The Committee will meet at 9.00 am in the Sir Alexander Fleming Room (CR3).

1. **Decision on taking business in private:** The Committee will decide whether to take items 3 and 4 in private.

2. **The 2016/17 audit of NHS Tayside:** The Committee will take evidence on the Auditor General for Scotland’s report from—
   
   Professor Sir Lewis Ritchie, Chair, NHS Tayside Assurance and Advisory Group;
   
   Caroline Lamb, Chief Executive, NHS Education for Scotland and Chair, Transformation Support Team NHS Tayside;
   
   Alan Gray, Director of Finance, NHS Grampian;

   and then from—

   Paul Gray, Director-General Health & Social Care, Scottish Government and Chief Executive, NHS Scotland;
   
   Gordon Wales, Chief Financial Officer, Scottish Government;
   
   Professor John Connell Professor, Chair of the Board, and Lesley McLay, Chief Executive, NHS Tayside.

3. **The 2016/17 audit of NHS Tayside:** The Committee will consider the evidence heard at agenda item 2 and take further evidence from—

   Caroline Gardner, Auditor General for Scotland;
   
   Fiona Mitchell-Knight, Assistant Director of Audit, Claire Sweeney, Associate Director, and Bruce Crosbie, Senior Audit Manager, Audit Scotland.
4. **Work programme:** The Committee will consider its approach to its future scrutiny of Early Learning and Childcare and the Scotland Act 2016: Audit and Accountability Arrangements.

Clerk to the Public Audit and Post-legislative Scrutiny Committee  
Room T3.60  
The Scottish Parliament  
Edinburgh  
Tel: 0131 348 5390  
Email: papls.committee@parliament.scot
The papers for this meeting are as follows—

**Agenda Item 2**

NHS Tayside Clerks Note 29 March

PRIVATE PAPER

**Agenda Item 4**

PRIVATE PAPER
Introduction

1. At its meeting on 16 November 2017 the Committee agreed to await the publication of a report by the NHS Tayside Assurance and Advisory Group before deciding whether to take any further action on the audit report.

2. A copy of the report can be found in Annexe A along with a covering letter from Professor Sir Lewis Ritchie, Chair of the NHS Tayside Assurance and Advisory Group.

3. On 7 March 2018 Paul Gray wrote to the Committee explaining that the financial outturn of NHS Tayside for 2017-18 was likely to deteriorate further, arising from information 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. Mr Gray confirmed that he had instructed an independent external review by Grant Thornton UK LLP into the financial transactions in question (Annexe B).

4. That report along with a covering letter from Mr Gray, including responses from NHS Tayside and NHS National Services Scotland, can be found in Annexe C.

5. At its meeting today the Committee will take evidence from the following witnesses:

   - Professor Sir Lewis Ritchie, Chairman, NHS Tayside Assurance and Advisory Group
   - Caroline Lamb, Chair, NHS Tayside Transformation Support team
   - Alan Gray, Director of Finance at NHS Grampian

followed by:

   - Paul Gray, Director-General Health and Social Care / Chief Executive of the NHS, Scottish Government
   - Gordon Wales, Chief Financial Officer, Scottish Government
   - Lesley McLay, Chief Executive NHS Tayside
   - Professor John Connell, Chairman, Tayside NHS Board

Clerks to the Committee
26 March 2018
LETTER FROM PAUL GRAY AND 2ND REPORT OF THE ASSURANCE AND ADVISORY GROUP

Director-General Health & Social Care and
Chief Executive NHSScotland
Paul Gray

Jenny Marra
Convenor
Public Audit and Post-legislative Scrutiny Committee
Scottish Parliament
23 February 2018

Dear Ms Marra

Please find enclosed a copy of the second report of the NHS Tayside Assurance and Advisory Group (AAG). This consists of a risk-based assessment produced by the NHS Tayside Transformation Support Team (TST), and a covering letter from Sir Lewis Ritchie on behalf of the AAG with their assessment of the Board’s progress to implement the recommendations of their Staging Report.

I met NHS Tayside’s Chair and Chief Executive, and their senior team, this week to discuss next steps and I took assurance from the progress made so far, and from the additional external scrutiny and challenge that will be provided by the Board’s enhanced governance arrangements for the transformation programme. Nevertheless, I want to be assured that progress is being maintained, and I have therefore asked Sir Lewis Ritchie and Caroline Lamb, as respective chairs of the AAG and TST, to report to me again on progress as at 30 September 2018. Christine McLaughlin, Director of Health Finance, will also maintain Scottish Government oversight through regular review meetings with the Board’s Chief Executive and relevant members of her team.

As to the Board’s outstanding brokerage, I advised in my letter of 29 September 2017 that I expected to provide an update on receipt of the AAG’s second progress report. Given that the implementation of the transformational change required in NHS Tayside will take time, I plan to keep the suspension of brokerage repayment in place for 3 years to provide certainty to NHS Tayside, rather than constantly returning to the issue.

I am copying this letter, for information, to the Convenor of the Health and Sport Committee and the Auditor General. I am of course happy to discuss it or to provide further detail if the Committee would find that helpful.

Yours sincerely

Paul Gray
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.

---


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, 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;

---

• 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 staff\(^5\) compared to premium agency\(^6\) 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.

---


\(^5\) 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 report 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.

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

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 (£13.3m) vs. Jan-18 (£5.5m)
- Recurring Revenue Limit
  - Nov-17 (£6.9m) vs. Dec-17 (£6.7m)

**Operational**
- Bed Base
  - Acute: Jun-17 1862 vs. Dec-17 1782
  - Community: Jun-17 1187 vs. Dec-17 1145
- Delayed Discharges
  - Oct-17 34 vs. Jan-18 16
- Staff WTE
  - Jun-16 11,811 vs. Dec-16 11,661
- Additional Mobile Theatres
  - Jun-17 3 vs. Jan-18 0
- HEP C Treated Patients
  - Jan-Mar 44 vs. Jul-Sep 83

**Clinical**
- A&E 4hr Waiting time
  - Average Jun-17 to Jan-18 performance = 97%
- 31 Day Cancer wait
  - Aug-17 92% vs. Dec-17 96%
- Pre Operative Stays
  - Jun-17 0.2 vs. Dec-17 0.04
- Day Case Rates
  - Jun-17 78.5% vs. Dec-17 96.1%
- Diagnostics
  - CT < 42 Days
    - Jun-17 84% vs. Dec-17 93%
  - MRI < 42 Days
    - Jun-17 65% vs. Dec-17 92%

**Staff / Public**
- iMatter
  - Response rate = 65%
  - Engagement index = 75%
- Video Messaging
  - 52,000 views
  - Increase of 60% in last 6 months
- Complaints
  - Jul-17 180 vs. Dec-17 152
- Conversations
  - 28% Increase in last 6 months
  - Increase in number of people giving positive feedback

Additional Mobile Theatres
- Jun-17 3 vs. Jan-18 0

HEP C Treated Patients
- Jan-Mar 44 vs. Jul-Sep 83

**Notes**
- Medicines Volume
  - -0.7% Reduction year-on-year versus +0.3% Increase for Scotland
  - (1% below Scotland)
NHS Tayside Transformation Support Team

Second Report on NHS Tayside’s progress to implement the recommendations in the Assurance and Advisory Group’s Staging Report

30 January 2018
# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Methodology and Assessment</td>
<td>2</td>
</tr>
<tr>
<td>Key Themes</td>
<td>5</td>
</tr>
<tr>
<td>AAG Recommendation 1 – Financial Outturn</td>
<td>8</td>
</tr>
<tr>
<td>AAG Recommendation 2 – Financial Planning Process</td>
<td>11</td>
</tr>
<tr>
<td>AAG Recommendation 3 – Integrated Clinical Strategy</td>
<td>14</td>
</tr>
<tr>
<td>AAG Recommendation 4 – Workforce</td>
<td>17</td>
</tr>
<tr>
<td>AAG Recommendation 5 – Medicines Management</td>
<td>20</td>
</tr>
<tr>
<td>AAG Recommendation 6 – Effective Delegation</td>
<td>24</td>
</tr>
<tr>
<td>AAG Recommendation 7 – Engagement</td>
<td>26</td>
</tr>
<tr>
<td>AAG Recommendation 8 – Corporate Structure</td>
<td>29</td>
</tr>
<tr>
<td>AAG Recommendation 9 – Scrutiny</td>
<td>31</td>
</tr>
<tr>
<td>AAG Recommendation 10 – Leadership Development</td>
<td>34</td>
</tr>
<tr>
<td>Appendix: Summary of recommendations from the AAG Staging Report</td>
<td>36</td>
</tr>
</tbody>
</table>
Introduction

This is the second report by the Transformation Support Team (TST) on the progress NHS Tayside has made to implement the Assurance and Advisory Group’s (AAG) recommendations as contained in their Staging Report.¹

The purpose of this report is to inform the AAG, who have been asked by Paul Gray, Director General Health and Social Care, and Chief Executive of NHS Scotland, to provide a second report on NHS Tayside’s progress, as at the end of December 2017. This report sets out the methodology we have adopted, our overall assessment of the NHS Tayside’s progress to date and identifies some key themes which may have wider resonance for NHS Scotland. The main body of the document follows broadly the same format as our first progress report;² it is broken down into the 10 recommendations from the Staging Report which apply to NHS Tayside and sets out NHS Tayside’s self-assessment of the progress that they have made against each recommendation. This is followed by the TST’s analysis of the progress which we assess as having been made by NHS Tayside against each recommendation.

I would like to take this opportunity to thank the Board Members and staff from across NHS Tayside who have recognised the significant challenges they face, and who have co-operated wholeheartedly with the TST to address these challenges. It is their efforts that have produced the progress outlined in the following report.

Finally, I would like to extend my gratitude to the members of the TST: Barbara Anne Nelson, Director of Workforce, NHS Fife and Professor Alex McMahon, Executive Director, Nursing, Midwifery and Allied Healthcare Professionals, NHS Lothian. My thanks are also extended to Alan Gray, Director of Finance, NHS Grampian (a member of the TST until early September); also Alpana Mair and Simon Hurding from the Effective Prescribing and Therapeutics Branch in the Scottish Government. All these colleagues provided invaluable expertise and support to NHS Tayside.

Caroline Lamb
Chief Executive, NHS Education for Scotland
Chair, NHS Tayside Transformation Support Team

Methodology and Assessment

Methodology

The TST has undertaken its assessment on the basis of:

(a) the evidence submitted by NHS Tayside concerning new arrangements, processes and structures put in place, set alongside our own observations and discussions with NHS Tayside staff;

(b) where possible evidence of demonstrable results and impact delivered;

(c) our own observations of relationships, behaviours and partnership working set alongside those from members of the AAG who attended a series of meetings in the period April – June, and revisited the same meetings in November- December 2017.

Information from each of these sources, including consideration of the strength of the evidence base provided to support NHS Tayside’s self-assessment, has been triangulated to produce our overall assessment. It is worth noting that NHS Tayside’s assessment, which we reproduce in this report, was based on the situation at 31 December 2017. There is activity that they refer to in their ‘next steps’ sections that is due to be completed in January 2018, but which is out-with the scope of our assessment and also coincides with writing this report.

As in September 2017, we have assigned a Black, Red, Amber or Green (BRAG) rating to each recommendation, based on the definitions below:

- Black – there is no confidence that plans will deliver the anticipated outcomes, or there is a complete lack of a plan for a recommendation.
- Red – significant activity is still required to develop realistic plans that will give confidence that the outcomes will be realised timeously, or substantial activity may have already begun but there is a high level of risk that anticipated results will not be realised.
- Amber – realistic and credible plans are in place to deliver the outcomes but they have not yet been implemented, or have been partially implemented, and results are still to be seen.
- Green – plans are robust with activity already leading to results in line with the anticipated outcomes.

In our September report we identified that the recommendations of the AAG were designed to deliver an immediate improvement in the in-year financial position (recommendation 1) and also to address issues of longer term sustainability through significant transformational service change (recommendation 3).

Delivery of recommendations 2, 4 and 5 were recognised as being fundamental to being able to model and have in place processes that would deliver that transformational change and ensure sustainable quality services.
The remaining recommendations, 6 to 10, are important enablers of the work that will be needed in the Board to deliver short and longer term changes. Full implementation of this group of recommendations will create the conditions in relation to delegation, engagement, ways of working, effective skill mix, scrutiny and leadership that are required to transform and to continue to evolve services to meet changing demands.

The following table summarises the BRAG ratings we assigned to each recommendation as at the end of September, and then again at the end of December.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>BRAG rating as at end-September</th>
<th>BRAG rating as at end-December (this report)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Red</td>
<td>Amber</td>
</tr>
<tr>
<td>2</td>
<td>Amber</td>
<td>Green</td>
</tr>
<tr>
<td>3</td>
<td>Amber</td>
<td>Green</td>
</tr>
<tr>
<td>4</td>
<td>Red</td>
<td>Amber</td>
</tr>
<tr>
<td>5</td>
<td>Red</td>
<td>Amber</td>
</tr>
<tr>
<td>6</td>
<td>Amber</td>
<td>Amber</td>
</tr>
<tr>
<td>7</td>
<td>Amber</td>
<td>Amber</td>
</tr>
<tr>
<td>8</td>
<td>Amber</td>
<td>Amber</td>
</tr>
<tr>
<td>9</td>
<td>Amber</td>
<td>Amber</td>
</tr>
<tr>
<td>10</td>
<td>Amber</td>
<td>Amber</td>
</tr>
</tbody>
</table>

**Summary Assessment**

The table above notes an improvement in the BRAG rating across recommendations 1 to 5. These are the areas where it has been possible for us to assess not only the systems and processes that NHS Tayside has put in place since July 2017 but also to identify that these processes are starting to achieve the results that the recommendations were designed to achieve. As noted above, recommendations 6 to 10 will create the conditions that enable the Board to implement transformational change. It is the nature of this sort of improvement work that it will take longer for results to be clearly evidenced. The ratings against these recommendations therefore reflect the fact that, whilst work has been done to put in place revised systems and processes, it will take longer for the results of this work to be evident. It will be important for the Board to continue to assess whether the measures they have put in place are achieving the desired impact.

NHS Tayside has worked hard to implement the recommendations of the AAG report. There is still significant work to be done, particularly to further develop, approve and implement the Integrated Clinical Strategy in partnership with the Integrated Joint Boards and Local Authorities. This is fundamental to providing the authorising environment within which the transformational change that is required to provide sustainable high quality and safe services can take place. As the Integrated Clinical Strategy is developed the Board will need to continue to focus on the requirement to deliver significant in-year savings.
We note the progress made using data, identifying areas where NHS Tayside is at variance from benchmarks and top quartile performance in NHS Scotland, being used as part of the new Business Planning Process and the Board will need to ensure that improvements and efficiencies result. At the same time the Board must continue to work on the improvements to delegation, engagement, ways of working, effective skill mix, scrutiny and leadership that will support change and continual evolution of services.

The Board has taken important steps to improve their capacity and capability in key areas, particularly through embedding the role of Alan Gray as Regional Finance Lead (North of Scotland) and through the more recent appointment of interim support in the area of strategic planning and performance. The Board should take advantage of the opportunities for further collaboration with colleagues across the North region to draw on additional capability and insight and also to share areas of best practice. These measures, together with the support provided in areas such as team development and public engagement should help NHS Tayside to continue to make progress towards sustainable high quality services.

We recognise that NHS Tayside has been subject to considerable scrutiny over the last year, and we appreciate the additional burden that this can place on staff. We therefore consider that the Board needs to be allowed some time to demonstrate that work that they have delivered so far, and the learning that they have taken from this process can deliver tangible results.
Key Themes

In this report we have built on the inter-dependencies of the recommendations (see attached Appendix) and our assessment as at the end of December 2017 to identify some key points and recurring themes. These are set in the context of our work at NHS Tayside but may also be useful for other organisations looking to learn from this process. The latter also maps to recommendation 14 of the AAG Staging Report, which encouraged Scottish Government to embrace learning opportunities arising from the experience of NHS Tayside.

