



Paul Gray
Director General Health and Social Care
Chief Executive of NHS Scotland

30 January 2018

Dear Paul

Context and Remit

On 29 March 2017, you asked me to convene an Assurance and Advisory Group (AAG), charged with undertaking a review of the deliverability of NHS Tayside's 5 Year Transformation Plan. This was on account of NHS Tayside being unable to operate within its allocated financial resources for the previous five years. This had resulted in a continued and unsustainable annual requirement for financial support (brokerage) to NHS Tayside by the Scottish Government.

Review Process

The results of that review were set out in the Staging Report,¹ submitted to you and published on 27 June 2017, which contained 14 key recommendations. Ten of these were applicable to NHS Tayside and the remaining four were for the Scottish Government to consider.

The AAG subsequently produced a three month Progress Report at the end of September 2017. I am now pleased to submit the second Progress Report with our assessment of implementation of the 14 recommendations, as at the end of December 2017. In addition to the membership of the AAG, (Mr Paul Hawkins, Chief Executive, NHS Fife; Professor Stephen Logan, Chairman NHS Grampian; and myself) specific financial technical advice was kindly provided by Mrs Susan Goldsmith, Director of Finance, NHS Lothian.

As with the first progress report,² the AAG has sought assurance from the work of the Transformation Support Team (TST), which you put in place following our original recommendation in June 2017 (recommendation 11 in our Staging Report). The TST was established to support and to offer constructive challenge to NHS Tayside between July and December 2017.

¹ NHS Tayside Assurance and Advisory Group Staging Report of Findings and Recommendations, 27 June 2017, <http://www.gov.scot/Publications/2017/06/8615>

² NHS Tayside Assurance and Advisory Group: First Progress Report, 29 September 2017, <http://www.gov.scot/Publications/2017/09/2396>

The results of the TST work are summarised in their report, attached separately (Annex A). This comprises NHS Tayside's own assessment of work to date, with planned next steps - alongside the TST's overview and assessment of NHS Tayside's present position. To complement the attached report, members of the AAG met with both the TST and with the Board of NHS Tayside to discuss progress between July and December 2017. AAG members have also repeated a number of the meetings held or attended as part of our original diagnostic work between April and June 2017, including a further meeting with NHS Tayside Public Partners. As was the case in September 2017, NHS Tayside's full self-assessment will be made available on their [website](#).

The rating of progress for the four recommendations made for the Scottish Government in the AAG Staging Report, is considered in Annex B, and in greater detail below.

Assessment and Rating of Progress

In its first report in September 2017,³ the Transformation Support Team undertook a risk assessment of progress for each of the ten recommendations applicable to NHS Tayside. The BRAG (black, red, amber, green) ratings for each recommendation compiled in September 2017, has been reassessed by the TST at end December 2017. Compared with the three red ratings in September 2017 (recommendations 1, 4 and 5), there are now no areas assessed as red. This is reinforced by two recommendations (2 and 3) now rated as green (previously amber) relate to key aspects of forward planning, business planning/budgeting, and progressing the development of the Integrated Clinical Strategy.

The rating assigned by TST to the current financial position has moved from red to amber, reflecting the progress that has been made in reducing the actual and projected level of NHS Tayside's financial shortfall. This matter is dealt with in greater detail below.

The remaining five recommendations (6-10) remain rated as amber. This should not be interpreted as indicating that no progress has been made over the last three months. Ongoing work has made progress for each of these recommendations, including enhanced partnership working.

Specific developments over the last three months include:

- Completing the restructuring of the Operational Unit - supported by detailed workforce intelligence. This should support more informed management and decision-making at local service level;
- A review of NHS Tayside's governance structure and changes approved to the standing Committee structure. This should promote a more holistic approach for performance scrutiny;

³ NHS Tayside Transformation Support Team Report on NHS Tayside's progress to implement the recommendations in the Assurance Advisory Group's Staging Report, 29 September 2017 <http://www.gov.scot/Publications/2017/09/2396>

- Completion of the second phase of work on the Compassionate and Inclusive Leadership Programme, with subsequent Board approval to move to the third and final delivery phase.

