NHS Highland

Annual report on the 2010/11 audit

Prepared for NHS Highland and the Auditor General for Scotland

July 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds

Contents

Key messages **2**

2010/11 2

Outlook 3

Introduction **4**

Financial statements **5**

Audit opinion 5

Accounting issues 5

Outlook 7

Financial position **9**

The board's financial position as at 31 March 2011 9

Financial planning to support priority setting and cost reductions 11

Outlook 11

Governance and accountability **13**

Corporate governance 13

Prevention and detection of fraud and irregularities 17

Standards of conduct and arrangements for the prevention and detection of corruption 18

Outlook 19

Best Value, use of resources and performance **20**

Management arrangements 20

Overview of performance in 2010/11 24

National performance reports 24

Outlook 27

Appendix A: audit reports **28**

Appendix B: action plan **29**

Key messages

2010/11

The Scottish public sector faces significant challenges in balancing budgets while also delivering on its commitments. In 2010/11 we assessed the key strategic and financial risks being faced by NHS Highland. 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.

We have given an unqualified audit report on the financial statements of NHS Highland for 2010/11. We 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.

The board achieved all of its financial targets in 2010/11 and returned a saving against its total Revenue Resource Limit of £0.056 million as at 31 March 2011. In 2010/11 the board also achieved its savings target of £15 million, although £6.7 million of these savings were achieved on a non-recurrent basis and will require to be achieved recurrently in 2011/12. The board's sound financial planning arrangements include regular monitoring, reporting and updating of information to allow potential risks to be addressed promptly.

In 2010/11 the board has met or exceeded a number of challenging performance targets set by the Scottish Government and, in a number of areas, performance continues to improve. However some performance targets were not fully achieved and in those cases the board has established actions to improve performance. The board's Improvement Committee will continue to play a key role in ensuring that any underperformance against national targets is successfully addressed.

NHS Highland has a well developed framework in place for monitoring and reporting performance. Comprehensive performance reports detailing performance against national and local targets are submitted to each meeting of the Improvement Committee who use Citistat principles to monitor and scrutinise the performance. The Improvement Committee in turn provide an assurance report to each Board meeting setting out agreed actions to be taken to address any areas of underperformance.

The board has arrangements in to consider national performance reports issued by Audit Scotland, with local action plans in place to address any recommendations for improvement. Furthermore, as stated in the Statement of Internal Control, the board will develop a Best Value framework during 2011/12.

In 2010/11, the board had sound governance arrangements in place which included a number of standing committees overseeing key aspects of governance. These included an Audit Committee, Staff Governance Committee and Clinical Governance Committee. The board also had an effective internal audit function and anti-fraud arrangements.

In December 2010, the board and the Highland Council agreed in principle to commit to planning for the integration of health and social care services by putting into place single lead agency arrangements for Adult Community Care Services (NHS Highland) and for Children's Services (the Highland Council). Both bodies will have joint responsibility for specifying the outcomes to be achieved for service users and for the totality of resources allocated to each of the two service areas. An implementation programme plan was formally approved by the board and Council in May 2011. The new arrangements will commence in April 2012 and the Highland Council and board met jointly in June 2011 to confirm their commitment to producing a model for care and support services for adults and children by the target date.

Outlook

The position going forward is becoming even more challenging than previous years with limited increases in funding, increasing cost pressures in respect of prescribing growth and utility costs, and challenging savings targets. To achieve continuing financial balance the board will require to deliver £19.2 million of recurring cost savings and work is ongoing on a unified 3 year transformation plan from 2011/12, to deliver recurrent savings through initiatives which target quality, safety and efficiency through the redesign of services. This represents a major challenge for the Board and expenditure during the year will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage.

The significant financial challenges that the board will face in 2011/12 and beyond will require the board to prioritise further in its use of resources. This will make maintaining or improving on the performance targets set by the Scottish Government even more challenging.

The proposal for integrated Adult Health and Social Care Services and Children's Services will commence in April 2012 and the board will need to ensure that appropriate governance arrangements are in place by this date. In addition, this proposal will require the development of workforce plans, including the potential creation of integrated roles, to support transition in 2011/12.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of NHS Highland. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising The report is divided into sections which reflect the extent of our public sector audit model.

2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of NHS Highland.

3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that NHS Highland understands its risks and has arrangements in place to manage these risks. The board and Accountable Officer should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.

4. This report is addressed to the board and the Auditor General for Scotland and should form a key part of discussions with the Audit Committee, either prior to or as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public as audit is an essential element of accountability and the process of public reporting.

5. This report will be published on our website after consideration by the board. The information in this report may be used for the Auditor General's annual overview of the NHS in Scotland's performance later this year. The overview report is published and presented to the Public Audit Committee of the Scottish Parliament.

6. The management of the board is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.

8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
   - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
   - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
   - the regularity of the expenditure and income.

9. Auditors review and report on, as appropriate, other information published with the financial statements, including the Director's Report, statement on internal control and the remuneration report. This section summarises the results of our audit of the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of NHS Highland for 2010/11 give a true and fair view of the state of the body's affairs and of its net operating cost for the year.

11. NHS Highland is required to follow the 2010/11 Government Financial Reporting Manual (the FReM) and we confirm that financial statements have been properly prepared in accordance with the FReM.

12. We have also reviewed the board's statement on internal control and concluded that it complies with Scottish Government guidance.

Regularity

13. 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 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.

Accounting issues

14. As agreed, the unaudited accounts were provided to us on 09 May 2011 supported by a comprehensive working papers package. The good standard of the supporting papers and the

timely responses from NHS Highland staff allowed us to conclude our audit within the agreed timetable and provide our proposed opinion to the Audit Committee on 29 June 2011 as outlined in our Annual Audit Plan.

