirling infirmary sites will be demolished. Given the finite lives of the Falkirk and Stirling hospitals it is appropriate to apply accelerated depreciation to reduce their net book values to zero by 2009/10.

Resolution: Accelerated depreciation of **£10.009 million** was applied in 2005/6.

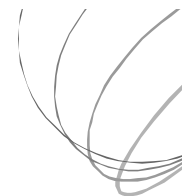
- **Negative revaluation reserves:** the asset revaluation exercise carried out in 2003/4 identified a number of assets whose revaluation reserve balance was insufficient to offset the reduction in asset values thereby resulting in some negative revaluation reserve values. Relevant guidance indicates that this is reasonable in the short-term where fluctuations can be attributed to temporary price changes. Were reductions in value to be confirmed as permanent, an appropriate charge would require to be made to the Operating Cost Statement.

Resolution: Management have reviewed the affected assets and confirm in the letter of representation that the initial price changes are still considered temporary in nature.

- **Agenda for change accrual:** we draw 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 2005/06 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 by all Boards yielding a figure of some £8.0m for NHS Forth Valley. We have the Board for formal assurances, in a letter of representation, that this methodology, in their judgement, best reflects anticipated costs.

Resolution: The Board has confirmed that, based on current information, the methodology used best reflects anticipated costs.

- **Equal Pay claims**—following recent successful equal pay claims from staff in the NHS in England, there is a possibility that similar claims will be raised by Health sector staff which could represent a contingent liability to NHS Forth Valley. We were informed by Finance staff that the likelihood of NHS Forth Valley facing significant challenge was low and that a contingent liability



did not require to be included in the accounts for 2005/6. We have asked the Board to confirm this view in the Letter of Representation.

Resolution: Disclosure in letter of representation.

- **EU gas emissions:** In 2005/6 an allowances scheme for greenhouse gas emissions was introduced. In common with several other Health boards NHS Forth Valley 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 £318,000. These transactions had not been included in the draft financial statements.

Resolution: The necessary accounting entries have been made to the financial statements for 2005/06.

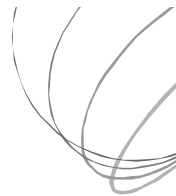
- **Balances with other Health Boards** – all Health Boards are required to agree the balances due to and from other NHS Scotland Health Bodies as part of the financial statements completion. These balances are included in debtors and creditors and separately identified in SFR 30. NHS Forth Valley were unable to agree the balance claimed to be owed by NHS Lothian. The amount in dispute is in the region of £400,000.

Resolution: NHS Lothian have indicated an outstanding balance but have not provided details of what is included in that balance. NHS Forth Valley has identified all known amounts due to be paid to NHS Lothian and therefore are not aware of the content of any balance due to NHS Lothian.

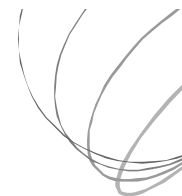
Statement on Internal Control

31. 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:

- risk management - the establishment of a single corporate risk register is a key objective for 2006;
- staff governance - although good progress is being made in this area, more work is required to implement the Health and Safety Action plan;
- Information management and technology - whilst the board has moved towards to a single intranet, there has been no formal, cohesive disaster recovery plan in place. There are plans to incorporate this into the business Continuity Planning process in 2006/7;
- Development of single system working - in 2005/6, work commenced on combining the financial operating procedures of the two former trusts and the board into area-wide procedures. This is due for completion in 2006/7;



- Clinical governance - work is ongoing to implement the Clinical Governance Strategy which was approved in March 2005. An action plan has been developed to ensure compliance with NHS QIS standards ahead of the planned review in January 2007;
- Family Health Service payments made on behalf of Health Boards by National Services Scotland - during 2005/6 the service auditor identified 5 high priority points in relation to the systems used to process these payments. In addition, unsigned prescription forms were being processed without query at the point of payment. NHS Forth Valley has ensured that relevant parties have been informed and appropriate action taken.