Short-term Financial Position vs Sustainable Long Term Services

This second report identifies that progress has been made in reducing the level of deficit now being forecast for the current financial year; but also highlights that continuing effort is required to sustain or improve the final outturn for 2017/18 and that equivalent or greater efforts will be required in 2018/19. The return of NHS Tayside to sustainable financial balance, which is not reliant on short term measures or non-recurring efficiencies, will only be achieved through transformational change which addresses the structural issues identified in the AAG Staging Report. Major service transformation will need to be driven by the Integrated Clinical Strategy (ICS), but the Board also needs to be assured that opportunities for improvements and efficiencies identified by benchmarking are being examined and implemented locally wherever possible as part of business as usual operations.

There are tensions inherent in balancing the need to focus on the short term position against the strategic thinking, engagement and commitment required to deliver longer term sustainable services. It is essential that the Board ensures that its leaders have the capability and capacity to manage this.

Data and information to inform short and longer term decision making

It will not be possible to properly model, or to effectively implement, new arrangements which will enable NHS Tayside to provide quality services within its means, without also having in place comprehensive financial and workforce reporting and planning arrangements, and being able to manage prescribing costs. We are encouraged by the work that has been done to deliver new reporting arrangements, enabling a better understanding of the current position, alongside new arrangements for business planning. We believe that this work has set the foundations that will support the Board to understand the impact of new approaches that must be considered under the ICS, and to deliver the benefits of implementing these.

We have also noted the importance of having appropriate rigour around the timetables for the production of reports, particularly where these are provided to support decision making by Non-Executive Members. It is essential that information is provided in a way that allows sufficient time for it to be read, understood and thereby effectively challenged. Linked to this, NHS Tayside needs to ensure that Non-Executive Members and staff side representatives get appropriate support and training to understand the papers and proposals that are presented to them.
Capacity and Capability

There is still much work to be done to mature all the new systems and processes that have been put in place and it will be essential for NHS Tayside to have the capacity and capability to ensure that the benefits anticipated from the new arrangements are fully delivered. We have supported NHS Tayside in its efforts to secure senior support in the area of strategic planning which was recognised as being a deficit in the AAG report. We welcome the appointment of an interim Strategic Planning Director who will be critical in ensuring that the strands of financial and workforce planning are aligned in support of delivery of the Integrated Clinical Strategy. NHS Tayside will need to consider how this requirement can be fulfilled in the longer term; and to ensure that it takes a self-critical approach to continually assessing whether it has the correct skill mix to successfully address new challenges.

Team Working and Learning from elsewhere

We have seen evidence of the willingness of the Executive Team to work together on their own development, individually and as a team. Strong team working is essential to delivering high performing systems and during our engagement with the Executive Team we have seen evidence of improved team working. This progress needs to be maintained. We have also observed the impact which has resulted from a fresh approach, such as the closer involvement of Alan Gray, who was appointed as Regional Finance Lead for the North of Scotland. As the arrangements for working collaboratively across regions develop there will be further opportunities for NHS Tayside to benefit from enhanced capability and capacity across the region, and to consider what this means for existing structures within the Board. We would encourage NHS Tayside to be outward focussed, to look to learn from other systems, to be self-critical about their own ways of working, and to bring new insight and experience into the team where possible.

An Outcomes Focus

Throughout the period of our engagement with NHS Tayside, we have been aware of the significant level of activity and effort which has been dedicated to implementing the range of activities associated with the AAG recommendations. We recognise that, in such a time pressured situation, it can be difficult to find the space to take an overview. However, it is critical that NHS Tayside puts in place a process to ensure it maintains a consistent focus on the wider picture and an understanding of how, and what each of these tasks and activities contributes to delivery of the intended outcomes.
An Open and Transparent approach

Since our first involvement with NHS Tayside in July 2017 the Board has moved to a position where less business is taken in closed session and there is a more open and proactive approach to sharing information about issues and potential solutions. This has contributed to the signs of improved partnership working which we refer to in our report. Maintaining an open and transparent approach will be extremely important as NHS Tayside seeks to approve and implement the transformational change which will secure sustainable quality services.

Culture and Leadership

It will be important for the Board, the Chief Executive and the Executive Team of NHS Tayside to continue to focus on the full implementation of the recommendations in the AAG report, and particularly on ensuring that the measures that have been put in place do deliver the intended outcomes. Leadership is not the preserve of the senior team of any organisation and the Board also needs to be mindful that demonstrating appropriate leadership behaviours, and developing leadership across its staff needs to be part of on-going every day business, which is embedded as part of the organisation’s culture.
AAG Recommendation 1 – Financial Outturn

“We recommend that NHS Tayside should take urgent and robust action in order to maximise the likelihood of achieving the planned in-year savings and delivery of NHS Tayside’s projected financial outturn for 2017/18. Detailed action plans must have support from key stakeholders and include anticipated financial impact, identified timetables and milestones. There should be clear trigger points for escalation to ensure swift action when delivery is found to be at risk.”

NHS Tayside’s assessment

“Since June 2017 the Board has initiated a rigorous and continuous review of the financial position for the current year. A detailed review of the financial forecast outturn for 2017/18 was undertaken during July and August and actions were agreed by the Directors’ Group and endorsed by the Finance and Resources Committee in October 2017. Based on the revised plan and actions, the current forecast outturn is projected to be a £6.6m deficit; an improved position from the forecast projected at June 2017 of £13.3m. The Finance and Resources Committee has reiterated its commitment to achieving a financial position by 31 March 2018 in line with the Local Delivery Plan. Work is underway to identify further actions required in order to deliver this position.

The delivery of the year-end forecast position is supported by a detailed and risk assessed action plan recognising NHS Tayside’s commitment to delivering safe, effective and person-centred care with the Directors individually and collectively responsible for the delivery of agreed targets and outcomes. The scrutiny and challenge of the financial position by the Board, Transformation Programme Board and Finance and Resources Committee has enabled decisions to be taken and improvements to be accelerated, where clinically safe to do so.

All actions have been risk assessed and a series of weekly key performance indicators are reported to the Executive Review Team. The Scottish Government Health and Social Care Directorate – Director of Finance has been provided with monthly reports on the financial position and delivery of the savings plans. A monthly summary of the financial position has also been provided to the TST.

Rigorous review and monitoring of the financial position, emerging cost pressures and achievement of financial savings is now firmly established across NHS Tayside and within the three Integration Joint Boards. Involvement of staff partnership representation in review meetings and in support of operational areas has been welcome and supported an organisation wide approach to the ownership of actions and identification of further opportunities to achieve savings.

---

3 The Directors Group comprises of Chief Executive, Chief Officers, NHS Tayside Directors and Communications

4 The Executive Review Team comprises the Chief Executive, Chief Officers, NHS Tayside Directors Executive Directors, Staff-side representatives and Communications
Next Steps

The Board and Directors’ Group remain committed to identifying the further savings required. The Finance and Resources Committee will continue to meet monthly during 2017/18 and regular reporting on financial performance will be reported to the Board and Scottish Government’s Director of Health Finance. We have now reviewed the figures for the end of Month 8 which resulted in a forecast year-end overspend of £6.6m. A range of options will be presented for consideration by the Committee on the 18 of January to bring the financial position back in line with the forecast trajectory. A further review meeting has been scheduled with the Scottish Government on 18 January 2018.”

TST comment

NHS Tayside has made sound progress to date in implementing all elements of this recommendation.

In NHS Tayside’s Local Delivery Plan for 2017/18, submitted to Scottish Government on 31 March, the Board forecasted a £4m deficit at the end of the financial year. As part of the Assurance and Advisory Group’s review of NHS Tayside’s financial position, EY consultancy undertook a comprehensive analysis of the financial plans and concluded that the figure of £4m was understated as it would require all identified savings, regardless of risk, to be fully realised. They considered a more likely figure to be a shortfall of £14-19m.

In response to the AAG findings, NHS Tayside has acted with real focus and urgency to assess their financial position on a realistic basis, and to identify and implement actions to improve the position.

At the end of the first quarter the Board identified that their likely outturn would be a deficit of £13.3m. Since then the Board has evidenced a more robust grip of the financial situation on a day to day basis, with the senior Finance Team working closely with Alan Gray as Regional Finance Lead for the North of Scotland, both to share knowledge and ensure the embedding of best practice.

We have seen evidence of the results of these changes in the papers taken to the Board and its committees, including particularly to the Transformation Programme Board, and the Finance and Resources Committee. These papers have provided clear evidence of: actions being undertaken to improve the financial situation; explanations of where delivery of savings has diverged from the expected milestones; and options to correct or compensate for such movements. We have also seen additional meetings being called where required to agree further actions.

---

The most recent figures, as at November 2017, indicate a projected out-turn of a £6.6m overspend, (or 0.8% of RRL\(^6\)). NHS Tayside Board continues to reinforce its commitment to reducing this further, with additional proposals being considered in January 2018. This is a significant achievement and we commend the hard-work of all the staff in NHS Tayside involved in delivering this improved position.

We have also observed the positive involvement of clinical and staff side representatives on the groups taking forward the saving initiatives and have viewed this as an indicator of the broad-based support for the various streams of work.

Our rating is based on NHS Tayside’s assessment that they will deliver an outturn forecast of £6.6m or better. The critical indicator of success in relation to this recommendation will ultimately be the out-turn delivered at the end of March 2018. It should also be recognised that a significant proportion of the efficiency programmes being delivered this year will result in non-recurring savings, meaning that a similar level of effort will be required to maintain or improve the outturn in future years.

TST rating in September 2017 = Red
TST rating in January 2018 = Amber

\(^6\) The Revenue Resource Limit (RRL) is determined by the NHS Scotland Resource Allocation Committee formula and is allocated to Health Boards through their opening revenue budget.
AAG Recommendation 2 – Financial Planning Process

“Over the next three months, NHS Tayside should subject its financial planning framework to rigorous and comprehensive review. This should help to ensure that projections and targets for future years are based on a thorough service by service understanding of cost drivers, risks and opportunities.”

NHS Tayside’s assessment

“The Board has reviewed its financial planning framework in the context of financial, clinical and care governance to ensure that projections and targets for future years are based on a service-by-service understanding of cost drivers, risks and opportunities. In conjunction with NHS National Services Scotland we have developed a new Business Planning and Budgeting Programme (BPB) over the past nine months to work towards achieving a recurring sustainable financial balance position through 2018/19, incorporating service, workforce and financial planning.

A NHS Tayside Board development event in September 2017 on BPB worked with Board Members to understand their appetite for risk and service change. Under the BPB, services will submit group service plans, associated budgets and efficiency measures for budget review scrutiny by Directors and Non-Executive Members. The first of a series of three review meetings took place in December, with further follow-up reviews meetings in January and February 2018. Considerable support has been made available to individual groups and service teams to ensure that the new process delivers plans for achieving financial targets.

The BPB will cover all service areas directly managed by NHS Tayside (Medicine Directorate, General Surgery, Orthopaedics & Trauma and Critical Care Directorate, Access Directorate, Operations Directorate, Specialist Services Directorate and Public Health), secondary care medicines, corporate and regional services.

The IJBs [Integrated Joint Boards] are integral to the budget review process and participate fully at each stage. The Director of Finance works closely with the Chief Financial Officers of the IJBs to ensure that there is a consistency on the financial planning assumptions and on the resource delegated to each Health and Social Care Partnership from NHS Tayside. NHS Tayside’s budget planning timetable is aligned with that of the IJBs to ensure that a whole system approach is taken, while recognising their respective governance processes.

Whilst service and workforce plans over the three year period will respond to recommendation 3 (Integrated Clinical Strategy), we would highlight the two key strategic plans which will contribute towards the future shape of clinical services and overall financial position in 2018/19:

- Shaping Surgical Services – NHS Tayside’s Board approved the Shaping Surgical Services preferred clinical model in October 2016 subject to a three month public consultation and development of a full business case. Following the process of public consultation the full business case, including the case for change, and the clinical, economic and financial implications, will be considered by the Board on 16 January 2018.
• Mental Health and Learning Disability Service – The Transformation Programme developed 17 options for future configuration of inpatient services. Through option modelling and appraisal processes, based upon CEL 4 principles7, a preferred option was identified in partnership with staff and service users after rigorous evaluation for clinical safety, deliverability, sustainability and affordability. The preferred option was subject to public consultation between June and October 2017. Seven boards and committees across the IJBs and NHS Tayside will scrutinise the final report, supporting evidence and recommendations arising from the public consultation and offer any additional comments to Perth and Kinross IJB, who will consider final approval of the preferred option at their meeting on 26 January 2018.

In support of the delegation of financial accountability, changes have been introduced to the regular financial statements. The changes are aimed at ensuring that budgets are understood and owned by budget holders, with responsibility for operating within available resources devolved to an appropriate level.

Next Steps

The service plans will be further developed by early January, including identification and risk assessment of the actions required to achieve financial balance during 2018/19. These draft plans will be subject to review and scrutiny by the senior review panel in January 2018. The outcome of these review and scrutiny meetings will be a detailed financial plan for 2018/19 which will be presented to the Finance and Resources Committee and discussed with the Scottish Government Health and Social Care Directorate – Director of Finance on 18 January 2018. The financial plan for 2018-19 will thereafter be presented for consideration by the NHS Tayside Board at the end of February 2018.”

TST comment

The actions set out above in the Board’s self-assessment, are considered by the TST to meet the requirements of recommendation 2. The implementation of the Board’s newly developed Business Planning and Budgeting (BPB) process, highlighted in our September Progress Report is now underway. It is due to be completed by the end of January, in time to inform the preparation of the Board’s forward plans for the financial year 2018/19 and beyond.

A wide range of information has been provided to support the service level work which has been collated to provide the Board level plans, this includes using benchmarking to identify areas for constructive challenge. The draft outputs from the process, which have been shared with the TST, provide assurance that these will provide a sound foundation for this wider planning process.

As with the previous recommendation, it is not yet possible to see the completed picture or assess the effectiveness of the BPB programme as the robustness of the projections it produces will not be visible until well into the next financial year. We also acknowledge that the effectiveness of this process will be dependent on: services being able to think innovatively about new delivery mechanisms; supportive challenge from Finance and HR; and collaborative working with partnership colleagues. This is not likely to be in place consistently across all services for the first year of this approach.

Looking forward, NHS Tayside must also ensure that the financial planning process clearly links into and informs the development of the Integrated Clinical Strategy (recommendation 3) and the management of key resource areas such as workforce (recommendation 4) and medicines management (recommendation 5) which are discussed further in the relevant sections below.

TST rating in September 2017 = Amber
TST rating in January 2018 = Green
AAG Recommendation 3 – Integrated Clinical Strategy

“Over the next six months, NHS Tayside should continue to work with its partners to agree the content and a realistic timeline for completion of the Integrated Clinical Strategy, already in progress. We would expect that the completed Integrated Clinical Strategy would set out a comprehensive and evidence based case for transformational change. This would build upon the HSCPs’ [Health and Social Care Partnerships] strategic plans for social care, primary healthcare and unscheduled hospital care, taking account of public health imperatives. It should provide a clear strategic direction for acute and community healthcare in Tayside, including the development of Regional Plans. The Integrated Clinical Strategy should take full account of present and future challenges, including those set out in the National Clinical Strategy, Realistic Medicine and the Health and Social Care Delivery Plan. It should provide concrete and detailed options for long term strategic positioning of NHS Tayside’s role within a local and regional setting. We would encourage NHS Tayside to accelerate its work together with HSCPs, Local Authorities, the Third Sector, Universities and other partners.”

NHS Tayside’s assessment

“To lead the development of the Integrated Clinical Strategy (ICS), a Senior Integrated Clinical Leadership Team was established to create the case for change through engaging with key stakeholders and promoting a culture and the conditions for change. The ICS will act as a framework for transformational redesign of services which will deliver financial and service sustainability. The Senior Integrated Clinical Leadership Team, including membership from the three local Integrated Joint Boards, has made significant progress with the development of the ICS, culminating in the publishing and approval of the ICS Staging Report on the 7 December 2017 at the Tayside NHS Board.

This report will enable a realistic conversation with staff, the public and stakeholders on the future shape, safety and nature of clinical services and models for care across health and social care services. It also provides a platform for detailed planning and modelling of sustainable service configuration across NHS Tayside’s boundary.

