Greater Glasgow and Clyde Health Board

Report on the 2006/07 audit

July 2007

Greater Glasgow and Clyde Health Board

Report on the 2006/7 Audit

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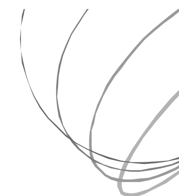


Executive Summary

Introduction

Based on our analysis of the risks facing NHS Greater Glasgow and Clyde, in 2006/07 our audit work included: a review of governance arrangements, including the adequacy of internal audit and a Computer Services Review; a review of the Board's financial position and financial management arrangements; and a review of arrangements for Community Health and Care Partnerships. We audited the financial statements, including a review of the Statement on Internal Control. This report sets out our key findings.

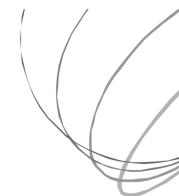
Financial statements

We have given an unqualified opinion on the financial statements of Greater Glasgow and Clyde Health Board for 2006/07. The Board carried forward a £12.7 million surplus from 2005/06. The cumulative surplus at 31 March 2007 is £27.3 million, an increase of £14.6m. The Board also recorded net capital expenditure of £129.6 million against a Capital Resource Limit of £132.1 million, an underspend of £2.5 million.

Table 1
Financial Performance

	2006/07 £ Million	2005/06 £ Million
Net operating costs Less capital grants to other bodies Less FHS non-discretionary income	2,015.7 (7.9) (113.5)	1943.4 (8.9) (95.2)
Net resource outturn RRL (incl surplus c/f £12.7m)	1,894.3 1921.6	1,839.3 1852.0
Saving against RRL	**27.3**	**12.7**
Capital grants Capital expenditure Capital disposals (@ NBV)	7.9 137.1 (15.4)	8.9 78.4 (3.9)
Net capital expenditure CRL	129.6 132.1	83.4 84.6
Saving/excess against CRL	**2.5**	**1.2**

The increase in the cumulative surplus has been achieved by securing gains on the disposal of land amounting to £33.1 million, mostly from the sale of the former Woodilee Hospital site. The Board plans to utilise the bulk of the cumulative surplus in 2007/08 to secure the achievement of targeted waiting times for patients with Availability Status Codes by December 2007.



The Board inherited a recurring deficit of £28 m (subsequently revised to £30.5m) with the integration of the Clyde area of the former Argyll and Clyde Health Board. The Scottish Executive Health Department have agreed to provide transitional funding to enable the gap to be managed downwards during the three year period to 31 March 2010, on the basis that the Board develop a cost savings plan to eliminate Clyde's recurring deficit within that timescale. A savings plan for 2007\08 with a target saving of £11m (£7m recurring, £4m non-recurring) was approved by the Board in June, 2007.

Performance management

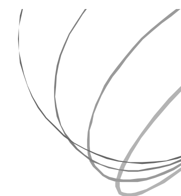
Performance management arrangements are being developed and refined across NHS Greater Glasgow and Clyde. Following the introduction of NHSGGC's performance framework in 2006/07 a comprehensive review has been carried out and an action plan of improvements agreed. These have been reported to the Performance Review Group and the Board. In particular, the review identified ways of improving exception reporting based on trend analysis and benchmarking. This will supplement the regular performance reporting arrangements based on targets and key measures. The improvements identified by the review will be rolled out in 2007/08 and subsequent years.

During the year we carried out a review of arrangements for the management of Community Health and Care Partnerships (CHCPs). Our review has only recently been reported in draft. Overall, we concluded that CHCPs are at an early stage of their development and the full potential benefits of this mode of integrated partnership working will take several years to materialise. There are significant challenges ahead not least developing further models of integrated services and working to improve health and tackle health inequalities. However, there are also some early positive developments including the establishment of sound governance structures and the planned co-location of services and support staff in 'one stop shop' facilities such as Craigton.

Governance

The Board continued to update and standardise its corporate governance arrangements to take account of significant changes within its organisational structure. In particular, the Board has continued to enhance its governance arrangements to support single system working. This has been progressed in parallel with the process of integrating the Clyde area of the former Argyll and Clyde Board.

In relation to clinical governance, the Board has made progress in bringing together the various strands of existing clinical governance arrangements that existed in the former divisional structure, including 'Clyde', through the development of an organisation-wide Clinical Governance Framework. The approval of the Clinical Governance Strategy and Framework by the Policy, Planning and Performance Group (PPPG) in November 2006, and subsequent ratification by the Board, is the key driver in taking forward progress in this area.

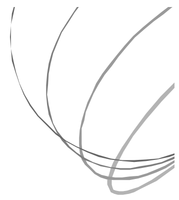


The Health Information and Technology Directorate (HI&T) also faces significant challenges as it integrates the Clyde area and moves towards single system working. At a strategic level, there is a need to establish a single strategic vision for HI&T services and underpin this with a supporting organisational structure, while at the operational level there is a need to harmonise and standardise HI&T procedures and working practices across the organisation. The appointment of a new Director of HI&T in November 2006 has been a positive development and is beginning to deliver improvements however it will take some considerable time to fully address the challenges and risks facing NHSGGC

During the year we carried out a review of the Board's Financial Position and Financial Management arrangements. Our report is currently in draft form and highlights a number of areas of good practice at NHS Greater Glasgow and Clyde in terms of its budget monitoring and reporting and its modelling of expenditure on prescribed drugs. The report also highlighted areas exposed to risk most notably the development and delivery of a robust cost savings plan for Clyde over the next three years

Audit Scotland

July 2007

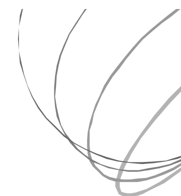


Introduction

1. This report summarises the findings from our 2006/07 audit of NHS Greater Glasgow and Clyde. The scope of the audit was set out in our Audit Risk Analysis & Plan, which was presented to the Audit Committee on 19 January 2007. 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 we raised in this report. Each report set out our detailed findings and recommendations and the Board's agreed response. Appendix A of this report sets out the key risks highlighted in this report and the action planned by management to address them.

