

# NHS Tayside

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared by Audit Scotland

30 June 2022

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# Key messages

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## 2021/22 annual report and accounts

- 1** The financial statements of NHS Tayside, and its group, give a true and fair view of the state of affairs of the board as at 31 March 2022.
- 2** Expenditure and income in the financial statements was incurred or applied in accordance with any applicable enactments and guidance issued by Scottish Ministers.
- 3** The audited part of the remuneration and staff report, the performance report and the governance statement were all consistent with the financial statements and prepared in accordance with relevant legislation and directions made by Scottish Ministers.
- 4** The 2021/22 annual report and accounts were certified on 30 June 2022, in line with pre-Covid deadlines.

## Financial management

- 5** NHS Tayside has effective financial management arrangements. In June 2021, NHS Tayside's escalation level was reduced from stage 4 in the NHS Scotland Performance Escalation Framework to stage 2 escalation to reflect the board's improved financial position over recent years.
- 6** During the year the board repaid the outstanding balance of £4 million of brokerage loans of £7 million provided by the Scottish Government in 2019/20. These brokerage loans have now been fully repaid.
- 7** The board incurred additional revenue expenditure of £63.0 million, including £19.1 million related to the Health and Social Care Partnerships, due to Covid-19 during 2021/22. This was fully funded by the Scottish Government.
- 8** NHS Tayside reported a net surplus of £0.3 million against its annual Revenue Resource Limit during 2021/22 and delivered its targeted efficiency savings of £27 million, but only 22 per cent of these represented recurring savings. The board also achieved a break-even position over the three-year period from 2019/20 to 2021/22 in line with the Scottish Government financial framework.

## Financial sustainability

- 9 NHS boards across Scotland face significant financial challenges that have been exacerbated by the impact of the Covid-19 pandemic. Additional funding resulted in a 6 per cent increase in NHS Tayside's overall resource funding in 2021/22, but the Scottish Government has indicated that a similar increase in financial support will not be available in 2022/23.
- 10 In line with Scottish Government guidance the board developed a one year financial plan for 2021/22. NHS Tayside's one year Strategic Revenue Plan for 2022/23 identifies a financial gap of £51.2 million, reducing to £19.6 million after additional anticipated funding and planned savings. Additional savings plans now need to be developed to bridge this gap.
- 11 NHS Tayside's reliance on non-recurring savings to bridge its financial gap presents a risk to the longer-term financial sustainability of services. Rising energy costs, and other inflationary increases, could place additional financial pressure on the annual budget.
- 12 The requirement for NHS boards to produce three-year financial plans has been postponed to July 2022 due to the ongoing impact of the Covid-19 pandemic. NHS Tayside's three-year financial plan should be aligned with the national priorities advised by the Scottish Government and the local challenges faced by the board, and also include scenario planning of key financial assumptions.
- 13 During 2021/22 the board faced various workforce pressures, including Covid-19 absence and recruitment and retention issues. These staffing and service pressures contributed to a significant increase in agency staff costs during 2021/22 and continue to present a risk to the financial sustainability of services in the future. Further increases in energy costs, and other inflationary increases, could place additional financial pressure on the board during the course of 2022/23.
- 14 The successful management and delivery of the £257 million of projects within the capital plan for 2022/23 to 2026/27 will also be key to the board delivering sustainable services in the future. The board also need to prioritise the development of its Property and Asset Strategic Plan to support service delivery.

## Governance and transparency

- 15 In June 2021, NHS Tayside's level of escalation was reduced from stage 4 in the NHS Scotland Performance Escalation Framework to stage 2 for its governance and leadership and stage 3 for its mental health services.
- 16 Since March 2020, the board has revised its governance arrangements to reflect how it has responded to the Covid-19 pandemic. The governance

arrangements are described in the Annual Governance Statement. We have concluded that the revised arrangements are appropriate and continue to support good governance and transparency.

- 17** The board is conducting a Significant Adverse Event Review to investigate the circumstances relating to the loss of almost 500 sensitive patient case records. The findings from the review will be reported in August 2022.
- 18** The Minister for Mental Wellbeing and Social Care has appointed an independent Oversight and Assurance Group to work with the Tayside Executive Partnership to improve mental health services across Tayside. The group's first quarterly report highlighted a disparity between the assessments of the OAG and the TEP of the progress made in addressing the recommendations of the Trust and Respect report.
- 19** NHS Tayside must continue to work with its partners, including the third sector and those with lived experience, to address the public health crisis of drug deaths in Dundee.

## Value for money

- 20** The NHS in Scotland faces a significant challenge to clear the backlog of patients requiring treatment while transforming and improving the way services are delivered.
- 21** Key to NHS Tayside delivering its remobilisation plans, and longer-term recovery plans, will be ensuring clear links between the recovery plans and the board's financial planning, overarching clinical strategy, workforce planning, asset management and the digital strategy.
- 22** Covid-19 has significantly impacted upon the board's activity and waiting times performance during 2021/22, and contributed to a large increase in demand for acute services. Tackling this backlog of patient demand will continue to present a major challenge to the board in 2022/23 and beyond.
- 23** The board should continue to progress the development of its Best Value Framework to demonstrate that arrangements to secure best value are embedded across the organisation.
- 24** The board has arrangements in place to meet its responsibilities under the Equality Act 2010. There is also evidence that the Best Value principle of equality is embedded within many areas of the organisation. The board should proceed with the roll-out of the revised Equality Impact Assessment policy to ensure this is embedded across NHS Tayside and applied to all key strategies and policies.

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# Introduction

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## Scope of our audit

1. This report summarises the findings from our 2021/22 audit of NHS Tayside. The scope of our audit was set out in our Annual Audit Plan presented to the March meeting of the Audit and Risk Committee. This report comprises the findings from:

- our audit of the board's annual report and accounts
- a review of the board's key financial systems
- our consideration of the wider dimensions that frame the scope of public sector audit (financial management, financial sustainability, governance and transparency, and value for money) set out in the [Code of Audit Practice 2016](#).

## Continuing impact of Covid-19

2. As highlighted in our Annual Audit Plan, in common with all public bodies, NHS Tayside continues to deal with the operational and financial impact of the Covid-19 pandemic and there remain major challenges for the board across a range of areas. Risks related to the pandemic were included in our Annual Audit Plan and covered by our audit work.

## Adding value through the audit

3. We aim to add value to the board and help promote improved standards of governance, better management and decision-making and more effective use of resources, by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvement
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports, [Appendix 3](#), and good practice guides.

## Auditor Independence

4. Auditors appointed by the Auditor General for Scotland must comply with the [Code of Audit Practice 2016](#) and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**5.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £197,064, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

## Responsibilities and reporting

**6.** The board has responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction issued by Scottish Ministers. The board is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity.

**7.** Our responsibilities as independent auditor appointed by the Auditor General for Scotland are established by the Public Finance and Accountability (Scotland) Act 2000, the [Code of Audit Practice 2016](#), International Standards on Auditing in the UK, and supplementary guidance.

**8.** As public sector auditors we give independent opinions on the annual report and accounts. We also review and provide conclusions on the effectiveness of the board's performance management arrangements, suitability and effectiveness of corporate governance arrangements, its financial position and financial sustainability.

**9.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

**10.** This report raises matters from our audit of the annual report and accounts and our consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these matters does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**11.** An agreed action plan setting out specific recommendations, responsible officers and dates for implementation is included at [Appendix 1](#).

**12.** This report is addressed to the board and the Auditor General for Scotland and will be published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## External audit appointment for 2022/23 to 2026/27

**13.** The Auditor General for Scotland is responsible for the appointment of external auditors to Scottish health bodies. External auditors are appointed from either Audit Scotland's Audit Services Group or private firms of accountants. The financial year 2021/22 is the last year of the current audit appointment round.

**14.** The procurement process for the new round of audit appointments covering 2022/23 to 2026/27 was completed in May 2022 and Audit Scotland has again been appointed as the external auditor for NHS Tayside. Although Audit Scotland remain the board's external auditors, to maintain the

independence and objectivity of the audit team, the engagement lead and other staff working on the audit will be changed for the 2022/23 audit. The outgoing audit team will work with officers and the new audit team to ensure a smooth transition.

**15.** The new auditors will follow a new Code of Audit Practice which applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

## **Acknowledgement**

**16.** The audit team would like to thank all current and former board members, audit and risk committee members, and officers, particularly those in finance, for their co-operation and assistance over the period of the audit appointment.



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# 1. Audit of 2021/22 annual report and accounts

The annual report and accounts are the principal means of the board accounting for the stewardship of resources and its performance in using those resources

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## Main judgements

The financial statements of NHS Tayside, and its group, give a true and fair view of the state of affairs of the board as at 31 March 2022.

Expenditure and income in the financial statements was incurred or applied in accordance with any applicable enactments and guidance issued by Scottish Ministers.

The audited part of the remuneration and staff report, the performance report and the governance statement were all consistent with the financial statements and prepared in accordance with relevant legislation and directions made by Scottish Ministers.

The 2021/22 annual report and accounts were certified on 30 June 2022, in line with pre-Covid deadlines.

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## Our audit opinions on the annual report and accounts are unmodified

**17.** The annual report and accounts for the year ended 31 March 2022 were approved by the Board, and certified by the appointed auditor, on 30 June 2022. As reported in the independent auditor's report:

- the financial statements of NHS Tayside, and its group, give a true and fair view of the state of affairs of the board as at 31 March 2022
- expenditure and income in the financial statements was incurred or applied in accordance with any applicable enactments and guidance issued by Scottish Ministers
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

## **The 2021/22 annual report and accounts were certified on 30 June 2022, in line with pre-Covid deadlines**

**18.** During 2019/20 and 2020/21 the impact of the Covid-19 pandemic resulted in the Scottish Government's deadline for the submission of health board audited annual report and accounts being extended. For 2021/22 the Scottish Government returned the deadline back to 30 June 2022.

**19.** We received the unaudited annual report and accounts on 5 May 2022 in line with the agreed audit timetable. The accounts and working papers presented for audit were of a good standard and management and finance staff provided excellent support to the team during the audit process. This helped ensure that the final accounts audit was completed in line with the audit timetable and the 2021/22 annual report and accounts were certified on 30 June 2022.

## **Our audit approach and testing was informed by the overall materiality level of £13.377 million**

**20.** Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the interpretation and decisions of users of the financial statements. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law or an area that is of public interest). In forming our opinion on the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

**21.** Our initial assessment of materiality was carried out during the planning phase of the audit and was based on the financial results reported in the audited 2020/21 Annual Report and Accounts. These materiality levels were reported in our Annual Audit Plan to the March 2022 meeting of the Audit and Risk Committee.