To develop the ICS Staging Report, the Senior Integrated Clinical Leadership Team has:
- Undertaken a comprehensive process of engagement with clinical teams, Health and Social Care Partnerships, educators and patient representatives, numbering 800 in total. This has allowed an open discussion about current challenges including workforce, affordability, sites, sustainability of service and anticipated change intentions

8 Health and Social Care Partnerships are bodies formed to integrate community health and social care services provided by NHS Boards and Local Authorities.
- Completed an analysis of existing strategic documents and consultation with senior stakeholders to inform a view on the future direction for health and social care services and the interdependencies required to achieve this
- Collated baseline activity, workforce and financial information to enable an assessment of the opportunities arising from current and future service change

We are working in partnership with involve, an organisation which specialises in helping organisations to engage with people and communities in decisions that affect them. Initial sessions with involve took place in November 2017 with the Integrated Clinical Strategy team, Health and Social Care Partnership engagement colleagues and Tayside NHS Board members. A programme of activities with involve and partners will continue during the further development of the ICS.

The emergent ICS seeks to bring together a range of individual service plans with the health and social care delivery plans. Shaping Surgical Services and Mental Health and Learning Disability Service Redesign are key services that have been reviewed during 2017/18 and have been publicly consulted on. The outcome of both public consultations will be presented for decision in January 2018. There is significant further work, including public engagement, to be completed to deliver an ICS. NHS Tayside has recruited an Interim Strategic Planning Director to support this activity.

During 2018 we will continue to build and develop the Integrated Clinical Strategy identifying the case for transformational change, evidencing the plans to achieve viable, clinically safe and effective care aligned with financial and workforce plans taking account of public health imperatives and the North of Scotland Regional Delivery Plan. NHS Tayside recognises the scale of the work that needs to be completed within 2018 to identify and agree transformative plans and proposals in partnership with all our stakeholders and public.

Next steps
Continue to work with involve to inform public and community engagement during the early part of 2018. Establish a Communications and Engagement Reference Group and sessions with partners and third sector to link engagement opportunities and activities. Mental Health and Learning Disabilities and Shaping Surgical Services service redesign programmes to be considered for approval in January 2018.

TST comment
The Staging Report on the ICS, submitted to the Board’s December meeting constitutes a key source of evidence for our assessment along with discussions with many of the main participants during the development of the report and observation of the Board’s consideration of its contents. The Staging Report clearly sets out the requirement for a ‘collective vision of how high quality, efficient and accessible clinical services will be delivered for the people of Tayside’ over a 5-10 year timescale. It sets out a clear direction of travel along with a set of guiding principles and delivery objectives which will inform and guide the planning process as it goes forward. The Staging Report also sets out the scale of the work still to be done and identifies the next steps.
Further discussion with NHS Tayside confirms that detailed strategy development plans are being put in place for significant work during 2018. We consider that the Staging Report meets the requirements for the work which this recommendation required to be concluded by the end of December 2017.

The process followed in developing the Staging Report, and in preparing for the next steps has indicated an inclusive approach to this major piece of work and the pace of development in recent weeks has also provided clear evidence of acceleration in the work being done to bring partners on board. Over the last few months, a broad-based team from a variety of backgrounds, working with the ICS Project Manager, have dedicated significant time and resource to undertaking extensive engagement with clinicians, rightly recognising the need to secure clinical buy-in to the change process at the very start. This will be a valuable part of the complex picture going forward.

The remainder of this recommendation sets out expectations of what will feature in the completed ICS. The Staging Report includes references or commitments to each of these including indications of strategic direction which reflect key Scottish Government policies and an initial case for transformational change. The TST also notes the recognition of the need for a whole system approach, focused on improved patient pathways, which acknowledges the critical interdependencies between different aspects of the health and care services and the crucial role to be played in both planning and delivery by the IJBs.

In terms of the priorities for future work, the Board must continue to build on its internal engagement and widen this out to other stakeholders. Given the stage of development of the ICS, public engagement is recognised as being limited. An initial communication and engagement strategy has been developed to take forward this important element of the project work and this now needs to be updated to reflect the results of the recent work with Involve.

It is essential that engagement is meaningful and leads to honest and informed dialogue with the public and other key stakeholders. We have seen evidence of the commitment to establish a Communications and Engagement Reference Group and Non-Executive Champion to progress this. Nonetheless, this next stage in the development of the ICS will require significant preparation and elapsed time to complete.

The work still required to develop and model evidence-based scenarios to support the Strategy as well as the need to incorporate the final outputs of the Regional Planning process are also important considerations to be taken into account in finalising time scales. The Board must ensure adequate time and resource continues to be dedicated to this high priority project to ensure the pace of progress is maintained.

TST rating in September 2017 = Amber
TST rating in January 2018 = Green
AAG Recommendation 4 – Workforce

“NHS Tayside should undertake an early and comprehensive review of staffing levels across all services and sites, including those delegated to or utilised by HSCPs [Health and Social Care Partnerships]. This review should aim to clarify key drivers of NHS Tayside’s workforce levels compared to peer Boards and to identify safe options for bringing redesigned services and sites within available resources.”

NHS Tayside’s assessment

“In October 2017 we deployed a ‘Tayside Establishment and Payroll Analysis’ (TEAPA) tool. It encompasses job grade mix and workforce age profiling and has been critical in informing workforce management decisions and used to inform recruitment authority. It also forms the basis of the development of 2018/19 workforce plans. The tool provides a strategic and service level analysis of headcount and whole time equivalent. This enables staff groups, for the first time, to understand their establishment movement over time, disaggregated to individual ward level.

Benchmarking analysis was completed during September 2017 of current NHS Tayside establishments against national NHS Board comparators. Further additional analysis was undertaken with NHS Grampian to review clinical quality indicators, safety and risk management and workforce planning for a small group of ward areas. Benchmarking data has been presented to NHS Tayside Board, Executive Review Team and Senior Management Team and also shared with individual directorates. Updated workforce plans for 2018/19 were considered at the Directors’ Group meeting on 18 December 2017, in advance of wider consultation in January 2018 at the Area Partnership Forum, Staff Governance Committee and NHS Tayside Board.

Additionally it was agreed at the Transformation Programme Board on 20 December 2017 that, reflecting benchmark analysis, the review of Administrative and Clerical provision across all NHS Tayside services will also feature in all service level workforce plans for submission in January and February 2018. These workforce plans are also reviewed in each of the service redesigns that have been undertaken; Shaping Surgical Services, Community District Teams and Theatre Service Improvement.

Positive progress has been made with vacancy management and staff turnover. A new governance protocol was implemented during August 2017 with the establishment of a refreshed Vacancy Management Group. This group only reviews posts that are being progressed to fill. Chaired by the Medical Director/Deputy Chief Executive and including Staff Side, HR, Finance, Nursing and Midwifery and Chief Officer representation, the group ensures Director-level grip with the recruitment process requiring financial, clinical, HR and senior line management approval prior to consideration for authority to advertise.
An early decision was taken to approve a moratorium on the recruitment of external administrative posts given the benchmarking position and workforce transformation plans. Vacancy management data forms part of the review of the weekly cost metrics by the Executive Review Team. Since April the overall headcount has reduced by 117 whole time equivalent which was largely in support services, administration services and nursing and midwifery (Bands 1-4).

Significant progress has been made to reduce the requirement of Non-Contract Nursing Agency (NCA) staff. From 1 November 2017 the Board agreed to suspend the use of NCA in all areas with the exception of those where significant clinical risk remained, with all use requiring completion of a multi-stage approval process. The monthly expenditure has reduced from £553,000 in August 2017 to £272,000 to November 2017, a reduction of 51% in that period. Other initiatives include recruitment of newly qualified practitioners, introduction of nursing staff pools and modification of nurse bank contracts. New standardised shift lengths have been implemented in a number of wards. Further actions for improvement have been identified for the period to March 2018 such as enhancement to nurse bank recruitment process with dedicated HR support. Additional internal leadership has been provided to managing bank staff which will ensure an ongoing review and adoption of best practice from other health boards. Daily escalation and scrutiny of Key Performance Indicators will continue.

A modified nursing and midwifery education and workforce resourcing toolkit was cascaded throughout the organisation on 2 September 2017. This was used to inform clinical staff of good practice in terms of effective rostering, associated staffing costs and alignment with local and national policy. A workforce dashboard was developed and is now presented at both the Staff Governance and Finance and Resources Committees. This tracks the following key areas: whole time equivalent; absence; turnover; vacancy; supplementary costs; skill mix and workforce demographics. This has enabled Non-Executive Members to be aware of activity in order to scrutinise progress against trajectories.

Critical to the success of sustainable workforce plans through and from 2018/19 is dependent on the outcomes from clinical model and service redesign.

Next Steps

The analysis from TEAPA, aligned with benchmarking and service delivery plans will be used to inform safe, affordable workforce plans for 2018/19 and beyond. This work will be completed at local service level in partnership during January - February 2018, with sign-off from the Area Partnership Forum and Tayside Board. Further actions relating to the optimal deployment of bank staff have to be completed during Quarter 4 of 2017/18 with a revised benchmark of service costs based on the December 2017 annual cost book.

TST comment

The TST concurs that the Board has made some progress with the implementation of this recommendation, particularly in relation to undertaking an early and comprehensive review of staffing levels across all services and sites.
Including the information available from the recently-developed TEAPA (Tayside Establishment and Payroll Analysis) system, NHS Tayside now has access to an extensive range of data about its existing workforce, encompassing absence and turnover rates, whole time equivalent (WTE) staff in post and spend on supplementary staffing. This provides a powerful tool to enable a detailed and robust understanding of key cost drivers, including trends over time, disaggregated to service and indeed ward level. It is recognised that the Board is currently working through some of the Information Governance issues regarding TEAPA to facilitate use of the tool at a frontline management level within the organisation. Once achieved, this will support the roll out of informed decision making to operational levels within the Board.

We have seen a range of evidence of this data being put to effective use to inform and support the changes being made to staffing models and working practices as well as to inform decision making by the Vacancy Management Group (VMG). We have also received feedback that it is providing a sound foundation and greater confidence at a frontline level to underpin collaborative, patient focused working and professional judgements about safe staffing.

The TST welcomes the contribution that these changes have made to the substantial decrease in expenditure on agency staff that is evidenced in the figures for November 2017.

Updated benchmarking information on workforce, both quantitative and qualitative, is also being used intelligently to better understand where the Board’s greatest challenges lie and to identify where more radical and longer term transformational change may be needed. The information has supported the start of improvements in some areas but disparities continue to exist in others. It is recognised that context specific factors will be a legitimate consideration in identifying where these disparities may require to be addressed. However, continuation of existing models necessitating higher staffing ratios should continue to be questioned, and must be seen through the lens of the need at Board level to achieve overall financial sustainability.

The further development of the ICS will create an opportunity to consider many of these models within a broader picture of the strategic principles driving the overall configuration of services.

It has also been less evident to us that workforce data is being used as effectively as it could be, to identify safe options for bringing redesigned services and sites within available resources. Workforce data and planning assumptions will be an absolutely key element of the modelling and scenario planning needed to take forward the development of the ICS and the budget planning process for 2018/19 and beyond. Our amber rating reflects an implicit assumption that NHS Tayside will fully utilise all planning data at its disposal in the transformation and business planning work it undertakes during 2018.

TST rating in September 2017 = Red
TST rating in January 2018 = Amber
AAG Recommendation 5 – Medicines Management

“In relation to service development, the clear focus on optimal drug prescribing and wastage minimisation should continue unabated”

NHS Tayside’s Assessment

“The Prescribing Management Group functions as a collaborative between the three Tayside IJBs and NHS Tayside Board, to allocate, monitor and agree actions to make optimal use of the prescribing budget. The IJB and NHS Tayside prescribing forums have a responsibility to ensure actions are delivered to make certain their local prescribing performance is safe, clinically effective and cost effective and the identified opportunities set by PMG [Prescribing Management Group] are delivered. This is supported by the weekly prescribing huddles the purpose of which is to maintain momentum and pace surrounding the individual projects. Real-time weekly data reports are actively monitored at the weekly huddle to track progress.

An updated whole system Tayside Area Formulary (TAF) was launched in April 2017 with the latest compliance figures showing a rate of over 90%, which is exceptional given the short timescale that the formulary has been implemented. This has been aided by the development and publication of formulary compliance dashboards. The dashboards were built in collaboration with NSS ISD [NHS National Services Scotland’s Information Services Division] and visualise performance at both a corporate level and individual General Practice level. The GP reports are shared monthly. In addition to showing compliance they highlight the top 10 non-formulary medicines prescribed with associated costs.

Using benchmarking intelligence, analysis and engagement, the Board recognised that it was an outlier in Scotland within the CNS BNF\textsuperscript{12} chapter, specifically relating to Chronic Pain. The end-to-end pain pathway has been revised with engagement from both Secondary and Primary care clinicians and reviewing the potential for social prescribing as an alternative to medicines. Additional formulary work and actions were implemented with lidocaine plasters moved to being “restricted” and protocols introduced.

Engagement with the Scottish Government’s Effective Prescribing and Therapeutics Branch during August 2017 identified the potential benefit of Polyparmacy Medicine reviews, with a target of 3,500 set for the Board to achieve by March 2018. This is currently on trajectory with 1,787 reviews completed by the end of November 2017.

\textsuperscript{12} This refers to the chapter on the Central Nervous System in the British National Formulary.
Polyphamacy Programme - To achieve the ambitions stated in Realistic Medicine, we have engaged with multiple stakeholders to identify five key strands of a polypharmacy transformation programme. These are:

- Introduction of standards for prescribing and feedback to prescribers on polypharmacy
- Further development of formulary implementation
- Phased introduction of social prescribing of health weight and physical activity interventions
- Introduction of a polypharmacy Locally Enhanced Service (LES) for community pharmacy
- Implementation of public engagement and communication programme

The Scottish Therapeutics Utility tool training has been delivered to all GP practices in NHS Tayside. This has enabled “prescribing champions” within each practice to improve the repeat prescribing processes, with a clear focus on waste and variation.

Since April 2017, Prescribing Support Technicians have been working with 11 GP practices which were identified as having the greatest variation on Cost Per Treated Patient within NHS Tayside. This additional dedicated support has focused on cost saving improvement plan with each of the practices. Of the cohort of 2,970 patients identified, 2,321 patients have had medicines switched, 121 stopped medicines and 512 patients excluded with the estimated benefit of £215,000pa achieved.

A public and staff communications plan has been developed and deployed during the last four months. This has been a multi-media approach and has included videos, social media and newsletters. Significantly over the period September/October 2017 every primary care prescription dispensed has had a patient leaflet with a focus on “Why your medicine has changed” and “Medicines Waste”.

For the period to September 2017, compared to the same period in the previous year there has been a 0.5% decrease in the volume of items prescribed; this is five times better than the NHS Scotland average of 0.1% decrease over the same period. There is still variation between the three Health and Social Care Partnerships with all but one exceeding the Scottish average, Dundee and Perth & Kinross are showing the largest reduction of 0.8% on a like for like basis.

A PMG development session with attendance from Scottish Government Therapeutics Branch on 20 December 2017 reviewed the proposed plans for 2018/2019. The plans are being developed in conjunction with the North of Scotland Health Boards. Forward planning and horizon scanning is undertaken as part of the development of the associated financial plans.

---

Locally Enhanced Services are services a NHS Board has agreed with a partner organisation, that are in addition to their standard contract.
Next Steps

The 3,500 polypharmacy reviews will be completed by March 2018 and continue into 2019. A number of new additional initiatives have been identified for progress within the period January - March; these include appropriate cost effective treatment for thyroid disorders and review of diabetes prescribing in line with the Diabetes strategy 2018 through continued; engagement with the Diabetes Managed Care Network. Further development of the diabetes work will look at the medication reviews for patients on multiple antidiabetic medication, and nutritional supplements for Care Homes. Work will continue to be progressed on respiratory, pain care pathways, formulary compliance and will also focus on secondary care."

TST comment

NHS Tayside has continued to receive support and challenge from the Scottish Government’s Effective Prescribing and Therapeutics Branch and although it has taken some time to reach agreement on key priorities, work is now well underway across a range of fronts.

