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Convener  
Public Audit and Post-Legislative Scrutiny Committee

21 May 2018

Dear Ms Marra

### **THE 2016/17 AUDIT OF NHS TAYSIDE**

During the evidence session on 10 May I committed to provide further information to assist the Committee with its scrutiny of NHS Tayside. The Committee Clerk has confirmed the information which you require, and I have set out my responses below.

#### **1. NHS Tayside – Independent review by Grant Thornton UK on financial governance in NHS Tayside, including endowment funds**

My office has provided an update to the Committee Clerk about the finalisation of the Grant Thornton report. I expect to send this to you by close of business tomorrow (22 May).

The NHS Tayside Endowment Fund Trustees are due to provide final confirmation of the amount which was retrospectively approved to support exchequer activity, and this figure will be included in the Grant Thornton report.

#### **2. NHS Tayside – Internal audit**

Enclosed at Appendix A is information on the internal audit arrangements within NHS Tayside provided by the Fife, Tayside and Forth Valley Audit and Management Services Consortium (FTF).

#### **3. NHS Tayside – Timeline of eHealth transactions**

Grant Thornton's Independent Review of eHealth Funding in March 2018 included the timeline of transactions between eHealth, NHS National Services Scotland and NHS Tayside. This was informed by the internal audit review by KPMG LLP of NHS National Services Scotland's management of eHealth funds. An extract of the report which shows the timeline is enclosed at Appendix B.

#### **4. NHS Tayside – External support**

Details of work commissioned from external providers are enclosed at Appendix C.

#### **5. NHS Tayside – Accountable Officer arrangements**

There are three key factors in the appointment of a Chief Executive to a Board. First, the person must be employed by the Board in the role of Chief Executive. Second, the Permanent Secretary, acting on my advice, will appoint them as Accountable Officer of the Board - without this delegated status, a Chief Executive is unable to perform their duties. Finally, the Chief Executive is appointed to the Board by Scottish Ministers, which is commensurate with their employment as Chief Executive and their delegated Accountable Officer status.

The Chief Executive of NHS Tayside, Ms McLay, initially made contact with Scottish Government officials on Tuesday 3 April to make them aware of an enquiry from the media about the retrospective use of endowment funds. Ms McLay attended a pre-arranged meeting with officials on Thursday 5 April to discuss progress about NHS Tayside's financial position. The discussion also covered a more detailed review of the endowment fund issue and the scale of the challenge facing NHS Tayside since the ehealth funding issue came to light. Following that meeting I met with Ms McLay and informed her that the Cabinet Secretary had taken the decision to move NHS Tayside to the highest level of escalation on the NHS Scotland Performance Management Framework (commonly referred to as the 'Ladder of Escalation') and accordingly to exercise her powers of Ministerial intervention and that, consequently I would be removing Ms McLay's Accountable Officer status.

Having discussed the likely implications of these developments, Ms McLay requested time to reflect and we agreed to speak the next day. The following morning, Friday 6 April, I was advised by NHS Tayside's Medical Director that Ms McLay was on sick leave.

On the same day, I met with Malcolm Wright, Chief Executive of NHS Grampian and informed him that I wished to appoint him as Accountable Officer at NHS Tayside. Later that evening, email confirmation was sent to Ms McLay to confirm that I was appointing a substitute Accountable Officer. The documentation to confirm Mr Wright's position as Chief Executive and Accountable Officer for NHS Tayside was concluded on Wednesday 11 April.

#### **6. NHS Tayside – Lesley McLay's salary as Chief Executive**

Ms McLay's gross salary in 2016/17 was within the band £120,000–125,000. This information is confirmed in the Board's annual accounts for 2016/17.

#### **7. NHS National Services Scotland – Areas for potential further audit scrutiny**

A report to the NSS Board on 6 April focused on the governance arrangements in place to control expenditure and funds managed on behalf of NHSScotland. The programmes specifically highlighted for additional audit scrutiny (in addition to eHealth) were:

- Logistics (products contracted and purchased directly from contractors and issued to Boards based on demand);
- Logistics Service Charge;

- National Services Division (commissioning, co-ordination and performance management of National Screening Programmes, Specialist Clinical Services and National Managed Clinical Networks);
- Rebates (including pharmacy rebates for Patient Access Schemes).

Each scheme is subject to specific governance and reporting arrangements, as agreed by the commissioning body, with periodic reporting to the Scottish Government, Health Boards, or partner organisations as appropriate.

