# Tayside Health Board

## Report on the 2005/6 Audit

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# Executive Summary

## Introduction

In 2005/6 we looked at the key organisational risks around achieving financial balance, managing the workforce and arrangements for 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.

## Financial Position

We have given an unqualified opinion on the financial statements of Tayside Health Board for 2005/6. The Board carried forward a £4.5 million surplus from 2004/5 and planned to fully utilise this is 2005/6. The Board, however, was able to improve on this plan by achieving a cumulative surplus at 31st March 2006 of £1.1 million, thereby reducing the planned deficit to £3.4 million.

*Table 1*
*2005/6 Financial Performance*

| Description | £ million |
|---|---|
| Planned in-year operating deficit | (2.5) |
| Actual in-year operating deficit | (3.4) |
| Cumulative surplus | 1.1 |
| Revenue Resource Limit | 577.1 |
| Net Resource Outturn | 576.0 |
| | |
| Planned savings target | 13.2 |
| *Actual savings achieved*:<br>Recurring<br>Non-recurring | <br>9.6<br>1.9 |
| **Total** | **11.5** |

A savings target of £14.6 million has been set for 2006/7. This is a challenging target given that only £11.5 million of £13.2 million planned savings were achieved in 2005/6. Options to meet full planned savings were never identified nor fully built into the budgets during 2005/6. Detailed plans to achieve £6.1 million of the 2006/7 targets are still being developed, which shortens the timescale for delivery. Based on the audited results the Board will need to revisit financial planning assumptions for 2006/7 and the longer term.

Financial balance has been achieved in part this year by managing the position using the sale of assets and slippage on projects. The Board is therefore using non-recurring funding to meet recurring expenditure. While at times this is necessary, the Board should aim to be in recurring balance, and use non-recurring funding only for one-off items of expenditure or specific projects.

## Performance Management

Performance management arrangements were improved in 2005/6 through the use of CitiStat, a performance tool which complements other performance arrangements within the Board.

During the year we carried out the following reviews:

- **Workforce planning** —we found that the Board has prepared a workforce plan taking into account the priorities of services throughout the organisation. The Board recognised the fundamental implications *Delivering for Health* has for the workforce and developed a workforce development plan to address the Scottish Executive's requirements.
- **Best Value** —we found that, in general, the arrangements to provide best value were well developed and the Board was able to supply strong evidence to support the characteristics of Best Value as detailed in the draft guidance.
- **Efficient Government** —NHS Tayside exceeded the 1% efficiency savings target in 2005/6.

## Governance

NHS Tayside has made significant progress in incorporating *Delivering for Health* in its strategies and objectives and has developed a local action plan.

The Board's Quality and Clinical Governance Committee oversaw and approved the development and implementation of an NHS Tayside Governance/Quality Improvement Strategy. NHS Tayside continued to progress plans to develop the Stracathro Ambulatory Diagnostic and Treatment Centre. Plans are at an advanced stage with an estimate that the centre will be operational by 2007.

We reviewed the financial planning process during the year and concluded that, although the Board has continued to develop and improve its approach to financial planning, further improvements could be made by agreeing plans earlier and developing firm savings plans, preferably prior to the start of the financial year. The Board must continue to keep under review the assumptions within its plans, given the difficulty in achieving the recurring savings target in 2005/6. The original savings target for 2006/7 was £14.6 million, but we note that, in July 2006, this was revised to £19.3 million with risks assessed at £5.7 million representing 1% of the 2006/7 Revenue Resource Limit. The Board has estimated that it will achieve recurring balance in 2007/8.

The Board reviewed its management and governance structures during 2005/6 and decided to establish a single delivery unit to oversee and integrate the CHPs and thecute sector. Changes were also made to committee structures to better reflect the new single system organisation and to facilitate improved service delivery, reduce duplication and bureaucracy and reinforce accountability arrangements. We made reference to the lack of a single operating structure in our 2005/6 audit plan and the reorganisation by the Board for 2006/7 is a positive development, which we will continue to review.

We also reviewed the progress made by NHS Tayside in delivering on the actions agreed in the Staff Governance Action Plan. We concluded that good progress had been made in achieving agreed actions.

**Audit Scotland**

**June 2006**

# Introduction

0. This report summarises the findings from our 2005/6 audit of NHS Tayside. The scope of the audit was set out in our Audit Risk Analysis & Plan, which was presented to the Audit Committee on 26 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.