15. As required by auditing standards we reported to the Audit Committee on 29 June 2010 the main issues arising from our audit of the financial statements. The main points were as follows:

Equal Pay Claims

16. The National Health Service in Scotland has received in excess of 10,000 claims for equal pay and 298 of these relate to NHS Highland. These have been referred for the attention of the NHS Scotland Central Legal Office (CLO) to co-ordinate the legal response to this issue.

17. Developments over the past year have slowed the progress of claims and led to a reduction of claims going forward. The CLO have stated that claims still 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 any financial impact they may have. The NHS Scotland CLO and Equal Pay Unit are monitoring the progress of claims as well as developments relating to NHS equal pay claims elsewhere that may further inform the position

18. 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 2010/11. 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 2010/11 financial statements of affected NHS boards.

19. We continue to strongly encourage NHS Highland management, working with 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.

20. As with other boards, NHS Highland has not been able to quantify the extent of its liability for Equal Pay claims. There is a risk that these liabilities could have an impact on the board's financial position.

Risk Area 1

Agenda for Change

21. As at 31 March 2011, £1.246 million was accrued in respect of the remaining costs associated with the agenda for change process. This figure includes estimations based on NHS Highland's assumptions and refers to a range of staff posts and grades. We requested and received from the Board formal assurances in the letter of representation that the accrual, in their judgement, represents a prudent estimate of anticipated costs.

Surplus Sites Agreement

22. In 2000 NHS Highland agreed a property transaction connected to the New Craigs PFI. As part of this transaction there was an arrangement (known as surplus sites agreement) concerning land at Craig Dunain Hospital which required the contractor to pay the Board the higher of the guaranteed base price or the base price plus a fifty percent share in any development surpluses arising from the development of the fourteen individual sites.

23. As at 31 March 2011, £6.055 million of accrued income was recognised in NHS Highland's financial statements in respect of anticipated income from the remaining undeveloped sites. This amount was based on professional advice from Montagu Evans on the likely income that would be achieved for each of the sites. Due to the current uncertainty surrounding the property market we requested and received from the Board formal assurances in the letter of representation that this amount, in their judgement, represents a prudent estimate of anticipated income.

Risk Area 2

Prior year adjustments - cost of capital

24. The 2010/11 FreM removed the requirement for boards to charge a notional cost of capital in their accounts. This was a change in accounting policy which was reflected in the financial statements of NHS Highland with appropriate amendments made to prior year statements.

Change in estimation of asset lives

25. During 2010/11 NHS Greater Glasgow and Clyde and NHS Borders conducted a review of the methodology for determining the useful life of assets which was carried out by these boards' internal auditors (PwC) and was supported by the SGHD. The SGHD requested that boards in Scotland should apply the methodology identified in the work carried out at these boards and incorporate the findings with their 2010/11 financial statements. The revised methodology takes account of patterns of consumption and maintenance and preservation spending. This approach aligns the lives of the less significant elements with the overall life of the building so that they can be depreciated over that period. As a result, it is intended that the annual depreciation charge more faithfully reflects the pattern of consumption of the asset. The revised methodology resulted in a reduction in the board's annual depreciation charge (£0.6 million in 2010/11) and contributed to the management of the board's cost base. In our opinion this approach is reasonable and consistent with accounting standards.

Outlook

Endowments

26. As a result of an agreed derogation from the FReM NHS Scotland boards were not required to consolidate endowment funds within their 2010/11 financial statements. The Treasury and Scottish Government have delayed the consolidation of NHS Endowment Funds until financial year 2013/14.

Heritage assets

27. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. From 2011/12 the board will be required to separately disclose any heritage assets. The board should conduct a review to identify any such assets.

Audit appointment for 2011/12

28. Audit appointments are made by the Auditor General, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment. The procurement process for the next five years was completed in May 2011. From next year (2011/12) the auditor for NHS Highland will be Audit Scotland. As Audit Scotland will again be appointed as the auditor for NHS Highland, we look forward to continuing the good working relationship that exists and thank officers and members of the board for their assistance during the course of the current appointment.

Financial position

29. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.

30. Auditors consider whether audited bodies have established adequate arrangements and examine:
    - financial performance in the period under audit
    - compliance with any statutory financial requirements and financial targets
    - ability to meet known or contingent, statutory and other financial obligations
    - responses to developments which may have an impact on the financial position
    - financial plans for future periods.

31. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

The board's financial position as at 31 March 2011

32. NHS Highland is required to work within the resource limits and cash requirement set by the Scottish Government Health Directorates (SGHD). In 2010/11, the SGHD required NHS boards to differentiate between core and non-core expenditure for both revenue and capital.

33. The board achieved all its financial targets in 2010/11 as outlined in Table 1 below:

Table 1: 2010/11 Financial Targets Performance £'000s

Financial Target	Target	Actual	Variance
Revenue Resource			
Core	530,103	530,047	**56**
Non Core	24,724	24,724	-
Capital resource			
Core	28,657	28,657	-
Non Core	104	104	-
Cash position			
Cash requirement	613,000	612,903	**97**

34. The board has achieved a cumulative surplus of £0.056 million. Historically, boards have relied upon a measure of non-recurring funding to achieve financial targets. However, with the tighter financial settlement compared to the past and reduced flexibility within expenditure

budgets, there is less scope for reliance on non-recurring income to achieve financial balance as NHS boards seek to rationalise their cost base.

35. Also, in 2010/11 the board recorded an underlying surplus of £0.056 million which represented the excess of recurring funding and savings over recurring expenditure commitments carried forward into 2011/12.