## **8. NHSScotland – Provision of brokerage**

For the financial year 2017/18 the Scottish Government has approved requests for brokerage from NHS Ayrshire & Arran (£23 million), NHS Highland (£15 million), and NHS Tayside (£12.7 million), subject to external audit.

The provision of brokerage at £50.7 million comprises less than 0.5% of the total health resource budget and will be accommodated within the overall Portfolio, which is reporting a breakeven position in 2017/18. The Portfolio outturn position will be reviewed as part of the external audit process, and in advance of the final sign off of the Scottish Government's consolidated accounts later this year.

The financial forecast for 2018/19 is informed by the Board's annual Operational Plans. These plans indicate that the three Boards outlined above; NHS Ayrshire and Arran, NHS Tayside and NHS Highland will require a two to three year timeframe to return to financial balance and the Scottish Government continues to engage with these Boards to fully understand the parameters of their financial position in-year. In addition to these three Boards, NHS Borders has also indicated a forecast deficit position in 2018/19. The initial estimated request for financial brokerage for each of these Boards is as follows: NHS Tayside (£20 million); NHS Ayrshire and Arran (£20 million); NHS Highland (£19 million); and NHS Borders (£13.2 million). All other Boards have assumed a breakeven position, recognising that there is a further level of saving that will require to be identified in-year.

We will provide further updates as part of the monthly reporting which we will send to the Committee from June onwards.

## **9. NHSScotland – Transformation plans**

Preparations are underway for the draft regional delivery plans and the draft national boards' plans to be published in the early summer. Examples of transformation already underway are included at Appendix D.

## **10. NHSScotland – Leadership development programme**

The Health and Social Care Delivery Plan, published in December 2016, set out specific actions on developing leadership and talent management in NHS Scotland. We have taken forward our approach through Project Lift, and have been working collaboratively with colleagues across health and care, including NHS National Education Scotland, National Services Scotland, and the Golden Jubilee Foundation. I have included further details on Project Lift at Appendix E.

## 11. NHS Tayside – Skills audit of Board members

The Chair of NHS Tayside has commissioned Susan Walsh, a Board member of Health Improvement Scotland, to undertake a risk assessment of the Board's governance system. This will include identifying areas of strength and weakness and the extent to which these impact on the conduct of all aspects of Board business, including a review of the experience, skills, and diversity of the Board Members. It is expected a report will be submitted to the Chair of NHS Tayside by 22 June 2018.

## 12. Summary

I trust this provides the information you require at present. I am happy to provide more details during the evidence session on Thursday 24 May, or in advance if that is helpful.

Yours sincerely



**Paul Gray**

## APPENDIX A

### Internal Audit Services Provided by Fife, Tayside and Forth Valley Audit and Management Services Consortium (FTF)

FTF provides a full internal audit service to NHS Fife, NHS Tayside and NHS Forth Valley. NHS Fife and NHS Forth Valley have operated under a consortium arrangement since the early 1990s, and in 2000 NHS Tayside joined the FFV Consortium to form FTF Consortium. Staff are employed by NHS Fife with an agreement in place in respect of recharge of costs.

NHS Lanarkshire and Health Scotland have joined more recently. NHS Lanarkshire's current Service Level Agreement and supporting service specification covers the period 2016-21. Under this arrangement the audit team is local to NHS Lanarkshire, with only the Chief Internal Auditor role provided via FTF (i.e. no other staff are employed by NHS Fife).

All other SLAs and supporting service specifications are due for update this financial year.

| Board            | Service                 | Staffing         | Review date |
|------------------|-------------------------|------------------|-------------|
| NHS Fife         | SLA for full IA service | Employed by NHSF | 2018/19     |
| NHS Forth Valley | SLA for full IA service | Employed by NHSF | 2018/19     |
| NHS Tayside      | SLA for full IA service | Employed by NHSF | 2018/19     |
| NHS Lanarkshire  | SLA for CIA role        | Employed by NHSL | 2021/22     |
| Health Scotland  | SLA for full IA service | Employed by NHSF | 2018/19     |

FTF are required to comply with relevant directives issued by the Scottish Government Health and Social Care Directorates including the Public Sector Internal Audit Standards (PSIAS).

