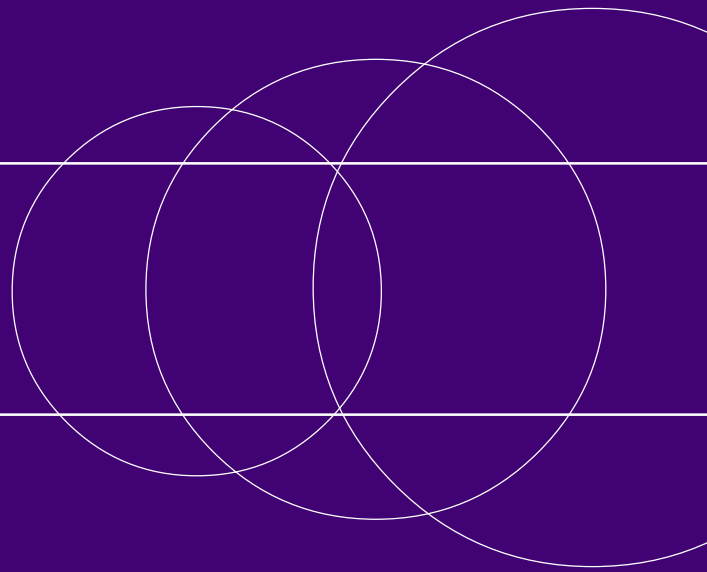


AUDIT REVIEW

# National Health Service bodies in Tayside



March 2001

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## National Health Service bodies in Tayside

A report to the Scottish Parliament by the Auditor General for Scotland

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# Executive summary and conclusions

## Introduction

1. In my first overview report on the NHS in Scotland which was published in December 2000, I noted that Tayside University Hospitals NHS Trust (TUHT) had in the financial year 1999/2000 recorded the largest deficit (£10 million) of any individual trust and had produced the lowest rate of return (0.1 per cent) compared with a target for a six per cent return set by the Scottish Executive Health Department. That performance, along with other factors that had affected the wider performance of Tayside health bodies, led me to produce this separate report on NHS bodies in Tayside.
2. 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 TUHT. Certain of the functions previously performed by Perth and Kinross NHS Healthcare Trust were also transferred to a new Fife Primary Care NHS Trust.

## Financial and operational difficulties

3. In 1996/97 the auditor of Tayside Health Board reported on certain irregularities in remuneration payments made to the general manager and other senior managers employed by the board. A subsequent inquiry (the Kilshaw Inquiry) commissioned by Tayside Health Board found that the payments involved, amounting to some £113,000, were likely to have been unlawful and identified a number of weaknesses in Tayside Health Board's corporate governance procedures. Details of the inquiry team's findings are set out in Appendix 1. As a result of these reports Tayside Health Board took action to recover the sums overpaid to its employees and to address corporate governance weaknesses. Changes were also made to the membership of Tayside Health Board and its senior management (Appendix 2).
4. The two new trusts delivering health care in Tayside following reorganisation in April 1999 have experienced financial difficulties. In February 1999 Tayside Health Board, with assistance from both the demitting trusts and the new trusts, presented the Department with a financial framework showing a balanced financial strategy for the delivery of health care in the region from 1999/2000 onwards. The financial framework was submitted in the light of significant financial problems which had been experienced by Perth and Kinross NHS Trust in the previous year. However, by June 1999 TUHT's monthly financial monitoring returns to the Department were forecasting a deficit in income over expenditure. Despite the production of recovery proposals, and steps undertaken by management to contain expenditure, audited accounts for TUHT for 1999/2000 reported an operating deficit of £10 million and that TUHT had achieved a rate of return of 0.1 per cent on net relevant fixed assets against a target of six per cent (equivalent to a shortfall of £11.1 million). For the same period TPCT accounts showed that the trust had achieved its financial targets after successful implementation of a recovery plan involving the use of non-recurring income which its auditor noted could not be guaranteed to be available in future years.

5. 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 to ensure that everyone in Tayside received the well-run, high quality health service which they deserve.
6. 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.

7. Tayside Health Board and both trusts have taken action to address many of the issues raised by the Taskforce. Exhibit 1 sets out the Taskforce's findings in more detail and highlights the action now in hand.
8. The action being taken in response to the issues raised by the Taskforce is the latest in a series of initiatives undertaken in recent years to improve the management of the NHS in Tayside. These persistent management weaknesses have been a cause for concern. By no means all factors contributing to, for example, the deficits recorded by TUHT in 1999/2000, have been within the direct control of managers. However independent scrutiny of the NHS in Tayside has repeatedly identified weaknesses in areas such as leadership, governance and communication. There are issues which the Department and the local health bodies must address in order to contribute to improving the management of the NHS in Tayside.

### Issues for the Scottish Executive Health Department

9. NHS boards and trusts are corporate bodies with respective responsibilities to appraise and determine health care needs in their local area and to deliver specific ranges of health care services. Under the *'Public Finance and Accountability (Scotland) Act 2000'*, chief executives of health bodies are appointed accountable officers with statutory responsibility for ensuring the propriety and regularity of the finances of the bodies they manage and for ensuring that the resources of those bodies are used economically, efficiently and effectively.
10. Health boards are accountable to the Department for the delivery of Health Improvement Programmes (HIPs) and trusts are accountable to health boards for the delivery of Trust Implementation Plans (TIPs). Health boards and NHS trusts operate without detailed day-to-day oversight from the Department, and operational performance will be primarily reported to their respective boards. *'Our National Health: A plan for action, a plan for change'* (published in December 2000) proposes replacing HIPs and TIPs with Local Health Plans.

## Taskforce findings

### *Lack of effective financial control*

#### **Loss of normal controls expected in managing staff vacancies**

*Prior to reorganisation, Dundee Teaching Hospitals NHS Trust had left established posts vacant in order to help fund non-pay costs. During the final quarter of 1998/99 the trust recruited some 200 nurses and other staff. The full year costs of these additional staff was not apparent from management information used to compile TUHT's budget for 1999/2000.*

#### **Implementation of a range of unfunded developments**

*Additional costs arising from new clinical programmes in Renal Medicine and Cancer Medicine, approved by previous trusts within Tayside, were not fully reflected in trust plans and not included in TUHT's 1999/2000 budget.*

#### **Use of capital charges and other non-recurring monies to meet recurring revenue expenditure**

*Perth and Kinross NHS Trust relied on the use of capital receipts and other non-recurring income to support core services in 1998/99.*

#### **Impact of unbudgeted changes in capital charges**

*A revaluation of land and buildings resulted in an increase in capital charges which was higher than that allowed for in TUHT's budget for 1999/2000.*

#### **Underachievement of cash releasing efficiency savings**

*TUHT achieved only £2 million cash releasing efficiency savings in 1999/2000 against a target of £3 million.*

#### **Budget overspends within Directorates**

*TUHT's budget monitoring and reporting to its board focussed primarily on the investigation, quantification and management of the identified deficit through a programme of costs reductions rather than on standard budget management reports.*

## Action taken

1. TUHT established a Vacancy Control Group in September 1999 to consider the justification and budgetary implications of filling vacant posts.

By February 2001 TUHT had 250 fewer staff than it had in April 2000.

2. Both TUHT and TPCT have produced financial recovery plans setting targets for implementing cost cutting measures.

TUHT expects to achieve its costs savings target for 2000/01 and has begun to identify further measures for implementation in 2001/02. Tayside NHS recognises that a key requirement of TUHT will be to eliminate its recurring financial deficit by 2002/03 in order that the findings of the Tayside Acute Services Review can be implemented. It is not yet clear, however, when TUHT will be able to eliminate its accumulated financial deficit.

TPCT expects to achieve its cost savings target for 2000/01.

3. Protocols have been introduced between TUHT and Tayside Health Board requiring the release of additional funding for service developments to be authorised by senior staff in both the health board and TUHT. These new controls should ensure that the full cost implications of new clinical services are fully recognised and budgeted for before the services are introduced.

4. TUHT has reduced the number of their principal budget holders from 40 to seven and formed a Strategic Management Group in October 1999 to advise on strategic and clinical developments and changes likely to impact on resources. These developments have enabled a more corporate approach to strategic planning and financial control.

### **Absence of obvious health leadership**

*Relationships between Tayside Health Board and the two new trusts were not sufficiently close. As a result the health board appeared to lack real awareness of the financial and other pressures which developed, and the initial drafts of the Tayside Health Improvement Programme bore little relation to the individual draft Trust Implementation Plans.*

1. Tayside Health Board has now prepared a revised HIP for 2000/01 to 2004/05 which in its view provides a focus for future planning.
2. The final report of the Tayside Acute Services Review including options for change was published in January 2001. The overall aim is to treat people in appropriate settings in order to free up resources to invest in enhanced services in primary care and in partnership with local authorities.

### **Absence of corporate working and governance**

*The Taskforce questioned whether TUHT's board as a whole really debated, understood and made major spending decisions and whether the trust's performance was monitored against clear, specific and measurable objectives.*

1. The chairs of TUHT and Tayside Health Board resigned in June 2000. Following interim arrangements the Minister appointed new chairs in November 2000.
2. In March 2000 a Joint Management Forum involving Tayside Health Board and both trusts was formed to tackle appropriate issues, including financial recovery, on a corporate basis.

### **Lack of effective communication**

*There was a lack of effective communication both within the NHS in Tayside and between Tayside NHS and other interested stakeholders.*

1. A Tayside NHS joint communication strategy has been introduced designed to share all relevant information and issues in an open manner with staff and the public.
2. There is a commitment for greater partnership working and dialogue in the field of clinical leadership to help improve health and health services in Tayside.

### **Overprovision of services**

*Expenditure in Tayside in almost every clinical and service category except community services was either the highest in Scotland, or within the top quartile. The Taskforce concluded there was no geographical or epidemiological reasons to justify such differences in expenditure.*

1. TUHT has undertaken benchmarking exercises examining aspects of both its financial and clinical care performance. This has led the Trust to reappraise its nursing establishment and, where appropriate, to agree action plans with clinicians on bed numbers and referral patterns.

### **The role of the Scottish Executive Health Department**

*The situation in Tayside NHS raised questions about the robustness and ultimate effectiveness of the format of reporting to and monitoring by the Department at that time.*

1. As part of the conditions allowing the Taskforce to stand down, the Department is committed to playing a greater role in performance managing the Tayside position including regular, monthly meetings with Tayside health bodies to monitor progress of recovery plans.

Source: Audit Scotland

11. In its June 2000 report the Taskforce questioned the robustness and ultimate effectiveness of the reporting and monitoring undertaken by the Department when it became aware of the underlying financial position at TUHT. The doubts were repeated to the Department when the Taskforce stood down in September 2000. Similarly, the auditor's report to Tayside Health Board on its 1999/2000 accounts noted that the role of health boards in Scotland had not been made explicit, leaving boards open to criticism for the inability of some trusts to meet financial performance targets.
12. The Department is responsible for some £5 billion of expenditure on health and community care, mainly distributed through health boards to trusts. The doubts expressed by the Taskforce and Tayside Health Board's auditor suggest that in that region there is room to improve the accountability of health bodies to the Department.
13. The Department plays a key role in ensuring that health bodies consistently apply best practice in matters of organisation and management. The provision of appropriate guidance is important in delivering that role, but in at least one area the Department's guidance could have been more effective.
14. In September 1999 the Department met with Tayside Health Board and TUHT to discuss the latter's potential financial deficit. They concluded that the health board and TUHT should produce a financial recovery plan and report back to the Department. However the Department were concerned that the draft plan submitted in November 1999 did not provide a clear picture of how the trust would achieve recurring financial balance. The Department therefore agreed to provide guidance on what it would expect to see in a recovery plan and asked TUHT to prepare a revised plan.
15. Recovery plans represent a crucial stage in the management of financial difficulties experienced by NHS bodies. It is essential that bodies are aware of the necessary research and analysis required to prepare plans and how they should be presented to provide a robust and sustainable basis for assessing and monitoring the restoration of financial stability. It appears that delay in preparing a robust TUHT recovery plan was partly caused by the trust's uncertainty about the Department's requirements.
16. The Taskforce considered that the expansionist policies of previous trusts in Tayside was a major contributing factor in the financial deficits inherited by TUHT and TPCT. The Taskforce noted a broad consensus that the problems experienced by TUHT in particular arose from over-commitment of services rather than under-funding. The trust also confirmed that its per capita spend on acute services and maternity services was higher than any other area in Scotland and that the extra spend equated to some £20 million per annum.
17. The Department monitor the financial and other performance of NHS boards and trusts through regular performance returns and Annual Accountability Review meetings. The monitoring focuses on achievement of three financial targets and targets associated with ministerial priorities.

18. The unit cost of procuring many health care programmes in Tayside is high compared to elsewhere in Scotland. Cost information produced by the Taskforce, by the board and trusts in Tayside and published by the Department in annual statistics on 'Scottish Health Service Costs' consistently quote Tayside costs at the higher end of the range for most services. Furthermore, of the £11.3 million shortfall against the six per cent rate of return target incurred by TUHT in 1999/2000, the Taskforce attributed £9.1 million either to factors inherited from the acute services components of the former NHS trusts or to the effect of new capital charges. The 1999 Annual Accountability Review meeting did not address in any detail these financial pressures upon TUHT in the first year of its existence. However, the Department pressed the health board and the trusts to prepare a viable financial framework for 1999/2000 as a matter of urgency.
19. The level of services provided within the budget allocated to any health board area is a matter for the health bodies in that area. A wide variety of factors including population demography, the general state of health and economic well-being of the population and the age and location of existing health care facilities need to be taken into account to assess the level of health services to be provided in any area. The Department is not in a position to monitor the balance between the provision of the various health services provided in any geographic area, although statistics on unit cost performance and achievement of targets for areas such as waiting times are maintained.
20. In December 2000 the Scottish Executive published 'Our National Health: A plan for action, a plan for change', which will have a wide ranging impact on health delivery in Scotland. The plan includes a proposal to establish a single unified NHS board to replace the separate board structures of the existing NHS health boards and NHS trusts to provide strategic leadership and have overall responsibility for the efficient, effective and accountable performance of the local NHS, and to improve partnership working and co-operation. This offers an opportunity for the Department to review the nature of its accountability arrangements with the reformed NHS health bodies. The new accountability arrangements must preserve transparency, openness and accountability in reporting the performance of trusts as the providers of NHS services in Tayside. External audit must continue to provide independent assurance on governance, stewardship and performance.

