



OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit Committee

Thursday 13 January 2022

Session 6



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PUBLIC AUDIT COMMITTEE

1st Meeting 2022, Session 6

CONVENER

*Richard Leonard (Central Scotland) (Lab)

DEPUTY CONVENER

*Sharon Dowey (South Scotland) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

*Craig Hoy (South Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stephen Boyle (Auditor General for Scotland)

Joanne Brown (Grant Thornton UK LLP)

Graeme Greenhill (Audit Scotland)

Leigh Johnston (Audit Scotland)

Pat Kenny (Deloitte LLP)

CLERK TO THE COMMITTEE

Lynn Russell

LOCATION

Virtual Meeting

Scottish Parliament Public Audit Committee

Thursday 13 January 2022

[The Convener opened the meeting at 09:15]

Decision on Taking Business in Private

The Convener (Richard Leonard): Good morning. I welcome everybody to the first meeting in 2022 of the Public Audit Committee.

The first item on our agenda is consideration of whether to take in private agenda items 4 and 5. My working assumption is that everybody will agree to do that, but if anybody disagrees, please indicate that by raising your hand.

I do not see any raised hands, so the committee agrees to take in private items 4 and 5.

Section 22 Report: “The 2020/21 audit of Bòrd na Gàidhlig”

09:16

The Convener: The second item on our agenda is consideration of an Audit Scotland report, “The 2020/21 audit of Bòrd na Gàidhlig”. I welcome our witnesses to the meeting. I introduce Stephen Boyle, who is the Auditor General for Scotland; Graeme Greenhill, who is a senior manager for performance audit and best value at Audit Scotland; and Pat Kenny, who is a director of audit at Deloitte PPE.

I invite the Auditor General to make an opening statement.

Stephen Boyle (Auditor General for Scotland): Good morning, convener and committee members. I am presenting this report on our 2020-21 audit of Bòrd na Gàidhlig under section 22 of the Public Finance and Accountability (Scotland) Act 2000.

The previous Auditor General published a report on the 2018-19 audit of the board, which highlighted a number of areas for improvement in the board’s leadership and governance arrangements. My report on the 2020-21 audit has found that the board has responded well to the previous concerns. It has changed the structure of its leadership team and has introduced additional management capacity.

Now in place is a workforce plan that links to the board’s corporate plan and identifies future workforce requirements. The number of non-executive board members has reduced, and skills gaps that were previously identified have been addressed through recruitment of two new board members who have relevant financial experience.

Rules about and the responsibilities of the senior management team, its committees, the board and sponsor teams are now clearer, following additional training. The board’s framework document with the Scottish Government has been updated.

Openness and transparency have significantly improved. All committee and board meetings are now held in public, with meetings being advertised in advance on social media. There are also regular stakeholder engagement activities with the other Gaelic organisations.

The Bòrd na Gàidhlig of today is an improved organisation compared with the one that was the subject of “The 2018/19 audit of Bòrd na Gàidhlig: Governance and transparency”. The pace of improvement in addressing previous concerns is welcome. Given the long-term challenges, it is

likely that the full benefits of the improvements that we are reporting will emerge over time. It therefore remains important for the board to monitor whether the changes are delivering long-term benefits with measurable impacts, and to make appropriate adjustments, where necessary.

As ever, Pat Kenny, Graeme Greenhill and I will do our best to answer the committee's questions.

The Convener: Thank you very much for the opening statement. I have a couple of questions to ask, before I invite questions from other members of the committee.

It is worth recapping where things were back in 2018-19. The conclusions of the 2018-19 report spoke about

"ineffective leadership, inadequate workforce planning, a lack of clarity over roles and responsibilities and poor relationships and organisational culture",

which existed to such an extent that, in giving evidence to the Public Audit Committee's predecessor committee, the auditor said:

"In terms of the findings and recommendations, I cannot think of another report that has raised such serious issues during my time in this role."—[*Official Report, Public Audit and Post-legislative Scrutiny Committee*, 16 January 2020; c 21.]

That is a pretty damning indictment of how things were.

When we turn to the report that has just been published, we see that there appears to have been a considerable turnaround. My first question is this: what has been the catalyst for such a transformative difference in the organisation?

Stephen Boyle: I first agree with the convener and recognise that the report on the 2018-19 audit, which the predecessor committee considered, was incredibly significant and challenging, and was critical of a wide set of arrangements in the organisation. Pat Kenny will, no doubt, give his views on the various factors behind that over the course of the morning.

On what was the catalyst, there is no doubt that public scrutiny in and of itself—including the work of the Parliament and its committees, and section 22 reports—can be catalysts for improvements in performance. As we have said in our comments, it is really welcome that that has been the reaction to previous section 22 reports; we are pleased to see the progress that is being made.

That progress is not necessarily simply about a number of small or minor changes being made. When we look at the scale of the recommendations—there were more than 40 recommendations that translated into more than 70 actions to be taken—we see that considerable effort has been made by the board. It has used the audit findings and has worked in partnership with

the Government and stakeholders, which has led to its being an organisation that we would say is now performing as it ought to perform. A range of factors—no doubt including the hard work of Bòrd na Gàidhlig and its board of governance—are behind that.

However, I will add a note of caution. The longer-term benefit—the board functioning well and delivering for the Gaelic-speaking community—of the impact in the short term is what matters. It has got itself to the position in which it ought to have been in the first place. It matters that it uses that momentum in delivering all that there is to do for the Gaelic-speaking community in the country.

The Convener: If Graeme Greenhill or Pat Kenny want to come in at any point, they should put an R in the chat box—although I am sure that the Auditor General will bring them in.

Often, what is critical in an organisation is not simply that it makes a change, but that it keeps change going. One of the things that I note from the report is that the board appointed an external change management expert in 2021-22 to

"embed its developing approach to continuous improvement and maintain the pace of change",

which really relates to my point. Is the appointment of that external change management expert permanent? If so, what should they prioritise in the months and years ahead?

Stephen Boyle: I am happy to start on that. I will then invite Pat Kenny to come in to supplement my response.

It is our understanding that that is not a permanent appointment to Bòrd na Gàidhlig, which is not an unreasonable situation, given the size of the organisation. Notwithstanding the challenges that we have previously reported, it remains a relatively small organisation in terms of the number of people it employs. When—as we anticipate and expect—it gets itself into the position of being a stable and high-performing organisation, it can take a view on its need to call for external support.

I understand that the service that the board is accessing is a consultancy service that has supported delivery of the recommendations that were identified from previous audits. The board is beginning to move forward with what that means for long-term plans in relation to—we talk about this in the report—its corporate plan, connections to its workforce and financial plans. Pat Kenny will say a little bit more about what he has seen and about his views on how the arrangement is working.

Pat Kenny (Deloitte LLP): We made the initial recommendation that the board should consider

the appointment of the external change management resource three years ago. We felt that it was very important for that to happen in order to deliver continuous improvement. The appointment has made a massive difference, particularly in how the organisation engages with its stakeholders and manages the change process. It has introduced very sound practice for ensuring that the benefits of change initiatives are delivered and realised in the organisation.

The resource is a consultancy resource; it is not permanent. I would expect the organisation to keep that under review; I know that it is doing that. It is very important that it does so in order to ensure that it continues on the journey towards being as close to its customers as possible. I see that as being the key imperative for the organisation in the next few years.

The Convener: There is mention in the report of an “improvement plan steering group”. Is the expectation that it will continue for some time or is it also a time-limited part of the organisation’s work? I invite Pat to reply. We can then widen the question out, if other people have comments.

Pat Kenny: That group has transitioned to what is now called the continuous improvement steering group. That is important; again, it is about the process of embedding continuous improvement in the organisation. I definitely envisage that group continuing for the medium term. That transition to continuous improvement is very important in the change journey.

The Convener: Again I point out that if anybody wants to come in, they should simply put an R in the chat box.

I will round off this section of questions. Is the continuous improvement plan in the public domain, available and accessible, in particular to members of the community who have an interest in the work of the board?

I will start with Pat again.

Pat Kenny: Yes. There is strong visibility of the improvement plan in various parts of the board’s annual report. There is also very good monitoring of how it is doing on the improvement plan’s objective. The visibility, transparency and openness of the improvement plan are good.

The Convener: Openness and transparency were previously identified as issues back in 2018-19, so that is a continuing area of interest for us.

My final question goes back to the 72 actions that came out of the recommendations, which the Auditor General mentioned. Of the 72, 71 have been implemented. However, the nature of the beast that is the Public Audit Committee being what it is, I want to ask about the 72nd action, which has not so far been implemented. Can

someone explain why there has been a hold-up with it? Is it simply a matter of timing; is it contingent on other issues? What is the reason? I ask so that we have a better understanding of the outstanding action.

Stephen Boyle: I am happy to start. I am sure that Pat will want to come in, as well.

If my memory is correct, the outstanding action is in respect of engagement with the Gaelic community on the board’s forward plans. It is not an insignificant action, although I think that it is within the timeframe in which it was intended that it would be completed, as part of the plan. It is not necessarily overdue, bearing in mind that Covid has had a bearing on the board’s and its stakeholders’ ability to engage.

As ever with our audit work, we will continue to monitor. Pat Kenny will do that during his audit of 2021-22, and we will continue to report publicly on progress.

I would acknowledge, convener, that 71 out of 72 actions is remarkable progress, given that, as you said in your scene-setting, there was a considerable job of work to do. The remaining action is important and it matters that it is followed through. Pat can confirm whether my understanding is correct.

