AUDIT COMMITTEE

Tuesday 21 February 2006

Session 2

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AUDIT COMMITTEE
3rd Meeting 2006, Session 2

CONVENER

*Mr Brian Monteith (Mid Scotland and Fife) (Ind)

DEPUTY CONVENER

*Mr Andrew Welsh (Angus) (SNP)

COMMITTEE MEMBERS

Susan Deacon (Edinburgh East and Musselburgh) (Lab)
*Margaret Jamieson (Kilmarnock and Loudoun) (Lab)
*Mrs Mary Mulligan (Linlithgow) (Lab)
*Eleanor Scott (Highlands and Islands) (Green)
*Margaret Smith (Edinburgh West) (LD)

COMMITTEE SUBSTITUTES

Chris Ballance (South of Scotland) (Green)
Mr David Davidson (North East Scotland) (Con)
Marlyn Glen (North East Scotland) (Lab)
Mr John Swinney (North Tayside) (SNP)

*attended

THE FOLLOWING ALSO ATTENDED:

Mr Robert Black (Auditor General for Scotland)
Caroline Gardner (Audit Scotland)
Barbara Hurst (Audit Scotland)
Bob Leishman (Audit Scotland)
Arwel Roberts (Audit Scotland)

CLERK TO THE COMMITTEE

Shelagh McKinlay

SENIOR ASSISTANT CLERK

Joanna Hardy

ASSISTANT CLERK

Clare O'Neill

LOCATION

Committee Room 4

Scottish Parliament

Audit Committee

Tuesday 21 February 2006

[THE CONVENER *opened the meeting at 10:04*]

Item in Private

The Convener (Mr Brian Monteith): I open the third meeting of the Scottish Parliament Audit Committee in 2006. I welcome members of the public and the media, as well as the Auditor General for Scotland and his team. I remind members to turn off their mobile phones and pagers. We have apologies from Susan Deacon, who is unable to make today's meeting.

Agenda item 1 is to seek the committee's agreement to take item 8 in private. That item is for the committee to consider its approach to the reports by the Auditor General that are listed on our agenda. Do we agree to take item 8 in private?

Members *indicated agreement*.

Scottish Further Education Funding Council

10:05

The Convener: The committee will receive a briefing from the Auditor General on his report entitled "Scottish Further Education Funding Council: A progress report".

Mr Robert Black (Auditor General for Scotland): This is the fifth report that I have produced on the further education sector. It follows the reports that I made in 2003 on financial performance and performance management in the sector. Members will recall that the committee took evidence from accountable officers and produced a report in 2004 in which it asked me to revisit the issues and make a report in autumn 2005. This report follows up on the Scottish Further Education Funding Council's progress on a range of initiatives that were contained in my earlier report and on which the committee took evidence and made its report.

In October last year, the Scottish Further Education Funding Council merged with the Scottish Higher Education Funding Council to form the Scottish Further and Higher Education Funding Council—the Scottish funding council. However, I suggest that the main findings and conclusions in my report apply equally to the new funding council.

The funding council has made most progress in areas where it has been able to take direct action, such as improving the financial health of colleges, developing better performance information and funding estates capital projects. It has made slower progress where strategic influencing is required, so there is scope for further improvement in that area.

My report covers three main areas: the financial health of the sector and the financial health and stewardship of individual colleges; the progress that has been made on four funding council initiatives to address the adequacy and efficiency of the provision of further education; and the progress that the funding council has made in addressing the issues that were identified in its performance management action plan, which it agreed with the Scottish Executive. I shall comment briefly on each of those areas and outline my key findings.

First, on financial performance, the funding council has made good progress on its campaign for financial security. Operating surpluses continue to rise across the sector and the number of colleges with operating deficits is falling. Financial stewardship in colleges is sound, but some

concerns remain over two colleges that still have recovery plans in place. The funding council has continued to develop its monitoring arrangements for colleges in poor financial health; it is important that that work continues in order to help colleges to address their financial problems.

Inverness College still faces the greatest problems with its financial health. I have made a separate report to Parliament on that college, and that is the next item on the agenda today.

One of the reasons for the improved financial position of most colleges is the increased grant-in-aid funding that has been made available to colleges by the funding council. Total college income has increased by 13 per cent in real terms during the past five years. In addition, the funding council has made available targeted grant funding amounting to £38 million to help colleges to improve their financial health and address other key priorities such as the Disability Discrimination Act 1995 and the Special Educational Needs and Disability Act 2001.

I would like to touch on the funding council's progress on its four main initiatives that seek to address the adequacy and efficiency of the provision of further education.

