

# NHS Grampian

Report on the 2008/09 Audit

July 2009



 AUDIT SCOTLAND

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# Contents

<b>Key Messages</b>	<b>1</b>	<b>Performance</b>	<b>22</b>
<b>Introduction</b>	<b>3</b>	<b>Looking Forward</b>	<b>30</b>
<b>Financial Statements</b>	<b>5</b>	<b>Appendix A: Action Plan</b>	<b>32</b>
<b>Use of Resources</b>	<b>10</b>		
<b>Governance and Accountability</b>	<b>17</b>		



# Key Messages

## Introduction

In 2008/09 we looked at the key strategic and financial risks being faced by NHS Grampian. We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

## Financial statements

We have given an unqualified opinion on the financial statements of NHS Grampian for 2008/09. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers. It should be noted however that, without qualifying the opinion, we have drawn attention to the current position on potential claims against the Board in respect of equal pay.

## Financial position and use of resources

During 2008/09 the Board achieved a cumulative surplus of £6.486 million. A surplus of £6.391 million was carried forward from the previous year which means there was an in-year surplus of £95,000. The cumulative surplus will be carried forward to fund some of the new financial pressures which are expected to arise in 2009/10. This mechanism uses non-recurring funding to address certain recurring commitments and will require to be replaced with recurring alternatives in future years.

The Board's financial statements include significant provisions, particularly in respect of Agenda for Change payments, and do not reflect any potential liability for Equal Pay claims. Accounting estimates and provisions, by their nature, include a degree of uncertainty and any under-estimate of costs in 2008/09 could have a significant impact in future years.

As outlined in the Board's Financial Plan there will be tighter financial settlements in 2009/10 and future years. This will have a significant impact on long term financial planning and the control of costs.

The 2009/10 Revenue Budget was approved by the Board in June 2009 and assumes an in-year deficit of £6.4 million with a cumulative break even position at 31 March 2010. The projected breakeven outturn for 2009/10 includes the requirement to further reduce proposed expenditure by £15 million in that year to achieve recurring balance.

## Governance and accountability

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall, the corporate governance and control arrangements for NHS Grampian operated satisfactorily during the year, as reflected in the Statement on Internal Control.



We examined the key financial systems underpinning the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

## **Performance**

NHS Grampian has a strong performance management culture with overall scrutiny of performance undertaken by the Performance Governance Committee using the 'Citistat' methodology which is known as 'Healthstat' in NHS Grampian.

During 2008/09 the Board demonstrated good performance against a number of HEAT targets including dental registration for 3-5 year olds, day case surgery rates and patient discharge targets. However there are a number of targets, in particular Healthcare Associated Infections and Urgent Cancer referral rates, where the Board will need to take action to ensure that progress against trajectories continues during 2009/10.

## **Looking forward**

The final part of our report notes some key risk areas for NHS Grampian going forward. These include the challenges of delivering HEAT targets and further efficiencies and responding to the latest developments in healthcare and treatment, all in a period of expected lower uplifts in funding allocations. National issues around Equal Pay claims and changes to accounting procedures will all provide challenges in future years.

The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.



# Introduction

1. This report summarises the findings from our 2008/09 audit of NHS Grampian. The scope of the audit was set out in our Audit Plan presented to the Audit Committee on 9 April 2009. This plan set out our views on the key business risks facing the organisation 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. Best value duties apply across the public sector and, in the health service, best value is a formal duty on all accountable officers. Audit Scotland has adopted a generic framework for the audit of best value across the public sector and throughout this report we comment on aspects of NHS Grampian's arrangements.

Exhibit 1: Framework for a best value audit of a public body





4. Our comments are made on the basis of information made available in the course of the annual audit. We do not make an overall best value judgement because we do not have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time. This report is the first step towards that goal.
5. Another building block for our assessment of best value is the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. We mention the key findings from all relevant reports, and the implications for NHS Grampian, throughout this report. Full copies of the study reports can be obtained from Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
6. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of NHS Grampian during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website.



# Financial Statements

7. In this section we summarise key outcomes from our audit of NHS Grampian's financial statements for 2008/09 and the accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

## Our responsibilities

8. 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
  - the consistency of the information which comprises the management commentary with the financial statements
  - the regularity of the expenditure and receipts.
9. 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
  - assessing whether disclosures in the Statement are consistent with our knowledge of the Board.

## Overall conclusion

10. We have given an unqualified opinion on the financial statements of NHS Grampian for 2008/09. It should be noted however that, without qualifying the opinion, we have drawn attention to the current position on potential claims against the Board in respect of equal pay.
11. The unaudited accounts were provided to us on Friday 8 May 2009, which was later than the agreed date of 5 May, and the full comprehensive working papers package was received on 15 May 2009. However, the timely responses from NHS Grampian staff allowed us to conclude our audit within the agreed timetable and provide our opinion to the Audit Committee on 19 June 2009 as outlined in our Annual Audit Plan.





## Issues arising from the audit

12. As required by auditing standards we reported to the audit committee on 26 June 2009 the main issues arising from our audit of the financial statements. The key issues reported were as follows.
13. **Contingent Liabilities - Equal Pay** – NHS trusts in England have settled pay claims for female employees and similar claims have been received by Boards in Scotland. As at 31 March 2009, NHS bodies had received some 13,000 claims and these had been referred for the attention of the NHS Scotland Central Legal Office. 196 of these (CLO figures) relate to NHS Grampian. It is possible that these claims represent a current liability for NHS Boards generally. An unquantified contingent liability was included in the notes to NHS Grampian's accounts for equal pay and the audit opinion draws attention to this position, without qualification. Further details on this issue are included at paragraph 18 below.

### Risk Area 1

14. **Agenda for Change** – at 31 March 2009, £13.5 million was accrued in respect of Agenda for Change. This figure includes estimations based on NHS Grampian's assumptions and refers to a range of staff posts and grades. We asked the Board for formal assurances, in a letter of representation, that the accrual, in their judgement, represents a prudent estimate of anticipated costs. Appropriate disclosure was made in the letter of representation.
15. **Revaluation Reserves** – The revaluation reserve records a balance of just under £97 million. The breakdown of the reserve indicates that 17 assets have negative carrying balances totalling £1.9 million; this was reported in both 2006/07 and 2007/08. Negative balances should only be carried forward where there is no permanent diminution in the value of an asset. Included in the total is an amount of £1.1 million for the Aberdeen Royal Infirmary administration building. As this was subject to professional valuation during 2008/09, leading to an impairment of some £350k, we have questioned whether the negative valuation remains temporary in nature for this asset. Similarly, in view of the passage of time we have questioned whether the negative valuations remain temporary in nature for the remaining 16 assets. The Director of Finance informed us that a thorough review of the affected assets will be carried out. We asked the Board for formal assurances, in a letter of representation, that the initial price changes are still considered temporary in nature. Appropriate disclosure was made in the letter of representation.
16. **Annually Managed Expenditure** – Annually Managed Expenditure consisting of £3.184 million of impairments is disclosed within the Operating Cost Statement. Initial confirmation from the Scottish Government Health Directorates of funding for impairments outlined that £3.139 million would be provided, leaving a shortfall of £45k. We asked the Board for formal assurance that the shortfall in funding is to be met from Health Directorates' funds. Appropriate disclosure was made in the letter of representation and we noted written confirmation from the SGHD, dated 17 June, of the £3.184 million funding.