Financial sustainability and the 2011/12 budget

36. Uplifts in financial settlements have been reducing in recent years. In 2009/10 there was a general uplift of 3.15%, in 2010/11 the corresponding figure was 2.15% while the baseline revenue funding uplift for 2011/12 is 1.1% (after adjusting for the loss of prescription income and the introduction of the Change Fund). Given the current economic conditions and the impact of national spending priorities, there is also risk that funding uplifts will be lower in future years. These pressures will have a significant impact on long term financial planning and the control of pay and non-pay costs.

37. The board plans to break even in 2011/12 and although no specific resources have been identified to fund new service development or cost pressures, there are provisions of £2.9 million in the 2011/12 Financial Plan to cover such issues as the rise in employers' national insurance contributions (£0.5 million), the full year impact of the increase on VAT (£0.950 million) and the board's share (£0.830 million) of sharply increased annual expenditure levels on the settlement of clinical / medical negligence claims across NHS Scotland.

38. The board continues to face significant cost pressures relating to the rate of growth in prescribing costs and the anticipated increases in workforce costs and supplies during 2011/12. All additional expenditure will require to be met from the board's existing resource and as a result any significant fluctuations in these costs will present a major challenge to NHS Highland achieving financial balance for the coming year.

Workforce planning

39. Staff costs account for a significant proportion of board expenditure and in response to the board's total savings target of £19.2 million in 2011/12, the workforce contribution to savings is expected to be in the region of £14 million. Through the development of iterative workforce plans, an integrated approach to service redesign and advances in technology, workforce contribution to savings will continue to be progressed against the on-going delivery of the key workforce plans. The board is working with NES and other partner agencies, linking with Higher and Further Education Establishments, through the NES Strategic Engagement and the Remote and Rural Healthcare Education Alliance, to develop proactive workforce education solutions specific to the remote and rural needs of NHS Highland. Specific work is to be carried out in relation to skill mix review, workforce modelling linked to service needs and robust succession planning and vacancy management.

40. The proposal for integrated Adult Health and Social Care Services and Children's Services has been agreed jointly by the Board and The Highland Council. The new arrangements will

commence in April 2012 and will require the development of workforce plans, including the potential creation of integrated roles, to support transition during 2011/12.

Financial planning to support priority setting and cost reductions

41. The cost challenges facing the board, as outlined above, are significant and in some cases there is an element of uncertainty about further potential increases in costs. The board's financial plan is dependent on its ability to implement a comprehensive cost saving plan which will release £19.2 million of recurring cost savings in 2011/12.

42. The cost savings are to be achieved through a number of means, including service redesign, more efficient procurement practices, productivity improvement, and a review of management and administration costs.

43. The delivery of the cost savings plan in 2011/12 will be more challenging than it has been in recent years. The level of flexibility within expenditure budgets is considerably reduced by the release of cost savings in previous years. Failure to achieve planned cost savings will impact on the board's ability to achieve a break even position.

44. The cost saving plan is very challenging and there is a risk that some elements may not be achievable. It is therefore important that the board closely monitor costs in order to take any required remedial action through supplementary cost saving schemes.

Outlook

Financial forecasts beyond 2011/12

45. The board's 2011/12 financial plan provides indicative figures for the level of cost savings needed in 2012/13 (£19.9 million) and 2013/14 (£15.1 million) in order to achieve financial balance. The majority of the cost savings in each year are expected to be generated from recurring sources. These levels of savings will be extremely challenging as the majority of readily achievable savings initiatives will have already been identified in recent years.

46. Furthermore the financial plan assumes that future funding uplifts will be of the order of 1%. This combined with growing cost pressures, will make the delivery of cost savings even more important.

Risk Area 3

Significant financial risks

47. In 2010/11 the board's cost savings plan was pivotal to the board achieving financial balance. The plan set a cost savings target of £15 million, £8.3 million of which was achieved on a recurrent basis and the remaining £6.7 million was achieved on a non-recurrent basis. The board's ability to achieve financial balance is again largely dependent on it successfully developing and implementing a comprehensive cost savings plan. For 2011/12, the board needs to achieve £19.2 million of recurring cost savings which is the equivalent to more than 3% of Revenue Resource Limit. This represents a major challenge to the board and

expenditure during the year will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage.

Risk area 3

Pension costs

48. Following the advice of the Scottish Government, Note 24: Pension Costs reflects a net liability of £370 million for the NHS Superannuation Scheme arising from the most recent actuarial valuation. Note 1 of the accounts, Accounting Policies, states that the most recent actuarial valuation was for the year 31 March 2004. Given that the Scheme ought to be subject to a full actuarial valuation every four years, a more up to date valuation would have been expected to have been reflected in the 2010/11 accounts.

49. While there was a more recent actuarial valuation carried out at 31 March 2008, the publication of this valuation has been placed on hold by HM Treasury pending the outcome of public sector pension reforms. Given periodic actuarial valuations are key to determining the adequacy of employer and employee contributions to the Scheme, publication of the latest actuarial valuation will bring clarity as to the adequacy of current contributions to meet the future commitments of the Scheme.

Governance and accountability

50. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.

51. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.

52. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:

- corporate governance and systems of internal control
- the prevention and detection of fraud and irregularity
- standards of conduct and arrangements for the prevention and detection of corruption

53. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

54. The corporate governance framework within NHS Highland is centred on the board which is supported by a number of standing committees that are accountable to it

- Audit Committee
- Staff Governance Committee
- Clinical Governance Committee
- Area Clinical Forum
- Improvement Committee

The following paragraphs provide a brief comment on the main standing committees:

55. The Audit Committee's purpose is to assist the Board to deliver its responsibilities for the conduct of its business, including the stewardship of funds under its control. In particular, the Committee provides assurance to the Board that an appropriate system of internal control has been in place throughout the year. The Committee is assisted by both internal and external audit and senior officials are invited, as appropriate, to respond to auditors' reports.