## Issues for National Health Service bodies in Tayside

### Financial recovery

21. In June 2000 the Taskforce made its report and Tayside health bodies produced plans indicating that TUHT and TPCT would operate at a surplus by 2001/2002 and TUHT would eliminate its cumulative deficit by 2005/06. 'Recovery Through Modernisation and Investment', their joint response to the Taskforce's findings, set out plans for reductions in expenditure for TUHT which recognised that TUHT would not break even until 2002/03. The Department and the Tayside health bodies also agreed to focus on achieving a recurring balance and that the resolution of TUHT's accumulated deficit would be agreed thereafter.
22. Both trusts have reported that they are on course to achieve the financial savings expected in 2000/01. TUHT has also begun to identify cost reduction measures which will contribute to further additional savings required in 2001/02 and 2002/03 but recognise the need to implement savings which do not pre-empt the healthcare options arising from the Tayside Acute Services Review. The outcome of the Review will also have a major impact on forecast savings required in future years to eliminate the accumulated deficit.



23. The Tayside Acute Services Review has been a major exercise and its final outcome is not yet clear. Although the Review involved an initial phase to identify options and a further phase to test the options, major uncertainties remain as to how TUHT will make the operational changes needed to achieve the financial targets set out in *'Recovery Through Modernisation and Investment'*.
24. The need to review the provision of acute services has been recognised in Tayside for many years. During the 1990s, some outdated facilities were closed and new facilities have been commissioned but it is recognised that much remains to be done to ensure appropriate settings and facilities. A national review of acute services in June 1998 recognised the need for local reviews to decide how best to organise local services to meet national standards. The results of the Tayside Acute Services Review will not be finalised until later this year. Given its importance to the future financial recovery of Tayside health bodies and its likely impact on the provision of health care in Tayside it is essential that the Review be finalised as soon as possible although some steps can be taken in advance of the review to make better use of the existing facilities.
25. In well managed organisations, benchmarking should be fundamental to a continuous search for efficiency improvements. TUHT has begun to research the scale of any overprovision of services and to identify scope for rationalising delivery. Comparison of TUHT unit costs with those of comparable NHS trusts found TUHT was spending some £4 million per annum more than expected on medical and nursing pay. This has led TUHT to review its nursing establishment and the staff numbers for medical professions. This search for cost savings is commendable, and should be encouraged. It is however disappointing that this comparison of unit costs in Tayside has been undertaken only since 1999.

### Governance

26. The Kilshaw inquiry following the auditor's report in 1996/97 and the Taskforce's report in June 2000 both pointed to major weaknesses in governance procedures operated by Tayside health bodies. As a result of both reports significant changes were made to guidance on governance and to the membership of the boards and the senior management of Tayside Health Board and TUHT.
27. Auditors of all three NHS bodies on Tayside examined corporate governance arrangements as part of their audit of 1999/2000 accounts. The auditor of the health board concluded that there was a need to restore confidence in the board as an effective team that could lead the Tayside trusts and other partners forward to deliver improvements in health care in the region. The auditor identified the main issues which needed to be addressed as:
  - better leadership of non-executive directors to ensure that the board has members who are clear about the direction that Tayside Health Board are taking and who know their role in that process
  - improvements in communication between executive and non-executive directors
  - completion of strategies for all major areas of Tayside Health Board's responsibility as well as effective public health input at board and trust level to develop strategies and inform decision making

- development of a process to produce a Health Improvement Programme that is timely, clear and strategic in its focus and effective monitoring of the achievement of HIPs and TIPs
- improvement in partnership working with trusts to ensure effective financial monitoring for Tayside health bodies.

28. A key objective of the Tayside Taskforce was to assist in restoring the confidence of the NHS staff and the people of Tayside in the health service. To assist the achievement of this objective it is important that the boards and senior managers of the Tayside health bodies consider the points raised by the auditors.

## Conclusions

29. 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.
30. 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.
31. Financial recovery will take time, and the Tayside recovery plans recognise a need to establish a recurring financial balance before resolving TUHT's 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.

# Introduction

- 1.1 Under the terms of the *'Public Finance and Accountability (Scotland) Act 2000'* responsibility for the audit of NHS trusts and health boards transferred with effect from 1 April 2000 from the Accounts Commission for Scotland to the Auditor General for Scotland. Transitional arrangements applied to the audit of 1999/2000 accounts. The audits of NHS trusts and health boards, which had been commissioned in advance by the Accounts Commission, and carried out in accordance with the Commission's *'Code of Audit Practice'*, were reported to the Auditor General after their completion.
- 1.2 In my report *'Overview of the National Health Service in Scotland 1999/2000'* published in December 2000, I commented on the performance of NHS trusts in achieving the three financial targets set for them by the Scottish Executive Health Department (the Department). The three targets are: to break-even, taking one year with another after interest and dividend payments; to achieve a six per cent pre interest return on average net relevant assets; and to stay within an External Finance Limit, effectively the amount of borrowing the Department allows each trust to make.
- 1.3 I noted that eight of the twenty eight NHS trusts failed to meet the break-even target, and that Tayside University Hospitals NHS Trust (TUHT) was responsible for one-third (£10 million) of the total deficit of £29.8 million accumulated by trusts. I also indicated that TUHT had the lowest rate of return against net relevant assets (0.1 per cent) of the eight NHS trusts failing to meet the six per cent rate of return target.
- 1.4 Commenting on the wider NHS in Tayside, I outlined that a number of contributory factors had been identified leading to the financial difficulties experienced by TUHT in 1999/2000 and that Tayside Primary Care NHS Trust (TPCT) had also experienced financial difficulties but had ultimately met its financial targets. I pointed out that a Ministerial Taskforce had been established in February 2000 to work with Tayside health bodies to deliver an effective recovery plan for TUHT and a cohesive strategy to address the overall financial and operational difficulties in the area. In view of the comments reported by the appointed auditors of the health board and trusts in Tayside on the use of resources in the wider provision of healthcare in the area and the outcome of the Ministerial Taskforce, I am now reporting separately on these issues.
- 1.5 The Tayside NHS region comprises the land areas falling within the local government areas covering Perth and Kinross, Dundee and Angus. The region supports a population of some 390,000. In 1999/2000 Tayside Health Board was responsible for the stewardship of almost £400 million of public funds. Key factors influencing the level of funding are set out in Exhibit 2.

## Exhibit 2: Factors influencing funding for health bodies in Tayside

The proportion of elderly people in Tayside's population is well above the national average, while the levels of morbidity and deprivation experienced by the population generally are very close to the national average. A high proportion of the population live in densely populated urban areas, though Tayside covers a large geographical area and a significant proportion live in remote and rural areas. Tayside currently receives funding per head of population that is considerably above the national average and this will continue, though the difference will reduce slightly.

Source: 'Fair Shares for All: A guide to the final report of the national review of resource allocation for the NHS in Scotland', Scottish Executive Health Department, 1999.

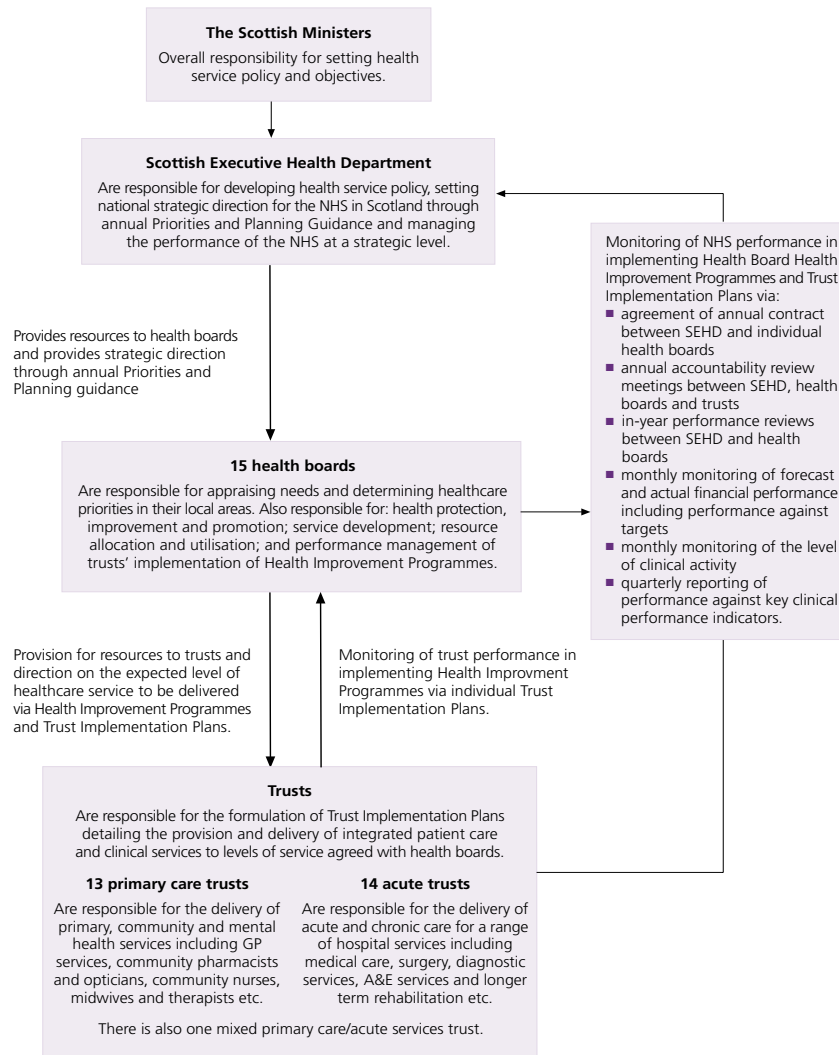
- 1.6 Tayside Health Board is responsible for the protection and improvement of the health of Tayside residents. Although the board is the principal funding body for NHS trusts within Tayside, part of their funding for the delivery of patient care also comes from neighbouring health boards, particularly Fife, whose residents also use NHS trust services within Tayside.
- 1.7 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 TPCT and TUHT. Certain functions previously performed by Perth and Kinross Healthcare NHS Trust were also transferred to a new Fife Primary Care NHS Trust.
- 1.8 In 1999/2000 TPCT spent some £220 million delivering primary, community and mental health services, including GP services, community pharmacies and prescribed drugs, dental services and opticians, community nurses, midwives and therapists. In the same period TUHT spent £200 million on the delivery of acute and chronic care for a range of hospital services, including medical care, surgery, diagnostic services, accident and emergency services, and longer-term rehabilitation, and community services including community paediatrics and community midwifery services. Whilst both trusts receive the significant majority of their funding from Tayside Health Board, in 1999/2000 TUHT and TPCT generated £69 million from other sources including £19 million from other health boards.

# Roles and responsibilities

- 2.1 Health boards and trusts are corporate bodies under the control of boards appointed by the First Minister. The '*National Health Service (Scotland) Act 1978*' defines a health board as a body corporate consisting of a chairman appointed by the Scottish Ministers and such number of other members so appointed as the Scottish Ministers thinks fit. The '*National Health Service and Community Care Act 1990*' defines NHS trusts as bodies corporate having a board of directors consisting of a chairman appointed by the Scottish Ministers executive and non-executive directors. Under the 1978 Act, health boards and NHS trusts are responsible for the preparation of annual accounts in such form as the Secretary of State for Scotland (now the Scottish Ministers) may direct.
- 2.2 Until July 2000, the chief executive of the NHS in Scotland designated chief executives of health boards and of NHS trusts as appointed officers. This was a non-statutory designation which carried with it responsibility for the sound financial stewardship of the bodies they manage and for the fixed assets and other property invested in those bodies. Under the '*Public Finance and Accountability (Scotland) Act 2000*', chief executives of health bodies are appointed accountable officers with statutory responsibility for ensuring the propriety and regularity of the finances of the bodies they manage and for ensuring that the resources of those bodies are used economically, efficiently and effectively.
- 2.3 Boards are primarily responsible for the protection and improvement of the health of their resident populations. The primary responsibility of NHS trusts is the provision of high quality patient care. Health boards are accountable to the Department for the delivery of Health Improvement Programmes (HIPs) and trusts are accountable to health boards for the delivery of Trust Implementation Plans (TIPs). Health boards and NHS trusts operate without detailed day-to-day oversight from the Department, and operational performance will be primarily reported to their respective boards. '*Our National Health: A plan for action, a plan for change*' (published in December 2000) proposes replacing HIPs and TIPs with Local Health Plans.
- 2.4 The Department's role in the management of the NHS is largely threefold:
  - to set strategic aims for the NHS in Scotland, to establish the framework for the planning and delivery of health services and to disseminate this to health boards and NHS trusts
  - to monitor the financial and other performance of health boards and NHS trusts through the medium of regular performance returns and review meetings
  - to issue guidance to health boards and NHS trusts on the organisation and management of these bodies including corporate governance arrangements.

