

**NHS Tayside
Assurance and Advisory Group**

Staging Report of Findings and Recommendations

27 June 2017

Contents

1. Executive Summary: Key Findings and Recommendations	5
1.1 Context	5
1.2 NHS Tayside - Financial Position	5
1.3 Benchmarking	5
1.4 Transformation: Progress and Support	7
1.5 Transformation: Strategic and Service Planning	8
1.6 Governance and Organisational Capacity	8
1.7 Conclusions	9
1.8 Key Recommendations	10
2. Remit and Methodology	13
2.1 Context	13
2.2 Remit of the Assurance and Advisory Group (AAG)	13
2.3 Group Process and Engagement	13
3. Historical Financial Position	15
3.1 Background	15
3.2 Overview of historical financial position	16
3.3 Key points	16
3.4 Previous reviews into financial performance	17
3.5 Review of financial performance – 2015/16 and 2016/17	18
3.6 Overview of management of financial resources – 2015/16 and 2016/17	18
3.7 Factors contributing to the budget overspend	22
3.8 Health and Social Care Partnerships	25
4. Financial Planning and Projections	26
4.1 Key points	26
4.2 Overview of the NHS Tayside five year financial framework	26
4.3 Review of the financial plan for the year ending 31 March 2018	27
4.4 Assessment of risk of delivery of recurring financial savings plans – NHS Tayside	28
4.5 Assessment of the risk of delivery of recurring financial savings plans – provided by Ernst and Young	30
4.6 Evaluation of non-recurring savings	31
4.7 Evaluation of additional cost pressures	32
4.8 Summary assessment of the 2017/18 financial plan	32
4.9 Assessment of the five year financial plan	33

4.10	Financial control environment	33
4.11	Overall assurances provided in relation to internal controls across NHS Tayside	33
4.12	Findings in relation to financial planning and budgetary control	34
5.	Benchmarking	37
5.1	Key Points	37
5.2	Overview	37
5.3	Workforce	37
5.4	Operating costs	38
5.5	Prescribing	39
6.	Strategic and Service Planning	40
6.1	Key Points	40
6.2	Strategic Planning in Tayside	40
6.3	Transformation Programme	41
6.4	Operational Delivery Service Plans	42
6.5	Business Intelligence	44
7.	Governance and Organisation Capacity	45
7.1	Key Points	45
7.2	Transformation Programme Governance Structures	46
7.3	Programme Management Office	46
7.4	Engagement across the organisation in transformation programme	47
8.	Summary of Recommendations	49
9.	Appendix 1: Remit and membership of the Assurance and Advisory Group	51
10.	Appendix 2: Transformation Progress	52
11.	Appendix 3: Meetings	56
12.	Appendix 4: References	58

Foreword

This report has been prepared for the Scottish Government in response to the request to review the deliverability of NHS Tayside's 5 Year Transformation Programme. This was on account of NHS Tayside being unable to operate within its allocated financial resources for the past five years. In order to conduct the review an independent Assurance and Advisory Group (AAG) was established in March 2017 (see Appendix 1).

As part of the review, we (the AAG members) took the opportunity to visit multiple care sites in Tayside and witnessed at first hand, the dedication, care and commitment of front line staff and early progress of the Transformation Programme (see Appendix 2). We sought assistance from, met and talked with many colleagues working for and supporting NHS Tayside, the three Tayside Health and Social Care Partnerships and three Local Authorities, the NHS Tayside Public Forum and other partners (see Appendix 3). We were made welcome throughout and are very grateful for the kindness and unstinting support received during the course of the review.

While much of this report is about financial sustainability, the review also seeks to help shape on-going and future excellence in care for the people of Tayside and for those who provide that care. That will require marked transformational change, effective health and social care integration, new models of care, new ways of working together and best use of public funds. We offer 14 key recommendations for consideration and urgent implementation.

In order to secure success, leadership and partnership working of a very high order will be required, with the full engagement of the people of Tayside and its public representatives. This will need to be done well, at pace and with resolve.

I wish to record my personal appreciation to my fellow AAG team members and support staff - for their professionalism and commitment at all times throughout the review.

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

Lewis D Ritchie
Chairman, Assurance and Advisory Group, NHS Tayside

1. Executive Summary: Key Findings and Recommendations

1.1 Context

This Staging Report describes the remit, process, findings and recommendations of the NHS Tayside Assurance and Advisory Group (AAG) which was established on 29 March 2017. The remit and process of the AAG is described in Section 2 and its membership is listed in Appendix 1.

1.2 NHS Tayside - Financial Position

NHS Tayside has required on-going financial support from the Scottish Government since 2012/13, in order to achieve financial balance. NHS Tayside is presently projecting a requirement for a further £4m of Scottish Government support to achieve financial breakeven in 2017/18. The financial difficulties encountered by NHS Tayside over this period are not new, but the level of challenge has markedly increased. In Section 3 of this Report we describe the historical background and reference to past relevant findings of the Ministerial Task Force (2000) and the Audit Scotland Review of National Health Service Bodies in Tayside (2001).

Key areas of overspend in 2015/16 (including staff costs and primary care prescribing) have persisted into 2016/17. Comparisons have been made with all territorial NHS Boards in Scotland. Alignment of these cost areas with the Scottish average could bring NHS Tayside over time within financial balance and could substantially address the underlying recurring financial deficit.

The financial support - 'brokerage' - required from the Scottish Government in 2015/16 and 2016/17 would have been significantly higher without levels of non-recurring savings and use of deferred expenditure by NHS Tayside. The reliance on non-recurrent savings and deferred expenditure has been noted in a number of recent internal and external audit reports in 2016 and 2017.

On the basis of the evidence and analysis we have at this time, we believe that the £4m of financial break-even support NHS Tayside has projected it will require in 2017/18, is likely to be an underestimate. This projection is reliant on full delivery of projected savings plans. These contain significant elements of risk, which have been recognised by NHS Tayside. Based on the Scottish Government commissioned independent assessment of the status of the current savings plan, undertaken by Ernst and Young (April-June 2017), it appears possible that further financial support may be required in addition to that forecast by NHS Tayside, after adjusting for risks to planned savings and asset disposals in 2017/18.

1.3 Benchmarking

We examined the comparative position of NHS Tayside with all other Scottish territorial Health Boards. In terms of workforce¹, NHS Tayside's total staff complement is high - representing 9.3% of the NHS Scotland total - compared with its NRAC (NHS

¹ Based on ISD workforce statistics for NHS Scotland as at 31 December 2016

Scotland Resource Allocation Committee)² target share of 7.85%. This finding is consistent across most staff groups, clinical and non-clinical, hospital and community based.

A benchmarking review was undertaken recently by NHS Tayside based on information for 2015/16 provided by the NHS Scotland Information Services Division (ISD). The report compared the cost of service provision within NHS Tayside with the other teaching boards (NHS Greater Glasgow and Clyde, NHS Grampian and NHS Lothian) and highlighted a number of areas where the operating costs of NHS Tayside were higher than the peer group.

For example, in 2015-16, in terms of financial performance:

- NHS Tayside's costs per in-patient week of £4,677 were 19% higher than the lowest of the teaching boards and 14% above the second highest board
- At 9.7% of NHS Scotland's total spend on energy, NHS Tayside energy cost was 27% higher³ than its share of funding, highlighting the challenges regarding operating from many dispersed sites
- Of the four teaching boards, NHS Tayside was the only Board to incur expenditure on primary care prescribing in excess of available resources. Savings of £4m could have been achieved if expenditure had been contained within its NRAC population share of funding.

For comparison, in the same year, in terms of service delivery

- 4 Hour Accident and Emergency (A&E) service performance in NHS Tayside was 98.9%, the best figure of any mainland Board. Overall NHS Scotland performance was 94.1%
- Child and Adolescent Mental Health Services (CAMHS) - 97.4% of patients in NHS Tayside were seen within 18 weeks in the quarter ending 31 March 2016, against a 90% standard.
- The National Quality Indicator (NQI) for reduction of total antibiotic prescribing in general practice is a key indicator of best practice. NHS Tayside showed a 71% compliance rate compared to an expected rate of 50%.

Summary: The higher operating cost base in NHS Tayside compared to other territorial Boards in Scotland and configuration of health care services has been highlighted in previous reports⁴. Unless these challenges are robustly and rapidly addressed they are likely to result in NHS Tayside continuing to commit expenditure higher than its funding allocation.

² <http://www.isdscotland.org/Health-Topics/Finance/Resource-Allocation-Formula/>

³ NHS Tayside signed a new energy contract which became operational in December 2016. Approximately £1.0m annual savings are anticipated for 2017/18.

⁴ Ministerial Taskforce (2000); Audit Scotland – Review of National Health Service bodies in Tayside (2001)

The higher operating cost base in NHS Tayside compared to other territorial Boards in Scotland and configuration of health care services has been highlighted in previous reports⁵. Unless these challenges are robustly and rapidly addressed they are likely to result in NHS Tayside continuing to commit expenditure higher than its funding allocation.

1.4 Transformation: Progress and Support

Significant work has already been undertaken by NHS Tayside in partnership, to progress transformational change, recognising the extent of the challenges involved. In particular transformational changes are underway or planned imminently in the following services or activities:

- Mental Health Services
- Shaping Surgical Services
- Older People's Services
- Maternity Services
- Realistic Medicine Framework
- Integrated Clinical Strategy (which is considered in greater detail below)
- Restructuring of Board Committees and Executive Groups
- Prescribing - formulary compliance (new formulary launched April 2017), improved repeat prescribing, quality prescribing visits programme, locality pharmacy teams

In addition: since 2013 to date, NHS Tayside has requested and received assistance from external agencies or individual professionals in the following areas:

- Property disposal
- Capital investment to deliver energy savings
- Financial benchmarking
- Review and development of partnership working
- Workforce and human resources (HR) practice
- Tailored support: Leadership and subject expertise to support transformation planning, strategic integrated resource allocation and budget planning
- Support of Integrated Joint Board Governance (Perth and Kinross)
- Board effectiveness and organisational culture
- Feedback and complaints review
- Assessment and assurance of prescribing plans
- Key priorities for organisational culture development

Further details of progress and support are provided in Appendix 2, which illustrates the nature and extent of current health service developments in Tayside and the willingness to seek external support and advice.

⁵ Ministerial Taskforce (2000); Audit Scotland – Review of National Health Service bodies in Tayside (2001)

1.5 Transformation: Strategic and Service Planning

While there has been progress on a number of fronts, on the basis of our present findings, we do not believe that the current Transformation Programme and its underlying plans are sufficiently well developed to tackle the issues outlined above, in order to achieve timely financial balance.

Reflecting a shared vision, it is imperative that a comprehensive strategic planning framework continues to be developed jointly between NHS Tayside and its three Health and Social Care Partnerships (HSCPs) (Angus, Dundee, Perth and Kinross). We believe that NHS Tayside is fully committed to and working towards realising this ambition. In all of this, a partnership of equals, at all levels, is of paramount importance in relation to truly integrated strategic plans for health and social care in Tayside.

Existing Operational Plans supporting the Transformation Programme are in progress. They require further detailed on-going work to ensure effective delivery against financial efficiencies targets as set out in its six work streams

In terms of future planning, NHS Tayside should continue to collaborate with neighbouring NHS Boards, to ensure that emerging regional working arrangements provide opportunities to transform services across a wider population.

1.6 Governance and Organisational Capacity

We are of the view that an appropriate and adequately resourced governance structure is in place to support the operational work associated with the implementation of the Transformation Programme, including a dedicated Programme Management Office (PMO) with staff resource allocated against the six key workstreams.⁶ Future allocation of resources towards potential efficiency savings workstreams must clearly map to the scale of the potential savings required and the risks to delivery.

