

The 2016/17 audit of NHS Tayside

Financial sustainability



AUDITOR GENERAL 

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Introduction

1. I have received audited accounts and the auditor's report for NHS Tayside for the year ended 31 March 2017. I submit these accounts and the auditor's report under section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report, which I have prepared under section 22(3) of the Act.
2. The purpose of this report is to draw Parliament's attention to the scale of the challenge NHS Tayside continues to face in meeting its financial targets and to provide an update on the work that is currently under way to address these pressures. NHS Tayside has needed financial assistance from the Scottish Government for five successive years in order to achieve in-year financial balance. I previously reported to Parliament on NHS Tayside in October 2015 and October 2016.^{1 2}

Summary

3. The Scottish Government can agree to provide an NHS board with additional funding to help it manage unexpected changes to planned expenditure. This is a form of loan funding known as brokerage. It is arranged on the basis of assurance from the board that it can repay the brokerage over an agreed period. NHS Tayside has needed brokerage from the Scottish Government to help it achieve in-year financial balance in each of the last five financial years. During 2016/17, NHS Tayside received £13.2 million (1.89 per cent of its baseline revenue resource limit (RRL)) in brokerage to cover pressures including pay costs, prescribing costs and the cost of using agency staff.³
4. In 2016/17, the board delivered £45.5 million of efficiency savings. While this is a very significant sum, and nearly double the savings achieved in 2015/16, it was still £1.3 million below target. The board recognises that its cost base remains too high and further significant savings are needed in future years.
5. The board continues to face an extremely challenging position which will make it difficult to achieve financial balance in the future. It has identified that to be financially sustainable in the long term, it must make savings of £205.8 million, 5.48 per cent of its baseline RRL, over the next five years.
6. NHS Tayside has been reliant on non-recurrent savings in recent years but recognises that this situation is not sustainable. In 2016/17, the board started to shift the balance towards recurring savings, with £23.4 million (51 per cent) of savings achieved on a recurring basis. The 2017/18 – 2021/22 financial framework outlines plans to further increase the percentage of recurring efficiency savings.
7. The board is projecting a funding gap of £49.8 million in 2017/18. The board plans to achieve efficiency savings of £45.8 million, with the balance of £4 million funded through additional

¹ *The 2014/15 audit of NHS Tayside: [Financial management](#)*, Audit Scotland, October 2015.

² *The 2015/16 audit of NHS Tayside: [Financial sustainability](#)*, Audit Scotland, October 2016.

³ The Revenue Resource Limit is the amount of money an NHS board is allocated to spend on day-to-day operations in any one financial year.

brokerage. The 2017/18 savings include £5 million which have yet to be identified or are high risk. The board plans to achieve in-year financial balance by 2018/19.

8. The board currently has a total of £33.2 million of outstanding brokerage to repay. The Scottish Government recently agreed to suspend the requirement for NHS Tayside to repay outstanding brokerage to avoid the prospect of adverse impacts on patient safety, quality and delivery. The Scottish Government will return to this issue once NHS Tayside's transformation plans are further developed. It should be noted that brokerage repayment costs are included in the planned savings figures set out in this report. The Scottish Government has not yet confirmed when brokerage repayments will resume.
9. The board's five-year transformation programme is critical to delivering efficiency savings, to achieve financial balance over the medium term. The programme has delivered substantial cost reductions to March 2017, through efficiency and productivity reviews, but further savings will be required on a recurring basis which can only come from service redesign and transformation.
10. In April 2017, the Scottish Government appointed an independent Assurance and Advisory Group (AAG) to provide independent scrutiny and challenge on the deliverability of NHS Tayside's operational plans for 2017/18 and the five-year transformation programme. In June 2017, the AAG published a staging report which highlighted that, given the current pace of progress of the transformation programme, it is not confident that the board can return to financial balance within a five-year timescale. They also reported that the £4 million estimated brokerage required to break even in 2017/18 is likely to be an underestimate.