- 2.5 The key roles and responsibilities are expected to change following the publication of ‘*Our National Health: A plan for action, a plan for change*’. Exhibit 3 shows the arrangements in place during 1999/2000 whilst Exhibit 4 describes the proposed changes. A summary of the Department’s key guidance on corporate governance in the NHS is shown at Exhibit 5.

**Exhibit 3: NHS in Scotland key roles and responsibilities**



Note: This exhibit applies only to the Scottish mainland. In the Western Isles, Orkney and Shetland, the function of health boards and NHS trusts are combined into single health board bodies. Proposals included in ‘*Our National Health: A plan for action, a plan for change*’ will allow this accountability to flow.

Source: Audit Scotland

#### Exhibit 4: Proposed changes to NHS in Scotland key roles and responsibilities

**In each of the 15 NHS health board areas, there will be a single unified NHS board which, in the 12 mainland NHS health board areas will replace the separate board structures of the existing NHS health boards and NHS trusts.**

The new NHS boards are expected to form a single health system, with single governing boards responsible for improving the health of their local populations and delivering the health care they require. NHS boards will be expected to provide strategic leadership and have overall responsibility for resource allocation, implementation of a Local Health Plan and performance management of the local NHS system. Unified NHS boards will be accountable to the Department and the Scottish Ministers.

**In their local areas local authorities should have a strong voice on the new NHS boards and there should be staff membership on the new NHS boards, nominated by local Staff Partnership Forums.**

NHS boards are expected to forge effective links with patients, staff, local communities and excluded groups so that their needs and views are put at the heart of the design and delivery of local health services

**In each NHS board area, the existing separate Health Improvement Programmes and NHS Trust Implementation Plans should be replaced by a single comprehensive document – a Local Health Plan.**

Each NHS board will be responsible for developing a single Local Health Plan to address the health improvement, health inequalities and health care needs of the local population. The system is intended to streamline NHS planning, will form an integral part of local authority community plans and will link to local authority homelessness strategies.

**NHS trusts will retain their existing operational and legal responsibilities within the local health system but with streamlined management arrangements and fewer non-executive directors. Chairs and chief executives of NHS trusts will sit on the new unified NHS boards and be held jointly accountable for the performance of the local health system.**

NHS trusts will remain as legal entities within the local NHS system and will retain their existing operational autonomy. Trust chief executives will continue as accountable officers. Their role, and that of trust chairs, as non-executive members of unified NHS boards will be to reinforce the corporate governance of the local NHS system as a whole.

**A new Performance and Accountability Framework for the NHS in Scotland will be developed.**

The framework is intended to include clearer, more objective and broad based measures against which to assess all parts of the system and to provide a more systematic means of holding it to account.

Source: 'Our National Health: A plan for action, a plan for change',  
Scottish Executive Health Department, December 2000.

- 2.6 In February 1999 the Department advised health boards and NHS trusts on their relationship with and accountability to the Department. The advice emphasised that trusts were responsible for managing their day-to-day financial affairs and resolving internal financial pressures as far as possible. However, locally agreed mechanisms were expected to be introduced with health boards for the early identification and reporting of exceptional financial pressures that could not be managed within trusts, with the aim to secure jointly a local resolution without recourse to the Department.
- 2.7 The Department also explained that trusts were directly accountable for delivery of their break-even, rate of return and external financing limit targets. The Department monitors progress through monthly reports detailing expenditure to date and forecast against trust budgets and forecasts of performance against financial targets together with supporting commentary. But it was expected that in only exceptional circumstances would the Department take direct action to effect improvements.

#### Exhibit 5: Key Departmental guidance on corporate governance in the NHS

##### **'Code of Conduct Code of Accountability for NHS boards'**

Published in April 1994, this booklet outlines the high standards of corporate and personal conduct required of NHS board members as well as the duties and responsibilities conferred on NHS boards in terms of how they are accountable to the First Minister. Provides guidance on the key functions expected of boards including setting the strategic direction of the organisation, overseeing the delivery of planned results, ensuring effective financial stewardship and ensuring that high standards of corporate governance and personal behaviour are maintained in the conduct of the business of the whole organisation. Also provides guidance on the role of the chairman, non-executive and executive directors.

##### **'NHS MEL (1994) 80 Corporate Governance in the NHS: Supplementary Guidance'**

Issued in August 1994 to provide detailed guidance on the implementation of the Code of Conduct Code of Accountability for NHS boards booklet. Requires all health boards and NHS trusts to establish audit and remuneration committees, to set up and maintain a register of interests of board members and to adopt a schedule of decisions that are reserved for boards. Also provides recommendations on the content and frequency of financial and other performance reports to be submitted to boards, a guide to improving internal control in the NHS and guidance on training and development for chairmen and directors on the implementation of their corporate governance responsibilities.

##### **'NHS MEL (1999) 83 Corporate Governance in the NHS: Internal Financial Control – Updated'**

Issued in December 1999, this guidance provides revised wording for the statement of board members' responsibility in respect of the system of internal financial control which the Department since 1998/99 has required NHS bodies to include in their annual accounts. The guidance requires the chief executive as appointed officer to confirm that an effective system of internal financial control is maintained and operated by the NHS body including the operation of comprehensive budgeting systems, the periodic reviews by the board of periodic and annual financial reports which indicate financial performance against the forecasts, the use of targets to measure financial and other performance and the use of clearly defined capital investment control guidelines and capital project management disciplines as appropriate.

Source: Audit Scotland

- 2.8 Health boards are expected to play a key role in enabling their local trusts to achieve financial targets through the process of setting and agreeing financially balanced HIPs and TIPs. Such HIPs form the basis of annual corporate contracts between health boards and the Department setting out objectives for health promotion and the development of health services together with key milestones. The central mechanism by which the Department holds health boards and trusts to account for performance against their corporate contracts is through Accountability Review meetings. At these meetings the Department also discusses health priorities for the year ahead. The meetings are usually held in the spring of each year and initially involved the Department and individual boards but, since the 1998 round, have involved each health board and the chairs of all the trusts in its area meeting collectively with the Department.
- 2.9 A record of the Departmental Accountability Review meetings is agreed with the board and trusts involved. The record comprises a summary of the key issues discussed at the meetings and an indication of the broad actions expected by the Department in the year ahead. The Accountability Review meeting for Tayside for 2000 was cancelled when the chairmen of Tayside Health Board and Tayside University Hospital Trust resigned shortly before the date scheduled for the meeting.



# Background to Tayside before reorganisation

- 3.1 In August 1997 the auditor of Tayside Health Board reported irregularities in remuneration payments made during 1996/97 to the general manager and other senior managers employed by the board. The auditor concluded that the payments were likely to be unlawful and also that management arrangements and systems for the planning, appraisal, authorisation and control over resources were not sufficient to secure economy, efficiency and effectiveness in the health board's use of its resources.
- 3.2 Tayside Health Board responded by commissioning an independent inquiry into practices and procedures relating to aspects of the management and governance of the board. The inquiry, chaired by Mr David Kilshaw, Chairman of Borders Health Board, resulted in a report which was presented to Tayside Health Board in February 1998. The inquiry's report supported the auditor's opinion that the remuneration payments were unlawful, recommended action to recover overpayments of £113,000 and identified weaknesses in the board's corporate governance procedures. A summary of the report's main findings is enclosed at Appendix 1.
- 3.3 Tayside Health Board has acted to recover the overpayments. The reports from the auditor and the Kilshaw inquiry were referred to the procurator fiscal and the Crown Office, who decided not to pursue prosecution against any individual. Tayside Health Board accepted that no blame could be attached to most of the 55 members of staff who had been overpaid, but nonetheless sought to recover the sums involved. By January 2001, Tayside Health Board had recovered some £56,000 from 35 individuals and was engaged in legal action with two former senior staff members.
- 3.4 Tayside Health Board also took action to address the governance issues raised in the Kilshaw inquiry report by issuing revised standing orders in January 1998. These required monthly board meetings to be held in public and for business previously transacted by the board's policy, planning and resources committee to be transferred to the full board.
- 3.5 Following these changes Tayside Health board asked their auditors to review corporate governance. The auditor's report, dated September 1999, concluded there had been significant improvement in the application of corporate governance arrangements. There was a need, however, to consider the balance of the quality and content of information made available to the board, to set formal objectives for board members and for the board to make more rapid progress in the area of strategy development including public health.

- 3.6 The auditor's report and the findings of the Kilshaw inquiry also impacted on the membership of the board of Tayside Health Board during 1997/98 and 1998/99. Following the retirement of the previous chairman, the Secretary of State for Scotland appointed a new chair in June 1997. In September 1997 both the general manager and the director of commissioning and strategic management agreed to take special leave. The general manager subsequently left on early retirement and the director of commissioning and strategic management subsequently resigned. Following a period of secondment to the post, the chief executive of Dundee Teaching Hospitals NHS Trust was appointed general manager in September 1998. Other board changes also occurred in 1997/98 and 1998/99 at both executive and non-executive level; details of changes to the membership of the boards of Tayside Health Board are set out in Appendix 2.

# The reorganisation of the NHS in Tayside

- 4.1 In December 1997 the Government published its white paper '*Designed to Care*' setting out plans to replace the internal market which had operated in the NHS since the early 1990s. The changes were expected to improve clinical effectiveness and to clarify the accountabilities within the NHS in Scotland and, as a result, help promote better partnership and co-operation in the delivery of health care services.
- 4.2 After consultation the Government enacted legislation to reorganise the NHS in Scotland. A series of statutory instruments were laid in Parliament during 1998 and 1999 exercising the powers of the Secretary of State to dissolve and establish trusts under the '*National Health Service (Scotland) Act 1978*'. As a result the number of NHS trusts operating in Scotland was reduced from 47 to 28.
- 4.3 A key aspect of the white paper's proposals was that delivery of health care should rest with trusts dedicated to either primary healthcare or acute services in an area. As a result, the number of NHS trusts in Tayside was reduced from four to two and some services were transferred to Fife Primary Care NHS Trust. From 1 April 1999 TUHT assumed responsibility for the delivery of all acute health services and child health services in Tayside and TPCT assumed responsibility for all primary care services in Tayside, and the provision of secondary care and community services for the mentally ill, patients with learning disabilities and care for the elderly. Certain primary care functions were also transferred from Tayside Health Board to TPCT, and certain registration and payment functions were transferred to the Common Services Agency.
- 4.4 The two new NHS trusts were formed from an amalgamation of services previously provided by the four former trusts. TUHT assumed responsibility for the exclusively acute services formerly provided by Dundee Teaching Hospitals NHS Trust. However, it was necessary to disaggregate the staff, assets and liabilities, and income and expenditure budgets of Angus NHS Trust, Dundee Healthcare NHS Trust and Perth and Kinross Healthcare NHS Trust and apportion those between TUHT, TPCT and Fife Primary Care NHS Trust (Exhibit 6).
- 4.5 Tayside was the only NHS region in Scotland where acute and primary care services previously operated by the same trust had to be disaggregated to such an extent. Tayside managers were therefore asked to deal with a uniquely complex situation in setting budgets for TUHT and TPCT for 1999/2000. Although Tayside Health Board and trusts succeeded in meeting timetables to produce a financial framework for NHS services in the area by April 1999, further work was required during the course of the year to clarify the details of disaggregation and to assess the implications of the financial position inherited from former trusts.

**Exhibit 6: Reconfiguration of NHS Trusts in Tayside**

This exhibit shows how the major hospitals in Tayside were reallocated following the creation of Tayside University Hospitals NHS Trust and Tayside Primary Care NHS Trust in April 1999. Other health service properties, such as clinics and health centres, were almost exclusively reallocated to Tayside Primary Care NHS Trust except for those of the former Perth and Kinross Healthcare NHS Trust located in North East Fife which were reallocated to Fife Primary Care NHS Trust.

		New trusts as from 1 April 1999	
		Tayside University Hospitals NHS Trust	Tayside Primary Care NHS Trust
Dimitting trusts	<b>Dundee Teaching Hospitals NHS Trust</b>	Dundee Dental Hospital Kings Cross Hospital, Dundee Dundee Limb Fitting Centre Ninewells Hospital, Dundee	
	<b>Dundee Healthcare NHS Trust</b>		Ashludie Hospital, Monifieth Threshold Day Hospital, Dundee Hawkhill Day Hospital Orleans Day Hospital, Dundee Royal Dundee Liff Hospital Royal Victoria Hospital, Dundee Strathmartine Hospital, Dundee Scone Day Hospital
	<b>Perth and Kinross Healthcare NHS Trust</b>	Perth Royal Infirmary Perth College of Nursing	Aberfeldy Cottage Hospital Blairgowrie Cottage Hospital Crieff Community Hospital Hillside Hospital Irvine Memorial Hospital Meigle Community Hospital Murray Royal Hospital Auchterarder Cottage Hospital
	<b>Angus NHS Trust</b>	Stracathro Hospital, Brechin	Arbroath Infirmary Brechin Infirmary Forfar Infirmary Little Cairnie Hospital, Arbroath Montrose Royal Infirmary Whitehills Hospital, Forfar Sunnyside Royal Hospital, Montrose

Source: Audit Scotland

# Tayside Acute Services Review

- 5.1 In 1997 the chief executive of the NHS in Scotland asked the chief medical officer to undertake a review of the role of acute hospital services in the network of clinical services in Scotland. The National Acute Services Review addressed how the delivery of acute services was affected by: ongoing developments in medical practice and technology; growing evidence about the development of primary care and community based alternatives to traditional acute hospital care; the perceived absence of equity of access to services; and the ongoing rise in demand for acute hospital services.
- 5.2 The guiding principles of the review were that service organisation should be led by patient need and that, whilst the standard of service provision may be determined nationally, how best to meet the standards should be decided locally. The report of the review was published in June 1998 and it was left to individual health boards working in conjunction with their trusts to undertake their own detailed local acute services reviews in order to decide how best to organise local services to meet national standards.
- 5.3 Tayside Health Board began planning their acute service review in 1998 (Exhibit 7). A series of meetings and workshops involving health board staff and representatives from local trusts and other interested parties (such as local authorities) were held which concluded that a comprehensive acute services review would only be possible with assistance from independent health consultants. At the May 1999 accountability review meeting, the Department expressed its concern at the continued absence of a clear service strategy for acute services in the Tayside NHS. The Department acknowledged that some progress had been made but further development needed to be addressed for 1999/2000.
- 5.4 In April 1999 Tayside Health Board identified health consultants who had previously undertaken a review of acute services in Angus as being the most appropriate advisors for the acute services review. The health board appointed them on the basis that their previous work within Angus had demonstrated the quality standards necessary to advise on the development of an acute services review and because the rates the consultants would be paid were those which had been quoted in tender competition for the Angus contract. Tayside Health Board's auditor's report on the 1999/2000 accounts concluded that the contracting arrangements surrounding the appointment of the consultant were not fully in accordance with the board's standing orders and standing financial instructions. The board is amending its standing orders and has revised its project management controls.