09:30

Pat Kenny: Yes; the outstanding action is a timing issue, as the convener said. It is in relation to the multiyear funding agreements, which are for three or five years. We recommended that there should be clear key performance indicators and clear alignment with the corporate plan so that we could monitor the outcomes that the multiyear funding agreements deliver. In relation to timing, the recommendation will be actioned in line with the next negotiations on the multiyear funding arrangements, so it is perfectly reasonable that the action is outstanding.

The Convener: We have more questions on engagement, which will come up later in the evidence session. Colin Beattie has questions about board scrutiny.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Auditor General, as a result of the 2018-19 report, the number of non-executive board members was reduced from 11 to seven. The 2020-21 section 22 report states that

“Consideration of the capacity of Board members is an ongoing issue for the Bòrd, given the workload associated with the position.”

Can you clarify what the workload involves? Does it derive from the fact that the number of non-executive board members was substantially reduced?

Stephen Boyle: I am happy to start. I am sure that Pat Kenny will also want to respond.

You are right in your recollection that the 2018-19 report and evidence sessions highlighted concerns about the scrutiny that the board was undertaking. We and the board particularly focused on whether it had the right skills in place. Skills are clearly connected to the capacity of a board to discharge its scrutiny functions. We have seen improvements in scrutiny and in connections to the skills that it needed in order to discharge those functions well. The board has brought in new board members with the relevant financial skills to address the gap in scrutiny that was previously reported. While doing so, it has reduced the number of board members.

We are neutral on the question of the number of members that ought to be on a particular board; ultimately, that is a matter for the public body to discuss with the Scottish Government and the relevant sponsor teams. Mr Beattie will have seen over the years that the number of members on a board is not necessarily indicative of its success in discharging its scrutiny functions.

That plays into the final comment that I made in my opening statement. It is perhaps too soon to draw definitive conclusions about governance and scrutiny in the longer term. We welcome the progress that has been made on governance and scrutiny, and actions have been taken on self-assessment and external assessment of the board's work and its committees. We are getting positive signals on all those, but I would hesitate before drawing definitive conclusions that all will be well in the longer term. It is important that the situation is regularly checked and monitored. The board now has a platform from which to proceed with more effective governance than you saw in 2018-19.

Colin Beattie: You flag in the latest report the fact that

"the capacity of Board members is an ongoing issue for the Bòrd, given the workload associated with the position."

What is the overwhelming workload that they have?

Stephen Boyle: The workload of any board member of any public body will always include considering papers, attending meetings, contributing appropriately to board strategy and finding the right balance and position for board members relative to executives.

As the committee will have seen—in relation to both this organisation and others—if there is a lack of clarity about the boundaries of executive members relative to non-executive members, that can sometimes skew the workload of the non-executive members. It matters that the exec and

non-exec members and the sponsor team are all clear about who is responsible for what.

Although there might be on-going capacity or workload challenges, in the report we are not raising that as a red flag to the committee. Our overall impression is that, having invested in additional skills and capacity—in particular, the finance skills that were lacking, as was noted in previous reports—the board now has a stronger foundation from which to proceed. Clearly it still needs to monitor the capacity issues, but we are not saying that that overrides the overall improvements that we are commenting on.

Colin Beattie: The board reduced from 11 to seven. Five of the current board members were there in 2018-19, so there has been no change to the skills base. All that has happened is that two people—with "relevant financial experience," it says in the report—have been brought in. How does that balance the skills across the piece with those of the other five members?

Stephen Boyle: That is one component of it. Bringing in new skills has made a big difference. Pat Kenny can come in in a moment and talk about some of the detail, and he can say more about the background of the new members. Having any new members with relevant skills changes the dynamic of a board, giving its members the opportunity to learn from one another. We expect that that is part of the component that we are seeing here.

The other factor that I would mention is that the board has changed the nature of its committees. It has evaluated the committees, which are now operating with a revised framework document, and members have received training on their roles and responsibilities. In our assessment, those are building blocks of opportunities for improved governance. The number of board members and their skills are part of the story. When we add in the evaluation of how the board's governance and committees have been operating, with some external assessment of that, along with the new framework document, we all feel that, rather than there being one moving part, there is a combination of factors that have contributed to the improvement that we are seeing.

I will bring in Pat Kenny, so that he can describe his own interaction with the board and his assessment of the conclusions that he made.

Pat Kenny: A good example would be the financial background of the new chair of the audit and assurance committee, who is a qualified accountant who has made a big difference in the overall governance and financial stewardship of the organisation. That has been really impressive, and it has made a big difference in terms of overall governance in the organisation.

The overriding point that I would make, in backing up the Auditor General's comments, is that the reduction from 11 to seven board members was a significant material reduction, and the report's overriding comment is that it is important for the board to keep the workload of board members under constant review, given that material change. As Stephen Boyle says, we are not raising any red flags at this point, and I will keep the matter under constant review in the audit going forward.

Colin Beattie: You have emphasised that you are not raising a red flag but, in a way, you have, by mentioning in the report that this matter is an issue for the board. Can you confirm that the capacity of the board is not a risk factor at this time?

Stephen Boyle: Pat Kenny can come in on this as well. We are not identifying that, given the overarching changes that have been made, through clarification on roles and responsibilities, board training, self-assessment and the revised framework document that we have mentioned, and there are now sufficient steps in place for the board's governance to operate effectively.

Our comment on the reduction in the number of board members and the associated workload is appropriate as a scene setter. It would be appropriate for all public bodies to monitor and review that continually. However—to continue with the same phraseology—we are not assessing that as a red flag regarding the ability of Bòrd na Gàidhlig's governance to operate effectively.

Colin Beattie: To put it more simply, do you consider the board's capacity to be a risk to it?

Stephen Boyle: No, we are not saying that there is a direct capacity threat to the board. I am trying my best to keep this simple. With 11 board members, Bòrd na Gàidhlig's governance was weaker than it is with the seven board members that it now has. Its governance is stronger, albeit that it has a smaller board, and it has a stronger platform for effective good governance going forward.

Colin Beattie: That is encouraging.

In the 2018-19 section 22 report, concerns were raised that the previous chair did not carry out annual performance appraisals of board members. Will you confirm whether that now happens?

Stephen Boyle: I will turn to Pat Kenny to update the committee on that point.

Pat Kenny: Yes, I can give you that assurance, Mr Beattie. It now happens.

Colin Beattie: That is good.

The normal term of office for a non-executive board member is four years, but the length of

appointments can be varied for continuity purposes. When is the recruitment process for new members likely to commence?

Stephen Boyle: I am not sure that I have that information, but you are right that the normal term is four years and, as you suggest, there is the opportunity for existing board members to be reappointed for continuity purposes if that suits the member and the public appointments arrangements.

I ask Pat Kenny whether he has that information. If he does not, we can come back to the committee with it.

Pat Kenny: No, I do not have that detail, Auditor General.

Colin Beattie: Okay. If you could come back to us with that information, it would be good.

Stephen Boyle: Of course.

The Convener: We will move on to questions about leadership, which the previous section 22 report identified as an issue.

Craig Hoy (South Scotland) (Con): Bòrd na Gàidhlig is the principal public body for promoting Gaelic development. We note that the leadership team role of head of communications and promotions, which was previously vacant, has not been incorporated into the new leadership team structure. That is an important function, so who is now responsible for that work at a senior level? Are you comfortable with that decision, Auditor General?

Stephen Boyle: Ultimately, the chief executive of the board is the accountable officer and responsible for the board's discharge of its functions, public reporting and reporting to Parliament.

At exhibit 1 of the section 22 report, we set out the revised structure. We have reported on a smaller executive team structure that is headed by the chief executive and includes the director of Gaelic education and director of language planning and community developments, along with the head of finance and corporate services.

You asked whether I was comfortable with that structure. Ultimately, it is for the organisation to determine its own structure and how best to discharge its responsibilities. Bòrd na Gàidhlig has reviewed its structure and, in part, addressed the findings of previous audit reports that there was a lack of capacity and cohesion at management level. The organisation has invested not only in a changed top team but in more capacity at the tier below. The communication responsibilities are ultimately the chief executive's and I assume—I will check with Pat Kenny again—that the direct

responsibilities at executive team level now sit with the director of language planning.

As ever, Mr Hoy, it will depend on the success of those arrangements. The board will need to demonstrate that it effectively meets the Gaelic-speaking community's requirements and that its structure keeps that under close and continuous review.

Pat Kenny might want to comment on his interaction with the executive team.

Pat Kenny: A communication officer has been newly appointed at the next layer of management, which has made a big difference to how the organisation communicates with its staff and stakeholders. We noted a big improvement in staff engagement, for example, which is now at 87 per cent and significantly higher than it was—I think that that is above the civil service average. Since the new communications officer came in, communication with external stakeholders has improved considerably, as has the use of social media. Much of the focus has been driven by the new appointment, which has made quite a big difference.

09:45

Craig Hoy: That is reassuring. I wanted to get reassurance that the organisation was not looking inwards and was engaging externally—I take reassurance from your answer.

The 2018-19 section 22 report highlighted leadership issues and identified that they

“led to a lack of confidence and a culture of mistrust throughout the organisation.”

As we know from other recent inquiries, organisational culture does not change overnight. That change requires hard work and a lot of effort. What work has the board undertaken to build back trust and regain the confidence of its staff?