First, the funding council has been reviewing the progress of colleges in addressing the issues that were identified in SFEFC's management review of 2000. The funding council believes that the exercise will show that colleges have made good progress in addressing their management action plans, which focus on the colleges' approaches to governance; strategic and operational planning; quality assurance and enhancement, marketing; human resources; financial management; and estates and facilities management. The funding council has stated that it intends to hold regular meetings with colleges to discuss progress against their strategic objectives.

Secondly, a report on the supply of and demand for further education in Scotland was commissioned by SFEFC in 2004 and published in April 2005. Both the Audit Committee and I, in my previous reports, stressed the importance of that work, which SFEFC acknowledged would help it to assess the extent to which the statutory requirement to secure provision of adequate and efficient further education in Scotland is satisfied. Information that was collected from employers and students during the exercise indicated that the demand for further education outstrips supply. The new funding council is considering the strategic direction of future work on the matter and I imagine that that will also tie into addressing ministerial priorities.

Thirdly, my previous reports covered the benefits of merger and collaboration in the further education sector. Three mergers took place during 2005: Fife College of Further and Higher Education and Glenrothes College merged to form the Adam Smith College; Falkirk College of Further and Higher Education and Clackmannan College of Further Education merged to form the Forth Valley College; and Glasgow College of Building and Printing merged with Glasgow College of Food Technology to form Glasgow Metropolitan College. More generally, collaborative work between colleges has been increasing. There remains potential for further collaboration and merger, particularly in Glasgow, where the discussions on those issues that started in 2000 are continuing.

Fourthly, the funding council is in the process of providing significant capital resources—amounting to £250 million—to the colleges to improve the quality of their estates.

The third main part of my report covers performance management in the sector and it might be helpful if I touch on the progress that the funding council has made on performance management since my previous report and the Audit Committee's report. The council has agreed with the Scottish Executive a 15-point action plan to address the committee's concerns on the performance management of the sector. The council has improved the information that is available on the sector's volume, quality and finance and holds regular accountability meetings with the Scottish Executive. It has also developed performance measures that help to present a balanced scorecard of performance across the sector. That balanced performance assessment focuses on the critical business areas of quality, financial performance, volume and satisfaction, which allows the funding council to explore how all the different college activities interrelate. Following a cost benchmarking of all colleges, the funding council is encouraging colleges to form benchmarking clubs to help to improve their efficiency and effectiveness through the identification of good practice. The funding council has stated its intention to continue to refine and produce that information annually.

The funding council has not benchmarked the sector with the sector elsewhere in the United Kingdom, because it still believes that differences in coverage, structure and funding approaches make that difficult. However, it intends to explore the potential for such an exercise based on the information that it draws together from its cost benchmarking exercises.

My report concludes that the financial health of the sector and of individual colleges has improved and has been helped by significantly increased funding. The funding council has also improved performance information and acted in areas such

as the funding of estates capital projects. However, there remains scope for further improvement in eliminating all the remaining accumulated deficits and addressing the problems of colleges that have financial health concerns; further developing the sector's strategic direction in accordance with ministerial priorities; continuing the development of strategic leadership to ensure that the benefits of merger and collaboration in areas such as Glasgow are fully achieved; continuing to encourage colleges to achieve benefits from the improved performance information; and continuing to build on the quality of that information and how it is reported.

As ever, my colleagues and I are here to answer the committee's questions.

The Convener: Members have waited with some anticipation for this report, as the committee has traditionally taken a great deal of interest in further education, so the information that the Auditor General has given us provides great food for thought. The committee might want to take up certain issues. Under item 8, members of the committee can discuss how they want to respond to the report. At this stage, we have the opportunity to ask questions of the Auditor General and his team in order to follow up certain issues that we want to explore.

Mr Andrew Welsh (Angus) (SNP): I note what the Auditor General said about work in progress. Regarding improved performance information, what is required in order to deliver that improvement and build on the quality of the information? Would that involve technology, systems or personnel?

Robert Black: I would imagine that all three of those factors would be involved. I invite my colleagues to comment.

Bob Leishman (Audit Scotland): It is a matter of ensuring consistency across the sector. Each of the colleges has been producing its own information. We must put in place systems that ensure that each college is producing the information on a consistent basis so that benchmarking can take place. As the Auditor General said, all three of the factors that you mentioned are important.

Mr Welsh: I am trying to gauge the extent of the problem that remains to be solved. How much more work has to be done?

Bob Leishman: As the report says, the question is one of refining the processes that are in place to ensure that they are fully accurate and consistent.

Mr Welsh: So the foundation stones are in place.