3. 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 six main areas of risk for NHS Greater Glasgow and Clyde. These were financial management, service sustainability, partnership working, information management, people management and governance. We also referred to 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.

Financial management

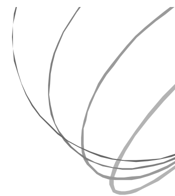
5. In our audit planning documentation, we commented that the key financial risk in 2006/07 for the Board was the integration of the Clyde area. From April 2006 the Board inherited a recurring deficit of £28.0 million from the integration, which increased to £30.5 million when the additional costs of securing compliance with waiting times targets on an ongoing basis are taken into account. The Scottish Executive Health Department have agreed to provide transitional funding to enable the gap to be managed downwards during the three year period to 31 March 2010, on the basis that the Board develop a cost savings plan to eliminate Clyde's recurring deficit within that timescale. A savings plan for 2007\08 with a target saving of £11m (£7m recurring, £4m non-recurring) was approved by the Board in June, 2007. The 3 year savings plan for the period to 2009\10 which is in development identifies potential recurring savings of £22m, leaving an outstanding recurring savings target of £8m to be met. Failure to develop a cost savings plan within the prescribed timescale could seriously affect the Board's financial position.

Refer risk area 1

6. In addressing this area are we carried out a review of the Board's financial position and financial management arrangements. This area is further addressed in the Governance and Financial Statements sections of this report.

Service sustainability

7. Our audit plan also drew attention to the risks relating to the Board's ability to provide appropriate, safe, sustainable services in an environment of changing clinical demands and we commented on several factors impacting on the risks. In particular, we highlighted the Board's ability to afford the significant costs associated with its Acute Services Review and the added complication of integrating Clyde services into this review.



8. The Acute Services Review (ASR) is taking forward into implementation the acute strategy agreed with the Scottish Executive in 2002. The review proposes a modernisation and rationalisation of acute services centred on the Royal Infirmary and the Southern General and the completion of a new West of Scotland Cancer Centre on the Gartnavel Hospital site which opened in Spring, 2007. Additionally, two Ambulatory Care and Diagnosis (ACADs) facilities are being established on the Stobhill and Victoria sites. The investment in the ACADs alone amounts to £200m (to be undertaken on a PFI basis) and is one of the largest investments in new NHS facilities in Scotland and is amongst the largest of its kind anywhere in the UK. Construction is already underway on the ACADs and completion is expected in Spring 2009.

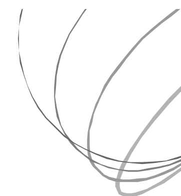
9. The developments planned on the Southern General site, in particular, represent the biggest hospital construction challenge ever faced by the NHS in Scotland and will result in the creation of a £725m campus on an existing hospital site. This new campus will include a new children's hospital and new adult hospital. There will be a significant challenge for the Board in continuing to deliver existing services as this large and complex project progresses over the next five to ten years. The implementation of the Acute Services Review will depend on the Board's ability to develop a financial framework which will contain the revenue costs within the overall parameters of affordability which will meet the objectives and requirements of the Board and of the Scottish Executive, and this is a significant risk for the Board

Refer risk area 2

10. The integration of the Clyde area adds a further dimension to service redesign. Significant progress has been made with the review of Clyde services. In relation to South Clyde the Board has formally approved plans to retain both emergency and elective inpatient services and the Accident and Emergency service at the Inverclyde Royal Hospital (IRH) and Royal Alexandra Hospital (RAH).

11. The review of Clyde Services has been ongoing since May, 2006 and a number of proposals were submitted to the Board at its meeting on 26 June 2007. The review dealt with 4 service areas: Mental Health across the Clyde area; Integrated Care and Rehabilitation at the Vale of Leven Hospital; the Community Midwifery Units at Inverclyde Royal Hospital and the Vale of Leven Hospital; the Older People's Services in Renfrewshire. These changes will be subject to formal public consultation following the process of external, independent scrutiny which the Scottish Executive has introduced. The redesign of services in North Clyde, particularly at the Vale of Leven Hospital, is critical to ensuring that services continue to be provided in a way which both secures patient safety and is cost effective.

Refer risk area 3



Partnership working

12. In our audit plan, we highlighted that partnership working between the NHS and local authorities is increasingly playing a key role in delivering services within community based settings. This is being progressed through the vehicle of Community Health (and Care) Partnerships [CHCPs].

13. The Board established six Community Health and Care Partnerships (CHCPs) which involve joint management arrangements with Glasgow City Council (5 CHCPs) and East Renfrewshire Council to provide integrated healthcare and social services to local communities. These were only established on 1 April 2006 and are at the early stages of their development. As part of our programme of audit work in 2006/07 we carried out an overview of partnership working in relation to the five CHCPs in the Glasgow area. Our findings are summarised in the Performance Management section of this report. In the Board's area there are also four Community Health Partnerships (CHPs) where services are managed by NHSGG&C working with local authority partners in East Dunbartonshire, West Dunbartonshire, Inverclyde and Renfrewshire. The Board also is a minor partner in the South Lanarkshire and North Lanarkshire CHPs.

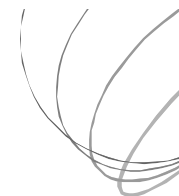
Information management

14. As part of our planning, we highlighted that Information Communications and Technology (ICT) was an area where single system working had yet to be fully developed. The Board had inherited a number of different ICT policies, practices and protocols that reflected the previous divisional arrangements in place, with the integration of Clyde from 1 April 2006 which had its own ICT policies, adding further complexity to this process.

15. In addressing this area we carried out a Computer Services Review of NHS Greater Glasgow's ICT arrangements. A summary of our findings is included in the Governance section of this report.