**22.** On receipt of the unaudited 2021/22 Annual Report and Accounts we recalculated our materiality levels based on the financial results for the year ended 31 March 2022. Our audit approach and testing were adapted to reflect the recalculated materiality levels. Our final materiality levels are detailed in [Exhibit 1](#).

## Exhibit 1

### Materiality values

Materiality level	Amount
<b>Overall materiality:</b> This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of the board's gross expenditure for the year ended 31 March 2022.	£13.377 million
<b>Performance materiality:</b> This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. In determining the performance materiality level we considered the nature and extent of misstatements identified in previous audits, the extent of estimation and subjectivity in producing the values for the annual report and accounts, and the level of planned coverage through our audit testing. Using our professional judgement, we have set performance materiality at 60% of overall materiality.	£8.026 million
<b>Reporting threshold:</b> We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been capped at the maximum amount allowable under Audit Scotland's audit approach.	£0.250 million

Source: Audit Scotland

## Our audit identified and addressed the significant risks of material misstatement

**23.** [Exhibit 2](#) provides our assessment of the significant risks of material misstatement for the annual report and accounts for the 2021/22 audit. It details the work we undertook to address these risks and our conclusions from this work. We also identified two wider audit dimension risks for this year's audit as part of our responsibilities under the [Code of Audit Practice 2016](#). The audit findings on these risks relating to Covid recovery and transformation and mental health services are included in this report, [Appendix 2](#) summarises our findings. These risks influenced our overall audit strategy and the allocation of staff resources to the audit.

**Exhibit 2****Identified significant risk of material misstatement in the financial statements**

Significant risk of material misstatement	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries with a focus on significant risk areas, including year-end and post-close down entries.</li> <li>• Focussed testing of accruals and prepayments.</li> <li>• Substantive testing of income and expenditure transactions around the year-end to confirm they have been accounted for in the correct financial year.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> </ul>	<p><b>Satisfactory</b></p> <p>The completion of the assurance procedures did not identify any evidence of management override of controls.</p>

Source: Audit Scotland

### **We reported the significant findings from the audit to those charged with governance prior to the annual report and accounts being approved and certified**

**24.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the board's accounting practices.

**25.** The significant findings are summarised in [Exhibit 3](#). Our audit also identified other presentation and disclosure issues which were discussed with management. These were all adjusted in the audited annual report and accounts and none were significant enough to require to be separately reported under ISA 260.

**Exhibit 3****Significant findings from the audit in accordance with ISA260**

Issue	Resolution
<p><b>1. Family Health Service (FHS) year-end balances</b></p> <p>Our testing of the FHS year-end balances at 31 March 2022 identified that £12.844 million of FHS income accruals had been netted off against the year-end FHS expenditure accrual. Netting off these balances against each other is not permitted by the NHS 2021/22 Accounts Manual. As a result, both the 'current trade and other receivables' balance and the 'current trade and other payables' balance were understated by £12.844 million in the unaudited 2021/22 annual report and accounts.</p>	<p>Management has made the necessary accounting adjustments in the audited 2021/22 annual report and accounts.</p> <p>This adjustment increased both the 'current trade and other receivables' balance and the 'current trade and other payables' balance in the Consolidated Statement of Financial Position by £12.844 million, and therefore had a nil impact on the 'Assets less liabilities' figure reported at 31 March 2022.</p>
<p><b>2. Post-audit change to Core Revenue Resource Limit allocation</b></p> <p>The Annual Reports and Accounts presented for audit reported an underspend of £0.256 million against the board's 'Core Revenue Resource Limit' of £1,089.065 million for the year ended 31 March 2022.</p> <p>During the course of the audit, the Scottish Government notified the board of an increase in its 'Core Revenue Resource Limit' for the year to £1,089.395 million, with the additional £0.330 million of funding related to non-board directed services delivered by the integration joint boards.</p>	<p>Management has made the necessary accounting adjustments in the audited 2021/22 annual report and accounts.</p> <p>As the additional £0.330 million of funding provided all related to non-board directed services delivered by the integration joint boards, it was matched by a corresponding increase in the board's expenditure for the year to reflect an additional funding contribution from NHS Tayside to the IJBs for 2021/22. As a result, this post-audit change did not impact on the underspend of £0.256 million reported against the board's 'Core Revenue Resource Limit' for the year ended 31 March 2022.</p>
<p><b>3. Post-audit change to Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) provision balance</b></p> <p>All NHS boards participate in the CNORIS scheme which is administered by the Scottish Government and allows for risk pooling of legal claims in relation to clinical negligence and other risks, and works in a similar manner to an insurance scheme.</p> <p>The Annual Reports and Accounts presented for audit included a provision of £52.992 million in relation to NHS Tayside's liability for participating in the scheme, based on the Scottish Government's assessment of the board's share of the national obligations at 31 March 2022. The movement in this liability between years is charged</p>	<p>Management has made the necessary accounting adjustments in the audited 2021/22 annual report and accounts.</p> <p>This decreased both the 'Net expenditure for the year ended 31 March 2022' figure reported in the Statement of Consolidated Net Expenditure, and the 'non-current provisions as at 31 March 2022' figure, by £0.637 million.</p> <p>To reflect the reduction in the value of the board's share of the national obligations at 31 March 2022, the Scottish Government reduced NHS Tayside's 'Non Core Revenue Resource</p>

Issue	Resolution
<p>against the board's 'Non Core Revenue Resource Limit'.</p> <p>On 18 May 2022, the Scottish Government notified NHS Tayside of an adjustment to the total national obligations figure which impacted on the figures advised to all NHS boards. This resulted in the value of the board's share of the national obligations at 31 March 2022 decreasing by £0.637 million to £52.355 million.</p>	<p>Limit' for the year by £0.637 million from £34.385 million to £33.748 million.</p>
<p><b>4. Post-audit change for Lateral Flow Devices provided by the UK Government</b></p> <p>In late June 2022, all boards received notice from NHS National Services Scotland (NSS) that Lateral Flow Devices (LFD) provided by the UK Government, and distributed by the boards, during the year should be recognised within the 2021/22 Annual Report and Accounts. This required NHS Tayside to disclose £5.223 million as donations and recognise this value as both income and expenditure in the audited accounts.</p>	<p>Management has made the necessary accounting adjustments in the audited 2021/22 annual report and accounts.</p> <p>This adjustment increased both the income and expenditure figures in the Statement of Consolidated Comprehensive Net Expenditure by £5.223 million, and therefore had a nil impact on the 'Comprehensive Net Expenditure' figure reported for the year ended 31 March 2022.</p>
<p><b>5. Accounting treatment of unspent North of Scotland Innovation Fund income</b></p> <p>Our testing of year-end journals included a journal posted in respect of £0.406 million of unspent North of Scotland Innovation Fund income. This had been accounted for in the unaudited accounts as deferred income (i.e. an obligation where a future service is required to be performed before the income can be recognised). Following review of the nature of this income we established that there were no conditions attached to it that could require the health board to return the unspent money. Therefore, the full value of the North of Scotland Fund income carried forward at 31 March 2022 should have been recognised as income in the 2021/22 annual report and accounts. As a result, the 'operating income' figure in the Statement of Consolidated Comprehensive Net Expenditure has been understated by £0.406 million and the 'Trade and Other Payables' balance in the Consolidated Statement of Financial Position has been overstated by the same amount. The reported surplus against the board's Core Revenue Resource Limit for the year had also been understated by £0.406 million.</p>	<p>Management has chosen not to make an adjustment for this in the audited 2021/22 annual report and accounts and we have reported it as an unadjusted error at paragraph <a href="#">26.</a>.</p> <p>This unadjusted error does not impact upon our audit opinions on the annual report and accounts set out at paragraph <a href="#">17.</a>.</p>

## We have one unadjusted error of £0.4 million to report

**26.** It is our responsibility to request that all misstatements above the reporting threshold are corrected. The five issues set out in [Exhibit 3](#) were the only monetary errors identified during the audit that exceeded our reporting threshold of £0.250 million. As detailed in [Exhibit 3](#), management corrected four of these errors in the audited 2021/22 annual report and accounts, and chose not to adjust for the other issue relating to the accounting treatment of the £0.406 million of unspent North of Scotland Innovation Fund income.

## Management has agreed to review the arrangements for the preparation of the exit packages table within the Remuneration Report and Staff Report to ensure it accurately reflects exit packages approved during the year

**27.** As part of our audit of the Remuneration Report and Staff Report we reviewed the cases included in the exit packages table. This identified that:

- One case disclosed in the '£50,000 - £100,000' banding in the table should have been reported in 2020/21 as the obligation on the board was created prior to 31 March 2021, despite the individual not leaving the board's employment until 2021/22. As the value of this case is below our reporting threshold, and would not have impacted on the board's achievement of its 2020/21 financial targets, we did not request a prior year adjustment to be made in respect of this. However, management has included a footnote below the exit packages table in audited 2021/22 Annual Report and Accounts to clarify the timing of the exit package approval.
- One case disclosed in the 'less than £10,000' banding in the table related to a payment made in respect of an employment tribunal economic settlement rather than an exit package. As such, this should not have been included within the exit packages table within the Remuneration Report and Staff Report. This case has been removed from the table in the audited 2021/22 Annual Report and Accounts.

**28.** Management has agreed to review the arrangements for the preparation of the exit packages table within the Remuneration Report and Staff Report for 2022/23 to ensure it accurately reflects exit packages approved during the year.

## The performance report was of a good standard

**29.** In addition to the opinion on the performance report at paragraph [17.](#), we also consider the qualitative aspects of the board's performance report. The performance report should provide information on the board, its main objectives and the principal risks faced. It should also provide a fair, balanced and understandable analysis of a board's performance as well as helping stakeholders understand the financial statements.

**30.** There are a number of characteristics of financial reporting which make for a high quality performance report. As part of our audit, we reviewed the performance report included in the 2021/22 annual report and accounts

against good practice notes issued by Audit Scotland on the content of performance reports for NHS and central government bodies. We concluded that the board's 2021/22 performance report complies with recommended good practice.

## **Progress with prior year recommendations has been impacted by the Covid-19 pandemic**

**31.** We included four recommendations in our 2020/21 Annual Audit Report. Two of these, relating to savings plans (paragraphs [45.](#) to [46.](#)) and Board member training and development (paragraphs [127.](#) to [130.](#)), were completed during 2021/22. The other two, relating to financial planning (paragraphs [73.](#) and [74.](#)) and Best Value (paragraphs [194.](#) to [199.](#)), have still to be fully implemented. However, we accept that progress with these recommendations has been impacted by the Covid-19 pandemic.

**32.** For the two actions not yet fully implemented, revised responses and timescales have been agreed with management, as set out in [Appendix 1](#).