17. **Depreciation** – Our audit testing identified a number of discrepancies in depreciation for buildings and on further investigation Management informed us that this was due to a technical specification problem in the eFinancials fixed assets software. This only impacts on buildings which were subject to revaluation in 2006/07 leading to an overstatement of depreciation in the current year of £340k. No adjustment has been made in respect of this in the current year. Management will seek a resolution to this general technical issue in 2009/10.

## Equal Pay Claims

18. Article 141 of the Treaty of Rome requires member states to ensure and maintain “the application of the principle that men and women should receive equal pay for equal work”. This was taken forward by the Equal Pay Directive which made it clear that all such discrimination should be eliminated from all aspects of remuneration. In the UK the Equal Pay Act 1970 is seen as fulfilling Britain’s obligations in relation to equal pay. The National Health Service in Scotland has received a number of claims for equal pay in which additional back pay is sought, arising from the requirement for equal pay. The NHS Central Legal Office (CLO) is instructed by the Management Steering Group of the NHSScotland and co-ordinates the legal response of NHSScotland to this issue.
19. There have been some developments in this area over the past year. Some cases are being pursued that also comprise a challenge to the Agenda for Change pay evaluation system on the basis that it perpetuates discrimination. This has slowed the progress of claims. The challenge to Agenda for Change was recently heard at an Employment Tribunal in England. The challenge was unsuccessful and the Tribunal rejected the contention that the Agenda for Change job evaluation scheme was discriminatory. This ruling severely curtails the possibility of claims for any period after 1 October 2004. In relation to claims for the period prior to 1 October 2004, claimants will still have to establish that their jobs at that time were of equal value to the comparator jobs. The CLO have stated that claims currently submitted do not provide sufficient detail about the comparator jobs to allow an estimate to be made of the likelihood of the success of the claims or of any financial impact that they may have. The NHSScotland Central Legal Office and Equal Pay Unit are monitoring the progress of all equal pay claims in Scotland as well as developments relating to NHS equal pay claims elsewhere that may further inform the position.
20. Discussions have been held between Audit Scotland, their partner firms, the Scottish Government, the CLO and Board representatives to ascertain the appropriate accounting treatment of equal pay claims in 2008/09. Given the CLO’s advice that, although some liability is probable, it is not possible to estimate the impact of the claims, it has been agreed that disclosure as an unquantified contingent liability remains appropriate for the 2008/09 financial statements of affected NHS Boards. The position has also been disclosed in the Statement on Internal Control. It should be noted however that, given the potential significance of the issue, and without qualifying the opinion, we have drawn attention in the audit report to the current position on potential claims against the Board in respect of equal pay.



21. We continue to strongly encourage NHS Grampian management, working with the Scottish Government Health Directorates, the CLO and other NHS Boards to form a view of the potential liabilities as soon as possible taking into account the progress of cases in Scotland and England.

## Regularity

22. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.

## International financial reporting standards (IFRS)

23. As announced by the Chancellor in the 2008 Budget report on 12 March 2008 (Budget report paragraph C103), Government departments and other public sector bodies will report using International Financial Reporting Standards (IFRS) from 2009/10. The Scottish Government announced on 25 April 2008 that all Scottish Government Departments, Executive Agencies, Health Bodies and Non-Departmental Public Bodies would be required to produce shadow IFRS based accounts for financial year 2008/09. This was to include a restated balance sheet as at 1 April 2008.
24. In terms of the audit of the IFRS opening balance sheet at 1 April 2008, there were two key dates to achieve as outlined below:
  - **28 November 2008** – opening 2008 IFRS-based balance sheet were to be presented to auditors for dry-run audit.
  - **28 February 2009** – dry-run audit of opening balances was to be completed, resulting in a letter to management highlighting the work done, auditors' findings and areas for further work.
25. The opening balance sheet and supporting documentation were submitted by NHS Grampian for review by the deadline date of 28 November 2008. However the supporting working papers were not as comprehensive as they could have been by that time. In our view, more use could have been made of the checklists provided by PricewaterhouseCoopers to ensure that all key areas were addressed and that the work was satisfactorily documented.



26. Our audit work confirmed that the Board had examined and re-stated the great majority of relevant areas in the financial statements in relation to IFRS. We also made some specific recommendations for the delivery of the next stage of IFRS reporting – the production of the shadow accounts for 2008/09, and will consider progress on these when we review the shadow accounts later in 2009. These included:

- review of the methodology used to calculate the holiday pay accrual
- investigation of contracts that may contain embedded derivatives
- review of the classification and treatment of longer term lease arrangements
- provision for liabilities in relation to early retirement and clinical negligence.

27. For the preparation of the restated balance sheet no notes to the main financial statements or associated accounting policies were required but these will have to be prepared for the full set of shadow accounts. The disclosure requirements under IFRS are more onerous than for accounts prepared under UK GAAP. In particular, segmental reporting will impose a significant additional workload on finance staff in identifying appropriate segments and allocating asset values. Continued progress will be required to prepare the shadow IFRS accounts for 2008/09. NHS Grampian should ensure that sufficient resources and support are available to produce the required information in accordance with the prescribed timetable.

**Risk area 2**



# Use of Resources

28. Sound management and use of resources (people, money and assets) to deliver strategic objectives is a key feature of best value. This section sets out our main findings from a review of NHS Grampian's:

- financial position
- financial management
- management of people
- management and use of information and communications technology (ICT).

## The Board's financial position

### Outturn 2008/09

29. NHS Grampian is required to work within the resource limits and cash requirement set by the Scottish Government. The Board's performance against these targets is shown in Table 1.