People management

16. Last year the SEHD had set a revised deadline for staff to be assimilated, under Agenda for Change (AFC), of 31 October 2006 and this was then subsequently revised to 31 March 2007. Within NHS Greater Glasgow and Clyde all relevant staff were due to be assimilated to their new job description and pay bands under Agenda for Change by 31 December 2006. However, due mainly to the time required by the Joint Evaluation Monitoring Group to process submitted job descriptions, only 29,000 staff out of a total of 43,000 subject to AfC had been assimilated by 31 March 2007. The accounts include an accrual of £73.3 m approximately for AfC and it is expected that all staff will be assimilated in 2007/08 albeit there may be some appeals against gradings.



17. Our audit plan also highlighted the challenge of reducing sickness absence levels. In accordance with HDL (2005) 51 each NHS Board in Scotland was required to achieve target of no more than 4% sickness absence by 31 March 2008. Current absence rates within NHS Greater Glasgow and Clyde are 5.8% on average although in a number of specialities and partnerships rates varied significantly around this. The Board had set a target of achieving an absence rate of 4.7% by 31 March 2007 with a further reduction to 4% by 31 March 2008.

18. A draft attendance Management Policy was expected to be concluded at the end of May 2007 but is still subject to consultation with staff representatives. This policy addresses key areas such as use of return to work interviews and better use of the Occupational Health Service for those staff on long-term sickness. Even with such initiatives in place the requirement to reduce levels to 4% represents a significant challenge to the Board.

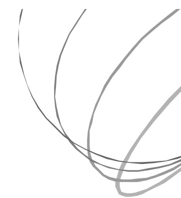
Refer risk area 4

19. There have been significant recent developments in the area of equal pay claims. Article 141 of the Treaty of Rome requires member states to ensure and maintain "the application of the principles that men and women should receive equal pay for work". This was expanded on in the Equal Pay Directive which made it clear that all such discrimination should be eliminated from all aspects of remuneration. The National Health Service in Scotland has received a number of claims for backdated pay increases, arising from this requirement.

20. As at 31 March 2007 NHS bodies had received some 10,000 claims and these had been referred for the attention of the NHS Scotland Central Legal Office. Even taking account of work which has been undertaken in relation to Agenda for Change, it is still possible that these claims represent a current liability for NHS Boards. NHS Greater and Glasgow and Clyde as with other Boards has not been able to quantify the extent of its potential liability.

21. For 2006/07 we have accepted this position and NHS Greater Glasgow and Clyde have included an unquantifiable contingent liability note on this matter. Nevertheless we had hoped that further details to have been available to management including a reasonable estimate of the Board's liabilities determined in accordance with financial reporting standards. We would strongly encourage management to work with the SEHD and the Central Legal Office to resolve this matter as quickly as is practicable.

Refer risk area 5



Governance

22. The Board carried out major restructuring in 2005/06 to implement single system working within Greater Glasgow while the Clyde area of the former NHS Argyll and Clyde became part of an enlarged NHS Greater Glasgow and Clyde with effect from 1 April 2006. Also, from 1 April 2006 the Board was faced with the challenge of ensuring that governance structures were embedded within the new CHCPs. During 2006/07 the Board continued to enhance and harmonise its governance arrangements to support the new organisational structure.

23. As part of the statutory audit for 2006/07, the Board was required to participate in the National Fraud Initiative. Progress made in this area is summarised in the Governance section of this report.

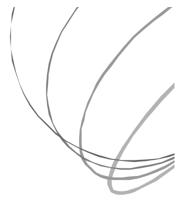
Shared Services

24. During the period from December 2004 to January 2007, NHS Scotland has been developing proposals for a shared support model for financial services and payroll services across the sector. The original Outline Business Case promoted a ‘hub and spoke’ model to deliver financial and related services for all NHS Scotland bodies from two central hubs, with feeder activities at local Board level. A Draft Full Business Case (FBC) was then developed for this model and was made available for consultation at the end of 2006. In responding to the FBC, NHS Boards were supportive of the overall principle of shared services and of the particular proposal to establish a unified core service function. Nevertheless, Boards expressed reservations over the risks inherent in the proposed scheme, the impact on staff and the deliverability of savings.

25. The Shared Support Services Project Board met in February 2007 to consider the responses received and concluded that it would not proceed with the Draft Full Business Case in its current form. As a result, the project has now been re-launched as the Shared Support Services Programme. This involves a two-tier approach to build confidence in the new ways of working using common processes and systems, eventually leading to a single services model based on a common finance system. The new approach comprises a Foundation level of involvement, with all Boards developing common ledger arrangements, as well as Pathfinder initiatives to develop the more advanced elements of the proposed development. Expressions of interest are being sought from Boards for Pathfinder status and a number of workshops have been held to develop potential service solutions. The Programme is currently establishing the costs and benefits (economic and qualitative) of these two tiers of work.

26. This is a highly significant development for the NHS in Scotland which has experienced a major recent change in emphasis. It is estimated that a revised business case for the final organisation of shared services in NHSS will be available during 2008.

27. The intention underlying the change of approach is to reduce the risk profile through a distributed programme of projects to be delivered by Boards in support of the common goal. Auditors will continue to monitor the development of these arrangements and the management of related risks.



Modernising Medical Careers

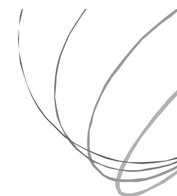
28. Modernising Medical Careers (MMC) is an initiative introduced to reform postgraduate medical training throughout the UK. It aims to provide a focussed training programme which will reduce the time taken for Specialty Trainees in hospital and general practice, to achieve CCT (Certificate of Completion of Training).

29. While MMC is still at a relatively early stage it is important to highlight that the process presents both short term and long term risks to the performance of the Board:

    - the biggest short term risk is the potentially adverse impact on service delivery resulting from the amount of time required by staff to complete the focussed training programme; and

    - in the longer term there is a potential financial impact for the Board as staff will now be able to complete Specialty Training more quickly than was previously the case.