Stephen Boyle: I agree with your analysis, Mr Hoy. I will say a few words, which Pat Kenny might want to supplement with his own assessment.

It is incredibly difficult to recover trust in organisations once it has been exposed to challenge and been shown to have deficiencies. In the 2018-19 audit report, we reported that Bòrd na Gàidhlig had miscommunicated with its staff and experienced deficiencies in the extent to which staff were engaged. As Pat Kenny rightly mentioned, it was not confined to being an internal matter, as there were trust concerns about the board's activities in the view of its key stakeholders.

As Pat touched on a moment or two ago, we have seen that the board is assessing the level of its staff engagement through survey activity and it

is reporting significant improvements. We are two years on from the previous report and we are seeing progress across a range of fronts, which is all really welcome.

However, continuing with a slight note of caveat, I note that two years is not an incredibly long time. It matters that the board functions well into the medium and longer term and that it sustains the momentum that it has built up over the past two years. Although staff survey results have improved and engagement has increased, it matters that that continues—[Inaudible.]—works well and staff feel engaged—[Inaudible.]—loss of trust that was previously reported is not sustained in the experience that they have as employees of this public body.

I turn to Pat Kenny to see whether there is anything that he wishes to add about his own—[Inaudible.]—with the staff of the organisation.

Pat Kenny: I have nothing much to add to the Auditor General's comments in that regard. The context is that it is almost three years since my audit team picked up on the issues, and those three years have given the organisation the time to make changes in engagement and communication. There were always good people in the organisation—good and committed individuals. In the past, there was a lack of organisation or a clear definition of roles and responsibilities. All the ingredients were there three years ago for the organisation to perform as it should have been performing, and the systematic changes that it has made has allowed it to perform in the way in which it always should have done.

Craig Hoy: It was encouraging and reassuring to read that performance appraisals have been introduced across the organisation. What proportion of the workforce has received a performance appraisal? Have you had any opportunity to assess the effectiveness of the process?

Pat Kenny: I think that the performance appraisal process is embedded throughout the organisation for all staff members and board members. We have not yet picked up on any issues or concerns about that, but we will keep it under review.

The big thing that we have always been pushing in the appraisals is a clear linkage to the organisational outcomes and KPIs, particularly for board members. The KPIs journey to maximise performance is work in progress, and the organisation recognises that it still has work to do in delivering its outcomes and KPIs. The performance appraisals have a clear linkage into achieving that.

Craig Hoy: On recruitment challenges, the first bullet point in the report highlights that

“The Bòrd has amended its policy regarding the recruitment of Gaelic speakers. A post will be advertised twice before the essential skill of Gaelic is reviewed.”

However, the board still includes a requirement for any new staff joining the organisation to commit to learning Gaelic if they are not already Gaelic speakers. That sounds to me to be a very reasonable approach. Do you know whether that has led to any tangible improvements in the board’s recruitment process?

Stephen Boyle: I will start; as ever, Pat Kenny can come in.

I am not sure that we know that detail—how many staff that relates to, or how many Gaelic learners the board has recruited to posts that they were not able to fill or that were hard to fill. Pat can perhaps supplement that, but I will first add that there has been welcome clarity on that point, and it has been possible to report publicly on how the board engages with recruitment.

In previous conversations, we heard that, for some of the posts that were reserved for Gaelic speakers, there was a lack of clarity on who was responsible for awarding them. It is most welcome that it is now clear how the board will recruit. As ever, Pat may have the detail on how many new employees that covers.

Pat Kenny: I do not have the detail, but I can come back to the committee on that. As the Auditor General states, there is now welcome clarity, which was not there in the past. It is early days, however, and we have to keep the future impact on the organisation under review. As I say, I am happy to come back to the committee on the detail.

Craig Hoy: I will hand back to Richard Leonard.

The Convener: Thanks, Craig. Pat, it would be useful if we could get that information, which would aid us in our consideration of the report.

Before I move on, I have something else to raise in this area. The Auditor General mentioned exhibit 1—the organisational chart—as something for us to have a look at. Mention has been made of the important additional resource that has now been put into the organisation through the appointment of a head of communications and promotions. When I look at the organisational chart, however, I see a chief executive, below which is a director of Gaelic education, a director of language planning and community developments, and a head of finance and corporate services. I do not see a head of communications and promotions. Are they not at the same level? Are they not part of that more senior executive management team?

Stephen Boyle: Our understanding is that there is a smaller senior management team in the organisation, which is supported by an enhanced tier below it to deliver organisational priorities. Ultimately, it is for the board itself to decide on how it best structures itself and on the rules and responsibilities of staff. It is for the chief executive, as accountable officer, to determine how best to deliver the board’s structure.

As auditors, we have seen that the board has made changes to its structure, bringing in additional capacity at the tier below the executive team to deliver organisational objectives. At a relatively early stage, it looks like that is working well, as we have seen in feedback from external stakeholders, which shows an improvement in their views of the board, and in higher staff satisfaction.

Although the post that you mention is not part of the executive team, it is still clearly a very significant role in the organisation, with input through reporting lines to the senior executive team. I would not necessarily say that that feels like the wrong structure, or that there are deficiencies in it. It is for the board itself to take a view on where roles and responsibilities should best lie.

The Convener: It might be worth giving some reflection to that.

Sharon Dowe has a number of questions on roles and responsibilities stemming from the previous report and the latest report.

Sharon Dowe (South Scotland) (Con): The 2018-19 section 22 report highlighted issues with

“a lack of clarity over the respective roles and responsibilities of the”

leadership

“team, committees, the Scottish Government’s sponsor team and the board”,

and with

“board members”

being

“too involved in operational matters.”

That sounds a bit familiar, given another report that we have read. What evidence have you seen that the updated framework document has addressed that lack of clarity?

Stephen Boyle: Lack of clarity was a significant theme in the 2018-19 report, and in the evidence that the predecessor committee took from the board and the Scottish Government sponsor team. At the heart of many of the issues that we reported on previously was a lack of clarity around roles and responsibilities, excessive involvement of non-executives in decision making, and a framework

document that did not support what the Government sponsor team should be doing.

We comment in the latest report that a number of steps have now been taken, all of which are equally important. Those include training for board members and the executive team, a change in the committee structure, and the establishment of a policy and resources committee alongside an audit and assurance committee. Evaluation of those arrangements is really important, and there has been some self-assessment evaluation, supported by external assessors, in addition to the arrangements featuring in the internal audit programme. Those are all signs of progress with regard to how the board is reworking its internal arrangements.

I will say a word about the Scottish Government sponsor team and the framework document. At the beginning of last year, as I recall, the Scottish Government director general wrote to the predecessor committee about some of the steps that the Government was taking regarding the adequacy of its sponsorship arrangements for Bòrd na Gàidhlig. The director general highlighted that there had been some training and evaluation, and peer-review assessment from other sponsor teams in Government of how sponsorship was working for Bòrd na Gàidhlig. Again, there are welcome signs that the board is taking the matter seriously and responding appropriately.

All those factors have been translated into a revised framework document, and the signs are that it is working well. The sponsorship team has reduced its physical presence at board meetings and, although it still has access to reports and minutes and has appropriate conversations with the chair of the board and the chief executive, all the signs are that the required steps that the previous report highlighted have been taken.

Our conclusion today is that that gives the board the right foundation on which to move forward with effective governance and sponsorship arrangements. As Pat Kenny mentioned, we will continue to monitor and report on progress. However, Bòrd na Gàidhlig, in its governance arrangements and its relationship with the Scottish Government, is now back where it really ought to have been before the audit report in 2018-19.

Sharon Dowey: Colin Beattie asked when recruitment for the new board would take place, and he mentioned that five of the current board members were on the board at the time of the previous audit. How long have those board members been in position? Were you aware of how long they had been in position prior to the audit in 2018-19?

Stephen Boyle: Yes—that information is publicly available. I do not have it at my fingertips

just now, but I am sure that it will be set out in the board's annual report and accounts and on its website, which usually states when individual board members were appointed, the term of their appointment and on what date it will end. We will come back to the committee in writing after the meeting to confirm exactly which members were appointed on which dates and when they will be up for reappointment.

10:00

Sharon Dowey: Further to that, depending on when the board members were appointed, why had those issues not been raised earlier in a previous audit? There were quite a lot of issues in the 2018-19 audit, so why had they not been raised before? I wonder whether there were quite a lot of new members on the board, and whether that was why the issues had not been highlighted previously.

Stephen Boyle: In our audit work—Pat Kenny might want to comment on this too—we report on events that come to our attention during the audit. With regard to the 2018-19 audit, significant events became clear during that year, and the audit approach was extended to enable us to report publicly on many of the issues.

Bòrd na Gàidhlig is a small organisation, albeit a very important one, given the role that it has. Typically, in auditing a small organisation, our approach is to look at its financial statements and aspects of its governance. Pat Kenny, in discussion with Audit Scotland, took the view that we needed a much wider, enhanced audit approach during 2018-19 in the light of the issues that were coming to our attention.

Matters change—an organisation can have very stable governance that operates effectively without a change in board members or the executive team, but events happen that can lead to change. Although a change in board members can be a catalyst, that need not always be the case. As ever, as we touched on, we will continue to report on progress.

I invite Pat Kenny to say a word or two, if it would be helpful, about his own experience of the 2018-19 audit and how it relates to this year's audit report.

