

Director-General Health & Social Care and
Chief Executive NHSScotland

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Jenny Marra MSP
Convenor
Public Audit and Post-legislative Scrutiny
Committee
Scottish Parliament

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7 March 2018

Dear Ms Marra

I wrote to you on 23 February with an update on the work of the NHS Tayside Assurance and Advisory Group (AAG) and the proposed next steps.

Since writing, I have been informed that the financial outturn of NHS Tayside for 2017-18 is likely to deteriorate further, arising from information we identified about the flow of £5.3m of eHealth funds via NHS National Services Scotland and the way in which they have been recorded within NHS Tayside accounts. I have instructed a thorough independent external review by Grant Thornton UK LLP into the the financial transactions in question. They will report back to me within 2 weeks.

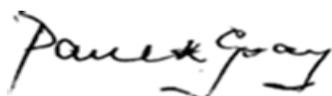
I also attach a letter from the Chief Executive of NHS Tayside which sets out the actions also being taken by the Board. I note that Tayside are reviewing their financial position and do not now expect their revised estimate of their 2017-18 out-turn to be known until 19 March. I also note that the Tayside Director of Finance has decided to retire and will not return to the organisation.

NHS Tayside has received brokerage of £33.2 million to 2016-17 and plans were in place to provide an additional £4 million of brokerage in 2017-18, taking the total level of brokerage to £37.2m. A further deterioration in the year end position will therefore result in additional brokerage.

I will update the Committee more fully once I have received and considered the Grant Thornton report and seen the results of Tayside's review but I thought that I should alert you to the issue now.

I am copying this letter, for information, to the Convenor of the Health and Sport Committee and to the Auditor General.

Yours sincerely



Paul Gray

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Date 5 March 2018
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Sent by email: DGHealth@gov.scot

Dear Mr Gray

As you are aware, last week NHS Tayside was alerted by the Scottish Government Director of Health Finance to an issue which impacts on our previously reported financial outturn for 2017/18.

In response to this I took a number of immediate actions which were:

- the commissioning of a formal internal review of the 2017-18 financial outturn and any potential impact on 2018/19 financial plan to be carried out by NHS Tayside's Strategic Director of Finance
- management action to allow a full internal investigation to be carried out
- full briefings to Chair and Vice Chair of the Board of NHS Tayside and the Chair of the Finance and Resources Committee
- the convening of a formal meeting of Tayside NHS Board to share the interim findings of the internal review received on Monday, 5 March 2018 and agree further actions

On today's receipt of the interim findings of the internal review from the Strategic Director of Finance, I confirm that the Board will not achieve its planned outturn of £4million deficit for 2017-18. Further work on the internal review is progressing and I expect the full report to be available on Monday, 19 March 2018.

At today's meeting, Board members acknowledged the seriousness of the situation and agreed:

- the 2017-18 final position would exceed the planned forecasted outturn of £4 million deficit
- the actual 2017-18 outturn would not be known until the completion of NHS Tayside's internal review and any subsequent independent review
- a directive to all budget holders to continue to review all spending in 2017-18
- a non-executive director panel would convene on Thursday, 8 March 2018 to scrutinise the current 2018-19 financial plans
- a review would be commissioned by NHS Tayside's Audit Committee in response to the findings of the internal review
- the importance of the continued engagement of non-executive members in the development of the 2018-19 financial plan

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Dundee, DD1 9SY (for mail) DD2 1UB (for Sat Nav)

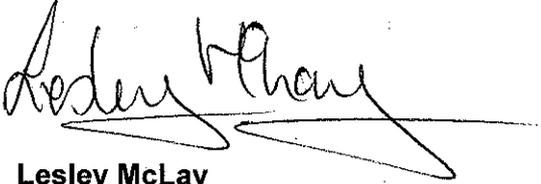
Chairman, Professor John Connell FMedSci FRSE
Chief Executive, Ms Lesley McLay



Board members were also advised that, following 35 years of service, the Director of Finance has decided to retire from NHS Tayside.

On a personal note, I would like to state that I take my accountability to the people of Tayside extremely seriously and I give my full commitment to working with the Board and Scottish Government to ensure this matter is resolved in an open and transparent manner.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lesley McLay', with a long horizontal flourish extending to the right.

Lesley McLay
Chief Executive