56. The Clinical Governance Committee assists the board in delivering its statutory responsibility for the provision of quality healthcare. In particular, the Committee seeks to give assurance to

the Board that appropriate systems are in place, which ensure that clinical governance and clinical risk management arrangements are working effectively to safeguard and improve the quality of clinical care.

57. The purpose of the Staff Governance Committee is to provide assurance to the Board that NHS Highland meets its obligations in relation to staff governance under the National Health Service Reform (Scotland) Act 2004 and the Staff Governance Standard. In particular, the Committee seeks to ensure that staff governance mechanisms are in place that establish responsibility for performance against the Staff Governance Standard and ensure progress towards its achievement.

58. The Improvement Committee undertakes detailed, high level scrutiny of the board's performance against the LDP and local targets and to focus upon those areas of performance where improvement is required to meet targets and improve outcomes. The Committee also receives the Balanced Scorecard, which measures the board's performance against HEAT targets, on a two monthly basis to allow areas of suboptimal performance to be scrutinized in detail by the Committee. Following each meeting of the Improvement Committee a Board Assurance Report is completed and submitted to the subsequent NHS Highland Board meeting. This report identifies the issues and risks associated with the delivery of HEAT targets and highlights the actions being taken by operational units to improve performance.

59. The overall governance arrangements within the Board are soundly based. In January 2011 the Board appointed a new Chief Executive, following the resignation of the previous Chief Executive at the end of 2010. This appointment has provided continuity at a corporate level as the new Chief Executive held the post of Chief Operating Officer at the Board for a number of years.

Patient safety and clinical governance

60. The Board continued to work with NHS Quality Improvement Scotland (NHSQIS) to support the implementation of the clinical governance and risk management standards to ensure that clinical governance principles are embedded in local practice. This will be continued with the successor organisation Healthcare Improvement Scotland.

61. The Scottish Patient Safety Programme (SPSP) was launched in 2007 by the Scottish Patient Safety Alliance, which brings together the Scottish Government, NHSQIS and NHS boards. The main aim of the programme is to reduce mortality by 15% and adverse events by 30%. The pilot sites across the four acute hospitals in NHS Highland are now embedding their process measures and developing systems to achieve reliability in many areas – improvement in both process and outcome measures are now being reported. In January 2011, the Institute of Healthcare Improvement awarded the Board the assessment score of 3, which meant that all key changes in all five work streams have been implemented in the pilot wards and that there was sustained improvement in relation to process and outcome measures. Work has started to implement heart failure and paediatric bundles. The main focus for 2011/12 will be to spread the programme to all wards in the pilot hospitals.

62. The Board has a Healthcare Associated Infection (HAI) Strategy, which targets high impact areas and contributes to meeting the associated HEAT targets: to reduce all staphylococcus aureus bacteraemia (SAB) by 15% by 2011 and to reduce C-Difficile Infections by 30% by 2011. The Board also has a HAI team in place to work with the appointed anti-microbial pharmacist to prevent the overuse of antibiotics which can make patients more susceptible to HAIs such as MRSA and C-Difficile. As NHS Highland has a low rate of SAB infection, the Board were unable to meet the associated HEAT reduction target by March 2011. However, the most recent infection control update report to the Board in June 2011 indicated that the Board was the best performing mainland Board for the lowest rate of SAB cases per 1000 acute occupied bed days. The report also confirmed that the Board had met its HEAT target for the reduction in the level of C-Difficile cases reported in 2010/11.

63. The Healthcare Environment Inspectorate published a report in April 2011 following an unannounced inspection of Raigmore Hospital in March 2011. The report commended NHS Highland for its compliance with dress code and uniform policy, the awareness and implementation of isolation procedures for patients with known infections and also the maintenance and cleanliness of the hospital. However, the report highlighted several areas where improvements were required including ensuring formal, documented cleaning schedules are implemented across all wards and departments to ensure compliance with national standards and that an education strategy needs to be finalised to ensure that staff receive regular education and training.

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. The Board has established Community Health Partnerships (CHPs) to provide care and public health services in a local setting to meet the needs of the local population. It is also the intention that CHPs will contribute to one of the key principles set out in the Scottish Government's Better Health, Better Care publication which emphasises the need for 'ensuring better, local and faster access to health care'.

65. NHS Highland's four CHPs continue to develop and face a significant challenge to demonstrate to stakeholders that they are effectively shifting the balance of care from acute settings to community based settings while delivering improved services within the set budget and timeframes. Each CHP is held to account through both their own governance committee and the Board's Improvement Committee which seek assurance that they are operating effectively and consequently improving the patient experience. We will continue to monitor progress in this area.

66. In the Audit Scotland Review of Community Health Partnerships issued in June 2011, it was noted that the devolved budget arrangements in place within the Board have not significantly changed the balance of services between hospitals and the community. The report highlighted that one reason for this is the difficulty in releasing funding from acute services to support care in the community. Argyll & Bute CHP reported that changes to the terms and

costs within the SLA with NHS Greater Glasgow and Clyde for the provision of acute services were also a barrier to shifting the balance of care.

67. In addition, the report noted that Argyll & Bute CHP are currently developing joint plans with Argyll & Bute Council for large scale service redesign, including shifting 70% of hospital based dementia services to community based services. However, it was also recognised that there is a risk that the new service may be more costly as it is unlikely that sufficient funding will be released from the closure of hospital beds to fund the new community based services.