0. 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.

0. This is the final year of a five year audit appointment and we are delighted to have been appointed for a further five year 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. 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 NHS Tayside. We also described longer term planning issues which would impact on the Board and our audit in the future. In this section, we describe the risks and our views on their current status.

## Delivering Sustainable Services

5. In our audit plan, we commented on the risks relating to the Board's ability to provide appropriate, safe, sustainable services in an environment of changing clinical demands and we highlighted several factors impacting on the risks. These risks included:

   - The local health plan may not meet the requirements of Delivering for Health;
   - A single operating structure is not in operation at NHS Tayside;
   - Several departments have yet to finalise arrangements for single system working; and
   - The Board may experience drain from the local health economy as the Stracathro development is progressed.

6. In *Delivering for Health,* the Minister for Health and Community Care responded to the recommendations made in the Kerr report. This response sets out a programme of action for the NHS to shift the balance of care from episodic acute care, particularly through emergency admissions, to a more proactive approach in the form of preventive care services. As part of our overview of Best Value arrangements, we reviewed the Board's response to *Delivering for Health* to ensure that the key requirements and targets had been reflected within the Board's corporate objectives.

7. We found that NHS Tayside had made significant progress in incorporating Delivering for Health into its strategies and objectives. NHS Tayside has reviewed Delivering for Health and has developed a local action plan. It has also recognised that the report has fundamental implications for the workforce and has developed a Strategic Workforce Development Plan to address the Scottish Executive's requirements.

8. The Board revised its operating structure during 2005/6 with implementation from 1 April 2006. A single delivery unit has been established to facilitate a single system approach to the delivery of services and to combine Community Health Partnerships and the Acute Services Division into a single operating arrangement. The Delivery Unit has its own committee which is a standing committee of the Board. As part of the review the Board also revised its committee structure. This is discussed more

fully in the *Governance* section of this report. We will continue to attend Board and Committee meetings and review developments during 2006/7.

9. NHS Tayside continued to explore innovative ways to deliver patient care during 2005/6. The Board developed proposals for a private partnership to utilise spare capacity at its Stracathro site to reduce waiting times in Grampian, Tayside and Fife. We reviewed the robustness of the Board's value for money assessment on the development of the Scottish Regional Treatment Centre at Stracathro and our comments are detailed in the *Governance* section of this report.

10. A review was performed of the three Community Health Partnerships (CHPs) within the NHS Tayside area. The review was designed to identify the level of resource devolved and the stage of development of each CHP. We sought to identify links with other joint partnerships, the organisational and committee structure adopted, broad lines of accountability and possible constraints to development. Our findings were as follows:

    - The CHPs have been developed as a joint model with the authorities and each CHP has a minimum of three representatives from each council as full members;
    - CHP agendas are continuing to evolve following the change in organisational structure from 1 April 2006. CHPs are standing committees of the Board and each CHP has representation on the Delivery Unit Committee, and
    - Each CHP has an executive team which reports to the CHP committee and each CHP has adopted similar governance arrangements.

## Financial Planning

11. In our audit plan, we commented that there were considerable risks to the achievement of the challenging savings targets within the financial plan to 2009/10, with unprecedented levels of recurrent cost efficiencies to be found. Changes to the capital funding regime which restrict capital to revenue transfers also added significant risks to the achievement of the Board's financial targets.

12. NHS Tayside has met the financial targets set by the Scottish Executive in recent years. These have been achieved by setting challenging savings targets and using non-recurring funding. The Board carried forward a £4.5 million surplus from 2004/5 and planned to fully utilise this in 2005/6. The Board, however, was able to improve on this plan by achieving a cumulative surplus at 31st March 2006 of £1.1 million, thereby reducing the planned in-year deficit to £3.4 million.

13. The Board did not meet its savings targets for 2005/6, and a savings target of £14.6 million has been set for 2006/7. This is a challenging target given that only £11.5 million of £13.2 million planned savings were achieved in 2005/6. Options to meet full planned savings were never identified nor fully built into the budgets during 2005/6. At the time of our review, detailed plans to achieve £6.1 million

of the 2006/7 targets were still being developed. The Board should consider whether earlier specification of detailed savings plans to meet savings targets prior to the beginning of the financial year would improve the financial planning process and aid achievement of targets. We note that, in July 2006, there was a revised savings target reported of £19.3 million with risks assessed at £5.7 million which represents 1% of the 2006/7 Revenue Resource Limit.

