

# The 2019/20 audit of NHS Tayside



AUDITOR GENERAL 

Prepared for the Public Audit and Post-Legislative Scrutiny Committee by the Auditor General for Scotland  
Made under section 22 of the Public Finance and Accountability (Scotland) Act 2000  
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# The 2019/20 audit of NHS Tayside

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## Introduction

1. I have received audited accounts and the appointed auditor's report for NHS Tayside for the year ended 31 March 2020. 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 progress NHS Tayside is making in meeting its financial and performance targets and the risks that lie ahead.

## Auditor's opinion

3. The auditor issued an unmodified audit opinion on NHS Tayside's 2019/20 financial statements. They highlighted the board's effective financial management, and ongoing improvements in governance arrangements. However, they also reported that the pace of transformation of services has been slow and the board still needs to make significant savings to achieve financial sustainability.

4. The auditor reported improved performance against service standards during 2019/20 but highlighted that since March 2020, the Covid-19 global pandemic had a significant impact on the focus and priorities of NHS Tayside. The board now needs to reflect the impact of the pandemic in its financial plan and transformation programme.

## Summary

5. This is the sixth consecutive report that has been provided to the Parliament on NHS Tayside.<sup>1</sup> Previous reports have highlighted a series of significant concerns, covering financial, performance and governance issues.

6. In April 2018, due to continued concerns over financial sustainability and weaknesses in governance arrangements, the Scottish Government moved NHS Tayside to level 5 of its NHS performance escalation framework – the highest level. The board remained at this escalation level until February 2019, when the Scottish Government reduced it to level 4 after improvements were reported under the new Executive Leadership Team.

7. NHS Tayside's financial position has been challenging since 2013/14. Additional financial support has been required in each of the last eight financial years from the Scottish Government to achieve in-year financial balance. In October 2018, the Cabinet Secretary for Health and Sport announced that the Scottish Government

<sup>1</sup> [The 2014/15 audit of NHS Tayside: Financial management](#), Audit Scotland, October 2015; [The 2015/16 audit of NHS Tayside: Financial sustainability](#), Audit Scotland, October 2016; [The 2016/17 audit of NHS Tayside: Financial sustainability](#), Audit Scotland, October 2017; [The 2017/18 audit of NHS Tayside](#), Audit Scotland, December 2018; The [2018/19 audit of NHS Tayside](#), Audit Scotland, November 2019.

would not seek to recover the outstanding brokerage at 31 March 2019 from any territorial board.<sup>2</sup>

**8.** NHS Tayside is making progress under its new Executive Leadership Team. Its financial position improved in 2019/20, and the board reported a favourable position compared to its financial plan for the second year running. Although the board relied on financial flexibility of £7 million to meet its financial target in 2019/20, this was within the one per cent financial flexibility allowed by the Scottish Government and is less than the projected funding required in its financial plan.<sup>3</sup>

**9.** The board's current three-year financial plan from 2020/21 aims to achieve break-even each year but significant financial savings need to be made to achieve this. From March 2020, the Covid-19 global pandemic had a significant impact on the focus and priorities of NHS Tayside and the effect of this on its financial position and savings targets is still to be reflected in its financial plans.

**10.** Alongside the improved financial position in 2019/20, overall service performance against the national standards has improved since last year.

**11.** Despite these improvements, long-standing concerns about mental health services resulted in a highly critical independent inquiry on mental health services in Tayside being published in February 2020. The board has approved a draft action plan covering the recommendations in the report.<sup>4</sup>

**12.** Going forward, NHS Tayside recognises that the board's transformation programme remains key to reducing its cost base and improving services. However, progress with transformation has been slow and the board acknowledges that the pace needs to increase.

**13.** Covid-19 has accelerated transformation in some services, as the board looks to find new ways of delivering services in a safe environment. NHS Tayside has indicated that the board's re-mobilisation plan will be its new transformation plan. The achievement of a balanced financial position depends on the successful delivery of a transformation programme that reflects the new and evolving priorities of the board. Filling key leadership posts to provide the capacity for effective leadership and delivery of the required transformation and re-mobilisation remain important, as will delivering improvements to its mental health services.