Pat Kenny: We had some concerns in previous years and they were reported in our annual audit report, but when we reached the 2018-19 audit, our risk-assessment procedures raised significant red flags—"red flags" seems to be the phrase of the morning. That was why, as Stephen Boyle mentioned, we undertook a much more in-depth audit in that particular year.

I do not think that there was any direct correlation with the tenure or length of service of the board members, or with how long they had been in the organisation. There were other factors at play, which brings us back to the fundamental lack of clarity in roles and responsibilities as the key driving force. As I said, that caused us to undertake a much more extensive audit in 2018-19.

Sharon Dowey: The committee notes that although the Scottish Government sponsor division is not required to attend board meetings, it receives an invitation. Going by what I read in the report, it would seem that, although the division received an invitation to the meetings and received the minutes from them, it did not read those minutes.

Based on the serious issues that were identified two years ago, would there be merit in the sponsor division attending at least some, if not all, of the meetings in order to demonstrate its commitment to supporting the board and to maintain the pace of change?

Stephen Boyle: In my judgment, a balance is needed when considering whether the sponsor team should be visible at board meetings or otherwise. A judgment should be reached in discussions between the public body and the sponsor team.

As we have seen in other cases, there can be too much involvement from a sponsor team, or not enough. Ensuring that the balance is right should rest on an iterative decision, depending on the scale of the issues in the public body, and that should be kept under regular review. One can gauge an organisation's processes and challenges from its minutes and board papers only to an extent, so attending some board meetings would bring benefits. However, for a sponsor team to be a permanent fixture at board meetings can lead to a blurring of responsibilities, if it is seen that the accountable officer and the chair of the board are not able to discharge their responsibilities without being under the watch of the sponsor team. There is a bit of horses for courses, and there is a need to take an iterative approach to support the development of the organisation.

The Convener: Willie Coffey has some questions that explore some of those areas further, in the context of openness and transparency. Over to you, Willie.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Madainn mhath, a h-uile duine—good morning, everyone.

First, I want to say well done to the board. I remember our predecessor committee's session with Bòrd na Gàidhlig; it was a difficult session for those who were board members at that time. It is

important to recognise the progress that has been made, as has been reflected in the Auditor General's report, so I say well done to the cathraiche, or chair, and to the ceannard, or chief executive.

I have a couple of questions on the theme of openness and transparency. Auditor General, you will recall that, only a couple of years ago, those basic principles were not being met at all. We are still wondering why the sponsor division did not pick up on those issues. Nevertheless, can you say whether the sponsor division has played an active role in addressing those issues and has made a contribution to achieving the progress that we have seen?

Stephen Boyle: We, too, welcome the progress that has been made, specifically on openness and transparency. I will ask Graeme Greenhill to say a bit more about the sponsor team's role and the extent to which that has influenced some of the steps on openness and transparency that we have seen.

This morning, we are reporting that there has been a step change in the openness and transparency of this public body, which were not qualities evident in the feedback that it previously got from its key stakeholders. That may be down to a combination of reasons. For example, it may be because, during the pandemic, we have all been operating more visibly through using technology to stream public meetings, as we are doing this morning, or it may be more of a conscious response to the previous audit report. Graeme Greenhill and Pat Kenny may want to express a view on that.

As we have seen, Bòrd na Gàidhlig's committee meetings and board meetings are now publicly available; we welcome the board's progress and commend it for that change. Having been an organisation that did not conduct its affairs openly and transparently, it has moved on to be one of the most open and transparent public bodies in Scotland in how it discharges its responsibilities, so there is a real sense of progress.

I invite Graeme Greenhill to share any insights that he has on the influence that the Government has brought to bear in that regard.

Graeme Greenhill (Audit Scotland): As Stephen Boyle said earlier, it is important that the sponsorship division acts in a proportionate and risk-based way. The division's involvement—along with Bòrd na Gàidhlig itself—in reviewing the framework document has been a key step in allowing it to reconsider the way in which it contributes to the activities of the board.

Subsequent to your predecessor committee's examination of the 2018-19 section 22 report, the division has fully engaged with the board. On the

whole, I think that we can say that the sponsor division has played a full part in supporting the board to take forward its improvement agenda.

Willie Coffey: Auditor General, you might remember from the evidence session with our predecessor committee that the director general for education, communities and justice said that there might be greater

“scope for the Government to ... engage more”

directly with the Gaelic community

“to gauge their views on”—[*Official Report, Public Audit and Post-legislative Scrutiny Committee*, 4 March 2021; c 11.]

the board and their relationship with it. Did that happen? Has that been picked up naturally as a result of the work in the action plan that the board has recently been working through?

Stephen Boyle: I am not sure that I know the specifics of the Government’s interaction, over and above the board’s own activity. I invite Graeme Greenhill and Pat Kenny to come in if they have anything to add on that aspect and where it sat in the action plan.

With regard to the board’s work, engaging with stakeholders has been a key part of the progress that we have seen. Earlier this morning, Pat Kenny mentioned that some of the feedback and survey results that the board has received in relation to its interaction with its key stakeholders has changed for the better during the past two and a half to three years. That is welcome, because you are right to say that a key theme of the previous evidence sessions on this topic was the disconnect or breakdown in the relationship with key stakeholders. Another clear sign of progress is the confidence and improving trust between the board and its key stakeholders.

Such progress matters, because the organisation spends around £5.5 million or £6 million a year, with just over £1 million of that on staff costs. It is predominantly a grant-giving organisation that supports other organisations that discharge activities to support the Gaelic language. The relationships that the board has with those organisations are essential for it to discharge its purpose and there are signs of progress in that regard.

Does Graeme Greenhill or Pat Kenny have anything to add on the specifics of what the Government has done in that regard?

Graeme Greenhill: I do not think that I can give specific examples. Pat, is there anything that you can add?

Pat Kenny: I do not have anything to add on the specifics of the Government or the sponsor role. However, I can give the committee the assurance that we have picked up big improvements in

relation to how the organisation engages with external stakeholders. I will give some examples: monthly meetings are held with the major Gaelic organisations such as MG Alba; there has been good consultation on how Gaelic impacts in early years and in relation to the young people of Scotland; and, as I mentioned earlier, the use of social media has improved dramatically.

The organisation carried out an external stakeholder survey, and the results were positive. Notwithstanding the specifics with regard to the sponsor division, the organisation as a whole has driven forward the agenda in relation to how it consults its stakeholders and there has been a significant improvement in that regard.

Willie Coffey: It is positive to hear that. My questions are about how we engage with the wider Gaelic community, which is a key part of making progress. I think that everybody recognises that, and it sounds as though there has been great progress.

With regard to the recent continuous improvement plan, was there direct reach-out to Gaelic stakeholders and the Gaelic community, or did the board go through the process on its own to deliver the plan? It is important that the board reaches out to, engages with and works alongside the wider community, and gets its agreement to the plan. Was there evidence that such engagement took place?

Stephen Boyle: I am happy to start, and I will ask Pat Kenny to come in.

As has been mentioned, progress has been made on 71 out of the 72 recommendations. That is real evidence of regular meaningful engagement with Gaelic-speaking organisations, including the recipients of funding from the board. Those are signs of progress. However, how that engagement translates into getting the views of people who are perhaps not represented, or who are not members of organisations, also matters.

This is not a note of caution as such, but I would mention that the appendix to the report on the board’s KPIs shows that they were not all met during 2020-21. The pandemic has clearly played a part—it will have changed the way in which the board engages directly with the Gaelic-speaking community, because the restrictions will have impeded the board’s ability to do some of that work. As and when it is able to do so, perhaps by using alternative engagement mechanisms, it will be for the board to decide how it gets feedback and expands its reach to ensure that the grants and funding that it provides are having the most significant impact.

I will pause for a moment to see whether Pat Kenny can supplement that answer on whether the board has been able to speak directly to the

Gaelic-speaking community beyond its interaction with MG Alba and other grant-receiving organisations.

10:15

Pat Kenny: I will return to Mr Coffey's initial question. There was a dual process in the improvement plan. The improvement plan and the initial audit identified an issue with consultation with external stakeholders and that the organisation had to improve its approach. The organisation accepted that, took it on board and really tried to improve its approach significantly. The initial improvement plan was a driver for that but all credit to the organisation for rolling up its sleeves and working hard to make big changes in how it engages with external stakeholders.

We now have no concerns. Bòrd na Gàidhlig is doing what it should be doing, but, to be fair, that is what it should have been doing all along.

Willie Coffey: Has the board regained the confidence of its stakeholders as a result of the good work that has been done?

Stephen Boyle: The feedback that the board has received from its staff and the key stakeholders with which it interacts certainly indicates that. Its approval ratings are far better than they were.

It is never a given, Mr Coffey. The board must continue to work hard with its colleagues internally and with the organisations that it funds to ensure that it does all that it ought to and meets their expectations. Although it has recovered to where it perhaps ought to have been, as Pat Kenny suggested, we can never take that for granted. We must continue to work hard, engage and ensure that the board delivers on its performance indicators and what it exists to do to support the Gaelic-speaking community.

Willie Coffey: That is a good answer and the usual wise words from the Auditor General. I say a big well done to the board.

The Convener: Before we finish up this evidence session, there is one other area that I want to touch on very briefly. One of the recurring themes in the work of the committee and its predecessor committees is a regular acquaintance with organisations that are not meeting the standards that we expect because of a failure to plan their workforce requirements for the present and the future.