Internal control

68. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.

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 2010/11 Deloitte, the board's internal auditors, provided their opinion that, based on the internal audit work undertaken during the year, there were no significant weaknesses that required specific mention in the Statement on Internal Control.

70. As part of our audit we reviewed the high level controls in a number of NHS Highland systems that impact on the financial statements. This audit work covered a number of areas including cash income and banking, trade payables, trade receivables, family health services, payroll and general ledger. Our overall conclusion was that NHS Highland had adequate systems of internal control in place in 2010/11. We identified some 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.

Internal Audit

71. A key element of our work on internal controls is the extent of reliance that we can place on the work of internal audit in terms of International Standard on Auditing 610 (Considering the Work of Internal Audit). We carried out a review of internal audit in November 2010 and concluded that the internal audit service operates in accordance with Government Internal Audit Standards and has sound documentation standards and reporting procedures in place. We placed reliance on internal audit work in a number of areas in relation to payroll, general ledger and capital accounting. This not only avoided duplication of effort but also enabled us to focus on other significant risks.

Statement on internal control

72. The Statement on Internal Control (SIC) provided by the NHS Highland Accountable Officer reflected the main findings from both external and internal audit work. This SIC records management's responsibility for maintaining a sound system of internal control and

summarises the process by which the Accountable Officer obtains assurances on the contents of the SIC.

73. The SIC also drew attention to the Board's commitment to best value principles, with processes in place to ensure that it continuously focuses on improving performance.

Review of staff earning over £100,000 per annum.

74. The Cabinet secretary had asked NHS boards for assurance that earnings paid to those staff earning over £100,000 complied with relevant policies and guidance. Auditors were also requested to sample check earnings over £100,000 to give additional assurance on validity of the figures. We did not identify any matters that in principle indicated that the board had been in breach of relevant national policies and guidance relating to pay matters. We reported our findings to the Chairman of the board on 29 March 2011 to enable him to reply to the Cabinet Secretary by the required date of 31 March 2011.

ICT Review of Information Management

75. As part of our 2010/2011 audit we reviewed information management within NHS Highland, building upon our earlier Best Value toolkit work in 2008/09. The review concentrated on the following objectives:

- information requirements are defined in relation to the corporate plan and business needs
- information requirements are clearly communicated to information providers
- tactical plans have been defined which ensure information requirements are met.

76. Our review found that the Board has set out an ambitious Strategic Framework that relies on the availability of information. While the Board had embarked on establishing an information portal, maintaining alignment between the Strategic Framework and the HIP will require continuous focus. The HIP has the potential to form the basis for a shift in the culture, attitude and behaviour in relation to information. In terms of eHealth as an information provider, the Board has a responsibility to ensure that the information it captures and uses offers benefits to its information users. This is a responsibility shared by all the Board's information users and NHS Highland needs to consider the most appropriate structures that will ensure this responsibility is discharged effectively. We are in the process of agreeing our findings and plan to issue a final draft of the report in July 2011.

Prevention and detection of fraud and irregularities

77. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.

78. NHS Highland has a comprehensive range of measures in place to prevent and detect fraud including Standing Financial Instructions, a Code of Conduct for staff and a range of policies and procedures. The board has also entered into a formal partnership agreement with NHSScotland Counter Fraud Services (CFS).

79. The board's internal audit function has a formal programme of work, which, although not designed to detect fraud, does provide assurance on the operation of the control systems which are designed to prevent fraud. Additionally, the board has agreed a formal protocol covering a programme of Payment Verification checks with the Practitioner Services Division of NHS National Services Scotland. In 2010/11 these checks included verification against patient records, requesting patients to confirm treatment by letter, visits to practices and examination of patients.

NFI in Scotland

80. In 2010/11 NHS Highland took part in the National Fraud Initiative (NFI). This is a counter-fraud exercise that uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error.

81. It allows public bodies to investigate these matches and, if fraud or error has taken place, to stop payments and attempt to recover the amounts involved. It also allows auditors to assess the arrangements that the bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.

82. As part of our local audit work we monitor the board's approach to the NFI. We concluded that the board is proactive in preventing and detecting fraud including participation in the NFI.

83. The Audit Scotland report The National Fraud Initiative in Scotland; Making an Impact (May 2010) highlighted that much of the information used in the last NFI round was collected before the recession really took hold. An economic downturn is commonly linked to a heightened risk of fraud, and public bodies need to remain vigilant.

84. The current NFI round is being carried out under new powers approved by the Scottish Parliament in terms of the Public Finance and Accountability (Scotland) Act (as amended) and which came into force from 20 December 2010. These provide for more collaboration with other UK agencies to detect 'cross border' fraud, extend the range of public sector bodies involved, and allow data matching to be used to detect other crime as well as fraud.

Standards of conduct and arrangements for the prevention and detection of corruption

85. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the arrangements in NHS Highland are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Outlook

Partnership Working

86. In May 2011, the board and the Highland Council formally agreed to commit to planning for integration of health and social care services by putting into place single lead agency arrangements for Adult Community Care Services (NHS Highland) and for Children's Services (the Highland Council). Both bodies will have joint responsibility for specifying the outcomes to be achieved for service users and for the totality of resources allocated to each of the two service areas. A formal implementation programme plan was also approved by the board and Council in May 2011. The new arrangements will commence in April 2012 and the Highland Council and board met jointly in June 2011 to agree a proposed model of governance, agree an approach to commissioning and confirm their commitment to producing a model for care and support services for adults and children by the target date.