**Exhibit 7: Progress stages for the Tayside Acute Services Review**



Source: Audit Scotland

- 5.5 The consultants' role was to assist a strategic steering group comprising representatives from a range of bodies with a direct interest in health care in Tayside, to research acute services requirements for the region and to identify options for improvement. The strategic steering group reported its findings in December 1999. The group concluded that the people of Tayside enjoyed a comparatively high level of provision for acute services but that they faced a comparatively lower investment in primary care and community services. Thus, while patients might receive prompt health care in an acute setting, support in the post-operative rehabilitation phase might not be as intensive as it could be. The relative lack of provision of primary care and community services might therefore result in some patients, particularly the elderly and those living alone, being retained in hospital at unnecessary and greater expense than would be incurred if better community services were available.
- 5.6 Tayside Health Board recognised that more work was necessary to quantify the implications of the report and that the options for improvement set out in the report required further consultation with clinical staff. The board therefore commissioned a second phase of the Tayside Acute Services Review to flesh out and test the recommendations of the first report, to consult with staff and to consider the effect of changes in the delivery of acute services on primary care services. The report on the second phase of the review identified a number of options for change in the way general acute services, children's services and maternity services in Tayside are delivered (Appendix 3). The report was presented to Tayside Health Board in January 2001.

# The financial results since reorganisation

- 6.1 In February 1999 Tayside Health Board, with assistance from both the demitting trusts and the new trusts which would assume their responsibilities in April 1999, submitted to the Department a financial framework for 1999/2000 showing its expenditure plans for the year ahead. The financial framework was submitted in the light of significant financial problems which had been experienced by Perth and Kinross Healthcare NHS Trust in previous years and which had been the subject of joint meetings between Tayside health bodies and the Department during 1998/99. The framework proposed a balanced financial strategy for 1999/2000 onwards after providing inflation funding of £11.4 million and some £7.4 million of development/cost pressure funding; established significant savings targets for the two new trusts; outlined that work was still ongoing to identify the source of the required savings; and acknowledged the need for a local resolution of any financial difficulties experienced by Tayside NHS. The financial results for the board and the two trusts are set out below.

## Tayside Health Board

- 6.2 Health boards are set a predetermined cash limit by the Department each year. This requires each health board to contain its revenue and capital payments in the year within the approved cash limit. Tayside Health Board's approved cash limit for 1999/2000 was £354.5 million. The board achieved its target with actual expenditure of £353.5 million falling within the cash limit. The underspend, which arose because the Common Services Agency drew down more of the board's funds than was necessary, is within the one per cent carry forward limit set by the Department and has thus been carried forward into 2000/01.

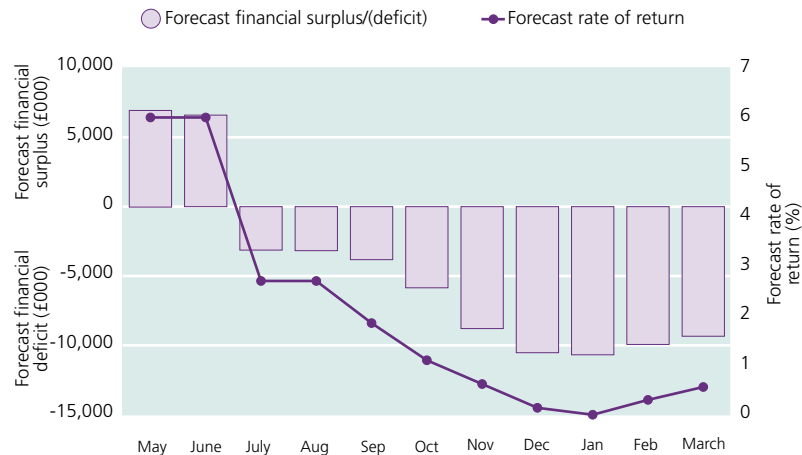
## Tayside University Hospitals NHS Trust

- 6.3 TUHT first expressed concerns about its financial position in April 1999 when it sought from the Department an additional non-recurring £3 million allocation to cover the gap between its income and the cost of services it was expected to provide. The Department rejected TUHT's request for additional funding on the grounds that Tayside Health Board's financial framework had been approved on the understanding that the board and the two new trusts would put in place plans to achieve a recurring balance.
- 6.4 The monthly financial monitoring reports submitted by TUHT to the Department initially forecast that the break-even and rate of return targets would be met, although the trust commentary on the returns drew attention to the prospect of a significant deficit. As the year progressed, following further diagnosis of the underlying issues and the impact of revaluation of land and buildings, forecasts were significantly revised and by the end of the year the deficit of income against expenditure actually incurred rose to £10 million on a turnover of £201 million. Similarly, TUHT's forecast rate of return fell during the year to 0.1 per cent, equivalent to a shortfall of £11.1 million against the surplus required to achieve the six per cent rate of return target (Exhibit 8).



### Exhibit 8: Forecast financial deficit in TUHT 1999/2000

This exhibit shows that TUHT first forecast a financial deficit for 1999/2000 in July 1999. The deficit eventually reached £10 million resulting in TUHT failing to meet both its break-even and rate of return targets.



Note: The Department do not require monitoring returns to be made in April.

Source: Departmental monitoring returns

- 6.5 TUHT's financial monitoring return to the Department for July 1999 stated that its most optimistic outcome for 1999/2000 was a deficit of income against expenditure of £3.2 million and a shortfall of £6.8 million against the six per cent rate of return target although TUHT indicated that the shortfall against the six per cent rate of return target could rise to as much as £12 million. The Department therefore met with TUHT and Tayside Health Board in September 1999 to seek a resolution to the financial difficulties being experienced by TUHT. The meeting agreed that TUHT and Tayside Health Board would agree a financial recovery plan and report back to the Department by the end of October.
- 6.6 TUHT submitted its draft recovery plan in November 1999. The plan identified cash releasing efficiency savings of £1.8 million in the remainder of 1999/2000, equivalent to £6.6 million in a full year, proposed reducing capital expenditure by £700,000 and anticipated surplus capital receipts of £2.6 million. TUHT concluded, however, that it was unrealistic to expect the combined yield of cash releasing efficiency savings and cost containment measures to deliver the six per cent rate return target in 1999/2000. Further efficiencies depended on proposals for changes in the delivery of clinical services which could not be implemented until the Tayside Acute Services Review was completed.
- 6.7 In December 1999 the Department, Tayside Health Board, TUHT and TPCT met again to consider the financial position in Tayside NHS. TUHT reported that cost cutting initiatives implemented and planned in 1999/2000 then amounted to £3.6 million but other proposals for the reconfiguration of services required public consultation and therefore required time to implement. The Department asked the trusts to make every effort to ensure that financial targets were achieved in the financial year and noted that any approvals for capital to revenue transfers or retention of capital receipts in the year would need to be set in the context of a robust recovery plan. The Department provided guidance on what it would expect to see in a recovery plan and asked both trusts to submit revised draft recovery plans by the end of January 2000.

- 6.8 TUHT's revised financial recovery plan submitted in February 2000 proposed achieving savings in clinical services in three stages:

**Stage 1:** Initiatives already identified by the trust including reductions in non-urgent elective activity

**Stage 2:** Working jointly with partners in primary care to analyse benchmarking and case-mix data available on service provision in Tayside to identify activity/procedures that could be stopped, reduced or re-provided

**Stage 3:** Potential savings arising from service reconfiguration as a consequence of the Tayside Acute Services Review.

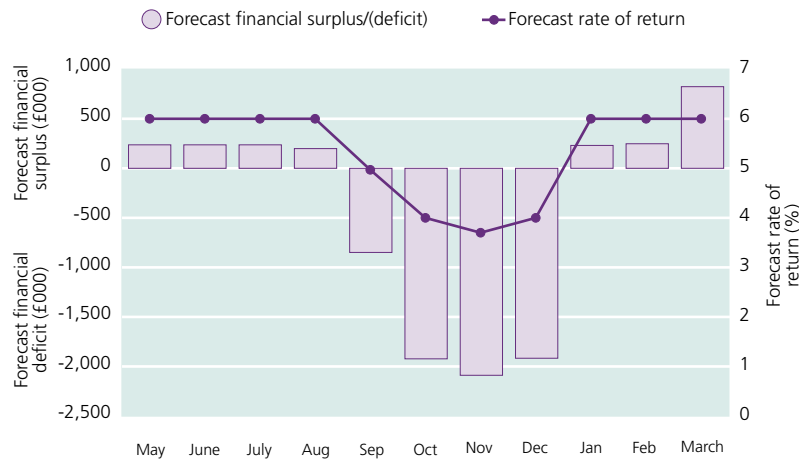
- 6.9 The plan anticipated the trust achieving recurring financial balance in 2002/03 and the elimination of the accumulated deficit in 2004/05, mainly as a result of Stage 3 savings arising as a consequence of the Tayside Acute Services Review of £5 million in 2001/02 and £15 million per year for the three years to 2004/05. The financial recovery plan acknowledged that the remit of the Tayside Acute Services Review must require sufficient savings from reconfiguration of services to resolve the remaining underlying deficit. But Tayside health bodies expressed major concerns at the impact of the requirement to eliminate the accumulated deficit in taking forward the review. They considered that the scale of savings required of the Tayside Acute Services Review was such that resource transfer to primary care would not be possible prior to 2004/05 without undermining the stability of acute services.
- 6.10 The Department considered that the recovery plan did not clearly identify how the desired savings would be made nor how the level of savings expected from the Tayside Acute Service Review had been identified. The Department also noted that the financial element of the HIP 2000/05 recently received from Tayside Health Board did not reflect the magnitude of the financial difficulties being experienced and that potential savings from the Tayside Acute Services Review were not recognised in the health board's plan.
- 6.11 The External Financing Limit target set by the Department for TUHT for 1999/2000 was to repay £5.3 million of Public Dividend Capital and to increase cash balances by £4.8 million. TUHT achieved the target but was assisted by an unbudgeted excess of capital receipts over capital expenditure and an advance payment of £4.9 million in respect of 2000/01 from Tayside Health Board.

### Tayside Primary Care NHS Trust

- 6.12 TPCT monthly monitoring returns to the Department up to August 1999 forecast a surplus of income over expenditure for 1999/2000. However, from September 1999 deficits were forecast which rose to £2.1 million in the monthly return for November 1999 (Exhibit 9). TPCT attributed this financial position to a shortfall of £5.1 million in budget compared to the relevant parts of its predecessor trusts. The shortfall arose from the predecessor's use of non-recurring funds to meet recurring costs (£3.8 million), which the new trust did not consider could be sustained, plus the need to meet Tayside Health Board cash releasing efficiency savings targets (£2.3 million). TPCT also forecast overspends against budgets of £2.4 million for the full year, mainly due to greater than anticipated increases in the cost of generic drugs.

**Exhibit 9: Forecast financial deficit in TPCT 1999/2000**

This exhibit shows that TPCT first forecast a financial deficit for 1999/2000 in September 1999 but recovered its financial position to achieve its break-even and rate of return targets by the end of the year.



Note: The Department do not require monitoring returns to be made in April.

Source: Departmental monitoring returns

6.13 In December 1999 the Department asked TPCT to prepare and implement a recovery plan to meet its financial targets for 1999/2000. The recovery plan consisted of several elements:

- TPCT sought, and were given, Departmental approval to anticipate capital receipts of £2 million from the disposal of surplus assets which were not expected to complete until 2000/01. The Department therefore advanced TPCT £2 million which was used to fund revenue expenditure. The sale of the property expected to yield these capital receipts has not yet completed but TPCT considers it will find sufficient funds from other resources to repay the Department before the end of 2000/01
- In approving trust capital expenditure plans the Department recognises that not all expenditure on land, buildings and equipment results in an increase in the capital value of the assets, and therefore allows a transfer of the non added value element of the proposed capital expenditure from capital to revenue. Consequently, the Department authorised TPCT to transfer £1.371 million from their capital expenditure budget to their revenue budget. By 31 March 2000 non added value capital expenditure totalled £690,000 leaving the balance of £680,000 available to fund recurrent core services
- Trust bank interest is usually available for additional capital expenditure or to reduce creditors. As part of TPCT's recovery plan, the Department authorised the use of £250,000 of bank interest to fund recurring revenue expenditure
- Tayside Health Board agreed to make special contributions amounting to £900,000 to TPCT to reflect increased costs and other costs associated with the Millennium
- TPCT utilised non-recurring income of £3.8 million during the year to fund recurring expenditure.