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## 2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively

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### Main judgements

NHS Tayside has effective financial management arrangements. In June 2021, NHS Tayside's escalation level was reduced from stage 4 in the NHS Scotland Performance Escalation Framework to stage 2 escalation to reflect the board's improved financial position over recent years.

During the year the board repaid the outstanding balance of £4 million of brokerage loans of £7 million provided by the Scottish Government in 2019/20. These brokerage loans have now been fully repaid.

The board incurred additional revenue expenditure of £63.0 million, including £19.1 million related to the Health and Social Care Partnerships, due to Covid-19 during 2021/22. This was fully funded by the Scottish Government.

NHS Tayside reported a net surplus of £0.3 million against its annual Revenue Resource Limit during 2021/22 and delivered its targeted efficiency savings of £27 million, but only 22 per cent of these represented recurring savings. The board also achieved a break-even position over the three-year period from 2019/20 to 2021/22 in line with the Scottish Government financial framework.

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### During 2021/22 the board moved to stage 2 of the Scottish Government's escalation process for its financial position

**33.** In 2018/19, as result of concerns over the board's financial management and sustainability of its services, the Cabinet Secretary for Health and Sport put NHS Tayside on stage 5 of the NHS Scotland Performance Escalation Framework, the highest level of government intervention. In February 2019, due to improvements made by the board, the Cabinet Secretary reduced this to stage 4 escalation, and this was further reduced in June 2021 to stage 2 escalation for its financial position. This reflects the good progress made by the board in recent years.

### NHS Tayside had appropriate budget setting and monitoring arrangements in place during 2021/22

**34.** The pressures facing the NHS continue to intensify. The requirement to produce three-year financial plans as part of the medium term financial

framework has been paused due to the pandemic and NHS boards were only required to complete a one-year plan for 2021/22.

**35.** In April 2021 the Board approved the NHS Tayside Strategic Financial Plan for 2021/22. This included an overall budget for 2021/22 of £1,038.2 million. The plan highlighted that achieving a break-even position for the year was dependent upon the delivery of efficiency savings of £27 million (4.4 per cent of the board directed services budget) to close the identified financial gap.

**36.** The financial plan included Covid-19 and remobilisation costs of £66.4 million based on the board's estimate of the financial impact of the pandemic, including increased costs for Covid-19 related activity and decreased costs due to reduced demand in other areas.

**37.** During 2021/22 budget monitoring reports were taken to each meeting of the Performance and Resources Committee and the Board to report on any budget revisions during the year, expenditure against the phased budget for the year, and the projected outturn for the year. The reports also highlighted any other key issues for Board members attention received including the delivery of savings plan and any risks to the delivery of the financial plan.

**38.** Based on our review of the 2021/22 budget setting process, and the arrangements in place to monitor and report on the financial position throughout the year, we have concluded that NHS Tayside had appropriate budget setting and monitoring arrangements in place. These included arrangements in place to monitor and report on the impact of Covid-19 on the board's finances during the year.

## **NHS Tayside operated within its annual Revenue Resource Limit during 2021/22**

**39.** The Scottish Government Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements which NHS boards are required by statute to work within. These allocations are routinely revised by the Scottish Government during the course of each financial year to reflect changes in activity and demand for services across the health sector in Scotland.

**40.** The Scottish Government paused the normal financial planning arrangements under the Scottish Government's Health and Social Care Medium Term Financial Framework, due to the pandemic, and announced that all Health Boards would be fully funded for Covid-19 costs in 2021/22. Throughout the year, additional non-recurring funding allocations were provided based on the estimated financial impacts of the pandemic on the board.

**41.** NHS Tayside made an operating surplus of £4.256 million in 2021/22. £4 million of this surplus was used to repay the outstanding balance of brokerage loans of £7 million provided to the board by the Scottish Government in 2019/20. This resulted in a net surplus of £0.256 million at the year end which, as shown in [Exhibit 4](#), was within the board's core revenue resource limit for the year.

**Exhibit 4****NHS Tayside operated within its annual revenue and capital resource limits in 2021/22**

<b>Performance against resource limits set by SGHSCD</b>	<b>Resource Limit £m</b>	<b>Actual £m</b>	<b>Underspend £m</b>
Core revenue resource limit	1,089.395	1,089.139	0.256
Non-core revenue resource limit	33.748	33.748	0
<b>Total revenue resource limit</b>	<b>1,123.143</b>	<b>1,122.887</b>	<b>0.256</b>
Core capital resource limit	30.089	30.089	0
Non-core capital resource limit	0.388	0.388	0
<b>Total capital resource limit</b>	<b>30.477</b>	<b>30.477</b>	<b>0</b>
<b>Cash requirement</b>	<b>1,122.321</b>	<b>1,122.321</b>	<b>0</b>

Source: NHS Tayside Annual Report and Accounts 2021/22

### **The financial impact of Covid-19 was covered by additional Scottish Government funding during 2021/22**

**42.** As in 2020/21, the Scottish Government committed to provide additional funding to territorial health boards and health and social care partnerships to cover the ongoing financial impact of the Covid-19 pandemic during 2021/22, including the anticipated remobilisation costs. NHS Tayside's Strategic Financial Plan 2021/22 identified that £66.4 million would be required to cover these costs for board directed and delegated budgets.

**43.** NHS Tayside tracked direct Covid-19 related revenue expenditure using specific account codes in the general ledger during 2021/22 and provided updates to each meeting of the Board, and quarterly updates to the Scottish Government, on the projected costs for the year. Final net Covid-19 expenditure incurred for 2021/22 totalled £63.0 million, with £43.9 million spent on board directed services (£42.6 million in 2020/21) and £19.1 million provided to Health and Social Care Partnerships for Covid-19 costs (£22.0 million in 2020/21). [Exhibit 5](#) provides a breakdown of Covid-19 expenditure on board directed services during 2021/22.

**44.** We are satisfied that NHS Tayside had appropriate arrangements in place to monitor and report on Covid-19 expenditure and funding.

**Exhibit 5****NHS Tayside Covid-19 expenditure on board directed services 2021/22**

Board directed service	Cost £m	Details
Covid vaccination programme	11.9	Staffing and consumable costs only
Maintain / scale up – additional capacity	13.7	Relates mainly to the emergence of the Omicron wave
Test and Protect, screening and testing	5.9	Lab and community testing as well as Test and Protect
Remobilisation	2.0	Mainly in relation to step-up in activity
Infection, prevention and control	1.8	Continuation of deep cleans in clinical areas
Equipment and maintenance	1.6	Various equipment and maintenance costs
Other costs	7.0	Transport, loss of income, Digital and Community Assessment Centres
<b>Total Covid-19 costs</b>	<b>43.9</b>	

Source: Revenue Financial Report to the Performance and Resources Committee (June 2022)

### **The board delivered the targeted efficiency savings of £27 million, but only 22 per cent of these represented recurring savings**

**45.** As detailed at paragraph [34.](#), the board's achievement of a break-even position for 2021/22 was dependent upon the delivery of efficiency savings of £27 million to close the identified financial gap. As shown in [Exhibit 6](#), the board achieved the overall targeted efficiency savings for the year and did not require any additional Scottish Government support to deliver the targeted savings or to balance its core position. The board was not able to deliver the planned savings through embedding service redesign, largely related to Covid-19, but achieved higher than anticipated cash releasing efficiency savings.

**46.** We also noted that the board relied heavily on non-recurring measures with only 22 per cent of the savings achieved during the year representing recurring savings. The board's Strategic Financial Plan had targeted 30 per cent of savings being achieved on a recurrent basis.

**Exhibit 6****The board delivered the targeted efficiency savings of £27 million in 2021/22**

Efficiency category	Targeted savings £m	Actual savings delivered £m	(Under) / Over delivery £m
Cash Releasing Efficiency – Efficiency target on clinical services and facilities	11.0	13.0	2.0
Slippage in Financial Plan earmarks – Slippage on earmarks / reserves for changes or delays in achievement of planned objectives	5.0	11.0	6.0
Corporate Efficiencies – Efficiency target on all corporate services	1.0	1.0	-
Potential to secure additional funding – Extra funding received during the course of the year to offset costs	2.0	2.0	-
Embed service redesign (Covid-19) – Savings related to changes in service delivery models	2.0	0.0	(2.0)
Further efficiencies identified in the year	6.0	0.0	(6.0)
<b>Total efficiency savings</b>	<b>27.0</b>	<b>27.0</b>	<b>-</b>

Source: Revenue Financial Report to the Performance and Resources Committee (June 2022)

### **NHS Tayside's overall contribution to the Integration Joint Boards was £30 million greater in 2021/22 than in the prior year, with unspent funds retained in IJB reserves**

**47.** NHS Tayside delegates responsibility for a specified range of health and social care services to the three IJBs in its area: Angus IJB, Dundee City IJB and Perth and Kinross IJB and passes the budgets associated with these services to the IJBs. The budget is amended throughout the year to reflect additional funding received by the board for IJB services. Under the integration financial guidance, any funding unspent at the year-end belongs to the IJBs and is retained by them to be held in reserves for use in future years.

**48.** NHS Tayside's total contribution to IJBs increased by £30 million from £551 million in 2020/21 to £581 million in 2021/22. This reflected the anticipated additional costs and demand, and extra Scottish Government funding, for health and social care services in the wake of the Covid-19 pandemic.

**49.** As actual activity was less than projected for the year, the three IJBs retained underspends totalling £55.4 million for 2021/22, with £36.8 million relating to unspent Covid-19 funding. This increased their total reserves

balances at 31 March 2022 to £84.5 million, with £44.5 million of this balance being unspent Covid-19 funding. These reserve balances will be utilised in future years to offset overspends on health and social care services.

## The board achieved a break-even position over the three-year period from 2019/20 to 2021/22 in line with the Scottish Government financial framework

**50.** With effect from 2019/20, the Scottish Government introduced a new approach to financial planning and target setting. This removed the requirement for boards to achieve financial balance annually and instead requires boards to achieve a break-even position over a rolling three-year period. This enables NHS boards to exercise annual flexibility within 1% of their core revenue resource limit.

**51.** As shown in [Exhibit 7](#), NHS Tayside has delivered a break-even position over the three-year period from 2019/20 to 2021/22. The reported surplus for 2019/20 included brokerage loans of £7 million which were fully repaid by the board during 2020/21 (£3 million) and 2021/22 (£4 million).

### Exhibit 7

#### The board achieved a break-even position over the last three 3-year period

Year	Outturn Surplus / (Deficit) £m	Brokerage Borrowed / (Repaid) £m	Reported Outturn Surplus / (Deficit) £m
2019/20	(6.791)	7.000	0.209
2020/21	3.177	(3.000)	0.177
2021/22	4.256	(4.000)	0.256
<b>3-year position over 2019/20 to 2021/22</b>	<b>0.642</b>	<b>-</b>	<b>0.642</b>

Source: NHS Tayside Annual Report and Accounts 2019/20 to 2021/22

## The board managed the delivery of capital projects totalling £31.3 million during the year

**52.** NHS Tayside's approved Capital Plan 2021/22 set out capital projects for the year totalling £29.0 million. During the year revisions were made to the capital programme to reflect additional activity, including Covid-19 capital expenditure, resulting in overall capital spend for 2021/22 of £31.3 million.