Performance Management

Introduction

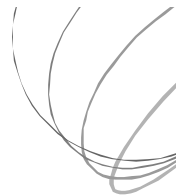
32. This section covers our assessment of the way in which NHS Forth Valley secures value for money in the use of its resources. This year we focussed on four main areas:
- Financial management and budgetary control;
 - Efficient Government;
 - Best Value Overview; and
 - Local tendering and procurement

Financial Management and budgetary control

33. NHS Forth Valley's financial plan for 2005/6 aimed to achieve financial balance by 2008/9 but this relied heavily on the use of non-recurrent funding, as well as the achievement of efficiency savings. The plan acknowledged that this approach carries a degree of risk, and its achievement requires sound financial management and robust systems of budgetary control.
34. The significant changes arising from continued moves towards single system working and the introduction of transitional arrangements in addition to increasing cost pressures compounded the risks NHS Forth Valley faced in 2005/6. These events could have had an adverse impact on service delivery and on the effective operation of the financial management processes. We identified in our Audit Risk Analysis & Plan the additional risks of non-achievement of operational targets and financial balance associated with the transitional arrangements and agreed with the Board therefore that we would carry out a review of financial management and budgetary control.
35. Our audit testing confirmed that NHS Forth Valley has sound financial management arrangements and robust systems of budgetary control. These systems and key internal controls continued to operate effectively during this period of transition which involved both organisational and geographical changes. Further re-structuring of the finance function was approved in March 2006.

Efficient Government

36. 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,



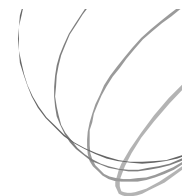
by 2007/8. The NHS in Scotland is expected to contribute £166 million of cash releasing savings and £173 million of time releasing savings per year.

37. All health bodies are required to reflect the requirements of efficient government in a programme for delivering efficiency savings; to monitor the effectiveness of change programmes; to take corrective action where necessary and ensure effective leadership throughout the process. All health bodies have been required to make 1% annual efficiency savings for many years and these form a major part of the planned efficient government savings.
38. Audit Scotland undertook a central exercise to evaluate the processes adopted throughout the whole of the NHS and an assessment diagnostic was completed for NHS Forth Valley.
39. NHS Forth Valley met its efficiency targets of £4.7 million arising from the Efficient Government initiative. A portion of this target was achieved through non-recurrent measures but this has been addressed in the 2006/7 financial plan. We found that the processes to identify baselines and monitor results for the well-established 1% annual efficiency savings are generally robust, but in newer areas of savings better information is required to enable establishment of sound baselines and reliable output measures. We are preparing a local report which sets NHS Forth Valley's position in a national context.

Best Value

40. There is no statutory duty of Best Value in the wider public sector but Ministers do wish to encourage and embed the principles of Best Value across the wider public sector. In August 2003, the SEHD issued draft secondary guidance on the duty of accountable officers to ensure arrangements are in place to secure Best Value. Revised guidance was issued in April 2006 and included in the Scottish Public Finance Manual.
41. We carried out a baseline review of the Board's arrangements for Best Value. The results of our review were submitted to our Performance Audit Group for central analysis and a baseline report on the results of our best value assessments throughout the NHS will be submitted to the Scottish Executive. Our preliminary assessment of the Board's arrangements indicated that, in seven out of nine principles of best value, NHS Forth Valley is considered to be well-developed with the remaining areas under development (see below). It will be important to ensure that processes are in place to enable NHS Forth Valley to readily demonstrate the achievement of Best value against the revised guidance.

See Action Point 2



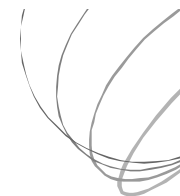
Best Value Characteristics	Under Development	Well Developed
Commitment and Leadership		√
Sound Governance at a Strategic & Operational Level		√
Accountability		√
Sound Management of Resources & Contractual Arrangements		√
Responsiveness and Consultation		√
Use of Review and Options Appraisal		√
Contribution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

Local tendering and procurement arrangements

42. A major source of savings is planned from procurement efficiencies. Many of these will be managed at a national level, but as part of our 2005/6 audit we reviewed local tendering arrangements following on from a breach of EC procurement rules in 2004/5.
43. Our findings indicated that NHS Forth Valley has the key aspects of a sound tendering and procurement framework in place with comprehensive Standing Financial Instructions which include written guidance on requisitioning, ordering and receiving goods and services. These cover delegation of authority, tendering procedures and the need for budget cover. They also satisfactorily address procedures to avoid potential conflicts of interest and the requirement that relevant contracts are advertised and awarded in compliance with EC legislation.
44. Few major contracts had been let locally during 2005/6 but those that had were found to have complied with EC regulations.