Several of these 'enabling' recommendations pivot on the imperative of positive cultural change, which the attached TST Report clearly acknowledges. This will take time to fully embed and come to fruition throughout NHS Tayside.

The following sections sets out the AAG assessment in more detail:

Financial position - specific issues

Our original June 2017 Staging Report expressed concerns that the £4m deficit set out in NHS Tayside's Local Delivery Plan (LDP) for 2017/18 was likely to be understated, taking into account the detailed analysis provided by EY, commissioned by Scottish Government.⁴ As reported in September 2017, NHS Tayside consequently undertook a comprehensive risk assessment of its efficiency savings programme. In June 2017, NHS Tayside concluded that their budget shortfall was likely to be closer to £13.3m. Since then, NHS Tayside has devoted considerable efforts to maximising realisable savings. This has included identifying additional opportunities to reduce both costs and rate of spend. This is evidenced by regular financial updates, presentations and discussions for the Transformation Programme Board and the main NHS Tayside Board.

A key area of focus has been on the costs of supplementary staffing, particularly for nurse staffing shifts. Latest figures for the period April-November 2017 indicate a rising proportion of shifts filled by bank staff⁵ compared to premium agency⁶ use.

The total cost of supplementary nursing staff over the first 8 months of 2017/18 has continued to rise. A more recent reduction in the number of shifts filled by agency staff (in October and November 2017) suggests that newly-introduced escalation procedures may be beginning to have a beneficial effect. However, the impact of these measures is not yet discernible in reducing overall staffing costs.

Medicines management/prescribing costs in primary care remains a key issue (recommendation 5 in our Staging Report). One initial impact of NHS Tayside's endeavours can be seen with the volume of items prescribed as having reduced by 0.7% reduction year-on-year to end 2017, compared with an average increase across Scotland of 0.3% (see Annex C, provided by NHS Tayside). Key cost drivers and productive opportunities statistics, including pre-operative stays, day-case rates and delayed discharges are also detailed in Annex C.

⁴ EY Report to the Assurance and Advisory Group, June 2017, www.gov.scot/Publications/2017/06/8615/downloads

⁵ NHS Tayside manages a list (the Staff Bank) of registered staff that it can approach to provide temporary staffing cover. Bank Staff are not obliged to accept any work offered to them by the Board.

⁶ NHS Boards can hire staff from external recruitment agencies. The cost of which is at a premium in comparison to the Board employing the staff directly.

Latest Financial Position

NHS Tayside's most recent financial report, as at end December 2017, indicates that the forecast deficit at the end of the 2017/18 financial year is currently ~£5.5m. Ongoing efforts are continuing to bear down on this deficit to bring it closer to the £4m figure in the original NHS Tayside LDP estimate submitted to Scottish Government on 28 March 2017. The end-December 2017 figure of a £5.5m deficit represents a significant reduction in-year from the £13.3m re-projected by NHS Tayside in July 2017.

The overall proportion of recurring savings in 2017/18 is likely to be lower than anticipated at the start of the financial year. At about 35%, the recurring savings are lower than the 51% achieved in 2016/17, but similar to the level realised in 2015/16.

However, NHS Tayside is on target to reduce the level of deferred expenditure to £16.5m in 2017/18, continuing the downward trend from £22.5m in 2016/17 and £25.7m in 2015/16. The reliance on income from property disposals is also anticipated to reduce, with a sum of ~£1m expected to be realised in 2017/18.

These were both areas highlighted as a concern in our Staging Report. These figures, along with the improvement in the projected out-turn, indicate a marked improvement in NHS Tayside's financial position since June 2017.

At senior executive team level, we are encouraged by indications of improved organisational grip of the financial situation. This is evidenced by: the enhanced authorisation process for use of agency staffing, the creation of the Vacancy Management Group, and a more detailed understanding of key cost drivers, in order to secure best financial outcomes.

However, there must be an unswerving focus on those areas where NHS Tayside remains an outlier in relation to benchmarking data to ensure that all resources are being used in the most cost effective way.