30. The Board's Financial Plan for 2007/08 includes a general provision for MMC of £1m for each of 2007/08, 2008/09 and 2009/10. It also indicates the potential for additional costs within the range £4 million to £8 million building up over a 7 to 8 year period.



Financial Statements

Our responsibilities

31. 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.

32. 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

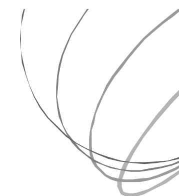
33. We have given an unqualified opinion on the financial statements of Greater Glasgow and Clyde Health Board for 2006/7. The previous regularity qualification in respect of patient exemption charges has been lifted. This brings the Board into line with other NHS Boards. The system of controls covering patient exemption charges relies on self-certification by the patient and therefore has inherent weaknesses.

The Board's financial position

34. The Board is required to work within the resource limits and cash requirement set by the Scottish Executive Health Department. NHS Greater Glasgow and Clyde's performance against these targets is summarised in Table 2 below.

Table 2
2006/07 Financial Targets Performance £ '000

Financial Target	Target	Actual	Variance
Revenue Resource Limit	1,921,674	1,894,326	27,348
Capital Resource Limit	132,127	129,590	2,537
Cash Requirement	2,100,866	2,100,866	0



35. The Board has achieved a cumulative surplus of £27.3 million. As the Board carried forward a £12.7 million surplus from the previous year this means there was in an in-year surplus of £14.6 million. The Board had planned to carry forward £26.1 million. Attainment of the surplus has largely been achieved through non-recurring funding such as the sale of assets (principally Woodilee), resulting in a gain on disposal of £33.1 million. The Board intends predominantly to use the surplus to secure the achievement of targeted waiting times for patients with Availability Status Codes by December 2007.

36. Stripping out non-recurring funding allows us to reflect the underlying recurring deficit in NHS Greater Glasgow and Clyde for 2006/7, as illustrated below.

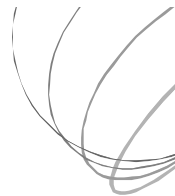
Table 3
Funding Position 2006/07

	£ Million	£ Million
Recurring income	2386.6	
Recurring expenditure	2416.6	
Underlying recurring surplus/(deficit)		(30.0)
Non-recurring income	47.5	
Non-recurring expenditure	45.3	
Balance of non-recurring		2.2
Difference		(27.8)
Other income sources		33.3
Non-recurring SEHD income/year-end support (Transitional funding)		21.8
Corporate savings programme		Note 1
Total other income		55.1
Financial surplus/(deficit)		27.3

Note 1: The above out-turn includes savings achieved of £16.4 million (of which £13.4 million were recurring)

37. The underlying deficit of £30.5 million represents the recurring deficit inherited from the Clyde area at the point of dissolution of the former NHS Argyll and Clyde. Following extensive discussions with the SEHD a three year brokerage arrangement was agreed to enable a strategic approach to the redesign of services to deliver financial balance. In each financial year the Board is required to make substantial progress to reduce the deficit. The development of a cost savings plan for Clyde is crucial to managing the deficit downwards.

38. A final cost savings plan for 2007\08 was approved by the Board in June 2007. The plan identifies detailed recurring savings of £7.0 million and non-recurring savings of £4.0 million for the Clyde area in 2007/08, leaving a gap of £19 million. The plan also identifies total potential recurring savings of £22 million over the 3 year period to 2009/10, leaving an outstanding recurring savings target of £8 million to be met. The plan also identifies gaps in funding of £12 million and £4 million in 2008/09 and 2009/10 respectively. The Scottish Executive have indicated that they will provide transitional funding of £10m in 2007/08 leaving a shortfall of £9 million. A report to the Performance Review



Group in January indicated that discussions were ongoing with the Scottish Executive to agree transitional funding for 2007/08 and beyond and the Recovery Plan was being further developed. The Board's Senior Officers are focussing on delivery of the full savings target by 2009/10, working throughout that period in conjunction with the Scottish Executive. Failure to achieve the savings target may seriously impact upon the Board's financial position.

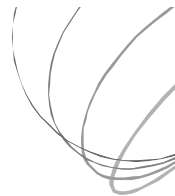
39. Finance reports issued during the year to the Board identified that, within the overall "break even" position delivered, a number of pressures in non-pay costs, including surgical instruments and sundries and energy costs, had been counter-balanced through an underspend on salaries budgets. At present the SEHD allocates funds to NHS Boards on the basis of the Arbuthnott funding formula. The Arbuthnott methodology is currently being reviewed by the National Resource Allocation Committee (NRAC). Dependent on the outcome of this review there could be a significant negative impact on the Board's financial position

40. As referred to previously, financial balance has been achieved in part this year by managing the position using the sale of assets and slippage on projects as the Board is using non-recurring funding to help meet recurring expenditure in respect of the 'Clyde' area (the Greater Glasgow area is broadly in recurrent balance). We note that this is a consequence of returning the Clyde area to recurring financial balance by 2009/10. Thereafter, the Board should aim to be in recurring balance, and use non-recurring funding only for one-off items of expenditure.

The issues arising from the audit

41. We reported the following main issues to the Audit Committee on 26 June 2007:

- **Agenda for Change:** We drew specific attention to certain aspects of the accounting treatment for the costs of the Agenda for Change programme for the period October 2004 to March 2007.
- **Disposal of Woodilee:** We commented on the processes undertaken to review the arrangements for the sale of the former Woodilee hospital site which had resulted in gross sales proceeds of £54 million for the Board.
- **Capital Grant to Kirkintilloch Initiative:** We referred to the accounting arrangements for the Board's provision of a capital grant of £6 million to the Kirkintilloch initiative.
- **Financial Statements Presentation:** We commented on the options for disclosures contained within the remuneration report.
- **Equal pay claims:** We drew attention to the issues surrounding claims for equal pay being received by all Health Boards and indicated that we would anticipate quantified disclosure at the earliest practicable date.