**53.** The main capital projects progressed by NHS Tayside during the year included spend on medical equipment (£12.1 million), electrical infrastructure at Ninewells Hospital (£7.1 million), children's theatre suite (£3.1 million), National Treatment Centre Tayside (£1.9 million) and Tayside thrombectomy imaging facilities (£1.6 million).

## **In February 2022 the Director of Finance revised the Senior Finance structure to strengthen the board's finance function**

**54.** In February 2022 the Director of Finance strengthened the board's finance function with the permanent appointments to the Senior Finance Team of a Chief Finance Officer for Acute Services, and Assistant Directors of Finance covering Infrastructure and Corporate Finance activities. These appointments are intended to provide additional finance capacity to support the Director of Finance and assist the board in meeting its future financial challenges.

## **The key controls over the board's main financial systems operated effectively during 2021/22**

**55.** As part of our audit we identify and evaluate the key internal controls in those accounting systems significant to the production of the financial statements. Our objective is to gain assurance that NHS Tayside has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**56.** Our management letter was presented to the Audit and Risk Committee in May 2022 and included our findings from the review of systems of internal controls. We concluded that the key controls over the board's main financial systems were operating as specified and we did not identify any issues that represented a risk of material misstatement for the 2021/22 financial statements. We did though identify two areas where a control could be strengthened, or the audit trail retained could be improved.

**57.** Management agreed an action plan to address the areas where controls could be strengthened and we adapted our audit approach to auditing payroll to reflect these findings.

## **Internal audit concluded that the board had adequate and effective internal controls in place during the year**

**58.** The board's internal audit function is carried out by FTF Audit and Management Services (FTF). FTF have concluded their 2021/22 audit work and presented their Annual Audit Report, which included the annual internal audit opinion, to the June 2022 Audit and Risk Committee.

**59.** As part of 2021/22 audit risk assessment, we reviewed the board's internal audit function to ensure it operated in accordance with Public Sector Internal Audit Standards (PSIAS) and to determine the extent to which we could use their work in terms of International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors).

**60.** We have concluded that internal audit satisfies the requirements of PSIAS. We have placed reliance on the work of internal audit on payroll standing data for our 2021/22 financial statements audit. We have also considered the work of internal audit in selected areas for our wider dimensions audit responsibilities. This work has informed our views on the wider dimension issues included in this report.

**61.** Internal Audit's draft annual report was considered by the June meeting of the Audit and Risk Committee and set out the Chief Auditor's conclusion as to

the adequacy and effectiveness of the board's system of internal control: *“The Board has adequate and effective internal controls in place”* and *“The Accountable Officer has implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of this role.”*

**62.** Internal Audit's annual report included 7 recommendations, with 4 classed as significant recommendations relating to: sustainability, clinical governance improvements, Covid-19 funding and the implementation of the Digital Strategy. Management has agreed action to address these recommendations and also set target dates for their completion. The progress in delivering these actions will be monitored and reported by Internal Audit during 2022/23.

**63.** The Internal Audit Annual Plan for 2021/22 included a review of the financial management arrangements of the board. However, due to competing demands for internal audit resources during the year, including the completion of unplanned work for the board and follow-up of previous unimplemented recommendations, this review has been rephased and will now be completed in 2022/23. This change was agreed with management and the Audit and Risk Committee, and discussed with ourselves as external auditors, and we accepted that it reflected a sensible prioritisation of internal audit activity and resources. This did not impact on the assurances needed by the board for the 2021/22 accounts.

## Shared systems can be relied on for recording board costs

**64.** NHS Tayside, and other territorial health boards in Scotland, use a number of shared systems and frameworks to process transactions and facilitate other financial activity. Each year the NHS in Scotland procures service audits for these shared systems to provide assurances that they have operated as expected and the information held on these systems is accurate and reliable.

**65.** For 2021/22 NHS National Services Scotland (NSS) procured service audits covering primary care payments (Practitioner Services), the national IT contract and payroll; and NHS Ayrshire and Arran procured a service audit of the National Single Instance eFinancials service. All of the service auditor assurance reports were unqualified, although both the national IT Services and Practitioner Services service auditor assurance reports contained an emphasis of matter to highlight the additional matters taken into consideration to achieve that opinion, and improvements required.

**66.** As external auditors we have considered the content of these service auditor assurance reports. We have no significant findings from this review to report.

**67.** The outcome of the 2021/22 service audits is reflected in the Governance Statement in NHS Tayside's 2021/22 Annual Report and Accounts.



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## 3. Financial sustainability

Financial Sustainability looks forward to the medium and long term to consider whether a board is planning effectively to continue to deliver its services into the future

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### Main judgements

NHS boards across Scotland face significant financial challenges that have been exacerbated by the impact of the Covid-19 pandemic. Additional funding resulted in a 6 per cent increase in NHS Tayside's overall resource funding in 2021/22, but the Scottish Government has indicated that a similar increase in financial support will not be available in 2022/23.

In line with Scottish Government guidance the board developed a one year financial plan for 2021/22. NHS Tayside's one year Strategic Revenue Plan for 2022/23 identifies a financial gap of £51.2 million, reducing to £19.6 million after additional anticipated funding and planned savings. Additional savings plans now need to be developed to bridge this gap.

NHS Tayside's reliance on non-recurring savings to bridge its financial gap presents a risk to the longer-term financial sustainability of services. Rising energy costs, and other inflationary increases, could place additional financial pressure on the annual budget.

The requirement for NHS boards to produce three-year financial plans has been postponed to July 2022 due to the ongoing impact of the Covid-19 pandemic. NHS Tayside's three-year financial plan should be aligned with the national priorities advised by the Scottish Government and the local challenges faced by the board, and also include scenario planning of key financial assumptions.

During 2021/22 the board faced various workforce pressures, including Covid-19 absence and recruitment and retention issues. These staffing and service pressures contributed to a significant increase in agency staff costs during 2021/22 and continue to present a risk to the financial sustainability of services in the future. Further increases in energy costs, and other inflationary increases, could place additional financial pressure on the board during the course of 2022/23.

The successful management and delivery of the £257 million of projects within the capital plan for 2022/23 to 2026/27 will also be key to the board delivering sustainable services in the future. The board also need to prioritise the development of its Property and Asset Strategic Plan to support service delivery.

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## NHS boards across Scotland face significant financial challenges that have been exacerbated by the impact of the Covid-19 pandemic

**68.** In February 2022 the Auditor General for Scotland published the [NHS in Scotland 2021](#) report. The key messages in the report highlighted that the NHS in Scotland was not financially sustainable before the pandemic and responding to Covid-19 has increased those pressures.

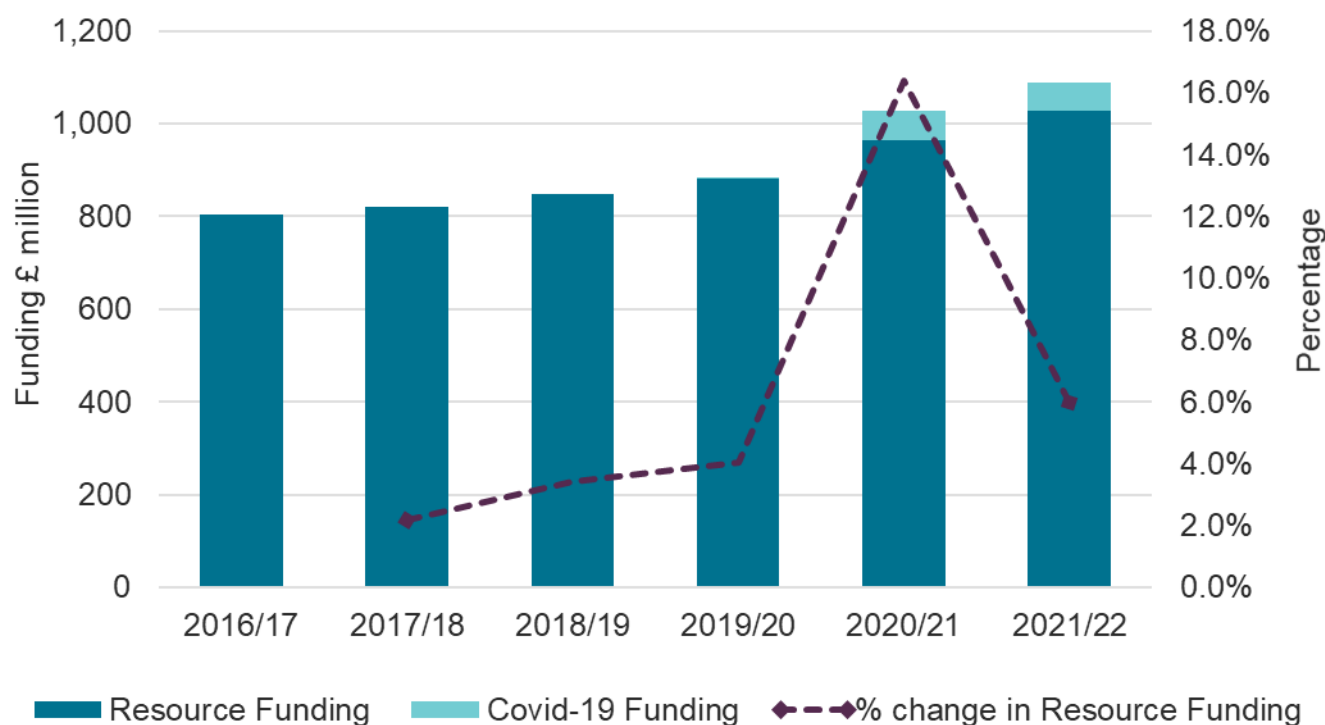
**69.** The report noted that the Covid-19 pandemic had resulted in significant additional expenditure across the NHS and had a considerable impact on NHS boards' ability to achieve efficiency savings. It also warned that NHS boards face an uncertain and challenging financial position in 2021/22 and beyond.

## Additional funding resulted in a 6 per cent increase in NHS Tayside's overall resource funding in 2021/22, but the Scottish Government has indicated that a similar increase in financial support will not be available in 2022/23

**70.** Revenue funding to NHS Tayside from the Scottish Government increased by 6 per cent during 2021/22, compared to 2020/21 ([Exhibit 8](#)). This included additional funding of £63.0 million for Covid-19 related expenditure (£64.6 million in 2020/21), paragraphs [42.](#) to [44.](#) .