As highlighted above, NHS Tayside is on target in relation to the delivery of polypharmacy reviews and good progress has been made with the development and implementation of the Tayside Formulary. Both the progress made and the anticipated impact on the Board’s year-end financial position is welcomed.

In terms of the impact of this work, because the savings trajectory represents the cumulative delivery of interventions across the financial year, it is weighted towards the year end when the bulk of the savings are expected to be seen. This aligns with other NHS Boards’ prescribing plans. However, there is an inevitable risk associated with this situation, since if the expected impact is not coming through, there will be very limited opportunity to undertake corrective action. This will require the Board to closely monitor progress and reflect on whether this can be addressed in future years.

Prescribing data shows that there is a variation across the three HSCPs areas of Dundee, Perth and Kinross and Angus, and, in order to address any unwarranted variation, strong leadership and joint working is required. To this end it is noted that NHS Tayside has implemented an organisation wide (including IJBs) Prescribing Management Group (PMG) to ensure a whole system approach is taken to this issue. It will be essential for NHS Tayside and the Integrated Joint Boards’ (IJB) prescribing teams to continue to build on their relationship and set shared objectives to address long term prescribing issues. This should include developing the role of multidisciplinary team members in addressing prescribing issues.

Medical engagement was highlighted early on as an issue to be addressed and we have seen indications that this has improved. The majority of the changes to date have been driven by pharmacy colleagues. Continuing wider team (medical, nursing management) work and engagement will be necessary for sustainability and forward planning.
Looking to future years, as a key cost driver, this will continue to be a priority area for improvement and there is still a lot of work to be done. A key focus going forward should be on establishing collaborative agreement of actions between the Health and Social Care Partnerships (HSCPs) and the Board in tackling prescribing issues. The majority of work to date has been targeted in primary care and there has been evidence of good engagement. Going forward there needs to be a greater focus on addressing secondary care prescribing including improved reporting of the impact.

NHS Tayside’s prescribing team must continue to identify prescribing improvement practices and support this with quantitative data reports. It is important that the Board puts plans in place now to address potential prescribing pressures going forward. Recognising that these plans will encompass a number of interventions, the Board should ensure it achieves a suitable balance between low risk areas such as improvement in prescribing to reduce variation alongside monitoring the impact of price changes. Areas that have been highlighted for attention by the Effective Prescribing and Therapeutics Branch include polypharmacy, pain prescribing (including lidocaine patches and pregabalin), respiratory, diabetes and secondary care prescribing all of which are included in NHS Tayside’s plans for 2018/2019.

TST rating in September 2017 = Red
TST rating in January 2018 = Amber
AAG Recommendation 6 – Effective Delegation

“Further and appropriate delegation of decision-making to managers and staff at operational level is required in order to ensure that executive director level capacity is released for strategic development and transformation of services.”

NHS Tayside's Assessment

“A new structure has been agreed and is being implemented in the Operational Division by the Chief Operating Officer and transition will be completed by March 2018. A short life working group, including staff side, was established to review the Senior Leadership Team [SLT] and agreement reached that there was a role for the continuation of the Senior Leadership Team. The purpose of the SLT is to provide a forum for networking and information sharing, with a test of change planned from January to March 2018 which will allow updated Terms of Reference to be produced. This was agreed at the SLT meeting in November 2017.

The format of the NHS Tayside Board agenda was changed to ensure time for discussion on strategic and high risk issues. NHS Tayside Board approved updates to its Standing Committees in December and the implementation of the resulting changes to the Code of Corporate Governance and Scheme of Delegation will be progressed during January 2018 to March 2018.

The establishment of the Executive Review Team (Directors and Staff Side Leads) in July 2017 has provided a forum for accelerated and enhanced decision making in partnership.

Enhancement to financial reporting (August 2017) and improved workforce reporting (the use of TEAPA from October 2017) has ensured the disaggregation of key cost and workforce information to individual managers and clinicians.

The Audit Committee on 14 December 2017 agreed principles to underpin a governance framework between NHS Tayside and the three Integration Joint Boards (IJBS). The resulting work to update NHS Tayside’s governance framework will be completed in January-March 2018.

NHS Tayside’s Board agenda has been changed to separate business into two elements: Part A includes items for discussion and Part B includes items for approval or noting, where discussion is not required. This is to allow more time for discussion regarding key strategic issues. In addition, from April 2017 the NHS Tayside Board now considers at each meeting those strategic risks which exceed the Board Risk Appetite at each meeting.

Next Steps

Between January 2018 and March 2018, Directors’ portfolios will be reviewed and updated, including the requirement for Planning and Performance activity. The SLT short life working group will implement the test of change and this will be adapted and modified for full adoption for 2018-19.
The new Tayside NHS Board / IJB governance framework will be developed and agreed for adoption for the new financial year in 2018-19 this will also allow the Scheme of Delegation to be appropriately updated.

TST comment

The actions described above in NHS Tayside’s assessment should help to address both elements of this recommendation; to facilitate and support increased delegation of operational decision-making and for Executive Directors to be able to take a more strategic focus.

In a dynamic and challenged system such as within NHS Tayside, Executive Directors must give appropriate priority to setting the strategic direction and managing the overall change process for their services and for the organisation as a whole. This requires an ability to balance both the overall responsibility for the day to day delivery of their own area of business with active consideration of a wider picture and a further time horizon. This in turn requires a robust operational structure capable of providing assurance that both front line and supporting service performance is well managed.

NHS Tayside has taken a number of practical and sensible steps that support Executive Directors to do this. In particular, the Executive Review Team’s daily huddle provides a forum for informal information sharing, fast problem-solving and collective decision-making about cross-cutting issues – and has proved its worth over the last few months since its introduction.

The on-going restructuring of the Operational Division is also intended to bolster the resources available to take on a more active role in robust operational management, freeing up time for Directors to do other things. Combined with the improvements in the reporting processes which are also described above, this should be sufficient to provide the assurance required to sustain appropriate delegation.

However, at this stage of implementation, it is not yet possible to see whether this potential will be realised and whether it will deliver the required results. While work has continued over the last three months to progress the necessary changes to structures and processes, these in themselves will not be sufficient to deliver the desired outcomes unless individual and group behaviours also change. While there are some encouraging indications of a willingness to make this happen, the impact is unlikely to be clearly seen until well into the next financial year.

TST rating in September 2017 = Amber
TST rating in January 2018 = Amber
AAG Recommendation 7 – Engagement

“In order to continue to ensure safe and effective services for the people of Tayside in a challenging and changing environment, the Board must ensure early, meaningful and sustained engagement in partnership with its staff, its stakeholders and moreover the public and political representatives.”

NHS Tayside’s Assessment

“Significant progress has been made with staff and partnership engagement leading to the sign-off by the Employee Director and Chief Executive of a refreshed Partnership Agreement in November 2017. All Area Partnership Fora (APF) reporting is now jointly presented and a short life working group is continuing to enhance ways of working and gather collective feedback. This has built upon the refreshed schemes of delegation for Local Partnership Fora agreed in August 2017. In September, the Employee Director and Director of Human Resources and Organisational Development started holding open conversations with staff, which has provided a route for staff to engage directly with NHS Tayside’s senior leaders. This has allowed for the speedy resolution of any issues and the identification of service improvement suggestions, whilst further informing staff of activity to develop the organisation’s culture. This partnership approach is being adopted by the Programme Management Office and will continue as a ‘business as usual’ practice.

In July, an Executive Review Team was established which includes senior management and partnership representation. The Team have daily huddles to discuss and promote collective leadership for the 10 recommendations.

Staff side lead engagement on the Transformation Programme Board commenced in August 2017 and meetings are now an open forum, with papers published on NHS Tayside’s website.

Communications with both staff and public have been enhanced. A weekly Transforming Tayside progress update is issued to staff with signposting as to how to get engaged with the Transformation Programme. A newsletter is also issued and available on NHS Tayside’s website, along with the Transformation Programme Board papers and the Assurance and Advisory Group’s progress report.

As outlined in the section relating to recommendation 3, three sessions have been held with involve. Sessions were held on 21 October 2017 with the Integrated Clinical Strategy team to help understand and appreciate new and innovative approaches to engagements and involvement of key stakeholders. A session was also held with colleagues from Health and Social Care Partnerships and other staff working within the engagement field to help develop a mutual and common understanding of what will need to be put in place to help develop the robust approach to engagement to support the Integrated Clinical Strategy. At the Board Development Event on 30 November 2017, involve ran a session to highlight the important issues to consider in developing engagement and consultation for the Integrated Clinical Strategy.
The Chairman, Chief Executive and Directors are actively engaging with key stakeholders including MPs, MSPs, Local Councillors, Local Authority Chief Executives, Scottish Government colleagues and other key organisations.

Next Steps
The Local Partnership Fora engagement with Directorate Resource Allocation Budget Planning will continue during January to March 2018. This will ensure a financial plan for 2018/19 and beyond is completed in partnership and aligned to workforce plans, NHS Tayside’s one-year plan and key transformation activity for 2018/19. Following on from the refreshed APF Partnership Agreement, a series of facilitation exercises, sponsored by the APF co-chairs, are planned and will be completed by March 2018.

involve will continue to work with the Integrated Clinical Strategy Team, the Communications and Engagement teams and the newly established Communications and Engagement Reference Group to help develop a robust approach to engagement with staff, the public and all key stakeholders. Ongoing regular quarterly update meetings with local MPs and MSPs will continue.”

TST comment

The TST endorses the Board’s assessment that significant progress has been made in relation to engagement with all key stakeholder groups. Building on the improvements to transparency and communication which were highlighted in our September report, NHS Tayside has continued to make progress in developing its approach to stakeholder engagement over the last three months. We have seen the focus shifting from increased transparency towards relationship building; both important aspects of the trust which underpins authentic engagement.

In addition to the revised Partnership Agreement, steps have been taken to ensure that staff representatives are fully informed, involved and able to contribute to the whole range of senior level activities across the Transformation Programme. This includes the identification of workable solutions, shared decision-making and shared responsibility for ensuring the effective delivery of outcomes. The central role of the Vacancy Management Group in influencing key workforce decisions is a good illustration of how that is working in practice.

The work which is now well underway to roll out active Local Partnership Fora, to take a more active role to support service level and local change, will complement the work at Board level, allowing the Area Partnership Forum to focus on more strategic issues.

These structural changes are a necessary and timely development. However, having a sound structure in place alone will not in itself lead to productive partnership working. That also requires regular, open conversations and a culture of respect between management and staff-side that allows for an honest and responsible approach to difficult conversations. Following in-depth conversations with both parties, we believe that there is a genuine aspiration to improve this relationship, and though it is still to be fully tested in the crucible of change, we are seeing some positive indications of joint-working.
As the commentary against recommendation 3 makes clear, we recognise the notable progress that has been made to date in developing the ICS as a framework for transforming services. To ensure that the valuable work done to date with the clinical communities really bears fruit, the Board must move swiftly to bring wider groups, such as patients, their families, carers and the wider public, into the conversations – as informed and active participants.

In recognition of this, we note the commitment by NHS Tayside to secure expert help to plan and implement the next phase of its Engagement Strategy; to provide constructive challenge on where and how to seek and use public engagement inputs; to provide guidance on innovative approaches to engagement and to help upskill core staff and embed good engagement practices across the organisation.

Going forward, we would like to see NHS Tayside continue to build on the networks that already exist with partner organisations, in particular Local Authorities and IJBs, to share local knowledge and tap into existing resources in relation to effective engagement.

We would also hope to see this open engagement culture embedded right across the organisation so that everyone sees engagement with patients and members of the public not as a one off event but as a core and continuous part of their role.

TST rating in September 2017 = Amber
TST rating in January 2018 = Amber
AAG Recommendation 8 – Corporate Structure

“The Board should build on current restructuring of the senior executive team and recruitment of non-executive members, addressing skill-mix gaps, particularly for effective strategic planning and oversight. It should maximise opportunities for induction and development of non-executive members to ensure robust and effective governance and scrutiny of the executive function of the Board.”

NHS Tayside’s Assessment

“The Chief Executive revised the first and second tiers of the organisation structure in June 2017, with further enhancements planned over the January 2018 to March 2018 to allow for a focus on planning and performance. In the interim, additional external support has been secured to fulfil the planning and performance requirement. Phase 2 of the Human Resource and Organisational Development restructure was completed and the Operational Unit redesign has been signed off with transition for key roles in March 2018.

Board Development Events continue to be held every second month and a rolling programme of events are in place. The Board Secretary attended the Non Executive Members informal meeting on 16 November 2017 to discuss future topics for the programme and is scheduled to attend a further meeting on 8 February 2018.

In anticipation of the recruitment of the three new Non Executive Board Members by the Public Appointments Unit (PAU) and four new stakeholder Non Executive Board Members, the Board Secretary has developed a bespoke induction programme for each Non Executive member given that they are recruited for their particular skill set so will have different needs. This programme will also include the core induction elements required for a Non Executive Board Member of Tayside NHS Board. The Chairman developed a core skills matrix for the appointment of these three new non-executive members and a short listing process was completed on the 11 December 2017 with representation from the Scottish Government Workforce Director and PAU. The interviews for these positions on Tayside NHS Board will be held in January 2018.

The appraisal process for the Non Executive Members starts during the induction process. The Chairman meets with the new Non Executive Member to discuss their individual skillset, areas of particular interest to them and to identify any possible development needs. Subsequently the Board Secretary meets with the Non Executive Member to discuss the development of their induction programme. In terms of ongoing development, NHS Tayside Board holds Development Sessions on a wide range of topics every two months for all Board members. The Chairman meets individually with each Non Executive Member four times a year to discuss development and to complete a yearly appraisal which follows the NHS Scotland approach.
Next Steps

The Chief Executive and Human Resources and Organisational Development Director will further review the Executive Directors portfolios with target completion by March 2018. Induction for the seven new Non Executive Board Members will be arranged around the new framework on an ongoing basis. The Board Development Programme will continue to be developed in conjunction with Board Members."

TST comment

We can confirm that we have seen action initiated to address all elements of the recommendation; for Executive and Non Executive Members, established and new additions. In each case, although progress has been made and recorded, it will be some months before any of the new initiatives are compete.

The review of Executive team functions, along with the recruitment of interim external support, will contribute to addressing skill mix issues and recognises the need to strengthen the Board’s strategic focus and planning function for the future. This will be critical to underpin the work still required on the longer term aspects of the Transformation Programme and the anticipated shift ‘from transaction to transformation’. We have also been encouraged by observations that indicate the Executive Directors are working better as a team.

In terms of new recruitment, the work done over the last few months to prepare for the recruitment of a tranche of new Non-Executive Directors should provide a strong foundation for ensuring that the process identifies, not just the best people for the role, but also that those selected complement the skills and experiences already represented on the Board. The tailored and refreshed Induction Programme which will be offered to them at the start of their tenure must ensure that they can quickly get up to speed with the knowledge they need to put their existing skills to best use.

This initial support must also be accompanied by a robust process which holds all Board Members, individually and collectively to account for how well they exercise their skills to promote the interests of the health board. The process described in the self-assessment above provides the opportunity for this to happen and could usefully be used to remind all members of the demands and strictures of corporate responsibility in challenging times.

TST rating in September 2017 = Amber  
TST rating in January 2018 = Amber
AAG Recommendation 9 – Scrutiny

“The Board should ensure that the actions (Actions 1-6) recommended for the senior executive team are rigorously scrutinised and governed to ensure effective and timely delivery. Restructuring of its financial framework control systems must ensure that budgetary control is assured for all its functions (see Action 2). In particular, leadership and continuous scrutiny of a very high order will be required for all aspects of strategic planning to deliver sustainable transformation over the next five years.”

NHS Tayside’s Assessment

“The Board Secretary held scoping meetings with the Chairman, Vice Chairman, Chief Executive, Medical Director, Employee Director, Chief Internal Auditor and Chair of the Finance and Resource Committee to discuss the changes required to NHS Tayside’s governance structure to ensure performance management and scrutiny is carried out. A Short Life Working Group was established and met on 28 September and 14 November 2017. From the work of this group, a report was presented to Tayside NHS Board at its meeting on 26 October 2017 providing an update. A further report was taken to the Board meeting on 7 December 2017 describing the proposed changes to NHS Tayside’s Standing Committee structure.