**14.** In February 2021, I will publish my annual NHS in Scotland report which will comment more widely on how prepared the NHS in Scotland was for a pandemic, how it responded and the challenges that lie ahead.

## Findings

### NHS performance escalation framework

**15.** In April 2018, the board was moved to escalation level 5, the highest level of the Scottish Government's NHS performance escalation framework. This was in response to continued concerns over NHS Tayside's financial sustainability and weaknesses in its governance arrangements, including in relation to the mismanagement of monies received from the endowment fund and eHealth

<sup>2</sup> Brokerage is a form of loan funding that the Scottish Government can agree to provide an NHS board to help it manage changes to planned expenditure.

<sup>3</sup> With effect from 2019/20, the Scottish Government introduced a new approach to financial planning and target setting. This removes the requirement for boards to achieve financial balance annually. Instead boards are required to achieve a break-even position over a rolling three-year period. NHS boards can exercise annual flexibility within one per cent of their revenue resource limit. This financial flexibility funding is repaid once the board breaks even.

<sup>4</sup> [Trust and Respect: Final Report of the Independent Inquiry into Mental Health Services in Tayside](#), David Strang, February 2020.

funding. Escalation to level 5 involves the exercise of Ministers' powers of intervention under the National Health Service (Scotland) Act 1978.

**16.** During 2018/19, reviews of the board's corporate governance arrangements were completed, and several improvements were made. The auditor concluded that NHS Tayside had adequate governance arrangements in place in 2019/20 and that further improvements are planned during 2020/21.

**17.** As a result of the improvements put in place during 2018/19, the board's level of escalation was reduced to level 4 in February 2019. Level 4 escalation indicates significant risks to delivery, quality, financial performance or safety. NHS Tayside remains at level 4.

## Financial management

**18.** The auditor reported that NHS Tayside has effective financial management arrangements in place. Board members and senior management received regular and accurate financial information on the board's financial position.

**19.** For the eighth consecutive year, NHS Tayside required additional financial support from the Scottish Government to enable it to achieve in-year financial balance.

**20.** Following an announcement from the Cabinet Secretary for Health and Sport, the Scottish Government did not seek to recover outstanding brokerage from any territorial board in 2019/20. This meant NHS Tayside started 2019/20 without the need to plan for the repayment of brokerage.

**21.** Further to this the Scottish Government introduced a new approach to financial planning and target setting. This removes the requirement for boards to achieve financial balance annually and instead boards are required to achieve a break-even position over a rolling three-year period. NHS boards can exercise annual flexibility (incur a deficit) within one per cent of their revenue resource limit (RRL).

**22.** NHS Tayside forecast a financial gap of £35.7 million in 2019/20 ([Exhibit 1](#)). The board planned to meet this through efficiency savings of £24.5 million and Scottish Government financial flexibility funding of £11.2 million. The board delivered total efficiency savings of £26.3 million (£1.8 million above its target).

**23.** Improvements in the board's savings plans led to the financial gap in 2019/20 being reduced to £6.8 million. The amount of financial flexibility funding requested was £7.0 million, which is within the one per cent financial flexibility allowed by the Scottish Government. This enabled the board to achieve an underspend of £0.21 million against its RRL. The board reported a favourable position compared to its financial plan for the second year running.

## Exhibit 1

### NHS Tayside financial outturn, 2019/20

2019/20	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 including 'financial flexibility' funding	883.18	36.9	27.45	0.0	35.7 (funding gap to be met from £24.5m savings and £11.2m flexible funding)
Outturn	882.97	36.9	27.45	0.0	26.3
Reported final outturn	0.21 (underspend)	0	0	0	26.3 (£14.3m achieved on recurring basis. This equates to 40 per cent of the £35.7m funding gap)

Source: NHS Tayside Annual Report and Accounts for Year Ended 31 March 2020

**24.** While the board achieved its financial targets, overspends were reported in the budgets for:

- Integration Joint Boards – overspend of £2.05 million relating to social care and £0.35 million relating to health.
- Acute services – overspend of £1.27 million, which includes increased nursing and agency costs.