**Risk Areas 1 and 2**

14. Financial planning is discussed further in the *Financial Statements* section of the report.

## Workforce Planning

15. We highlighted the need for workforce plans which maximise the efficiency and effectiveness of the workforce and underpin strategic service plans for achieving the requirements of *Delivering for Health.* The *National Workforce Planning Framework 2005* issued by the Scottish Executive provided NHS boards with a framework to aid future workforce planning and outlined the responsibilities of the boards, looking ahead to the workforce required until 2015.

16. We performed an overview of the process within NHS Tayside for preparing the local workforce plan to ensure relevant guidance and local issues have been appropriately considered. Our overall assessment was that the Board has prepared a workforce plan taking into account priorities of services throughout the organisation. The plan had been prepared in accordance with Scottish Executive guidance and was supported by the Board and the Staff Governance Committee of NHS Tayside. We noted that considerable effort had been made to ensure that staff throughout NHS Tayside had been provided with the opportunity to comment and contribute to the plan.

17. Implementation of this plan will help the Board utilise the workforce effectively in delivering sustainable services in line with Delivering for Health.

**Risk Area 3**

## Best Value and Efficient Government

18. 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.

19. As part of a national baseline review, we carried out an overview of NHS Tayside's arrangements for delivering Best Value. We considered how the Board demonstrates that it is adhering to Best Value principles in the delivery of its services and responsibilities. We found that the Board's arrangements

for securing Best Value were largely well developed and the Board was able to give examples of its compliance with the Best Value guidance. A baseline report on the results of our best value assessments throughout the NHS will be submitted to the Scottish Executive.

20. We also carried out an overview of NHS Tayside's management arrangements in relation to the requirements of the Scottish Executive's Efficient Government initiative. Efficient Government is a five year programme with the aim of attacking w*aste, bureaucracy and duplication in Scotland's public sector*[1]. 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. All boards 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.

21. Efficiency savings were a key part of the Board's financial strategy in 2005/6. Savings of £11.5 million were achieved during 2005/6, £8.5 million of which are attributable to the efficient government initiative. This compares to an efficiency savings target of £4.8 million for the Board.

## Longer term planning issues

22. Longer term planning issues which we have identified will have an impact on the Board in future years are as follows:

- development of medium and low secure facilities to accommodate the transfer of patients from the State Hospital;
- modernisation and redesign of mental health services;
- Modernising Medical Careers; and
- shared services.

23. We have been monitoring developments in these areas during the 2005/6 audit. In the following paragraphs, we comment on changes that have taken place.

### Development of Medium and Low Secure Facilities

24. Boards throughout Scotland are expected to provide medium secure accommodation for patients living within its boundaries. The North of Scotland Regional Planning Group is providing one facility for their regional area, and this facility is to be sited at the Murray Royal Hospital in Perth. This facility will not be operational until 2011 and medium secure beds may not be fully staffed until 2012. Under the Mental Health Act, current patients will have the right to appeal against excessive levels of security from April 2006, if they have not been transferred from the State Hospital to medium secure

[1] Building a Better Scotland, Scottish Executive, November 2004

accommodation, as planned. It is likely that patients will have appeals upheld before suitable accommodation is available in the North of Scotland. The Board will have to find beds outwith Tayside meantime to accommodate these patients, however there is limited availability of these beds in Scotland. If suitable accommodation cannot be found the Board is likely to be subject to legal claims for compensation.

**Risk Area 4**

## Modernisation and Redesign of Mental Health Services

0. The outline business cases for General Adult Psychiatry Services and Psychiatry of Old Age were approved by the Board on February 2006. The business cases provide detail on the inpatient provision and current and proposed range of beds. These projects will be funded through the Private Finance Initiative route. We will review the project in due course.

## Modernising Medical Careers

0. Work is ongoing regarding the implementation of modernising medical careers (MMC). MMC is included within the NHS Tayside workforce plan which is discussed above. The additional costs of MMC are included with the five year strategic plan.

## Shared Services

0. The original timetable for shared services has been delayed. NHS Tayside put in a bid for both the payroll and the finance and procurement hubs. A decision about the location of the hubs has been delayed. The full business case for the project is currently being prepared and the timetable for its submission to the SEHD is under review.

# Financial Statements

## Our Responsibilities

28. 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.