National Studies

45. In 2005/6, there were three national study topics. :
- Staff Governance (March 2006);
 - Tackling waiting times in the NHS in Scotland (February 2006)
 - Implementing the NHS Consultant contract in Scotland (March 2006)



46. Staff governance was covered as part of our work on governance within NHS Forth Valley and we have summarised our conclusions at paragraph 67 of this report.

Tackling waiting times in the NHS in Scotland (February 2006)

47. 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.
48. 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.
49. The report indicated that NHS Forth Valley has an effective process in place for dealing with waiting times targets and also has good working relationships between departments to ensure a streamlined service for patients requiring to be transferred to other hospitals to meet the targets.

Implementing the NHS Consultant contract in Scotland (March 2006)

50. 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.
51. NHS Forth Valley was specifically referred to in the report for their accurate and sound costing methodology.



Governance

Introduction

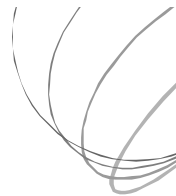
52. This section sets out our main findings arising from our review of the Board's corporate governance as it relates to:
- clinical governance;
 - corporate governance ; and
 - staff governance.

Clinical Governance

53. We are pleased to note the progress being made in this area with a Board-wide Clinical Governance strategy in place throughout 2005/6. The Committee met on four occasions during 2005/2006 and from our review of Board minutes we note that a sub-group has been established and an action plan developed to ensure compliance with NHS QIS Clinical governance and Risk Management Standards ahead of a formal review in January 2007. The Board continues to make steady progress in this area.

Corporate Governance

54. 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 Board's financial position at paragraphs 25 to 27 and on the Statement of Internal control at paragraph 31.
55. As already mentioned, further developments in the moves towards single system working occurred in 2005/6 and both management and committee structures were subject to regular review to reflect organisational changes. A revised management structure was approved in April 2005 for implementation by September 2005. Further changes to management and governance arrangements and committee structures were approved in November 2005 and operated throughout the rest of the financial year.
56. An example of the changes include the establishment of a Property Committee, in view of the increased risks arising from the significant property transactions currently underway. The Committee was established to ensure a cohesive and consistent approach to property-related transactions. A further example is the decision to retain the Primary Care Operating Division Committee in addition to



setting up three new CHP committees, to ensure continuity and oversight was retained during this transition.

57. The arrangements are being kept under review and a paper proposing further changes towards the implementation of full single system working were presented to the Board in May 2006.
58. We relied on the work of Internal Audit to give us assurance in some of these areas of governance and on their annual audit report for assurance that there was a satisfactory internal control framework in place. We looked at two specific areas of risk to establish what governance arrangements were in place:
 - Information Management & technology(IM&T) business continuity and planning;
 - Progress in development of CHPs

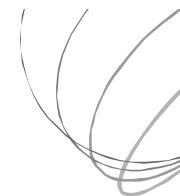
IM&T business continuity and Planning

59. Effective business continuity planning reduces the risk to an organisation's business arising from unexpected disruptions to the service. Our 2005/6 follow up on the 2004/5 Computer Services Review identified that risk management and business continuity planning processes and IM&T contingency and disaster recovery plans had not been established across NHS Forth Valley during 2005/6. The initial target date for completion was September 2003 but this has been subject to frequent revision, most recently to September 2006. However, our findings indicate that work to incorporate the development of the IT Disaster Recovery Plan into the Business planning process for 2006/7 has not yet commenced.

See Action Point 7

Progress in development of CHPs

60. In October 2004, the National Health Service Reform (Scotland) Act 2004 placed every Health Board under a duty to establish Community Health Partnerships. CHPs are seen as key building blocks in the modernisation of the NHS and should have a new role in service planning as part of integrated health and social care systems.
61. NHS Forth Valley has established three CHPs in its area and has produced a local delivery plan in line with the guidance. We undertook a high-level review of the progress on the development of CHPs In NHS Forth Valley to establish a baseline for future performance assessment, to identify areas of good practice and to inform the annual overview of the performance of the NHS in Scotland. .