6.14 For 1999/2000, TPCT carried forward a surplus of £745,000 on a turnover of £220 million and achieved the six per cent rate of return target. The target to stay within the External Financing Limit set by the Department was also met. The trust's auditor reported that throughout 1999/2000 TPCT had appropriate financial monitoring arrangements in place but noted, however, that the steps taken to ensure the trust achieved its financial targets were unusual and could not be guaranteed in future years.

# The Tayside Taskforce

- 7.1 The scale of the forecast financial deficits, particularly in TUHT, and other wider concerns regarding the NHS in Tayside prompted the Minister for Health and Community Care to establish a Taskforce in February 2000. The role, remit and membership of the Taskforce are shown at Exhibit 10.

## Exhibit 10: The role, remit and membership of the Taskforce

### Role

To assist and support existing health service managers in Tayside. The responsibility for strategic direction, action and delivery still remains with board members (trustees and executive managers).

### Remit

The Taskforce is to work with Tayside Health Board, TUHT and TPCT to ensure that local health services are planned and delivered effectively and within the total resources available. Key objectives of the Taskforce are 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.

The Taskforce is to work with and alongside the Tayside Health Board and trusts to:

- deliver an effective financial recovery plan for the local acute trust which is forecasting an overspend by end March of up to £12 million
- develop a cohesive Health Improvement Programme and Trust Implementation Plans which deliver real improvements in health for the people of Tayside
- progress the local Acute Services Review which will map out the delivery of modern, patient-centred hospital services in the medium to longer term.

### Membership

- Professor Frank Clark – Chairman
- Professor David Rowley – member of Tayside Health Board and joint chairman of Tayside Acute Services Review
- Mr Cameron Revie – Partner (Government Services), PricewaterhouseCoopers
- Mr Michael Fuller – MSF Scottish NHS Officer and joint chair of the Scottish Partnership Forum
- Mr David Bolton – Director of Primary and Community Service Development, Lothian Primary Care Trust

Source: Tayside Taskforce – Interim Report to the Minister of Health and Community Care, June 2000

## The Taskforce's interim report

- 7.2 The interim report of the Taskforce was presented to the Minister in June 2000. The report identified lack of financial control, an absence of obvious health leadership and corporate working and governance, and a lack of effective communication as themes which were emerging as the main contributing factors to the financial and other problems in Tayside. The report also identified overprovision of health care services in Tayside and the effectiveness of reporting and monitoring arrangements between the Tayside health bodies and the Department as factors which had to be considered in any examination of the Tayside problems. Reports subsequently produced by auditors of the Tayside health bodies reinforced the findings of the Taskforce. The issues raised are described below.

## Lack of effective financial control

7.3 The Taskforce identified six examples of a lack of financial control which had led to TUHT's falling £11.3<sup>7</sup> million short of the surplus it required to achieve the six per cent rate of return target (Exhibit 11):

- **Loss of normal controls expected in managing staff vacancies.** Prior to reorganisation, Dundee Teaching Hospitals NHS Trust had left established posts vacant in order to help fund non-pay costs. During the final quarter of 1998/99, however, the trust recruited some 200 nurses and other staff. The Taskforce reported that the full year cost of these additional staff, which fell on TUHT and which had not been apparent from management information used to compile the TUHT 1999/2000 budget, contributed £2.1 million to the total financial deficit
- **Implementation of a range of unfunded developments.** Additional costs arising from new clinical programmes in renal medicine and cancer medicine, approved by previous trusts within Tayside, were not fully reflected in trust plans and not included in 1999/2000 budgets. The Taskforce estimated that the implementation of these unfunded developments contributed around £2.9 million to TUHT's final financial deficit
- **Use of capital receipts and other non-recurring monies to meet recurring revenue expenditure.** Perth and Kinross Healthcare NHS Trust had been experiencing financial difficulties for a number of years prior to reorganisation. In 1998/99 the Department gave its approval, on an exceptional basis, for Perth and Kinross Healthcare NHS Trust to bring to account in 1998/99 capital receipts of £1.8 million to fund recurring revenue expenditure even though the disposal of surplus estate expected to yield those receipts was not expected to complete until 1999/2000. Perth and Kinross Healthcare NHS Trust also made significant use of non-recurring sources of funding in 1998/99 to support core services. The Taskforce concluded that the use of capital receipts and other non-recurring monies to meet recurring revenue expenditure by demitting trusts resulted in a shortfall in TUHT's budget of £1.9 million
- **Impact of unbudgeted changes in capital charges.** In the NHS, fixed assets such as land, specialist buildings and equipment are normally valued at replacement cost net of depreciation. Revaluations of land and buildings are normally carried out every five years with adjustments being made in other years to take account of inflation. Annual capital charges, equivalent to six per cent of relevant fixed assets, are made to NHS bodies' income and expenditure account to reflect the notional cost of borrowing to finance the purchase of fixed assets. A revaluation exercise was carried out as at 1 April 1999 across the whole of the NHS in Scotland. In TUHT this resulted in an increase in capital charges which was higher than that allowed for in TUHT's budget for 1999/2000. The Taskforce estimated that the increase in charges in 1999/2000 contributed £2.1 million towards the trust's financial deficit for the year

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<sup>7</sup> The shortfall against the surplus required to achieve the six per cent rate of return was estimated to be £11.3 million when the Taskforce produced its report. After audit the shortfall was revised to £11.1 million.

- **Under achievement of cash releasing efficiency savings.** Tayside Health Board set TUHT a target to achieve £3 million cash releasing efficiency savings in 1999/2000. TUHT implemented only £2 million cash releasing efficiency savings during the full year
- **Budget overspends within directorates.** Midway through 1999/2000 TUHT revised its clinical group structure which reduced the number of groups from 40 to seven together with a realignment of budgets and budgetary responsibilities. In their Annual Report 1999/2000, TUHT stated that budget monitoring and reporting to board members focussed primarily on the investigation, quantification and management of the identified deficit through a programme of cost reductions rather than on standard budget management reports. By monitoring the programme of cost reductions, the trust is estimated to have cut back underlying expenditure trends by £3 million leaving a net overspend within directorates against the budgets set of £1.5 million.

**Exhibit 11: Taskforce’s analysis of factors resulting in TUHT’s shortfall against the surplus required to achieve the six per cent rate of return 1999/2000**

	<b>£ million</b>
Vacancy factor savings released by Dundee Teaching Hospitals NHS Trust during 1998/99	2.1
Developments which were not fully funded or which have developed at a faster pace than available funding	2.9
Use of capital receipts and non-recurring revenue funding and transfer of capital funding to meet recurring revenue expenditure in 1998/99	1.9
Under achievement of cash releasing efficiency gains in 1999/2000	1.0
Impact of unbudgeted changes in capital charges	2.1
Budget overspends within Directorates in 1999/2000	1.5
Other factors overspends eg, use of winter pressure monies to meet non-winter pressure revenue expenditure in 1998/99	1.5
	13.0
Additional recurring funding from Tayside Health Board in 1999/2000 to in part recognise certain of the inherited issues	(1.7)
<b>Deficit in 1999/2000</b>	<b>11.3</b>

Source: Tayside Taskforce: Interim Report to the Minister of Health and Community Care June 2000

### Absence of obvious health leadership

- 7.4 The Taskforce considered that following reorganisation of the NHS in April 1999, the relationships between Tayside Health Board and the two new trusts appeared to have been at “arms length”, and that the health board appeared to have become detached from any real awareness of the financial and other pressures which developed. The situation was further exacerbated by minimal development of a clear health strategy and policy, insufficient direction to the work of the Tayside Acute Services Review and negligible public health input to the work of the health board.
- 7.5 The Taskforce concluded that, as a result, the initial Tayside Health Improvement Programme (HIP), intended to set the strategic direction of Tayside NHS in the period 2000-05, bore little relation to the individual draft TIPs, which were intended to demonstrate how the HIP would be implemented in practice. The HIP and TIPs were apparently being developed in isolation without full stakeholder involvement and the HIP, in particular, did not address the issues of overprovision and financial deficit and gave no clarity on strategic direction.

### Absence of corporate working and governance

- 7.6 Governance is concerned not only with the internal direction and management of an organisation, but also with the alignment of corporate behaviour with the expectations of society and accountability to stakeholders. Corporate governance therefore involves the clear identification of responsibilities and accountabilities and the establishment of clear checks and balances to ensure proper behaviour through supervision, control and communication.
- 7.7 The Taskforce concluded that true corporate working did not exist within Tayside and that there was no corporate approach within the NHS in Tayside to the engagement of other key partners in health. The Taskforce’s interim report noted that TUHT’s budget for 1999/2000 had been set on a top down incremental basis and that TUHT had not undertaken any detailed or critical analysis to challenge this assessment. The Taskforce questioned whether the trust board as a whole really debated, understood and made major spending decisions and whether the trust’s performance was monitored against clear, specific and measurable financial and non-financial objectives. The overspends on budgets suggested budget holders were not using available resources to deliver services in accordance with agreed policies and budgets; unfunded developments had been introduced in earlier years without full consideration of the future recurring costs implications; and variances from budgets were not investigated in full.

### Lack of effective communication

- 7.8 The Taskforce also criticised the lack of effective communication both within the NHS in Tayside and between Tayside NHS and other interested stakeholders such as local authorities, trades unions, the Health Council, Dundee University and MSPs. Many members of staff were disillusioned and dispirited at the lack of proper information and consultation from the management of TUHT and Tayside Health Board. This had led to an erosion of confidence and credibility in those leading the NHS in Tayside to plan and implement a programme of recovery and modernisation in a fair and open manner.

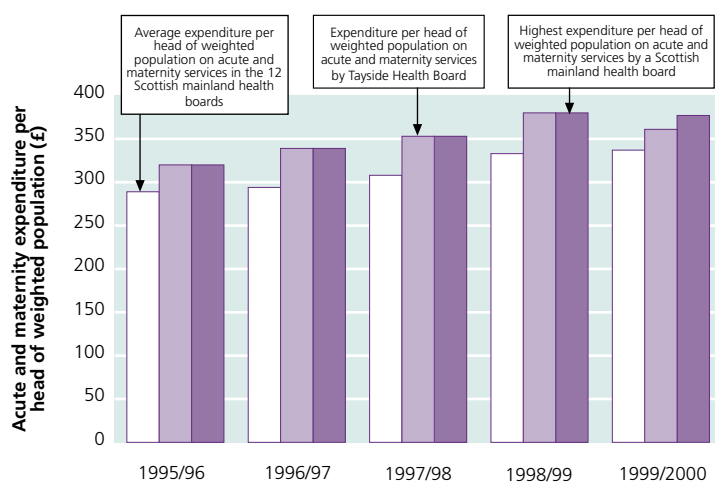


## Overprovision of services

- 7.9 The Taskforce found that much of the deficit was inherited from the previous constituent trusts of TUHT. It concluded that a major contributing factor was the expansionist nature of the previous trusts, principally the former Dundee Teaching Hospitals NHS Trust. The Taskforce considered that expenditure in Tayside in almost every clinical and service category except community services was either the highest in Scotland, or within the top quartile and that there were no geographical or epidemiological reasons to justify such differences in expenditure.
- 7.10 The Taskforce noted that throughout the financial difficulties experienced by TUHT in 1999/2000 there was broad consensus within the trust that the problem was one of over-commitment of service rather than under-funding. TUHT reported that in the first six months of 1999/2000 in-patient discharges were 3.8 per cent ahead of the corresponding period in 1998/99 whilst day case activity, including procedures undertaken in out-patient settings, had increased by over 15 per cent. The rate of additions to waiting lists had remained broadly constant compared to 1998/99 but TUHT considered that the drive to maintain waiting lists in 1999/2000 was a significant factor in the general increase in tempo of activity and hence in expenditure.
- 7.11 In September 1999 TUHT reported to the Department that they recognised that spend per capita on acute services and maternity services within the Tayside Health Board area was higher than in all other areas of Scotland (Exhibit 12). TUHT estimated that the additional spend equated to some £20 million which it considered could be extracted from current core services but only through the most radical review of acute services ever undertaken on Tayside.

### Exhibit 12: Expenditure per weighted population on acute and maternity services

This exhibit shows that Tayside Health Board's expenditure on acute and maternity services per head of weighted population was the highest in Scotland between 1995/96 and 1998/99, each year being between £131 and £47 per head more than the average for all 12 Scottish mainland health boards. Only in 1999/2000 was Tayside Health Board replaced as the most expensive health board, although it still spent £24 per head more on acute and maternity services than the average for the 12 Scottish mainland health boards.



Source: 'Scottish Health Service Costs' and Audit Scotland

## The role of the Department

- 7.12 The Taskforce found that, although the potential seriousness of the position had been identified as early as June 1999, action to address the situation was not evident until November 1999. The Taskforce commented that it was provided with assurances that measures were being taken to restore financial control and equilibrium but it considered that this did not in effect happen. In the Taskforce's view, this raised questions about the robustness and ultimate effectiveness of the format of reporting to and monitoring arrangements undertaken by the Department at that time.
- 7.13 Following the Department's advice, and with the agreement of the Taskforce, the Minister decided that the Taskforce should stand down at the end of November 2000. The Department reported that good progress was being made with developing and implementing TUHT's financial recovery plan, that the necessary recurring savings were being made and that the NHS in Tayside was making headway in addressing the criticisms made in the Taskforce's June interim report.
- 7.14 In view of the Taskforce's criticisms of the Department's role in financial monitoring of Tayside NHS, the Department advised the Minister when considering whether the Taskforce should stand down that it would undertake to play a greater role in performance managing the Tayside position. The Department has since issued revised guidance restricting circumstances under which approval for transfers between capital and revenue expenditure will be granted. The Department has also introduced regular, monthly meetings with the Tayside health bodies to monitor progress of recovery plans.