During attendance by the Assurance and Advisory Group (AAG) at committee meetings, in one-to-one interviews and during site visits, clinicians and support staff expressed clear willingness to contribute more to the work required to assist transformational change.

Consistent concerns were expressed about the need for better internal stakeholder engagement and partnership working. This should take place systematically and at an early enough stage to enable meaningful and timely influence on the future direction of care services. Successful transformational change will pivot on necessary and sufficient staff buy-in throughout NHS Tayside. In order to achieve this, communication and stakeholder engagement plans have been put in place across the workstreams. Going forward, these emerging plans will require further development and refinement.

⁶ Workforce and Care Assurance; Realistic Medicine; Better Buying and Procurement; Repatriating Services, Facilities and Estates/Site Services; Service Redesign and Productive Opportunities

At strategic level, it is imperative that the requisite skills, expertise and capacity must be identified and actioned by NHS Tayside to support the considerable and complex planning and service redesign associated with the Transformation Programme.

Further work is required on developing robust escalation processes, with clear accountability for under-performance at all levels and with evidence of robust corrective action or challenge where delivery is at risk.

At present there are potential risks relating to the delivery of projected savings. In view of our reservations regarding accountability, escalation and corrective action, we consider it is unlikely that present arrangements will secure effective delivery of savings of the scale and at the pace required. To date, the role of the Programme Management Office has been largely limited to reporting and monitoring progress, with a focus on transactional rather than transformational change. This emphasis must now change. The need for such change has been acknowledged and agreed by the Transformation Programme Board and must now be followed through with resolve and dispatch.

1.7 Conclusions

- NHS Tayside has been unable to operate within its financial resources for the last five years (2012/13 to 2016/17). NHS Tayside clearly recognises the extent of the challenge involved and is committed to address this. Much encouraging work is underway in a number of critical areas, but we have not been able to identify compelling evidence of improvement taking place at sufficient scale and pace to provide assurance that NHS Tayside will deliver its projected financial out-turn for the current year 2017/18.
- We have witnessed and commend a clear commitment to improvement in processes and control mechanisms. At this time, we did not find sufficient evidence of progress with the key elements of the Transformation Programme to be confident that NHS Tayside can return to financial balance within the identified five year timescale.
- While there is considerable scope for improvement in both service efficiency and financial position, NHS Tayside clearly acknowledges that it cannot adequately tackle alone the persistent underlying factors contributing to the current pattern of overspend without significant transformational service change. This must continue to occur in equal partnership with the three HSCPs, joint working with the three Local Authorities and effective regional collaboration with other NHS Territorial Boards. Such transformation currently being progressed by the Transformation Programme Board, will require a step change in scale and pace.
- On present evidence, it is likely that it will take a number of years to achieve the level of recurring savings required for sustainable in-year financial balance, without impacting adversely on the quality or safety of patient services.
- As NHS Tayside continues to improve and transform its services, on-going buy-in and empowerment of all staff is essential. Clinical leadership, ownership and

support will be key for success - as will meaningful engagement of the people and communities it serves.

1.8 Key Recommendations

Actions for the NHS Tayside Senior Executive Team

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

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

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

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

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

4. NHS Tayside should undertake an early and comprehensive review of staffing levels across all services and sites, including those delegated to or utilised by HSCPs.⁷ This review should aim to clarify key drivers of NHS Tayside's workforce levels compared to peer Boards and to identify safe options for bringing redesigned services and sites within available resources.

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

⁷ Using the data submitted within the Property and Asset Management Strategy

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

Actions for the NHS Tayside Board

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

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

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

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

Actions for Scottish Government

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

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

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

14. Learning opportunities arising from the experience of NHS Tayside should be assimilated for the wider benefit of NHS Scotland. This includes the role and contribution of national services support, on the basis of a 'Once for Scotland'

approach - as outlined in the recent Health and Social Care Delivery Plan⁸ (see also Appendix 2).

⁸ Health and Social Care Delivery Plan, <http://www.gov.scot/Resource/0051/00511950.pdf>

2. Remit and Methodology

2.1 Context

Each year since 2012/13, NHS Tayside has been unable to operate within the resources available to it. Consequently, NHS Tayside has been under scrutiny by Audit Scotland⁹ and the Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee (PAPLS).

NHS Tayside established a Transformation Programme Board in October 2015 to oversee a programme of work to deliver improved services to patients, improve cost effectiveness and return NHS Tayside to sustainable financial balance.

On 29 March 2017, Paul Gray, Director General of Health and Social Care in the Scottish Government and Chief Executive of NHS Scotland established an Assurance and Advisory Group (AAG) to provide independent scrutiny and challenge on the deliverability of NHS Tayside's latest Five Year Transformation Programme. He requested Professor Sir Lewis Ritchie to chair the AAG and sought support from other colleagues working in the NHS or in a Health and Social Care Partnership. See Appendix 1 for the full remit, membership, technical support and secretariat of the AAG.

2.2 Remit of the Assurance and Advisory Group (AAG)

The Assurance and Advisory Group was asked to "provide a staging report to Scottish Government on the deliverability of NHS Tayside's 5 year Transformation Programme. This will include a review of:

- the service change plans
- organisational capacity to deliver the service change plans
- robustness of the financial plans, underlying assumptions and the level of risk.

The remit extends to all areas of service and expenditure related to NHS Tayside, including the role of Integration Authorities in delivering the plan, partnership working and public participation."

2.3 Group Process and Engagement

To support the work of the Assurance and Advisory Group, the Scottish Government commissioned the consultancy firm Ernst and Young to undertake a detailed technical analysis of NHS Tayside's financial position, operational planning and programme management arrangements.

⁹ Audit Scotland, *The 2015/16 Audit of NHS Tayside – Financial Sustainability*, October 2016

The wider methodology adopted by the AAG involved:

- Developing a workplan – shared and agreed with NHS Tayside;
- Undertaking 19 site visits to NHS Tayside sites (listed in Appendix 3) including discussions with frontline staff;
- Examining relevant NHS Tayside financial data for 2016/17 and 2017/18;
- A structured review of organisational documents, reports and minutes of recent key meetings;
- Observing meetings: the Board of NHS Tayside, Transformation Board Meetings (2), Board Governance Committees, Clinical Leaderships groups, Executive Team, Area Clinical and Partnership Fora and Staff Governance Forum;
- A series of individual and group meetings/discussions with NHS Tayside Board Members, staff and others – including the Executive Team, Non-Executive Board Members, Clinical Leads, Public Partners' representatives, Health and Social Care Partnership Chief Officers and the Chief Executives of Angus, Dundee and Perth and Kinross Councils .

3. Historical Financial Position

3.1 Background

There has been significant change in the NHS landscape in Tayside over the last 20 years, the first part of which is succinctly described in Audit Scotland's 2001 report:

"Prior to 1 April 1999 there were four NHS trusts operating in Tayside: Angus NHS Trust, Dundee Healthcare NHS Trust, Dundee Teaching Hospitals NHS Trust and Perth and Kinross Healthcare NHS Trust but, following the Government's reorganisation of the NHS in Scotland, these four trusts were dissolved and replaced by the Tayside Primary Care NHS Trust (TPCT) and [Tayside University Hospitals NHS Trust] TUHT."

In 2001, 15 integrated territorial Health Boards across were established replacing the existing two tiers of Health Boards and Trusts. In Tayside, this led to the creation of Tayside Health Board (now commonly referred to as NHS Tayside) replacing the two separate healthcare trusts.

Following the implementation of The Public Bodies (Joint Working) (Scotland) Act 2014, responsibility for the strategic planning for a range of services provided by NHS Tayside has been delegated to three Health and Social Care Partnerships covering Perth and Kinross, Dundee City and Angus.

The geographic area covered by NHS Tayside and its HSCP partners had a combined population of 415,470¹⁰ in 2016. Over the next 20 years the Tayside area will, in common with the whole of Scotland, see major demographic changes which are expected to have a profound impact on the healthcare system including significant increases in the number and proportion of older people, as shown in the table below.

Projected population change – 2014-2039

Area	Growth (all ages) %	Growth (pensionable age) ¹¹ %
Scotland	6.6	28.3
Perth and Kinross	12.2	32.0
Angus	3.5	25.2
Dundee	5.9	8.5

As at 31 March 2017, the Health Board employed 11,832 staff WTE (whole time equivalent) and currently owns 68 properties including Ninewells Hospital in Dundee City, Perth Royal Infirmary and Murray Royal Hospital in Perth and Kinross, Stracathro Hospital in Angus and a number of community hospitals and health centres across Tayside.

¹⁰ National Records of Scotland Demographic Factsheets for Angus, Dundee City and Perth and Kinross Council areas

¹¹ National Records of Scotland – projections take account of planned changes in legal definitions of pensionable age over time

In 2017/18, NHS Tayside was allocated £721.4m in revenue funding, which represented an uplift of 3.2% and included £8.0m to bring it to within 1% of its target NRAC funding.

3.2 Overview of historical financial position

In the remainder of this section we set out an overview of NHS Tayside's recent financial performance with reference to:

- the findings from previous reviews into financial performance of health bodies in Tayside
- the review of financial performance in 2015/16 and 2016/17 undertaken by Ernst and Young¹²
- the report by Audit Scotland – 2015/16 audit of NHS Tayside – Financial Sustainability¹³

3.3 Key points

- Key areas of overspend in 2015/16 (primary care prescribing and Nursing and Midwifery and Medical staff costs) have persisted in 2016/17.
- The higher operating cost base in Tayside compared to other Health Boards in Scotland has been highlighted in previous reports as being financially unsustainable and unless addressed will result in NHS Tayside continuing to commit expenditure higher than its funding allocation.
- We acknowledge the significant challenge that the NHS Tayside faced during 2016/17, with a savings target of around £20m higher than in the previous years, after taking account of the agreed financial brokerage of £11.65m. During 2016/17, NHS Tayside's level of non-recurring savings was 49% of the total savings target achieved, which is an improvement on prior years.
- There has been a consistent shortfall in delivery of savings across the organisation in 2015/16 and 2016/17. Based on existing practice, we believe assigned savings targets are likely to remain unmet without detailed plans, milestones, ownership and accountability.
- Financial balance would not have been achieved in 2015/16 and 2016/17 (or the previous three financial years) without one-off, non-recurring savings, use of deferred expenditure and financial support from Scottish Government. The reliance on non-recurrent savings has been noted in a number of recent internal and external audit reports in 2016 and 2017 including the Internal Audit Service's *The Follow up on Financial Planning and Management, Report No T22/17* on 5 March 2017 and Audit Scotland's *The 2015/16 audit of NHS Tayside - Financial Sustainability, Section 22* in October 2016.

¹² Ernst and Young report for AAG, June 2017

¹³ Prepared for the Public Audit Committee by the Auditor General for Scotland under section 22 of the Public Finance and Accountability (Scotland) Act 2000.

3.4 Previous reviews into financial performance

In understanding the historical financial performance we would acknowledge that health bodies in Tayside have been subject to a number of prior reviews in which financial and service challenges similar to those in this report have been highlighted. The key findings arising from these reviews are noted below.

Ministerial Taskforce (2000)

In February 2000, the Minister for Health and Community Care established a Taskforce to assist and support health service managers in Tayside. The key objectives set for the Taskforce were: *“to assist in restoring the confidence of the NHS staff and the people of Tayside in the health service and ensure that everyone in Tayside receives the well-run, high quality health service which they deserve.”*¹⁴

In June 2000 the Taskforce reported four factors contributing to financial and operating difficulties in the health service in Tayside:

- lack of effective financial control;
- absence of obvious health leadership;
- absence of corporate working and governance;
- lack of effective communication.