I recall that the 2018-19 report on Bòrd na Gàidhlig identified insufficient workforce planning and an excess of vacancies as issues that were seen to be part of the fundamental problems that the organisation faced. Where are things with workforce planning now? Have there been

improvements? Are there any other workforce priorities that the board needs to consider?

Stephen Boyle: Yes, there have been improvements. The board now has a workforce plan that is connected a corporate plan.

As was mentioned earlier, the organisation will evolve from the improvement plan, which was a response to the previous audits, into a continuous form of improvement. Workforce is a component of that. Alongside a dedicated workforce plan, we have also talked about the organisation taking a revised approach to the hard-to-fill vacancies and broadening out those roles to Gaelic learners as opposed to fluent Gaelic speakers only.

Any organisation must keep its workforce plan under continuous review so that its response to events and its planning for the future are connected to how it delivers services and how it will deliver them in future. Bòrd na Gàidhlig is not a big organisation and, because of the nature of how it delivers services, it is inevitable that it will have dependencies on key personnel. Succession planning is a key component of workforce planning. Where it is able to, the board should look to the future, consider the age profile and career ambitions of its people and marry up all those factors so that the workforce plan supports development and delivery.

In short, convener, there are real signs of progress in that the board has a workforce plan, which is a central part of its future decision making.

The Convener: That positive note concludes the committee's questions. I thank the Auditor General, Graeme Greenhill and Pat Kenny for joining us to give their evidence and insights into the progress that has been made with Bòrd na Gàidhlig.

I draw the item to a close and suspend the meeting briefly.

10:21

Meeting suspended.

10:30

On resuming—

Section 22 Report: “The 2020/21 audit of NHS Highland”

The Convener: Welcome back to the first meeting of the Public Audit Committee in 2022. In this part of our deliberations, we will receive evidence on a recently completed Audit Scotland report into NHS Highland. I am delighted to welcome to give evidence the Auditor General for Scotland, Stephen Boyle—welcome back. In this session, Stephen is joined by Leigh Johnston, who is a senior manager for performance audit and best value at Audit Scotland. I am also pleased to extend a welcome to Joanne Brown, who is a partner at Grant Thornton and has been working on the audit.

I invite the Auditor General to make a short opening statement.

Stephen Boyle: I have prepared this report on the 2020-21 audit of NHS Highland under section 22 of the Public Finance and Accountability (Scotland) Act 2000. This is the fifth report on issues of financial sustainability at NHS Highland in the past eight years. Previous reports have highlighted issues and concerns covering finance, performance and governance. Today’s report sets out the progress that NHS Highland has made in those areas over the past two years.

The external auditor has given an unmodified opinion and has highlighted that the board operated within its financial resource targets, while responding to the operational and financial challenges of Covid-19 for its service delivery.

NHS Highland’s financial position has been challenging in recent years. It has required additional financial support from the Scottish Government in each of the past three financial years in order to achieve financial balance. Nonetheless, NHS Highland is making progress under a more stable leadership team, and financial management arrangements are strengthened, alongside improvements in governance and aspects of service delivery.

Health services in NHS Highland are more expensive than in other parts of Scotland, and the board has needed to develop a more sustainable approach. It has made some progress in reducing its reliance on locum and agency staff. The established programme management office, which was set up in 2018-19 to oversee service transformation and financial recovery plans, has also played an important part in the board’s financial recovery. On-going progress will be needed, however, to ensure sustainability and performance improvement in the future.

Steps have also been taken to improve NHS Highland’s culture, following the 2019 Sturrock review. Two key actions were progressed: the completion of a culture survey in the Argyll and Bute area of NHS Highland’s activity; and the development and approval of a healing process to support current and former employees.

As with all NHS boards, the pandemic has had a significant impact on the focus and priorities of NHS Highland, and its effect on the board’s longer-term financial position and savings targets remains uncertain. Achieving a balanced financial position depends on the successful delivery of a cost improvement plan. The board has acknowledged that the plan developed for 2021-22 is challenging, and many of the challenges will be shared by health boards across Scotland.

As ever, Joanne Brown, Leigh Johnston and I will do our best to answer all the committee’s questions this morning.

The Convener: Thank you very much for that opening statement, Stephen. As you will understand, we have a number of questions on everything from the implications of the Sturrock report and the progress that has been made in addressing the issues identified in it to the funding formula and the recurring challenges faced by a health board that is operating in the most rural part of Scotland and delivering services that need to be accessible, as far as possible, to the population that it serves.

I will start by turning to paragraph 14, which is on page 5 of the report. It reminds us that NHS Highland moved down from level 4 to level 3 in the escalation framework. At face value, that is a positive development. Will you summarise the improvements that have been made, as you understand it, which have led to the de-escalation of the health board’s status? In so doing, will you give any assessment that you have of whether the board is moving in the direction of going down from level 3 to level 2? Are there still bigger challenges to overcome? I ask Stephen Boyle to open up on the evidence on that.

Stephen Boyle: Many thanks, convener—I will also bring in colleagues to share their perspectives. I agree with your assessment that it is a positive step that NHS Highland’s escalation status has dropped from level 4 to level 3. The basis for the judgment that the Government has made looks reasonable when we bear in mind some of the progress that we have reported on.

As paragraph 14 says, we have seen progress on financial management, financial sustainability, governance of the organisation, leadership, culture and mental health services. It was not just one factor that helped the Government to reach its decision on NHS Highland’s escalation status. The

move from level 4 to level 3 was consistent with the progress that we have reported on.

How the position translates into a move to an even lower escalation status will be a matter for NHS Highland in relation to the progress that it makes, and for any judgment that the Government arrives at. Our report says that, although progress has been made on a number of fronts, there are still many challenges for the board to address in relation to finance and service delivery.

As you said, service delivery in a remote and rural setting brings challenges in relation to the cost base and access to services. The board will want to be satisfied on all those issues—not just on escalation status or number but on whether patients are getting the experience that they expect from their health board in the Highlands.

Leigh Johnston will say a bit more about the escalation status and the steps that might be needed to move to an even lower number.

Leigh Johnston (Audit Scotland): I do not have much to add to what the Auditor General said. The Government decides whether the board moves down a level. As the Auditor General said, we have seen improvements, so we think that the move from level 4 to level 3 is a fair reflection, but the board still has challenges. The board will be working to address those challenges, and it will be up to the Scottish Government to decide on any further de-escalation.

The Convener: We will move on to look in a bit more depth at the board's financial management. Craig Hoy will pose a number of questions to probe that.

Craig Hoy: I turn to financial management and stewardship. Paragraph 15, which is on page 5, says:

“NHS Highland delivered a break-even position ... while operating in a period of considerable uncertainty and while responding to the ... operational and financial challenges”

that the Covid-19 pandemic has posed for service delivery. Given those circumstances and the backdrop, how much of an achievement by NHS Highland do you consider that position to be?

Stephen Boyle: It is important that health boards meet their financial targets. The requirement is for boards to break even against their revenue and capital resource limits, within the confines of any cash requirement that they agree with the Scottish Government. Therefore, it is welcome that NHS Highland has managed to break even and is reporting a small surplus of £700,000 for the year. Joanne Brown may want to say more about the nature of that break-even position. However, as we go on to say in the report, 2020-21 was an unusual year because of all that we have had to do over the course of the

pandemic, which has obviously translated into the finances of NHS Highland and all health boards across Scotland.

As we would expect, NHS Highland has received significant additional funding to cope with the challenges of the pandemic. At paragraph 17, we note that it received £57.3 million from the Government to cope with some of those challenges. On top of that, NHS Highland received £8.8 million to support its financial position. The committee will have seen that, in previous years, NHS Highland received brokerage funding or end-year loan funding from the Government. The £8.8 million was not brokerage, but it was additional funding to support the board's—*[Inaudible.]*—position.

As ever, the context for 2021 is that it was all about the pandemic and its impact on services. That has played through directly into the board's financial position, but it is, nonetheless, positive that NHS Highland has broken even.

I invite Joanne Brown to add anything that she wishes to.

Joanne Brown (Grant Thornton UK LLP): To that outline I would add only a comment about the success of the project management office. In 2021, the PMO continued to operate in what was a difficult environment due to Covid in anticipation of the delivery of the savings. Although the board started the year needing to make financial savings of £37 million and, as Stephen set out, required the additional funding of £8 million to support it to break even, the PMO delivered on a number of savings, an increasing number of which were recurring in nature. Therefore, I pinpoint the PMO as a key success factor for 2021 in terms of financial planning and the achievement of the financial position.

Craig Hoy: Thank you.

You have almost read my mind in respect of the next question, but I will seek confirmation from you. You referred to the fact that the Scottish Government provided additional funding of £8.8 million, which was what would have been anticipated through brokerage. Will you confirm that and tell us why the Scottish Government provided the £8.8 million as additional funding, and not brokerage?

Stephen Boyle: We can give a perspective on that, but Mr Hoy and the committee might want to inquire directly of the Government or NHS Highland as to the subtle difference between additional financial support and what we would previously have known as brokerage funding.

The history has changed around brokerage funding. Previously, financial support that the Government gave to health boards for brokerage

had to be repaid in subsequent years. That arrangement ended three years ago, if memory serves me correctly, when previous brokerage no longer had to be repaid. That was significant for NHS Highland, because it was due to repay many millions of pounds. However, the Government's decision and, I am sure—I am speculating, so I caveat this slightly—the context of Covid has changed how health boards work.