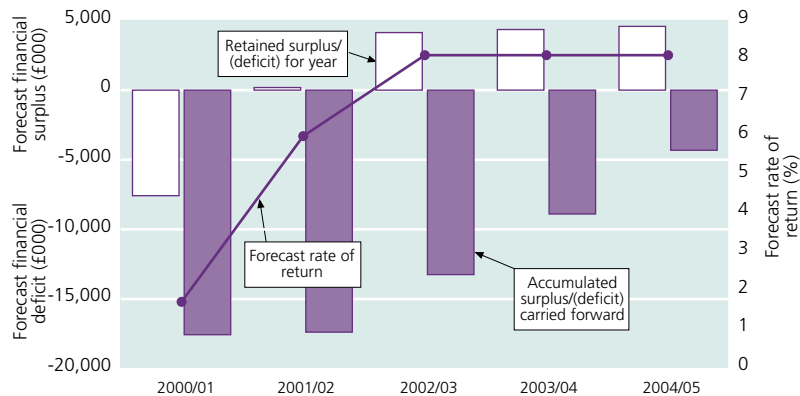
# Tayside recovery proposals

## Financial recovery plans

- 8.1 In March 2000 the Tayside health bodies established a Joint Management Forum under the leadership of the health board and involving TUHT and TPCT to tackle appropriate issues, including financial recovery, on a corporate basis. In August 2000 TUHT's board approved its Clinical and Financial Recovery Plan and later that month the NHS in Tayside jointly published its '*Recovery Through Modernisation and Investment*' setting out action to be taken in response to the Taskforce's findings.
- 8.2 The TIP produced for TUHT in June 2000 included financial forecasts for the five-year period 2000/01 to 2004/05. These indicated an anticipated deficit of income against expenditure of £7.6 million in 2000/01 followed by a small surplus in 2001/02, then surpluses of £4.1 million in 2002/03 rising to £4.6 million in 2004/05. TUHT expected to achieve the six per cent rate of return target from 2001/02 onwards (Exhibit 13). These surpluses were expected to make substantial inroads into the accumulated deficit although it was estimated that this would not be eliminated until 2005/06 at the earliest.

**Exhibit 13: TUHT's forecast financial performance**

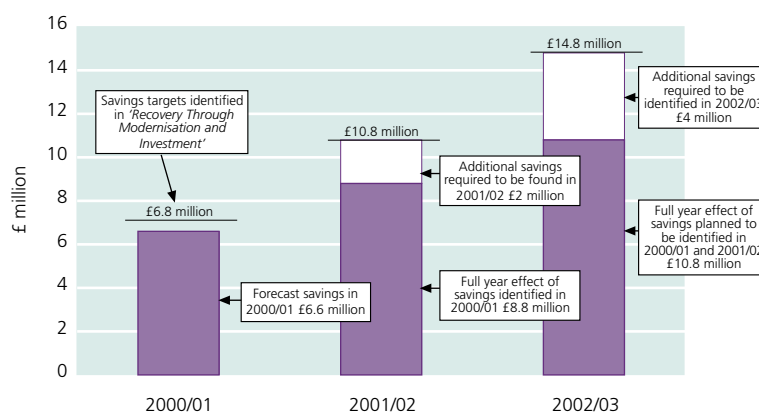
This exhibit shows that TUHT expected to make a financial surplus from 2001/02 onwards. TUHT expected to meet the six per cent rate of return target from 2001/02 onwards but the accumulated financial deficit will not be eliminated until 2005/06 at the earliest.



Source: TUHT Financial Proformas 2000/01 to 2004/05

- 8.3 In August 2000 *'Recovery Through Modernisation and Investment'* reported that the Tayside health bodies had made significant progress in addressing financial difficulties. TUHT had been set a target to make recurring savings of £6.8 million in 2000/01, rising to £10.8 million in 2001/02 and then to £14.8 million in 2002/03. These proposals superseded the financial forecasts set out in TUHT's TIP and extended the break-even target for the trust to 2002/03. At the same time the Department and Tayside health bodies acknowledged that they should focus on achieving a recurring balance and that resolution of TUHT's accumulated deficit would be agreed thereafter.
- 8.4 Financial performance including progress on implementing efficiency savings is reported monthly to the Joint Management Forum and to the boards of the three health bodies. By November 2000 TUHT reported that identified initiatives had yielded £4.1 million in savings and that the trust expected to achieve savings of £6.6 million in 2000/01.
- 8.5 The full year effect of the savings identified so far, and which will be carried forward into subsequent years, amounts to £8.8 million. This means that TUHT will be required to deliver additional savings of £2 million in 2001/02 and a further £4 million in 2002/03 (Exhibit 14) to meet the requirements forecast in the recovery plan. TUHT has already begun to identify cost reduction measures to be implemented in 2001/02 but considers care is required to implement savings which do not pre-empt options on health service delivery arising from the findings of the Tayside Acute Services Review.

**Exhibit 14: TUHT savings targets**



Source: Audit Scotland

- 8.6 The *'Recovery Through Modernisation and Investment'* report indicates that Tayside Acute Services Review will (subject to Ministerial approval) provide further proposals for service redesign and these will have greatest impact in 2002/03. This, combined with an equivalent investment in community services and primary care is expected to provide the platform upon which to retrieve the outstanding £4 million. TUHT's TIP for 2000/01 to 2004/05 acknowledges that the pace at which savings can be achieved from the acute hospital setting is inextricably linked to the impact of the Tayside Acute Services Review. Until the findings of the Review are finalised and the impact of any changes to the delivery of acute health care is quantified, it will not be clear when TUHT will be able to eliminate its accumulated financial deficit.

- 8.7 The ‘*Recovery Through Modernisation and Investment*’ report indicates that TPCT were set a target to achieve recurring savings of £3 million in 2000/01. This was subsequently reduced to £2.4 million after Tayside Health Board provided additional monies to fund extra expenditure arising from the implementation of EU Working Time Regulations. By November 2000 TPCT had implemented cost reduction measures of £1.1 million and were forecasting total recurring savings for 2000/01 of £2.4 million.
- 8.8 The Tayside health bodies recognise that maintaining progress in line with the recovery plan will be challenging. In December 2000 they reported to the board of Tayside Health Board that £385 million was to be allocated to Tayside for 2001/02. This represented an increase of £18.7 million (5.5 per cent) on the previous year but the health bodies had identified an additional £19.2 million arising from existing Health Improvement Programme commitments and additional commitments of £9.7 million (eg £2.5 million to meet the cost of revised conditions for junior doctors). The health board has asked the Joint Management Forum to review the Tayside financial framework in the light of these factors and to bring forward recommendations for approval by the board.

### Action to overcome poor financial control

- 8.9 TUHT, in conjunction with Tayside Health Board, has introduced a number of measures designed to improve financial control:
- a Vacancy Control Group has been established within TUHT to consider the need to fill staff posts falling vacant. Staff numbers in TUHT are 250 below their April 2000 levels. This group should ensure that the budgetary implications of staff appointments are recognised at an early stage
  - protocols have been introduced to help control the approval and use of additional resources for service developments. Additional funding necessary to meet new service developments must now be authorised by either TUHT’s Chief Executive or its Director of Finance and either Tayside Health Board’s Chief Executive or its Director of Finance. These new controls should ensure that the full cost implications of new clinical services are recognised before services are introduced and that the full year cost of new developments are included in budgets for future years
  - TUHT formed a Strategic Management Group in October 1999 to advise its board on strategy and clinical aspects of the TIP, to address issues of clinical governance and to consider and advise on strategic developments and change issues likely to impact on resources and the overall management of the trust. The group consists of the 13 senior staff of the trust including the chief executive, the director of finance and the seven clinical group directors plus the Dean of Dundee University. The number of principal budget holders within TUHT has also been reduced from 40 to seven. These developments have enabled a more corporate approach to strategic planning and financial control.

### Governance, leadership and communication

- 8.10 In June 2000, the chairs of TUHT and Tayside Health Board both tendered their resignation. An interim chair was appointed to Tayside Health Board and one of the existing non-executive members of TUHT was appointed as acting chair of TUHT before the Minister announced the appointment of new chairs to both bodies in November 2000.

8.11 The *'Recovery Through Modernisation and Investment'* report indicated that the new Joint Management Forum would have a significant role in addressing the Taskforce's criticisms regarding governance, leadership and communication in the Tayside NHS. Specific measures which have been adopted include:

- the use of the Joint Management Forum to consider all health issues, including financial recovery, on a corporate basis
- in recognition of the health board's role as a public health organisation, a commitment to work more closely with partners outside the NHS on the wider health agenda
- extensive involvement of the trusts and other partners in the production of a revised HIP which provides a cohesive, strategic agenda for improving health and health services in Tayside together with the production of TIPs that are congruent with the HIP
- the introduction of enhanced performance management arrangements to ensure changes set out in the HIP are delivered and that progress reports on financial recovery and other major issues are shared between Tayside Health Board and both trusts
- improved joint working and dialogue in the field of clinical leadership including the management of acute admissions, discharges and waiting lists
- the introduction of a joint communication strategy designed to share all relevant information and issues in an open manner with staff and the public, and to improve partnership working with other stakeholders.

8.12 Auditors of all three NHS bodies on Tayside undertook an examination of corporate governance arrangements as part of their audit of 1999/2000 accounts. In their report of December 2000 the auditor of Tayside Health Board stated that there was evidence of progress in the pace of strategy development from the date of their previous report in September 1999. The auditor noted that, after the problems encountered in 1999/2000, there was a need to restore confidence in the board as an effective team that can lead the Tayside trusts and other partners forward to deliver improvements in health care in the region. Specifically, the auditor identified that the main issues which needed to be addressed included:

- better leadership of non-executive directors to ensure that the board has members who are clear in the direction that Tayside Health Board are taking and who know their role in that process
- improvements in communication between executive and non-executive directors
- completion of strategies for all major areas of Tayside Health Board's responsibility as well as effective Public health input at board and trust level to develop strategies and inform decision making
- development of a process to produce a HIP that is timely, clear and strategic in its focus and use of effective monitoring mechanisms to allow monitoring of HIP and TIP achievement

- improvement in partnership working with trusts to ensure effective financial monitoring for Tayside health bodies.

### Research into overprovision of services

- 8.13 In recognition of its relatively high expenditure on acute services, TUHT undertook benchmarking exercises of both financial and clinical care aspects of the trust. The objective was to identify the factors contributing to the higher level of spend with the aim of reducing cost and removing excess capacity, duplication of services and the overprovision of services.
- 8.14 TUHT found that in comparison with comparable trusts, it was spending in the region of £4 million per annum more on medical and nursing pay relative to its catchment population. This has led TUHT to reappraise its nursing establishment with a view to establishing more appropriate numbers of nursing posts. TUHT is also reappraising its staff numbers in other medical professions.
- 8.15 The Clinical Capacity Group was formed to consider TUHT's approach to delivering acute services. The Group's report to the Joint Management Forum in December 2000 indicated that activity in the acute sector was overall some 15 per cent higher than the Scottish average but with some variation across the different specialities.
- 8.16 The Group concluded there was scope to reduce bed numbers, change referral protocols and move some work from the acute sector to primary care services. Action plans to address these points have been agreed, where possible, with clinicians but the Group recognised that some actions were dependent on further investment in primary care services, while others depend on the findings of the Tayside Acute Services Review.
- 8.17 The level of services provided within the budget allocated to any health board area is a matter for the health bodies in that area. A wide variety of factors including population demography, the general state of health and economic well-being of the population and the age and location of existing health care facilities need to be taken into account to assess the level of health services to be provided in any area. The Department is not in a position to determine the balance between the provision of the various health services provided in any geographic area, although statistics on unit cost performance and achievement of targets for areas such as waiting times are maintained.

## The development of a Tayside Health Improvement Programme and progress of the Acute Services Review

- 8.18 Tayside Health Board has now prepared a revised HIP for 2000/05 which, in its view, is credible and provides a focus for future planning. The *'Recovery Through Modernisation and Investment'* report also discloses that the HIP process for 2001/06 is already underway led by the key imperatives of involving partners more fully, linking into the planning arrangements of local authorities and devising plans that focus more on outcomes than processes. In a supplementary paper issued in September 2000, the Taskforce commented that provided the process of involving others in the preparation of the HIP is implemented as intended, it will help to develop corporate working within the Tayside NHS, to restore confidence in key partner agencies and to produce a credible high quality document.
- 8.19 The final report of the Tayside Acute Services Review, including options for change (Appendix 3), was published in January 2001. The health board commissioned consultants to review and validate the process of costing the various service models, including the favoured option to maintain two acute medical and surgical receiving sites in Perth and Dundee with a new community hospital in Angus to replace that at Stracathro, and test the affordability of selected options.
- 8.20 The overall aim is to treat people in appropriate settings in order to free up resources to invest in enhanced services in primary care and in partnership with local authorities. Public involvement in the process is ongoing with Tayside NHS holding a series of conferences and public meetings to discuss the available options.
- 8.21 Once the public consultation phase is complete, Tayside NHS will report the results and their recommendations to the Minister for final approval. Tayside NHS recognise that a key requirement for them is to eliminate the recurring financial deficit in TUHT by 2002/03 in order that the implementation of the Review findings can be conducted in an environment of financial stability. To date, Tayside Health Board estimate that the Acute Services Review has cost just over £500,000. Of this sum, over two phases, some £280,000 has been spent on various aspects of consultancy support, over £100,000 to compensate GPs for their costs in providing input to the various working groups, and much of the balance on in-house project management.