The Taskforce also identified other factors, including *“the relatively high level of health care services in Tayside and the robustness of reporting and monitoring arrangements between Tayside health bodies and the Department”* which had to be considered.

Audit Scotland – Review of National Health Service bodies in Tayside (2001)

The conclusions arising from this review were as follows:

- “The financial difficulties experienced by the NHS in Tayside have not emerged suddenly. To a large extent, they have their origins in the trusts which existed before NHS reorganisation in 1999. The problems have persisted since reorganisation partly because of the legacy inherited by the new trusts, partly because trust reorganisation in Tayside was unusually complex and partly because of the need to manage the fundamental issue of re-configuring the delivery of health care services in Tayside.”
- “The Department and the health care bodies each have roles to play in achieving the financial recovery necessary in the NHS in Tayside. The Department has the opportunity to review the rigour of its accountability arrangements in the light of the structural changes envisaged in ‘Our National Health: A plan for action, a plan for change’. Similarly the NHS bodies in Tayside have the opportunity, through the financial recovery plans and other initiatives set out in ‘Recovery Through Modernisation and Investment’ and through their Acute Services Review, to identify areas for potential savings which will contribute to more effective management and financial equilibrium.”

¹⁴ Tayside Taskforce, *Interim report to the Minister of Health and Community Care*, 15 June 2000

- “Financial recovery will take time, and the Tayside recovery plans recognise a need to establish a recurring financial balance before resolving the accumulated deficit. It is crucial therefore that no further delay to recovery occurs and that all partners in the management and the financial recovery of the NHS in Tayside commit to ensuring that existing targets are achieved.”

The above reports highlight that the financial issues facing NHS Tayside have their roots in long standing challenges regarding configuration of services, a disparate property portfolio and operating costs higher than the resources available. The NHS Tayside 2017/18 – 2021/22 Financial Framework sets out in an open and transparent way the scale of the financial challenge that requires to be addressed, the key areas where savings will require to be delivered and the key assumptions on which the plan is based.

3.5 Review of financial performance – 2015/16 and 2016/17

For the purposes of the current review, we have focused on the last two financial years; 2015/16 and 2016/17. Ernst and Young were commissioned by the Scottish Government to undertake an independent review of the financial performance of NHS Tayside in the last two financial years, in particular the key budget variances and the underlying factors contributing to these variances, and to feed their findings into the work of the Assurance and Advisory Group.

The Assurance and Advisory Group also made their own enquiries into the management of financial resources within NHS Tayside, taking into consideration reports issued by NHS Tayside’s External and Internal Auditors. A list of meetings is included at Appendix 3.

3.6 Overview of management of financial resources – 2015/16 and 2016/17

Whilst NHS Tayside has achieved financial balance over the last two financial years, this was only after the provision of financial support of £5.0m and £13.2m from the Scottish Government Health and Social Care Directorate in 2015/16 and 2016/17 respectively. These out-turns came on top of the three previous years where NHS Tayside had not operated within its allocated financial resources.

	2015/16	2016/17
	£m	£m
Forecast financial outturn per local delivery plan	-	(11.65)
Variance from forecast position	(4.9)	(1.45)
Final out-turn before provision of brokerage	(4.9)	(13.1)
Financial support provided by Scottish Government	5.0	13.2
Actual financial out-turn reported per annual accounts	0.1	0.1

In terms of achieving financial balance over the last two financial years NHS Tayside has relied on a number of measures:

- a) Non-recurring savings
- b) Deferment of expenditure
- c) Financial support from the Scottish Government
- d) Proceeds from property disposals

a) Non-recurring savings

	2014/15	2015/16	2016/17
	£m	£m	£m
Annual savings target	22.0	27.0	46.8 ¹⁵
Savings achieved	19.4	23.4	45.5
Shortfall	2.6	3.6	1.3
Savings achieved - recurring (%)	39%	35%	51%
Savings achieved - non-recurring (%)	61%	65%	49%

The 2015/16 Section 22 report issued by Audit Scotland noted: *“While it can be appropriate to have some non-recurring savings, recurring savings are needed to ensure boards’ ability to continue to meet their financial commitments.”*¹⁶ In concluding, the Audit Scotland report commented that *“increasing reliance on non-recurring savings and the need to identify further, unprecedented levels of savings, there is a significant risk that it will not achieve its financial plan for 2016/17 and future years.”*¹⁷

We would acknowledge the significant challenge that NHS Tayside faced during 2016/17, with a savings target of around £20m higher than in the previous year, after taking account of the agreed financial brokerage of £11.65m. During 2016/17, NHS Tayside’s level of non-recurring savings was 49% of the total savings target achieved, an improvement on previous years.

NHS Tayside has committed within the five year financial plan to reduce its dependence on non-recurring savings.

b) Deferment of expenditure

During the course of any financial year, NHS Tayside, along with all other territorial boards, receives a number of financial allocations from Scottish Government which are in addition to the baseline revenue allocation confirmed at the start of the year. Over many years NHS Tayside’s financial plan has had a stated assumption around the level of deferred spend.

¹⁵ After £11.65m of brokerage

¹⁶ Page 6, Audit Scotland, *The 2015/16 Audit of NHS Tayside – Financial Sustainability*, October 2016

¹⁷ Page 9, Audit Scotland, *The 2015/16 Audit of NHS Tayside – Financial Sustainability*, October 2016

In effect earmarked commitments are being used as a form of internal financial flexibility, with the deferred commitments requiring to be funded from allocations made in the following year. Within the Internal Audit report, *Follow up of Financial Planning*, issued in March 2017, the Chief Internal Auditor comments that the “*practice of deferring expenditure relating to SGHSCD [Scottish Government Health and Social Care Directorates] allocations has been a recurring feature of the NHS Tayside budget setting process for many years.*”

As at 31 March 2017, the level of deferred expenditure was £22.5m, a reduction of £3.2m from the previous year. As reflected in the Board’s five year financial plan there is a stated commitment to reducing the planned level of deferred spend annually as noted below.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Deferred expenditure	16.5	13.5	10.5	7.5	4.5

In concluding the Chief Internal Auditor comments that “*there is a risk that the income from SGHSCD allocations previously utilised to fund the deferred expenditure from the previous year will not be accessible in the same way that it has been previously with a corresponding and significant impact on future savings plans.*” NHS Tayside has recognised the need to reduce the level of deferred expenditure through the five year plan, and the associated risk of achieving the planned reductions. We would concur with this approach and the risk to the five year financial plan if the level of deferred expenditure is not reduced.

c) Financial support from the Scottish Government

In each of the last five financial years, the NHS Tayside Board has required financial support from the Scottish Government to break even. NHS Tayside was the only Board that required financial support in 2016/17.

The following table details the financial support provided over the last five years by the Scottish Government; a total of £37.5m, with £4.3m repaid during that period and £33.2m still outstanding as at 31 March 2017. A further £4m of financial support has been requested by NHS Tayside within its draft financial plan for 2017/18.

Year	Support provided £m	Repaid £m	Details
2012/13	2.25	(2.25)	Received to support deferred income for sales made in the year and to cover the impairment which was charged in the year.
2013/14	2.85	(2.05)	Received on the strength of planning delays associated with four former healthcare sites declared as surplus.
2014/15	14.20	-	Brokerage was allocated to help NHS Tayside meet financial commitments due as a result of Enhancements During Leave (EDL) payments and overspends in operational areas.
2015/16	5.0	-	Brokerage was allocated to help NHS Tayside meet financial commitments due as a result of additional EDL exposure of £5 million and increased costs resulting from Treatment Time Guarantee, prescribing and workforce pressures.
2016/17	13.20	-	Brokerage was allocated to support delivery of a balanced position in 2016/17.
Total	37.5	(4.3)	

Financial support from Scottish Government is normally provided to a Board to address issues that are temporary in nature and the receiving Board will take action to address the circumstances that required financial support to be provided. As noted above, financial support has required to be provided to NHS Tayside in 2016/17 and in each of the four financial years prior to this.

As we will comment in the following section of our report, there is a significant risk that this financial support will not be repaid in full over the remainder of the period covered by the five year Transformation Plan and that further financial support may be required to enable NHS Tayside to meet its target of in year breakeven in the coming years.

d) Proceeds from the sale of property disposals

For a number of years NHS Tayside's plans have assumed a level of income from the disposal of surplus properties to support its financial position. The timing of property disposals is inherently difficult to forecast due to factors such as market conditions, legal negotiations and planning consents.

As a result of delays to the receipt of sales from property disposals in 2012/13 and 2013/14, Scottish Government financial support was required to enable NHS Tayside to meet planned financial commitments. Further financial support was provided in 2014/15 and the following commitment was set out in the NHS Tayside Annual Reports for that year:

“The Board received brokerage from SGHSCD of £14.2 million in respect of former healthcare sites that are in the process of being sold or are being prepared for sale and a potential profit share regarding a disposed site pending planning approval. The brokerage is planned to be repaid in 2015/16 from sales proceeds and the profit share. The risk associated with the arrangement is considered to be low due to the progress with the implementation of the disposal strategy, progress on major disposals and the potential profit share.”¹⁸

The 2015/16 Section 22 report issued by Audit Scotland noted that “*NHS Tayside has agreed with the Scottish Government that in its 2016/17 plan receipts from sales will be used to help it break even rather than to repay outstanding brokerage*’. Further the Auditor General notes that ‘*money from one-off sales of property is not a sustainable way to help manage the Board’s finances.*”

Whilst receipts from property disposals continue to be factored into NHS Tayside’s financial plan, the need for a change in approach to the delivery of financial savings has been recognised.

3.7 Factors contributing to the budget overspend

In overall terms the main factors contributing to the financial overspend are noted below:

	2015/16 £m	2016/17 £m
Prescribing	4.7	6.7
Nursing and midwifery staff costs	6.5	6.2
Medical and dental staff costs	1.7	2.0
Unidentified savings	3.6	1.3
Other variances ¹⁹	(11.6)	(3.1)
Net position prior to receipt of financial support	4.9	13.1

The two primary drivers of NHS Tayside’s current overspend in the last two financial years are prescribing costs and workforce, alongside the under-delivery of efficiency savings across the organisation. These aspects are examined in more detail below.

¹⁸ Page 16, NHS Tayside Annual Report and Accounts 2014-2015, http://www.nhstaysidecdn.scot.nhs.uk/NHSTaysideWeb/idcplg?IdcService=GET_SECURE_FILE&dDocName=PROD_237747&Rendition=web&RevisionSelectionMethod=LatestReleased&noSaveAs=1

¹⁹ Included within other variances are underspends in relation to non-clinical staff costs

a) Prescribing

Prescribing represents the largest single area of overspend against budget in 2016/17 at £6.9m, following a £4.7m overspend in the previous year. A benchmarking report for NHS Tayside's own Prescribing Support Group has identified that prescribing costs in the Tayside region are 9.4% higher per weighted patient than the Scottish average (year to February 2017).

NHS Tayside has targeted a reduction in the prescribing budget. Some actions have been taken to address the financial challenge including the establishment of a Prescribing Management Group (PMG) in 2016, the introduction of a Tayside-wide formulary at the end of 2016/17, and a benchmarking tool highlighting individual GPs variance against their peers.

Prescribing costs were lower in the last three months of 2016/17, reducing by 10% from December 2016 to March 2017²⁰. However, it is too early to conclude whether such savings are attributable to the actions taken and, therefore, sustainable into 2017/18.

Based on total prescribing costs of £144.5m in 2016/17, estimated savings that could be generated from bringing prescription spend in line with the national average would be in the region of £7-8m.