Bob Leishman: Yes.

The Convener: As there are no further questions from members, I thank the Auditor General for that briefing. We will discuss the committee's response later.

"The 2004/05 audit of Inverness College"

10:16

The Convener: Item 3 concerns the section 22 report on Inverness College. Members will receive a briefing from the Auditor General to accompany the paper that was circulated late. If members do not have a paper copy, they can get one from the clerk.

Robert Black: In my remarks on the previous item, I touched on Inverness College and said that there was a separate report on it. This section 22 report on the accounts of Inverness College draws Parliament's attention to the continuing financial difficulties at the college. The committee will recall that, in June 2005, it took evidence from the principal and the chairman of the college following a similar report that I made on the college's 2003-04 accounts.

Although the 2004-05 accounts are not qualified, the auditor continues to express concerns about the long-term sustainability of services in the college in the light of its financial problems.

Inverness College has been under financial pressure for some time. In 2002-03, it obtained additional funding that, it was anticipated, would be the basis for future financial security. However, poor trading results meant that the small surplus that the college had forecast for 2003-04 turned into an operating deficit of £526,000. That raised questions about the longer-term plans to eliminate the college's accumulated deficit by 2009.

During 2004-05, the college repaid £329,000 of advances from the funding council but, at the same time, its trading results were significantly poorer than expected. The college had forecast a deficit of £244,000 for the year but, in fact, it incurred a deficit of £966,793. That included an increase in the college's pension provision of £442,000. An efficiency review undertaken by the college has already identified the potential to reduce its future running costs by £500,000 and the college is considering further measures to improve its efficiency in the longer term. However, it is unlikely to clear the accumulated deficit of £3.6 million on its income and expenditure reserve by 2009.

Through its further education development directorate, the funding council is now helping the college with another review of its finance and governance arrangements. The team from the funding council began its work at the college in January and I am led to believe that it will complete its work by April.

Margaret Jamieson (Kilmarnock and Loudoun) (Lab): It is interesting that you said that the further education development directorate has been working closely with the college since January. I take it from that that it was not working as closely as it should have been with the college in previous years.

Mr Black: I am sure that members of my team can help you with the detailed information, but I know that, in general terms, the funding council has offered support to Inverness College in the past. However, in view of the deteriorating position, the funding council has now put in a significant resource to assist the college. As I am sure members will recall, the colleges are independent entities within the public sector and the funding council has no direct powers to intervene. Clearly, the funding council needs to offer assistance, but it cannot take over the running of a college, so we must acknowledge that it has to exercise its involvement in the matter with care and within its own statutory remit.

I invite my team to comment further on the background to the matter.

Bob Leishman: I have no comment other than to say that, before the FEDD team went in, the funding council held a long series of meetings with the college board and finance executives before the decision was taken. The funding council was monitoring the situation, but when it saw that the position was getting worse it decided to get the FEDD team in.

Margaret Jamieson: So the offer was in the wings last year, but it was never taken up by the college management.

Bob Leishman: Putting in FEDD is the last resort after going through a series of processes.

Arwel Roberts (Audit Scotland): It is fair to say that access to the facilities of the funding council is always available to colleges, but in this situation the college called in the funding council to help it out.

Margaret Jamieson: Given that we took evidence on Inverness College, were aware of its financial situation and knew that the offers of assistance were open to the college last year, I am just trying to tease out who decided that FEDD's services were required, when that happened and why it was not done before.

Mr Black: I am sorry, but I am not sure that we can help terribly much with that. It is a question that is probably best answered by the college management.

One further fact is relevant. The college appointed a new finance director in 2005, so there has been a change in the college within the past year.

The Convener: Margaret Jamieson's question is one that we might ask of other accountable officers. One gets a picture of people turning up at the college in raincoats with their collars turned up.

Mr Welsh: We can see the problems. Having investigated them, can Audit Scotland be quite clear that everybody knows exactly what the source of the problems was that led to proposed surpluses turning into deficits? In other words, is there absolute clarity as to why that has happened, or are there areas that still have to be investigated?

Mr Black: It would be the responsibility of the management to answer those questions in detail. Clearly, the auditor has a good sense of where the pressures are coming in the budget, but the management would be better placed than we are to give you an authoritative answer.

The Convener: I would like to pick up on the pension provision sum of £442,000. From the most recent audit, can we say any more about possible future provision? Are you aware of any further provision that might be required and that might have an impact on recovery? On a more general theme, running across the college sector, is that sort of provision out of step? We know that there is concern about other public authority pensions. Is that provision unusual?