**71.** The Scottish Government budget for 2022/23 includes a baseline funding uplift of £22.2 million (2.7 per cent) for NHS Tayside, and additional anticipated allocations of £218.0 million, to give total resource funding of £1,083.7 million. Of the £1,083.7 million funding available to NHS Tayside for 2022/23, £633.1 million has been provided to support Board Directed Services and £450.6 million is delegated to the three Health and Social Care Partnerships.

**72.** NHS Tayside's Strategic Revenue Plan for 2022/23 predicts its Covid-19 costs will be £46.1 million for the year. However, the Scottish Government's Director of Health Finance and Governance notified the board on 1 June 2022 that only £17.8 million has been allocated to fund additional Covid-19 costs on board directed services during 2022/23. IJB reserve balances at 31 March 2022 will be available to fund additional Covid-19 costs on non-board directed costs, paragraphs [84.](#) to [86.](#) .

**Exhibit 8****Core Revenue Resource funding to NHS Tayside increased by 6 per cent in 2021/22**

Source: NHS Tayside / Audit Scotland

### The requirement for NHS boards to produce three-year financial plans has been postponed to July 2022 due to the ongoing impact of the Covid-19 pandemic

**73.** NHS boards work within a three year financial framework. However, the requirement to produce three-year financial plans as part of the medium term financial framework was paused by the Scottish Government due to the pandemic, and NHS boards were only asked to complete a one year plan for 2021/22.

**74.** For 2022/23 NHS boards were again asked to complete a one year plan following the approval of the Scottish Government budget on 10 February 2022. NHS boards were also advised that they would be required to submit a three-year financial plan, covering the period 2022/23 to 2024/25, to the Scottish Government Health Finance and Governance Directorate in July 2022.

**75.** Boards were informed in June 2022 that the requirement to produce three-year delivery plans has been further postponed due to the ongoing impact of the Covid-19 pandemic. It is now anticipated that boards will be asked to prepare these later in 2022/23, and further guidance on this from the Director General for Health & Social Care and Chief Executive of NHS Scotland is expected in July 2022.

**76.** NHS Tayside's three-year financial plan should be aligned with the national priorities advised by the Scottish Government, paragraphs [180.](#) to [182.](#), and

the local challenges faced by the board, and also include scenario planning of key financial assumptions.

## Recommendation 1

NHS Tayside's three-year financial plan should be aligned with the national priorities advised by the Scottish Government and the local challenges faced by the board, and also include scenario planning of key financial assumptions.

### NHS Tayside's Strategic Revenue Plan for 2022/23 identifies a financial gap of £51.2 million, reducing to £19.6 million after additional anticipated funding and planned savings. Additional savings plans now need to be developed to bridge this gap.

**77.** NHS Tayside's one year Strategic Revenue Plan 2022/23 was approved by the Board, under reserved business, on 28 April 2022. The plan includes additional costs relating to Covid-19 and costs related to recovering and addressing service backlogs in other areas. The forecasts in the financial plan are also based on a number of assumptions including inflationary costs and pay growth (including impact of National Insurance uplift), and the expected costs of known local and national commitments.

**78.** The plan identifies a financial gap of £51.2 million but notes that the board has requested specific additional funding from the Scottish Government of £8.2 million which, if received, would reduce the gap to £43.0 million. It also includes identified savings of £23.4 million, [Exhibit 9](#), which further reduces the financial gap to £19.6 million.

## Exhibit 9

### The board's Strategic Revenue Plan 2022/23 includes identified savings of £23.4 million

Efficiency plan category	Risk			Current Year	Recurring
	Low £m	Medium £m	High £m		
Cash Releasing Efficiency – 2 per cent of identified efficiencies across clinical services and facilities	7.8	-	-	7.8	3.3
Cash Releasing Efficiency: Further opportunity – To be developed	-	3.0	3.0	6.0	-
Prescribing Growth Contained	-	1.8	-	1.8	-
Corporate Efficiencies – 3 per cent efficiency target on corporate services	1.2	1.6	-	2.8	1.5
Financial Flexibility – Anticipated slippage on earmarks/ reserves	-	2.5	2.5	5.0	-
<b>Total savings plans identified</b>	<b>9.0</b>	<b>8.9</b>	<b>5.5</b>	<b>23.4</b>	<b>4.8</b>

Source: NHS Tayside Strategic Revenue Plan 2022/23

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## Recommendation 2

Additional savings plans should be developed to address the remaining financial gap of £19.6 million for 2022/23. Where possible these should include recurring savings to help reduce the recurring deficit of the board.

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### NHS Tayside's reliance on non-recurring savings to bridge its financial gap presents a risk to the longer-term financial sustainability of services

**79.** Since 2018/19 NHS Tayside has delivered significant savings to mitigate its annual funding gaps and has also reduced its recurring deficit year-on-year. However, the Covid-19 pandemic, and the related service and financial pressures this has created, had a detrimental impact on the board's ability to fully deliver its productivity and efficiency plans during 2021/22, with greater reliance being placed upon non-recurring savings to achieve a break-even position.

**80.** Between 2018/19 and 2020/21 the board's reliance on non-recurring savings to bridge its annual financial gap reduced from 60 per cent down to 45 per cent, reducing the recurring deficit to £18.0 million. During 2021/22 though, non-recurring savings accounted for 78 per cent of the £27 million of efficiency savings achieved, paragraphs [45.](#) and [46.](#). The impact of this was to increase the board's recurring deficit to £30 million.

**81.** As shown in [Exhibit 9](#), only £4.8 million (21 per cent) of the £23.4 million of savings identified to date for 2022/23 are expected to be achieved on a recurring basis. This increased reliance on non-recurring savings to bridge the financial gap presents a risk to the longer-term financial sustainability of services.

### Staffing and service pressures throughout 2021/22 contributed to a significant increase in agency staff costs during the year and continue to present a risk to the financial sustainability of services in the future.

**82.** During 2021/22 the board faced various workforce pressures, including Covid-19 absence and recruitment and retention issues. These staffing pressures contributed to agency staff costs increasing by £12.0 million (103 per cent) from £11.6 million in 2020/21 to £23.6 million in 2021/22, although this significant increase in agency staff costs was partly attributable to higher levels of activity during the year as Covid-19 restrictions eased. It is clear that this level of expenditure on agency staff is not sustainable.

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## Recommendation 3

Given the tight financial constraints within which the board are operating, it is vital that it tackles the current staff recruitment and retention issues that are contributing to unsustainable levels of expenditure on agency staff.

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## Further increases in energy costs, and other inflationary increases, could place additional financial pressure on the board during the course of 2022/23

**83.** NHS Tayside's Strategic Revenue Plan 2022/23 assumes additional costs of £4.7 million in respect of rising gas and electricity prices across the year which the board would have to cover from its core revenue resource funding. This estimate was based on information received from Scottish Procurement in March 2022 that projected that energy prices would increase by 35 per cent during the year. If energy prices continue to rise during 2022/23 then this would place additional financial pressure on the board achieving a break-even position for the year. For example, a further 10 per cent increase in energy prices would result in an additional cost pressure of around £0.7 million for NHS Tayside. The board could also face further financial pressures from other inflationary increases.

## The high level of IJB reserve balances at 31 March 2022 means it is unlikely that the board will be required to make additional contributions to cover overspends in the short to medium-term.

**84.** The current Health and Social Care Partnership Integration Scheme's include risk share arrangements that require NHS Tayside to absorb a share of any overspends. For Angus IJB and Dundee City IJB the risk share arrangement requires both the health board and the council to share any overspend against budget in proportion to their respective budget contributions for the year, and for Perth and Kinross IJB the integration scheme requires NHS Tayside to cover any health overspends and the council to cover any social care overspends.

**85.** The three integration schemes are currently being revised after public consultation. The main risk share arrangements in the new draft schemes reflect the current agreements but the proposed schemes also include a condition stating that: "Where the parties make additional payments to cover an overspend then the Parties will discuss whether recovery of those additional payments in future years from the IJB should be pursued. In the event that the Parties agree that the recovery of additional payments is to be pursued this will be over a maximum period of 3 years on a basis and repayment profile to be agreed between the Parties, in consultation with the IJB. Consideration of whether to recover additional payments made by the Parties will be informed by an assessment of the reasons for these payments and the implications for the Parties and IJB of doing so." This new arrangement will provide greater accountability for IJBs in delivering health and social care services within budget.

**86.** All three IJBs have produced financial plans for 2022/23 which project a break-even position, after use of reserves. As explained above, NHS Tayside is exposed to the financial risks of any Health and Social Care Partnership overspends for the year. However, the high level of IJB reserve balances at 31 March 2022, paragraphs [47.](#) to [49.](#), means it is unlikely that the board will be required to make additional contributions to cover overspends in the short to medium-term.

**87.** NHS Tayside and the IJBs should continue to work together to deliver health and social care services as efficiently and effectively as possible.

### **The board anticipate the receipt of one-off funding of £7.7 million from the Scottish Government in relation to the arrangements that brought Ninewells Hospital car park in to public ownership**

**88.** In March 2020, the Scottish Government announced the removal of car parking charges at Ninewells Hospital to support staff and patients during the Covid-19 pandemic, and an arrangement was put in place for the board to make a fixed monthly payment to the car park operator to cover its lost income. These payments were fully funded by the Scottish Government.

**89.** In March 2021, the Cabinet Secretary for Health and Sport wrote to the board's Chief Executive with a direction to take all reasonable steps to implement the Scottish Government's policy that each health board should have the right to manage and operate the car parks at all of its hospitals, subject to the strategic direction of Scottish Government.

**90.** In May 2021, the board reached an agreement with the car park operator over an appropriate termination payment to bring the car parks at Ninewells in to public ownership. The payment was fully funded by the Scottish Government and had an effective date for termination of 31 March 2021.

**91.** Under the terms of the original contractual agreement with the car park operator, NHS Tayside were due a share of annual car parking revenue each year up to the end of the contract in 2029. It was estimated that this would have provided income of £5.5 million to the board over the remaining 8 years of the contract. The Scottish Government agreed to make a one-off 'compensation' sum payment to the board of £5.5 million following the effective date of termination of 31 March 2021. The Scottish Government also agreed to provide a further £2.2 million to cover the costs of maintenance works on the car parks.

**92.** During 2021/22, £7.7 million was allocated to the board in respect of the 'compensation' sum payment and maintenance works payments detailed at paragraph [91.](#). However, this allocation was returned to the Scottish Government as, management has advised, that due to the impact of Covid-19, the board was not in a position to invest this funding, either in terms of undertaking the works on the car park or any other investment priorities during the year. NHS Tayside anticipate that these funds will be available to the board in future years in line with spending plans currently being developed.

**93.** A narrative disclosure has been included in the 'Financial Targets' section of the performance report in the 2021/22 annual report and accounts in relation to this funding.