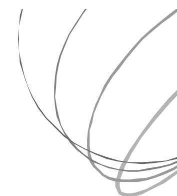
- **Waste Electronics and Electrical Equipment:** We referred to the accounting requirements of the Waste Electronic and Electrical Equipment Regulations 2006 which came into force on 1 July 2007.
- **Provisions for pensions an injury benefits:** We referred to the calculation methods used to produce provisions for injury benefits.
- **Cash Flow Statement:** We commented on adjustments made to the cash flow statement to reflect the sale of the former Woodilee Hospital site.

42. All of the matters referred to above were fully resolved with officers and the Audit Committee prior to the conclusion of the audit.

Statement on internal control

43. The Statement on Internal Control (SIC) signed by the Board's accountable officer reflects the main findings from internal and external audit work and other significant control issues. The SIC highlighted a number of key issues:

- **Single system governance:** Work is ongoing to enhance and harmonise governance arrangements to reflect the new organisational structure of NHS Greater Glasgow and Clyde including the integration of Clyde.
- **Patient Exemption Checking:** NHS Scotland Counter Fraud Services (CFS) has produced extrapolations based on the results of their patient exemption checking work. These extrapolations are an attempt to estimate the level of Family Health Service income lost, due to patients that have fraudulently or erroneously claimed exemption from NHS charges. The extrapolations for 2006/07 indicate a potential fraud/error level of £9.7 million. The CFS have advised NHS Boards that a revised methodology was used for calculating extrapolations in 2006/07 and this has highlighted an issue with the validity of the calculations. Although there are issues in relation to the robustness and accuracy of these extrapolations, they potentially indicate that there remains a level of fraud/error worthy of note.
- **Risk management arrangements:** Risk management arrangements in place during 2006/07 largely reflected the previous divisional structure and work is ongoing to harmonise these arrangements to reflect the transition to single system working and the assimilation of Clyde. In particular, NHS Greater Glasgow and Clyde has established a Risk Management Steering Group (RMSG) to develop a common set of standards and principles to underpin the risk management across the Board. Other important elements of this ongoing work include the approval of a Risk Register Policy by the RMSG in December 2006 and approval by the Audit Committee in March 2007. This latter meeting also approved a process for identifying and reporting corporate risk to the Audit Committee by linking with local risk registers and the performance management process.



PFI/PPP schemes

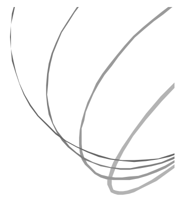
44. The Board has a number of operational schemes as summarised below:

Table 4
PFI/PP Schemes

Nature of the contract	Period of the contract	Capital value	Annual charge
72 Bed facility at Mearnskirk House	10 July 1997 to 9 July 2018.	The capital value of the contract is not quantifiable.	£1.128 million
Hospital Information System at Southern General Hospital.	5 March 2001 to 4 March 2009.	The capital value of the contract is not quantifiable.	£0.802 million
210 bed facility at Southern General Hospital.	1 April 2001 to 31 March 2029.	The estimated capital value of the asset used by the supplier is £8.25 million.	£3.023 million;
Hospital Information System at Yorkhill.	Dec.1997 to Dec.2007.	Estimated capital value of the asset used by the supplier is £2.0 million.	£0.983 million
Stobhill Local Forensic Unit.	March 2007 to March 2042.	Estimated capital value of the asset used by the supplier is £16.4 million.	£1.7 million
Gartnavel Royal Hospital-117 bed self standing Mental Illness hospital	October 2007 to October 2037.	Estimated capital value of the asset used by the supplier is £16.6million.	£1.9 million
Larkfield Care of the Elderly Facility at Inverclyde Royal Hospital	1 Nov.2000 to 31 January 2026.	Estimated capital value of the asset used by the supplier is £9.4 million.	£1.58 million
ACADs* at Stobhill and Victoria sites	2009 to 2039	Estimated capital cost is £178 million	£19.96 million

*ACAD – Ambulatory Care and Diagnostic Centre

Note – The annual charge is in respect of different baskets of services being provided within each contract.



Performance Management

Introduction

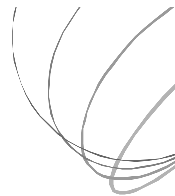
45. This section covers our assessment of the way in which NHS Greater Glasgow and Clyde secures value for money in the use of its resources. This year we focused primarily on partnership working and the management arrangements for Community Health and Care Partnerships within Glasgow.

Community health and care partnerships

46. As part of our risk based assessment carried out during the initial planning stage of NHS Greater Glasgow and Clyde we identified partnership working, specifically through Community Health and Care Partnerships (CHCPs), as an area for review in 2006/07. CHCPs are new organisations that were set up in April 2006 to provide a focus on improving health and tackling inequalities in Glasgow's most deprived communities and to develop better integrated community health and social care services in the Board area. Our report focused on the five CHCPs established within the Glasgow area.

47. We have recently submitted our draft report to management on partnership working. Overall we concluded that CHCPs are at an embryonic stage in their development and early emphasis on embedding governance arrangements. It is our intention to monitor track progress in this area over the five years of our audit appointment. However, we have already noted several examples of good practice emerging including:

- a CHCP Executive Group has been established to drive forward improvements in the CHCPs. The group is co-chaired by NHS Greater Glasgow and Clyde and Glasgow City Council Chief Executives and includes senior staff from both organisations;
- the financial performance of CHCP services is reported on a quarterly basis to each CHCP committee, with monthly management accounts prepared for consolidation into the Scottish Executive Health Department Monitoring Return and also reported by social work to the Scrutiny Committee; and
- the South West CHCP is planning an integrated facility at Craigton Road. This will bring together the delivery of healthcare and social services, and incorporate the CHCP HQ function, under one roof. The intention is that this facility will expand partnership working across social work and Health services with the potential to include other Council and partner agency services as well as community and voluntary organisations.