**Table 1**

**2008/09 Financial Targets Performance £ million**

<b>Financial Target</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
Revenue Resource Limit	756.3	749.8	6.5
Capital Resource Limit	41.8	41.8	-
Cash Requirement	826.1	826.1	-

30. The Board carried forward a £6.391 million surplus from 2007/08 and planned to carry this forward into 2009/ 10. The Board was able to improve slightly on this position and achieved a cumulative surplus of £6.486 million, after an in-year surplus of £95,000.

31. Table 2 below, shows how the surplus of £6.486 million was achieved through a combination of recurring and non-recurring funding. Historically Boards have relied upon a measure of non-recurring funding to achieve financial targets. However, with the tightening financial settlement in future years and the option of capital to revenue transfers no longer available to Boards, there is less scope for reliance on non-recurring income to achieve financial balance as Boards seek to rationalise their cost base.



**Table 2**

**Funding Position 2008/09**

	£ Million	£ Million
Recurring income	867.12	
Recurring expenditure	(881.03)	
Recurring savings	6.11	
<b>Underlying recurring surplus/(deficit)</b>		<b>(7.80)</b>
Non-recurring income	33.64	
Non-recurring expenditure	(27.48)	
Non recurring savings	8.12	
<b>Non-recurring surplus/(deficit)</b>		<b>14.28</b>
<b>Financial surplus/(deficit)</b>		<b>6.48</b>
<b>Underlying recurring surplus/(deficit) as a percentage of recurring income</b>		<b>(0.90%)</b>

## Financial sustainability and the 2009/10 budget

32. There were tighter financial settlements in 2008/09 with an uplift of 3.15% compared to around 6% in previous years. This trend has continued in 2009/10 where the uplift was again set at 3.15%. NHS Grampian's core revenue allocation uplift for 2009/10 has been confirmed at 3.47%. This is 0.32% higher than the basic allocation and represents a further move to bring all Boards into line with allocations determined by the National Resource Allocation Committee formula. In addition, in common with other public sector organisations, Boards have been set an efficiency savings target of 2% in 2009/10, with savings being retained by Boards for reinvestment. Given the current economic situation and the impact of any review of national spending priorities, there is a risk that future funding uplifts will continue to be very challenging in future years. This will have a significant impact on long term financial planning and the control of non pay costs.
33. NHS Grampian's Local Delivery Plan for 2009/10 sets out the Board's long term financial plan covering the period 2009/10 to 2013/14. In preparing the plan the Board was required to make assumptions about the uplift rates required in relation to the following key cost drivers: pay, prices, GP prescribing, hospital drugs and other Family Health Services (FHS). As these uplift rates represent best estimates of future cost trajectories, there is clearly a risk to the Board that the actual growth rate in these costs will be greater than assumed. The high success rate of appeals under Agenda for Change is already proving to be more costly than previously anticipated by the Board. Monitoring and managing the actual increase in these costs will therefore present a significant challenge to achieving the Board's Financial Plan in 2009/10 and going forward thereafter.



34. NHS Grampian's 2008/09 financial plan included a £26.2 million efficiency savings target, including re-instatement of savings achieved as non-recurring in previous years. At the financial year end, savings of £27.5 million were achieved. However, of the total savings achieved, £8.1 million were non-recurring savings. NHS Grampian have identified that some £22 million of recurring savings will need to be made in 2009/10 to achieve break even, representing 3% of its Revenue Resource Limit. In order to achieve recurring balance the Board will need to monitor achievement of identified efficiency savings very closely and take appropriate action to address any potential shortfalls. Delivering these efficiency savings without affecting services will also represent a significant challenge for the Board. Particular risk areas are the Acute Sector, which has had difficulty in meeting savings targets in previous years, and drugs and medical supplies.

### **Risk area 3**

## **Capital Programme**

35. NHS Grampian is continuing to develop a full capital programme over the next few years in conjunction with the SGHD. NHS Grampian have secured an additional £120 million of funding which will lead to both the modernisation of the existing estate and several major new capital projects including the Dental School in Aberdeen, Emergency Care Centre and a new Aberdeen Health Village which will incorporate a wide range of facilities in one location. Although the full capital allocation of £41.2 million was spent in 2008/09 the Board continues to experience difficulty in meeting the target, with almost half of the allocation recorded in the last month of the year. Managing the 2009/10 capital allocation of £56.1 million will pose a significant challenge for the Board.
36. To ensure professional, effective planning and implementation of such large projects, NHS Grampian has adopted the Framework Scotland procurement arrangement which involves appointing a Principle Supply Chain Partner (PSCP) to work with existing Board staff. The Board have appointed a PSCP for the Emergency Care Centre and Combined Heat and Power projects and are already seeing benefits from the arrangement.
37. The Board consider the revenue implications of the capital plan are affordable but challenging and it is essential that the impact of the LEAN methodology on service design (as explained at paragraph 89) is realised before services transfer to new facilities.

### **Risk area 4**



## Financial management

38. Audit Scotland is developing a range of audit toolkits to cover key best value principles. These are being developed for use by auditors although they may also be used by NHS bodies themselves for self-assessment purposes. The first of the toolkits, which covered financial management, was piloted in NHS Grampian during 2007/08.
39. Our detailed report was issued in October 2008 and drew upon examples of good practice across the NHS in Scotland. Our report concluded that the Board's arrangements in this area are soundly based and in 2009/10 we plan to monitor the Board's progress in developing an action plan to address the areas where performance could be improved.

## People management

40. On 21 January 2009 the Cabinet Secretary for Health and Wellbeing launched '*A Force for Improvement – the Workforce Response to Better Health Better Care*'. This national workforce framework sets out the vision for the NHSScotland workforce and focuses on five key drivers for change or workforce challenges that impact on every aspect of the workforce:
  - tackling health inequalities
  - shifting the balance of care
  - ensuring a quality workforce
  - delivering best value across the workforce
  - moving towards an integrated workforce.
41. During 2008/09 we carried out a brief review of NHS Grampian's process for the completion of its staff governance action plan. The work was carried out in response to a request from the Scottish Government to Audit Scotland for external auditors to review Boards' procedures in relation to staff governance. In the case of NHS Grampian, we reviewed the procedures followed for the production of the 2009/10 staff governance action plan. The main purpose of our review was to ensure that the staff governance action plan addresses issues arising from:
  - staff survey results
  - mandatory statistics on people management
  - any outstanding issues from the previous year's action plan.