**25.** As a result of the Covid-19 pandemic, NHS Tayside incurred additional revenue costs of £2.5 million in 2019/20. These costs were fully met through additional funding from the Scottish Government.

### Financial sustainability

**26.** As with other NHS boards across Scotland, from March 2020 the Covid-19 global pandemic had a significant impact on the focus and priorities of NHS Tayside. The board has still to reflect the effect of the pandemic on its financial position and savings targets in its financial plans.

**27.** NHS Tayside's current three-year financial plan forecast includes projected financial savings of £85.2 million over a three-year period from 2020/21. The financial plan aims to achieve break even each year to 2022/23 ([Exhibit 2](#)). Forecasts in the financial plan are based on a number of assumptions including allocation uplifts, inflationary costs and pay growth. In light of the Covid-19 pandemic, the board intends to revisit the plan later in the year.

**28.** In 2019/20, recurring savings of £14.3 million (40% of the funding gap of £35.7 million) were reported. While this is a decrease from 44 per cent in 2018/19, the board remains significantly reliant on non-recurring savings. This situation is not sustainable for the board in the longer term because it results in the board having to identify new savings sources each year and puts further pressure on finances.

## Exhibit 2

### Projected financial savings 2020/21 to 2022/23

	2020/21 £m	2021/22 £m	2022/23 £m
<b>Funding gap</b>	<b>(28.1)</b>	<b>(30.8)</b>	<b>(26.3)</b>
<b>Savings</b>			
Transformation	4.7	13.3	9.3
Productivity and efficiency gains	5.0	0	0
Corporate	1.0	1.0	1.0
Service level agreements	2.4	1.5	1.0
Cost reduction plans	11.0	11.0	11.0
Use of set aside balances, contingencies etc.	4.0	4.0	4.0
<b>Forecast deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: NHS Tayside Strategic Financial Plan 2020/21 – 2022/23

### Transformation programme

**29.** Previous section 22 reports have highlighted the board's expensive operating model compared to other NHS boards. This is a main contributory factor to the financial challenges it has faced over the years.

**30.** Historically, staffing numbers per head of population are higher in NHS Tayside compared to other boards. Furthermore, average in-patient costs have been more expensive than other boards and the total prescribing cost per weighted patient within NHS Tayside has also been higher than average.

**31.** NHS Tayside recognises this position and the board's transformation programme remains key to reducing the cost base. However, progress with transformation has been slow and the board acknowledges that the pace needs to increase. In a presentation to the board on 31 October 2019, the chief executive highlighted that the priority was to 'increase the pace and scale of progress to reliably deliver service redesign and transformation'. Internal audit, in its Internal Control Evaluation Report submitted to the Board's Audit and Risk Committee in January 2020, also reiterated the need for increased pace of change while commending the initial planning work undertaken.

**32.** Covid-19 has accelerated transformation in some services, as the board looks to find new ways of delivering services in a safe environment. NHS Tayside has indicated that the board's re-mobilisation plan will be its new transformation plan, and this will need to be reflected in the board's revised financial plan. The achievement of a balanced financial position depends on the successful delivery of a transformation programme that reflects the new and evolving priorities of the board.

## Senior leadership

**33.** The senior leadership team has experienced a number of changes over recent years and in 2018/19, the auditor reported that a number of key posts were either vacant or filled on an interim basis. A permanent appointment to the chief executive post was made in January 2019. A full-time Director of Finance was appointed on a permanent basis in December 2019, having held the post on an interim basis from September 2019. A permanent chair was appointed in October 2020.

**34.** In 2019/20, the board successfully appointed a Medical Director, Nursing Director and Director of Pharmacy but the posts of Deputy Chief Executive and Director of Facilities remain vacant. The Director of Public Health has also retired and the post needs to be replaced. Advertising and a long-list review for these posts continue to be progressed but the timetable has been affected by Covid-19 priorities. Alternative options are under consideration by the chief executive if a positive outcome is not achieved.