Auditor's opinion

11. The auditor issued an unqualified audit opinion on the 2016/17 financial statements. She highlighted the financial pressures on the board in her accompanying report.

Findings

Overall financial position

12. NHS Tayside continued to experience significant cost pressures in 2016/17, and it required further financial assistance from the Scottish Government, in the form of brokerage, to break even. Net expenditure was £892 million, 4.6 per cent higher than the £852.6 million reported in 2015/16. Some of the increase is not wholly within the control of the board, e.g. CNORIS provisions and National Insurance increases, but the board's overall operating costs remain too high.⁴ The board recognises this and this is a focus of its transformation programme.

⁴ The Clinical Negligence and Other Risks Indemnity Scheme is a risk transfer and financing scheme for the NHS and integrated health and social care boards in Scotland to provide cost-effective risk pooling and claims management arrangements.

Exhibit 1 NHS Tayside financial outturn 2016/17

2016/17	Core revenue resource limit (£ million)	Non-core revenue resource limit (£ million)	Core capital resource allocation (£ million)	Non-core capital resource allocation (£ million)	Savings (£ million)
Final allocation	803.2	50.4	10.4	4.3	46.8 (target)
Outturn	803.1	50.4	10.4	4.3	45.5 (97% of savings target achieved)
Brokerage	13.2	-	-	-	
Reported final outturn	0.1 (surplus)	0	0	0	45.5 (49% of savings achieved are non-recurring)

Source: Tayside Health Board Annual Report and Accounts For Year Ended 31 March 2017

13. The board's Local Delivery Plan for 2016/17 initially identified a potential overspend of £11.6 million for 2016/17, but due to a shortfall in planned savings, this had increased to £13.1 million by March 2017.
14. The main overspends occurred in:
 - workforce costs - overspent by £3.7 million, compared to an overspend of £10.3 million in 2015/16
 - prescribing costs - overspent by £6.7 million, compared to an overspend of £4.7 million in 2015/16
 - clinical supplies - overspent by £2.6 million, the same as in 2015/16.
15. The board delivered £45.5 million (6.5 per cent of baseline RRL) efficiency savings in 2016/17. While this is a very significant sum, and nearly double the savings achieved in 2015/16, it was still £1.3 million below target. Just over 50 per cent of the savings (£23.4 million) were achieved on a recurring basis, and can therefore be realised on an annual basis going forward. £22.1 million (49 per cent) of savings in 2016/17 were non-recurring. Non-recurring savings are one-off savings that apply only to one financial year, and do not result in

ongoing (recurring) savings in future years. While it can be appropriate to have some non-recurring savings, recurring savings are needed to help NHS boards to continue to meet their financial commitments.

Brokerage

16. NHS Tayside has received £37.5 million of brokerage from the Scottish Government since 2012/13, this includes £13.2 million in 2016/17 to help it achieve in year financial balance. Of this, £33.2 million is still to be repaid by NHS Tayside. The board anticipates that it will require a further £4 million of brokerage in 2017/18 ([Exhibit 2](#)).

Exhibit 2 NHS Tayside brokerage and repayment

Year	Brokerage received (£million)	Repaid (£million)	Cumulative balance outstanding (£million)	Repayment details
2016/17	13.2	0	33.2	No repayment made
2015/16	5.0	0	20.0	No repayment made
2014/15	14.2	4.1	15.0	No repayment made
2013/14	2.9	0.2	4.9	£2.1 million repaid in 2014/15
2012/13	2.2	N/A	2.2	£0.2 million repaid in 2013/14 and £2 million repaid in 2014/15

Source: Audit Scotland

17. None of the £20 million outstanding brokerage received in the previous four years was repaid in 2016/17. The Scottish Government recently agreed to suspend the requirement for NHS Tayside to repay outstanding brokerage to avoid the prospect of adverse impacts on patient safety, quality and delivery. The Scottish Government will return to this issue once NHS Tayside's transformation plans are further developed.