29. 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

30. We have given an unqualified opinion on the financial statements of Tayside Health Board for 2005/6.

## The Board's Financial Position

31. The Board is required to work within the resource limits and cash requirement set by the Scottish Executive Health Department. NHS Tayside's performance against these targets is shown in Table 2 below.

*Table 2*
*2005/6 Financial Targets Performance £ million*

| Financial Target | Target | Actual | Variance |
|---|---|---|---|
| Revenue Resource Limit | 557.15 | 576.009 | 1.141 |
| Capital Resource Limit | 11.695 | 11.698 | 0.006 |
| Cash Requirement | 546.173 | 546.173 | - |

32. The Board has achieved a cumulative surplus of £1.1 million. As the Board carried forward a £4.5 million surplus from the previous year this means there was in an in-year deficit of £3.4 million. The Board had planned to carry forward £2 million and, although the outturn is not as good as planned, the difference equates to 0.15% of the 2005/6 RRL. Attainment of the RRL target has largely been achieved through the sale of assets and slippage of developments. These are non-recurring sources

of funding. Non-recurring funding which has been used to support recurring expenditure must be re-provided in future years. Stripping the application of this non-recurring funding out allows us to reflect the underlying recurring funding gap in NHS Tayside for 2005/6, as illustrated below.

*Table 3*
*Funding Position 2005/6*

| Description | £ Million | £ Million |
|---|---|---|
| Recurring Income | | 656.1 |
| Recurring Expenditure:<br>Expenditure:<br>Less: **Recurring** Corporate Savings | <br>674.9<br>9.6 | <br><br>(665.3) |
| **Underlying recurring deficit** | | **(9.2)** |
| Non recurring income | 25.0 | |
| Non recurring expenditure | (19.9) | 5.1 |
| **Gap** | | **(4.1)** |
| Other income sources | 3.3 | |
| **Non recurring** Corporate savings | 1.9 | 5.2 |
| **Financial Outturn 2005/6** | | **1.1** |

0. NHS Tayside's 2005/6 financial plan included a £17.5 million savings target to achieve financial balance. This target was reduced to £13.2 million through the use of contingency funds, inclusion of estimated savings from capital charges arising from estate revaluations, and the pharmaceutical price reduction scheme. £11.5 million of savings were achieved during 2005/6, £9.6 million on a recurring basis. This means that not only was there a shortfall in achieved savings, but the proportion coming from non-recurring sources was higher than planned.

0. The Board's original financial plan for 2006/7 includes a savings target of £14.6 million and planned slippage of £15.6 million, both of which are challenging targets. To date, the Board has still to identify £6.1 million of savings, and these targets do not take account of the final 2005/6 outturn. We note that, in July 2006, there was a revised savings target reported of £19.3 million with risks assessed at £5.7 million which represents 1% of the 2006/7 Revenue Resource Limit.

0. As already mentioned, financial balance has been achieved in part this year by managing the position using the sale of assets and slippage on projects. The Board is, therefore, using non-recurring funding to help meet recurring expenditure. While at times this is necessary, the Board should aim to be in recurring balance, and use non-recurring funding only for one-off items of expenditure.

0. The Board will have to revisit financial planning assumptions for 2006/7 and the longer term to reflect the impact of the 2005/6 actual results.

## The Issues Arising from the Audit

0. We reported the following main issues to the audit committee on 22 June 2006:

- **PFI Development Fees:** A long term debtor of £273,124 was included within the accounts, which relates to PFI fees which have been treated as a deferred prepayment, with the intention of amortising them over the life of the proposed PFI contracts. We had no evidence that the expenditure would be recovered through the future unitary charges and therefore the fees should be treated as an expense in 2005/6. We asked the Board to provide a justification for continuing with the current treatment with reference to appropriate Treasury PFI accounting rules and financial reporting standards, and approval by Scottish Executive Health Department.

  ***Resolution***: Officers agreed that the fees would be expensed in 2005/6 and appropriate amendment was made to the accounts.

- **Lothian Health Board Creditor:** The balance due to NHS Lothian had not been agreed with a £890,000 difference between the balances notified by NHS Lothian and the balance in Tayside's ledger. The health board accounts manual requires that when two boards are in dispute over a creditor balance, then the figure notified by the charging board should be disclosed by both boards to allow the health board national consolidated position to be prepared. The effect of this on NHS Tayside's accounts would be to increase creditors and expenditure by £890,000, reducing the Board's cumulative surplus by an equivalent amount. We asked NHS Tayside to resolve the dispute with NHS Lothian and reflect the correct creditor balance into the accounts**.**

  ***Resolution***: Officers are still in discussion with NHS Lothian about this issue but the balance has reduced to £400,000. NHS Tayside has agreed to accrue this amount.