As Joanne Brown mentioned, although NHS Highland has made progress with savings, its ability to operate in a normal environment was severely constrained, which would have impacted the extent to which it could make savings in a way that would have been normal before the pandemic. Some of that will have flowed through to the financial position, and the Government has arrived at a decision not to give brokerage but instead to give year-end financial support.

Craig Hoy: The report explains that the board delivered total efficiency savings of £20.7 million in 2020-21, of which £5.4 million, which is 26 per cent, were recurring savings. Does that mean that 74 per cent—nearly three quarters—of the total savings can be counted as non-recurring?

10:45

Stephen Boyle: Yes, it does. That has been an on-going challenge. Joanne Brown is right. The programme management office and the health board as a whole must deliver a secure financial position. What matters is longer-term service change and transformation, and an end to reliance on non-recurring savings to secure the financial position. That is challenging. Non-recurring savings can be opportunistic or led by circumstance. You are right that the ratio is either one or the other: it is either non-recurring or recurring.

Craig Hoy: Joanne Brown might be able to answer this, or perhaps you may be able to flesh it out. How were the non-recurring savings made? Do you have any insight into how the board plans to move forward in making planned savings in future financial years?

Stephen Boyle: I will ask Joanne to come in in a moment, but I can say something about the detail for the 2020-21 financial year and also for the current financial year and beyond. As we set out in exhibit 2 in the report, there is a welcome change of emphasis. Savings of £32.9 million are planned for the 2021-22 financial year. Only £4.5 million of those savings are identified as being non-recurring. It is by no means certain that the board can deliver on that, given the unpredictable environment that we are in. However, if that can be delivered, that would be a significant step forward. Joanne Brown may wish to add more.

Joanne Brown: On the PMO, 186 themes make up the £25 million in the savings programme. The ultimate aim for the PMO is to focus on what can be achieved through recurring savings. There are a number of bigger schemes that are based on service redesign and change, rather than one-off gains. For example, improving procurement and prescribing sit within that programme, as does operating theatre productivity. The board aims to get the recurring savings through the PMO.

All savings go through a five-stage approach within the PMO. It continues to report on and risk assess those savings. As part of the risk assessment, it identifies the recurring or non-recurring nature of savings. As the Auditor General said, that continues to be a challenge. NHS Highland has struggled with recurring savings, but we have started to see an improvement. A number of service redesigns are planned to support that work. Covid will have an impact on that, but the focus is on turning savings into recurring savings.

Craig Hoy: That is similar to the position in many local authorities in many respects.

The Convener: We want to further interrogate the board's financial position in terms of not only its management but its sustainability.

Colin Beattie: Auditor General, your report explains that NHS Highland's budget uplift of £16.4 million is its share of the £30.2 million that is being provided nationally to maintain NHS boards within 0.8 per cent of national resource allocation formula parity. A simple calculation suggests that NHS Highland receives more than half of the funding that is available nationally. Is that correct?

Stephen Boyle: It is partly correct. Paragraph 20 of the report refers to the national resource allocation funding model. That is the overall model that the Scottish Government, in conjunction with NHS boards, uses to distribute funds to health boards across the country. It is based on a range of factors such as population size, deprivation levels and geographical factors, which we set out in one of the footnotes to the report.

We are referring to the uplift of £16.4 million as the NHS Highland share of the £30.2 million to support NHS boards' move to within 0.8 per cent of the Government's model of what is called NRAC parity. There is a long history of boards' views on their financial position and where it ought to be relative to the funding that they receive. The overall story suggests that NHS Highland is moving closer to getting what it views as the share of overall resources that it requires to deliver health services. In terms of the overall allocation, it received more than 50 per cent of that uplift

arrangement during the course of the financial year.

Colin Beattie: So, the answer is yes.

Stephen Boyle: In short, yes. It has received more than half of that particular component of NHS funding.

Colin Beattie: It seems extraordinary that one health board is getting such a significant uplift. I am not questioning whether it deserves it; I am just saying that it seems disproportionate.

Stephen Boyle: It probably reflects the fact that there is much history behind the use of this funding model to allocate resources to particular health boards. There have been many reviews over the years. Leigh Johnston might want to say more about that history.

It got to a point at which the Government's approach was to resolve all the views of the different health boards across the country and the unease that they felt about their share. The model for the revised arrangement was to move to a point of parity, or within 0.8 per cent of parity, because a number of boards, of which NHS Highland was one, were adrift in respect of that parity. I think that we are seeing a catch-up arrangement being played out and additional funding being provided by the Government to NHS Highland to support that.

If it would be helpful, Mr Beattie, I will invite Leigh Johnston to give more detail.

Colin Beattie: I am interested to know whether, in your opinion, the NHS Highland situation reflects fairness.

Stephen Boyle: I will answer that question and then I will turn to Leigh.

I think that NHS Highland's view—although, of course, it can speak for itself—would be that a factor in its financial challenges in years gone by was where it sat in terms of NRAC parity relative to other boards. The additional funding that it has now received will help to move it towards both parity and, more importantly, financial sustainability in the services that it can provide to its communities. I invite Leigh to tell you a bit more about how all of that is working.

Leigh Johnston: I do not have much to add to what the Auditor General has said. The main point is that NHS Highland has had a significant uplift this year because, historically, it has been further from parity than other boards. That is reflected in that quite significant uplift this year.

Colin Beattie: Okay. I will move on to another question. In paragraph 21, on page 7, your report tells us:

“The board has recognised that elements of costs included within the financial plan may potentially become part of core services in the future, but the longer-term funding position is ... unclear.”

Can you provide some detail as to why the longer-term funding position is unclear?

Stephen Boyle: We will do our best. I am happy to say a word or two about that. In addition to today's report, we will publish our overview of the national health service in Scotland next month. It will take a much wider look at the financial position, at service delivery challenges, at how the NHS will remobilise its services, at living with and beyond Covid, and so forth.

The unclear funding position is a component of the judgment, which we also reached in this report, that NHS Highland's service delivery options will evolve as a result of the pandemic. We spoke to your predecessor committee about some of the changes that are already happening in service delivery, such as the increasing use of digital technologies. There is also the issue of what the remobilisation plan looks like and how it will be delivered. Highland will be one of the sites for the new national elective centres where the NHS in Scotland will deliver services. All of that will play into what feels like an uncertain, and potentially quite volatile, service environment—*[Inaudible.]*

Colin Beattie: Looking at the report, it seems that one significant subject is missing. All the previous reports on NHS Highland have made great mention of Raigmore hospital, which has had significant overruns in prescriptions, staffing and almost everything that one could think of. However, from this report, it seems that the matter has vanished completely. Does that mean that everything is good and under control there?

Stephen Boyle: You are right—we have not focused on Raigmore hospital in this report. I will ask Joanne Brown to say a bit more about the financial impact of the Raigmore situation on NHS Highland's overall position. I should note that it was not an unconscious choice for us to leave it out of the report. Although Raigmore will be a significant component for the programme management office regarding the need for savings and service changes in the future, it is the largest single hospital in the Highlands and it delivers much of the acute activity. We felt, therefore, that the situation of Raigmore was not the overall story in the way that it has been in previous years, especially in the light of the pandemic and the forward look at making savings, service changes and so forth.

Raigmore will remain part of our focus, and we will continue to audit and report on it through our work as we follow up through the NHS overview report and future audit reporting.

I will pass over to Joanne Brown, who might wish to say something about what all of that means for Raigmore's impact in the years in question.

Joanne Brown: We have seen the appointment of a new deputy chief officer at Raigmore, and there have been some changes in the senior clinical team and the leadership team. As the Auditor General outlined, a number of the savings in the PMO relate to Raigmore, but we have already started to see positive change there. The hospital has achieved positive savings, which it was not able to do in the past. We will obviously continue to consider the long-term position of Raigmore in our external audit work as we move forward.

Colin Beattie: It would have been interesting to see some continuity on Raigmore, with regard to the progress that it is making. I have no doubt that the subject will come up again in the future.

At paragraph 23, on page 7, the report tells us:

"The financial plan requires £32.9 million of savings to be delivered through the ... Cost Improvement Programme."

Where are those savings likely to come from? In the past, NHS Highland has had great difficulty in making recurring savings, and many of them seem to be one-off savings patched up. Where are the savings being targeted?

Stephen Boyle: I am happy to start on that, and Joanne Brown can then come in.

The sum of £32.9 million represents significant savings to be made, which informs our overall judgment on NHS Highland in the report. Although progress has been made, the board needs to continue that progress in order to deliver, on a recurring basis, service change and associated savings.

We point out in the report—and Joanne Brown rightly mentioned—the role of the programme management office, which combines the need for service change with the drive for associated financial savings in a way that we hope will allow the board to move on from the emphasis on non-recurring savings, on which we have reported in previous years. Usually, some of the savings can be embedded and built on from one year to the next.

In exhibit 2, we set out the three high-level categories of savings from which the total of £32.9 million will come. As you see, most of it will come through the programme management office, with a smaller component coming from non-recurring savings. The other element is to do with the board's adult social care arrangements with Highland Council. Joanne Brown mentioned prescribing and other components. She may wish

to elaborate in more detail on where recurring savings will be made as part of that £32.9 million.

Joanne Brown: The board is looking at service redesign in order to make recurring savings in a number of thematic areas. I do not have to hand the information for 2021-22 on how much of what is in the PMO plan has been achieved to date and how much is recurring in nature. My understanding is that the board feels confident that it will achieve at least 80 per cent of what it has set out to save through the PMO during 2021-22.