The most significant change is the development of the Finance and Resources Committee into a Performance and Resources Committee. The work of this new Committee will be underpinned by new performance management arrangements across all services in NHS Tayside and this will also allow new public reporting on NHS Tayside’s performance to be put in place.

The Transformation Programme Board Terms of Reference have been considered as part of the overall review of Tayside NHS Board’s Standing Committees. This was included in the update report that was taken to the Board meeting on 7 December 2017 describing the proposed changes to the Board Standing Committee structure.

The first year of the new integrated Budget Planning and Performance commenced in November 2017 (Recommendation 2). Development sessions were arranged with Board Non-Executive Members to inform the process of budget planning and scrutiny. Non-Executive Members will form part of the panel for the final budget reviews in February 2017. The outcomes from the process, aligned with workforce planning, will inform the updated One Year Operational Delivery Plan for 2018/19.

Next Steps

A finalised paper will be taken to the Board meeting in February 2018 describing the changes to the Code of Corporate Governance to allow the new governance structure and supporting arrangements to be in place for the new financial year. The continued cycle of performance reviews for Acute Groups will continue with Health and Social Care Partnerships performance review outcomes to be submitted to Committees with performance review dates.”
TST comment

Our previous report in September highlighted that the establishment of the Programme Management Office and the Transformation Programme Board were important elements of the arrangements we expected to see being put in place to report on and monitor progress against the AAG recommendations.

The TST fully supports the next phase of this work as highlighted above, to strengthen scrutiny at both a Board and Committee level. The creation, from April 2018, of a Performance and Resources Committee will enable members to take an integrated view of both financial and operational performance and facilitate the discussion of the common factors which impact on both sets of indicators. It is anticipated that the new structure will also support a more transformational focus at the main Board meetings.

To complement this, we have seen evidence of both Committee and Board agendas and discussions becoming more strategically focussed with less time devoted to operational detail. We have also seen improvements in the presentation of supporting Board papers, although the quality of covering papers can be variable in clearly highlighting the central points or the key statistics which should inform decisions.

We would highlight a concern about the observed practices of circulating key papers very close to the date of meetings, along with regular verbal presentations or updates where the information is not circulated in advance. We note that in some cases this may be an unintended consequence of the increased pace of transformation work. Nonetheless, it can impact on the ability of Board members, particularly Non-Executive Members, to fully consider the issues, to effectively hold Executive leads to account or to make decisions on a fully informed basis. Consequently, NHS Tayside should make efforts to minimise instances of this and put in place safeguards to ensure Board members have the opportunity to consider and revisit key issues addressed in short notice papers or presentations. Linked to this, NHS Tayside needs to ensure that Non-Executive Members and staff-side, get appropriate support and training to understand the papers and proposals that are presented to them.

Considering the specific elements of scrutiny relating to budgetary control and strategic planning, previous mention has been made to the improved financial reporting which has improved transparency. The regular Delivery Reports produced by the Programme Management Office for the Transformation Programme Board and monthly financial outturn reports provide good examples of performance focused reporting which underpins robust scrutiny. The response to these reports has been positive, although there have been instances where the level of constructive challenge observed might have been more rigorous and outcome focused - particularly given the significant nature of the issues under discussion.
The most recent Board reports and discussions around the ICS Staging Report have provided evidence of progress that Board members are aware of the complexity of the work still required and the importance of getting it right. This will continue to be one of the most important pieces of work for the Board over the next year and Board Members will continue to require support to make sure they are able to ask the right questions to ensure it stays on track.

TST rating in September 2017 = Amber
TST rating in January 2018 = Amber
AAG Recommendation 10 – Leadership Development

“The Board must continue to foster and enable leadership development at all levels. As NHS Tayside moves forward, strong clinical leadership will be essential to realise the ambitions of the Chief Medical Officer’s Report on Realistic Medicine and the National Clinical Strategy.”

NHS Tayside’s Assessment

“Utilising the contemporary culture toolkit developed by King’s Fund and NHS Improvement\textsuperscript{14}, and working alongside the King’s Fund as a strategic partner, the Board’s culture and leadership development plan has progressed at pace during the year. The outcomes from the wide-ranging diagnostics phase were considered and agreed by the Board in February 2017, with the design phase endorsed and commended by NHS Tayside Board at their 7 December 2017 meeting, at which the Delivery phase was authorised. Compassionate and Inclusive Leadership Design Events were held on 21 September and 10 November 2017 attended by a cross section of staff.

A wide range of clinical and non-clinical staff from NHS Tayside and the HSCPs participated in two “Powerlabs”\textsuperscript{15} sessions with very positive feedback. These sessions focused on the devolution of leadership within the organisation. A two-day Integrated Clinical Strategy event was held in September to bring together a wide range of staff, clinicians and public interest groups and our strategic workshops were completed with the Senior Leadership Team, resulting in the adoption of a test of change in January to March 2018.

A refreshed Assistant Medical Director portfolio has been agreed as part of the Chief Operating Officer’s leadership team restructure; this new portfolio reflects the national and Board commitment to Realistic Medicine and NHS Tayside’s Quality Outcomes.

Martin Fischer, a consultant with organisational development and systems expertise, has been commissioned to work with the Executive Review Team (both management and staff side leads) to further develop the approach to collective leadership and team dynamics. Two sessions have been completed, challenging the whole team around understanding dynamics, leadership styles and engagement. Additionally, he has provided an external reference point for consulting on ideas and individuals’ development requirements.

Via engagement with NHS NES, a coaching session was undertaken for Executive Directors, completed on 11 December 2017.

---

\textsuperscript{14} NHS Improvement Culture and Leadership Programme, Phase 1, May 2017, https://improvement.nhs.uk/uploads/documents/01-NHS101-toolkits_150816_Q_WEB.pdf
\textsuperscript{15} Powerlabs are leadership development courses.
Next Steps

Continue with the enhanced delivery of iMatter action planning from January 2018 via the 1,500 champions. The revised workplan for extended Senior Leadership Team to be completed with the test of change completed by March 2018 and established as “business-as-usual” from April 2018. Delivery of Culture and Leadership Development work will continue building on the strong foundations that have already been established.”

TST comment

We have seen relevant evidence that the Board is taking action to address both aspects of this recommendation.

In relation to organisation-wide leadership development, NHS Tayside had already begun working with the King’s Fund prior to the appointment of the Assurance and Advisory Group, with the aim of developing a strategy which not only addressed improving leadership skills, but sought to foster compassionate care. We welcome the progress being made with this work and the range of other activities being taken to respond to this recommendation.

We also recognise that it would be unrealistic to expect to be able to see much in the way of visible impact by end-December as re-setting the culture in such a large and complex organisation will take some time and requires continual cultivation. However, we believe that NHS Tayside has shown a genuine commitment to developing its leadership culture and nurturing it at all levels. This includes the Executive Team’s willingness to reflect on their behaviours and skills. In taking forward its next steps, NHS Tayside must give priority to putting in place robust and transparent plans for the third, Delivery phase of its Compassionate and Inclusive Leadership work to ensure that the valuable momentum and commitment built to date is not lost.

Specifically addressing the issue of clinical leadership, although the restructuring of Associate Medical Director portfolios is still at an early stage we have seen early examples of enthusiasm, commitment and leadership in relation to the development of the ICS, the work on medical models in Perth and the review of mental health services which provide encouragement and a degree of confidence that the skills and abilities exist to ensure the revised structures deliver their potential.

TST rating in September 2017 = Amber
TST rating in January 2018 = Amber

END OF ASSESSMENT

---

16 iMatter is a tool to help individuals, teams and Health Boards understand and improve staff experience.
Appendix: Summary of recommendations from the AAG Staging Report of 27 June 2017

Actions for the NHS Tayside Senior Executive Team

1. We recommend that NHS Tayside should take urgent and robust action in order to maximise the likelihood of achieving the planned in-year savings and delivery of NHS Tayside’s projected financial outturn for 2017/18.

Detailed action plans must have support from key stakeholders and include anticipated financial impact, identified timetables and milestones. There should be clear trigger points for escalation to ensure swift action when delivery is found to be at risk.

2. Over the next three months, NHS Tayside should subject its financial planning framework to rigorous and comprehensive review. This should help to ensure that projections and targets for future years are based on a thorough service by service understanding of cost drivers, risks and opportunities.

3. Over the next six months, NHS Tayside should continue to work with its partners to agree the content and a realistic timeline for completion of the Integrated Clinical Strategy, already in progress. We would expect that the completed Integrated Clinical Strategy would set out a comprehensive and evidence based case for transformational change. This would build upon the HSCPs’ strategic plans for social care, primary healthcare and unscheduled hospital care, taking account of public health imperatives. It should provide a clear strategic direction for acute and community healthcare in Tayside, including the development of Regional Plans.

The Integrated Clinical Strategy should take full account of present and future challenges, including those set out in the National Clinical Strategy, Realistic Medicine and the Health and Social Care Delivery Plan. It should provide concrete and detailed options for long term strategic positioning of NHS Tayside’s role within a local and regional setting. We would encourage NHS Tayside to accelerate its work together with HSCPs, Local Authorities, the Third Sector, Universities and other partners.

4. NHS Tayside should undertake an early and comprehensive review of staffing levels across all services and sites, including those delegated to or utilised by HSCPs. This review should aim to clarify key drivers of NHS Tayside’s workforce levels compared to peer Boards and to identify safe options for bringing redesigned services and sites within available resources.

5. In relation to service development, the clear focus on optimal drug prescribing and wastage minimisation should continue unabated.

6. Further and appropriate delegation of decision-making to managers and staff at operational level is required in order to ensure that executive director level capacity is released for strategic development and transformation of services.
Actions for the NHS Tayside Board

7. In order to continue to ensure safe and effective services for the people of Tayside in a challenging and changing environment, the Board must ensure early, meaningful and sustained engagement in partnership with its staff, its stakeholders and moreover the public and political representatives.

8. The Board should build on current restructuring of the senior executive team and recruitment of non-executive members, addressing skill-mix gaps, particularly for effective strategic planning and oversight. It should maximise opportunities for induction and development of non-executive members to ensure robust and effective governance and scrutiny of the executive function of the Board.

9. The Board should ensure that the actions (Actions 1-6) recommended for the senior executive team are rigorously scrutinised and governed to ensure effective and timely delivery. Restructuring of its financial framework control systems must ensure that budgetary control is assured for all its functions (see Action 2). In particular, leadership and continuous scrutiny of a very high order will be required for all aspects of strategic planning to deliver sustainable transformation over the next five years.

10. The Board must continue to foster and enable leadership development at all levels. As NHS Tayside moves forward, strong clinical leadership will be essential to realise the ambitions of the Chief Medical Officer’s Report on Realistic Medicine and the National Clinical Strategy.
Letter from Paul Gray 7 March 2018

Director-General Health & Social Care and
Chief Executive NHSScotland
Paul Gray

T: 0131-244 2790
E: dghsc@gov.scot

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

papls.committee@parliament.scot

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 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

St Andrew’s House, Regent Road, Edinburgh EH1 3DG
www.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 £4 million 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
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

Lesley McLay
Chief Executive
23 March 2018

Dear Ms Marra

As you know Grant Thornton UK LLP were asked to carry out an independent review of eHealth funding transfers between Scottish Government eHealth, NHS National Services Scotland (NSS) and NHS Tayside. The report was sent to me in draft on Monday 19 March and Scottish Government, NSS and NHS Tayside were given the opportunity to review for factual accuracy, and to provide an initial response on follow up actions. I have now received the final report and the responses to it. I have attached all of these to this letter.

The report sets out a number of findings and conclusions, which I accept in full. I have initiated immediate steps to ensure that such a situation could not recur. In particular, the financial governance of national eHealth funds will now reside solely within Scottish Government, and additional internal control measures have also been put in place to validate requests for funding transfers between NHS Boards. The Scottish Government’s Director of Internal Audit will review these additional measures and report back to me on the level of assurance provided.

I will be happy to provide further detail at the evidence session on Thursday 29 March.

Yours sincerely

Paul Gray
An independent review by Grant Thornton UK LLP on eHealth Funding between eHealth, NHS National Services Scotland and NHS Tayside between 2012 and 2018
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction</td>
<td>3</td>
</tr>
<tr>
<td>2. Key findings</td>
<td>5</td>
</tr>
<tr>
<td>3. Background</td>
<td>10</td>
</tr>
<tr>
<td>4. Timeline</td>
<td>13</td>
</tr>
<tr>
<td>5. eHealth structures and funding</td>
<td>14</td>
</tr>
<tr>
<td>6. NHS National Services Scotland</td>
<td>15</td>
</tr>
<tr>
<td>7. NHS Tayside</td>
<td>18</td>
</tr>
<tr>
<td>8. eHealth and Scottish Government</td>
<td>22</td>
</tr>
<tr>
<td>Appendix 1 – contact list</td>
<td>26</td>
</tr>
</tbody>
</table>
Introduction

Following the identification of the potential misuse of Scottish Government eHealth monies, which may date back to 2012, the Scottish Government NHS Director of Finance commissioned Grant Thornton UK LLP to independently consider the arrangements in place in respect of eHealth, NHS National Services Scotland (NSS) and NHS Tayside.

The focus of our investigation related to the Scottish Government Health and Social Care Directorate’s (SGHSCD) eHealth programme resource allocation transactions between 2012 and 2018. These transactions were transfers of resource allocations from NSS to NHS Tayside through the Scottish Government’s revenue allocation process, and ranged in value from £0.538 million to £2.582 million over the time period. In 2017/18 the financial impact on NHS Tayside due to these funds is £5.3 million (the unreturned balance in 2016/17 and the 2017/18 funds).

NSS commissioned a separate internal investigation of eHealth funds within NSS, which was undertaken by NSS’s internal audit provider. In addition, NHS Tayside commissioned an internal investigation which was led by NHS Tayside’s Strategic Director of Finance, related to the impact on the NHS Tayside financial position in 2017/18 and 2019/20. Our review has cross referred to the relevant findings from this work where applicable.

Scope

In accordance with our letter of engagement, dated 5 March 2018, the scope of our work was:

- consideration of the controls and processes in place within e-Health to allocate monies to NSS, including how the monies were determined, if there were any conditions over the funds e.g. ring-fenced, the approval process and how the eHealth team then monitored the spend and usage by NSS. We also considered how NSS and NHS Tayside accounted for these monies, and whether that is appropriate;

- consideration of the controls in place at NSS and the arrangements established to allocate and spend the eHealth money received. This included the authorisation (within scheme of delegation) and reporting of the transactions; and

- consideration of the controls in place at NHS Tayside on receipt of the monies from NSS including the purpose of the monies, the payback arrangements, and the nature over which the money was to be used and accounted for within NHS Tayside’s financial reporting and financial statements.

Our work was limited to the scope detailed above and did not constitute a forensic investigation of eHealth transactions or financial accounting. Our audit work was undertaken between 5th and 19th March 2018.
Introduction (continued)

Scope limitations

This report sets out our findings based on the work performed up to 19 March 2018. Should further information become available subsequent to the date of this report, we reserve the right to reconsider our conclusions in light of such additional information.

Our work does not constitute an audit or a forensic examination and therefore and does not provide the same level of assurance as an audit. Our conclusions are based on documentation provided to us by the Scottish Government, NSS and NHS Tayside and interviews with relevant staff.
Key findings

Our investigation identified a number of findings relevant to NSS, NHS Tayside and Scottish Government. From 2012 NHS Tayside were “holding” money related to future eHealth programme activity, which was given to NHS Tayside by the Scottish Government, as directed by NSS via Revenue Resource Allocations (RRL). No one during the course of our review was able to articulate why NHS Tayside were holding monies but it coincides with when NHS Tayside started to receive financial support through brokerage. In addition, it also aligns with slippage in the eHealth programme and more recently reductions in eHealth funding. From 2012 up to 2015 the money “held” by NHS Tayside was returned the following year, through RRL transactions. From 2016/17 the money being held became a larger sum, and we understand that NHS Tayside were informed they did not need to pay back the 2016/17 monies during 2017/18 due to overall eHealth slippage. In 2017/18 NHS Tayside requested a further sum of 2.7 million, in addition to the sum they were still “holding”.