42. Our review also included checking that the staff governance action plan includes clear timescales, identifies responsible officers and set out measurable actions. Overall, we noted that NHS Grampian has a robust process in place for the production of its staff governance action plan.
43. The SGHD set Boards a challenging target to reduce sickness absence rates to 4% by March 2009. NHS Grampian had a rate which varied between 4.8% and 5.1% during 2008/09. The Board is taking action to reduce the sickness absence rate, including early intervention by line managers with the support of staff side representatives in implementing NHS Grampian's Attendance Management Policy. In addition, there is continuing development of preventative/supportive measures including Management of Stress at Work; Dignity at Work and OHSXtra. A joint 'Task Force' of management and staff side representatives will co-ordinate and ensure implementation of these actions.

#### **Risk area 5**

44. The Board, like many others in Scotland, did not achieve the original national Agenda for Change target for assimilating staff and paying outstanding back pay by the end of December 2006. The great majority of employees have now been assimilated and received payment of the arrears owed to them but a few cases still require to be revisited after staff requested their case to be reviewed. NHS Grampian's main focus remains ensuring all staff are assimilated on the new Agenda for Change pay scales and that any grading reviews are concluded.
45. The Board's Local Delivery Plan (LDP) for 2008/09 included a target to ensure that all employees covered by Agenda for Change had an agreed Knowledge and Skills Framework (KSF) personal development plan in place by March 2009. Significant progress has made during the year in respect of producing KSF outlines for these staff and the 100% target was achieved by March 2009.

## **Management and use of ICT**

46. As part of the 2008/09 audit we have reviewed the following aspects of the Board's management and use of ICT:
  - information management
  - review of eFinancials IT Controls.



## Information Management

47. Audit Scotland is continuing to develop a range of audit toolkits to cover key best value principles. These are being developed for use by auditors although they may also be used by NHS bodies themselves for self-assessment purposes. The second of the toolkits, which covers information management, was piloted in NHS Grampian during 2008/09. The review sought to establish the Board's position in relation to:

- information governance and leadership
- information for decision making
- service delivery
- compliance and control
- knowledge management.

48. Our review established that the Board's arrangements in this area are generally soundly based, with a number of areas of good practice. However some areas have been identified where the Board's arrangements are at the 'basic' and 'better' level in our categorisation system. We plan to submit our detailed report in August and, where possible, will draw upon examples of good practice across the NHS in Scotland where we believe this could be of benefit to NHS Grampian.

## eFinancials IT Controls

49. As part of our 2008/09 annual audit we carried out a review of the ICT controls in place for the eFinancials ledger system. During May 2008 NHS Grampian completed the migration of their financial ledger service to the eFinancials consortium led by NHS National Services Scotland (NSS). Our review sought to ensure that appropriate local and consortium-wide ICT controls were in place.

50. Our letter, issued in June 2009, identified a number of good practices. These included:

- an Assistant Director of Finance represents NHS Grampian on the eFinancials consortium management board
- a small local support team is in place to manage user access
- business continuity arrangements are in place.



51. The letter also highlighted a number of risk areas that we suggested management should consider as eFinancials operational practices continue to develop. These included:

- NHS Grampian are a 'Configuration 3' member of the consortium with their own live software environment. This means that separate change control records must be maintained for NHS Grampian's eFinancials system, presenting a risk that the Board may not be using the same version of software as other consortium members. A joint approach is being taken with NHS Lothian in developing plans for conversion into 'Configuration 4'.
- ICT disaster recovery arrangements for the eFinancials service have been tested, however, a formal report detailing successes, issues and lessons to be learned has not been prepared.
- The draft Service Level Agreement between NHS NSS and NHS Grampian has not yet been finalised.

## National Studies

### Asset management in the NHS

52. This study examined how the NHS is strategically managing its assets to support effective service delivery. The study's objectives included assessing the extent to which the Scottish Government provides strategic direction to NHS bodies on asset management in general and the assurance that the NHS estate is being used in the most economic and effective way. It also evaluated how well NHS bodies strategically manage all of their assets to ensure effective service delivery.

53. The report recommended that NHS bodies should:

- develop strategies for each type of asset and then develop a corporate asset management strategy and plan, which links with their clinical strategies
- ensure they assess estate condition, statutory compliance, functional stability and space utilisation on a regular basis
- ensure all information on assets is held electronically
- review their performance management arrangements and, where required, develop performance measures and targets for assets.

### Managing the use of medicines in hospitals: follow-up review

54. This review followed up the key recommendations from Audit Scotland's 2005 report on '*Managing the use of medicines in hospitals.*' It also provided an overview of national developments since 2005. The report recommended that NHS Boards should ensure that pharmacy workforce plans are based on an assessment of need, which considers the appropriate numbers, skill mix and other resources such as automation, to meet future needs for dispensary, clinical and other work.



# Governance and Accountability

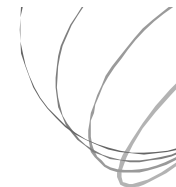
55. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our main findings arising from our review of NHS Grampian's arrangements.
56. Increasingly services are being delivered across the public sector through partnership working, sometimes involving complex governance and accountability arrangements. Best value characteristics also include effective partnership working to deliver sustained improvements in outcomes.

## Overview of arrangements

57. This year we reviewed:
- key systems of internal control
  - internal audit
  - arrangements for the prevention and detection of fraud and irregularity.
58. Our overall conclusion is that arrangements within NHS Grampian are sound and have operated through 2008/09.

## Patient safety and clinical governance

59. The Scottish Patient Safety Alliance (SPSA) was set up by the SGHD in 2007, bringing together the Scottish Government, NHS Quality Improvement Scotland, Health Boards and Special Boards, professional bodies, patient safety experts and other groups. The SPSA launched the Scottish Patient Safety Programme (SPSP) in 2007 and this has now been introduced by NHS Grampian. The aim is to make healthcare in Scotland safer by using evidence-based tools to enable hospitals to improve safety for patients.
60. NHS Grampian is committed to achieving the objectives of the Scottish Patient Safety Programme within the acute care setting and in order to assist in this process the Board is participating in the MRSA Screening pilot, working with Health Protection Scotland to develop a number of key performance indicators to monitor performance and identify areas for improvement. The aim would be to eventually screen every patient prior to admission.



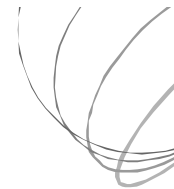
61. Healthcare Associated Infection (HAI), such as, MRSA, Clostridium Difficile and other serious infections are proving hard to control, particularly in acute hospital environments which are no longer fit for purpose due to closeness of beds, lack of single rooms and difficulty in cleaning thoroughly. Reducing HAI remains a top priority for the Scottish Government and there may be urgent need for Health Boards to take remedial action to react to HAI risks, which may require unplanned investment.
62. Latest figures from Health Protection Scotland identify NHS Grampian as having a seemingly higher than expected rate of C. difficile than other health boards, with 2 hospitals in Grampian included within the top three list of worst-performing hospitals in Scotland. As C. difficile rates continue to rise this will have to be closely monitored by the Board to comply with the 30% reduction required in the HEAT target by at least 2011.