87. The Internal Audit report 'Adult Community Care Joint Working Arrangements' issued in June 2011 made a number of recommendations, some of which are high priority, relevant to both the current method of working and to the proposed new arrangements detailed above. The board has agreed to implement these recommendations and ensure that the new arrangements are developed as appropriate. This should further strengthen the implementation process.

Risk Area 4

Best Value, use of resources and performance

88. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.

89. The Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where no requirements are specified for auditors in a period they may, in conjunction with their audited bodies, agree to undertake local work in this area.

90. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:

- a performance audit which may result in the publication of a national report
- an examination of the implications of a particular topic or performance audit for an audited body at local level
- a review of a body's response to national recommendations.

91. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments. Audit Scotland has prepared a series of Best Value toolkits to facilitate its reviews in these areas.

92. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.

93. This section includes a commentary on the Best Value / performance management arrangements within NHS Highland. We also note any headline performance outcomes / measures used by NHS Highland and any comment on any relevant national reports and the board's response to these.

Management arrangements

Best Value

94. In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The new guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement.

95. The guidance identifies the themes which an organisation needs to focus on in order to deliver the duty of Best Value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.

96. The five themes and two cross-cutting themes (some of which we have commented on earlier in this report) are:
    - vision and leadership
    - effective partnership
    - governance and accountability
    - use of resources
    - performance management
    - equality (cross-cutting)
    - sustainability (cross-cutting).

97. NHS Highland is committed to best value and has arrangements in place to help ensure continuing performance improvement. The board has recently introduced a formal process to ensure that the findings of Audit Scotland national reports relevant to the Board are considered in detail to identify their potential impact and the Board's progress in addressing recommendations locally.

Service Redesign

98. Our annual audit plan also highlighted that NHS Highland faces particular issues in relation to the rurality and remoteness of the geographic area it covers. As a result NHS Highland faces a unique challenge in providing safe and sustainable services to their resident population.

99. In terms of service redesign, the Board is currently rolling out a more robust approach which includes the production of a transformational plan to illustrate how services will be developed in the future. This approach builds upon the Strategic Framework approved by the Board in October 2010, which sets out the principles by which NHS Highland will meet the challenges of rising demand, rising costs and static budgets. The Strategic Framework also re-emphasises the need shift the balance of health care away from acute hospital settings and into community based settings.

100. During 2010/11 it was noted that a number of innovative service developments have been implemented that aim to assist the Board in coping with the day-to-day challenges presented by their rurality and remoteness, these included:
    - **Cardiology Service Expansion** – Patients requiring percutaneous coronary intervention can now be treated in Inverness following the setting up of the PCI service. This means that patients will no longer have to travel out with the Highland area for cardiac treatment.
    - **Rehabilitation patient services in Caithness** – A range of rehabilitation services have been redesigned to enable more people in North Highland CHP to be treated and cared for in their own homes. The aim was to minimise the length of time patients have to stay in hospital and where possible avoiding hospital admission altogether.
    - **Pre-Operative Assessment Service** – This service, brought in mid-August 2010, was provided to remote and rural patients at Belford Hospital, Fort William. It offers patients greater choice to be treated on a day case basis with minimum disruption to their lives.

Potential benefits include a reduction in cancelled operations and a quicker recovery time for patients.

- In addition to the initiatives detailed above NHS Highland also introduced a number of other more traditional service developments during the year. These included:
- **New MRI Suite** – Patients now have access to a second MRI Scanner at Raigmore. The second scanner is of a high specification and therefore provides patients with up-to date MRI imaging which should improve diagnostic accuracy in many areas.
- **New Migdale Hospital** – In June 2011 patients and staff moved into the new hospital that has been built at Bonar Bridge in Sutherland at a cost of more than £8 million to replace the old Migdale Hospital.
- **New Dental Facility in Dingwall** – Work on a new four surgery dental facility was completed at the end of March 2011 at a cost of £1.3 million. This will be available for leasing to incoming general dental practitioners and it is hoped to be operational by summer 2011.

101. The impact of all service developments require to be closely monitored by the Board going forward to ensure that they continue to contribute to improving the patient experience.

Financial Management – follow-up audit

102. As part of our 2010/11 audit we conducted a follow-up audit of our 2007/08 review of use of resources in relation to financial management at NHS Highland, which was based on one of Audit Scotland's Best Value Toolkits. The follow-up audit focused on five key areas of the original review – financial governance; financial and service planning; finance for decision making; financial monitoring and control and financial reporting. Our detailed report was issued in November 2008 and drew upon examples of good practice across the NHS in Scotland. Our report concluded that the Board's overall arrangements in this area were soundly based although we did highlight scope for further improvement in four out of the five key areas examined.

103. Our initial report had recommended that the Board should develop an action plan to address the areas identified for further development to assist in monitoring progress and tracking improvements in developing best value in relation to financial management. However, no action plan was developed which suggests that formal tracking of improvement in this area is not being carried out. Nevertheless, our follow-up work identified that some improvements have been made in relation to those areas where we identified further scope for improvement. In particular, there has been ongoing improvement in integrating financial and service plans, joint financial reporting with partners, implementation of the Business Transformation Programme which is assisting in post project reviews and improvements in performance reporting. It is recommended that the Board now formally track progress through the development of an action plan to ensure that they can demonstrate continuous improvement in this area.

People Management – follow-up audit

104. As part of our 2010/11 audit we conducted a follow-up audit of our 2009/10 review of use of resources in relation to people management at NHS Highland, which was based on one of Audit Scotland's Best Value Toolkits. The follow-up audit focused on four key areas of the original review – policies and structures supporting effective people management; integrating workforce planning with strategic and financial planning processes; managing and developing the performance of staff and communication and involvement with staff. Our detailed report was issued in August 2010 and concluded that the Board's overall arrangements in this area were soundly based although we did highlight scope for further improvement in some areas.