Further detail on prescribing benchmarks against the national average is set out in a Section 5. It is worth noting that while the national average is a useful benchmark, other comparators/benchmarks require to be considered. Prescribing is a complex area and further work is required to understand the underlying reasons for the variations from the Scottish national average as well as the scope and potential impact of tackling variations in prescribing practice. There are multiple prescribing initiatives presently underway in NHS Tayside. They are described further in Appendix 2.

b) Workforce

While nursing and midwifery is the highest area of overspend, NHS Tayside ranks higher than the Scottish average against all workforce categories. The table below sets out the NHS Tayside workforce position as at 31 March 2017 based on Information Services Division data and the Board's percentage share of the overall NHS Scotland WTE staff position.

²⁰ General Ledger data

NHS Tayside Target NRAC 7.85%			
	NHS Scotland (exc National Boards)	NHS Tayside	
	WTE	WTE	
Total Staff	126,058.4	11,832.4	9.33%
Medical and dental	12,241.4	1,184.4	9.70%
Medical and dental support	1,868.7	181.6	9.72%
Nursing and midwifery ²¹	58,168.9	5,251.9	9.03%
Allied health professions	10,026.0	877.2	8.75%
Other therapeutic services	4,138.2	432.7	10.46%
Personal and social care	1,110.2	32.7	2.94%
Healthcare science	4,966.3	495.5	9.98%
Administrative services	20,627.6	2,018.0	9.78%
Support services	12,910.9	1,358.3 ²²	10.52%

The NHS Tayside target NRAC of 7.85% represents their target share determined by the National Resource Allocation Formula. This does not however take account of the population particularly from North East Fife who access secondary care services in Tayside. If taken into account this would increase Tayside's share of the national funding allocation to c8.2%.

Within the 2015/16 - Report to those charged with governance, the External Auditor comments that "*NHS Tayside has an expensive operating model that results in inpatient costs per week being third highest in Scotland and above the national average*".

The high cost and level of health provision within NHS Tayside relative to other Boards in NHS Scotland has been referenced in previous Audit reports including *The 2015/16 audit of NHS Tayside - Financial Sustainability, Section 22, October 2016*, Audit Scotland, all the way back to 2000 in the March 2001 *Audit review of National Health Service bodies in Tayside*, published by the Auditor General.

In response to these challenges NHS Tayside has developed a five year transformation programme with the aim of developing service models that are sustainable, affordable and will continue to meet standards of quality and safety.

The overspend position noted above for nursing and medical staffing is therefore with reference to a budgeted establishment that is higher than can be sustained within the resources available to the Board. Further information in relation to benchmarking of staffing costs is set out in Section 4 of this report.

²¹ The ISD figures do not include bank or agency nursing and midwifery staff. If included, the NHS Tayside share of the Scotland's nurse staffing would be 8.73%.

²² The NHS Scotland numbers do not include support services staff provided through Private Finance Initiative projects

Until new service models are developed and implemented, the permanent staffing levels within NHS Tayside are likely to remain higher than the funding available to the Board.

3.8 Health and Social Care Partnerships

The three integration authorities, or Health and Social Care Partnerships in NHS Tayside’s geographical area cover Dundee City, Angus and Perth and Kinross.

The first full operational financial year for the HSCPs ended on 31 March 2017. Risk sharing agreements are currently in place with the host partners (NHS Tayside and the local authorities) liable for any HSCP overspend during the risk sharing periods.

In 2016/17, the local authority budgets were generally balanced with a small overspend or underspend. The overspend positions have mainly arisen within the NHS Tayside delegated budgets. However, to put this in context, the overspend is equivalent to 2% of the combined delegated budgets of £435m and 1.2% of the 2016/17 baseline revenue funding for NHS Tayside.

In terms of 2017/18, the three Health and Social Care Partnerships are forecasting overspends as set out below:²³

	Perth and Kinross	Angus	Dundee	Total
	£m	£m	£m	£m
Primary care prescribing	(1.7)	(1.9)	(1.1)	(4.7)
Hosted services	(0.5)	(1.4)	-	(1.9)
Totals	(2.2)	(3.3)	(1.1)	(6.6)

In relation to primary care prescribing, the Health and Social Care Partnerships believe that they can reduce prescribing costs, but not at the level set out within NHS Tayside financial plan. At the time of this report, work was on-going to assess the potential benefit to be delivered from actions that were being taken forward. The risk to the NHS Tayside financial plan arising from primary care prescribing is further considered in the next section of the report.

²³ Angus HSCP, Dundee HSCP Finance, Perth and Kinross Budget Settlement Reports, March, April 2017

4. Financial Planning and Projections

Within this section we summarise our comments and conclusions on NHS Tayside's five year financial plan, with reference to:

- NHS Tayside 2017/18 – 2021/22 Financial Framework document dated 27 March 2017
- The findings of the review undertaken by Ernst and Young of the 2017/18 financial plan and service plans supporting the delivery of the Transformation Programme.
- Reports undertaken by internal audit into the financial planning arrangements within NHS Tayside.

4.1 Key points

- The anticipated £4m requirement for financial support from Scottish Government in 2017/18 is likely to be understated.
- Based on the risk assessment performed by NHS Tayside management of the achievability of recurring savings at the time of our review, adding our own sensitivity analysis and risk assessment, the financial support required for 2017/18 could be as much as c£11.1m.
- The work performed by Ernst and Young, based on the status of the savings plans at the time of their review and their own sensitivity analysis and risk assessment, indicates that the financial support required for 2017/18 could be c£17.0m or higher. We would however expect that the savings plans will be developed further by NHS Tayside and that as a consequence there is the potential to reduce the risk to the financial plan from the position assessed at the time of our review.
- As the service plans underpinning the five year transformation programme are insufficiently developed it is not possible to provide assurances on the deliverability of the financial plan over the five year period as set out, including achievement of financial balance and repayment of brokerage by 2021/22.
- The Internal and External Auditors have both highlighted the need to further improve the financial planning and budgetary controls operating within NHS Tayside, whilst recognising the progress that has been made and the plans to implement further improvements during 2017/18.

4.2 Overview of the NHS Tayside five year financial framework

NHS Tayside's 2017/18 – 2021/22 Financial Framework document dated 27 March 2017, sets out NHS Tayside's five year financial plan with reference to the NHS Scotland Health and Social Care Delivery Plan and the NHS Tayside Five Year Transformation Plan 2017-22.

Over the five year period of the financial plan NHS Tayside will require to generate £209.8m of cash releasing savings in order to achieve financial balance and repay all but £2.6m of the financial brokerage as at 31 March 2018²⁴.

	2017/18	2018/19	2019/20	2020/21	2021/22
Annual savings £m	49.8	40.0	40.0	40.0	40.0
% of baseline funding	7.0	5.7	5.7	5.7	5.7

Over the period of the five year plan, £144m of savings have been targeted to be delivered on a recurring basis and £66m on a non-recurring basis.

The five year financial plan acknowledges:

- The need to deliver a *'stepped change in mindset and focus ... that will see the organisation transform'*;
- That the Health and Social Care Partnerships will be *'integral to the development of models of care within the primary care sector that will see the balance of care shift towards more community based care'*;
- The requirement to establish the Transformation Programme Board to deliver the following outcomes – sustainable financial balance, improving patient outcomes, quality and safety and cost effective service delivery.

4.3 Review of the financial plan for the year ending 31 March 2018

NHS Tayside has identified within the financial plan for 2017/18 a requirement to achieve £49.8m of savings in order to achieve financial balance.

In the draft local delivery plan NHS Tayside has given a commitment to the delivery of a savings programme as noted below of £45.8m and has forecast a requirement for additional financial support from Scottish Government of £4m.

The profile of the savings programme for 2018/19 and 2019/20 is provided for information.

²⁴ This is on the assumption that the brokerage for 2017/18 will not exceed the £4m as requested within the draft Local Delivery Plan

	2017/18		2018/19	2019/20
	Recurring	Non-recurring		
	£m	£m	£m	£m
Core Services				
Workforce and Care Assurance	4.9	3.9	9.0	7.0
Service Redesign and Productive Opportunities	5.4	1.4	4.0	4.7
Realistic Medicine	2.4	1.0	2.5	2.5
Facilities and Estates	0.4	0.3	0.8	0.6
Other	2.0	0.9	2.3	1.4
HSCPs				
Hospital and Community Services	3.8	1.8	5.4	3.8
Prescribing	4.2		3.5	1.5
Other				
Regional working			3.0	9.0
Property Asset Disposals		2.9	2.5	2.5
Financial Flexibility		10.5	7.0	7.0
Total	23.1	22.7	40.0	40.0

In assessing the deliverability of the above savings for 2017/18 the review has taken into consideration the following:

- NHS Tayside management's own assessment of the risk associated with the delivery of the above plans to deliver recurring savings;
- The assessment of the recurring savings plans undertaken independently by Ernst and Young;
- Evaluation of the risk associated with the non-recurring savings plans; and
- Evaluation of additional costs pressures identified by NHS Tayside management not reflected in the budget estimates for 2017/18²⁵.

4.4 Assessment of risk of delivery of recurring financial savings plans – NHS Tayside

Within the draft local delivery plan NHS Tayside submitted the following indicative analysis of risk against the overall savings target of £49.8m.

²⁵ NHS Tayside has required to seek additional brokerage in each of the last three financial years to address cost pressures that have arisen during the year and for which NHS Tayside Board have been unable to manage within its available resources.

	£m
High	5.0
Medium	12.0
Low	28.8
Not identified	4.0
Total	49.8

The savings not identified were attributed to three specific areas and were considered at risk of delivery:

- Achievement of savings in relation to nursing arising from implementation of e-Rostering (£1m);
- Reduction in elective care capacity (£1m)
- Achievement of savings in relation to primary care prescribing (£2m)

These areas account for the £4m requirement for financial support from Scottish Government projected for the year ending 31 March 2018.

Subsequent to the submission of the local delivery plan, the NHS Tayside management team have continued to re-assess the deliverability of the financial savings for 2017/18.

Based on the work undertaken by Ernst and Young, a summary of the most recent assessment of the savings plans by NHS Tayside is noted in the following table:

Area	Risk Assessment	Recurring savings £m
Workforce		
Reduction in non-contract agency staffing and overtime	Medium	3.0
Additional reduction in non-contract agency staffing	High	0.7
Reduction in non-compliant rotas	Medium	0.4
Implementation of standardised shift patterns	Medium	0.5
Prescribing		
Reduction in primary care prescribing	High	1.9
Reduction in secondary care prescribing	Medium	0.7
Service productivity		
Delivery of 72 hour delayed discharges	High	1.5
Risk associated with impact on elective care targets	High	0.4
Reduction on unscheduled care admissions	High	0.5
Reduction in private sector placements	Medium	1.4
Implementation of National Burns review	Medium	0.2
Redefining pathways and reducing average length of stay	Medium	0.5
Other	Low	11.4
Total		23.1

Assessing the risk, if a weighting of 75% and 50% were allocated respectively to the high and medium risk savings actions the potential risk to the financial position in 2017/18 would be £7.1m.

We acknowledge that the high and medium risk weightings attributed to the savings programmes reflect management’s assessment of the scale and the timing of delivery of the actions at the time of our review. NHS Tayside will continue to further develop the actions supporting the savings plans with the expectation that the high and medium weightings and risk to the financial plan will continue to be re-assessed.

4.5 Assessment of the risk of delivery of recurring financial savings plans – provided by Ernst and Young

The Scottish Government commissioned Ernst and Young to undertake an independent assessment of the savings plans that had been developed by NHS Tayside. In undertaking the assessment, Ernst and Young:

- applied their established methodology for assessing savings plans against a set of agreed criteria; and
- interviewed key NHS Tayside staff across service lines to further inform their assessment of the plans as established at the time of the review. It is acknowledged that as the plans are developed during 2017/18 the level of risk associated with non-delivery of the stated savings may reduce.