#### **Risk area 5**

63. NHS Grampian achieved a QIS score of 6 out of a possible 12 across the three clinical governance and risk management standards when previously assessed by NHS QIS. A further round of reviews will take place in 2009/10. One of the HEAT targets is that Boards should show improvement against these standards. NHS Grampian has reacted positively to this challenge and has set itself the target to increase their score to 8 by the end of March 2010 and 9 by the end of March 2011. The Board has identified key staff who will disseminate guidance received from QIS to those leading on each standard with a central database established to collate information required to evidence compliance. We will continue to monitor progress in this area.

### **Partnership Working**

64. Partnership working in the NHS covers a number of areas, including partnerships with staff groups, local authorities, the voluntary sector, private healthcare providers and regional planning with other NHS Boards.
65. The Board has undertaken significant work in partnership with Aberdeenshire, Aberdeen City and Moray councils in establishing Community Health Partnerships (CHPs) and a Community Health and Social Care Partnership (CHSCP) to provide care and public health services in a local setting to meet the needs of the local population.
66. Public Partnership forums have now been established in each CHP and CHSCP area with relevant committees meeting during the year who report regularly to the Board. Such mechanisms should ensure that service users are involved in the service developments and links are established with local governance structures, for example, community planning committees, to co-ordinate services which meet the needs of local areas.



67. The Scottish Government has introduced Single Outcome Agreements (SOA) with each of the 32 Scottish local authorities. One of the key aspects of the SOAs was the removal of ring-fenced funding for local government bodies. This meant that councils could allocate funding to different services based on the priority given by the local authority to that service, with particular concerns around community care provision. The possibility that local authorities could reduce funding of services which are not considered priorities is perceived as a risk by NHS Grampian. This risk has been managed effectively in 2008/09 but will continue to present challenges in future years.
68. In response to an initiative by the Scottish Government and supported by specific recurring funding, NHS Grampian, NHS Orkney and NHS Shetland have agreed increased collaborative working on non clinical services to strengthen capability and capacity and to support long term sustainability to the benefit of all partners and NHSScotland. This builds on existing good relationships between the Boards on the provision of clinical services. A supporting structure and process to agree the detail of the programmes of work has been agreed and is overseen by a Partnership Steering Group involving the three Board Chief Executives.

## Systems of internal control

69. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2008/09 PricewaterhouseCoopers, the Board's internal auditors, provided their opinion that, based on the internal audit work undertaken during the year, there was reasonable assurance on the adequacy and effectiveness of the systems of internal control.
70. As part of our audit we reviewed the high level controls in a number of NHS Grampian systems that impact on the financial statements. This audit work covered a number of areas including cash and bank, payroll, accounts payable, accounts receivable, fixed assets, general ledger and Family Health Services. Our overall conclusion was that NHS Grampian has adequate systems of internal control in place. We did identify a number of areas where controls could be strengthened and agreed an action plan of improvements with management. This will be followed-up at a future date to confirm that improvements have been made.
71. In addition we placed formal reliance on aspects of internal audit's systems work in terms of International Standard on Auditing 610 (*Considering the Work of Internal Audit*) to avoid duplication of effort. This work provided us with additional assurances on the adequacy of the internal control environment within NHS Grampian.



## **Statement on internal control**

72. The Statement on Internal Control (SIC) provided by NHS Grampian's Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and sets out NHS Grampian's approach to this. The SIC highlighted the steps taken to improve the Board's risk management processes during 2008/09 including the establishment of a web enabled system to facilitate the electronic recording, assessment and reporting of risks and incidents in line with the Board's risk management strategy. It also included details of NHS Grampian's ongoing approach to the development and embedding of Best Value principles within the Board's key strategic change programmes and complied with the guidance issued by the SGHD on 25 March 2009.

## **Internal Audit**

73. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2008/09 audit we assessed whether we could place reliance on PricewaterhouseCoopers, as NHS Grampian's internal auditors. We concluded that the internal audit service operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in a number of areas during 2008/09, as we anticipated in our annual audit plan.

## **Prevention and detection of fraud and irregularities**

74. NHS Grampian has in place a number of measures to prevent and detect fraud, including Standing Financial Instructions, Standing Orders and supporting policies and procedures. The Board has a formal programme of internal audit work, which, although not designed to detect fraud, does provide assurance on the operation of the control systems which are designed to prevent fraud. The Board has also agreed a formal protocol covering a programme of Payment Verification checks with the Practitioner Services Division of NHS National Services Scotland. In 2008/09 these checks included verification against patient records, requesting patients to confirm treatment by letter, visits to practices and examination of patients.



## **NFI in Scotland**

75. In 2008/09 NHS Grampian took part in the National Fraud Initiative (NFI) in Scotland. The SGHD and NHS Counter Fraud Services have strongly supported the involvement of health bodies in the exercise, which is undertaken as part of the audits 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 (£40 million to date) but, if fraud or overpayments are not identified, assurances may be taken from internal arrangements for preventing and detecting fraud.
76. The NFI 2008/09 results (data matches) were made available to health bodies on 11 February 2009 via a 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 2008/09 during the course of the audit.
77. The current NFI process is still at an early stage but the Board requires to ensure that sufficient time and resources are made available to fully investigate the data matches relating to NHS Grampian employees in accordance with the prescribed timetable. As part of this process a local action plan should be developed detailing each stage of the NFI process and it is the expectation that key officers from Human Resources and Payroll will be allocated specific responsibilities to review and investigate the matches.

### **Risk area 6**

## **National Studies – Review of the new General Medical Services contract**

78. This report considered how the new General Medical Services (GMS) contract, which is UK wide, was implemented in Scotland. The review focused upon the approach taken by the Scottish Government and NHS Boards to plan and implement the contract, the cost and effect of the contract on patients and GPs and the wider NHS arrangements for monitoring and managing the contract.
79. The report recommended that the Scottish Government and NHS Boards should:
- monitor the investment by NHS Boards in enhanced services to make sure that they achieve value for money as well as meeting local needs
  - collect comprehensive data on local GP and GP practice staff numbers to support workforce planning at a national and local level.