Performance

18. NHS Scotland has a series of national targets, known as the Local Delivery Plan (LDP) standards, which contribute towards delivery of the Scottish Government's Purpose and

National Outcomes and NHS Scotland's Quality Ambitions. There are 17 non-financial standards reported on by NHS Tayside, one of these has no national target set. NHS Tayside's performance against the remaining 16 non-financial LDP standards, as reported in the 2016/17 annual report and accounts, is variable. Of the 16 standards, eight were categorised as being met or exceeded and eight as not being met as at March 2017 ([Appendix 1](#)). NHS Tayside is by no means an outlier when it comes to service delivery, and performs better than other boards in some areas.

Looking forward

Financial sustainability

19. The board is facing an extremely challenging position which will make it difficult to achieve financial balance in the medium term. For 2017/18, the financial plan forecasts a deficit of £4 million. The plan is then to achieve break-even for the subsequent four years. The board identifies that it needs to make efficiency savings of £49.8 million to deliver financial break-even in 2017/18. It has plans to achieve £45.8 million (6.4 per cent of baseline RRL) of those savings, with the balance of £4 million funded through additional brokerage.
20. The board identifies the main cost pressures as pay, prescribing, use of agency staff and having to budget to use revenue monies to fund capital activities. Efficiency savings will play a crucial part in bridging this gap in 2017/18, but £5 million of the 2017/18 savings are considered to be high-risk or unidentified.
21. The 2015/16 annual audit report reported that the board's asset disposal strategy was a key element of its saving plans and noted the importance of closely monitoring the anticipated value and timing of the sales to ensure they remain realistic. By March 2017, although £4.5 million of asset sale proceeds were forecast for 2016/17, only £1.9 million of sales proceeds were achieved. After review, the levels of asset disposal proceeds to be included in the board's planned efficiency savings have been significantly reduced to a more realistic level of £2.9 million for 2017/18 and £2.5 million per annum for 2018-20.

Savings

22. NHS Tayside has been increasingly reliant on non-recurrent savings in recent years but recognises that this is not sustainable as it only buys the board breathing space in the short term. In 2016/17 the board started to shift the balance towards recurring savings (Exhibit 3). Brokerage repayments are included in these figures. The Scottish Government has subsequently announced that brokerage payments have been suspended.

Exhibit 3 Savings forecast 2017/18 to 2021/22 (£million)

	2017/18	2018/19	2019/20	2020/21	2021/22
Recurring	23.100	22.000	24.000	24.000	24.000
Non-recurring	22.700	18.000	16.000	16.000	16.000
Total	45.800	40.00	40.000	40.000	40.000
% recurring	50.4%	55.0%	60.0%	60.0%	60.0%
% of baseline RRL	6.4%	5.4%	5.3%	5.2%	5.1%

Source: NHS Tayside Draft Financial Framework 2017/18 to 2021/22

Transformation programme

23. NHS Tayside's transformation programme 2017/18 to 2021/22 aims *'to improve the sustainability of services and enhance the quality of care'*. The programme is focused around six workstreams, underpinned by local clinical strategies and service redesign priorities and is overseen by a transformation board. The workstreams are:

- Workforce and Care Assurance (for all staff);
- Realistic Medicine (pathways diagnostics and prescribing);
- Repatriation of Patients (to NHS Tayside and ensuring appropriate out of area referrals);
- Better Buying and Procurement;
- Facilities and Estates (managing the infrastructure and support environment for all services); and
- Property (managing the disposal and sale of premises not required for delivering healthcare services).

24. In my 2016 report, I highlighted that NHS Tayside has an expensive operating model and higher staffing costs compared to other Health Boards.⁵ The transformation programme and changes to the way services are delivered will be critical in reducing these costs and delivering recurring savings.

Assurance and Advisory Group

25. In April 2017, the Scottish Government established an independent Assurance and Advisory Group (AAG). The group's terms of reference and work plan are designed to provide independent scrutiny and challenge on NHS Tayside's financial planning and the deliverability of its five-year transformation programme.