- **Note 7 – Capitalisation of ICT Infrastructure Costs.** There has been a £600,000 reduction in other costs within Note 7 compared to last year, which was explained by a reduction of £834,000 in expenditure on I&CT infrastructure. More spend was classified as capital rather than revenue this year compared to last year. The Board was asked to confirm the capitalisation policy had been applied consistently across the last two years for infrastructure assets and we required written assurance in the letter of representation.

  ***Resolution:*** The Board confirmed the consistent application of the policy and agreed to include appropriate assurance in the letter of representation.

## Statement on Internal Control

0. The Statement on Internal Control provided by the NHS Tayside Accountable Officer reflected the main findings from both external and internal audit work. The Statement did not include any areas of internal control which needed to be strengthened.

# Performance Management

## Introduction

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

   - workforce planning;
   - Efficient Government (see paragraphs 20 and 21), and
   - Best Value (see paragraphs 18 and 19).

## Workforce planning

0. We identified in our audit plan that, in developing workforce plans, NHS Tayside must ensure that it will meet future service needs and provide the right skills in the right clinical setting. With a shift from acute to community based care, local patients' needs are driving the shape of the workforce. All boards had a statutory duty to have workforce plans in place by April 2006. We performed an overview to consider the process within NHS Tayside for preparing the local workforce plan to ensure relevant Scottish Executive guidance and local issues had been appropriately considered.

0. Workforce planning is discussed in more detail in the *Organisational Risks* section of this report, paragraph 15.

## Performance Management

0. As stated in our 2004/5 annual report, NHS Tayside has a strong performance management culture. The Scottish Executive Health Department introduced new delivery and performance arrangements for NHSScotland during 2005/6. One of the key building blocks of these new arrangements is the introduction of local delivery plans (LDP). The LDP focuses on a core set of objectives, targets and measures that reflect Ministers' key priorities for the Health portfolio. NHS Tayside's corporate objectives were approved by the Board in May and the local delivery plan was presented at the June meeting. The Chief Executive of NHS Scotland formally agreed NHS Tayside's LDP in April.

0. NHS Tayside was selected as a pilot site for the CitiStat project. CitiStat is a performance management and improvement methodology developed for the public sector in the United States of America. The process consists of a high level scrutiny meeting focusing on identifying main areas of concern. The pilot is now completed and NHS Tayside has now adopted the process as *TayStat* as it was found to be beneficial.

## National Studies

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

- Staff Governance review of previous year's action plan. Our findings are reported in paragraph 70 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

45. 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.

46. 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.

47. The report highlighted that around a third of inpatients and a quarter of outpatients said they would be willing to travel more than 100 miles for treatment if it meant being treated more quickly.

### Implementing the NHS Consultant Contract in Scotland

48. 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.

49. The report highlighted that the new contract offers an opportunity to include NHS-related, fee-paying work under core-duties, making management of this work clearer, preventing double payments to consultants and reducing costs. NHS Tayside was identified as one of the boards which has made savings where they have included some or all work previously paid for in fees in consultants' job plans.

50. The report noted that NHS Tayside was one of only two boards which had detailed project plans in place. The plans were supported by a comprehensive risk assessment leading to a more thorough process linked to changing the way in which services are delivered.

# Governance

## Introduction

0. This section sets out our main findings arising from our review of NHS Tayside's governance arrangements as they relate to:

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

## Clinical Governance

0. Tayside's Health Board's clinical governance arrangements continued to develop during 2005/6. The Quality and Clinical Governance Committee approved an NHS Tayside Governance/Quality Improvement Strategy and subsequent action plan during the year. The Committee received presentations from NHS Quality Improvement Scotland on Clinical Governance and Patient Safety and the Draft National Strategy for Clinical Audit in Scotland.

0. The Board changed its organisational structure during the year and the Quality and Clinical Governance Committee was dissolved from 31 March 2006. Clinical Governance is now the responsibility of the newly formed Improvement and Quality (Clinical Governance) Committee.

## Corporate Governance

0. 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 31 to 36.