# Performance

80. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. Key features of best value include:
- setting a clear vision of what the organisation wants to achieve, backed up by plans and strategies to secure improvement, with resources aligned to support their delivery
  - a performance management culture which is embedded throughout the organisation and a performance management framework which is comprehensive and supports the delivery of improved outcomes for citizens.
81. In this section we comment on:
- the Board's corporate plan and risks to its achievement
  - performance against targets
  - performance management arrangements.

## Vision and strategic direction

82. Since 2002 members of the public, doctors, nurses and managers have been working together to identify ways of improving and developing health services across Grampian. This process, known as 'Healthfit', provides NHS Grampian's vision for future healthcare which is to:
- help families enjoy better health through understanding how to keep healthy
  - support families to live a longer, healthier life
  - develop, with stakeholders, safe, sustainable and high quality services, delivered in the right place at the right time
  - deliver services fairly for families' improved wellbeing.
83. The 'Healthstat' process provides further scrutiny of performance using the 'CitiStat' principles. This takes place as part of the bi-monthly Performance Governance Committee meeting. Reports on the outcome of the Cross System Performance Reviews are provided via the Chief Executive. These reports include actions being taken to improve performance in specific areas of underperformance. The meetings are chaired by the Board Chairman who, together with other non-executive committee members, challenges the Chief Executive and other Directors/General Managers on steps being taken to improve performance and the effectiveness of the arrangements generally. The Performance Governance Committee also receives reports from the other Governance Committees identifying any risks to the delivery of Strategic Objectives and provides assurance to the Board on the overall performance against Strategic Objectives and associated measures.



84. The 2009/10 Health Plan outlines how the Board is going to develop its vision for the future and consists of five strategic priorities:

- improving Health and Reducing Health Inequalities
- involving patients, public, staff and partners towards mutuality
- delivering safe, effective and timely care in the right place
- developing the workforce and empowering staff
- improving efficiency, productivity and sustainability - getting the best from our resources.

85. To deliver these strategic priorities the Board has dedicated specific resources to six priority programmes:

- **Better Care without Delay** - improving the quality of care and reducing waiting times.
- **Long Term Conditions** - helping people with chronic conditions, for example, diabetes, asthma and coronary heart disease.
- **Mental Health** - improving access to services and the quality of care for people with mental health needs.
- **Intermediate Care** - preventing hospital admission and reducing the length of hospital stay for those admitted to hospital.
- **Health Campus** - a programme to develop 21st century facilities to support the provision of the right care in the right place.
- **Aberdeen City Primary Care Redesign** - a significant programme of continuous improvement, to ensure the long term sustainability of community services in the city.

## Managing risk

86. There are a number of key challenges and risks for the Board in delivering its Health Plan. The Risk Management Strategy sets out how the Board will manage risk and accountability for risk across NHS Grampian has been clearly defined. A Corporate Risk Control Plan is in place and developments of risk management are ongoing. For example, progress towards the introduction of the DATIX risk management information system across the organisation and development of local risk management arrangements. The challenge for the Board will be embedding a risk aware culture within the organisation for the future management of existing and emerging risks in the medium to long term.



87. The main risk areas are:

- **Financial Management and Affordability** – As has been noted elsewhere in this report, the Board faces significant challenges in relation to its ability to fund a sustainable level of service and implement major service developments. The Board continues to face a number of financial pressures, including lower growth in public spending, challenging efficiency targets and additional costs. Additional costs include Agenda for Change, compliance with the European Working Time Directive, general healthcare costs for newly developed treatments, as well as additional revenue pressures associated with supporting capital investment.
- **Effective Partnership Working** – The ability of the Board to work in partnership with local authorities, central government agencies and the voluntary/private sectors has been demonstrated in the various partnership structures established by the Board. NHS Grampian currently has three CHP/CHSCPs (Aberdeenshire, Aberdeen City and Moray) and two collaborative partnerships with Orkney and Shetland Health Boards. Partnership working will play an increasingly important role in proposed service developments and enabling the Board to demonstrate the shift in the balance of care and improving access to services.
- **Performance Management** – The importance of having robust systems of relevant, accurate and understandable information has been recognised by the Board. Significant developments in the performance management arrangements have been demonstrated during the year, including, for example, the development of the Performance Management Strategy and Framework together with the introduction of Key Performance Indicators. It is recognised that the work on performance management is on-going and we will continue to monitor progress in future years.
- **Capacity to Deliver** – With the current level of service redesign, investment in new and innovative services and organisational change required to address strategic priorities, there is an inevitable increase on the demands of senior officers of the Board in terms of knowledge and skills to manage the individual service priorities. The Board will require to take account of this as these developments progress.
- **Patient Safety and Clinical Governance** – NHS Grampian remains committed to making healthcare safer for patients, introducing the Scottish Patient Safety Programme and piloting the MRSA Screening initiative. The Board has developed an action plan to improve its performance on the clinical governance and risk management standards which are due for review in 2009/10.

88. These risk areas are complex and comprise multiple issues which will require careful management to resolve. We have continued to monitor the Board's progress in each of these areas over the course of the year.



## Service Development

89. The Board has adopted the LEAN change methodology, by way of a national efficiency programme sponsored by the SGHD's Improvement Support Team in conjunction with Atos Origin, to deliver service redesign and sustainability while improving performance, quality of care and job satisfaction. This is referred to as continuous service improvement within NHS Grampian. A Change and Innovation Programme Action Plan was developed in 2008/09 that supports the strategic priorities of the Health Plan and sets out the actions required to deliver service redesign and sustainability.
90. The Change and Innovation Programme (CIP) covers the six priority programmes identified by the Board to improve services. Progress of the CIP is monitored by the Performance Governance Committee within the Board's performance management arrangements. A recent Internal Audit review of the 'better care without delay' programme found that significant progress has been made in securing the core stability required to support Acute Sector management meet the current targets set for waiting times performance.
91. During 2008/09 a number of service developments were implemented to assist the Board in achieving its Health Plan, including:
- implementation of the Scottish Government 'Keep Well' pilot providing health checks for 45 to 64 year olds
  - establishing an 'Unscheduled Care Network' to coordinate and plan more responsive emergency and urgent care across different services to support delivery of the four hour maximum treatment and discharge time in A&E departments
  - participation on a national MRSA screening pilot
  - receiving the first intake of 15 students to the new Dental School in Aberdeen to help tackle the shortage of NHS dentists in Grampian.
92. We will continue to monitor the Board's arrangements for managing service redesign and sustainability, the implementation of the CIP and the development of a continuous service improvement culture.