The FTF Chief Internal Auditor has commenced a PSIAS External Quality Assessment (EQA) for the whole of the internal audit service provided by FTF, which is being undertaken by the Chief Internal Auditor at Borders and Midlothian Councils. This is part of a wider Local Authority arrangement which means that the FTF Chief Internal Auditor will review the Argyll and Bute Council IA arrangements. The report on this EQA is expected in line with the annual accounts timetable.

The service specifications contain detail on other quality control and measurements.

The Chief Internal Auditor is held accountable by each Audit Committee for performance and is required to report performance measures (KPIs) within the Annual Internal Audit report. In addition, a client questionnaire is completed at the end of each audit review.

The main purpose of Internal Audit reports is to provide management and the Audit (and Risk) Committee with information on significant audit findings, conclusions and recommendations. Whilst responsibility for implementing agreed recommendations rests with the auditee or client, FTF will assist and review the follow-up protocol. For NHS Lanarkshire, Internal Audit complete the follow up function. In addition FTF is expected to maintain a close working relationship with the Statutory Auditors on matters of mutual interest.

## APPENDIX B

### Extract from Grant Thornton UK - NHS Tayside Independent Review

## Timeline

| Year    | Summary of transactions   | £m                    | Narrative   |
|---------|---|-----------------------|---|
| 2012/13 | £0.87 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on reinvestment fund  | 0.87                  | This transactions has been agreed to email correspondence between all parties including the former Deputy Director for eHealth.   |
| 2013/14 | £2.2 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on reinvestment fund<br><br>Return of 2012/13 resource allocation from NHS Tayside to NSS via SGHSCD resource allocations                          | 2.2<br><br>(0.87)     | These transactions have been agreed to email correspondence between all parties including the former Deputy Director for eHealth.   |
| 2014/15 | £0.538 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on reinvestment fund<br><br>Return of 2013/14 resource allocation from NHS Tayside to NSS via SGHSCD resource allocations                        | 0.538<br><br>(2.2)    | These transactions have been agreed to email correspondence between all parties including the former Deputy Director for eHealth.   |
| 2015/16 | £0.647 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on reinvestment fund<br><br>Return of 2014/15 resource allocation from NHS Tayside to NSS via SGHSCD resource allocations                        | 0.647<br><br>(0.538 ) | These transactions have been agreed to email correspondence between all parties including the former Deputy Director for eHealth. We note from the email correspondence that the Head of Primary Care authorises the transaction.   |
| 2016/17 | £2.538 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on eHealth programmes and reinvestment fund<br><br>Return of 2015/16 resource allocation from NHS Tayside to NSS via SGHSCD resource allocations | 2.538<br><br>(0.647 ) | These transactions have been agreed to email correspondence between all parties including the former Deputy Director for eHealth, authorising the transaction. The fund was transferred through individual transfers of:<br><br><ul style="list-style-type: none"> <li>- £0.970 m (eHealth strategic transformation)</li> <li>- £0.962 million (eHealth strategic infrastructure)</li> <li>- £0.3 million (CHI &amp; Child health)</li> <li>- £0.35 million (OOH)</li> </ul> <p>We note the £0.3 million and £0.35 million were part of smaller funds allocated to eHealth oversight. We have confirmed these have went through appropriate SG Finance.</p> |
| 2017/18 | A request for an additional transfer of £2.7 million from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on eHealth programmes and reinvestment fund  | 2.7                   | This revenue resource transfer has not been processed as it is currently on hold pending this investigation. The request is broken down into individual requests of:<br><br><ul style="list-style-type: none"> <li>- £0.950 million (eHealth applications transformation)</li> <li>- £0.550 million (eHealth applications reprocurement)</li> <li>- £0.9 million (CHI &amp; Child health)</li> <li>- £0.3 million (eHealth applications infrastructure)</li> </ul> <p>We note that the £2.538 million allocation from 2016/17 has not been returned to NSS eHealth in the current year.</p>   |

## APPENDIX C

### External Support provided to NHS Tayside

| Date                | Individual/Organisation | Support provided  | Cost   |
|---------------------|-------------------------|---|--|
| April-May 2018      | Grant Thornton UK       | A review on specific areas of NHS Tayside financial governance arrangements between the financial years 2012/13 – 2017/18.  | Estimated cost: £16,000 - To be met by Scottish Government |
| March 2018          | KPMG LLP                | Review on NHS NSS management of eHealth funds.  | £32,000 – Paid by NHS NSS                                  |
| February-March 2018 | Grant Thornton UK       | A review on eHealth funding between eHealth, NHS National Services Scotland and NHS Tayside between 2012 and 2018.  | £12,000 - Paid by Scottish Government                      |
| April-June 2017     | EY UK                   | Review of NHS Tayside's Financial Performance in 2015/16 and 2016/17 and risks to 201/18 plan. Review of service change plans and the effectiveness of programme management structures. | £211,000 - Paid by Scottish Government                     |

The Assurance and Advisory Group and Transformation Support Team, led by Sir Lewis Ritchie and Caroline Lamb, respectively, were comprised of staff from NHSScotland and no additional costs were incurred other than travel and expenses.