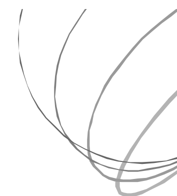
48. CHCPs have a very challenging agenda which includes a significant programme of work being led by CHCP\CHP Directors and Directors within the Acute Services Division, to improve the primary\secondary care interface and to continue to implement the national and local strategies for the management of Long Term Conditions and other service areas. This will take a number of years to achieve. In the meantime there are a number of other areas where partnership working faces specific risks and these include:

- **Budget setting**. CHCPs operate on the basis of aligned budgets between the NHS Board and the Council. For aligned budgets to operate effectively they must reflect CHCP priorities. Currently budgets are based on historical information generated by the Council and NHS Board. The Board and Glasgow City Council should work to further develop the initial steps taken last year to establish a joint process the setting of CHCP budgets for 2008\09.
- **Financial plans**. CHCP budgets are compiled on an annual basis, consistent with the financial settlements for the NHS Board and the Council. Longer term financial plans are not currently compiled. Financial planning and service development in order to be effective need to take a longer term perspective than an annual cycle.
- **ICT**. Business continuity plans for all CHCP systems need to be developed and tested to ensure they are effective in meeting the information needs of CHCPs.
- **Performance management**. Performance measures are necessary to identify targeted improvements in the service provided by CHCPs. Targets are set jointly by the NHS Board and the Council. An Action Plan has been drawn up which will review the CHCPs performance management framework and will be developed during 2007/08.

Performance management

49. It is important that health boards have performance management systems in place which provide the information required to effectively manage and monitor the local health system. These systems should also capture and record information against key measures and indicators contained in the HEAT targets.

50. The performance management system within NHSGGC is being rolled out across the organisation. A comprehensive review of the performance framework has been carried out and an action plan of improvements agreed. These have been reported to the Performance Review Group and the Board. In particular the review identified ways of improving exception reporting based on trend analysis and benchmarking. This will supplement the regular performance reporting arrangements based on targets and key measures. The improvements identified by the review will be rolled out in 2007/08 and subsequent years. We will continue the monitor the Board’s Progress in this area as part of our routine audit work.



51. Local Development Plan targets are incorporated into the Board's performance management system. NHSGGC's planning and priorities guidance sets out clearly the relevant performance arrangements. This guidance is also linked to individual director's personal objectives to ensure individual accountability for performance.

52. As part of the 2007/08 audit we will be reviewing the progress that NHSGGC has made in strengthening their arrangements for securing Best Value since the baseline review work in 2005/06. Over the next year we will also be developing and refining our approach to the audit of bodies' arrangements to secure economy, efficiency and effectiveness in the use of resources, this being one of the key auditors' objectives under the new Code of Audit Practice approved by the Auditor General. In turn, this will inform our ongoing work to develop our approach to the audit of Best Value across the Scottish public sector. We intend to consult with both clients and stakeholders at key stages of these initiatives.

National studies

53. In 2006/7, Audit Scotland published three national studies:

    - **Informed to Care**: Managing IT to deliver information in the NHS in Scotland (November 2006);
    - **Catering for Patients**: A follow-up report (November 2006); and
    - **Planning ward nursing**: legacy or design? (January 2007).

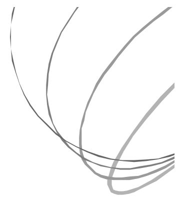
    In December 2006 an overview report was published: Overview of the financial performance of the NHS in Scotland, and two publications to assist NHS Boards and their members were published:

    - Health and community care bulletin (May 2006), a summary of the key findings from the 2005/06 national studies; and
    - How the NHS works: Governance in Community Health Partnerships; a self-assessment tool (May 2006).

Informed to Care: managing IT to deliver information in the NHS in Scotland

54. This national study sought to provide a high-level overview of the national picture at a time when new structures were being put in place across the NHS (unified boards and community health partnerships), new staff contracts are being implemented, there is increasing joint working with other parties, such a local authorities, and there is increasing opportunity for innovation in service delivery and data management with developments in Information Management and Technology (IM&T).

55. The report concluded that 'Delivering for Health', published by the SEHD, signalled a more corporate approach for IM&T, with a shift away from local autonomy for strategic planning and associated decision-making, and that the SEHD recognised the need to review governance and management



arrangements for IM&T throughout the NHS and was taking steps to improve them. Nevertheless there is still the need to develop an overarching information framework or strategy to inform the development of integrated IT solutions for the NHS in Scotland, taking account of all information needs and recent policy initiatives.

56. The report highlighted that the NHS does not know how much it spends on IM&T overall, but recognises that it falls short of the Wanless target of 3-4% of total health spend and should it seek to do so the SEHD will have to consider the future funding of IM&T developments. It was felt that greater stakeholder engagement is required to ensure all information needs are effectively addressed, and, finally, best practice in identifying, monitoring and reporting expected benefits from IM&T projects has to be adopted consistently across the service.

Catering for patients – a follow up report

57. This follow-up study assessed progress in implementing recommendations made in a baseline report, published November 2003, in the areas of nutrition, quality, patient satisfaction, costs and management of the catering service.

58. The key findings were that catering services are offering an improved level of choice, there are improvements in collating the views of patients, there are improvements in associated management information systems and Boards have reduced the level of wastage.

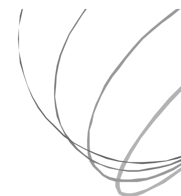
59. However more work has yet to be done in the areas of: nutritional care of patients, conducting patient satisfaction surveys, and closer management of the level of subsidy for non-patient catering services.

Planning ward nursing – legacy or design? – a follow up report

60. This follow-up study assessed progress made in implementing recommendations made in a baseline report, published 2002, in the areas of: workload and workforce planning, recruitment and retention, the use of bank and agency nurses, information on the quality of nursing care, and information to inform workforce planning and management of resources at ward level.