# Appendix 1: Findings of the Kilshaw Report

## Introduction

1. Tayside Health Board commissioned the Kilshaw Inquiry Team on the advice of the then Scottish Office NHS Management Executive (the Department) in September 1997 in response to a report from Tayside Health Board's auditors under Section 104A of the *'Local Government (Scotland) Act 1973'* as amended. The auditor's report found that some actions of the health board may have been unlawful as a result of non-adherence to guidelines and regulations set by the Department and others concerning the remuneration and conditions of general and senior managers.
2. Mr David Kilshaw, chairman of Borders Health Board chaired the Inquiry Team which also consisted of the Director of Finance, Greater Glasgow Health Board and the Director of Nursing and Human Resources, Grampian Health Board. The Department provided legal advice. The Inquiry Team's remit was to report to Tayside Health Board on the following areas:
  - to investigate the areas of concern raised in the auditor's report
  - to assess overpayments incurred by the health board as a result of any failure to comply with appropriate Secretary of State authorisation or failure to implement Departmental guidance, and to quantify any illegal payments and advise on possible recoveries
  - to assess the responsibilities for any failures in practices and procedures and, if appropriate, to establish whether there were prima facie grounds to invoke Tayside Health Board's disciplinary procedures
  - to make recommendations as to any improvements which might be implemented.
3. The Report of the Inquiry Team was presented to Tayside Health board in February 1998. As well as investigating issues raised specifically in the auditor's report, the Kilshaw Report also commented on a number of other areas including those concerning corporate governance arrangements at the health board. The following paragraphs provide a summary of the Kilshaw Report's key findings. Details of overpayments made where the Inquiry Teams recommended regarding recovery action should be taken are provided at Exhibit A.

## Findings on issues raised in the auditor's report

### *New staff: Initial placing of senior managers in the salary range*

4. The Inquiry Team found that the Head of Community Care Development had been placed on a salary grade above that previously evaluated as appropriate to the post. The Inquiry Team concluded that an overpayment of salary had occurred between her date of appointment in December 1995 and her transfer to a higher graded post in August 1996.

### *Consolidation of performance increases with basic salary in 1995*

5. The Inquiry Team found that five senior managers whose pay was above 95 per cent of the maximum of their pay range, benefited from a 100 per cent of consolidation of performance related pay in June 1995. This was in contradiction to Departmental regulations then in force which stated, “where a performance related pay increase takes a salary above 95 per cent of the maximum of the range, half of that part of the increase which is above 95 per cent will be consolidated and the other half will be a non-consolidated bonus”.

### *Salary ranges applied from 1 April 1995 and 1 April 1996 and uplift of salaries at 1 September 1995*

6. In June 1996 Tayside Health Board introduced increases of three per cent with effect from 1 April 1995 and 1 April 1996 in the pay scale maxima and minima of all grades. This did not result in automatic uplifts to the salaries of individuals, other than for three senior managers whose salaries were below the minimum of the new ranges. It did, however, allow all general and senior managers on the maximum of their pay ranges to have bonuses consolidated into recurring, superannuable, salary. The Inquiry Team concluded that Tayside Health Board’s implementation of these salary range increases constituted a local pay arrangement which did not comply with the Department’s guidance then in force. As a result 44<sup>2</sup> senior managers were paid higher salaries than the regulations permitted. Overpayments to salary were discontinued in October 1997 following receipt of advice from the Department.
7. Tayside Health Board also implemented an uplift of three per cent of salary to all senior managers at the end of March 1996 backdated to 1 September 1995. Three members of the health board’s top management team received this three per cent increase, in addition to being paid at the maximum of the locally extended pay ranges, until March 1997. The Director of Finance received the payment until his retirement in July 1996. The Inquiry Team found that the decision to increase the salaries of senior managers with effect from September 1995 was in breach of Departmental directions then in force.

### *Performance assessments*

8. Tayside Health Board operates an individual performance assessment scheme. In addition, the health board introduced a Team Performance Assessment scheme for senior managers in 1994. The latter scheme uses the annual Corporate Contract agreed between the Department and the health board as the basis of a weighted matrix to assess performance in achieving the objectives set out in the Corporate Contract. The Inquiry Team found:
  - the Remuneration Committee were denied the opportunity in 1994 to discuss and agree in advance the team bonus scheme and the method of performance assessment and to establish approved written arrangements for the Team Performance Assessment scheme
  - the percentage of senior managers graded in either of the top two of five performance assessment bands from 1995 to 1997 was significantly more than expected based on the principle that the range of assessment bandings should approximate to a normal distribution curve. The Inquiry Team considered this should have prompted a review of the performance assessment arrangements

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<sup>2</sup> A further 11 members of staff who were not employed on general and senior manager terms and conditions were affected by the issue of payments made in lieu of annual leave.

- the Remuneration Committee was misled in two instances. The Health Board's Chief Internal Auditor did not verify the annual performance reports for the top management team for 1994/95, 1995/96 and 1996/97 as claimed. Also, in 1997 the Remuneration Committee members could not identify the true cost of performance awards for the top management team they were reported to have agreed. While they believed they had agreed a five per cent award for the team, the monetary value in the paper presented to them equated to an eight per cent award
- papers to the Remuneration Committee were not prepared in a form which enabled key issues regarding percentage awards and monetary values to be easily understood. Papers requiring consideration and decisions should not have been tabled but sent out in advance with the agenda. Minutes of meetings, in some occasions, did not state the decision which had been taken
- in June 1996 Tayside Health Board decided to change the date of payment of performance awards from 1 June to 1 April each year; this change to be effective for the 1996 awards. Three members of the top management team were made payments in lieu of consolidated performance related pay for April and May 1996 which had been awarded in June 1995 although this was not presented to the Remuneration Committee for approval. The health board considered that such action was appropriate on the grounds that these staff would be disadvantaged, as a result of advancing the performance related pay award date from June to April, if the payments were not made. The Inquiry Team, however, found that the rationale could not be justified as no loss had been incurred by advancing the date of the award and there was no provision in the relevant regulations to make such an award.

### *Payments to the former Director of Finance*

9. In May 1996 the health board's Remuneration Committee approved the early retirement of the Director of Finance. The Director of Finance continued to receive consolidated performance related pay in respect of his 1995/96 performance assessment for the eight months after his retirement in July 1996. The Inquiry Team concluded:
  - there was no provision to pay the full value of the consolidated performance related pay which would have been earned had the Director of Finance remained in employment until 31 March 1997
  - the Remuneration Committee should have been informed that the Director of Finance was at an age where he could have retired of his own volition, on full pension, in January 1997, at no additional cost to the board
  - the Remuneration Committee were not informed of an additional payment to the Scottish Office Pensions Agency of approximately £25,000 to fund early payment of pension.
10. From March 1994 to his retirement in July 1996 the Director of Finance was in receipt of a responsibility allowance in addition to his salary. Tayside Health Board considered that the allowance was in recompense to the Director of Finance's involvement in managing the process of letting a national contract for computer services. The Inquiry Team considered that there was insufficient information on the nature of the work involved or the time commitment required to support the rationale for the allowance. It concluded that the allowance was not an appropriate management tool and there was no authority within the relevant regulations to make such a payment.

### *Secondment of a senior manager to a GP practice*

11. The cost to Tayside Health Board of the secondment of its Primary Care Manager to a GP practice from April 1996 until March 1997 exceeded the income it received from the GP practice by £24,000. The Inquiry Team concluded that the health board could have saved this amount if the Primary Care Manager had had his request for voluntary redundancy approved in March 1996 instead of being placed on secondment.

### *Other issues investigated*

#### *Payment in lieu of annual leave not taken*

12. Payments were made to staff in both 1995 and 1997 in lieu of annual leave. In 1995 a total of £14,463 was paid to 11 senior managers and a total of £6,683 was paid to ten administrative and clerical staff. In 1997 a total of £19,574 was paid to nine senior managers and £1,950 to two administrative and clerical staff. The payments were made in contradiction to the relevant General Whitley Council agreement which states that payments in lieu of annual leave should only be made when, during an employee's final year of service, he/she is unable to take leave due to sickness or death.

#### *Job evaluations and gradings*

13. Tayside Health Board developed a new senior management structure in 1996. A number of senior manager posts in the new structure were not subject to formal job evaluation in contradiction to Departmental requirements. The Inquiry Team concluded that some posts may have been graded too highly.

#### *Relocation expenses*

14. Following her appointment to the post at Tayside Health Board in 1993, the General Manager was reimbursed a total of £36,323 relocation expenses. In view of the sum involved, the Inquiry Team considered that the health board's auditors should review the process and appropriateness of the payments made, and that the health board should consider the introduction of a relocation expenses policy to limit the cost to the organisation of relocation assistance.

#### *Management influence on audit reports*

15. The Inquiry Team found that senior managers within Tayside Health Board had sought to influence the content of draft audit reports to an unacceptable extent. On at least two occasions during 1996 and 1997, senior managers sought to change draft internal audit reports dealing with payroll arrangements citing documentary evidence which did not exist. The Inquiry Team concluded that had the principles of audit been recognised as integral to discharging effective governance by Tayside Health Board, the additional costs and overpayments identified in the Kilshaw Report would have been properly addressed at an earlier stage.

#### *Management style*

16. The Inquiry Team found that at times the General Manager's management style had been unreasonably intimidating. This caused a number of senior staff to feel they had been treated in an unreasonable and unprofessional manner and that this had a detrimental effect on their contribution to Tayside Health Board, and in some individuals on their personal health.

### *Corporate Governance*

17. The Inquiry Team made a number of recommendations addressing corporate governance in Tayside Health Board:
  - the health board should consider the remit and composition of internal management committees with a view to ensuring as much business as possible of a strategic and planning nature is dealt with by the board in formal and open session
  - agenda and papers for full board and committee meetings should be distributed in sufficient time to allow assimilation of the information and to enable opinions to be formed. Papers should be explicit about the background and nature of the issue in hand, recommendations should be stated unambiguously and board/committee members should be clear as to the decisions they are being asked to make
  - the use of unreasonable influence on the independent role of Internal Audit represents a failure of communication and lack of due process between the Audit Committee and both internal and external audit. There is a need to re-assess the long term internal audit needs of Tayside Health Board at a strategic and operational level
  - minutes of all Standing Committees should be confirmed as correct at the next meeting of the relevant committee rather than be approved and adopted by the board itself
  - there is a need to develop and document clear statements on the delegated authority of officers. These should be incorporated in the Standing Financial Instructions, the schedule of decisions reserved for the board, and the Scheme of Delegation of the board
  - Tayside Health board should make representations to the Department to ask if circulars relating to general and senior managers pay and conditions may in future be simpler, clearer and, most importantly, issued more timeously.

**Exhibit A: Details of overpayments made and recovery action recommended**

	Recovery action recommended	General Manager	Director of Finance	Director of Administration	Director of Commissioning and Strategic Management	Other senior managers and staff
Initial placing in the salary range (£)	✓					5,109
Consolidation of performance increases 1995 (£)	✓	634	499	577	577	
Salary ranges applied April 1995 and 1996 (£)	✓	7,481	12,834	1,329	2,115	17,303
Uplift of salaries September 1995 (£)	✓ (1)	2,416	813	1,891	1,891	
Pay in lieu of consolidated PRP (£)	✓	503		299	299	
Pay in lieu of PRP for eight months (£)	✓		1,848			
Special responsibility allowance (£)	✓		11,762			
Payment in lieu of annual leave not taken (£)	✓	5,085	3,847			14,500
<b>Total overpayment (£)</b>		<b>16,119</b>	<b>31,603</b>	<b>4,096</b>	<b>10,450</b>	<b>50,783</b>

Notes:

- (1) The Department retrospectively agreed the facility to increase the pay of all NHS general and senior managers by three per cent in September 1996 backdated to September 1995 subject to the proviso that any upward movement in the pay ranges needed to be based on assessed performance. The Inquiry Team concluded that, whilst Tayside Health Board's decision to make the award of salary increases with effect from September 1995 was not on the basis of individually assessed performance, recovery of the overpayment would only be appropriate in the four instances where senior officers, who were already being paid at 100 per cent of their salary ranges during the period in question, received an additional three per cent consolidated pay increase.