## **The North of Scotland Regional Asset Management Plan covering the period 2022 to 2032 is being developed and will be submitted to the Scottish Government later in 2022**

**94.** The Scottish Government's *Policy for Property and Asset Management in NHS Scotland Chief Executive's Letter*, issued in 2010, requires all NHS Scotland bodies to have an Asset Management Plan (AMP), which is reviewed and approved by NHS Boards annually.

**95.** NHS Tayside are part of the North of Scotland Region which comprises 6 health boards, 10 integrated joint boards, 1 lead agency, general practices, pharmacies, dentists and ophthalmologists. The North of Scotland Regional Asset Management Plan (RAMP) 2019 to 2029 was approved by NHS Tayside in December 2019.

**96.** The Infrastructure Investment Plan for Scotland 2021/22 to 2025/26 and Capital Spending Review were both published by the Scottish Government in February 2021 and provided a framework for prioritising future commitments. An interim RAMP covering the period 2020 to 2030 which reflected these priorities, and individual Board submissions, was considered at the Performance and Resources Committee meeting in August 2021.

**97.** The Programme for Government 2021-22, published in September, 2021, noted the intention to invest £10.0 billion over the next decade to replace and refurbish Scotland's health facilities.

**98.** The North of Scotland Regional Group are now developing the next iteration of the RAMP, covering the period 2022 to 2032. This will be submitted to the Scottish Government later in 2022 and will outline the links between the infrastructure investment programme, incorporating both the capital plan and revenue financed infrastructure projects.

## **The successful management and delivery of the £257 million of projects within the capital plan for 2022/23 to 2026/27 will be key to the board delivering sustainable services in the future. However, cost pressures in the construction industry may present a challenge to completing the plan within budget.**

**99.** NHS Tayside's Five Year Capital Plan covering the period 2022/23 to 2026/27 was approved by the Board, under reserved business, on 28 April 2022. This sets out the board's priorities for managing the infrastructure that will support the delivery of patient care and associated services across NHS Tayside. The plan focusses on 4 main areas:

- 1) Investment in infrastructure consistent with NHS Tayside's strategic health priorities.
- 2) Reduction in high and significant risk backlog maintenance and compliance with statutory requirements.
- 3) Replacement of essential equipment.
- 4) Disposal of assets declared surplus to requirements.



**100.** The plan sets out projects totalling £257 million over the next 5 years, including expenditure of £28 million during 2022/23. The 5-year plan is to be funded through a combination of the board's annual capital resource allocations (£50 million), project specific allocations (£183 million) and targeted funding from the Scottish Government (£14 million), and revenue funding earmarked for non-added value capital spend (£10 million).

**101.** The planned capital programme includes significant investment in the board's asset base and key infrastructure projects up to 2027, including:

- A new national treatment and diagnostic centre to improve access to elective care (£82 million between 2022/23 to 2025/26)
- Cancer centre expenditure as part of the national radiotherapy replacement programme (£25 million across the full 5-year capital plan)
- Shaping critical care expenditure (£19 million across the full 5-year capital plan)
- Thrombectomy imaging facilities (£14 million between 2022/23 and 2023/24)
- Backlog maintenance expenditure across the estate, primarily Ninewells Hospital (£49 million across the full 5-year capital plan)

**102.** The successful management and delivery of the projects within the 5-year capital plan will be key to the board delivering sustainable services in the future. However, cost pressures in the construction industry may present a challenge to completing the plan within budget.

### **The board need to prioritise the development of its Property and Asset Strategic Plan to support service delivery**

**103.** While the Board has approved its Five Year Capital Plan the board still require to develop a local Property and Asset Strategic Plan that reflects its stated investment and development needs, and supports service delivery.

**104.** During the current audit appointment internal audit have issued two reports relating to the development of the board's Property and Asset Strategic Plan. The first report (T25/15-1) was issued in December 2015 and related specifically to Property Asset Management of Primary Care premises. The second report (T24/21) was issued in September 2021 and considered the ability of NHS Tayside to undertake the review of relevant data, communication and planning to develop a meaningful Property and Asset Strategic Plan that supports the delivery of the Corporate Objectives.

**105.** The May 2022 Audit and Risk Committee meeting considered an update report presented by the Director of Facilities on progress with the actions from these reports, and also the regular 'Audit Follow Up' report produced by Internal Audit. These highlighted the slow pace of progress made in developing the Property and Asset Strategic Plan and raised concerns about the operational impact that this is having on service delivery across NHS Tayside, including the provision of primary care services.

**106.** Internal audit concluded that as the responsible officers had not provided internal audit with updates on action to address seven recommendations from the internal audits on Property Management Strategy (T25/15 and T24/21) they could not provide assurance on this area.

**107.** Management has committed to progress the Property and Asset Strategic Plan as a matter of priority and appropriate disclosures have been included in the Governance Statement in NHS Tayside's 2021/22 Annual Report and Accounts in relation to the current strategic asset management planning arrangements of the board.

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## 4. Governance and transparency

Governance and transparency relate to the effectiveness of scrutiny and oversight, and transparent reporting of information.

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### Main judgements

In June 2021, NHS Tayside's level of escalation was reduced from stage 4 in the NHS Scotland Performance Escalation Framework to stage 2 for its governance and leadership and stage 3 for its mental health services.

Since March 2020, the board has revised its governance arrangements to reflect how it has responded to the Covid-19 pandemic. The governance arrangements are described in the Annual Governance Statement. We have concluded that the revised arrangements are appropriate and continue to support good governance and transparency.

The board is conducting a Significant Adverse Event Review to investigate the circumstances relating to the loss of almost 500 sensitive patient case records. The findings from the review will be reported in August 2022.

The Minister for Mental Wellbeing and Social Care has appointed an independent Oversight and Assurance Group to work with the Tayside Executive Partnership to improve mental health services across Tayside. The group's first quarterly report highlighted a disparity between the assessments of the OAG and the TEP of the progress made in addressing the recommendations of the Trust and Respect report.

NHS Tayside must continue to work with its partners, including the third sector and those with lived experience, to address the public health crisis of drug deaths in Dundee.

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### **During 2021/22 the board has moved to stage 2 of the Scottish Government's escalation process for its governance and leadership and stage 3 for its mental health services**

**108.** In recent years the board has made good progress in key aspects of governance. As a result, in June 2021 the board was de-escalated from stage 4 of the NHS Scotland Performance Escalation Framework to stage 2 for its governance and leadership, and to from stage 4 to stage 3 for its mental health services.

## **NHS Tayside has appropriate governance arrangements in place and operates in an open and transparent manner**

**109.** Our overall assessment of the adequacy of the board's governance and transparency arrangements includes consideration of the:

- board and committee structure and conduct
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption; including action in response to the National Fraud Initiative
- openness of board and committees
- public access to information via websites
- reporting of performance and whether this is fair, balanced and understandable.

**110.** Our findings in relation to the above areas, and other relevant governance and transparency issues, are set out within this section of the report. Based on this work we have concluded that overall NHS Tayside has appropriate governance arrangements in place and operates in an open and transparent manner.

### **The board revised its governance arrangements to reflect how it has responded to the Covid-19 pandemic. We have concluded that the revised arrangements are appropriate and continue to support good governance and transparency.**

**111.** As set out in the Governance Statement in NHS Tayside's 2021/22 Annual Report and Accounts, the board revised its governance arrangements in response to the Covid-19 pandemic to ensure it could effectively respond to the pandemic and discharge its governance responsibilities.

**112.** In January 2021 a revised approach to governance arrangements was proposed to allow the organisation to focus on dealing with the escalation of the Covid-19 pandemic. The Board agreed the deferment of all standing committees until March 2021. This decision was ratified at the February Board meeting. At its April meeting the Board then approved that all standing committee meetings could resume.

**113.** During 2021/22, a governance risk assessment approach was also adopted in respect of Board and standing committee meetings. This involved the input of the standing committee Chairs, Vice Chairs, Lead Officers and Committee Support Officers to prioritise agenda items.

**114.** During the year, one meeting of the Public Health Committee, two meetings of the Remuneration Committee and one meeting of the Staff Governance Committee were stood down. However, all other meetings of these committees were held as planned, and no meetings of the other standing committees were cancelled. We do not consider that the cancellation of these meetings materially impacted upon the operation of the board's governance arrangements.

**115.** During 2019/20 a command and control structure was mobilised to allow NHS Tayside to rapidly respond to the needs of the organisation operating in a Covid-19 environment. The command structure was stood down from 1 April 2021 but was reintroduced in June 2021 due to a greater incidence of Covid-19 across Tayside. These arrangements have remained in place throughout the remainder of 2021/22 due to the level of Covid-19 affecting Tayside communities.

**116.** Based on our review of the operation of the revised governance arrangements, and observation of Board and committee meetings during the year, we have concluded that the revised arrangements are appropriate and continue to support good governance and transparency.

### **The governance statement in NHS Tayside's 2021/22 Annual Report and Accounts accurately reflected the governance arrangements in place during the year**

**117.** Our review of the governance statement included in NHS Tayside's 2021/22 Annual Report and Accounts considered whether it was consistent with the financial statements, had been prepared in accordance with the accounts direction and guidance, was consistent with the auditor's knowledge and was free from misleading information.

**118.** During the audit we requested some revisions to the governance statement to enhance the completeness and clarity of the disclosures. Management agreed to these suggestions and made the required changes in the audited annual report and accounts.

**119.** Our final review of the governance statement included in NHS Tayside's audited 2021/22 Annual Report and Accounts confirmed that it accurately reflected the governance arrangements in place during the year.

### **The performance report in NHS Tayside's 2021/22 Annual Report and Accounts provided a fair, balanced and reasonable analysis of the organisation's performance for the year**

**120.** In addition to our consistency opinion on the performance report, covered in Part 1 of this report, we also consider the qualitative aspects of the performance report included in the annual report and accounts.

**121.** The purpose of the performance report is to provide users of the accounts with sufficient information to understand the board, its purpose, its objectives, the impact and management of its key risks, and a detailed view of its performance over the previous 12 months. It is required to be fair, balanced, understandable, and comprehensive but concise.

**122.** As part of our review of the performance report we also considered the adequacy of the financial performance and position section of the report to ensure this provided users of the accounts with a clear picture of the financial performance of the health board, including its performance against its financial targets for the year.

**123.** We concluded that the performance report in NHS Tayside's 2021/22 Annual Report and Accounts provided a fair, balanced and reasonable analysis of the organisation's performance for the year.

### **The board conducts its business in an open and transparent manner and provided clear information for residents on services affected by the Covid-19 pandemic**

**124.** Transparency means that the public have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources such as money, people and assets.