Mr Black: The auditor identified a need to increase the pensions liability by £442,000. That relates to the cost of early retirement pensions for members of the Highland Council pension fund who were released by the college under earlier restructuring programmes. I am advised that, although the college calculated the first-year charge for each person, no provision was made for subsequent years' costs. Those costs were provided for in the financial year 2004-05 and charged to the income and expenditure account.

In one sense, there was a problem that appears to have been relevant only to Inverness College—that is, a failure to account for subsequent years' pensions costs. However, as members will recall from the overview report that we presented, the issue of pension provision occurs more widely across the sector. Of course, deficits in pension provision do not directly threaten a college's financial health. As I am sure that members will recall, a college can remain financially secure while maintaining a pensions deficit provided that it meets the other requirements of financial security—that is, making reliable operating surpluses and having adequate cash. For that reason, we place a lot of emphasis on the college as a going concern and on its operating position. However, it is clear that pension provision is a liability for the sector as a whole.

Mrs Mary Mulligan (Linlithgow) (Lab): Does that mean that there will need to be provision in future years for the on-going pension costs?

Arwel Roberts: That is what the adjustment does.

Mrs Mulligan: Now that the cost has been identified, it will need to be built into next year's costs.

Mr Black: It is built into 2004-05. Am I correct?

Arwel Roberts: Yes.

Mrs Mulligan: But not the years after that.

Bob Leishman: The adjustment in 2004-05 creates the provision to pay for future years. The provision will have to be reviewed annually to ensure that it is still sufficient.

Mrs Mulligan: I assume that we will not find ourselves in a situation where unknown costs arise that affect the college's recovery plan.

Bob Leishman: As long as the pension provision remains big enough to meet the demands on it, it should not affect the recovery plan in the future.

Eleanor Scott (Highlands and Islands) (Green): The committee and witnesses might be interested to know that, on 10 February, there was a meeting of the board of Inverness College and a cross-party group of Highlands and Islands MSPs. The meeting was instigated by Fergus Ewing MSP, who is the constituency MSP for Inverness College. At the meeting, we talked about the college's financial problems. I was slightly late for the meeting so I missed a wee bit at the beginning, but the college continues to talk about the burden of being part of the UHI Millennium Institute network. We have heard about that before. We asked whether the college could quantify that burden and it undertook to do so although it seemed to say that that would be difficult. We heard about a financial burden, a human resources burden and a people burden. I am not clear why there should be a burden, given that the UHI Millennium Institute comes with its own funding. However, we said that, if it was appropriate for politicians to argue for increased funding to take account of that burden, we would need that information. Should it be readily available?

Mr Black: The short answer is yes. That information should be available. In the forward programme of work that we are thinking about at the moment, we have registered the possibility of a performance audit of the university of the Highlands and Islands. However, that will be the subject of consultation during the summer months. We are aware that Inverness College considers that the UHI places a burden on it, but the people

who are best able to give you accurate and up-to-date information are clearly the management of the college itself.

Eleanor Scott: The college talked about savings of £200,000 on academic staff, but it was not at the stage of having any detail on that. There is the inevitable tension between having to make savings and providing courses in, say, construction in the fastest-growing city in the UK. Is there a risk that such courses may be slimmed down to the extent that they might be financially secure but are no longer fit for the purpose of meeting the further education needs of the Inverness and Moray firth area?

Mr Black: That is a reasonable question, but we cannot answer it at this point. We need to do more work in the area before we can answer it.

Arwel Roberts: Although the situation may appear irreconcilable, it is possible to reduce staff numbers if those concerned are specialists in courses that the college may decide not to continue specialising in. If the college wants to concentrate on particular disciplines, it can still reduce staff numbers in the disciplines in which it does not intend to focus.

The Convener: Do members have any further questions?

Members: No.

The Convener: Again, our response to the report can be discussed under agenda item 8 and taken into account with our discussion on the funding council.

I thank the Auditor General for that briefing.

"Tackling waiting times in the NHS in Scotland"

10:31

The Convener: Agenda item 4 is the Audit Scotland report "Tackling waiting times in the NHS in Scotland". Members have received copies of the report. I invite the Auditor General and his deputy to brief the committee.

Caroline Gardner (Audit Scotland): Waiting times were examined for three main reasons: they are important to patients; they are one of the Scottish Executive's top priorities; and waiting times targets have been set for most major areas of health service activity. We reviewed NHS performance against most of the targets that now exist: the targets for new out-patient appointments, for in-patient and day-case treatment and for cardiac procedures. Cancer waiting times were excluded because they were examined as part of our report on bowel cancer last year. Performance against the cancer targets in general was reported in our recent overview report. We also examined how the NHS brought down waiting times for patients with guarantees about how long they will have to wait.