Going forward, the governance structures providing oversight of in-year financial management should be further strengthened by the creation of an integrated Performance and Resources Committee from April 2018. This will replace the existing Finance and Resources Committee and will bring together scrutiny of both financial and operational performance. This should help the Board achieve a sustainable balance: between improving the financial position and maintaining the level and quality of services.

These revised governance arrangements should help to achieve financial sustainability. They are supplemented by the close involvement of Mr Alan Gray, Director of Finance for NHS Grampian. In his role as the Strategic Financial Lead for the North of Scotland, Mr Gray is working with the finance team of NHS Tayside to secure optimal strategic business planning and budget management to promote enhanced Regional working. The AAG fully endorses this approach to be continued and optimised for Regional working in the North of Scotland.

Financial Planning/Budget Review Process

As highlighted in the attached Transformation Support Team Report (Annex A), the positive movement in the projected financial out-turn should be seen in the light of the anticipated level of savings required to move towards financial breakeven in 2018/19, currently assessed at £44.5m. Given that the majority of current year savings (~65%) are expected to be non-recurring, a similar level of effort will be required in the next financial year and beyond, until the Integrated Clinical Strategy, workforce and financial plans can be properly aligned.

The new Business Planning and Budgeting system, which is now being implemented, should create the structure to enable wider ownership of service level budgets and efficiencies programmes from 2018/19 and beyond. The TST Report substantiates the availability of an extensive range of information sources, to support that process. It is vital that this intelligence is used continuously to identify and promulgate opportunities to bring expenditure back in line with available resources

However, fully effective forward planning will require an integrated cross-cutting approach embracing the whole patient care pathway, including community and hospital services. It must also be capable of modelling the potential impacts of service redesign and changing models of care, as well as the effects of more immediate work to improve process efficiency.

Maintaining the pace of progress that we have seen to date will require both of these areas to be appropriately resourced. It will also require NHS Tayside to work ever more closely and collaboratively with its IJB and Local Authority partners, and with its Regional Partners in the North. NHS Tayside's self-assessment provides positive indications that this approach is in development. However, this will take time to fully embed and deliver reliable results.

Strategic Planning

The information and approach outlined above in relation to financial planning will also be a key element of the development of the wider strategic planning function and process.

As recommended in our original AAG Staging Report, the development of an Integrated Clinical Strategy (ICS) has rightly been the focus of much attention by both NHS Tayside and the TST - over the six month period July to December 2017. This is a work in progress and has required considerable and ongoing input from individuals and teams across NHS Tayside, in concert with its partners.

A progress report⁷ on the development of the ICS was considered at NHS Tayside's 2017 December Board Meeting. The progress achieved to date has met the requirements of recommendation 3 in our Staging Report and has demonstrated an understanding of the multi-agency approach required for successful realisation of the ICS, in due course.

⁷ NHS Tayside Board meeting of 7 December 2017, Agenda item 12: ICS: Staging Report, http://www.nhstaysidecdn.scot.nhs.uk/NHSTaysideWeb/idcplg?IdcService=GET_SECURE_FILE&dDocName=PROD_290698&Rendition=web&RevisionSelectionMethod=LatestReleased&noSaveAs=1

Extensive clinical and other internal engagement has been undertaken to date and must be maintained and nurtured further. NHS Tayside must continue to demonstrate that same ongoing commitment to its other key stakeholders. These include statutory and third sector partners as well as its patients, their families, carers, other members of local communities and the public representatives of the people of Tayside.

We note that NHS Tayside's ICS team propose to finalise the development of the Strategy by end December 2018.

In order to form a realistic and future-proofed basis for redesigning NHS Tayside's services for the 21st century, the Integrated Clinical Strategy must make best use of intelligence: to test the implications of different models of service delivery, including their financial implications. As set out in the attached TST report (Annex A), the TEAPA (Tayside Establishment and Payroll Analysis) system and the initial work on the 2018/19 financial plans indicate that such intelligence is available and must be exploited to good effect.