11:00

A number of thematic areas such as prescribing and procurement have been highlighted, and the board has certainly been able to make some recurring savings in corporate services and in estates and facilities. As we have seen, NHS Highland has, throughout the Covid pandemic, naturally had to change how it has delivered services. One of the key areas for the board as it moves forward will be digital clinical engagement and the continuation of the NHS Near Me service, which has enabled the board to realise a different service model that brings benefits in terms of the financial savings that it needs to make.

However, there is still risk with regard to the non-recurring nature of savings. That is routinely reported through the financial savings board and through the PMO itself.

Colin Beattie: Did you find any indication that NHS Highland is using staff vacancies—at consultant level, in particular—to manage its savings? In other words, has it been delaying appointments?

Joanne Brown: No. There will be some non-recurring savings that happen naturally as a result of difficulties in appointing people to positions. However, the medical and clinical workforce side is still an area of cost pressure for the board as it delivers services, and it is not looking to achieve non-recurring, one-off savings in that area.

Colin Beattie: I have one last question.

At paragraph 25, on page 8, the report tells us:

"NHS Highland is not currently budgeting for a financial brokerage requirement from Scottish Government for the 2021/22 financial year."

Is it possible that NHS Highland will require some level of brokerage from the Scottish Government in the current financial year, given the other things that we are taking into account?

Joanne Brown: Based on our—

Stephen Boyle: Sorry, Joanne—I will ask you to come in shortly.

It is possible that the board might require additional funding or financial support from the Scottish Government. As we say in the report, there was a component of £8.8 million in additional financial support from the Government in 2021. As we have just discussed, there are significant and challenging savings plans to be delivered, alongside the uncertainty around how the pandemic will evolve further over the rest of this year. It will be for NHS Highland and the Government to keep the financial position under close review so that anything like that does not come as a surprise later on, towards the year end.

Sorry, Joanne—you might want to come in with your own thoughts on that.

Joanne Brown: From a 2021-22 perspective, at this point in time, NHS Highland is forecasting break-even and potentially a slight surplus. At present, that does not involve what would traditionally be referred to in the NHS as brokerage. However, as the Auditor General set out, it is acknowledged that a number of additional Covid moneys for the NHS are currently sitting with NHS Highland, which will support the achievement of break-even in a similar way to what we saw in 2020-21.

Colin Beattie: In effect, therefore, the Covid moneys are masking the underlying financial issues to some extent. Is that correct?

Stephen Boyle: Again, Joanne Brown will have a perspective on that, but I do not think that there is a lack of transparency about the financial position and the challenges that NHS Highland is looking to address. It is clear that there is a significant financial savings plan that sets out steps to deliver nearly £33 million of savings, and, like all health boards, NHS Highland has received considerable Covid funding from the Scottish Government, which is shaping and influencing its overall position. As and when the pandemic ends, it will need to recalibrate and consider what that means for its financial position and service delivery.

It is likely that it will not go back to how it was before the pandemic. Joanne Brown rightly mentioned that, and, as we have discussed at committee previously, the adoption of different service models such as NHS Near Me is an essential factor. As Audit Scotland said and as my predecessor rightly pointed out, before the pandemic, the NHS in Scotland was not in a sustainable financial position, so all the learning to transform service delivery requirements and financial sustainability is even more important. Covid moneys are shaping that at the moment. When the pandemic subsides, that will be the time to restate what that means in relation to service delivery and associated—*[Inaudible.]*

The Convener: I am bound to reflect on the evidence that there has been a lot of controversy in the Highlands about the centralisation of services. So, when Joanne Brown speaks about service redesign, the question that many people in the Highlands will ask is, to what extent is that clinically led and to what extent is that financially led? It may not be for the Auditor General to offer commentary on that, but any reflections that you or Joanne can make would be useful in getting the inside track on what is pushing those changes.

Stephen Boyle: I am happy to start, and Joanne can add anything that she wishes. The nature of service delivery and design should be based primarily on being clinically safe and on appropriate access to services and treatment for patients across the Highlands. The best model for delivering that is ultimately a matter for NHS Highland and the Scottish Government. It is important that that is part of effective engagement and consultation on the communities' services.

As auditors, we are looking to express a view on how well public money is being spent and the impact that is achieved from it. Today's report sets out that NHS Highland still has some significant financial challenges but is making progress. In doing so, it should deliver a sustainable financial position and appropriate, safe healthcare for the people of the Highlands. That is always a balance. Ultimately, it will be for clinicians to determine the best model of healthcare for the Highlands.

That is all that I have to say on the issue, convener, but I invite Joanne Brown to contribute if she wishes to do so.

Joanne Brown: I will add one thing. I touched earlier on the impact that digital services are having on NHS Highland—particularly things such as NHS Near Me. NHS Highland would cite the fact that, before the pandemic, there were roughly 88 NHS Near Me consultations a week, whereas the figure is now averaging out at around 1,000 consultations a week. That has opened up a different clinical way of working and of reaching patients, particularly in the remote rural locations that NHS Highland has.

In its future strategy, it wants to link that platform to its planned service redesign. It is already looking again at its strategy and service redesign beyond Covid, considering all the positives that have happened and how it can continue to embrace this way of working instead of how it worked in the past.

The Convener: Thank you—that is useful.

I turn to Sharon Dowey, who has a series of questions on the theme of the cost pressures that are demonstrated in the audit report on NHS Highland.

Sharon Dowey: Auditor General, your report provides welcome information on the progress that NHS Highland has made in tackling its reliance on locum and agency staff, which was raised in previous section 22 reports. The board has filled 21 hard-to-fill consultant positions and, in October 2022, it took the management of locums back in house to control spending and rates. Is that sufficient or is there more work to be done in that area?

Stephen Boyle: I share your assessment that there has been welcome progress. NHS Highland has managed to fill challenging posts, some of which are consultant positions and some of which are in rural general hospitals. A consistent theme in our reporting on NHS Highland has been that, in living with hard-to-fill vacancies, the board has had to incur huge costs in order to sustain services, as there have been very significant locum and agency—[Inaudible.] It is welcome that NHS Highland has been able to fill posts permanently.

The insourcing of the board's locum arrangements is another sign of progress. We also report that turnover dropped during the year. There are a number of welcome signs, but you asked whether what has been done will be enough. This is true of all health boards, but I suspect that NHS Highland in particular keeps the working patterns and preferences of clinicians under constant review.

We will continue to report in our overview report that people who work in the NHS are under enormous strain and pressure, and that the wellbeing of those who work in the sector needs to be carefully managed. In delivering an essential service, they should be looked after and given the right working conditions so that it remains attractive to work in the sector. Those key long-term challenges are built into the workforce plans that NHS Highland and all health boards will have to keep under close review.

Sharon Dowey: Have processes been put in place to encourage people to take up the positions, or has the pandemic had a bit of an effect, with people being kept in positions as a result of not being able to move about because of lockdowns or restrictions?

Stephen Boyle: It is a bit of both. As we have seen, the pandemic has changed some people's preferences from what they might have been before Covid. For example, they might want to go to more remote and rural areas to benefit from a different lifestyle. I speculate that that will have influenced the decisions of some of the people who have moved into posts that have been hard to fill for a long time.

Ensuring that those people stay in post is the more important issue. As we touch on in the

report, NHS Highland made progress through an attraction, recruitment and retention strategy. It is key that the board builds on the benefits of filling the posts and that it has a model that makes NHS Highland an attractive place for people to work.

That links to the convener's point about how the board can deliver services in the Highlands. If NHS Highland can attract into the posts highly skilled people who could work anywhere in the world, that will allow it to have a model of delivering services that does not rely on centralisation, with people being able to access services in all parts of the Highlands. The attraction, recruitment and retention strategy is a key component of the long-term sustainability of health service delivery in the Highlands.

Sharon Dowey: Is it too early to work out whether there is best practice that could be passed on to other health boards that have the same issues?

Stephen Boyle: That is a fair conclusion. NHS Highland has had some great benefits from filling those posts in recent years, and there will undoubtedly be other examples of that in other parts of the country, such as the south of Scotland, the Borders and the Scottish islands. Although we are two years into the pandemic, it is perhaps too early to draw any real conclusions on whether there is a new model that should be rolled out across the country. Nonetheless, I am sure that NHS Highland will be sharing its learning with other health boards.

Sharon Dowey: Your report sets out the progress that has been made in recruitment to and staffing of the programme management office. Are you content with that progress? Earlier, Joanne Brown mentioned the success in delivering a number of savings, so that work seems to have been a success.

11:15

Stephen Boyle: We think that it is an important contributor to NHS Highland's service delivery and financial position. We said in our report that the programme management office now has permanent staff in place, who are benefiting from mentoring and knowledge transfer from the consultants who had set up the office. There are certainly signs of progress, but the PMO has an important job to do in delivering the financial savings and transformation that NHS Highland requires.

Joanne Brown may be able to say more, as she has interacted with the PMO.

Joanne Brown: We have seen the journey of the PMO from when it was established to the way that it operates now. It has become much more

embedded in NHS Highland's wider arrangements and across the organisation. There has been a move away from the use of consultants to provide temporary, short-term support to those posts in the PMO being filled on a permanent basis. There are suitable skills and experience within the PMO, and there is now a reasonable reporting structure in place. Dashboards are used to regularly report on and track savings. The board has embraced the set-up of the PMO, which is now fully operational with permanent staff who are all NHS Highland employees. That is a good position from which to take forward the PMO.