Overall, we believe that good progress was made in reducing the longest waiting times for patients with waiting time guarantees. The existing guarantees for cardiac procedures are being met. Those are substantial achievements. For example, between March 2001 and September 2005, the number of in-patients or day-case patients with a waiting time guarantee who waited over six months fell by 89 per cent to 1,249 people. More analysis of progress against the targets is given in part 2 of the report, which includes a detailed discussion of the information that is available to monitor waiting time performance. The information is quite complicated and needs to be interpreted carefully.

The NHS faces several challenges to meet the new and more demanding targets of 18 weeks for a first out-patient appointment and 18 weeks for in-patient or day-case treatment by the end of 2007. This is because the total number of patients waiting has not changed much in the past two years. In September 2005, it was just 111,000. The reduction in the number of patients with the longest waits has been matched by increases in the number of patients waiting less than three months and in the number with an availability status code that identifies that they are not available for treatment for medical or social reasons.

The number of in-patients and day cases with an availability status code has increased from

approximately 28,000 in June 2003 to just over 35,000 in September 2005. Patients with those codes do not have waiting time guarantees, but by the end of 2007 the use of those codes will be abolished and patients will be brought into the guarantee system with new rules on how periods of unavailability will be treated. Some two thirds of those patients have been waiting over six months and four fifths have been waiting over 18 weeks. We have no evidence of the systematic misuse of the codes. However, they will obviously produce a significant challenge to the health service in meeting its new tighter targets by the end of 2007.

Much of the progress that has been made was achieved by using non-recurring funding to treat patients who were at risk of breaching the six months target. Part 3 of the report provides an analysis of the funding that was used by boards, the national waiting times unit, the Golden Jubilee national hospital and the centre for change and innovation. It may be absolutely appropriate to use non-recurring funding to clear temporary backlogs of patients who have been waiting for a long time, but longer-term approaches are needed to tackle the underlying causes of long waits. The report recommends that, in the light of the progress that has been made in reducing the longest waits, a review be done of the balance of funding between that for short-term approaches and that for the longer-term development of whole-system approaches to getting the balance right to meet the targets.

The Golden Jubilee national hospital has made a significant contribution to reducing waiting times. Its activity has increased over time and the hospital has met its overall activity targets. However, the targets have in part been met by performing more low-cost procedures than planned while fewer patients have been treated than the capacity at the hospital allows for some procedures, such as orthopaedic joint replacements. Costs at the hospital are relatively high, which could partly be addressed by improving the allocation and referral arrangements between the hospital and boards. We commissioned a survey of 1,000 patients, which showed that two thirds of people who are waiting for treatment and around half of the people who were treated in the past year were, or would have been, willing to travel to an alternative hospital to reduce the time that they had to wait to be seen or treated. That would be an important way of making more use of the facilities that the Golden Jubilee offers.

The NHS in Scotland has made substantial progress in tackling the longest waits, but it faces pressures that need to be addressed now to ensure that the progress is maintained. As ever, we are happy to answer any questions that the committee may have.

The Convener: Thank you for that informative and helpful report.

Margaret Jamieson: Exhibit 20 in the report shows a significant increase in the use of the Golden Jubilee national hospital by the NHS boards in the south and west of Scotland—the proportion of patients from those boards has gone from 64 to 92 per cent—and a significant reduction in the figure for the health boards in the north and east, which suggests an imbalance in the use of the hospital by boards in the north and east. Is there an indication that the situation will be addressed to ensure that patients in those areas are not disadvantaged by a delay in treatment?

Caroline Gardner: That is one of the changes that we think needs to happen as a result of the report. It is clear that, in the past three years, patients from the north and east have been making less use of the Golden Jubilee. Several reasons appear to underlie that, including the fact that boards often do not ask patients for their preferences, which is why we conducted the survey that I mentioned. Barbara Hurst will say more about what needs to happen to address the situation.

Barbara Hurst (Audit Scotland): The survey that we did was interesting because it threw up the fact that people are willing to travel if that will reduce their waiting time. Quite a lot of people told us that consultants do not like referring their patients because of the follow-up issues, such as uncertainty about when patients will come back under their care. The consultants and managers in the boards concerned must consider how they use the Golden Jubilee. They should consider using the hospital not only for patients whose waiting time is about to tip over six months—the resource is available for the whole health service.