In 2016/17 NHS Tayside effectively used the money they were holding (circa £2 million) to offset general expenditure in year, which supported them in showing a more favourable financial position. As a result this misrepresented NHS Tayside’s financial position. For 2017/18 NHS Tayside were planning on having eHealth monies to hold within their RRL of £5.3 million (the 2016/17 balance plus an addition £2.7 million which was requested in February 2018 but not processed). This £5.3 million was required in order for NHS Tayside to achieve the forecasted £5 million deficit in year, which was being reported to Scottish Government.

Ultimately this arrangement supported NHS Tayside given their financial challenges but also the eHealth programme administrated by NSS, as slippage could then be carried forward for future use eHealth programme use.

Overall, there was a lack of openness, governance and wider transparency over these transactions between 2012 and 2017, in particular between the two Health Boards and the Scottish Government. We did not identify specific evidence which demonstrates a clear intent to mislead the SGHSCD. However, we did identify instances where there could have been greater clarity through reporting, both how these funds were held and used by NHS Tayside; within the eHealth Strategy Board updates where only “retained funds” are referenced rather than the nature of the funds and how they were retained; the reporting of the transactions within the eHealth leads group, and within the eHealth allocation trackers.

Significant findings from our investigation are noted below:

NHS National Services Scotland:

- Based on the various email trails and requests to transfer money via RRL allocations, although this is processed (approved) by the Scottish Government, it appears after approval by eHealth Leads Group NSS eHealth actively directed the money to NSS eHealth to NHS Tayside via the Scottish Government considering the language used.
Key findings (continued)

NHS National Services Scotland continued:

- There is a lack of clarity over whether NSS eHealth monies fall under wider NSS governance arrangements or those of the Scottish Government eHealth team. As a result it appears that the eHealth arrangements fell outside of both respective governance arrangements. The NSS eHealth Head of Finance facilitated a number of the transactions via the Scottish Government, with certain members of the wider NSS finance team copied in at differing points in time.

- We identified that there were inconsistencies and quality issues in the reports used for tracking and monitoring of financial spend and funding commitments and receipts. Reports are confusing, and the risk of spreadsheets within NSS eHealth and Scottish Government eHealth increases the risk of error for example the sums in 2016/17 NHS Tayside were holding dropped off the NSS eHealth tracker in error.

- The email trails reference a number of individuals in the NSS eHealth Team including the Head of Finance. In February 2016 (related to 15/16 monies) emails evidence discussion between the Director of Finance at NHS Tayside, who explains the Tayside financial position and the associated income position and the Director of Finance at NSS, who also confirms that NHS Tayside can “bank” funds. In certain emails the Director of Finance at NSS is copied in, indicating awareness of the situation at this point in time. The email trail appears to indicates that the Director of Finance at NHS Tayside was planning on using the eHealth money as part of their overall income that year, and that the Director of Finance at NSS was aware of this intention.

- Within the NSS internal audit report there is an acknowledgement of historic practices. However, practices which appear out with the norm should have been challenged and raised – particularly given NHS Tayside’s financial position in the later years of the transactions.

NHS Tayside:

- Since 2012, the Board’s reported financial performance has been misrepresented. The Board recognised allocations that were communicated at the eHealth working group as being ‘held’ on behalf of eHealth Leads (other health boards) to support their underlying financial performance (as in effect income was recognised through the total RRL allocation but no corresponding expenditure).

- There is a lack of controls in place at NHS Tayside around the approval for amendments to revenue resource allocations to/from the Scottish Government and the nature of these funds.

- The financial monitoring reports presented to the Directors Group and Finance Committee / NHS Tayside Board do not detail the eHealth funding transactions. Given the significance of the transaction values (£2.582 million in 2016/17) on the Board’s reported outturn position, and that they would need to be repaid in future years through reductions in resource allocations, we would have expected this to be identified in monitoring reports.
Key findings (continued)

NHS Tayside continued:

• The eHealth funding transactions were not visible across either internal management reports or the Board / Finance and Resources Committee papers. While not in the scope of our review, we have significant concerns around the practices being followed by NHS Tayside in relation to the use of funds to offset expenditure to which the funding had not been provided. This process has been embedded into the Board’s financial planning and financial reporting processes for a number of years and therefore has masked the underlying operating position of the Board.

• There does not appear to have been any challenge by the Board around the accounting treatment of eHealth monies as well as other monies recognised in year but for which expenditure was deferred to future years. This we think is due to a lack of reporting of the transactions, as the knowledge of these transactions seems to be contained to the NHS Tayside Director of Finance, NSS eHealth and the eHealth Leads group. They have been in effect “off budget reporting” transactions.

eHealth and the SGHSCD:

• There was a lack of scrutiny and challenge from eHealth leads to consider the nature of the arrangements in place that allowed NHS Tayside to ‘hold’ the funds. The eHealth leads are IT/Operational leads from the respective NHS Boards and therefore not necessarily of a financial accounting background. The eHealth Leads group were focused on operational delivery of eHealth programmes.

• The Deputy Director eHealth has responsibility for ensuring resources under his remit are spent appropriately. The transfer of funds to NHS Tayside to “carry forward” for eHealth programmes were not appropriate, given these would not be utilised by the Board in the year.

• There are opportunities to enhance the oversight and scrutiny of resource transfers within SGHSCD and eHealth Leads. Within SGHSCD we would have anticipated that the nature of the transfer request should have prompted concerns around the purpose and use of these funds. Meetings took place between SGHSCD Finance and NSS to monitor the financial performance across national programmes but these did not identify clearly that NHS Tayside were holding funds on behalf of the NSS eHealth programme. Likewise, there is significant scope to enhance the current financial monitoring arrangements in place across the eHealth Leads group.
Our conclusions

Based on our review, there were a number of different parties involved in the process – NHS Tayside, NSS, NSS eHealth team and Scottish Government eHealth. As evidenced in our review of the supporting emails, relevant papers reviewed and those interviewed we would conclude:

EHealth leads
This was an IT operational group, representing all Boards. Based on the review of the minutes this group was focused on the delivery of the various eHealth programmes. The focus was on delivering the programmes planned within the eHealth budget and to minimise slippage. Whilst the group did get finance updates, the group on the whole were not financially aware (given operational focus). The group did approve the carry forward of eHealth funds where slippage was incurred from 2012 but we believe this was in the context of looking to ensure eHealth programmes were still delivered and they were not aware of the financial consequence, in particular how NHS Tayside would account for this money. The NHS Tayside Director of Finance was not on this group.

NSS eHealth Finance (part of NSS Finance)
This team were focused on the overall eHealth budget and delivering the planned eHealth programmes. Based on the email exchange they acted to ensure eHealth monies were not retained back into Scottish Government but believed could be in effect held, and brought back into NSS the following year to fund ongoing eHealth programmes. It is unclear why NHS Tayside were the Board to “hold monies” in 2012 but coincides with the first year the Board received brokerage. As the arrangement progressed, this became beneficial to both NHS Tayside and eHealth as there was greater slippage in the programme alongside reductions in future funding. This arrangement was reported to the eHealth group and was approved by the Scottish Government eHealth team who processed the transactions via RRL allocations.

Wider NSS Finance
Between 2012 and 2017, more latterly from February 2016 onwards members of the NSS finance team were aware of the funding arrangements and that NHS Tayside were holding e-Health monies to be returned the following year. This is evidenced in email exchanges between the NHS Director of Finance for Tayside and the NSS Director of Finance (relating to 2015/16 monies). Therefore, although being aware, this was never raised as a potential issue or concern, particularly in light of the NHS Tayside financial challenges and therefore a historic practice was allowed to continue. NSS as an organisation did not get visibility of the overall eHealth budget as it was considered as ‘pass through monies’ and therefore not subject to NSS governance or scrutiny arrangements at the overall budget level.
Our conclusions (continued)

NHS Tayside
Up until 2016/17 NHS Tayside “held” the money and the returned the money to NSS via negative RRL allocations. In 2017/18 NHS did not return the £2.582 million allocation received in 2016/17 as it was not required by the eHealth programme. The nature of this transaction with was not visible in any of NHS Tayside’s internal reporting arrangements, including executive team updates, reporting to finance committee and the Board. The money was accounted for in the RRL position for NHS Tayside but not declared or reported as not being related to in-year expenditure, and therefore deferred income. Therefore misrepresenting NHS Tayside’s financial position.

Scottish Government eHealth
Over the period of time, NSS eHealth directed the Scottish Government eHealth team to make the respective RRL allocation adjustments, setting out the rationale. The Scottish Government eHealth team processed these transactions and did not scrutinise or challenge the rationale. The Deputy Director of eHealth was involved in the eHealth leads group, but similar to the wider group we understand their role, based on minutes, was focused on operational delivery of the projects. We would have expected additional controls to be in place to scrutinise and challenge the legitimacy of the requests and subsequent transfers.
Background

eHealth is a national programme designed to deliver the Scottish Government and NHS Scotland’s eHealth Strategy. The Scottish Government eHealth Division support/lead a range of workstreams, working with regional and other Boards, to drive forward the eHealth agenda.

The eHealth programme is administered by NHS NSS on behalf of the Scottish Government and eHealth Leads. The eHealth activity is governed through eHealth Leads Group which includes senior IT representatives from the regional Boards, national Boards (including NSS) and the Scottish Government eHealth Division.

During 2016/17 the Scottish Government invested £73.6 million in the core eHealth national programme. This is allocated across the Boards directly by the SGHSCD.

During the year, in addition to this core funding, discrete funding allocations may occur via RRL transactions related to specific eHealth projects.

NSS Finance manages the reporting of the eHealth financial position against budget and reports monthly to eHealth Leads (and eHealth finance subgroup when in operation).

In 2012, the eHealth Leads group recognised the requirement for a reinvestment fund to be established to support future investment in IT infrastructure. The fund was generated through surplus eHealth monies generated annually through unspent budget allocations achieved through planned efficiencies and unplanned slippages. This, along with subsequent allocations for specific multi-year programmes has resulted in eHealth having balances at the end of each financial year 2012-17 that they wished to carry forward to be used in future years.

As agreed at the eHealth Leads meeting, NHS Tayside have facilitated the carry forward of unspent balances on behalf of eHealth programme since 2012. This coincided with the first year of NHS Tayside’s financial challenges, and therefore they were able to “hold” the funds within their RRL without declaring a potential surplus to be returned to Scottish Government, as they were already in receipt of brokerage.
Funding allocations

In 2012, the former Deputy Director of eHealth agreed (as minuted) that the forecast reinvestment fund balance at March 2013 of £0.870 million, would be “carried forward” by NHS Tayside.

This was on the basis that NHS Tayside had the ability to do so. This was because the Board had operational deficits which meant that additional resource allocations did result in significant overspends.

This was transacted through Scottish Government Revenue Resource Limit (RRL) allocations with NHS Tayside receiving an in year increase in its allocation and NSS receiving an equal and opposite reduction. In 2012/13, NHS Tayside recognised this allocation as part of its Core RRL in the annual financial statements. The transaction was reversed the following year, with the funding allocation returned to NSS.

This arrangement was effectively an informal form of brokerage with NHS Tayside receiving additional resource allocations, which were effectively being used against operational spending pressures and then returned back to NSS via Scottish government through reductions in future years allocation.

In each of the following years, this series of transactions took place for sums ranging between £0.538 million and £2.582 million. In each instance, the initial allocation of the eHealth reinvestment fund has been authorised by the former Deputy Director of eHealth and processed via the SGHSCD reallocation process.

Each of the transactions were reported to the eHealth Leads group (and while in operation the eHealth Finance subgroup) through disclosure in financial monitoring reports covering the eHealth programme, albeit we note these reports are difficult to follow and that the eHealth group as an operational group did not necessarily contain suitable financial expertise. We have agreed each of the transfers to Scottish Government allocation letters.
Background (continued)

Funding allocations continued

The diagram below summarises the process for the transfer of resource allocation between NSS and NHS Tayside via the SGHSCD revenue allocations. The diagram also shows how this allocation is returned in the subsequent financial year. This process was repeated on an annual basis.

**Year 1**
- **NHS NSS**: Reduction in annual RRL equal to year-end balance on reinvestment fund
- **Scottish Government**: Increase in annual RRL equal to year-end reinvestment fund balance
- **NHS Tayside**: Reduction in annual RRL equal to year-end balance on reinvestment fund

**Year 2**
- **NHS NSS**: Increase in RRL of the returned reinvestment fund
- **Scottish Government**: Return of PY reinvestment fund balance allocation through negative RRL
- **NHS Tayside**: Increase in annual RRL equal to year-end reinvestment fund balance
## Timeline

<table>
<thead>
<tr>
<th>Year</th>
<th>Summary of transactions</th>
<th>£m</th>
<th>Narrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/13</td>
<td>£0.87 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on reinvestment fund</td>
<td>0.87</td>
<td>This transactions has been agreed to email correspondence between all parties including the former Deputy Director for eHealth.</td>
</tr>
<tr>
<td>2013/14</td>
<td>£2.2 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on reinvestment fund</td>
<td>2.2</td>
<td>These transactions have been agreed to email correspondence between all parties including the former Deputy Director for eHealth.</td>
</tr>
<tr>
<td></td>
<td>Return of 2012/13 resource allocation from NHS Tayside to NSS via SGHSCD resource allocations</td>
<td></td>
<td>(0.87)</td>
</tr>
<tr>
<td>2014/15</td>
<td>£0.538 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on reinvestment fund</td>
<td>0.538</td>
<td>These transactions have been agreed to email correspondence between all parties including the former Deputy Director for eHealth.</td>
</tr>
<tr>
<td></td>
<td>Return of 2013/14 resource allocation from NHS Tayside to NSS via SGHSCD resource allocations</td>
<td></td>
<td>(2.2)</td>
</tr>
<tr>
<td>2015/16</td>
<td>£0.647 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on reinvestment fund</td>
<td>0.647</td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>Return of 2014/15 resource allocation from NHS Tayside to NSS via SGHSCD resource allocations</td>
<td></td>
<td>(0.538)</td>
</tr>
<tr>
<td>2016/17</td>
<td>£2.538 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on eHealth programmes and reinvestment fund</td>
<td>2.538</td>
<td>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:</td>
</tr>
<tr>
<td></td>
<td>- £0.970 m (eHealth strategic transformation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- £0.962 million (eHealth strategic infrastructure)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- £0.3 million (CHI &amp; Child health)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- £0.35 million (OOH)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>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.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.647)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017/18</td>
<td>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</td>
<td>2.7</td>
<td>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:</td>
</tr>
<tr>
<td></td>
<td>- £0.950 million (eHealth applications transformation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- £0.550 million (eHealth applications reprocurement)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- £0.9 million (CHI &amp; Child health)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- £0.3 million (eHealth applications infrastructure)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>We note that the £2.538 million allocation from 2016/17 has not been returned to NSS eHealth in the current year.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
eHealth structures and funding

eHealth

The Scottish Government eHealth strategy (2011-17) defines eHealth as the use of ICT to meet the needs of individuals to improve the health of citizens including electronic information recording and sharing between individuals and bodies. The Scottish Government eHealth Division lead a run a range of workstreams, working with regional and other boards, to drive forward the eHealth agenda. The eHealth programme is administered by NHS NSS.

The eHealth activity is governed through eHealth Leads Group which includes senior representatives from regional boards, national boards (including NSS) and the Scottish Government eHealth Division. During 2016/17 the Scottish Government invested £73.6 million in core eHealth funding. This is allocated across the Boards, managed by the Scottish Government Health Division. Health boards also invest in eHealth programmes. However, there is no central monitoring of such expenditure and this is distinct from Scottish Government core investment. In addition, there are distinct elements of funding provided by the Scottish Government for individual programmes that may fall under the eHealth umbrella. For core eHealth funds, these are allocated to Boards through their wider IT budget allocations. Where central eHealth programmes are initiated these are transferred to NSS through the ‘payments on behalf of Board’ process.