Source: Kilshaw Report

## Appendix 2: Changes to the membership of Tayside Health Board and Tayside NHS Trusts

**Exhibit B: Changes to the membership of Tayside Health Board**

<b>Board membership as at:</b>	1 April 1997	1 April 1998	1 April 1999	1 April 2000	1 April 2001
<b>Chairman</b>	Mr Harry Nicoll (1)	Mrs Frances Havenga (2)	Mrs Frances Havenga	Mrs Frances Havenga	Mr Peter Bates (3)
<b>Non-executive members</b>	Mr Ian Sandison (4)	Mr Robin Presswood	Mr Robin Presswood	Mr Robin Presswood	Mr Robin Presswood
	Prof Charles Forbes	Prof Charles Forbes (5)	Prof David Rowley (6)	Prof David Rowley	Prof David Rowley
	Mrs Vera Joiner	Mrs Vera Joiner (5)	Mr George King	Mr George King	Mr George King
	Mr Malcolm May	Mr Malcolm May (5)	Mr Harry Terrell	Mr Harry Terrell	Mr Harry Terrell
	Mr Harry Nicoll (1)	Mr Harry Nicoll (5)	Miss Ann Crawford	Miss Ann Crawford	Miss Ann Crawford
	Dr Janice Silburn	Dr Janice Silburn (7)		Mr Murray Petrie (8)	Mr Murray Petrie
				Sir William Stewart (8)	Prof Jim McGoldrick
<b>Executive members</b>					
General manager (ex officio)	Miss Lesley Barrie (9)	Mr Tim Brett (10)	Mr Tim Brett	Mr Tim Brett	Mr Tim Brett
Director of Public Health	Dr Donald Coid	Dr Donald Coid (11)		Dr Drew Walker	Dr Drew Walker
Director of Finance		Mr David Clark (12)	Mr David Clark	Mr David Clark	Mr David Clark
Director of Commissioning & Strategic Management	Mr Nigel Young	Mr Nigel Young (13)	N/A	N/A	N/A
Director of Planning & Development	N/A	N/A	Miss Jeanette McMillan (14)	Dr Peter Williamson	Dr Peter Williamson

Source: Audit Scotland

### Notes:

1. Following the retirement of the previous chairman with effect from 31 March 1997, Mr Harry Nicoll was appointed Interim chairman from 1 April 1997 to 30 June 1997.
2. The Secretary of State appointed Mrs Frances Havenga as chairman for the period from 1 July 1997 until 30 June 2001. She resigned with effect from 30 June 2000.
3. Following Mrs Havenga's resignation, Mr Peter McKinlay served as Interim chairman. The Minister for Health and Community Care appointed Mr Peter Bates as chairman with effect from 1 December 2000.
4. Following completion of Mr Ian Sandison's period of office, Mr Robin Presswood was appointed as a Non-Executive Member with effect from 1 July 1997 until 30 June 2001.
5. The Minister terminated the offices of Mr Harry Nicoll, Mrs Vera Joiner, Professor Charles Forbes and Mr Malcolm May as Non-Executive Members with effect from 30 April 1998. The Minister replaced them with Miss Ann Crawford, Mr George King and Mr Harry Terrell effective from 1 May 1998 for the period until 31 March 2002.
6. Following receipt of nominations by the University of Dundee, the Minister appointed Professor David Rowley as Non-Executive Member from 31 December 1998 for the period until 31 March 2002.
7. Dr Janice Silburn completed her term of office on 31 March 1999.
8. Following the creation of Tayside Primary Care NHS Trust and Tayside University Hospitals NHS Trust with effect from 1 April 1999, the chairs of both trusts, Mr Murray Petrie and Sir William Stewart became "ex-officio" Non-Executive Members of Tayside Health Board with effect from 8 November 1999. Sir William Stewart resigned as chairman of Tayside University Hospitals NHS Trust with effect from 28 June 2000. His membership of Tayside Health Board also ceased at this date. In her capacity as acting chair of Tayside University Hospitals NHS Trust, Mrs Christine Grant became an ex-officio member of Tayside Health Board until she was succeeded by Prof Jim McGoldrick with effect from 1 December 2000.
9. Miss Lesley Barrie took voluntary early retirement with effect from 31 October 1997. Mr Donald McNeill was appointed Interim General Manager for the period from 7 October 1997 to 31 December 1997.
10. Mr Tim Brett was seconded from Dundee Teaching Hospitals NHS Trust as Acting General Manager with effect from 1 January 1998. He was substantively appointed to the post in September 1998.
11. Dr Donald Coid relinquished the position of Director of Public Health and his executive membership of the board with effect from 31 August 1998, when he took up a seconded position with the University of Dundee. Between Dr Coid's leaving on secondment and Dr Drew Walker's appointment as Director of Public Health with effect from 1 September 2000, Dr Sue Ibbotson and Dr Zelda Matthewson served as Director of Public Health although neither was appointed as an Executive member of the health board.
12. Mr John Hudson accepted early retirement with effect from July 1996. Mr Ian McDonald acted as Director of Finance until Mr David Clark was appointed in October 1996. Mr Clark was subsequently appointed as an Executive Member of the health board from 1 December 1997.
13. Mr Nigel Young resigned as Director of Commissioning and Strategic Management with effect from 10 November 1998.
14. Following an internal restructuring of the board's management arrangements, Miss Jeanette McMillan was appointed Director of Planning and Development and an Executive Member of the board with effect from 29 October 1998. Miss McMillan resigned from her position with effect from 17 December 1999 and was succeeded by Dr Peter Williamson who became an Executive Member of the health board with effect from 1 September 2000.



## Exhibit C: Changes to the membership of Tayside NHS Trusts

Board membership as at:	31 March 1999	1 April 1999	1 April 2000	1 March 2001
<b>Dundee Teaching Hospitals NHS Trust</b>				
Chairman	Sir Wm Stewart	–	–	–
Chief Executive	Mr H Waldner (1)	–	–	–
Director of Finance	Mr P Colville	–	–	–
<b>Dundee Healthcare NHS Trust</b>				
Chairman	Mr M Petrie	–	–	–
Chief Executive	Mr W Wells	–	–	–
Director of Finance	Mr D McLaren	–	–	–
<b>Perth and Kinross Healthcare NHS Trust</b>				
Chairman	Mr J Mathieson	–	–	–
Chief Executive	Mr F Brown	–	–	–
Director of Finance	Miss P Ballie	–	–	–
<b>Angus NHS Trust</b>				
Chairman	Major J Ingram	–	–	–
Chief Executive	Mr R Fletcher	–	–	–
Director of Finance	Mr R Oliver	–	–	–
<b>Tayside University Hospitals NHS Trust</b>				
Chairman	–	Sir Wm Stewart	Sir Wm Stewart	Prof Jim McGoldrick
Chief Executive	–	Mr P White	Mr P White	Mr P White
Director of Finance	–	Mr C Masson	Mr C Masson	Mr C Masson
<b>Tayside Primary Care NHS Trust</b>				
Chairman	–	Mr M Petrie	Mr M Petrie	Mr M Petrie
Chief Executive	–	Mr W Wells	Mr W Wells	Mr W Wells
Director of Finance	–	Mr D McLaren	Mr D McLaren	Mr D McLaren

Source: Audit Scotland

## Changes to the membership of Tayside NHS trusts

### Notes:

1. Mr Howard Waldner served as Chief Executive (Acting) of Dundee Teaching Hospitals NHS Trust from January 1998 following the secondment of Mr Tim Brett to Tayside Health Board.
2. Prof Jim McGoldrick replaced Sir William Stewart as chairman of Tayside University Hospitals NHS Trust with effect from 1 December 2000 following the latter's resignation with effect from 28 June 2000. Mrs Christine Grant, an existing Non-Executive Member of TUHT served as acting chair in the interim period.

## Appendix 3: Tayside Acute Services Review – final report options and recommendations

From an initial list of 23 different options for service configuration affecting general acute, children's and maternity services, the final report of the Tayside Acute Services Review published in January 2001 for formal public consultation, considered a shortlist of 12 options in detail. The Review team also indicated its preferred options for each of the three services in the final report.

### Shortlisted options

#### *General acute services*

**Option 1 – Do minimum.** Acute services would continue to be provided at Perth Royal Infirmary, Ninewells Hospital in Dundee and Stracathro Hospital in Angus. The option would require upgrading of existing buildings at Stracathro Hospital at a capital cost of £12 million, better space utilisation at all sites, some improvements in diagnostic facilities, the recruitment of additional consultants in medicine and care of the elderly at Stracathro Hospital and additional investment in ambulance services in north Angus.

**Option 2 – Acute services provided on three sites,** continuation of the same range of services in Dundee and Perth and the development of a District General Hospital in Angus. The option would require major upgrading of existing surgical and theatre block buildings at Stracathro Hospital together with the development of a new medical block and Intensive Care Unit at a total capital cost of £21 million. The option would also require improvements in some diagnostic technology and the recruitment of 15 additional consultants at Stracathro Hospital.

**Option 3 – One acute hospital site and intermediate care.** This option would see all in-patient care provided in Ninewells. The two other hospitals would be used to provide high levels of intermediate care (either to prevent patients from being admitted to an acute hospital or to treat patients once they have been discharged from the acute hospital) and ambulatory care e.g. day case surgery. The option would require investment of £51 million to enable: development of a new style community hospital in Angus; fewer services to be provided at Perth Royal Infirmary although some existing facilities would require upgrading; and a new ward block at Ninewells to provide treatment currently provided in Perth and Angus. There would also be a requirement for additional investment in ambulance services across Tayside and in community and primary care services.

**Option 7 – Two acute hospitals and a new style community hospital.** In this option the two acute hospitals in Dundee and Perth would continue to provide emergency and planned care. A new style community hospital providing ambulatory care, diagnostic and treatment centre and intermediate care would also be developed in Angus at an estimated cost of £28 million. The new community hospital would concentrate on providing care for people in the community so they do not have to be admitted to an acute hospital, providing beds for patients recovering once they have been discharged from hospital and ambulatory care. The option would not require new facilities at Ninewells to cope with additional patients from Angus but would necessitate investment in ambulance services in Angus and in community and primary care services.

**Option 7a** – Two acute hospitals and a developed community network. This option differs from Option 7 in that the third hospital would provide lower levels of ambulatory care such as out patient clinics and the development of community based services. The main difference with this option is that it utilises the community hospitals and potential Community Resource Centres in Angus, but will provide less locally comprehensive services. Investment of £30 million would still be required to build a new community hospital and additional investment would be required in ambulance services in Angus and in community and primary care services.

### *Children's services*

**Option 1** – Do minimum. The overall philosophy of paediatric care is to prevent admission to hospital wherever possible and to provide care at home. The option would continue with the present service delivery configuration, namely in-patient medical and surgical paediatrics provided at Ninewells and Perth Royal Infirmary. Outpatient services are provided throughout Tayside.

**Option 3** – Single in-patient unit plus day assessment unit. In this option there would be no changes to services in Dundee or Angus. An Assessment Unit would be established in Perth Royal Infirmary meaning that children in Perth and Kinross who need to be admitted to hospital would have to travel to Ninewells in Dundee. This will mean longer journey times and more need for ambulances.

**Option 5** – Single site in Dundee for all in-patient and day case services. In this option all hospital paediatric services would be provided at Ninewells with outpatient services provided throughout the region. As with Option 3 there would be no changes to services in Dundee and Angus but children in Perth and Kinross who need to be admitted to hospital would have to travel to Ninewells.

### *Maternity services*

**Option 1** – Do minimum. Antenatal and postnatal care accounts for the vast majority of maternity care. This is provided locally through family doctors and community midwives working with hospital based obstetricians and midwives. Over 95 per cent of all births in the region take place in hospital based maternity units. The option would continue with the present service delivery configuration, namely consultant led maternity units at Perth Royal Infirmary and Ninewells Hospital and three GP/Midwife Units in Angus.

**Option 3** – Single consultant unit. The option would see a single consultant led maternity unit at Ninewells serving the whole region with antenatal and postnatal care provided locally. Gynaecology services could be provided in Perth Royal Infirmary in a combined gynaecology and surgical unit.

**Option 4** – Two consultant led units and one midwife led unit. The option would provide consultant led maternity units at Perth Royal Infirmary and Ninewells Hospital and a single midwife led unit in Angus. The only change to existing services would be in Angus where some women would have to travel further to reach the single local unit.

**Option 6** – One consultant led unit and two midwife led units. This option would see the continuation of the consultant led maternity unit at Ninewells Hospital and the development of two midwife led units, one in Perth Royal Infirmary and one in Angus. Gynaecology services could be provided in Perth Royal Infirmary in a combined gynaecology and surgical unit. It is estimated

over 82 per cent of births would take place in the consultant led unit and 18 per cent in midwife units. The option would require all women who are high risk or who choose to have their baby in hospital would have to travel to Dundee. Some women in Angus would also have to travel further to reach the single local unit.

## Review recommendations

### *General acute services*

The Review recommended maintaining two acute medical and surgical receiving sites in Perth and Dundee and developing a new style community hospital in Angus (General acute services Options 7 and 7a). The emphasis was seen to be on improving diagnostic facilities at all three sites and providing as much day and day and stay investigation and treatment as possible. The report stated that the aim was to free up resources to invest in enhanced services in primary care and in partnership with local authorities and to maintain as many people as possible out of hospital.

The alternative options were considered to either fail to address the underlying pressures on acute services in Tayside (Option 1), makes inefficient use of resources (Option 2) or to contain considerable risks (Option 3). Options 7 and 7a were seen to have many attractions including real choice, the opportunity to build on the modernisation of care and the ability to conduct pilot studies at relatively low risk. Both options were also seen as affordable. In general the Review group favoured Option 7 over 7a.

### *Children's services*

The Review team considered the only safe option is to provide a single in patient site for all children's medical and surgical conditions (Children's services Option 5) with enhanced out patient and community services for children. A key concern for the Review team was to ensure the maintenance of paediatric care and clinical skills in the face of declining population and demand. Option 5 was seen as the only option to meet these concerns and would also permit significant investment in community services for children.

### *Maternity services*

The Review team concluded there must be a choice for parents as to whether they opt for midwife led or doctor led delivery of their babies. The paramount issue was the provision of a safe and happy outcome for all. To fulfil this, and bearing mind the declining birth rate in Tayside, the Review group recommended a single site maternity unit providing both midwife led maternity care alongside a consultant obstetrician led service (Maternity services Option 3). A single joint unit was seen to ensure the retention of key skills and the ability to train staff for the future. The Review team considered the retention of two consultant led units to be unsustainable both in terms of staff recruitment and retention, and in terms of affordability.

The Review group also recommended that the safety issues surrounding midwife led units remote from obstetrician access should be fully explored. If such units were found to be safe, then appropriately trained midwives could provide extended skills from them thus extending choice as to where mothers could have their babies (Option 6).





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ISBN 1 903433 30 4