As NHS Tayside has recognised, it is imperative to get its transformation programme right. The appointment of an Interim Strategic Planning Director is an important and welcome contribution to moving this work forward. NHS Tayside must continue to give further consideration as to how best this requirement will be fulfilled in the longer term.

Governance and Leadership

Our findings and observations reinforce the evidence from the Transformation Support Team (TST) that positive changes are underway in the operation of the Board of NHS Tayside. The importance of robust scrutiny of Senior Executive Team delivery, combined with a strategic focus on outcomes, is a thread which runs through a number of the original AAG recommendations and continues to be a high priority in our consideration of progress to date.

The restructuring of meeting agendas to improve the focus on key decision points and the greater clarity of financial and performance reporting are two particular examples of improvements which should strengthen the overall Board scrutiny process. The improvement is also evidenced in the presentation of papers and in the content and conduct of meetings.

As the attached TST Report highlights (Annex A), there are other areas where more could be done to support Board members, particularly Non-Executive Directors. Better signposting and summarising would help Board members to navigate effectively through extensive papers. More rigorous timetables are also required for advance circulation of key information so that Non-Executive Directors can effectively discharge their scrutiny and challenge responsibilities. A robust Board governance structure needs to be served by a capable and collaborative executive team.

We found encouraging evidence that the senior executive team leadership of NHS Tayside has stepped up to the challenge posed by the AAG Staging Report, including:

- Wider availability and better use of data
- Improved understanding and control of expenditure in key areas
- Greater collaboration in the management of interdependent portfolios

In addition to these specific changes, operational structures and processes have been subject to review and redesigned. Examples include the development of a stronger framework for delegation of operational management and extensive work to strengthen partnership working with staff-side representatives. This latter initiative is expected to bolster the ability of all parties to play a full part in responding to present and future challenges.

Recommendations for Scottish Government

As with our September 2017 progress report, we sought an update from the Scottish Government project sponsor, Christine McLaughlin, Director of Health Finance, on Recommendations 11 to 14, addressed to the Scottish Government.

The response is attached at Annex B The September 2017 update provided assurance that the first three of these recommendations had been implemented, with actions underway in relation to recommendation 14, regarding wider learning opportunities for NHS Scotland.

The latest Scottish Government update provides further detail on the development of a more structured framework to support Health Boards in Scotland. As a result, we have assessed all of these recommendations to be rated as green.

We are particularly encouraged that work is planned to develop a formal framework to support NHS Boards when there are early signs of encroaching financial difficulties.

Summary and Conclusions

NHS Tayside:

Since our previous update of progress to you in September 2017, NHS Tayside has continued to make positive progress. This is reflected in the improved BRAG ratings assessed by the TST (Annex A) for five of our ten Staging Report Recommendations, by our own observations and by other markers, such as Key Organisational Statistics January 2018, provided by NHS Tayside (Annex C).

This progress largely reflects improved transactional rather than transformational change, at this time.

Going forward, NHS Tayside continues to face significant challenges for optimal service re-design and provision. While many of these challenges are longstanding, they must continue to be addressed rapidly and unswervingly by NHS Tayside, in partnership with other health and social care organisations and interested parties throughout Tayside. Effective North of Scotland Regional working, presently underway, is another prerequisite for future success and should be promulgated further. We recognise that some difficult service redesign decisions lie ahead - but they need to be made.

The development of the Integrated Clinical Strategy is essential to secure meaningful transformational rather than business-as-usual transactional change. This requires sustained buy-in and resolve within NHS Tayside - with ongoing effective engagement and agreement with partner organisations and stakeholders. In the absence of an agreed Integrated Clinical Strategy for service transformation, NHS Tayside will continue to struggle financially. This is neither desirable nor sustainable for optimal service provision in the future. NHS Tayside proposes that the Integrated Clinical Strategy will be finalised by end December 2018.