The Head of Finance (IT) within NSS then manages the progress v budget across eHealth programmes and NSS present reports to eHealth Leads and eHealth finance subgroup meetings. Wider IT programmes are not within the scope of our investigation.

eHealth Reinvestment fund

In 2012, eHealth agreed (as minuted) that the reinvestment fund balance for 2013/14 of £0.870 million, would be “carried forward” by NHS Tayside. This was transacted through Scottish Government Revenue Resource Limit (RRL) allocations with NHS Tayside receiving an in-year increase in its allocation and NHS Tayside receiving an equal and opposite reduction.

In 2012/13, NHS Tayside recognised this allocation as part of its Core RRL in the annual financial statements. The transaction was reversed the following year, with the funding allocation effectively returning to NSS.

In each of the following years, this series of transactions took place for sums ranging between £0.538 million and £2.582 million. In each instance, the initial allocation of the eHealth reinvestment fund has been initiated by NSS and NHS Tayside and authorised by Scottish Government eHealth. Each of the transactions were reported to the eHealth Leads group (and while in operation the eHealth Finance subgroup) through disclosure in financial monitoring reports covering the eHealth programme.

From 2015/16, the amounts “held” by NHS Tayside included allocations that were outwith the original eHealth Reinvestment fund. This included £0.3 million (CHI & Child health) and £0.35 million (OOH). These arrangements were agreed with the Head of Primary Care. The funds are for eHealth related programmes and monitored through eHealth leads.
NSS have recognised the transaction through movements in their RRL. As the Board does not have the authority to transfer these funds directly to other health boards, the funds were transferred through the Scottish Government by adjustments in resource allocations. The reinvestment fund balance held at the end of each of the financial years since it was established in 2012, has been transferred from NSS to NHS Tayside through RRL allocations. We have agreed these allocations to Scottish Government allocations letters for each of the boards and email confirmation authorising the transfer. It appears that after eHealth Leads Group approved the transfer, eHealth actively directed SG transfer funds to NHS Tayside.

NSS internal auditors have conducted an investigation of eHealth funds at NSS. The review identified a number of recommendations around the control and governance arrangements in place within NSS around the administration of eHealth funds. Through our own investigation including: discussions with the Head of Finance, IT (NSS); review of email correspondence between NSS, Scottish Government and NHS Tayside, and considering the findings from internal audit’s report, the following findings have been identified:

Transactions

The Scottish Government provides funding to NSS for eHealth through resource allocations. eHealth then administer these funds accordingly on behalf of eHealth Leads group. As noted in our timeline, the unspent eHealth funding was returned to Scottish Government in the form of negative allocations. While the funds were often significant (2016/17: £2,582 million), there appears to be no requirement internally within NSS for the changes to be authorised or explained.

The email correspondence from NSS with the Scottish Government and NHS Tayside in relation to the transaction, primarily involved the NSS Head of Finance. We understand from NSS internal investigations that the NSS Director of Finance was only aware of the eHealth allocations to NHS Tayside through the SGHSCD resource allocations in 2016. This is consistent with the review of email correspondence around the transactions where the NSS Director of Finance is included within the email trail relating to 2015/16 transactions. We understand from the Internal audit investigation that the Director of Finance had concluded that the eHealth monies were deemed as SGHSCD’s own budget which NSS only administered. As the reverse transfer arrangement had been agreed with and processed through the Scottish Government (eHealth Deputy Director), as this was considered to be sufficient.
On 23 February 2018 an email from NSS to the Scottish Government’s Finance Team requesting transfer of allocation in 2017/18 to NHS Tayside was recalled. The recalled email contained an email trail dating back to 10 March 2017. This includes emails from the NSS Head of Finance, NHS Tayside’s Director of Finance and Scottish Government (eHealth) team which includes the following extract:

“In order to clarify for everyone copied, these are “national funds” for programmes such as Chi and Child Health and GP IT rather than “NSS funds”; NSS is helping to arrange the brokerage and thanks NHS Tayside on behalf of the national programmes for assisting with this”

In the subsequent email from NSS to Scottish Government Finance and NHS Tayside, the email trail was removed and the transfer request is broken down into four separate transactions.

NSS Internal audit’s investigation concluded that this was recalled because it did not provide sufficient detail of the breakdown of the transaction. This is consistent with our own discussions with NSS Head of Corporate Reporting. NSS internal audit confirmed that from discussions with the NSS Head of Corporate Reporting that she was aware that the recalled email trails referred to “brokerage” and in her view this was not appropriate as this was not her understanding of the arrangement. Therefore this had been excluded from the follow up email.

Authorisation and oversight

There are clearly lessons for senior budget holders around greater understanding of the implications on local boards on funding decisions, in particular where there are late allocations or in the case of eHealth funds allocations that are effectively ring-fenced for returning to Scottish Government at a future date. Health boards are required to manage and report their financial performance against annual resource allocations and therefore where funds are allocations which are unlikely to be utilised in year these should be returned to the Scottish Government.

NSS maintain monitoring spreadsheets on behalf of the eHealth leads which provides a breakdown of expenditure and funding in the current year as well as forecasted financial activity. This spreadsheet is an important tracker of the eHealth Reinvestment fund as it is where the eHealth Leads can monitor the balances due from NHS Tayside. Towards the end of 2016/17, the tracker which recorded the £1.9 million of the £2.582 million held by NHS Tayside on behalf of eHealth and which was due to be returned via Scottish Government allocations was amended to £0.35 million. This was due to the spreadsheet focusing on the current year’s forecast revenue (including funding returns) which had been reduced reflecting the agreement for NHS Tayside to continue to ‘hold’ the funds until 2018/19. Visibility and transparency of the remaining balance due from NHS Tayside was lost at this point. We note that the Scottish Government Finance team maintain a separate spreadsheet which does record the outstanding amounts, however this is at a higher level. This creates a risk that the future anticipated transfer from NHS Tayside could be missed and therefore eHealth monies not utilised for their purpose intended.
In addition, we found from review of the tracker that there were inconsistencies in the recognition of the source of carry forward balances in 2016/17 between the NSS Head of Finance and SGHSCD. While this did not impact on the overall financial monitoring arrangements it highlights weaknesses in the current administration of the accounting records. The NSS internal audit investigation concluded that within NSS there is insufficient monitoring of financial activity in relation to national programmes and that there was insufficient scrutiny over the programme activity at both the senior management and Board level. The investigation has recommended that controls are established over the authorisation of budgets and financial monitoring arrangements. Our review has found further areas where the controls need to be enhanced.

Finding 1: There are significant improvements required to the controls over the administration, scrutiny and oversight of funds being administered by NSS on behalf of national programmes. While we recognise that the use of these funds (including eHealth monies) may not under the direct control of NSS, they are included within the NSS annual SGHSCD allocations and therefore the Board are responsible for ensuring these funds are appropriately held and monitored. In addition, there should be a clear alignment between NSS monitoring and Scottish Government finance monitoring arrangements with only one tracker used.
NHS Tayside received funding each year to ‘hold’ on behalf of the eHealth reinvestment fund. The mechanism for transferring the funds was through an increase in revenue resource allocation for the year. In all but one year (2013/14), where the reinvestment fund balance was lower at the year end, the NHS Tayside had a net increase in in-year revenue resources from the allocation. The Boards’ financial performance is measured against agreed revenue resource limit.

Transactions and impact on underlying financial position

We reviewed NHS Tayside’s financial statements and agreed that the transferred sums are included within the disclosed revenue resource allocation. However, no disclosure has been made within the financial statements to highlight that the Board’s allocation includes sums held on behalf of eHealth Leads for a future year.

Since 2001-02, under Resource Accounting and Budgeting (RAB), NHS Boards are provided with a Revenue Resource Limit, a Capital Resource Limit and a Cash Requirement. The RRL is not accrued in the accounts rather it is a limit set by the Scottish Government Health and Social Care Directorate, within which NHS Boards are required to contain their expenditure.

In recognising the eHealth reinvestment funds at the end of each financial year as part of the Board’s RRL, for which corresponding expenditure has not been incurred, NHS Tayside has not appropriately disclosed its true financial performance in year. The table below summarises NHS Tayside’s underlying financial position when eHealth monies being held each year are removed against the reported position.

<table>
<thead>
<tr>
<th>Year</th>
<th>Reported £m under / (over) RRL £m</th>
<th>Net in year impact of eHealth funds £m</th>
<th>Underlying financial position under / (over) RRL £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/18*</td>
<td>(5.0)</td>
<td>(5.238)</td>
<td>(10.238)</td>
</tr>
<tr>
<td>2016/17</td>
<td>0.117</td>
<td>(1.891)</td>
<td>(1.774)</td>
</tr>
<tr>
<td>2015/16</td>
<td>0.145</td>
<td>(0.109)</td>
<td>0.034</td>
</tr>
<tr>
<td>2014/15</td>
<td>0.58</td>
<td>1.662</td>
<td>2.242</td>
</tr>
<tr>
<td>2013/14</td>
<td>0.199</td>
<td>(1.33)</td>
<td>(1.131)</td>
</tr>
<tr>
<td>2012/13</td>
<td>0.274</td>
<td>(0.87)</td>
<td>(0.596)</td>
</tr>
</tbody>
</table>

*The Board financial forecasts as at February 2018, are dependent on the receipt of £2.7 million of eHealth funding in the current year and retained carry forward from 2016/17 of £3.583 million

In 2016/17, NHS Tayside received funding of £2.582 million which the Board agreed with eHealth Leads that it would carry forward to 2018/19 rather than repaying in 2017/18. In addition, towards the end of 2017/18, the Board’s Director of Finance requested the transfer of a further £2.7 million being the eHealth surplus monies from 2017/18.
NHS Tayside (continued)

Transactions and impact on underlying financial position continued

From review of NHS Tayside’s Directors’ Group Finance Briefing paper (14 February 2018) the receipt of these monies is essential to enable the Board to deliver its targeted outturn position. The paper identifies that one of the following risks to the delivery of a £5 million 2017/18 outturn position included the following risk: £2.7 million of “eHealth funding transfer from NSS, required to support deferred spend target”. The paper goes on to note that “verbal and email agreement received from NSS. Transfer requires to be processed through SGHSCD allocations in February”.

Finding 2: NHS Tayside’s reported financial performance may be misrepresented for the past five years. The Board recognised allocations that were communicated at the eHealth working group as being ‘held’ on behalf of eHealth Leads (other health boards) to support their underlying financial performance.

Processes

The carry forward of the eHealth reinvestment fund balance was part of the overall eHealth financial strategy to meet future year financial pressures. Agreement to the receipt of transfers of year end surplus balances of eHealth funding was through email confirmation from either the NHS Tayside Director of Finance or NHS Tayside Director of eHealth, to eHealth and NSS. From review of Finance and Resources committee papers and supporting documentation, there does not appear to have been any wider consultation or approval for these transactions within the Board. The NHS Tayside Head of Finance and, on occasion, the NHS Tayside eHealth Director were also included within email trails. However, representation from NHS Tayside was through the Director of Finance.

We understand that there are currently no documented procedures around required approval or agreement to revenue allocation changes. The NHS Tayside Director of Finance made representations on behalf of NHS Tayside to agree to the receipt of additional allocations each year as well as the subsequent repayment of the amounts. There is no independent review and authorisation of these transactions.

Finding 3: There is a lack of controls in place at NHS Tayside around the approval for amendments to revenue resource allocations to the Scottish Government. In addition, due to the lack of transparency in financial reporting arrangements, there has been a lack of challenge or effective monitoring of allocation adjustments in year.
NHS Tayside (continued)

Processes continued
During 2017, the NHS Tayside Director of Finance made a specific request for the year end allocation of funding to be split across four different funds. Due to the lack of detailed records to support and authorise the Board’s agreement to revenue allocation adjustments, we have been unable to confirm the rationale as to why the revenue allocation was requested in this manner. From consideration of NHS Tayside’s financial monitoring reports we cannot find any rationale why the funds would require to be split. We do not consider this activity as indicating anything untoward as the Board reporting (as noted below) was not sufficiently transparent to allow the reader to easily identify the £2.582 million balance.

Oversight and review
We have reviewed NHS Tayside’s year end outturn financial monitoring reports presented to the finance committee since 2012. We have also reviewed internal management reports summarising the financial performance in year presented to the Directors Group. The reports do not detail the nature of individual adjustments to revenue allocations each financial year. We found that the eHealth funding is not specifically referenced. The balance is included within ‘earmarked reserves’ and deferred expenditure. As NHS Tayside will never incur “expenditure” in relation to this revenue allocation as it will be returned to NSS via negative allocations in future years, we consider the recognition of this inappropriate.

Finding 4: The financial monitoring reports presented to the Directors Group and Finance Committee / NHS Tayside Board do not detail the eHealth transactions. Given the significance of the transaction values (£2.582 million in 2016/17) on the Board’s reported outturn position we would have expected greater transparency in monitoring reports. Given the transaction was not explicitly reported in financial monitoring reports it would be difficult for other members of NHS Tayside senior management or the Board to be aware of the arrangement.
**Earmarked reserves / deferred expenditure**

NHS Tayside financial plans recognise amounts that are earmarked for the financial year. This includes amounts defined as ‘deferred expenditure’ relating to funding received from SGHSCD but for which the costs will not be incurred for future years. The Directors’ Group Finance Briefing paper (14 February 2018) outlines the projected financial position for the year ended 31 March 2018. This paper is signed by the Strategic Director of Finance, the Director of Finance and the Head of Finance. From our review we have identified that the eHealth monies subject to our investigation are included within a wider reported balance of deferred expenditure.

NHS Tayside have “over many years” had a process whereby its financial plans incorporate an element of deferred expenditure i.e. costs incurred in delivering projects that may have slipped where funding from SGHSCD was received in the prior year. This would be partly offset by assumed levels of SGHSCD receipts that would not incur costs in the forthcoming year. This process resulted in the Board recognising SGHSCD funding without incurring the costs involved in the programme. This inconsistent with principles of annual resource allocations, whereby if boards are unlikely to incur the expenditure that the funding is for it should either be returned to the Scottish Government or an agreement to utilise in the current year.

Finding 5: The investigation of eHealth monies including review of financial budget and monitoring papers as well as discussions with the NHS Tayside Head of Finance, raises concerns around NHS Tayside’s financial management arrangements. There does not appear to have been any challenge from across the Board around the accounting treatment of eHealth monies as well as other monies recognised in year but for which expenditure was deferred to future years. This, in our view, demonstrates a lack of understanding around the principles of resource accounting within the NHS.

The NHS Tayside Strategic Director of Finance is undertaking a strategic review of the Board’s underlying financial position and rebasing financial plans which is due to report by 23 March 2018. While this review is ongoing, we would anticipate that there will be a significant increase in the forecasted budget gap and required levels of savings as the Board look to establish more robust financial plans. This will include the reliance on deferred expenditure, including eHealth, to manage the financial position.

Finding 6: The eHealth money transactions were not visible across either internal senior management financial reports or the Board / Finance and Resources Committee papers. While not in the scope of our review, we have significant concerns around the practices being followed by NHS Tayside in relation to the use of funds to offset expenditure to which the funding had not been provided. This process has been embedded into the Board’s financial planning and financial reporting processes for a number of years and therefore has partially masked the underlying operating position of the Board.
eHealth and Scottish Government

Transactions

The eHealth Leads includes representatives from across territorial health boards, national boards and the Scottish Government. From review of eHealth minutes and email correspondence from the NHS Tayside Director of Finance, NSS Head of Finance, and the former Deputy Director (eHealth) the rationale for NHS Tayside receiving the funds is inconclusive. Through discussions with the former eHealth Deputy Director and NSS Head of Finance, we have been informed that NHS Tayside were ‘holding’ the funds as that they had the capacity to do so. There does not appear to have been any challenge or scrutiny of this proposed arrangement either when it was initially established or in the subsequent years.

At the eHealth Finance subgroup meeting of 2 February 2015, the NSS Head of Finance noted at that “there is a new Finance Director in NHS Tayside and the current arrangements may be an issue; IT to investigate this further however it was recognised that there is a Plan B in place if this is no longer appropriate”. The NSS Head of Finance, eHealth Lead from NHS Dumfries and Galloway and former eHealth Deputy Director have informed us that the ‘Plan B’ was to return the funds to the Scottish Government. This option was not considered as NHS Tayside were comfortable to continue with the arrangement.