A summary of the assessment undertaken by Ernst and Young is presented below:

Area	Risk Assessment	Recurring Savings, £m
Workforce		
Workforce and Care Assurance	Medium	4.9
Prescribing and Diagnostics		
Realistic Medicine	Medium	0.9
	Low	1.5
Primary Care Prescribing	High	2.5
	Low	1.7
Service Productivity		
HSCP – hospital and community services	Medium	3.8
Service redesign	High	3.7
	Low	1.7
Repatriating services	Medium	1.0
Other		
Procurement	Medium	1.0
Facilities and estates	Low	0.4
Total		23.1

In terms of assessing the risk, if a weighting of 75% and 50% were allocated respectively to the high and medium risk savings actions the potential risk to the financial position in 2017/18 would be £10.5m.

In assessing the previous areas as high risk Ernst and Young highlighted the following:

- Primary Care prescribing - Whilst the HSCPs have committed to making savings and the new formulary has been implemented, there was a high level of uncertainty regarding the ability to deliver the savings target that had been set.
- Service redesign – Whilst this is year two of the Transformation Programme the individual service or operational delivery plans remain insufficiently developed or detailed to give confidence in delivery. Further details are provided in Section 6.

4.6 Evaluation of non-recurring savings

NHS Tayside has committed within the five year financial plan to reduce its dependence on non-recurring savings as set out below:

	2017/18	2018/19	2019/20	2020/21	2021/22
Recurring (%)	50%	55%	60%	60%	60%
Non-recurring (%)	50%	45%	40%	40%	40%

In terms of the deliverability of the non-recurring savings for 2017/18, the Ernst and Young review highlighted the following:

- Financial Flexibility (£10.5m) - In the preceding years, £7.0m has been allocated from Scottish Government to cover impairment and other one-off non-recurrent costs identified during the financial year. An additional £3.5m relates to planned non-recurrent balance sheet reserve adjustments. Subject to audit and based on an historical position, it is likely that the level of savings to be delivered through financial flexibility can be achieved in 2017/18.
- Asset disposals (£2.9m) - There will be challenges in realising property assets not already under offer due to drawn out lead-in time to complete sales. Based on confirmed offers Ernst and Young estimated that a total value of £0.9m of property disposal proceeds would be achieved in 2017/18 compared to the £2.9m in the financial plan.

The remaining non-recurring savings of £9.3m are attributed to six workstreams²⁶. Based on historical performance, it is considered that NHS Tayside should be able to deliver the non-recurring savings, with the risks of non-delivery being mainly attributed to the achievement of recurring savings as noted earlier in this section.

²⁶ Workforce and Care Assurance, Realistic Medicine, Better Buying and Procurement, Repatriating Services, Facilities and Estates/Site Services and Service Redesign and Productive Opportunities

4.7 Evaluation of additional cost pressures

The Ernst and Young review highlighted a number of additional cost pressures that had been identified by NHS Tayside management but were not reflected in the budget nor savings requirement for 2017/18.

Given the dynamic nature of the health sector, it is not unusual for costs pressures to be identified. However, as highlighted in the previous section, there is limited flexibility within the current budgetary management processes in NHS Tayside to manage unplanned or unexpected cost pressures that emerge during the year. In prior years, a number of such pressures have necessitated the requirement for provision of additional financial support.

The additional cost pressures identified by NHS Tayside management are noted below:

Area	Assessment	Value £m
Medicines cost and volume higher than planned	Medium	1.0
Activity growth, acuity levels of service pressures greater than anticipated	Medium	2.0
Inability to maintain costs in line with central funding allocations	Medium	1.0
Costs for healthcare provided by other Boards higher than planned	Medium	0.8
Total		4.8

In terms of assessing the risk, if a 50% weighting was allocated to medium risk areas the potential risk to the financial position as assessed by Ernst and Young in 2017/18 would be £2.4m. We would expect that at this level, the impact of the cost pressures arising could be met from the £3m set aside by NHS Tayside for contingent events

4.8 Summary assessment of the 2017/18 financial plan

The above analysis of the financial plan for 2017/18 highlights that both NHS Tayside management and Ernst and Young have assessed that there are risks to achieving the planned forecast outturn based on the state of development of the savings plans at the time of our review.

If the Ernst and Young methodology is applied to both the NHS Tayside and Ernst and Young assessment of the savings plans the assessed risk to the financial position for 2017/18 would be as follows:

	NHS Tayside £m	Ernst and Young £m
Financial support – forecast	4.0	4.5
Recurring savings (at risk)	7.1	10.5
Asset disposals (at risk)	-	2.0
Financial support - if risks are realised	11.1	17.0

4.9 Assessment of the five year financial plan

As set out in Section 6, the service plans underpinning the Five Year Transformation Programme are insufficiently developed to provide adequate assurance of the deliverability of the financial plan as set out, including achievement of financial balance and repayment of brokerage by 2021/22.

4.10 Financial control environment

The review has also considered the findings and recommendations arising from:

- Reports by the external auditor in 2014/15 and 2015/16
- The report by Audit Scotland – 2015/16 audit of NHS Tayside – Financial Sustainability
- Reports issued by the Chief Internal Auditor
- Comments and observations arising from the independent review undertaken by Ernst and Young.

4.11 Overall assurances provided in relation to internal controls across NHS Tayside

Both the External Auditor and Chief Internal Auditor have provided annual reports to the Board of NHS Tayside and its Audit Committee in relation to their assessment of the overall control environment operating within NHS Tayside.

The overall conclusions arising from the annual reports for 2014/15 and 2015/16 are noted in the following table.²⁷

²⁷ At the date of publication of this report, the Annual Report from the Chief Internal Auditor for 2016/17 and the 2016/17 Report to those charged with governance from Audit Scotland (external auditor) had not been presented to the Board.

	External Auditor²⁸ - Report to those charged with governance	Internal Audit Annual report
2015/16	<ul style="list-style-type: none"> • Systems of internal control appropriate • Governance arrangements in place appropriate 	<ul style="list-style-type: none"> • Board has adequate and effective internal controls in place • Accountable Officer implemented a governance framework in line with required guidance
2014/15	<ul style="list-style-type: none"> • Systems of internal control appropriate • Governance arrangements in place appropriate 	<ul style="list-style-type: none"> • Board has adequate and effective internal controls in place • Accountable Officer implemented a governance framework in line with required guidance

4.12 Findings in relation to financial planning and budgetary control

Whilst noting the above conclusions in relation to NHS Tayside's overall internal control environment, the review considered the findings of specific reports by Internal Audit in relation to the internal financial controls operating within NHS Tayside.

The table below summarises the grades allocated to the financial controls reviews undertaken during the period 1 April 2013 to 31 March 2016. The Chief Internal Auditor has highlighted that a diminution in grade assigned to an internal audit review does not necessarily represent a diminution in the controls in place. The grade assigned reflects the changing risk environment in which the Board is operating and that improvement are required to the controls in place in order to effectively mitigate associated risks down to an acceptable level.

	2013/14	2014/15	2015/16
	Grade	Grade	Grade
Budgetary Control	B	C	D
Financial Reporting	B	B	C
Safeguarding assets	C	C	C
Standing Financial Instructions	A	A	A
Standards of Business Conduct	A	A	A

Key - A: Good, B: Satisfactory, C: Adequate, D: Inadequate

A follow up report of Financial Planning and Management was undertaken during 2016/17 and issued in March 2017. This report followed up on the implementation of a number of Internal Audit recommendations as well as the External Audit recommendation made in their 2014/15 report in relation to NHS Tayside reviewing the effectiveness of their annual budgeting process.

²⁸ During 2014/15 and 2015/16, PricewaterhouseCoopers were the appointed external auditors.

In concluding on the review and with reference to the Red (Very High) risk rating assigned in the NHS Tayside Corporate Risk Register – Strategic Financial Plan, the Chief Internal Auditor stated that:

“our opinion is necessarily **Category D** – there is increased risk that objectives may not be achieved. Whilst considerable work has been undertaken and many improvements made, further improvements are still required and the pace of change will need to be accelerated if targets are to be achieved.”

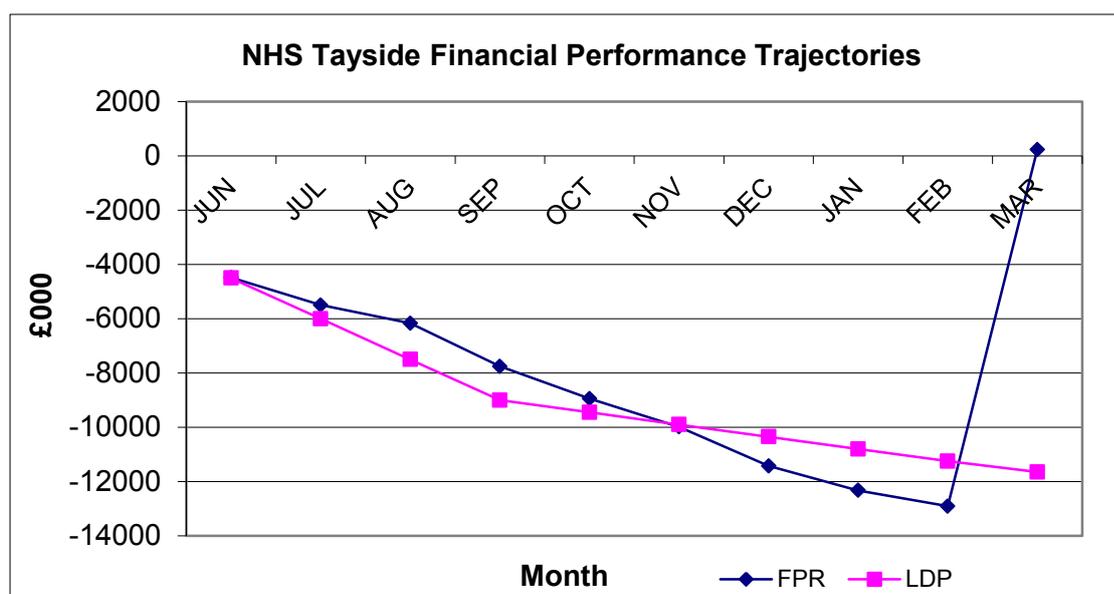
The Chief Internal Auditor further comments as follows:

“The planned improvements to the budget setting process, from financial year 2017/18 onwards, will assist in further aligning resources to corporate priorities; will identify and factor in known cost pressures and will allow early discussion and identification of the projects to deliver required efficiency savings. However, the cumulative effect of the recurring efficiency savings required to achieve financial balance in the last four years of the five year Strategic Financial Plan (Revenue) will place significant pressure on the system.”

In their report to those charged with governance within NHS Tayside in 2014/15, the external auditors recommended that NHS Tayside undertake a review of the effectiveness of their annual budgeting process.

Whilst further work is required as evidenced by the recent internal audit review, NHS Tayside has taken steps to more realistically project its financial trajectory in 2016/17.

A comparison of the financial trajectories forecast in the local delivery plans and actual financial performance reported through the monthly financial performance reports to Scottish Government for 2016/17 is shown below. The movement at the end of the financial year reflects the provision of £13.2m of financial support to enable NHS Tayside to breakeven.