Sharon Dowey: The work on the PMO certainly seems to have been a success. The Audit Scotland report says:

"a substantive PMO director is now in place with short-term mentoring support being provided by the previous appointee."

Do you have any concerns about the previous appointee leaving? Will you continue to monitor progress once they have left?

Joanne Brown: The short-term mentoring arrangement that NHS Highland put in place was there to support the incoming permanent director. That support is no longer required. The permanent director is now in charge of and is operating the PMO. We will continue to look at that. The PMO will play a key role in the future financial sustainability of NHS Highland and will continue to feature in our external audit. I do not have any concerns about the previous appointee leaving or about the change to a permanent set-up.

Willie Coffey: I have a couple of short questions for Stephen Boyle about leadership and governance, but I want to go back to what Joanne Brown said about the Near Me digital platform. I think that she said that the number of digital consultations through Near Me had gone up from about 88 a week to about 1,000 a week. That is a fantastic transformation, which has been brought about by Covid.

Do you have a sense that that will remain in place if and when we get through the Covid emergency? Will that digital mechanism or model be retained? It seems to be a good one, and one that has been particularly successful for NHS Highland.

Stephen Boyle: Would you like Joanne to answer that directly?

Willie Coffey: Yes—that would be really helpful.

Joanne Brown: NHS Highland has experienced a marked change in the use of Near Me. That is at the forefront of the board's future planning for technology, given how well Near Me has worked for it during the pandemic.

NHS Highland has seen clinicians become more confident about using Near Me, as well as more confidence in patients about how well that has worked for them. Previously, a lot of travelling had to be done in remote rural areas so that people could see the relevant clinician. Part of the future strategy is to use Near Me beyond the pandemic.

Willie Coffey: It is good to hear that.

Turning to leadership and governance, the report is positive about the improvements that have been made in the stability of NHS Highland's leadership. That is welcome, as are the comments about succession planning. I think that the report said that the first round of that was due to be completed by December. Has that work been done, or is it still in progress?

Stephen Boyle: Joanne Brown or Leigh Johnston might know whether NHS Highland was able to deliver on the first round of succession planning by the end of last month; that would have happened after we produced our report. If we have that detail now, we will share it and, if not, we will be happy to write to the committee.

Before my colleagues say a word or two, I emphasise that the stability of leadership in NHS Highland has been a catalyst for the progress that the organisation has made on service delivery, governance and its financial position, which has fed into the work of the programme management office. That is all really welcome.

In workforce planning, succession arrangements are key to all the things that we have spoken about. Given the workforce challenges that NHS Highland has had, such as hard-to-fill posts, and given the diverse service delivery across a wide geography, that is an important component of how the board will deliver its services in the future.

I ask the team whether we know more about whether the deadline was achieved.

Joanne Brown: I have nothing to add to that update. After the meeting, I would be happy to update the committee on what progress has been made and whether the plan was produced as intended in December. I do not currently know that.

Willie Coffey: If you can find out that information, that would be appreciated—thank you.

Paragraphs 39 to 41 of the report remind us about the Sturrock review of allegations of bullying and harassment and so on and about the on-going programme to transform the board's culture. The Auditor General mentioned the key actions that have been taken, which include a survey in Argyll and Bute and the development of what you described as a healing process. Will you say a wee bit more about how that is going? How will

you monitor that aspect in your programme of work?

Stephen Boyle: The Sturrock review of allegations of bullying and harassment was a significant event for NHS Highland. It was the culmination of many years of concerns from people who worked in the organisation about experiences that they had and how they were treated.

You mentioned two actions that were due to take place, which were taken. A similar review of the experience of people who work for NHS Highland in Argyll and Bute was undertaken through a survey. Their feedback was consistent with the experiences of NHS workers in the Highland area.

The other part was a healing process to give people who work in the Highlands the opportunity to share their perspective, receive feedback and have their voices heard. That was a very important part of John Sturrock's recommendations for the board to take forward.

How does that translate into the future? The date to register for the healing process has passed. We reported that more than 300 people registered to be part of it. By the end of May last year, the independent review panel had recommended 136 people for a remuneration payment as a result of the experiences that they had. To date, 118 financial payments have been made, at a total cost of £1.7 million. NHS Highland has provided for the remainder of the payments as part of the process.

That has been a difficult process and a difficult part of NHS Highland's history, but it is important that people have gone through that. As ever, the learning, the experience and the sharing of that will change the culture for the better, so that people who work in the Highland part and the Argyll and Bute part of NHS Highland experience what we all expect to experience at our work, which is to be treated fairly and with kindness and respect.

Willie Coffey: Thank you so much for that, Stephen. I think that the convener might wish to continue to develop the questions in that area, so I hand back to him.

The Convener: Thank you, Willie.

Auditor General, you are absolutely right to talk about the human dignity and respect that are at the centre of the Sturrock report and recommendations. I want to look at the overall cost and some of the nuts and bolts of that. Do you have any indication of how many further recommendations for financial payments there are likely to be? Could you clarify who is footing the bill for that? Is the funding coming from the health

board itself, or is any additional Scottish Government funding being made available? Could you, Joanne Brown or Leigh Johnston shed any light on what the division is between the value of the compensation payments that have been made and the cost and administration of the process?

Could you begin by addressing those points, Stephen?

Stephen Boyle: I am happy to start, and I am sure that Joanne Brown will want to come in, too.

To continue the discussion with Mr Coffey, £1.7 million of payment recommendations have been made, which cover 118 people. All the costs of running the process are being met by the Scottish Government. In addition to the £1.7 million, the cost of setting up, running and administering the healing process—that is aside from the cost of the healing payments—is £1.1 million. One of those two components is the cost of administering the process; the other is the payments to individual members of staff.

That is not an insignificant amount of public spending, as I am sure you would agree, but I think that it has been necessary for NHS Highland to have gone through that, so that people's experiences, particularly those that were negative and detrimental, are reflected in compensation, and that they are able to move on, as individuals and as an organisation, with the right learning and changes to the culture that they will want to make on the back of John Sturrock's report.

I turn to Joanne Brown in case I have missed anything and she wants to add something in response to your question.

Joanne Brown: The only thing that I would add is that NHS Highland is expecting the final cases to be heard by the end of March this financial year. Therefore, any remaining financial cost will be shown in the 2021-22 accounts. As Stephen Boyle said, the set-up costs and the costs of running the healing process are being tracked, alongside the cost of the financial payments that are made.

There is a commitment and a plan in place for NHS Highland to take a board paper in July this year, which, in effect, will wrap up the healing process. I expect the board, as part of that paper, to consider how well that process is being applied and whether it has achieved the aims and objectives, while also considering the value-for-money aspect around the set-up and the payments. That will be very visible through the board in July, which is the timetable that NHS Highland is working to for that.

The Convener: Thank you very much—that is very useful. There is continuing public interest in the costs of the operation and administration of the

healing process, and in the balance between that and the pay-outs themselves.

I have a final point that I want to ask about. Referring to the board risk assurance framework, the report states that

“further work is required to review and redefine some of the risks and the escalation process within the BRAF”.

Could you tell us a little bit more about what further work is required on that? I do not know whether that is for Joanne Brown or Stephen Boyle.

Stephen Boyle: I can say a word or two of introduction; Joanne Brown can say anything additional that she wishes.

We are reporting signs of progress on NHS Highland’s governance arrangements, both in how it is running its risk management arrangements and in the effectiveness of its audit committee—which are both key parts of the driver for—*[Inaudible.]*—internal control environment and—*[Inaudible.]*—really important that that has happened, especially given some of the judgments that were previously made by Joanne Brown and Audit Scotland about how effective governance and risk management were in the board.

11:30

As we say in the report, how that translates into the board’s risk assurance framework and the ownership of risks by the executive team is really important. It matters that there is visibility and ownership of particular risks and that risk management is developed, given the significant responsibilities and challenges for all health boards in Scotland. Joanne Brown might want to say a bit more about the components and workings of the board’s risk assurance framework.

Joanne Brown: As we outline in the report, a lot of work has taken place around the risk management framework. NHS Highland acknowledged that it needed to consolidate the strategic risks that were facing the organisation and ensure that there was clarity in how risks were reported.

We have seen a big impact through the risk management steering group, which reviewed its membership and role in the governance structure, and the links to the various sub-committees and the board in terms of risk. We now need to see how that is embedded so that we are comfortable that the board has put in place, with the right design, the necessary controls and governance. As part of our 2021-22 audit, we will look at how that aspect has been embedded in the governance structure.

One area that the board continues to develop, where its position is not dissimilar to that of other

NHS boards, relates to risk appetite and the links around that, and how it mitigates and manages risks. Nonetheless, we have seen a really positive improvement in risk management, and we will now look to ensure that that is fully embedded as the board takes risk forward.

The Convener: Thank you. I am extremely sorry, but we have run out of time in this evidence session. There is quite a lot to follow up on, not least the points that Joanne Brown was addressing just now.

I take the opportunity once again to thank you, Joanne, for your time and your evidence, which has been illuminating. I thank Leigh Johnston for her input, as always, and I thank Stephen Boyle, the Auditor General, for his work on this area.

I am sure that we will return to many of the themes that we have discussed today, not least in the light of the overall NHS Scotland audit report that Audit Scotland will produce next month. I bring the public part of the meeting to a close.

11:32

Meeting continued in private until 11:53.

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