**125.** There is evidence from several sources which demonstrate the board's commitment to openness and transparency:

- Members of the public and the press can attend the virtual meetings of the Board. The minutes and supporting papers for all Board and standing committee meetings are also available on the NHS Tayside website.
- The board's website allows the public access to a wide range of information including the register of Board members' interests, responses to freedom of information requests, and service performance data. In addition, the home page provides updates on recent developments and links to useful information, including the latest information on hospital access arrangements and any services affected by the Covid-19 pandemic.
- The board makes its annual report and accounts available on its website. These include a performance report which adequately explains the board's financial performance for the year (paragraphs [120.](#) -[123.](#)).

**126.** Overall, we concluded that the board conducts its business in an open and transparent manner.

### **Given the change in Board membership during 2022/23, the board should ensure arrangements are in place to support the newly appointed Board members in undertaking their role and responsibilities**

**127.** In February 2022 the Chair of the Audit and Risk Committee stepped down as a Board member, and in March 2022 another Board member retired at the end of their appointment. The appointments of the three local authority representatives on the Board also ended on 30 April 2022 ahead of the local government elections on 5 May. In addition, the appointments of three other current Board members were due to end later in 2022.

**128.** In April 2022 the Board approved the appointment of the previous Vice-Chair of the Audit and Risk Committee as the new permanent Chair, and one of the other existing members of the committee as the new Vice-Chair. These appointments ensure consistency in these key roles on the committee. The Board also noted that two of the members whose appointments were due to

end later in 2022 have been re-appointed for the 4-year period to October 2026.

**129.** Arrangements are in place to fill the current Board vacancies, including the appointment of three new local authority representatives from Angus Council, Dundee City Council, and Perth and Kinross Council.

**130.** In 2019/20 we recommended that the board should develop individual board member training needs assessments and personal development plans for all members. This was delayed due to the impact of Covid-19 during 2020/21 but was completed in December 2021 for all members. Given the change in Board membership during 2022, it will be essential that new and existing members are provided with appropriate training and support to assist them in undertaking their important role and responsibilities as a board member. To assist with this, we recommend that the board carry out another exercise during 2022/23 to develop individual board member training needs assessments and personal development plans for all the newly appointed Board members.

### **Standards of conduct for prevention and detection of fraud and error are appropriate**

**131.** NHS Tayside is responsible for having arrangements in place to prevent and detect fraud, error and irregularities, bribery and corruption. Furthermore, it is also responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

**132.** We reviewed the arrangements put in place to maintain standards of conduct, including the codes of conduct for members and officers. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

**133.** Appropriate arrangements are in place for the prevention and detection of fraud, error and irregularities, bribery and corruption.

### **The board engaged positively with the National Fraud Initiative**

**134.** The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland which aims to prevent and detect fraud. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

**135.** As part of our 2021/22 audit, we reviewed the board's participation in the current NFI exercise which runs over 2020/21 and 2021/22. We concluded that NHS Tayside has satisfactory arrangements in place for investigating matches and reporting outcomes identified by the NFI exercise.

### **Risk management arrangements have improved and further work is planned**

**136.** NHS Scotland bodies are subject to the requirements of the SPFM and must operate a risk management strategy in accordance with relevant guidance issued by Scottish Ministers.

**137.** NHS Tayside’s Risk Management Strategy aims to control risk to an acceptable level by creating a culture of risk management that focuses on assessment and prevention through identifying, recording, reviewing and managing risks that may affect the ability of the board to achieve its objectives.

**138.** Strategic risks to NHS Tayside are monitored and reviewed by the Strategic Risk Management Group (SRMG), chaired by the Chief Executive, which formally reports to the Audit and Risk Committee. A Board Development Session on Strategic Risk and Risk Appetite was held on 23 September 2021.

**139.** Internal Audit reported in its Internal Control Evaluation report presented to the Audit and Risk Committee in May 2021 that the Covid-19 risk had not been mainstreamed in to the wider Strategic Risk Register and recommended that *“the focus should be on a holistic review of the strategic risk register to ensure Covid-19 is reflected across the strategic risk profile. Further work is now needed to ensure that at both strategic and service level the impact of Covid-19 on the risk profile of the organisation is clearly articulated and all relevant controls are identified and clear assurance lines implemented. Risks documented within the Covid-19 risk register should be reviewed and any which require escalation identified”*.

**140.** We noted improvements in the risk management arrangements during 2021/22, including the development of a risk appetite statement following the Board development session in September 2021, but internal audit have again reported in its Internal Control Evaluation report that *“...further work is required to fully incorporate the impact of Covid-19”*.

**141.** We have concluded that risk management arrangements are improving but further work remains, including the clear articulation of Covid-19 risks and associated controls, which should be mainstreamed into the Strategic Risk Register.

### **Improvements have been made to the board’s information security arrangements during 2021/22 and further actions are planned to fully address the recommendations reported in September 2020**

**142.** Under the Network and Information Security Regulations 2018 (NIS Regulations), the board is required to demonstrate compliance with the NHS Scotland Information Security Policy Framework (ISPF). In NHS Tayside, compliance is monitored by the Cyber Resilience Governance Group (CRGG) and the Information Governance and Cyber Assurance Committee (IGCAC), chaired by the Board Secretary.

**143.** The Scottish Government, as competent authority, undertake a formal audit of health boards every three years, with progress reviews carried out by health boards in the intervening years. NHS Tayside’s first audit took place virtually in September 2020 and resulted in a report giving the board a compliance score of 50% and containing 108 recommendations, 71 of which were assessed as important/urgent and 2 as critical. One of the critical recommendations has been completed and one, *“to document security assessments of third-party suppliers with clear roles and responsibilities”*, is ongoing.



**144.** A Network Information Security review was undertaken during 2021/22 to assess the progress made in addressing the recommendations to strengthen the information security arrangements at the board. This review was completed in August 2021 and reported to the Audit and Risk Committee in November 2021. The report highlighted that NHS Tayside's overall compliance status had increased from 50% to 55% and good progress had been made in the recommendations and controls implementation with 72 per cent of the recommendations completed or in progress, and 69 per cent of the controls achieved or partially achieved. The report also noted that the risk exposure of the board had been reduced from 21 per cent to 16 per cent.

**145.** Further actions are planned to fully address the recommendations reported in September 2020 and in March 2022 the Board Secretary and Head of Information Governance and Cyber Assurance consulted with Audit and Risk Committee members to agree the format and content of future reporting of NIS Regulations compliance to the committee.

**The board is conducting a Significant Adverse Event Review to investigate the circumstances relating to the loss of almost 500 sensitive patient case records. The findings from the review will be reported in August 2022.**

**146.** In January 2022 internal audit reported to the Audit and Risk Committee on its review of the circumstances around the loss of 78 sensitive patient case records (13 dating back to December 2020, 8 identified in March 2021, and 58 identified in April 2021), including walk through testing of the routes the records travelled. The review specifically considered:

- the wider governance and risk implications of the missing records, and
- the adequacy of the investigations and implementation of subsequent actions taken by NHS Tayside following identification of the missing records.

**147.** Internal audit's review highlighted weaknesses in the controls in place over the transfer of sensitive patient case records. These represented non-compliance with the board's Health Records Standard Operating Practice and contributed to the loss of the records and the significant time taken to identify the loss and report it. The review also identified wider issues in the arrangements in place to respond to such incidents, including the process to identify and escalate the incidents to the board's Senior Information Risk Owner, and to submit full and accurate reports on the incidents to the Information Commissioner's office.

**148.** Internal audit's review also considered two Local Adverse Event Reviews as part of the consideration of the wider governance and risk implications of the missing records. Internal Audit raised concerns over the manner in which the board managed both of these investigations and they were unable to conclude that action taken was commensurate with the importance of the issues or that it showed the necessary rigour, impetus and structure.

**149.** Internal audit's report included one overarching recommendation that identified 10 key areas where action is required. An Oversight Group, co-

chaired by the Board Secretary and Director of Digital Technology, has been established to ensure the issues identified in the report are addressed and reported to the Audit and Risk Committee.

**150.** Due to the extent of the findings reported by internal audit, the Medical Director also commissioned a Significant Adverse Event Review (SAER) to investigate these issues. The Clinical Lead for Emergency Medicine has been appointed as the Independent Reviewer and the Head of Health Records is the Service Reviewer for the SAER. The purpose and objectives of the SAER are to:

- Review the two LAER's already undertaken to ensure the process was correctly applied and to learn lessons to inform the LAER process including guidance and support provided.
- Determine the extent and nature of clinical information that has been lost.
- Determine whether the loss of clinical information is to the detriment of on-going patient care.
- Determine whether information - where crucial for on-going patient care - can be recovered from other sources and form a view on whether benefits of so doing are outweighed by the associated costs.
- Agree if the Duty of Candour applied in this situation (the organisational duty of candour procedure is a legal duty which sets out how organisations should tell those affected that an unintended or unexpected incident appears to have caused harm or death).

**151.** The fieldwork for the SAER is scheduled to be completed in June 2022 with the review findings reported by the end of August 2022.

**152.** As part of the board's actions to address internal audit's recommendations a review was undertaken of "in-transit" reports for case records to identify whether any other records had not reached the intended destination. This identified that a further 415 sensitive case records missing in transit, bringing the total number of missing records to 493. A further submission was made to the Information Commissioner's Office in March 2022 in respect of these additional missing case records.

**153.** As the loss of a large number of sensitive patient case records represented a significant information governance failure, appropriate disclosures have been included in the Governance Statement in NHS Tayside's 2021/22 Annual Report and Accounts.

**The Minister for Mental Wellbeing and Social Care has appointed an independent Oversight and Assurance Group (OAG) to work with the Tayside Executive Partnership (TEP) to improve mental health services across Tayside. The group's first quarterly report highlighted a disparity between the assessments of the OAG and the TEP of the progress made in addressing the recommendations of the Trust and Respect report.**

**154.** In February 2020, Dr David Strang published [\*Trust and Respect: Final Report of the Independent Inquiry into Mental Health Services in Tayside\*](#), a report commissioned following concerns raised over mental health services in Tayside. The report was critical of mental health services in Tayside and contained 51 recommendations to improve services, with 49 of these relevant to the TEP.

**155.** In August 2020, after engagement with stakeholders, NHS Tayside published its [\*Listen. Learn. Change. Action Plan\*](#) in response to the 'Trust and Respect' Independent Inquiry report. This set out how the board, and its partners, would address the recommendations in the report. A partnership approach to improvements is exercised through the Tayside Executive Partnership (consisting of the Chief Executives of NHS Tayside and the three local councils, and the Divisional Commander of Police Scotland) to provide collective leadership of mental health services.

**156.** Progress with its [\*Listen. Learn. Change. Action Plan\*](#) is monitored by a Listen. Learn. Change. Scrutiny Panel comprising of the Chief Executive, Executive Directors and senior staff in NHS Tayside as well as Dundee City Council's Chief Executive.