**35.** Permanent appointments to the leadership team will be critical to ensuring effective leadership capacity that can deliver transformation and remobilisation.

## Service delivery

**36.** NHS Scotland has a series of national standards that are set and agreed between the Scottish Government and NHS boards to provide assurance on NHS Scotland performance. There are 18 non-financial standards (with two of these having a sub-indicator each). NHS Tayside's overall performance against these standards has improved since last year but performance is mixed. Of the 20 indicators, seven were being met or exceeded and ten were not being met at March 2020. One indicator has no standard set and two standards related to healthcare associated infections are currently under review by Scottish Government.

**37.** The Scottish Government has been working to improve waiting times and, in October 2018, introduced the Waiting Times Improvement Plan (WTIP). As part of the WTIP, the Scottish Government introduced board-specific, phased improvement goals or trajectories in nine areas.<sup>5</sup> In relation to its waiting time standards/trajectories, NHS Tayside has improved in 2019/20 with six waiting times standards/trajectories met in 2019/20 compared to one in 2018/19.

**38.** The performance for this period was affected in part by the Covid-19 outbreak and this has affected referral and treatment patterns. More specifically, on 17 March 2020, NHS Scotland was placed in emergency measures and boards were asked to suspend all non-urgent elective treatment; and on 23 March 2020, the nation entered a period of 'lockdown'. The WTIP is also now being reconsidered.

<sup>5</sup> Nine waiting times with phased improvement goals: Cancer 62 days referral to treatment; Cancer 31 days referral to treatment; Patient Treatment Time Guarantee (TTG); Outpatients waiting less than 12 weeks; A&E attendees seen within 4 hours; Drug and Alcohol treated within 21 days; Child and adolescent mental health service waiting times; Proportion of mental health presentations seen in A&E within 4 hours.

## Mental health services in Tayside

**39.** Following widespread concerns raised in the Scottish Parliament in May 2018 about the provision of mental health services in Tayside, the board's then chair and chief executive announced an independent inquiry into the psychiatric unit at Carseview Centre in Ninewells Hospital and led by Dr David Strang. Following debate at the Scottish Parliament, the inquiry was widened to cover mental health services across all of NHS Tayside.

**40.** An interim report was received by the board in May 2019. In February 2020, Dr Strang published *Trust and Respect: Final Report of the Independent Inquiry into Mental Health Services in Tayside*.<sup>6</sup> The inquiry report is highly critical and concludes that there has been a breakdown of trust in many aspects of the provision of mental health services in Tayside and a lack of respect in a range of relationships. It says this has led to poor service, treatment, patient care and outcomes.

**41.** The independent inquiry team reported on how it was impressed with many committed staff who were delivering positive outcomes for patients. However, the report also states that the positive impact of good initiatives has been undermined by the absence of joined-up working and coherent structures and strategy. Areas for improvement are identified across Crisis and Community Mental Health Services, Inpatient Services, and Child and Adolescent Mental Health Services (CAMHS). The report says that the challenges facing mental health services in Tayside have not just arisen in recent years; they are of a long-standing nature. The report identifies serious issues and areas for improvement under five cross-cutting themes that need to be addressed to improve mental health services.

**42.** The report also highlights staffing issues relating to workforce numbers, and a breakdown in trust due to a culture of blame and bullying. A national shortage of psychiatrists has had an impact on NHS Tayside. In November 2019, in NHS Tayside, there were 7.85 whole-time equivalent (WTE) consultant psychiatrists in post across Tayside mental health services against a required establishment of 23.6 WTE. A significant number of consultants left over a 12-month period through retirement or leaving to work elsewhere. A number of services were fully dependent on locum consultants. Staff had raised concerns about the safety of patients due to the staffing levels and use of locums, but they felt ignored.

**43.** Ahead of the final report in January 2020, the Scottish Government announced that additional measures would be put in place to support NHS Tayside's mental health services, including specific support from the Royal College of Psychiatrists and Healthcare Improvement Scotland (HIS). The Scottish Government monitors NHS Tayside's progress through the NHS Tayside Oversight group.