0. We relied on the work of Internal Audit to give us assurance in these areas and we looked at four further specific areas of risk to see what governance arrangements were in place to manage them:

   - financial management system computer services;
   - the Scottish Regional Treatment Centre at Stracathro;
   - financial planning, and
   - corporate governance arrangements.

## Financial Management System Computer Services

56. NHS Tayside provides a Financial Management System (FMS) computer service based on the CedAr 'eFinancials' system to seven other Boards through the eFinancials consortium. A review is completed annually to advise NHS Tayside and the other members of the consortium of any risks or issues that may impact on the audit. The main findings of our review included:

- current plans to implement a new national ledger service as an aspect of the NHSScotland Shared Support Services programme have put local FMS computer service developments on hold;
- staffing within Maryfield Financial Services Centre (MFSC) eFinancials team has remained at a level that ensures appropriate system administration skills are deployed for the eFinancials consortium;
- regular, automated data backups are performed, with backup media stored off-site;
- ICT contingency procedures are in place to facilitate recovery of the FMS computer service in the event of a disaster. However these procedures have not been tested, and
- migration of the BACS bureau service to the new BACSTEL-IP platform was achieved before the mandated deadline of 31st December 2005, with contingency arrangements in place until 31st January 2006.

## Scottish Regional Treatment Centre at Stracathro

57. The Board continued to develop proposals for a partnership with an independent provider to utilise spare capacity at its Stracathro site to reduce waiting times in Grampian, Tayside and Fife —the SRTC project. Plans are at an advanced stage with an estimation that the centre will be operational in August 2006. The Board must ensure during the development and agreement of proposals that the desired outcome of reducing waiting times will be achieved.

**Risk Area 5**

58. We have carried out a review of the Board's value for money assessment of the project. Securing value for money is a key requirement for public bodies to progress projects through public private partnerships. We examined the analysis provided by the Board's financial adviser and provided the Board with comments on the quantitative value for money of the SRTC Project.

59. We commented that the analysis prepared by the Board's financial adviser demonstrated overall value for money. We did draw the Board's attention to a number of issues as a result of our review, and these are summarised in our letter of 28 June 2006 to the Chief Operating Officer of the Delivery Unit.

60. We will continue to monitor progress on the SRTC project at Stracathro.

## Financial Planning

61. The aim of this review was to consider the Board's approach to financial planning, progress against the 2005/6 plan and savings targets, and the use of non-recurring funding. The main findings from our review are included in the financial statements section of the report (para 11 —13).

## Corporate Governance Structure

62. In April 2006, the Board revised its management and governance structures to facilitate improved service delivery, reduce duplication and bureaucracy and reinforce accountability arrangements. A single Delivery Unit has been established to facilitate a single system approach to the delivery of services and to combine Community Health Partnerships and the Acute Division into a single operating arrangement.

63. As part of their review, NHS Tayside also revised its committee structure. Some of the changes are set out below:

- Establishment of a Delivery Unit Committee and dissolution of Primary Care Division and Acute Services Division. The Delivery Unit has a Finance and Resources Committee to consider operational financial issues.
- Dissolution of Health Improvement Committee and Patient Focus Public Involvement Committee.
- Service Redesign and the Quality and Clinical Governance Committee merged to form the Improvement and Quality (Clinical Governance) Committee.
- The Finance and Resources Committee has been replaced by the Strategic Policy and Resources Committee which will take on the additional remit of reviewing best value arrangements and strategic policy and planning objectives.

64. The reorganisation by the Board is a positive development and we will continue to review developments during 2006/7.

# Overview of Community Health Partnership Developments

65. 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.

66. 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.

67. We carried out a high-level overview of the progress made on the development of CHPs within the Tayside area. 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.

68. NHS Tayside has established three CHPs which became operational on 1 April 2005. The three CHPs cover distinct geographical areas within Tayside - Dundee, Perth & Kinross and Angus. Each CHP is a Committee of the Board and the three CHP chairs are members of the newly-formed Delivery Unit Committee. The Delivery Unit integrates the three CHPs with the Acute division into a single operational model which deals with all operational issues. Our overview highlighted that the CHPs within Tayside are building on long-standing joint working arrangements developed around Joint Futures.

69. NHS Tayside is making good progress in developing CHPs and governance arrangements have been revised to facilitate integrated working with the Acute sector. We will continue to review the development of CHPs in 2006/7.

## Staff Governance

70. 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.