26. A staging report issued on the group's findings in June 2017, states that the AAG *'have witnessed and commend a clear commitment to improvement in processes and control*

⁵ The 2015/16 audit of NHS Tayside: [Financial sustainability](#), Audit Scotland, October 2016.

*mechanisms' but the group '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..... Such transformation currently being progressed by the Transformation Programme Board will require a step change in scale and pace.'*⁶

27. The staging report highlights that on the basis of the evidence available *'the £4 million of financial break-even support that NHS Tayside has projected it will require from the Scottish Government in 2017/18, is likely to be an underestimate.'* The report goes on to note *'This projection is reliant on full delivery of projected savings plans. These contain significant elements of risk, which have been recognised by NHS Tayside.'*
28. Following publication of the AAG's Staging Report, the Scottish Government has set up a Transformation Support Team with specific expertise in workforce, planning, and finance to work alongside NHS Tayside's Executive Team. The AAG is due to provide a follow-up report on progress to date by the end of September 2017 and again at the end of December 2017.

Conclusion

29. NHS Tayside forecasts a deficit of £4 million for 2017/18, and will require further brokerage from the Scottish Government. The board has identified that it must make savings of £205.8 million (5.48 per cent of its RRL) over the next five years. The AAG believes that the £4 million of financial break-even support the board anticipates it will need in 2017/18, is likely to be an underestimate.
30. NHS Tayside has already received £37.5 million of brokerage from the Scottish Government since 2012/13, of this £33.2 million is still to be repaid by NHS Tayside.
31. NHS Tayside has a transformation programme aimed at increasing the quality, safety and cost-effectiveness of services to address the significant challenges it faces but the AAG reports that there is insufficient evidence of progress with the key elements of the transformation programme to be confident that NHS Tayside can achieve its financial plan for 2017/18 and future years. The AAG highlighted that the transformation plan requires a step change in scale and pace.
32. Given the factors outlined above, there is a high risk that NHS Tayside will not achieve its financial plans for 2017/18 and will require more than the anticipated £4 million brokerage from the Scottish Government. The recommendations in the AAG report are sound and reflect issues identified through local audit work. Implementing the recommendations will be challenging given the scale of the pressures in NHS Tayside. It is important that the NHS board puts in place a realistic action plan accompanied by the capacity and resources required to deliver it, in order to address the issues it faces, while also recognising that some of the changes will take time to fully implement.

⁶ NHS Tayside Assurance and Advisory Group: [Staging Report of Findings and Recommendations](#), Scottish Government, June 2017.

Appendix 1 - Performance against 17 non-financial LDP standards

Target/ standard	Performance at March 2017 ¹	Comments / position statement ¹
Treatment Time Guarantee (TTG) Proportion of patients that were seen within 12 weeks TTG Standard: 100%	● 81% (15/16 - 81%) (Scottish Average - 82%)	Whilst Orthopaedics and General Surgery have the large volumes of patients waiting over 84 days and continue to remain a challenge, these specialities are currently within their performance trajectories for the year with implementation of recovery actions having the impact anticipated. However, Urology are currently outwith their trajectory and now are the speciality with the greatest volume of patients waiting greater than 12 weeks. The service has two Consultants due to commence in April 2017 which will support improved service capacity.
12 Weeks First Outpatient Appointment Percentage of patients waiting no more than 12 weeks from referral to first outpatient appointment Standard: 95%	● 86% (15/16 - 88%) (Scottish Average - 81%)	Performance in respect of ongoing waits over 12 weeks places performance ahead of the revised trajectory. Specialities are now on plan to deliver their revised trajectory, however some risks remain regarding the ability to secure the level of independent sector support required. The five specialities with the greatest number of patients waiting over 12 weeks were Gynaecology; General Surgery; Vascular Surgery; Urology and Dermatology. Gynaecology, Gastroenterology and Dermatology all have secured additional capacity through the independent sector to reduce their current queues, whilst General Surgery are planning to deliver additional activity in house. Vascular Surgery have recruited to a technician post within the vascular laboratory as well as filling a consultant vacancy which will support a reduction in the queue during the final quarter of 2016/17. As reported above, Urology have successfully recruited to two Consultant posts, with staff due to commence in April 2017.
Cancer Treatment Percentage of patients beginning treatment within 31 days of decision to treat Standard: 95%	● 89% (15/16 - 89%) (Scottish Average - 94%)	The Urology pathway, presents the greatest challenge in supporting achievement of the 31 day standard. Performance across all other tumour sites was above the 95% threshold. The Urology service successfully appointed to two consultant vacancies, however these individuals do not have a prostate specialism and therefore there will remain a single-handed consultant for the delivery of laparoscopic prostatectomy which is the greatest contributory factor to 31 day performance.