## Performance Overview

93. During 2008/09 the Board was successful in achieving a number of very challenging targets and making significant progress in many others. The Board achieved a target of 100% of employees covered by Agenda for Change having an agreed KSF personal development plan. Areas where significant improvement has been made include NHS dental registration for 3-5 year olds, day case surgery rates and patient discharge targets. In some areas the Board was less successful in achieving its targets, including cancer waiting times and sickness absence rates.



94. The Board has made significant progress over the course of the year to meet the delayed discharge target. The efforts of both the Board and the Council partners have progressively led to improvements in achieving the target for all council areas served by the Board. This is an example of sound joint working across public sector organisations.
95. Some HEAT waiting times targets will become more demanding from 2009 with the introduction of the 18 weeks referral to treatment standard. Although the standard only applies from 2011, interim performance milestones have been set to assist Boards in achieving the target. The Board is making good progress towards these interim targets. A more challenging area will be a reduction of C.difficile rates by 30% by 2011 with latest quarterly figures from Health Protection Scotland (HPS) identifying NHS Grampian as having a seemingly higher than expected rate. This is now part of an on-going investigation in conjunction with HPS.

## Performance Management

96. The Board has recently developed a Performance Management Strategy and Framework to provide a basis for future development and review of its performance management arrangements. The Performance Governance Committee (PGC), responsible for the overall scrutiny of governance, has an action plan in place to help fulfil its role and provide assurance to the Board. The PGC has recently developed an evaluation plan to ensure there are adequate systems in place to evaluate performance management across NHS Grampian. Key performance indicators have been established which will be used by the PGC to measure performance.
97. The Cabinet Secretary for Health and Wellbeing as part of the Annual Review of NHS Grampian highlighted areas where specific action would be required to measure the impact of its health improvement programme. Key areas included the need to: evaluate the impact of initiatives to improve health and reduce health inequalities; quantify and measure shifts of services from hospitals to primary and community care; and measure the impact of the dental action plan in increasing access to NHS dentistry. To assist in this NHS Grampian has implemented a Health Impact Assessment Screening tool which, linking in with the Change and Innovation Programme, will monitor improvements in health arising from service improvements.

## Efficiency

98. In 2008/09 the Board achieved overall efficiency savings of £27.5 million against its target of £26.2 million. However, as with all NHS Bodies, there is a continuing challenge for the Board to identify further efficiency savings in order to achieve an annual efficiency target of 2%. As noted elsewhere in this report, the Board is facing significant financial pressures and this makes the annual efficiency target a demanding challenge.



99. NHS Grampian is committed to providing best value across all services by optimising productivity and reducing wastage and has already invested resources in developing a methodology to ensure it can support a programme of continuous improvement, as outlined at paragraph 89.

100. The Board is developing a set of policies and procedures to encourage cost savings through appropriate reductions in staff numbers or staff costs. Policies under review or development include vacancy management, organisational change, secondment and redeployment. In addition, the Board continues to derive cost efficiencies through a programme of service reviews and budget monitoring.

## National Studies

### A review of palliative care services

101. The study examined a number of issues including access to, and quality of, palliative care services for adults with long term considerations. The report recommended that NHS Boards should:

- have an up-to-date strategy for delivering palliative care based on an assessment of the current and future needs of their local populations
- work with the voluntary sector to develop and agree protocols for primary care staff and non-specialist hospital staff to refer patients to specialist palliative care services
- apply service improvements such as the Gold Standards Framework Scotland, Liverpool Care Pathway and Do Not Attempt Resuscitation policies in all care settings and ensure these are used appropriately.

### Day surgery in Scotland – reviewing progress

102. This study highlighted that ten years after the first review of day surgery in Scotland, Audit Scotland has found that the rate of day surgery continues to rise but there remains wide variation in performance among Health Boards. Performing more operations as day cases, which involve no overnight stay in hospital, could potentially free up about £8 million a year.

103. The report included some important recommendations:

- there is urgent need for the Scottish Government Health Directorate, NHS Boards and ISD to agree how best to ensure accurate and complete recording of surgical procedures undertaken in an outpatient setting
- all NHS Boards should adopt the British Association of Day Surgery (BADs) Information System and make effective use of this system.



## **Review of NHS diagnostic services**

104. This review examined the efficiency and effectiveness of radiology, endoscopy and laboratory services. It focused mainly on the eight key diagnostic tests covered by the national waiting times target and examined the four main disciplines within laboratory services. The new 'referral to treatment' waiting times target states that, by the end of 2011, the time between any referral and a patient starting treatment should be no more than 18 weeks. This target covers all stages of a patient's care including diagnostic tests and will, in effect replace existing targets relating to different parts of NHS services, such as outpatient, inpatient and diagnostic services.

105. The report made a number of significant recommendations for the Scottish Government, NHS Boards and ISD Scotland. In particular, it recommended that the Scottish Government work with NHS Boards and ISD Scotland to improve data collection systems for all diagnostic services as a matter of priority and also ensure that robust benchmarking data are available to allow NHS Boards to compare efficiency. Further, the report recommended that ISD Scotland work with the Scottish Government and NHS Boards to improve the quality and consistency of national data sets that include diagnostic services, particularly the Cost Book.

## **Drug and alcohol services in Scotland**

106. The aim of this study was to identify how much of the public sector spends on 'labeled' drug and alcohol services as well as the impact the money has had. The report recommended that public sector bodies should:

- ensure that all drug and alcohol services are based on an assessment of local need and that they are regularly evaluated to ensure value for money
- ensure that service specifications are in place for all drug and alcohol services and set out requirements relating to service activity and quality
- set clear criteria of effectiveness and expected outcomes for the different services that they provide and undertake regular audits to ensure services adhere to expected standards.



## Overview of mental health services in Scotland

107. This report provides an overview of mental health services and its main aim was to highlight areas for improvement and identify priorities for future audit work. The study covered mental health services provided by the NHS, councils, prisons, the police and the voluntary sector and examined the accessibility, availability and cost of services. The report recommended that the Scottish Government and local partners should, amongst other things:

- ensure that they work together to deliver services for people with mental health problems which are joined up and that appropriate services are provided on the basis of need
- collect information about services in the community to enable better planning and development of services
- work together to identify and address any gaps in services, including services for children and adolescents and the availability of psychological therapies
- ensure that data on waiting times for mental health services are collected and reported routinely. Action should be taken to address services with long waiting times.





