CORRESPONDENCE FROM NHS HIGHLAND TO THE PUBLIC AUDIT COMMITTEE, DATED 20 APRIL 2015

AUDITOR GENERAL FOR SCOTLAND (AGS) SECTION 22 REPORT “THE 2013/14 AUDIT OF NHS HIGHLAND: FINANCIAL MANAGEMENT” – INVITE TO SUBMIT FURTHER WRITTEN EVIDENCE

I am writing to you in response to your letter of 26th March regarding the submission of additional written evidence relating to three specific questions you asked. I have set out below our response to each of the questions in turn.

- **An update on NHS Highland’s finances at the year end of 2014/15**

  Subject to audit, NHS Highland has delivered a break-even for 2014/15, despite a challenging savings target of £22.4m. This outturn is in the context of NHS Highland being £9m below its NRAC funding target for 2014/15. In addition, we have exceeded the target reduction on the underlying deficit carried forward into 2015/16 (£5.6m versus a target of £6.0m).

  This outturn reflects significant actions taken during the course of the year, many of which were direct responses to the three key concerns raised in the Section 22 report. These include:

  - Establishment of a monthly Delivering Financial Balance Programme Board with non-executive director input
  - A more formal and rigorous approach to key savings projects as set out in Project Charters
  - A matrix approach to savings (looking at key themes - such as locums - across the whole of NHS Highland, rather than just in one Operational Unit)
  - Weekly peer review and challenge at the Senior Leadership Team
  - Intensified vacancy control and review
  - Intensive scrutiny of the use of bank staff, agency and overtime
  - Tightening the control on the system for making waiting list payments – as evidenced by Internal Audit review
  - Continued focus on efficient prescribing, including generics
  - Standardisation of locum appointment processes and procedures across the area
  - Implementation of ‘no purchase order, no pay’ policy
  - Redesign of Procurement Team to focus on supporting and challenging managers rather than just processing requisitions
  - Investment in Care at Home capacity in order to facilitate flow through the system
  - The establishment of a short-life ‘pop up’ Community Ward in Raigmore Hospital (10 weeks) to facilitate movement of delayed discharges to more appropriate settings
- A three year Recovery Plan for Raigmore has been agreed and is being implemented
- Appointment of Interim Director of Operations and revised accountability arrangements in Raigmore
- Restructured the Raigmore Finance team to better align to the management structure and provided senior support from the Central Finance team
- Continued roll-out of lean methodology to remove waste and variation

- Confirmation of the number of NHS Highland patients that have been transferred out with NHS Highland for elective surgery over the past 3 years to the 31st March 2015; and the extent to which this practice arose as a consequence of the financial issues experienced at NHS Highland:

NHS Highland is required to reimburse other providers (both NHS and non-NHS) when it refers patients out of area. The practice of sending patients out with Highland is not a consequence of the financial issues experienced by the Board.

The number of transfers out with NHS Highland for elective surgery are set out in the table below. Note that the data for 2014/15 are provisional and incomplete as we are awaiting the final quarter information – however it is anticipated that the final figure for 2014/15 will be in line with previous years. The overwhelming majority of these referrals are to other NHS boards – principally Greater Glasgow & Clyde (this reflects the normal care pathway for Highland residents in Argyll & Bute as well as some tertiary / national specialties for residents from the whole of Highland), Grampian (largely for regional specialties), Lothian (largely for national specialties) and Golden Jubilee Hospital (a mixture of waiting times issues plus Cardiothoracic specialties).

| Table - Elective Episodes for NHS Highland Residents (2012/13, 2013/14 and Q1-Q3 of 2014/15) |
|---------------------------------------------------------------|----------------|----------------|
| Board of Treatment:                                          | 2012/13 | 2013/14 | 2014/15 (Q1-3) |
| NHS Greater Glasgow & Clyde                                   | 8,245   | 8,487   | 6,140         |
| NHS Grampian                                                 | 898     | 866     | 620           |
| NHS Lothian                                                  | 884     | 853     | 638           |
| Golden Jubilee Hospital                                       | 586     | 670     | 474           |
| Other NHS Scotland                                           | 92      | 66      | 64            |
| **TOTAL**                                                    | 10,705  | 10,942  | 7,936         |
| Non NHS Provider                                             | 39      | 44      | 24            |
| **TOTAL**                                                    | 10,744  | 10,986  | 7,960         |
Clarification of the extent to which the lead agency model adopted by NHS Highland and the Highland Council contributed to the financial difficulties experienced by NHS Highland in 2013/14

During 2013/14 we maintained separate accounts for the adult social care (ASC) budgets that were delegated from Highland Council to NHS Highland. As the lead agency model matures this distinction becomes increasingly blurred. However, if we consider ASC separately in 2013/14 then it shows an overspend of £1.25m. It is important to view this in the context of the fact that social care budgets were under significant pressure in council areas across Scotland during 2013/14. In recognition of these pressures, NHS Highland secured an additional £1m of funding from Highland Council, which was reflected in the outturn above.

NHS Highland and Highland Council remain absolutely committed to the lead agency model. We firmly believe that over time there will be significant financial benefits (and more importantly benefits to service users) from having budgets that are integrated across the whole health and social care continuum and that this will outweigh short-term pressures. In recognition of this ongoing commitment to the lead agency model, Highland Council and NHS Highland put in place a three year funding deal starting 1/4/14 following these early challenges. This was predicated on a Change & Improvement Plan, setting out the enhancement of community based and preventative services, as part of the shift towards sustainable long term funding arrangements. We also established a Resources & Commissioning team of senior operational and finance managers to closely monitor service performance against budget.

If you have any further queries or questions regarding this matter please do not hesitate to contact us.

Yours sincerely

Elaine Mead
Chief Executive