In undertaking their work, Ernst and Young made the following observations:

- A number of pay and non-pay related controls have been pursued by NHS Tayside with realised benefits. We believe there are additional control measures that could potentially be adopted to deliver greater impact. These measures are set out within the Ernst and Young report and indicate potential savings of £4m to £7m if implemented.
- The potential level of savings is based on Ernst and Young experience and track record supporting other NHS organisations to enhance and strengthen their expenditure controls, and may therefore provide a useful potential savings target. It is acknowledged that these would need to be reviewed and validated on a case by case basis for local context.

5. Benchmarking

In this section, we set out some initial benchmarking analysis in relation to workforce and prescribing; those areas highlighted earlier in this report as consistently overspending compared to budget.

5.1 Key Points

- NHS Tayside employs more staff, both clinical and non-clinical, than its proportional share of the national total. This is consistent across most of the staff groups.
- Benchmarking analysis of NHS Tayside's workforce compared with the rest of NHS Scotland indicates significant challenge around the sustainability of existing service models in Tayside.
- The size and scale of the gap between NHS Tayside's share of NRAC funding and its operating costs relative to peer Boards highlights the need for a comprehensive review of the models of care within both hospital and community settings.
- NHS Tayside and its associated HSCPs prescribed 2.7% more items per weighted patient than average in Scotland and the cost per item prescribed was also 6.5% higher than average.

5.2 Overview

Using published data from National Services Scotland's Information Services Division (ISD), NHS Tayside have undertaken a benchmarking exercise comparing their operating costs for 2015/16 against the Scottish national average and with the three other comparable teaching boards in Scotland (NHS Greater Glasgow and Clyde, NHS Grampian and NHS Lothian). This review has highlighted opportunities which could result from improved efficiencies, tackling variation and redesign of service models.

It should be noted, however, that benchmarking information is not definitive evidence in itself and is best considered as an indicator of issues which may benefit from closer scrutiny or more detailed exploration of the underlying causes of variation.

5.3 Workforce

NHS Tayside's total pay costs in 2016/17 were £530.2m, an increase of 1.7% on the previous year (£521.2m in 2015/16). Supplementary staffing costs, which encompass overtime as well as the costs of bank and agency staff, were £20.9m (an increase of 1.3% from 2015/16). These supplementary costs represented around 4% of total pay costs in both years.

In terms of workforce²⁹, NHS Tayside's total staff complement is high - representing 9.30% of the NHS Scotland total - compared with its NRAC target share of 7.85%. This finding is consistent across most staff groups, clinical and non-clinical, hospital and community based.

Information collected by ISD, and publicly available on their website, provides alternative comparisons for financial year 2015/16. These compare NHS Tayside's 'Adjusted Population share' (equivalent to its actual NRAC funding share) of 7.64% to its share of the total NHS Scotland staffing costs for various staffing groups.

Although the comparison base is slightly different, the finding is consistent – NHS Tayside is spending proportionately more than would be expected across every staffing group.

- Medical and Dental hospital staff costs - NHS Tayside accounted for 8.99% of the Scottish total compared with their actual 7.64% Adjusted Population share; this represents a 17% difference.
- Hospital nursing staff costs - follow a similar pattern to medical staffing with NHS Tayside's share of the total Scottish spend at 9%; 18% above its Adjusted Population share.
- Allied Health Professionals and Other Hospital Staff - the NHS Tayside share of the overall NHS Scotland workforce in 2015/16 was 8.5% and 9.3% respectively.
- Community Staff costs – NHS Tayside's spending was equivalent to 8.6% of the Scottish total.

5.4 Operating costs

A comparative analysis of costs of service provision across the four teaching boards, taking account of staffing costs but also the costs of drugs, equipment and overheads provides a further perspective on the costs of the models of care implemented within Tayside relative to peers.

Hospital inpatient costs

Total hospital inpatient costs for 2015/16, both the cost per case and the cost per Inpatient week, were both considerably higher in NHS Tayside than in the other three teaching boards.

- At £4,013 per case, Tayside's costs were 39% above the Health Board with the lowest cost per case, and 4% above the Health Board with the second highest cost per case.

²⁹ Based on the Information Services Division workforce statistics for NHS Scotland as at 31 December 2016

- In relation to cost per inpatient week, NHS Tayside's cost of £4,677 per week was 19% above the lowest, and 14% above the Health Board with the second highest cost per week.

This position is evident across the costs per case and costs per day for acute surgical inpatients and acute medical inpatients as well as the cost per week for general psychiatry inpatients.

Analysis by expenditure type

Breaking these overall costs down into some of their constituent parts, ISD figures show that NHS Tayside is spending above its Adjusted Population share of 7.64% on its management and administration costs (9.6%), its energy costs (9.7%) and its laboratory costs (11.61%).

Theatre running costs per hour, at £1,651 per hour, was also between 15% and 55% higher than comparative peer Boards.

Whilst it is not uncommon for the largest teaching boards to be spending above their Adjusted Population share, due to the regional and tertiary services which these health boards provide, no other board is so consistently above its share as NHS Tayside. The other teaching boards are also all delivering within their overall allocated budgets.

5.5 Prescribing

NHS Tayside and its associated HSCPs prescribed 2.7% more items per weighted patient than average in Scotland (17,128 compared with the average of 16,673). The cost per item prescribed was also 6.5% higher than average (£11.4 compared with the average of £10.7 per item).

The combination of prescribing more items per patient, and prescribing more expensive items, means that the total prescribing cost per weighted patient within NHS Tayside was 9.4% higher than average in 2016/17.

This position has persisted since 2015/16, with items prescribed per patient and cost per item prescribed increasing at a faster rate than average in Scotland. Achieving prescribing costs in line with the national average could achieve savings of £12.4m.

NHS Tayside has undertaken significant work in addressing prescribing activities and costs and has used the metric cost per treated patient. Costs in many areas appear to be higher because more patients are treated. This is discussed further in Appendix 2.

Whilst some of this variation will be explained by specific local requirements, as indicated in section 3.7, further work is required to understand the underlying reasons for the variations in NHS Tayside's prescribing costs.

6. Strategic and Service Planning

In this section, we look at the planning framework that has been put in place to underpin the programme of service transformation which NHS Tayside has identified as a crucial and integral part of its Five Year Plan.

6.1 Key Points

- The overall framework for strategic and medium term service planning is not yet well-developed with a lack of clarity around how strategic priorities will translate into an integrated and coherent programme of change. The strategic priorities also require to be set within a realistic assessment of the ambition and level of service that can be delivered within the resources available to NHS Tayside.
- The plans require to demonstrate that the changes to current service models can be delivered in a financially sustainable manner and address those areas where the operating cost model has been historically at variance with comparative benchmarks.
- Existing Operational Plans supporting the Transformation Programme are in progress but are not yet supported by specific cost improvement plans or detailed action plans. They require further work to ensure effective delivery against financial efficiencies targets as set out in the six work streams. We are therefore unable to provide assurance on their capacity to drive delivery of the savings plans over the five year period of the financial plan.
- There is limited evidence within the Operational Plans that workstream leads can be held accountable against financial and efficiency opportunities due to the lack of detailed financial information relating to these elements of the programme of work. NHS Tayside and the Transformation Board recognise that improvements need to be made to enable more data driven strategic planning to underpin transformation across services, at the pace required.

6.2 Strategic Planning in Tayside

In June 2015, NHS Tayside approved a draft clinical services strategy entitled 'Reshaping Clinical Services for the Future', which set out, at a high level the strategic context and some of the key drivers for change in the shape and delivery of board services over the coming years. These include demographic change and an aging population; the increasing emphasis on prevention and the expectation of a shift in the balance of care from acute towards primary care, with potential implications for the nature of the patients seeking treatment in the acute sector.

However, the case for change set out in the document requires further development to highlight the scale of the current and future challenges, set in the context of the key factors and pressures which have led to NHS Tayside current financial position.

While the strategy recognises the need to change the way services are delivered, this would be strengthened by the inclusion of additional evidence such as the benchmarking information out in the previous sections of this report, to underscore the scale of the challenge and the transformational approach required to meet it .

The NHS Tayside Board has subsequently approved a number of service-specific strategies relating to Older People's Services, Primary Care, Mental Health, Surgical Services, Maternity Services, Paediatric Services and Cancer. However, these now require to be situated firmly within a single shared vision and accompanied by a robust monitoring and benefits realisation framework to drive and demonstrate real-time progress.

This imperative is recognised by NHS Tayside and proposals are under development to produce a comprehensive Integrated Clinical Strategy by the end of December 2017 for consideration by NHS Tayside's board and its partner HSCPs.

6.3 Transformation Programme

NHS Tayside's first Five Year Transformation Programme was initiated in 2015 to address the need to transform services in order to maintain quality of care delivery and performance while returning to sustainable recurring financial balance. A Transformation Board, headed up by the Board Chairman, was set up in October 2015 to provide oversight and governance for the management of the Programme. The work associated with the Transformation Programme is assigned to six separate workstreams, encompassing:

1. Realistic Medicine;
2. Repatriation;
3. Workforce and Care Assurance;
4. Facilities and Estates;
5. Property; and
6. Better Buying and Procurement.

Alongside these workstreams the Transformation Programme includes a programme of work to deliver service redesign across a number of the areas outlined in the previous section: primary care, shaping surgical services, children and young people, mental health and learning disabilities, care for older people and maternity services. Presently, these redesign initiatives are at differing levels of development and it is difficult to identify clear line of sight between the existing draft Clinical Strategy or the above workstreams which underpin the projected savings programme for the current year, 2017/18.

A review of the governance arrangements in respect of the Transformation Programme Board was undertaken by NHS Tayside's internal auditors who reported their findings in December 2016. Whilst categorising the overall governance arrangements as 'Good', the Chief Internal Auditor highlighted that there were risks relating to workstreams failing to deliver anticipated targets within the required timescales.

6.4 Operational Delivery Service Plans

The one year plan for 2017/18 includes a number of service-level operational delivery plans. Ernst and Young carried out a review of these plans in order to provide a realistic and independent appraisal of the level of delivery risk present in NHS Tayside's savings plans for 2017/18.

The plans were assessed against seven key areas³⁰. A summary of the risk assessment, categorised as Red, Amber or Green (RAG status), is provided below:

Criteria	RAG status	Comments
Project Brief	Amber	The majority of the plans do include a high level plan with broad financial outcomes, but lack more specific and tangible detail such as clearly defined financial and operational outcomes. Cancer and Primary Care do not currently include any financial outcome data.
Lead Responsibility	Amber	The majority of the operational delivery plans identify an appropriate lead individual, However, there is not consistent evidence that all the necessary individuals are involved in supporting the delivery of the plan. Particular areas such as Primary Care, Medicines Management and Unscheduled Care will require the involvement and co-operation of key stakeholders such as GPs, patients and the wider public, and there is insufficient evidence of appropriate engagement plans to support and enable this to happen.
Plans and Milestones	Red	It appears, at present, that none of the operational delivery plans reviewed contain the appropriate degree of project planning (project brief, milestones with timescales, actions with identified owners, quality impact assessments, etc.)

³⁰ Ernst and Young report for AAG, June 2017

Criteria	RAG status	Comments
Financial and activity calculation	Red	Whilst the majority of the operational delivery plans reviewed include some level of financial outcome, none of them provide evidence that all elements of the savings have been adequately identified and incorporated into the calculation, eg, Planned Care identifies £11m of savings opportunities but does not break these down by the 30 underpinning components.
Financial phasing	Red	Two of the plans do not include any financial savings information as referenced earlier. None of the remaining eight plans provide sufficient information on the financial savings, phased according to timing of plans and milestones.
Risk and mitigation	Red	Many of the operational delivery plans do identify specific risks, eg, Planned Care cites challenges with recruitment and retention of consultants. However, it appears that to date, none of the plans contain evidence that a comprehensive risk assessment has been conducted and appropriate mitigating plans have been identified.
Alignment to the financial plan	Red	There is insufficient clarity of the alignment between each of the detailed components within the operational delivery plans and the cost reductions initiative file which contains the complete breakdown of the £45.8m savings plan for 2017/18.