In addition to continuing to implement our ten Staging Report Key Recommendations for NHS Tayside, we offer the following summary observations and ancillary recommendations for consideration:

- NHS Tayside has continued to make progress over the period September to December 2017.
- We suggest that there is much significant work still to be done. Several key projects are now at a crucial point and it is vital that NHS Tayside does not lose the momentum which it has built up over past six months.
- NHS Tayside must ensure it achieves the right balance and equilibrium between programmes of work to produce short and longer term outcomes. In its pursuit of financial stability, maintaining patient safety and service quality must continue to be a priority.
- Robust governance and leadership will be key to success. NHS Tayside must continue to secure/develop all relevant skills and capabilities required to realise effective transformation.
- NHS Tayside should maximise the benefit from, and continue to secure the on-going contribution of the North Regional Finance Lead.
- NHS Tayside must continue to build and strengthen relationships with partners including IJBs, Local Authorities and other territorial and national health boards. This must be pursued to fully exploit the benefits of effective collaboration on new models of service delivery and best use of resources.
- Forward financial projections for NHS Tayside – both within year and on a five year basis - should clearly demonstrate service and savings deliverables, underpinned by the Integrated Clinical Strategy and its associated infrastructure and workforce plan.

- The Integrated Clinical Strategy should have clearly understood and agreed objectives and implementation milestones in concert with all partners – with shared and robust governance mechanisms.
- The Integrated Clinical Strategy should maximise the potential of regional planning, working and sharing of resources across the North of Scotland - to ensure best use of assets and optimal provision of primary, secondary and tertiary services.

Scottish Government:

- Scottish Government should continue to hold NHS Tayside to account on a regular and systematic basis, to ensure that the pace of progress is maintained.
- Scottish Government should consider a further and formal independent review of progress of NHS Tayside at some point during the 2018/19 financial year.
- In keeping with recommendation 14 of our Staging Report, the Scottish Government should ensure that the learning points from the work with NHS Tayside inform the development of the new Performance Improvement and Value Framework for NHS Scotland. This should take into account developing an adaptable range of tools and techniques to provide effective and integrated support for improvement across NHS Scotland.

Acknowledgements

I would like to record my thanks for the welcome and ongoing support of NHS Tayside, its staff and partners since March 2017, when the work of the Assurance and Advisory Group (AAG) was originally commissioned. That has been much appreciated. The work and reports of the Transformation Support Team (TST) has been critical for progress and I am grateful to Caroline Lamb and colleagues for their endeavours. I am particularly grateful for the work and professionalism of my fellow AAG members and for colleagues who have provided independent technical advice. Lastly, I wish to record my personal appreciation of the sterling work of the Scottish Government support team who have underpinned the work of both the AAG and TST.

With kind regards

A handwritten signature in black ink, appearing to read 'Lewis D Ritchie', with a horizontal line underneath.

Lewis D Ritchie
Chairman - NHS Tayside Assurance and Advisory Group

Update on Recommendations 11-14 for the Scottish Government

Recommendation 11

The Scottish Government should ensure that necessary skills, expertise and support are swiftly made available for NHS Tayside in order to address its significant and longstanding challenges. While assisting the delivery of planned short term in year savings and projected financial outturn for 2017/18, this support should primarily focus on delivering effective transformational change, including an in-depth comprehensive review of existing plans to return NHS Tayside to sustainable financial balance.

Scottish Government comment (Rating = Green)

Support has been made available to NHS Tayside immediately following the AAG report. This support includes the establishment of the Transformation Support Team, led by Caroline Lamb, an NHS Chief Executive, to provide expert advice and leadership support to NHS Tayside as they develop their plan to implement the ten recommendations of the report. Alan Gray, as Regional Finance Lead for the North of Scotland, continues to support NHS Tayside with its strategic financial planning and, Mark Wilde, an external consultant, was appointed interim Director of Strategic Planning for six months to support transformational change.

Recommendation 12

Implementation of the recommendations in this report should be closely monitored in order to realise timely and sustainable transformational change in Tayside.

Scottish Government comment (Rating = Green)

The TST have produced two reports on progress of NHS Tayside in delivering the recommendations in the AAG report within the timeframes set out in the report. Weekly review meetings have taken place with Scottish Government throughout this period.