## APPENDIX D

### Examples of transformation

The Health and Social Care Delivery Plan forms the blueprint for the transformational change to improve outcomes and patient experience. It sets out clear actions and milestones to create modern, sustainable health and social care services. This is backed with funding of £303 million in 2018/19. The Delivery Plan brings together the key change programmes:

- health and social care integration;
- the National Clinical Strategy;
- population health improvement; and
- increased joint working between territorial boards and their local partners at regional level and increased collaboration between the national health boards.

The budget for 2018-19 allocates £303 million to Transformational Change and reform. This includes £110 million for Primary Care, £47 million for Mental Health, £10 million to Trauma Care and £10 million to Cancer. This leaves £126 million for other transformational change initiatives, including support to the regional delivery plans for implementation of new service delivery models, improved elective performance and investment in our digital capability.

Examples of transformation are taking place under the different pillars of the Delivery Plan.

- We have observed a shift in the balance of care, with a minimum 7% reduction in acute unscheduled bed-days anticipated by the end of 2018 (280,000 bed days). Equally between August 2016 and February 2018, the number of days spent in hospital due to delayed discharges fell by 15% (7,000 days).
- We have a new model of care embodied in the GMS contract which was accepted by the Scottish GP Committee and the BMA in January 2018.
- We have introduced Minimum Unit Pricing for alcohol from 1 May 2018.
- We have made progress on workforce planning and published the third part of the National Health and Social Care Workforce Plan on 31 March. This sets out how primary care services are in a strong position to respond to the changing and growing needs of our population and describes the anticipated changes in the way services will be developed to meet population need.



## APPENDIX E

### Project Lift

For NHS Scotland, excellent leadership is essential to allow the delivery of services as well as the wider transformation that is required. We are clear that we require leaders who are prepared and able to lead both in, and work collaboratively across, a complex health and care system. This is about achieving transformational system change and shifting the balance of care, requiring a focus on outcomes, i.e. transforming services for the benefit of patients, service users, and employees.

In this context, the expectations and qualities of leaders are essential. The fresh leadership approach will be informed by the 'Leadership Profile' as described here:

- **Ability** – placing an important emphasis on leadership (alongside professional) abilities of leading individuals and teams, building and maintaining relationships, demonstrating shared values and positive behaviours, and working collaboratively.
- **Ambition** – striking a balance between personal ambition (achievement, stretch, challenge) and what is required of an individual as a leader for the greater good, i.e. realising 'socialised' rather than personalised power
- **Insight** – paying on-going attention to self-awareness, self-development, and self-leadership, questioning assumptions, understanding themselves and reflecting on their role within the realities of the wider context.
- **Values** – being clear about personal beliefs and values and how those support their work, making sense of their context and understanding how personal values align with shared, organisational values.

Project Lift will be open to all working in the NHS and we will initially focus on developing the senior leaders within our system. To access the selection process for the leadership programme (called Leadership3), individuals will complete an online Leadership Profile self-assessment questionnaire (SAQ) and will receive a personalised report. The SAQ will be available from the beginning of June and those identified as being our high potential/high priority individuals will be invited to a career conversation with one of our Project Lift Principal Leads. The individual and the Principal Lead will use the information in the SAQ report, and material drawn from other sources such as existing appraisal processes, 360 feedback and manager's feedback, to create an output report. The Project Lift team will use the output report from each conversation to select and invite around 20 candidates with the very highest potential to begin their development work in early September 2018.

This is only one part of the new end-to-end approach we are taking to recruit, retain, talent manage and develop aspiring executives or chief executives, and current executive level leaders as they progress their careers with NHS Scotland. It is important to highlight that whilst the aim is to identify appointable internal candidates who have come through this route and who are ready to compete for, or be assigned to, posts within NHS Scotland, we are open to external applicants too. All Boards will continue to adopt a fair, robust, and consistent values-based approach to recruitment.