Ernst and Young concluded that the operational delivery plans do not currently provide a sufficient level of detail to provide assurance of their ability to deliver the savings plans for 2017/18. Within their report, Ernst and Young set out the steps that would be required to address each of the key areas for improvement highlighted above. A summary is set out in the following table:

Criteria	Recommended next steps
Project Brief	Operational plans would benefit from clear plans with detailed financial and operational outcomes and metrics
Lead Responsibility	Deliverability will be enhanced by structured and resourced delivery teams Broader engagement across services and with internal and external stakeholders, with evidence of sign-off of plans for some of the more cross-cutting plan areas will be essential
Plans and Milestones	Evidence based project plans, to include Project Initiation Documentation, milestones, timescales and management of risk, quality impact assessments are rapidly needed to increase confidence in delivery

Criteria	Recommended next steps
Financial and activity calculation	Robust and adequately detailed financial savings need to be developed for each area within the plans. These need to be measured and tracked using a cohesive benefits realisation framework
Financial phasing	The financial savings need to be phased against the milestones within the plans as the plans are developed to the next level of detail
Risk and mitigation	The risks associated with delivery should be proactively assessed and a robust process for monitoring and mitigating the identified risks should be introduced where this does not exist already
Alignment to the financial plan	Operational delivery plans, and the detailed components and savings plans within them should align to the overall NHS Tayside's savings plan, providing the operational delivery vehicle for the savings.

In addition to requiring NHS Tayside to work in close partnership with the HSCPs who have delegated powers in many of these areas, effective implementation of these will also be dependent upon the engagement, cooperation and involvement of key stakeholders including GPs and other clinicians, the broader health and social care workforce, as well as the people of Tayside. At this stage, the draft plans do not set out the processes and timescales for taking forward and supporting this critical programme of engagement.

6.5 Business Intelligence

Another aspect of the service planning framework examined by Ernst and Young was the extent to which the plans make best use of the available comparator datasets or benchmarking information to support the identification of opportunities for delivery of savings.

The review identified a range of national and local benchmarking and performance databases which are readily available to NHS Tayside. In addition, NHS Tayside has been in receipt of support from NHS National Services Scotland (NSS) since February 2016 which has included support around benchmarking and future use of financial benchmarking. The benchmarks provide some useful information and areas for further exploration, with tools such as NSS Discovery able to provide data in support of financial opportunities. This is an area being developed by the Transformation Board of NHS Tayside.

The Ernst and Young review, commissioned by the Scottish Government, concluded good use is being made of some of the more mature benchmarking mechanisms, but there are a number of gaps and areas for further development.

7. Governance and Organisation Capacity

In this section of the report we consider the governance structures set up to provide assurance to the Board of NHS Tayside around the delivery of the Transformation Programme, and the resources and capacity available to manage and drive forward the delivery of the actions required to turnaround the Board's current financial position.

7.1 Key Points

- Dedicated governance arrangements have been put in place to oversee the management and delivery of the six workstreams within the Transformation Programme including Executive and Non-Executive representation and supported by a Programme Management Office (PMO).
- Appropriate staffing is in place to support the PMO function with well-functioning monitoring and reporting arrangements in operation - although these resources are currently time limited.
- Programme documentation is generally well-developed. However, there are areas where further work is needed to improve understanding of interdependencies and the impact of slippage in specific aspects of the Transformation Programme.
- Communications and stakeholder engagement plans across the workstreams were generally found to lack detail. There is a need for enhanced engagement and communication, particularly with clinicians and other front line support staff, in order to maximise the likelihood of successful delivery of the Transformation Programme.
- To date, the role of the Project Management Office has been largely limited to reporting and monitoring progress based on monthly reporting by workstreams. Potential risks relating to the delivery of savings are reported to the higher level governance groups (the Transformation Executive Group and Transformation Board) to resolve.
- Greater emphasis now needs to be given to an enabling and delivery function to reflect the scale and pace of change required and to add capacity to support the operational teams.
- We saw robust governance structures in operation, underpinned by a clear and positive commitment to addressing the challenges facing NHS Tayside. These need further support and development to facilitate strategic and focused decision-making alongside effective scrutiny of performance and delivery priorities.

7.2 Transformation Programme Governance Structures

The Transformation Programme Board was set up in October 2015 as a time-limited Committee of NHS Tayside responsible for the direction and governance of NHS Tayside's Transformation Programme.

The Programme Board is accountable for the success of the Transformation Programme with the Chief Executive responsible for the delivery of the Transformation Programme. The Executive lead for the Programme is the Director of Strategic Change.

7.3 Programme Management Office

The Programme Management Office has the mandate to ensure the effective management of the Transformation Programme. It manages the six workstreams, and reports to the Transformation Executive Group, which is responsible for the delivery and oversight of the Programme. A well-functioning and effective PMO is critical to the success of the Transformation Programme, with the role of providing the management skills and organisational capacity to support the delivery of the required improvements.

A high level review of the structures supporting Tayside's Transformation Programme was carried out by Ernst and Young, assessing them against the structures, governance, process and reporting arrangements associated with leading practice in sustainable improvement programmes. A summary of their assessment is noted below:

	Assessment	Areas for further development
Governance and accountability	Established	Develop and enhance clinical leadership in support of service transformation
Planning	Developing	Embed savings plans at directorate level to develop service ownership Generate pipeline of savings opportunities based on benchmarked productive opportunities
Initiation	Basic	Ensure project initiation documents are in place for all current and future schemes Ensure quality control process and approval is incorporated into all operational delivery plans Develop and embed financial impact within all schemes and plans
Delivery	Developing	Develop decentralised project management support, leading to enhanced support to directorates and service lines
Monitoring and Reporting	Established	Develop rigour of process and monitoring of key performance indicators for the Transformation Programme to provide Tayside Board with the required assurance

The assessment carried out by Ernst and Young indicates that the overall level of resource is in line with that seen in other similar programmes. However, seven of the roles, including half of the full-time staff, have a fixed end date, with assignments coming to an end between May 2017 and December 2018.

Whilst this level of resource is considered adequate, Ernst and Young have indicated that the allocation of resources across the programme do not align proportionally with the scale of savings required. For example, the Workforce and Care Assurance workstream has the largest savings requirement (£8.8m) with two Whole Time Equivalent (WTE) staff allocated to support it, whereas the Realistic Medicine workstream has a larger resource allocation, 5.8 WTE, for a much smaller saving (£3.4m).

Risks are compiled and assessed by the PMO on a weekly basis, and reported to the NHS Tayside Board via the Transformation Programme Risk Assessment. However, there are indications that appropriate actions are not being put in place with sufficient pace to adequately mitigate the risks of the issues raised. Items initially identified as high risk in May/June 2016 continue to appear on the Transformation Programme Risk Assessment presented in May 2017.

In terms of the range of documentation supporting programme governance, there is mapping of the interdependencies between the multiple strands of work. However no quality and safety impact assessments were provided and there is no comprehensive benefits management framework in place. Benefits tracking is managed by NHS Tayside's Finance team, and currently only tracks financial savings.

Despite the quarterly reviews of workplans, the plans are not consistently of a quality to provide confidence of delivery. There is no clear escalation process to ensure prompt corrective action where anticipated progress is identified to be at risk.

7.4 Engagement across the organisation in transformation programme

Discussions with NHS Tayside Non-Executive Board members indicate they are very aware of the scale of challenge facing NHS Tayside. The Advisory and Assurance Group welcomed the opportunity to attend a number of Board and Executive level groups, site visits and to meet with colleagues from staff partnership, the advisory structure and representatives from the Health and Social Care partnerships.

Key themes that emerged from these discussions included:

- A clear, unhesitating and positive commitment to addressing the challenges facing NHS Tayside.
- Principles of quality and improvement are well established but there was clear recognition that strategy needs to transform existing models of care whilst operating within available resources.

- Meaningful, sustained engagement and effective, mutual partnership working throughout the organisation will be key to achieving the scale of transformation that will be required. Clear and visible leadership from the NHS Tayside Board and its Executive Team around this commitment must be evident at all levels within the organisation. That includes the imperative of optimal realisation of a shared vision of care and wellbeing of the people of Tayside in concert with the three Health and Social Care Partnerships and Local Authorities.
- Recognition that effective leadership will be necessary to set the direction and then support the delivery of change.
- The governance and accountability arrangements across NHS Tayside and its partners need to be developed to reflect the need to evidence and demonstrate whole system commitment to delivery of agreed plans and savings targets.
- A requirement for a step change in the pace of implementation of change and shift and emphasis from planning to delivery.

8. Summary of Recommendations

Actions for the NHS Tayside Senior Executive Team

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

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

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

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

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

4. NHS Tayside should undertake an early and comprehensive review of staffing levels across all services and sites, including those delegated to or utilised by HSCPs.³¹ This review should aim to clarify key drivers of NHS Tayside's workforce levels compared to peer Boards and to identify safe options for bringing redesigned services and sites within available resources.

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

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

³¹ Using the data submitted within the Property and Asset Management Strategy

Actions for the NHS Tayside Board

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

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

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

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

Actions for Scottish Government

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

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

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

14. Learning opportunities arising from the experience of NHS Tayside should be assimilated for the wider benefit of NHS Scotland. This includes the role and contribution of national services support, on the basis of a 'Once for Scotland' approach - as outlined in the recent Health and Social Care Delivery Plan³² (see also Appendix 2).

³² Health and Social Care Delivery Plan, <http://www.gov.scot/Resource/0051/00511950.pdf>

9. Appendix 1: Remit and membership of the Assurance and Advisory Group

Remit of the Group:

“To provide a staging report to Scottish Government on the deliverability of NHS Tayside’s 5 year Transformation Programme. This will include a review of:

- the service change plans
- organisational capacity to deliver the service change plans
- robustness of the financial plans, underlying assumptions and the level of risk

The remit extends to all areas of service and expenditure related to NHS Tayside, including the role of Integration Authorities in delivering the plan, partnership working and public participation.”

Membership:

- Alan Gray, Director of Finance, NHS Grampian
- Paul Hawkins, Chief Executive, NHS Fife
- Professor Stephen Logan, Chair, NHS Grampian
- Professor Alex McMahon, Executive Director Nursing, Midwifery and Allied Health Professionals, NHS Lothian
- Professor Sir Lewis Ritchie, Primary Care and Public Health Academic, Chair of the Assurance and Advisory Group

Additional technical advice was kindly provided by:

- Dr Alastair Cook, Medical Director, North Lanarkshire Health and Social Care
- Eibhlin McHugh, Joint Director Health and Social Care, Midlothian Council
- Dr Helene Irvine, Consultant in Public Health Medicine, NHS Greater Glasgow and Clyde.

Secretariat was provided by Yvonne Summers, David Anderson and Lynsey Macdonald from the Scottish Government.

Governance:

“The Group will work alongside NHS Tayside Chair and Chief Executive and will report to Paul Gray, Director General Health and Social Care and Chief Executive NHSScotland.

Christine McLaughlin, Scottish Government Director of Health Finance will be the Sponsor Director for the Health and Social Care Management Board, supported by Colin Brown, co-ordinating the involvement of other Scottish Government officials as may be required.”

10. Appendix 2: Transformation Progress

Significant work has already been undertaken by NHS Tayside in partnership, to progress transformational change, recognising the extent of the challenges involved. In particular changes in the following are underway or planned:

Mental Health Services: A formal three month public consultation is due to commence in July 2017. The proposal involves a move from three sites to one for general adult psychiatry services and from two sites to one for learning disability services.