Margaret Jamieson: I am aware of that, but the missing link is the patient's view and whether they are given the opportunity to go to the Golden Jubilee. In the Ayrshire and Arran NHS Board area, I know of individuals who have been offered an operation or a visit to a consultant at the Golden Jubilee. Those patients do not care too much, as long as they get the operation and their health is improved. The Health Department may need to consider that issue more closely.

The report mentions the high number of late cancellations at the Golden Jubilee. Do we have information on why that is happening and whether it happens in specific areas?

Barbara Hurst: In a special exercise that it carried out for us, the Golden Jubilee found that the late cancellations occurred for a mix of reasons. Sometimes, appointments were cancelled by the referring hospitals; sometimes they were cancelled by the Golden Jubilee, if the

patients were judged not fit to be treated; and sometimes they were cancelled by the patients themselves. We flagged up the matter because it has emerged clearly and, given that the hospital does not take emergency cases, one would think that it should be able to plan its work more effectively.

Margaret Jamieson: That takes me nicely on to the question whether sufficient work is being done on the procedures that are required to reduce the number of did-not-attend cases in the health service. Should checks be introduced to ensure that, if an individual does not attend a specialist appointment, the matter is referred back to the general practitioner for them to pursue?

Barbara Hurst: We did not carry out a lot of work about DNA cases. However, interestingly, the abolition of availability status codes means that patients who do not attend their appointments will be referred back to their GP. That system is fairer all round.

Moreover, we feel that the new system of assessing patients' time while they are waiting will be fairer. It is not that patients never have guarantees; when a patient becomes available, his or her waiting time clock begins again. The system is quite complicated, but you are right to flag up the DNA cases, because they drain resources.

Margaret Jamieson: Common sense suggests that if someone does not attend a consultant appointment, the matter should be referred back to the GP because, nine times out of 10, they will know why the individual did not attend. However, it appears that that has not been picked up.

Mr Welsh: I have to say that that might give rise to massive problems.

You say that waiting lists give rise to short-term and long-term dilemmas that can be solved by developing a whole-system approach. What do you mean by "a whole-system approach"?

Barbara Hurst: I realise that the phrase is somewhat jargonistic. We are simply trying to say that patients who wait a long time are a symptom of a problem, not the problem itself. If hospital resources such as theatre capacity were used more efficiently and if we considered alternatives to bringing people into hospital in the first place, we could get more people through the system. For example, with one-stop clinics, people can now be tested when they are seen. The whole-system approach also refers to the whole health service in Scotland, in which the Golden Jubilee national hospital plays its part.

Mr Welsh: Exhibit 1, which shows the various stages of a patient's treatment, appears to set out a series of hurdles that adds to treatment time. That might have something to do with the structure of treatment, but it could also have something to do with content and process. Because such a diagnosis-based approach to patient treatment is very linear and hierarchical, delay is in-built. Does the real problem lie in achieving the correct level of diagnosis between nurse and consultant, or is it one of treatment and delay in reaching the correct level of action?

Caroline Gardner: In some ways, that illustrates Barbara Hurst's comment about the need to take a whole-system approach. At the moment, patients have to go through a number of stages and they might have to wait between each stage. However, we found some good local examples of people looking again at this matter. Later in the report, we highlight how NHS Grampian, in its approach to orthopaedic patients, has put together a team of specialist GPs and physiotherapists who have extended roles and make shorter—and perhaps better—work of the stages up to therapy, test or diagnostic procedure. The board estimates that when it rolls out the scheme fully, it will avoid putting 4,000 patients on to the orthopaedic waiting list. Instead of seeking to treat those patients once they are on a waiting list and heading towards their guarantee times, Grampian is providing them with better assessment and upfront treatment without putting them through all the hurdles that are highlighted in exhibit 1.

10:45

Mr Welsh: The problems are systemic, which means that the solutions can also be systemic. As a total amateur in this area, it strikes me as a form of triage, in the original French meaning of the word—namely, that the right train should get to the right place at the right time. Is the real problem one of ensuring allocation either to diagnosis or to action at the appropriate level—in other words, relating patient needs and problems to the appropriate level of analysis and action, as opposed to the present six-stage linear approach?

Caroline Gardner: In many ways, it is. The problem is that it is not simple to get that right. The solution will vary for each patient, because of their particular needs and history. It will also vary for each clinical specialty and the services within which that specialty is working. Exhibit 2 on page 6 gives a sense of the key stages of what needs to happen. Alternatives that can lead to better outcomes for patients and better use of the health service's resources in particular cases, where they are tailored properly, are listed on the right-hand side of the exhibit.

Mr Welsh: I take the point that you make about complexity, but is the problem intractable?