# Looking Forward

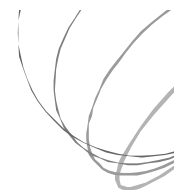
108. NHS Grampian faces a number of challenges in 2009/10, which include:

- **Service redesign and sustainability** – There are significant developments planned for the delivery of future healthcare services by the Board. The 2009/10 LDP sets out how resources are to be directed to deliver the redesign required. This will present significant long term challenges in identifying and securing funding together with project management of a major capital build. The revenue implications of the capital plan are affordable but challenging and it is essential that the impact of the LEAN methodology on service design is realised before services transfer to new facilities.
- **Capacity to Deliver** - In taking forward its service redesign proposals through the CIP the Board will need to be vigilant in ensuring that there continues to be sufficient management expertise and resources to implement identified improvements. In addition there will be the ongoing challenge of ensuring that risks associated with Healthcare Associated Infections continue to be appropriately managed.
- **Financial management and affordability** – The financial settlement in 2009/10 provides an uplift of 3.47% and although the Board anticipates that NHS Grampian's funding allocation will be brought to parity by 2012/13 nevertheless future allocations may reduce given the current economic situation and the impact of national resourcing decisions. NHS Grampian have identified that £22 million of recurring savings will be required to break even in 2009/10. Making these savings without impacting on service delivery represents a substantial challenge for the Board.
- **International Financial Reporting Standards (IFRS)** – Officers are required to prepare shadow accounts under IFRS for 2008/09 by September 2009. The move to full compliance in 2009/10 will require significant resource and it will be important that these issues are addressed early in 2009/10.
- **Scotland Performs** – The Scottish Government is continuing to develop its approach to performance management based on a National Performance Framework and outcome agreements. The National Performance Framework is based on the outcome based 'Virginia-style' model of performance measurement and reporting. In support of this the Scottish Government has developed a new electronic tool and website to communicate to the public on Scotland's progress. This will include progress on overall delivery of the administration's purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. We will consider how NHS Grampian is addressing this developing area as part of the 2009/10 audit.



- **Efficiency, future funding and economic developments** – Budgets for 2009/10 and the immediate future will need to be managed within a tighter funding regime. This includes significantly less scope for the application of end of year flexibility until the next Spending Review and the impact of the introduction of International Financial Reporting. The challenge for NHS Grampian is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives. This will be even more challenging in the context of the current economic downturn which may impact on a number of elements of the Board's operations including both its resources and the demand for its services.
- **Equal Pay** - The Equal Pay Directive has made it clear that pay discrimination should be eliminated from all aspects of remuneration. NHS Grampian has received 196 (CLO figures) of the 13,000 claims received nationally on this matter. Significant ongoing uncertainties have been identified by the CLO resulting in an unquantified contingent liability disclosure in 2008/09. However, Board management, working with the Scottish Government Health Directorates and other NHS Boards, will require to form a view of the potential liabilities as soon as practicable, taking into account the progress of cases in Scotland and in England.
- **Best Value** - The concept of Best Value is seen as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year, particularly in the area of Use of Resources. NHS Grampian will wish to respond to this important initiative as it develops.
- **Swine Flu (H1N1 Influenza)** – In terms of clinical activity a key risk going forward is the potential impact of H1N1 Influenza. Although the full extent of the swine flu situation is still emerging, all Boards require to ensure plans are in place to deal with the local impact of the developing situation.

109. 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	Risk Identified	Planned Action	Responsible Officer	Target Date
1	NHS Grampian 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.	Continue to liaise with the Scottish Government Health Directorates who have delegated responsibility for national coordination to the Central Legal Office. Await advice from the CLO on action to be taken as a Board including the potential for making financial provision for any liability identified.	Jointly, Director of HR and Strategic Change and Director of Finance	Ongoing
2	Continued progress is required to prepare the shadow IFRS accounts for 2008/09 in accordance with the prescribed timetable. There is a risk that NHS Grampian will be unable to commit sufficient resources to produce the shadow accounts by the deadline.	Director of Finance continuing to review plans in place and to monitor progress in implementing them. Further consideration being given to contingency measures in the event of key staff being affected by the H1N1 virus during the critical autumn period.	Director of Finance	Immediately
3	During 2009/10 £22 million of recurrent efficiency savings are required to remove the Board's reliance on non-recurring funding and to achieve recurring balance. Delivery of these efficiency savings may present a risk to the quality of current services.	Financial sustainability responsibility in practical terms sits with the Budget Steering Group which is chaired by the Chief Executive and reports to the Operational Management Team. All budget managers are members of the group which meets at least monthly to agree on short term and longer term financial measures designed to maintain financial balance with least impact on service provision.	Chief Executive supported by executive team	Immediate and ongoing
4	There is a risk that the Board is unable to utilise its full capital allocation for 2009/10 impacting on successful delivery of service redesign.	A greater risk is that the SGHD may seek to reduce boards' capital resource limit in 2009/10 to contribute to the government's financial plans. Assuming that does not happen, capital investment planning and monitoring is managed through the Asset Investment Group, its subordinate the Capital Programme Finance Group and the Capital Monitoring Group which monitors every capital project, including risks, at a very detailed level on a monthly basis.	Jointly, Director of Planning and Director of Finance	Immediate and ongoing
5	The Board may fail to meet the following targets: <ul style="list-style-type: none"> <li>achieve a sickness absence rate of 4%</li> </ul>	Robust and pragmatic "attendance at work" policies and protocols are currently in force and are having a beneficial impact. Most recent statistics suggest that overall rates are close to the 4% target. The potential for an H1N1 epidemic later this year may render the target impracticable during that period.	Director of HR and Strategic Change	Ongoing



Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
	<ul style="list-style-type: none"> <li>▪ reduce cases of staphylococcus aureus bacteraemia (including MRSA/MSSA) infection by 30%.</li> </ul>	<p>Each and every case of bacteraemia is treated by NHS Grampian as a critical incident. For each case, the Consultant in charge receives a letter which initiates a critical review of the case. A weekly meeting of infection control leads is held to review each case to build trend patterns from which lessons can be learned and appropriate remedial action taken.</p>	<p>Medical Director</p>	<p>Ongoing</p>
<p>6</p>	<p>There is a risk that potential occurrences of fraud highlighted in the NFI data matches are not fully investigated by the Board.</p>	<p>The NFI has been running for a considerable time to date. The level of data matches with potential for fraud in Grampian has so far been extremely low. This has avoided the need to deploy staff specifically to carry out extensive investigative work. Should that situation change as the initiative rolls out further, the Directors of Finance and HR will agree on workload re-prioritisation.</p>	<p>Jointly, Director of Finance and Director of HR and Strategic Change</p>	<p>As required in response to NFI data output</p>