61. The key finding was that the SEHD has made progress in addressing the recommendations, thus laying the foundations for better ward nursing workload and workforce planning in the future. A wide range of recruitment and retention programmes have been implemented, and dependency on agency nurses (i.e. external to the NHS) has reduced, whilst use of bank nurses (i.e. internal to the NHS) has increased.

62. Areas for further improvement were identified in respect of: management information on workload and workforce; planning establishment to take account of annual leave, average sickness cover, study time, protected time for senior nursing staff, etc; closer management on the use of bank nurses and the development of quality indicators.



Governance

Introduction

63. This section sets out our main findings arising from our review of NHS Greater Glasgow and Clyde's governance arrangements as they relate to:
    - clinical governance;
    - corporate governance;
    - computer services review; and
    - the National Fraud Initiative.

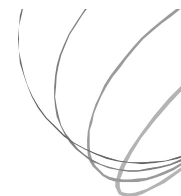
Clinical governance

64. The Board has made progress in bringing together the various strands of existing clinical governance arrangements that existed in the former divisional structure, including 'Clyde', through the development of an organisation wide Clinical Governance Framework. In addition, NHSGGC has established a Clinical Governance Implementation Group (CGIG). The remit of the Group includes developing policy and establishing decisions on strategic priorities, and ensuring appropriate management of strategic objectives linked to Clinical Governance within the Local Implementation Plan. The approval of the Clinical Governance Strategy and Framework by the PPPG in November 2006 further strengthens clinical governance arrangements.

65. The performance of NHSGGC against the national Clinical Governance & Risk Management Standards was reviewed by NHS QIS in autumn 2006. The final report is not yet available but initial feedback indicates that performance across the Board had reached implementation levels for each of the national standards. In response to the NHS QiS review, each accountable lead officer is now required to integrate the national standards' requirements into their service specific improvement plans. We will review the Final NHS QiS report when available and this will inform our audit plans for future years.

66. Further, the Board's clinical governance arrangements were subject to review by internal audit in 2006/07 and overall they concluded that thee was evidence of action being taken to the address areas highlighted for improvement in the previous NHS QiS review visits.

67. Clinical governance arrangements are also embedded within the Community Health (and Care) Partnerships [CHCPs]. The Clinical Director, working through the Professional Executive Group (PEG) within each CHCP has overall responsibility for clinical governance. Some PEGS have delegated responsibility to a Clinical and Care Governance Committee, others are still in the process of establishing such a Committee. The Clinical Directors meet on a monthly basis to discuss common issues. These meetings are attended by the Board's Head of Clinical Governance thereby linking to clinical governance at a Board level.



Corporate governance

68. 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 34 to 41.

69. The NHS Greater Glasgow and Clyde has been examining its governance arrangements continuously since it came together as one organisation in April 2006 and this has included an Annual Governance Review. This process has identified some differences in governance arrangements across the integrated organisation, such as the need to standardise a range of policies. A number of areas for further improvement were also noted including the need for a single Corporate Risk Register to be implemented. A unified Risk Management Strategy was approved by the Audit Committee at its meeting in March 2007.

70. As part of our governance work we carried out an early review of the Internal Audit service provided by Pricewaterhouse Coopers LLP. Overall, we concluded that the Internal Service operates in accordance with NHS Internal Audit Standards and has sound documentation and reporting procedures in place. Further, in terms of International Statement on Auditing 610 (Considering the work of Internal Auditors) we relied on the work of Internal Audit to give us assurance on those relating to systems of internal control.

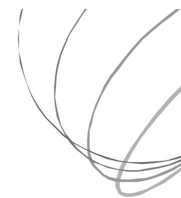
71. Additionally we undertook a review of financial management and financial position and, a computer services review. The findings from this work are summarised below.

Financial position and financial management arrangements

72. During the year we carried out a review of the Board's financial position and financial management arrangements. This review, which was carried out across all NHS bodies audited by directly by Audit Scotland staff, considered whether: financial planning is integrated with the overall strategic aims of the Board, the budget setting processes are robust; and there is adequate scrutiny of financial plans and budget monitoring undertaken across the Board.

73. To address those objectives we conducted interviews and reviewed documentation in respect of: planning and budgets, budget setting and budget monitoring, reporting and scrutiny, and, finally, forward planning.

74. Our report is currently in draft form and highlights a number of areas of good practice at NHS Greater Glasgow and Clyde in terms of its budget monitoring and reporting and its modelling of expenditure on prescribed drugs. The report also highlighted areas exposed to risk most notably the development and delivery of a robust cost savings plan for Clyde over the next three years.



Computer Services Review

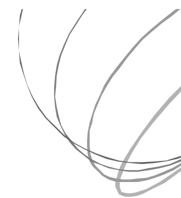
75. Information Communication and Technology (ICT) was identified as an area of risk in our initial planning phase of the audit. In addressing these we carried out a high level review of the ICT environment using a Computer Services Review (CSR) Client Questionnaire.

76. In our report we recognised that significant organisational change is ongoing with the introduction of single system working. Also, there is continuing support for the provision of Acute Services, Partnerships and the programme for Improving Mental Health and Well-Being. Moreover, as well as changing the way that healthcare is provided, NHSGGC is in the process of combining previously autonomous organisations with distinct management and organisational structures into a single organisation.

77. On a strategic level the vision for future development of the Health Information & Technology (HI&T) and related services delivered by NHSGGC needs to be developed on an organisation-wide basis. The implementation of this vision requires development so that the management arrangements of former health areas and internal divisions are integrated into a single organisation so that HI&T functions as a single system. As can be expected when different organisations come together a range of different working practices and procedures are in place and so this presents an opportunity to review and consolidate the best policies, procedures and working practices.