Caroline Gardner: It is difficult, but not intractable. There are examples of approaches that work very well at local level.

Mr Welsh: So the good news is that existing practice points in the correct direction.

Eleanor Scott: I have a long list of questions in a very random order. I will begin with one that follows on from the issue that Andrew Welsh raised. We have been talking about the patient journey. It is easy to define that, because it can be set out diagrammatically, and it is tempting to assess it in terms of the length of each step on the journey. Is there any way of looking at the patient's experience—how it was for them—rather than just how long the journey took? I accept the comments that others have made about people from throughout Scotland having the opportunity to be seen more quickly at another facility, such as the Golden Jubilee national hospital. However, I would be concerned if coercion were involved in the case of someone from the north-east, for example, who might find it difficult to use the Golden Jubilee national hospital because of personal circumstances. I was concerned by Forth Valley NHS Board's criteria. If someone turned down an offer of treatment at the Golden Jubilee national hospital, would that be seen as unreasonable? Would they lose their waiting time guarantee as a result?

Barbara Hurst: Forth Valley NHS Board is included as an interesting case study because we thought that it was making more attempts than other boards to engage with patients on the choices that are available. Most of the patients who responded to the survey that we commissioned did not feel that they had been involved in discussions about their treatment in general and whether there might be the option of going somewhere else to reduce their waiting times. We accept absolutely the point that you make. This is about the patient and the options that are made available to him or her in discussion with his or her consultant.

Eleanor Scott: The other point about the Forth Valley case study that struck me is that patients often have pre-operative assessments well in advance of treatment, so that a group of patients are ready to go when there is a space. If assessments take place so far in advance that a patient's clinical condition has changed by the time that a space becomes available, is there not a risk that that could be a source of late cancellations?

Barbara Hurst: It could be. However, we heard from both Forth Valley NHS Board and the Golden Jubilee national hospital that Forth Valley is one of the boards that responds effectively when it is offered late allocations. It does not sound as if assessments taking place well in advance of treatment is the source of the problem.

Eleanor Scott: Have the professional bodies expressed any concern about the separation of elective and emergency treatment? I refer, for example, to the training of people who may find themselves dealing with a specialty but never see an emergency in that specialty.

Barbara Hurst: This is an on-going debate. The professional journals indicate that there are definitely two schools of thought about whether it is best to split elective and emergency treatment. Managers and clinicians should discuss the issue actively.

Caroline Gardner: Most of the clinical staff at the Golden Jubilee national hospital have NHS boards as their main employers and are doing extra shifts at the hospital, so at the moment the issue does not arise. If the hospital were to be integrated more into the NHS system as a whole, the point would need to be taken into account.

Eleanor Scott: How does one monitor the effectiveness and value for money of bodies such as the national waiting times unit and the centre for change and innovation? The budget for the unit suggests that it spends quite a lot on itself.

Caroline Gardner: We cannot say much about that; we tried to show how much was spent on specific waiting time initiatives. The report makes the point that most of the work that is undertaken on patients who are on waiting lists is part of mainstream clinical expenditure. You may want to ask the Executive's Health Department that question. The total amount of expenditure on the initiatives is very small in comparison with what is spent on elective surgery as a whole.

Barbara Hurst: Most of the money that goes through the waiting times unit is spent on treatments. The unit allocates that money to boards.

Eleanor Scott: That was not clear from the budget.

I will return to what Andrew Welsh said about waiting times and lists. Exhibit 5 compares waiting list information and waiting times information. We are all conditioned to think that we should focus on waiting times, but we seem to obtain much more useful information from waiting lists. Politically, are we focusing on the wrong thing?

Barbara Hurst: Waiting times are important to the individual patient, so they are of course important. The waiting list is important to managing the flow of patients through the system. Someone who manages the system cannot look at one type of information without considering the other.

The Convener: Members have no more questions. We will discuss our reaction to this report and others from Audit Scotland under item

8. I thank Caroline Gardner and Barbara Hurst for their briefing and for answering questions.

"Scottish Executive: The NorthLink ferry services contract"

10:52

The Convener: Item 5 is a response to the committee's request for information on the NorthLink Orkney and Shetland Ferries contract. The response is from Eddie Frizzell and answers several questions that we asked. Do members have comments, observations or questions?

Eleanor Scott: I have a comment rather than a question, because we have gone through the issue before. The letter talks about setting

"a cap on the amount of risk we are expecting the operator to bear"

and paragraph 8 says:

"At the heart of this issue is how much risk we expect the operator to bear".