62. Services carried out by local authorities on the Board's behalf are currently funded by resource transfer. Our review of the Board's arrangements for resource transfer identified that there are currently no formal procedures for monitoring these payments.
63. While the role of CHPs is still developing, we recognise that NHS Forth Valley has made good progress with the development of the three CHPs in its area. There is a good awareness of the risks and issues facing the ongoing management of the CHPs, such as the availability of partner funding, competing priorities and management capacity. Governance arrangements appear to be kept under regular review, with the PCOD committee being retained to provide an overview in this period of transition.
64. NHS Forth Valley has also commissioned a formal evaluation tool with Stirling University which is currently being piloted. It is comprised of two parts - the first looking at the partnership arrangements and the second at the extent to which CHPs are meeting their objectives. This should enable a baseline to be set and future performance measured. Audit Scotland also issued a detailed governance checklist which should also enable CHPs to undertake further self-assessment in this area if required.

Staff Governance

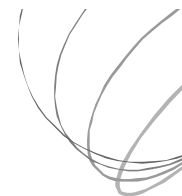
65. NHS Forth Valley completed a self assessment audit and a staff survey to assess their effectiveness in staff governance. The self-assessment process was carried out in partnership with significant staff involvement. The resulting action plan was approved by the Area Partnership Forum and Management 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.
66. 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.
67. We followed up on the agreed action plan for 2005/6 to ensure that this action plan was being delivered and the desired outcomes were being achieved. We concluded that the Board is making good progress in completing the 2005/6 action plan with 7 out of 9 actions being completed although more work is required to implement the Health and Safety Strategy and Action Plan.



Looking Forward

68. NHS Forth Valley faces significant challenges in 2006/7 which include:

- Implementation of its Health care strategy. The new community hospital at Clackmannan is due for completion in 2007 and the full business case for the new acute hospital should be submitted for approval decision later this year.
- Extension of the national tariff system. In 2006/7 the application of the tariff, representing approximately 50% of cross-boundary flows will increase from two to eight specialities. This could have financial consequences that are difficult to predict.
- The role of CHPs needs to be developed and an increased focus on joint working is required. The importance of CHPs in delivering increasing levels of service is recognised by the Board. All partnerships in Forth Valley have agreed to commission a review of current and potential models of CHPs including integration. This is due for completion in 2006.
- Efficient Government is a challenging agenda. In addition, national initiatives, such as shared support services, will also have a significant impact on NHS Forth Valley.
- The Best Value agenda will play an increasingly important role throughout public services in Scotland. NHS Forth Valley 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.
- Modernising medical careers (MMC) will have an impact on the Board. An estimate of the potential impact of changes arising from this initiative has been included in the financial plan. Some funding is expected to be transferred from National Education Scotland (NES) but further assessment is required. The financial impact of implementing MMC over the next five years is estimated at £3 million, and there will also be an impact on clinical working practices.



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	9	The Board fails to achieve its target of an underlying deficit of £2.600m in 2006/2007 and recurring balance by 2007/2008	Monthly Review 2007/08 Financial Plan — March 2007	Director of Finance	Ongoing
2	11	NHS Forth Valley will be unable to demonstrate the achievement of Best Value	Work in 2006/07 to focus on embedding Best Value culture	Chief Executive	Ongoing
3	13	The Board fails to deliver its savings targets under the Efficient Government Initiative	Monthly Review 2007/08 Financial Plan update March 2007	Director of Finance	Ongoing
4	15	The Board is unable to provide workforce information on a single system basis	Actions incorporated in Workforce Action Plan	Director of Human Resources	Ongoing
5	17	Governance structures may not fully support single system working	Ongoing review as part of Implementation of May'06 recommendations	Chief Executive	March'07
6	19	The board fails to effectively monitor funds transferred to Local authorities by resource transfer.	Review as part of CHP Review	Director of Finance CHP General Managers	December'06
7	21	The delivery of the Board's services may be exposed to serious disruption as a result of the lack of business continuity planning processes and IM&T contingency and disaster recovery plans.	Complete review of Business Continuity and Disaster Recovery Strategies and Operations.	Director of Property and Primary Care Administration	October'06