The treatment of the eHealth funds is inconsistent with Scottish government funding principles of annual resource allocations to meet annual challenges. There appears to have been a degree of naivety across eHealth leads members around the impact on NHS Tayside of ‘holding’ funds on behalf of eHealth as well as within the Scottish Government when these transfers were requested. Discussions with senior members of eHealth indicate that the primary focus of the group was the delivery of a multi-year national programme and therefore there was not a significant level of focus around financial year end balances. Furthermore, the membership of the eHealth Leads group was predominantly project and technical specialists and therefore limited financial experience.

Finding 7: From review of the eHealth committee and finance sub-committee we noted a lack of scrutiny and challenge from eHealth leads to question the nature of the arrangements in place to allow NHS Tayside to ‘hold’ the funds. This was partly due to historic arrangements with NHS Tayside and in our review a lack of NHS finance experience on the group to challenge the arrangements. It appears that decisions were being made at this forum that were directly impacting on Boards’ resource allocation but without sufficient financial representation.
eHealth and Scottish Government (continued)

Transactions continued

We have inconsistencies in key parties understanding around responsibility for eHealth funds. From discussions with the former eHealth Deputy Director as well as the NSS Head of Finance and NHS Tayside Head of Finance, there does not appear to be a clear understanding of roles and responsibilities in relation to the transfer of revenue resource allocations. In our opinion this is ultimately the responsibility of the eHealth Deputy Director.

Finding 8: The Deputy Director eHealth has responsibility for ensuring resources under his remit are expended appropriately. In our view, the approval to transfer allocations to NHS Tayside at the end of each financial year was inappropriate given the former Deputy Director of eHealth was aware these funds would not be utilised by NHS Tayside in year for the purposes intended. We acknowledge that colleagues from NHS Tayside and NSS have their own duty of care surrounding the use of these funds as well as the wider eHealth leads group. From review, there appears to be limited financial support available to the Deputy Director of eHealth with significant reliance on information provided by the NSS Head of Finance.
The resource transfer requests are passed on by the authoriser (Deputy Director of eHealth) to officers within the Scottish Government Health directorate for processing. These funds are processed with authorisation from the relevant budget holder (eHealth Deputy Director) within the Scottish Government and the budget allocation is adjusted through revenue resource allocation process. The allocations form part of the SGHSCD standard funding allocations arrangements. While there may have been an opportunity for more robust scrutiny of these transfers centrally, there are a significant volume of allocation adjustments processed across all health boards throughout the year. In addition, negative allocations to boards are not unusual transactions and in the context of health board revenue allocations, the balances being transferred are not significant. Consequently, there is an inherent reliance on scrutiny and authorisation from budget holders to ensure that the transfer is appropriate.

We have noted that currently the narrative to support the revenue resource transfers is limited on the resource transfer request form. Therefore we would have expected greater scrutiny of the supporting email trail to enable the finance team to understand the rationale for the transfer and sense check that it was appropriate. The email trail would have highlighted the purpose of the funds transfer. In our opinion this should have resulted in concerns being escalated sooner around the appropriateness of the arrangement. Furthermore, for the authorisation of Out of Hours and CHI balances in 2016 and 2017, senior officers within the Scottish Government, including the Head of Primary Care, were included in email trails that noted that NHS Tayside were retaining funds.

Finding 9: Whilst we recognise that the revenue resource transfers are authorised by appropriate budget holders within the Scottish Government, we would expect there to be scrutiny of these within finance before processing. Given the limited information on the transfer form, our expectation would be that the supporting email trail would have been reviewed which should have highlighted that a Health Board was holding balances at the year end.

From review of the revenue resource transfers since 2012 relating to eHealth monies between NHS Tayside, NSS and the Scottish Government, we have confirmed that all but one transaction has been authorised by the Deputy Director of eHealth. During 2016/17 the return of £647,000 of eHealth resource allocations from NHS Tayside to NHS NSS via the Scottish Government did not include formal email confirmation from the Deputy Director of eHealth. However, we are satisfied that there was sufficient oversight through the initial transaction (i.e. known this was due for return) and from minutes of the eHealth Leads group that the Deputy Director was aware of this transaction. However, it still should have been formally authorised.
Governance and oversight

Whilst we recognise financial performance is discussed, we believe the quality of the financial reporting could be significantly enhanced. From review of the financial monitoring reports we identified that the £1.932 million allocation to NHS Tayside was reported as coming from the Scottish Government’s eHealth budget allocation (circa £7 million) rather than from the reinvestment fund (as described in the allocation). In addition, the tracker does not cover the additional allocations that were made to NHS Tayside for Out of Hours and CHI funds. While these fall within the overall eHealth budget they don’t form an explicit part of the reinvestment fund.

During 2016/17, the SGHSCD Financial Performance Manager met with representatives from NSS which we understand was to discuss overall national programme finance, including eHealth. While the meetings were not minuted, NSS internal audit clarified that the papers included reference to NHS Tayside retaining funds on behalf of eHealth.

Finding ten: There are opportunities to enhance the current financial monitoring arrangements in place across the eHealth Leads group as well as the finance sub-committee to provide more transparent monitoring for the group of the overall programme. While we acknowledge that the Scottish Government eHealth central budget is not within the remit of the eHealth Leads group, it is important to ensure transparency of amounts reported.

Whilst we have identified opportunities to enhance the financial reporting and monitoring arrangements, discussions with various members of the eHealth Leads group and review of minutes makes it clear that there was a clear understanding that NHS Tayside were ‘holding’ the funds on behalf of eHealth. However, what was not clear or considered at the meetings was the implications for accounting for such arrangements.
Appendix 1: Contacts list

The individuals engaged as part of this review:

**Review sponsor**
Director of Finance, Scottish Government Health and Social Care Directorate

**Scottish Government Health and Social Care Directorate**
Scottish Government Health & Social Care
Digital Health Governance & Programme Office Manager

**Scottish Government – eHealth**
Former Deputy Director eHealth
Interim Deputy director eHealth (eHealth Lead NHS Dumfries and Galloway)

**NHS National Services Scotland**
Head of Corporate Reporting
Head of Finance (IT)

**NHS Tayside**
Strategic Director of Finance
Director of eHealth
Head of Finance

**Documentation**
SGHSCD revenue allocations 2012 – 1017 for NHS Tayside and NHS NSS
NSS Internal Audit report and subsequent clarification letter with respective attachments (19/03/2018)
Minutes of the eHealth Leads Group meetings 2012 - February 2018
Minutes of the eHealth Leads Finance Subgroup
Minutes of the NHS Tayside Board meetings and Finance and Resources Committee
Minutes and Finance Papers from the NHS Tayside Directors meetings
email correspondence provided by SGHSCD and others relating to funding requests and approvals over the timeline
Dear Mr Gray

Grant Thornton Independent Review: eHealth Funding between eHealth, NHS National Services Scotland and NHS Tayside between 2012 and 2018

As Accountable Officer I welcome the independent review into the transactions between the Scottish Government Health and Social Care Directorate’s (SGHSCD) eHealth programme from 2012 to 2018 and fully accept the findings highlighted in the final report.

As noted within the report I have commissioned the Strategic Director of Finance to undertake a strategic review of the Board’s underlying financial position and rebased financial plans. This report is due to be completed by 23 March. Interim findings were reported to the Board on 5 March which highlighted that the deficit for the year ending 31 March 2018 would be higher than the £5m previously reported.

In terms of the findings of the Grant Thornton independent review, I will now commission an external review to consider the controls in place in NHS Tayside on receipt of allocations and the transparency of deferred expenditure.

I have noted below the actions that I have already taken to address the findings highlighted by Grant Thornton for the attention of NHS Tayside. These actions will be submitted to the Board of NHS Tayside for ratification on 26 March.

Finding 2: NHS Tayside’s reported financial performance may be misrepresented for the past five years. The Board recognised allocations that were communicated at the eHealth working group as being ‘held’ on behalf of eHealth Leads (other health boards) to support their underlying financial performance.

**Action:** The financial forecasts for 2017/18 have been rebased to exclude £5.3m of eHealth funding allocations that had been previously made or indicated would be made available. This has been shared with Scottish Government Health and Care Directorate. The year end position is subject to ongoing review and an update will be reported to the Board on 26 March.
Finding 3: There is a lack of controls in place at NHS Tayside around the approval for amendments to revenue resource allocations to the Scottish Government. In addition, due to the lack of transparency in financial reporting arrangements, there has been a lack of challenge or effective monitoring of allocation adjustments in year.

**Action:** The controls over receipt and accounting for Scottish Government Allocations will be strengthened. This will include a change to the Standing Financial Instructions to ensure that any alterations to the Revenue Resource Limit will be signed off by the Director of Finance and the Chief Executive. Only funds due to NHS Tayside will be reflected in the reporting of the financial position.

Finding 4: The financial monitoring reports presented to the Directors’ Group and Finance Committee / NHS Tayside Board do not detail the eHealth transactions. Given the significance of the transaction values (£2.582 million in 2016/17) on the Board’s reported outturn position we would have expected greater transparency in monitoring reports. Given the transaction was not explicitly reported in financial monitoring reports it would be difficult for other members of NHS Tayside senior management or the Board to be aware of the arrangement.

**Action:** The format of the financial reports has been changed with immediate effect to improve understanding and transparency regarding the financial position. The revised financial reports submitted to the Directors and the Performance and Resources Committee of the Board will now clearly state the underlying financial performance of the operating divisions and the detail of, and the extent to which, non-recurring measures or Board reserves are being utilised.

Finding 5: The investigation of eHealth monies including review of financial budget and monitoring papers as well as discussions with the NHS Tayside Head of Finance, raises concerns around NHS Tayside’s financial management arrangements. There does not appear to have been any challenge from across the Board around the accounting treatment of eHealth monies as well as other monies recognised in year but for which expenditure was deferred to future years. This, in our view, demonstrates a clear lack of understanding around the principles of resource accounting within the NHS.

**Action:** The extent to which deferred expenditure was being utilised to manage the financial position was highlighted in the Assurance and Advisory Group report and by our own Internal Auditors. The Board had instructed the Director of Finance to take steps to reduce the extent to which expenditure was being deferred to support the financial position in response to these findings. As the Independent Report notes, the specific receipt of the national eHealth monies was not transparent to Board members and had not been explicitly highlighted within the reports to Directors or Board members. The Board takes its responsibilities in relation to openness and transparency very seriously and the steps taken to revise the financial monitoring reports should minimise the opportunity for such a situation to arise in the future.

Finding 6: The eHealth money transactions were not visible across either internal senior management financial reports or the Board / Finance and Resources Committee papers. While not in the scope of our review, we have significant concerns around the practices being followed by NHS Tayside in relation to the use of funds to offset expenditure to which the funding had not been provided. This process has been embedded into the Board’s financial planning and financial reporting processes for a number of years and therefore has partially masked the underlying operating position of the Board.

**Action:** As noted above the format of the financial reports has been changed with immediate effect to improve transparency and openness regarding the financial position. The revised financial reports will now clearly state the underlying financial performance of the operating divisions and the extent to which non-recurring measures or Board reserves are being utilised.
In conclusion I hope that the immediate steps that I have taken, with the support of the Board, indicate the priority we have given to rebuilding confidence in the Board’s financial reporting and scrutiny arrangements. Further steps will be taken following the completion of our own internal review and we would expect to maintain a sustained focus on financial performance and review by our Directors Group and Board members.

I look forward to providing regular updates on the progress we are making in the coming weeks.

Yours sincerely

Lesley McLay
Chief Executive
Dear Christine

Plan of Action in Response to Grant Thornton Report: eHealth Funding between NHS National Services Scotland and NHS Tayside between 2012 and 2018

Thank you for the opportunity to articulate our plan of action in response to the Grant Thornton (GT) Report: eHealth Funding between NHS National Services Scotland and NHS Tayside between 2012 and 2018.

NHS National Services Scotland (NSS) recognises the issues highlighted by the GT report and fully supports the general findings but specifically we accept that we have not put the necessary controls in place for effective administration, scrutiny and oversight of eHealth funds on behalf of Scottish Government. Additionally, we acknowledge that our facilitation of money transfers via revenue resource allocations (RRL) to NHS Tayside was undertaken without the appropriate level of authority.

I take this matter seriously and having established the initial facts, I put in place a number of immediate actions to ensure there was scrutiny over eHealth funding. I and the NSS Board are fully committed to working with SG colleagues to further develop and implement any longer term recommendations required.

Background and Immediate Actions

On becoming aware of the issue, the following actions were taken to both understand the details and put in place immediate remedies.

- Internal investigation carried out to establish facts surrounding the issue.
- Increased supervision and oversight established over eHealth funding to ensure clarity and visibility over current spending. The Associate Director of Financial Planning and Analysis has assumed specific responsibility for SG eHealth Funding.
- NSS Chair immediately briefed and additional Board governance arrangements agreed.
- Chairs of NSS Audit and Risk and Performance and Finance Committees briefed and an emergency meeting established with them, myself and the NSS Chair.
- Ongoing oversight through the reporting process has been provided by this group.
When the potential irregularities were brought to my attention, I agreed with the Chair that a separate review was required. An independent investigation into the activities, transactions and decisions taken within NSS was then commissioned to ascertain a full understanding of the situation. This independent investigation was conducted by KPMG LLP, the NSS Internal Auditors. The report from the KPMG investigation was shared with SGHSCD and GT. I have appended the recommendations to this letter and am now working to deliver them.

**NHS NSS Follow-Up Action**

Immediate actions have been put in place to ensure there can be no repetition of these activities within eHealth funding and I and the Board will be working over the short-term to ensure these are working effectively and that the follow up actions from both our own internal KPMG Report and the GT Report are implemented promptly. The following actions are being taken:

- The NSS Board will review all findings to establish what further actions need to be taken. As part of this, we will consult with SG colleagues together with both internal (KPMG) and external auditors (Audit Scotland) to ensure improvements to governance processes and action plans are appropriate and implemented immediately.

- The management response to both the internal (KPMG) and SG (Grant Thornton) findings/recommendations will be scrutinised by the Audit and Risk Committee’s (ARC) Commercial in Confidence meeting on 28 March 2018. This will confirm that the immediate actions in place are being effective and will submit an action plan on further recommendations to the NSS Board at their meeting on 6 April 2018. Actions will be implemented within the required timetable but overall will be concluded by the end of April 2018. The delivery of the action plan will be governed by the Chairs of the Performance and Finance Committee and the Audit and Risk Committee in the short term and by the Board overall.

- The delivery plan will be run and overseen by the Executive Management Team who are accountable to the Board.

- The NSS Board has established a panel of executive and non-executive directors to review whether any actions by individuals warrant further investigation under NSS policies. This will be completed within 2 weeks of the publication of the GT Report.

The NSS Board welcomes the opportunity to address the significant concerns raised by the Grant Thornton report and remains committed to ensuring all actions are implemented to the required timetable. The Board also is committed to regular reporting of progress to SGHSCD.

Yours sincerely

COLIN SINCLAIR
Chief Executive
KPMG LLP Report: NHS National Services Scotland – Investigation of eHealth Funds

Summary of recommendations

- A control requiring appropriate NSS authorisation to be obtained and recorded should be introduced in respect of changes to NSS funding allocations above a de minimis, regardless of how such changes are proposed or initiated.

- The eHealth programme should be monitored by the NSS finance and performance committee at individual project level. Significant variations should be reported to the board and changes in the application of funding should be subject to virement controls.

- The NSS SFIs should be updated to set out the authorisation, management and reporting requirements for all national programmes. There should be an associated risk management and risk escalation process.

- All funding allocations received from or returned to SG where there is an associated requirement for a reversal in a later period should be retained on a listing held by NSS central finance. Changes above a de minimis should only be made with SBU director authorisation.

- All finance team members should be reminded of their lines of responsibility and reporting, including escalation of significant changes to income and expenditure.

- Consideration should be given to refreshing training to finance staff on how to identify and respond to red flags that may indicate matters of concern or matters which increase NSS’s risk.