

**SCOTTISH PARLIAMENT PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY
COMMITTEE**

THURSDAY 16 NOVEMBER 2017

**REPORT BY THE AUDITOR GENERAL FOR SCOTLAND UNDER SECTION 22
OF THE PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000**

STATUTORY REPORT ON 2016/17 ACCOUNTS OF NHS TAYSIDE

1. The Auditor General has prepared a report on the 2016/17 accounts of NHS Tayside. This report is made under Section 22 of the Public Finance and Accountability (Scotland) Act 2000 and is based on the annual audit report for NHS Tayside. The auditors gave an unqualified opinion on the accounts of NHS Tayside.
2. Key messages from the report are:
 - NHS Tayside has needed brokerage from the Scottish Government to help it achieve financial balance in each of the last five financial years. During 2016/17, NHS Tayside received £13.2 million (1.89 per cent of its baseline RRL) in brokerage to cover pressures including pay costs, prescribing costs and the cost of using agency staff.
 - In 2016/17, the board delivered £45.5 million of efficiency savings. While this is a very significant sum, and nearly double the savings achieved in 2015/16, it was still £1.3 million below target.
 - The board has identified that to be financially sustainable in the long term, it must make savings of £205.8 million, 5.48 per cent of its baseline RRL, over the next five years. The board is projecting a funding gap of £49.8 million in 2017/18 and plans to achieve efficiency savings of £45.8 million, with the balance of £4 million funded through additional brokerage.
 - The board currently has a total of £33.2 million of outstanding brokerage to repay. The Scottish Government recently agreed to suspend the requirement for NHS Tayside to repay outstanding brokerage to avoid the prospect of adverse impacts on patient safety, quality and delivery. The Scottish Government will return to this issue once NHS Tayside's transformation plans are further developed.
 - The board's five-year transformation programme is critical to delivering efficiency savings, to achieve financial balance over the medium term. The

programme has delivered substantial cost reductions to March 2017, but further savings will be required on a recurring basis which can only come from service redesign and transformation.

- In June 2017, the Scottish Government's Advisory and Assurance Group published a staging report which highlighted that, given the current pace of progress of the transformation programme, it is not confident that the board can return to financial balance within a five-year timescale. They also reported that the £4 million estimated brokerage required to break even in 2017/18 is likely to be an underestimate.