Target/ standard	Performance at March 2017 ¹	Comments / position statement ¹
<p>Cancer Treatment</p> <p>Percentage of patients beginning treatment within 62 days of urgent referral</p> <p>Standard: 95%</p>	<p>● 88%</p> <p>(15/16 - 93%)</p> <p>(Scottish Average - 88%)</p>	<p>Breaches for Colorectal, Gynaecology and Head & Neck were all due to delays at the start of the patients' pathways, and have been shared with the services to support learning and improvement. A Cancer Pathway Forum will be established in early 2017-18 to provide a dedicated forum to support cross-directorate review of cancer pathways alongside review of the cancer waiting times performance. The Cancer Pathway Forum will focus on the Breast, Prostate and Colorectal pathways in the first instance, and will support the development of improvement plans.</p>
<p>Child and Adolescent Mental Health Services (CAMHS) Waiting Times</p> <p>Percentage of patients seen within 18 weeks</p> <p>Standard: 90%</p>	<p>● 95%</p> <p>(15/16 - 99%)</p> <p>(Scottish Average - 84%)</p>	<p>This standard has consistently been met since December 2015.</p>
<p>Psychological therapy</p> <p>Percentage of patients to start treatment within 18 weeks of referral</p> <p>Standard: 90%</p>	<p>● 72%</p> <p>(15/16 - 87%)</p> <p>(Scottish Average - 74%)</p>	<p>The decline in performance is due to the reduction in service capacity due to maternity leave and career breaks in Clinical Health Psychology and capacity issues within Older Adult Psychology and Perth tier 3 Clinical Psychology General Adult Psychiatry service. Improvements are not anticipated until vacancies have been appointed too and staff return from maternity leave.</p>
<p>4 hour A&E</p> <p>Percentage of all attendances seen within 4 hours</p> <p>Standard: 95%</p>	<p>● 99%</p> <p>(15/16 - 99%)</p> <p>(Scottish Average - 94%)</p>	<p>This standard has been consistently achieved throughout 2016/17.</p>

Target/ standard	Performance at March 2017 ¹	Comments / position statement ¹
Drug and alcohol treatment Percentage of patients seen within 3 weeks Standard: 90%	 98% (15/16 - 96%) (Scottish Average - 95%)	This standard has been achieved throughout 2016/17.
Antenatal care Percentage of pregnant women in each SIMD quintile will have booked for antenatal care by the 12th week of gestation Standard: 80%	 91% (15/16 - 93%) (Scottish Average - 89%)²	This standard has successfully been achieved throughout 2016/17, with performance consistently remaining above 80%.
Clostridium Difficile Infections Rate of infections in patients aged 15 and over, per 1,000 total occupied bed days Standard: 0.32	 0.24 (15/16 - 0.36) (Scottish Average -0.26)	The three antibiotic prescribing targets that support this standard were achieved. The standard itself has not been achieved in Q1-Q3 2016/17, but achieved in Q4. ³
Staphylococcus Aureus Bacteraemia (SABs) Rate of SABs per 1,000 total occupied bed days	 0.32 (15/16 - 0.35) (Scottish Average - 0.33)	NHS Tayside complete the national documentation in relation to SABs. For any SAB that is deemed to be preventable, the clinical area identified as the probable source are required to undertake a local incident review which will involve a member of the Infection Control Team. The SAB is also entered into DATIX, the NHS Tayside system used to document adverse incidents. Any learning from the review is shared in a number of fora within NHS Tayside. ³