71. We concluded that NHS Tayside had made good progress in achieving actions agreed last year. We found that of 42 actions in last year's action plan, 23 (55%) were fully implemented and 14 (33%) are on course for completion within the planned timetable. Of the remaining 5 (12%) actions although there has been slippage on the planned timescales, progress has been made during the year. These included, the planned introduction of a web based induction programme, implementation of an email usage policy and a planned review of OHSAS management and governance arrangements. The incomplete actions are included in the 2006/07 action plan submitted by the Board.

# Looking Forward

72. NHS Tayside faces significant challenges in 2006/7 which include:

- The Board did not meet its savings targets for 2005/6, and an original savings target of £14.6 million has been set for 2006/7. This is a challenging target given that only £11.5 million of £13.2 million planned savings were achieved in 2005/6. Financial balance has been achieved in part this year using non-recurring sources of funding. Actual reliance on non-recurring funding has increased from the projected estimate. Based on the results for 2005/6, the Board needs to revisit planning assumptions for 2006/7 and the longer term to consider the impact 2005/6 results have on future performance and the Board's target to achieve recurring balance in 2007/8.
- Development of the Stracathro Ambulatory Diagnostic and Treatment Centre is being progressed. It is anticipated that this development will impact positively on waiting times in NHS Tayside, NHS Grampian and NHS Fife but there remain significant challenges to ensure that this is operational within the planned timescales and that the project produces the desired outcomes.
- Revised organisational structures were introduced within NHS Tayside in April 2006. This year the Board expects to see benefits of the new single system working.
- The development of the North of Scotland Secure Care Project is being progressed. The project proposes a newly built, co-located facility on the Murray Royal hospital site in Perth, combining the NHS Tayside low secure service reprovision with a regional medium secure service that will operate in conjunction with other services in the region. The Board are considering procurement and funding routes for this project and this will be a key priority in 2006/7.
- The shared services timetable decision on the location of the hubs has been delayed. NHS Tayside submitted a bid for both payroll and finance and procurement hubs. The full business case for the project is currently being prepared. The Board will continue to provide FMS computer services to partners meantime and will need to ensure any system improvements or changes are aligned with the national project development.

73. The Board recognises these challenges and is taking steps through its planning processes to address them. We will continue to monitor the progress that the Board is making on these key issues.

# 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 | 13 | The savings target for 2006/7 are more challenging than the 2005/6 savings target which was not fully met. There is a risk that the savings in the current financial plan will not be met. | It is acknowledged that savings targets and plans are key components of delivering overall financial balance, together with other factors, such as deferred expenditure levels. Achievement of all associated factors will continue to be monitored and forecast monthly. | Assistant Chief Executive and Director of Finance | Monthly |
| 2 | 13 | Financial Targets in 2005/6 were met using non recurring funding, 41% more than planned to be carried forward in the 2006/7 financial plan. Given the difficulty in achieving savings and slippage targets to date there is a risk that longer term planning assumptions to achieve recurring financial balance in 2007/8 are not realistic. | Achievement of 2006/07 targets and their impact on 2007/08 will be continuously reviewed, and forecasts updated as required. | Assistant Chief Executive and Director of Finance | Monthly |
| 3 | 17 | There is a risk that the benefits of the workforce plan are not achieved due to delays in implementation of key initiatives. | Realisation of benefits will be regularly reviewed and reported to the Staff Governance Committee. | Director of Human Resources and Strategic Workforce Development | Quarterly |
| 4 | 24 | NHS Tayside may be subject to claims for compensation due to lack of medium secure accommodation for patients from within it boundaries. There is a risk that this is not quantified and provided for within the Board's financial plans. | The risk of claims is acknowledged. Prior to the availability of the proposed Medium and Low Secure facilities at Murray Royal, NHS Tayside is collaborating with other Boards to make interim arrangements. An assessment of the potential financial impact is included within the Board's Strategic Financial Plan. | Director of Health Strategy | Ongoing |
| 5 | 62 | There is a risk that the Stracthro project will not achieve the desired outcome of reducing waiting times. | The key to this issue will be detailed project management. NHS Tayside is confident that the arrangements will assist in the delivery of national waiting times targets, and this | Chief Operating Officer | Ongoing |

| Action Point | Refer Para. No | Risk Identified | Planned Action | Responsible Officer | Target Date |
|---|---|---|---|---|---|
| | | | will be monitored on a monthly basis. | | |