The AAG have been asked to review the reports of the TST to provide assurance to the Director General for Health and Social Care, on the progress made against the recommendations.

Direct contact has also been maintained between Scottish Government and NHS Tayside on the progress of the financial outturn, including Performance Review Meetings and monthly updates from the Chief Executive of NHS Tayside.

Recommendation 13

In light of our findings, the Scottish Government should consider the potential impact on NHS Tayside of being required to repay the £33.2m of accumulated financial support which is still outstanding and note the potential need to provide further financial support in future years.

Scottish Government comment (Rating = Green)

A decision was taken to suspend the requirement for NHS Tayside to repay outstanding brokerage to avoid the prospect of adverse impacts on patient safety, quality and delivery. We will return to this issue once NHS Tayside's transformation plans are further developed.

Recommendation 14

Learning opportunities arising from the experience of NHS Tayside should be Assimilated for the wider benefit of NHS Scotland. This includes the role and contribution of national services support, on the basis of a 'Once for Scotland' approach - as outlined in the recent Health and Social Care Delivery Plan

Scottish Government comment (Rating = Green)

Following the finalisation of the January 2018 report from the TST and subsequent assurance report from the AAG, the Scottish Government will document the learning from the work in NHS Tayside to be used, along with other sources of learning, to inform the development of a Framework for NHS Scotland which sets out an approach to sustainable Performance Improvement and Value across the system. The Framework will incorporate a full cycle of performance improvement and learning: early warning and diagnosis of performance issues; a range of approaches which are tailored to the diagnosis; implementation; review and learning.

The Framework will be supported by a range of tools and resources, and it will offer an opportunity to align a number of methodologies and approaches to optimise the effectiveness of NHS Board rooms. It will also give Scottish Government the opportunity to influence and provide support on a more individually designed or responsive basis.

This will allow a Once for Scotland framework, which can be tailored to the specific issues in local systems and providing feedback and learning across NHS Scotland.

Key Statistics

Organisational Overview – January 2018



Financial



Forecast Outturn for 17/18

Jun-17 ↓ Jan-18
(£13.3m) ↓ (£5.5m)

Recurring Revenue Limit

Nov-17 ↓ Dec-17
(£6.9m) ↓ (£6.7m)



Nursing Agency Usage

Jun-17 ↓ Nov-17
25% ↓ 20%
of Scotland share

Jun-17 ↓ Jan-18
210 ↓ 104
agency shifts per week



Medicines Volume

-0.7% Reduction
year-on-year
versus
+0.3% Increase
for Scotland

↓
(1% below Scotland)

Operational



Bed Base

Jun-17 ↓ Dec-17
1862 ↓ 1782

Acute

1187 1145

Community

665 637



Delayed Discharges

Oct-17 ↓ Jan-18
34 ↓ 16
average number daily

Staff WTE

Dec-16 ↓ Dec-17
11,811 ↓ 11,661



Additional Mobile Theatres

Jun-17 ↓ Jan-18
3 ↓ 0

HEP C Treated Patients

Jan-Mar ↑ Jul-Sep
44 ↑ 83

Clinical



A&E 4hr Waiting time

Average Jun-17 to Jan-18
performance = 97%

31 Day Cancer wait

Aug-17 ↑ Dec-17
92% ↑ 96%



Pre Operative Stays

Jun-17 ↓ Dec-17
0.2 ↓ 0.04
days before surgery

Day Case Rates

Jun-17 ↑ Dec-17
78.5% ↑ 96.1%



Diagnostics

CT < 42 Days
Jun-17 ↑ Dec-17
84% ↑ 93%

MRI < 42 Days

Jun-17 ↑ Dec-17
65% ↑ 92%

Staff / Public



iMatter

Response rate = 65%
Engagement index = 75%

Public Consultations

Mental Health & LD
Shaping Surgical Services
Angus Care Model



Video Messaging

52,000 views

↑
Increase of 60% in
last 6 months

Complaints

Jul-17 ↓ Dec-17
180 ↓ 152



Conversations

28% Increase in
last 6 months

↑
Increase in number
of people giving
positive feedback