It sounds as though there is no mechanism for avoiding the situation that occurred before. When the operator is meant to bear the risk of not providing a lifeline service to a community, it will not bear that risk, because somebody will always come to bail it out.

The Convener: Does anyone from Audit Scotland want to respond? Eleanor Scott makes an observation. The difficulty is that the committee considers the operational question of issuing the contract and that comment is about policy, not how business should be conducted. However, the member is entitled to make the observation to the committee.

Mr Welsh: The contract is work in progress and we must check against delivery. The Executive seems to have accepted most of the points that were put to it, so the matter is down to delivery and action on those points.

The Convener: I share that view. The purpose of writing to the Executive was to elicit further detail from the Executive's accountable officer about progress on awarding the contract, taking into account what Audit Scotland's report said. It is a matter of checking against delivery, because the process continues.

Does the Auditor General have any observations?

Mr Black: Just one reflection might help. Significant differences this time are that the period between awarding and starting the contract will be much tighter and that there is not the same uncertainty about the need for the new ferries and so on. With better information about the level of competition, which is now known, bidders should

be better placed to make realistic bids. However, ultimately, the Scottish Executive's transport group must award the contract to a bidder that submits a compliant bid and must generally go for the lowest-cost bid, if it believes that the bidder is in a position to deliver the contract. The Executive is locked into that competitive environment.

The Convener: If members are content, do we agree to note the response from Eddie Frizzell?

Members *indicated agreement*.

The Convener: We are running 30 minutes ahead of my agenda schedule for once, so I propose a 10-minute comfort break, after which we will still be ahead of the game.

10:56

Meeting suspended.

11:11

On resuming—

"Overview of the performance of the NHS in Scotland 2004/05"

The Convener: We move on to item 6, on the national health service performance overview. Members have a copy of the response to our letter from the Executive's accountable officer, Dr Kevin Woods, which examines the issues of NHS workforce and financial performance. Are there any comments, questions or observations?

Mr Welsh: The letter describes work in progress. It uses phrases such as

"working closely with NHS boards and trades unions and professional organisations on these matters … being put in place in all Boards … we expect the Health Budget to break even".

In other words, it outlines what the Executive's work will lead to. Again, we are talking about work in progress that we will have to check against delivery.

The Convener: We will have to check it against the delivery of the delivery group.

Mr Welsh: Indeed.

Eleanor Scott: The Executive gives the delivery group a messianic role—it says that the delivery group will come to sort everything out. Do we have a timetable for that? How soon can we probe the work of the delivery group once it gets going?

The Convener: I suspect that you ask that question because you are aware that we are waiting for the head of the delivery group to be appointed. We have asked Dr Woods about that in the past. The appointment of a head will allow matters to move on. Audit Scotland might have further information on whether there has been any progress of that nature.

Barbara Hurst: We have not heard whether anyone has been appointed. There has certainly not been an announcement about the head of the delivery group.

Margaret Smith (Edinburgh West) (LD): The Executive's response states:

"There will be a move to distribute allocations before the beginning of each financial year; any funds which, for specific reasons, cannot be distributed to this deadline must be distributed by 31 December in any financial year."

How does that compare with what is meant to happen at the moment?

Barbara Hurst: In at least our last two overview reports, we have highlighted the fact that allocations have been made throughout the year. We have criticised that process because it affects

the boards' ability to manage their finances well. It looks as if what is proposed would be an improvement on what has been happening.

Margaret Smith: I pick up on the point that Andrew Welsh made. The Executive says:

"There will be a move to".

Will a phased approach be adopted? Do you have any indication of how such progress will be made?

Caroline Gardner: We cannot tell you much more than is in the letter.

The Convener: As with our previous letter from an accountable officer, which was on an entirely different topic, we will need to check what it says against delivery. It identifies a number of proposed actions, but we will need to wait and see what happens. Further measurements will be made. I suggest that we simply note the response.

Mr Welsh: The response says that the establishment of the delivery group is "imminent". I suggest that we ask how imminent it is.

The Convener: That is an interesting issue. It strikes me that you might want to ask that question when we discuss the subject of agenda item 4 under agenda item 8, because the establishment of the delivery group might be relevant to tackling waiting times.

Do members agree to note the Executive's response?

Members *indicated agreement*.

Remit

11:16

The Convener: Agenda item 7 concerns a paper from the clerk about the remit of the Audit Committee. I propose that we defer consideration of that subject until a future meeting of the committee, so that we can spend more time on agenda item 8, which is consideration of Audit Scotland reports. Is that agreed?

Members *indicated agreement*.

11:16

Meeting suspended until 11:17 and thereafter continued in private until 11:39.

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