105. Overall, in our follow-up we found that NHS Highland has made progress in each of the areas identified for improvement which will further strengthen policies and practices with regard to people management.

Performance management

106. The board has a well developed framework in place for monitoring and reporting performance. Comprehensive performance reports detailing performance against national HEAT targets and local targets are submitted to each meeting of the Improvement Committee who use Citistat principles (Highstat) to monitor and scrutinise the performance. The Improvement Committee in turn provide an assurance report to each Board meeting setting out agreed actions to be taken to address any areas of underperformance.

107. NHS Highland is subject to an annual review which is chaired by the Cabinet Secretary for Health and Wellbeing. The annual review highlights good performance and identifies areas where specific action would be required to improve health and treatment.

People Management

108. As with other health boards in Scotland, NHS Highland faces a major challenge in achieving the national sickness absence target of 4%. The current sickness absence rate for the board is 4.8% which is the same rate as last year. Sickness absence is a key focus of performance reviews and each area has a detailed plan in place to reduce absence levels.

Risk Area 5

109. It is important for NHS Highland to have effective workforce planning arrangements in place in order to secure best value and meet challenging performance targets. The board continues to develop its planning arrangements, including the strategic framework, to help ensure workforce plans are properly aligned to service and financial plans.

Improving public sector purchasing – follow-up audit

110. Improving Public Sector Purchasing – A follow-up audit was carried out in 2010/11 to assess whether local procurement arrangements in NHS Highland were consistent with good practice and addressed the key issues identified in Audit Scotland's national performance report 'Improving public sector purchasing' (July 2009).

111. In carrying out the study we used a checklist based on the key issues identified in the national report and this checklist was discussed with the Director of Finance who provided supporting evidence as appropriate. We have recently issued a draft report to management for comment. Our initial findings indicate that although progress has been made within NHS Highland in relation to procurement, there is significant scope for further improvement. Our report will be finalised shortly.

Overview of performance in 2010/11

112. The Board receives regular assurance reports from the Improvement Committee on progress towards achieving the key performance targets set by the Scottish Government (HEAT targets and standards). The Board demonstrated good performance against a number of very challenging HEAT targets by the end of March 2011 including the healthy weight of children target and the smoking cessation target. One notable target, the 30% reduction in MRSA/MSSA, was not achieved by the end of March 2011.

113. Waiting times have been falling over recent years as the Board has achieved successive Government targets. The Government target is that by December 2011 the total maximum journey will be 18 weeks from referral to treatment. At the end of March 2011 NHS Highland had not yet achieved this target, with the exception of non-admitted performance.

114. As at the end of March 2011 the Board reported there were 59 cases of staphylococcus aureus bacterium (SABs) confirmed during the year. The standard requires boards to reduce the number of SABs by 15% which meant that there was a target for NHS Highland of having no more than 46 cases for the year. This highlights the extent of the challenge facing the Board in achieving this standard.

National performance reports

115. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. The findings and key messages of these studies are published in national reports.

116. In February 2011 the Board approved a formal process to ensure that the findings of national reports relevant to the Board are considered in detail to identify their potential impact and the Board's progress in addressing recommendations locally. These reports are considered in detail by the Director of Finance and Chair of the Audit Committee to identify which executive director will assess the impact of the national report and to indicate how the board will address any recommendations made. Reports in the last year that may be of relevance to the board include:

Table 2: A selection of National performance reports 2010/11

• Using locum doctors in hospitals (June 2010)	• Improving energy efficiency - follow up report (Dec 2010)
• Emergency Departments (Aug 2010)	• Management of the Scottish Government's capital investment programme (Jan 2011)
• Role of boards (Dec 2010)	• Community Health Partnerships (June 2011)

www.audit-scotland.gov.uk

Using locum doctors in hospitals

117. Scottish health boards spend around £47 million a year on locum doctors in hospitals. This spending has doubled in the past decade but, in many cases, health boards are not always clear about why locum doctors are being hired and how long they are using them for.

118. The report also says the NHS needs to get better at managing the potential risks to patient safety of using locum doctors. This is particularly important for locum doctors who are hired through private agencies as they may be unknown to the board and unfamiliar with the hospital in which they are working. Health boards across Scotland need to be consistent in the way they screen and induct locum doctors and the way they manage their performance. There are no formal systems for sharing information about individual locum doctors between boards.

119. NHS Highland spends in excess of £3 million annually on locum provision and the board has established a working group to consider the recommendations of this report, review the current position in Highland and to develop an action plan to address the recommendations made. The Staff Governance Committee is responsible for monitoring the implementation of the action plan and any clinical governance issues arising are referred to the Clinical Governance Committee as required.

Emergency departments

120. Patient satisfaction with emergency care services is high. However there is widespread variation in the services provided at hospital emergency departments and a lack of clarity about where best to treat different patients. Attendances, costs and workforce pressures are rising, and the NHS in Scotland can do more to manage these services more efficiently. The report highlights that attempts to reduce attendances at emergency departments are not underpinned by an assessment of what works or how much it would cost to have people treated in another setting, such as a minor injuries clinic, where this is appropriate. Closer working across the whole health and social care system is needed to make further improvements.

121. The findings of this report were considered by the Emergency Department at Raigmore Hospital and an action plan was produced for implementation within the Board.

Role of boards

122. Public bodies and their boards have evolved over time. There is great variety in the size and make-up of boards and the roles that they have. Accountability can be complex, with chief executives and boards reporting in different ways to the Scottish Government, ministers and the Scottish Parliament. This risks causing confusion about who leads an organisation and is responsible for its decisions.