Target/ standard	Performance at March 2017 ¹	Comments / position statement ¹
Standard: 0.24		
Smoking quits Sustain and embed successful smoking quits, at 12 weeks post quit, in the 40% SIMD areas in the NHS Board area Standard: 467	 475 (15/16 - 319) (Scottish Average - N/A)	Improvement was particularly seen in Q2 and Q3 to deliver 3-month quits.
People diagnosed and treated in the first stage of breast, colorectal and lung cancer Increase the proportion to 29%	 23% (15/16 - 24%) (Scottish Average - 25%)	NHS Tayside delivered a 2.5% improvement from baseline that was greater than across Scotland. The proportion of earlier stage 1 and stage 2 cancers from the total cancer stages 1, 2, 3 and 4 improved in Tayside to 52.2%, comparing favourably with NHS Scotland performance at 50%. NHS Tayside's diagnostic services have significantly increased the number of colonoscopy's undertaken, chest x-ray referrals from GPs, and symptomatic breast clinic attendances indicating that people in NHS Tayside are making greater use of opportunities for early detection of breast, colorectal and lung cancers ³ .
People newly diagnosed with dementia will have a minimum of 1 years post-diagnostic support Standard: none set	 51% (15/16 - 84%) (Scottish Average - 40%) ⁴	Overall compliance with post diagnostic monitoring (for people newly diagnosed with dementia) in Tayside is 51% at year end position.
18 weeks Referral to Treatment (RTT) Percentage of patients	 87% (15/16 - 88%) (Scottish Average	RTT is impacted by the current waits for outpatients and TTG described above. The February 2017 position improved with 84.4% compared to January 2017 (83.1%). The main area of challenge is admitted pathway, which showed a slight improvement in February 2017 to

Target/ standard	Performance at March 2017 ¹	Comments / position statement ¹
seen and treated within 18 weeks from initial referral. Standard: 90%	- 83%	53.4% from 51.1% in January 2017. Of the specialties with completed pathways in February 2017, Gastroenterology, Community Dental Practice, Oral and maxillofacial surgery (OMFS) and Medical Paediatrics achieved the admitted pathway standard; however these are all specialties with low volumes requiring inpatient treatment. There were 13 specialties with completed activity that did not achieve the admitted pathway standard in February 2017. These 13 include the specialties that currently have recovery plans in place for TTG.
IVF Waiting Times All eligible patients will commence IVF treatment within 12 months Standard: 100%	● 100% (15/16 - n/a) (Scottish Average - 100%)	Target has been met throughout 2016/17 to date.
Alcohol Brief Interventions Sustain and embed in primary care, A & E, antenatal and broaden delivery in wider settings Standard: 80%	● 91% (15/16 - n/a) (Scottish Average - 92%)	Performance has continued to improve during 2016/17.

Sources:

1. NHS Tayside annual report and accounts and NHS Tayside 2016/17 annual audit with exception of those noted below (items 2,3 and 4).
2. 2015/16 is the most recent figures available. Births in Scottish Hospital - Early access to antenatal services, ISD Scotland, November 2016.
3. Commentary on quarterly epidemiological data on Clostridium difficile infection, Escherichia coli bacteraemia, Staphylococcus aureus bacteraemia and Surgical Site Infection in Scotland. January to March (Q1) 2017, Health Protection Scotland, July 2017.
4. 2014/15 is the most recent year figures available, Dementia Post-Diagnostic Support Tables, ISD Scotland, January 2017.

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