78. The outcome of our review was an action plan agreed with management that outlines the main steps, lead officer responsibilities and timescales for implementing improvements. Given the size and complexity of the organisation a number of these improvements will take several years to achieve. More immediately, however, management have agreed to introduce a new Disaster Recovery and Business Continuity Strategy, strengthen asset registers and review standards and practices. These are significant areas of challenge for the organisation's Director of Health Information and Technology.

Refer risk area 6



National Fraud Initiative

79. In 2006/07 the Board took part in the National Fraud Initiative (NFI) in Scotland. The NFI is part of the statutory audit and was extended to cover the National Health Service in Scotland by HDL (2006) 44. The NFI is a biennial data matching exercise whereby computerised techniques are used to compare and match information about individuals held by various public bodies and on various financial systems to identify potential fraud, error or anomalies for investigation.

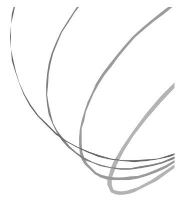
80. Under the NFI, Counter Fraud Services has strongly supported the involvement of health bodies in the exercise, which is undertaken as part of the statutory audit of the participating bodies. NFI brings together data from health bodies, councils, police and fire and rescue boards, and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. Health bodies provided payroll data for the exercise. The NFI has generated significant savings for Scottish public bodies (£27M to 2005) and where, if fraud or overpayments are not identified, assurances may be taken about internal arrangements for preventing and detecting fraud.

81. The NFI 2006/07 results (data matches) were made available to health bodies on 29 January 2007 via a new secure web-based application. Participating bodies follow up the matches, as appropriate, and record the outcomes of their investigations in the application. We monitored the board’s involvement in NFI 2006/07 during the course of the audit.

82. It is evident that the Board is committed to the NFI process – the Chief Executive and the Director of Finance have expressed their support for the exercise and results and updates of NFI investigations are reported regularly to the audit committee and audit support groups.

83. There were over 4,000 data matches for NHS Greater Glasgow and Clyde. This, however, is not a list of frauds. An action plan was developed by the Board’s Financial Governance and Audit Manager. Key officers from Human Resources and Payroll were also involved in developing the action plan and allocated specific responsibilities to review and investigate the matches.

84. No frauds have been identified as yet, however, some data matches are still being investigated. It is evident that the officers have taken a systematic and planned approach to investigating the matches. A unified fraud policy has been prepared and has been approved by the Audit Committee.

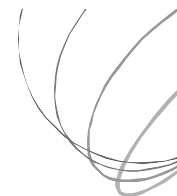


Looking Forward

85. NHS Greater Glasgow and Clyde faces significant challenges in 2007/8 which include:

 - continuing to refine and develop a robust costs saving plan for Clyde that will deliver the necessary savings to allow that part of the Board's area to return to recurring balance in the medium term;
 - complete and deliver the review of services in Clyde following independent scrutiny, public consultation and consideration by the Cabinet Secretary;
 - achieve final approval for the Board's planned £725m investment in a new children's hospital and adult acute hospital at the Southern General site;
 - continue to deliver, modernise and redesign services in line with the Acute Services Review including construction of the two ACADs at Stobhill and Victoria sites;
 - 2006/07 was the first full year of operation for CHCPs and their respective committees. The CHCPs will be required to demonstrate that they have improved services to patients and have contributed to improving the health of the community;
 - the full achievement of targeted waiting times for patients with Availability Status Codes by December 2007;
 - the need to maintain updated civil contingency plans and arrangements for managing major incidents and civil emergencies;
 - the implementation of the European Working Time Directive and Modernising Medical Careers is continuing into 2007/08. The Board must manage the risks inherent in the new training and assessment arrangements on which MMC is founded; and
 - the HI&T function within NHSGGC is facing significant challenges as it integrates the 'Clyde' area and moves towards single system working. There is the need to update and implement a strategic vision for the HI&T function and redesign the supporting organisational structure while harmonising HI&T procedures across the organisation.

86. The Board of NHS Greater Glasgow and Clyde 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	Risk Identified	Planned Action	Responsible Officer	Target Date
1	Failure to develop a cost savings plan to eliminate Clyde's recurring deficit within the prescribed timescale may seriously impact upon the Board's financial position.	Updated draft 3 year plan to be prepared for submission to the Performance Review Group	Douglas Griffin, Director of Finance	November 2007
2	The implementation of the Acute Services Review will depend on the revenue costs of the Review meeting the affordability criteria, and this is a significant risk for the Board.	Draft OBC to be completed, following discussion with SEHD, for submission to NHS Board and CIG	Tom Divers, Chief Executive / Robert Calderwood, Chief Operating Officer, Acute Services Division	October 2007
3	The redesign of services in North Clyde, particularly at the Vale of Leven Hospital, is critical to ensuring that services continue to be provided in a way which both secures patient safety and is cost effective	Proceed to consultation immediately following external independent scrutiny	Helen Byrne, Director of Acute Services Strategy Implementation and Planning	October 2007 (but dependent on a timescale for external scrutiny).
4	Failure to achieve the prescribed target for sickness absence will impact on the Board's financial performance.	Updated action plan to be submitted to Staff Governance Committee	Ian Reid, Director of Human Resources	October 2007
5	NHS Greater and Glasgow and Clyde as with other Boards has not been able to quantify the extent of its liability for Equal pay claims. There is a risk that these liabilities will have a significant impact on the Board's financial position.	Board will monitor carefully the outcomes of the first tribunals scheduled to be heard early in 2008 and make an up-dated assessment at that point	Ian Reid, Director of Human Resources	March 2008
6	The HI&T function within NHS Greater Glasgow and Clyde is facing significant challenges as it moves towards single system working. There is the need to update and implement a strategic vision for the HI&T function and redesign the supporting organisational structure.	Updated strategic plan, taking account of emerging national strategy to be submitted to Performance Review Group	Richard Copland, Director of Health Information & Technology	November 2007