123. The key messages of this national report were utilised as part of the Board's review of governance arrangements within NHS Highland during 2010/11.

Improving energy efficiency - follow up report

124. Scotland's public bodies need to cut their energy use to minimise the impact of predicted price rises and to reduce carbon emissions. Since the original report in 2008, action has been taken at national and local levels. The Scottish Government has published an action plan to improve energy efficiency, and 85% of public bodies now have energy efficiency strategies. In the three years to March 2009, public bodies energy use increased by 1% overall but spending on energy rose by 21%. In 2008/09 the public sector spent more than £322 million on energy, and prices are currently expected to rise significantly. Scotland's public bodies are also expected to contribute towards ambitious national targets to reduce greenhouse gas emissions.

125. NHS Highland is taking forward the recommendations in the report and is making progress in improving energy efficiency. In particular, the installation of Biomass boilers at four community hospitals has been completed and it is anticipated that this investment will significantly reduce carbon emissions. Bids have been submitted to further extend Biomass installations. Work has also been carried out with the Carbon Trust to identify further energy efficiency schemes and the potential to take advantage of the 'Feed in Tariff Scheme' is being examined.

Management of the Scottish Government's capital investment programme

126. The Scottish Government has improved its scrutiny of its programme in recent years. However, improvements have been slow in the information about the status and performance of individual projects, which would help with management of the programme. Information about whether capital projects were on time and within budget is not always available. Where information is available, it shows that cost estimating has improved in recent years. Many projects still run late, although delays tend to be at the early stages before contracts are signed and are less likely to affect costs.

127. In response to the national report the Board produced an action plan which sets out the arrangements for addressing the recommendations for NHS boards contained within the report.

Community Health Partnerships

128. Our review looked at the impact community health partnerships (CHPs) have impact in improving people's health and quality of life by joining up health and social care services and moving more services from hospitals into the community. It was found that few CHPs have the authority to influence how resources are used in their area.

129. A joint approach involving all partners is needed to make the significant changes needed to tackle Scotland's complex and long-standing health and social care issues. The report also calls for a fundamental review of partnership arrangements to ensure they focus on meeting individuals' needs. The report highlights examples of good practice where CHPs are providing enhanced community-based services. But these local initiatives are small scale and there is limited evidence so far of wide-spread sustained improvements.

130. Publication of the national report on Community Health Partnerships (June 2011) was delayed because of the moratorium on reporting due to the Scottish Parliament general election in May 2011. This report will be discussed at a future Audit Committee meeting.

Outlook

Best Value

131. During 2011/12 the Board intends to establish processes to demonstrate how the Board will implement each of the seven themes identified in the Scottish Government's revised guidance on Best Value.

Performance

132. Over recent years the board has invested substantial resources in order to achieve challenging performance targets set by the Scottish Government. The significant financial challenges that will be faced in 2011/12 and beyond may require the board to prioritise its resources. This will make maintaining or improving performance even more challenging.

Service Redesign

133. In early 2011, the Scottish Government informed NHS boards of a general reduction in capital allocations across Scotland for 2011/12. This led to a significant reduction in NHS Highland's capital resources for planned projects from £29.9 million in 2010/11 to £13.6 million in 2011/12.

134. Although this reduction in capital resources has affected a number of planned capital projects across NHS Highland in 2011/12, the Board decided that work on a £7 million project to provide a new health centre at Tain, to replace the existing health centre and existing dental facilities in the Easter Ross town, would continue. This project is being taken forward through the Hub initiative, a form of public/private partnership development, which is revenue funded.

Appendix A: audit reports

External audit reports and audit opinions issued for 2010/11

Title of report or opinion	Date of issue	Date presented to Audit Committee
Internal Audit Reliance Letter	30 November 2010	14 December 2010
Annual Audit Plan	14 February 2011	15 March 2011
Review of staff earning over £100,000 p.a.	29 March 2011	17 May 2011
Internal Controls Management Letter	9 May 2011	17 May 2011
Report to Audit Committee in terms of ISA 260	20 June 2011	29 June 2011
Independent auditor's report on the financial statements	20 June 2011	29 June 2011
Improving Public Sector Purchasing – Follow-up audit	18 July 2011	13 September 2011
ICT Review of Information Management	7 July 2011 (Draft)	13 September 2011
Annual Report on the 2010/11 Audit	27 July 2011	13 September 2011

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	20	**Equal Pay** NHS Highland 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.	Maintaining link with Scottish Government Finance Department to keep up to date on SGHD/ CLO progress.	Director of Finance	Ongoing
2	23	**Surplus Sites Agreement** The board's balance sheet includes a debtor balance of £6.055 million in respect of anticipated income from remaining undeveloped sites. There is a risk that, given the current economic climate and the reduction in land values that the income due from the site may not be fully realised.	Ongoing contact / professional advice with formal update to be obtained during the year.	Director of Finance	Dec 2011
3	46	**2011/12 Savings Target** The board faces a wide range of financial challenges and there is a risk that it may not be able to make its savings targets in 2011/12. The longer term financial plan remains at risk of not being affordable and is a significant challenge to the board moving forward.	Corporate approach to issue with regular Benefits Realisation Meetings and full reporting to all Governance Committees, Improvement Committee to Board highlighting progress and any further actions required.	Chief Executive	March 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
4	87	**Planning for Integration** The board may not achieve the benefits of planning for integration by the planned deadline.	Ongoing work with Council with focus on patient / user benefit – programme designed to deliver this	Transition Programme Director	Ongoing
5	108	**Sickness Absence** The Board may not achieve the sickness absence target of 4%.	Ongoing work with Operational Units to deliver target.	Director of HR	Ongoing