The preferred option for mental health and learning disability adult inpatient services will help provide a safe and sustainable service for the future, with safe inpatient staffing levels ensuring a sufficient medical, nursing, allied health professional (AHP) and psychology workforce which can share learning and experiences across specialities. The option also makes the most efficient use of workforce and would maximise the number of posts available for transfer to local community services.

The proposed model will allow remodelling and reinvestment in community workforce to provide services to the majority of the population and prevent unnecessary admissions for both General Adult Psychiatry and Learning Disability services. By shifting the balance of care and providing centralised specialist services, reduction in variation can be helped.

The preferred option would provide a reduction in supplementary staffing costs, as well as potential income and recurring savings from the disposal of surplus property with significant running and backlog maintenance costs.

Shaping Surgical Services: A formal three month public consultation is due to commence in July 2017. The model proposed supports a move from two emergency surgical receiving sites to one, at Ninewells Hospital, Dundee and the transfer of planned (elective) major surgery to Perth Royal Infirmary.

Maintaining and improving safe, sustainable and high quality unscheduled care is the primary goal driving the Shaping Surgical Services work and the proposed reconfiguration of hospital services.

The proposal, which would strengthen the surgical model for the delivery of unscheduled and elective care across NHS Tayside, would deliver an opportunity to increase consultant numbers and theatre availability by relocating unscheduled surgery on a single site, resulting in improved standards and speed of care, a reduction in cancellation of planned operations for patients, and an expansion of unscheduled care at Ninewells Hospital.

This proposal will result in ceased used of mobile theatres, and is estimated to significantly reduced independent sector and agency staff costs.

Older People's Services: The introduction of an enhanced community service model across Tayside for older people has demonstrated a reduction in the number of older people being admitted to hospital or experiencing delayed discharge from hospital. The model is fully established in Dundee and Angus and is now being implemented in Perth and Kinross. On-going deployment of this model has resulted in a reduction in the requirement for inpatient beds on a number of sites. Front-line clinical leadership with administrative support has been a prominent and essential feature of this model.

Maternity Services: The new model of maternity care introduced in quarter 3 of 2016 in Angus, offers women a choice to give birth locally in the Arbroath Community Midwifery Unit or at home. This has led to an increased number of home births and positive feedback from the women and their partners. Further work is progressing with the Angus Health and Social Care partnership to move from two Community Maternity Units to one.

Prescribing: Given the key overspend in primary care spending, NHS Tayside has undertaken considerable efforts to address this issue. This was set out in a paper considered at the Board meeting on 1 December 2016:

“The financial environment within Tayside’s prescribing budgets remains a challenging one; however it is important that we do not lose sight of the clinical excellence delivered to our local populations. NHS Tayside has embarked on a clinically based, clinically focussed programme based on examining variation; polypharmacy; waste, safety and harm; and formulary compliance. This has been supported by central clinical guidance, a practice visiting programme and local Medicine Management Group (MMG) led initiatives within practices supported by local, Tayside and national prescribing information. Despite a limited degree of success in these programmes the prescribing budget remains significantly overspent.

Five key priorities have been identified to further address the efficiency opportunities within the FHS prescribing budget. These are: quality prescribing visits (initially targeting practices at greatest variance to prescribing spend); projects aimed at specific drugs, rosuvastatin, lidocaine plaster, pregabalin; reviewing the formulary.

In addition we recognise the importance to inform our local communities regarding their role and responsibility in the prevention of medicines waste and how we can manage expectations round ensuring adequate stocks of medicines during holiday periods. To deliver on this agenda weekly meetings will be held, to monitor progress and risk. However, without a joint approach from all members of the multidisciplinary team, where all members contribute to the same aim of delivering the best possible healthcare, at the lowest possible cost, delivering the best experience for our patients - we will fail to maximise opportunities. Teams must be aware of the need to comply with clinical pathways that have been developed within Tayside.

It is critical to accept that our costs in many areas are higher compared to other boards because we treat more patients, our clinical workforce are proactive and strive to deliver the best possible care for our communities. This is supported by NSS data [data provided by Information Services Division, National Services Scotland, ISD NSS] that describes our cost per treated patient.

However it is also recognised that there are a number of areas of unexplained or unwanted variation which this accelerated programme will seek to address.”

The full Board paper 133/2016 is available on the NHS Tayside website:

http://www.nhstaysidecdn.scot.nhs.uk/NHSTaysideWeb/idcplg?IdcService=GET_SEC_URE_FILE&dDocName=PROD_266869&Rendition=web&RevisionSelectionMethod=LATESTRELEASED&noSaveAs=1

NHS Tayside has recently sought and received three external reviews on optimal primary care prescribing practice. A new Drug Prescribing Formulary was introduced throughout NHS Tayside in April 2017. As yet, it is too early to assess the impact of this new formulary on prescribing activities and outcomes.

Realistic Medicine Framework

NHS Tayside is progressing a Realistic Medicine Framework linked to clinical and medical leadership plans. This builds on care pathway work already underway in chest pain, paediatric eczema, upper GI endoscopy and ophthalmology.

Review of NHS Tayside Board’s Committees and Executive Groups

Restructuring of standing committees and executive groups are presently in train. This restructuring seeks to provide greater clarity on strategic and operational business, performance management, decision-making and to develop a framework for public performance reporting.

Tailored Programme Support – NHS National Services Scotland (NSS)

During 2015/16 NHS Tayside established the Transformation Programme with the aims of ensuring financial balance, improving patient outcomes and cost-effective service delivery. NHS Tayside recognised the requirement for robust programme leadership, governance and accountability. As a result, a request was made to NSS for external Programme Director leadership and subject expertise to support the development and adoption of the transformation plan. The purpose of this approach was to enhance transformation governance and leadership, to create an external ‘critical friend’ approach and to establish an independent feedback mechanism to the Transformation Programme Board. NSS support activity commenced in February 2016, initially focusing on leadership around the programme approach and structure, with specific requests relating to health data and analytics.

NHS Tayside already had in place an established Project Management Office (PMO) which follows a tailored (P3M3) based methodology recognising the requirement for Portfolio, Programme and Project management.

NSS support has included a maturity assessment of the local PMO model within NHS Tayside and focused on wider support including data analysis and insight, advice and support in areas such as business planning, enhanced programme management, realistic medicine, pharmacy and prescribing. The support was facilitated by having NSS staff embedded onsite within NHS Tayside as well as utilising the wider resource

on a remote basis. NHS Tayside has valued the tailored programme support from NSS, which is on-going.

11. Appendix 3: Meetings

1. NHS Tayside standing committee meetings observed by the AAG:

Area Clinical Forum
Area Medical Committee
Area Partnership Forum
Audit Committee
Board meeting
Clinical and Care Governance Committee
Finances and Resources Committee
GP sub-committee
Professional Governance Leadership Team
Transformation Board

2. Members of the AAG had discussions with the NHS Tayside Chair, Vice Chair and Chairs of the four Board Governance Committees (Audit, Clinical and Care Governance, Finance and Resources, and Staff Governance), the Chief Executive, Deputy Chief Executive and all Executive Team Members; the Angus, Dundee, Perth and Kinross Integrated Board Chief Officers; the Chief Executives of Angus, Dundee and Perth and Kinross Councils; and many other individual staff members as part of the site visit programme.

3. Groups the AAG met:

Area Partnership Forum Staff Side Members
Executive Team
Health and Social Care Partnership Chief Officers and colleagues
Medical Directors, Associate Medical Directors, Clinical Directors and Clinical Leads
Non-executive Board Members
Public Partners

4. List of site visits carried out by AAG:

Arbroath Infirmary
Aberfeldy Community Hospital
Blairstown Cottage Hospital
Brechin Infirmary
Brechin Health Centre
Carseview Centre, Dundee
Crieff Community Hospital
Dalweem Care Home, Aberfeldy
Montrose Royal Infirmary
Murray Royal Hospital, Perth
Ninewells Hospital, Dundee
Perth Royal Infirmary
Pitlochry Community Hospital
Royal Victoria Hospital

Springfield West Medical Centre, Arbroath

St Margaret's Hospital, Auchterarder

Stracathro Hospital, Angus

Strathmartine Hospital, Dundee

Whitehills Health and Community Care Centre, Forfar

12. Appendix 4: References

1. Tayside Taskforce, Interim report to the Minister of Health and Community Care, 15 June 2000
2. Audit Scotland, National Health Service bodies in Tayside, March 2001
http://www.audit-scotland.gov.uk/uploads/docs/report/2001/nr_010316_nhs_bodies_Tayside.pdf
3. PricewaterhouseCoopers LLP, NHS Tayside, Annual Report to Those Charged with Governance and the Auditor General for Scotland: Year ended 31 March 2016, 21 June 2016
http://www.audit-scotland.gov.uk/uploads/docs/report/2016/fa_1516_nhs_tayside.pdf
4. Audit Scotland, The 2015/16 Audit of NHS Tayside – Financial Sustainability, October 2016
http://www.audit-scotland.gov.uk/uploads/docs/report/2016/s22_161006_nhs_tayside.pdf
5. NHS Tayside, Draft Five Year Transformation Plan
6. NHS Tayside, Draft One Year Operational Delivery Plan 2017-2018
7. NHS Tayside, NHS Tayside Benchmarking Review Financial Year 2015/16
8. Perth and Kinross Health and Social Care Partnership, Strategic Commission Plan 2016-2019
http://www.pkc.gov.uk/media/38714/Health-and-Social-Care-Strategic-Commissioning-Plan/pdf/2016193_strat_comm_plan_CLIENT
9. Angus Health and Social Care Partnership, Strategic Plan 2016-2019
http://www.angus.gov.uk/downloads/file/2153/health_and_social_care_partnership_strategic_plan_2016-19
10. Dundee Health and Social Care Partnership, Strategic and Commissioning Plan 2016-2021
https://www.dundeehscp.com/sites/default/files/publications/dhscp_strategic_and_commissioning_plan_0.pdf
11. NHS Leadership Academy, The Healthy NHS Board 2013: Principles for Good Governance
12. Scottish Government, Finance Guidance, Integrated Resources Advisory Group guidance and advice on financial matters for Health Boards and Local Authorities, May 2015
<http://www.gov.scot/Publications/2015/06/1191>
13. NHS Tayside Internal Audit Service, Interim Evaluation of Internal Control Framework 2016/17, Report No. T08/17, 7 March 2017

14. NHS Tayside Internal Audit Service, Follow up of Financial Planning and Management, Report No. T22/17, 5 March 2017
15. NHS Tayside Annual Report and Accounts 2014-2015
16. NHS Tayside, Annual Report and Accounts for year ended 31 March 2016
17. NHS Tayside, NHS Tayside Health Equity Strategy 2010: Communities in Control
18. Scottish Government, A National Clinical Strategy for Scotland, February 2016
<http://www.gov.scot/Publications/2016/02/8699>
19. Scottish Government, The Chief Medical Officer's Annual Report 2014-15: Realistic Medicine, January 2016
<http://www.gov.scot/Publications/2016/01/3745>
20. Scottish Government, The Chief Medical Officer for Scotland's Annual Report 2015-16: Realising Realistic Medicine, February 2017
<http://www.gov.scot/Publications/2017/02/3336>
21. Papers issued for the NHS Tayside meetings observed by the AAG as listed in Appendix 3.



Scottish Government
Riaghaltas na h-Alba
gov.scot

© Crown copyright 2017

OGL

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.scot

Any enquiries regarding this publication should be sent to us at
The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-78851-081-3 (web only)

Published by The Scottish Government, June 2017

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS266037 (06/17)

W W W . G O V . S C O T