**44.** In February 2020, the board accepted the findings and recommendations of the report. NHS Tayside's Chief Executive, the Chief Executives of Angus, Dundee City and Perth and Kinross councils, and the Divisional Commander of Police Scotland in Tayside signed a Joint Statement of Intent which sets out the collective commitment to ensure people from all communities across Tayside receive the best possible mental health and wellbeing care and treatment.

**45.** NHS Tayside has appointed a Director of Mental Health Strategy to lead the review and redesign of mental health services. Following a review of the workload of the Director of Mental Health Strategy, the board assessed that there was a need for a director role dedicated to mental health services. The Director of Mental Health Strategy was subsequently appointed Interim Director of Mental Health in April 2020. Their role is to provide executive leadership to mental health services

<sup>6</sup> [Trust and Respect: Final Report of the Independent Inquiry into Mental Health Services in Tayside](#), David Strang, February 2020.

and drive progress with the *Trust and Respect* inquiry report and develop a Tayside Mental Health and Wellbeing Strategy.

**46.** In response to the inquiry report the board made a commitment to keep listening and learning from patients, families, carers and staff working in mental health services. Face-to-face public engagement has been curtailed by the Covid-19 response, but engagement has continued. The Interim Director of Mental Health has worked with stakeholders, including the Health and Social Care Alliance (Scotland), the Stakeholder Participation Group, the Employee Participation Group and wider groups of staff in developing the draft action plan for *Trust and Respect* and has commenced planning for the Tayside strategy.

**47.** The Interim Director of Mental Health is to have monthly discussions with Dr Strang, acting in a 'critical friend' role and providing views on the developing strategy and change programme. The Interim Director of Mental Health also has regular discussions with representatives of the Minister for Mental Health and the Cabinet Secretary at the Scottish Government to discuss progress, agree ongoing support and provide updates on the board's response to the inquiry report and wider strategy and change programme.

**48.** In May 2020, the board discussed and approved a 'Listen, Learn, Change' draft action plan covering the 51 recommendations in the inquiry report. Dr Strang is due to report an assessment of progress in February 2021. The auditor will continue to monitor the board's progress.

**49.** For some time, the training programme for psychiatrists at NHS Tayside has been under scrutiny. Following concerns raised at visits through 2016 and 2017, the General Medical Council placed medical training for psychiatry at Tayside under enhanced monitoring in May 2018. To improve recruitment and retention of psychiatric specialties, changes are being made to improve the training programme. NHS Education for Scotland (NES) has undertaken a number of visits to Tayside. A monitoring visit to review NHS Tayside which had been due to take place in June 2020 has been deferred due to progress made.

## Conclusion

**50.** NHS Tayside is making progress under its new Executive Leadership Team and financial management has strengthened alongside some improvements in service performance. However, there are still risks ahead. NHS Tayside continues to have an expensive operating model and required further financial support from the Scottish Government during 2019/20. The board's current high-level three-year financial plan aims to achieve a break-even position each year to 2022/23. However, in common with all NHS bodies, the Covid-19 global pandemic has had a significant impact on the focus and priorities of NHS Tayside and the effect of this on its financial position and savings targets is still to be reflected in its financial plans.

**51.** It is essential that NHS Tayside works to retain the transformation that has taken place as a result of Covid-19 as the board balances the ongoing demands of coronavirus with re-introducing the full range of NHS services that were interrupted. The achievement of a balanced financial position depends on the successful delivery of a transformation programme that reflects the new and evolving priorities of the board.

**52.** Alongside these developments, NHS Tayside needs to put in place the necessary organisational capacity. Filling key leadership posts remains critical to provide capacity for effective leadership and delivery of transformation, remobilisation and improvements to mental health services.

**53.** NHS Tayside is improving and the board recognises where its future challenges lie. Some of the challenges it faces are not unique to NHS Tayside and are being felt by boards across Scotland. The auditor will continue to monitor the board's performance and will report progress in the 2020/21 annual audit report to be published next year.

# The 2019/20 audit of NHS Tayside

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