**157.** The Scottish Government has provided additional support to NHS Tayside for mental health services and also monitor NHS Tayside's progress through the NHS Tayside Oversight group. In June 2021, the Scottish Government de-escalated NHS Tayside from escalation stage 4 in the NHS Scotland Escalation Performance Framework to escalation stage 3 for mental health services, due to the progress that had been made.

**158.** In July 2021, a [\*Trust and Respect – Progress Report\*](#) was published by the Independent Inquiry Review Team. They reported on the progress made by NHS Tayside and the TEP in delivering improvements in mental health services across Tayside. Key conclusions in the executive summary included:

- 'The Review team has found a great deal of positive changes in progress and has been impressed with the commitment and dedication of staff, partner organisations and others seeking to make a difference for patients and the wider community in Tayside. There have been some very positive developments such as the mental health discharge hub and the local mental health hubs planned in each Health and Social Care Partnership (HSCP) area.'
- 'There have, too, been some missed opportunities for listening to people and engaging with partners in order to build trust. It is hoped that

this Review will provide a fresh opportunity to build on the early response to the *Trust and Respect* report.<sup>1</sup>

**159.** Since the publication of the [Trust and Respect – Progress Report](#) NHS Tayside has:

- Placed oversight of inpatient general psychiatry and learning disabilities under the remit of the Executive Nurse Director. This is intended to deliver strengthened governance and provide direction to inpatient mental health services.
- Recruited a full-time Operational Medical Director for mental health and learning disability, undertaking a wider role than the previous part-time Associate Medical Directors.
- Recruited two general managers for mental health and learning disability services in a restructure which aims to deliver stronger operational leadership than the previous single post of Associate Director.
- Established an inpatient feedback programme with key data on patient opinion and experience to demonstrate improvements and identify areas requiring change.
- Received positive reports from the Mental Welfare Commission on its visits to three areas in Carseview Centre.

**160.** In October 2021, the Minister for Mental Wellbeing and Social Care appointed an independent group to provide oversight and assurance on the implementation of the Trust and Respect recommendations. The Oversight and Assurance Group (OAG) is chaired by Fiona Lees and is working with the Tayside Executive Partnership to support progress and ensure that the recommendations from the independent inquiry are fully implemented.

**161.** The OAG is a time-limited group established for a 12-month period. It is providing quarterly reports to the Minister for Mental Wellbeing and Social Care. In February 2022 it published its first [Quarterly Report](#) covering the period from November 2021 to January 2022. The main focus of this update was the disparity between the assessments of the OAG and the TEP of the progress made in addressing the recommendations of the Trust and Respect report.

**162.** The February 2022 quarterly report advised that the OAG will work through the detail of each recommendation with the TEP colleagues in the coming months. It also advised that there are many reasons for the difference in views at this stage, and summarised some common themes:

- There are a number of instances where the OAG feel the TEP has taken a narrower interpretation of the recommendations than Dr Strang intended. In some cases, the OAG have taken a more expansive and longer-term perspective on what success should look like.
- There are a number of recommendations where the OAG feel that the TEP has concluded that the production of new or revised strategies,

policies and protocols is sufficient and will of itself result in changes in practice and improved outcomes for patients.

- In some cases, the OAG feel that TEP's stated actions and expected outcomes do not fully address the original recommendation.
- In some cases, the TEP appear to have concluded the actions very quickly following publication of Trust and Respect, and the activity has moved to a 'business as usual process'. However, the OAG have yet to see evidence of the positive impact on people of their actions.
- There are a number of instances where the OAG can see certain recommendations have, in large part, been met and subject to getting the information we have requested from the TEP, we anticipate being able to provide assurance on those recommendations relatively quickly.

**163.** Despite the issues noted above with the respective assessment of the progress against the Trust and Respect recommendations, the OAG noted that they were encouraged by the openness shown by partners and by the time they have devoted to how they can better work together to deliver the changes required. It also noted that it is assured that colleagues in Tayside are committed to working with it to better understand each other's perspectives with a shared interest in improving mental health services and outcomes for communities in Tayside.

**164.** The February 2022 quarterly report also set out that the next step for the OAG is to gain an even deeper understanding of the work underway in Tayside, and for the TEP to fully understand the OAG's concerns in specific areas. It highlighted that the OAG's approach will be both challenging and supportive, reflecting its dual purpose of providing assurance and securing improvement. To achieve this the OAG has identified five priority areas for more detailed consideration:

- 1) Health and social care integration
- 2) Patient safety (including conducting and learning from Local Adverse Event Reviews)
- 3) Workforce
- 4) Engagement
- 5) Culture

**165.** The TEP welcomed the first quarterly report noting that they had worked closely with the OAG to present the work of the frontline staff who are leading the improvement programmes across mental health and wellbeing services in Tayside. They also acknowledged that the response to the 49 Recommendations set out in Trust and Respect continued to be a work in progress.

**166.** Since the first quarterly report was published in February 2022, the TEP has had the opportunity to present further evidence to the Oversight Group as part of the next phase of the group's review to gain further understanding of the work which has been done by the partners across Tayside. The OAG has also met with community and inpatient mental health teams across Tayside, as

well as visiting third sector organisations and meeting people with lived experience.

**167.** Appropriate disclosures relating to mental health services have been included in the Governance Statement in NHS Tayside's 2021/22 Annual Report and Accounts.

### **NHS Tayside must continue to work with its partners, including the third sector and those with lived experience, to address the public health crisis of drug deaths in Dundee**

**168.** The Dundee Drugs Commission (the Commission) is an independent drugs commission which was established by the Dundee Partnership (including NHS Tayside) in 2018 to tackle the city's drug problems and deliver sustainable solutions that would prevent and reduce drug use across the city.

**169.** In 2019, the Commission published its findings from an independent enquiry in its [\*Responding to Drug Use With Kindness, Compassion and Hope Report\*](#), which included 16 recommendations split between those that could be delivered immediately (within 12 months), during a transitional period (within 3 years) and longer-term (within 5 years).

**170.** An 'Action Plan for Change' was developed by the Dundee Partnership as a response to the Dundee Drugs Commission's report with the Alcohol and Drugs Partnership Implementation Group responsible for monitoring the implementation and impact of the actions within the plan.

**171.** In March 2022 the Commission published a follow-up report, [\*Time for Kindness, Compassion and Hope: The Need for Action Two Years On\*](#). This concluded that extensive and genuine improvement efforts had been made by all partners to address drug deaths in the city, but these have not gone far enough, deep enough or fast enough. The Commission also made 12 further recommendations for improvement and Chair of the Dundee Drugs Commission, Dr Robert Peat, stated: "We remain of the view that with determination, clear communications, and a willingness to work as a true partnership, particularly with the third sector and those with lived and living experience and an acceptance that support is required, then Dundee can effectively address the Public Health crisis of drug deaths."

**172.** Dundee Partnership is currently considering the 12 further recommendations made by the Commission in the context of a range of ongoing improvement activity set out within the ADP's original Action Plan for Change, with the intention to develop a single, prioritised Strategic and Commissioning Plan for Drugs and Alcohol.

**173.** Appropriate disclosures relating to the Dundee Drugs Commission reports and the Dundee Partnership's response have been included in the Governance Statement in NHS Tayside's 2021/22 Annual Report and Accounts.

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# 5. Value for money

Value for money is about using resources effectively and continually improving services

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## Main judgements

The NHS in Scotland faces a significant challenge to clear the backlog of patients requiring treatment while transforming and improving the way services are delivered.

Key to NHS Tayside delivering its remobilisation plans, and longer-term recovery plans, will be ensuring clear links between the recovery plans and the board's financial planning, overarching clinical strategy, workforce planning, asset management and the digital strategy.

Covid-19 has significantly impacted upon the board's activity and waiting times performance during 2021/22, and contributed to a large increase in demand for acute services. Tackling this backlog of patient demand will continue to present a major challenge to the board in 2022/23 and beyond.

The board should continue to progress the development of its Best Value Framework to demonstrate that arrangements to secure best value are embedded across the organisation.

The board has arrangements in place to meet its responsibilities under the Equality Act 2010. There is also evidence that the Best Value principle of equality is embedded within many areas of the organisation. The board should proceed with the roll-out of the revised Equality Impact Assessment policy to ensure this is embedded across NHS Tayside and applied to all key strategies and policies.

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## The NHS in Scotland faces a significant challenge to clear the backlog of patients requiring treatment while transforming and improving the way services are delivered

**174.** The key messages in the Auditor General for Scotland's [NHS in Scotland 2021](#) report, published in February 2022, noted that the NHS in Scotland remains under severe pressure. It highlighted that the success of the vaccination programme has reduced deaths but the ongoing impact of responding to variants of Covid-19 has created a growing backlog of patients waiting much longer for treatment. This backlog poses a significant risk to the Scottish Government's recovery plans, which aim to transform how care is delivered.

**175.** The report also noted that reform is key to the sustainability of the NHS, and it must remain a focus, building on the innovation seen throughout the pandemic. Crucially, the public must be kept aware of and involved in changes to service provision. However, the report recognised that transforming services will be very difficult to deliver against the ongoing competing demands of the pandemic and an increasing number of other policy initiatives, such as plans for a National Care Service.

### **Key to NHS Tayside delivering its remobilisation plans, and longer-term recovery plans, will be ensuring clear links between the recovery plans and the board's financial planning, overarching clinical strategy, workforce planning, asset management and the digital strategy**

**176.** Due to the ongoing pandemic, the Scottish Government requested that NHS Boards replace Annual Operational Plans for 2021/22 with Remobilisation Plans outlining plans for the restoration of normal health services. Although the Remobilisation Plans were initially for one year, boards were encouraged to set out intentions or direction of travel over the longer term where appropriate or necessary. The Scottish Government considered this work would begin to create the framework for longer term planning.

**177.** NHS Tayside's Remobilisation Plan was submitted in February 2021, and approved by the Scottish Government in April 2021. The plan set out clinical prioritisation of services underpinned by a whole system approach to pathways of care, focus on separation of Covid-19 and non-Covid-19 pathways, managing the backlog of patients, unscheduled care developments, appropriate testing and screening, more services delivered at home or in the community, preparations for winter and digital technology transformation. The plan also reflected activity and planning around a set of core priorities: supporting staff wellbeing and embedding sustainability into the workforce; living with Covid-19; delivering essential services, addressing inequalities, and embedding innovation.

**178.** In July 2021 NHS Scotland's Chief Operating Officer commissioned a mid-year update of board's 2021/22 Remobilisation Plans. NHS Tayside's mid-year update was signed off by the Scottish Government in November 2021.

**179.** Key to delivering the remobilisation plans, and the board's longer-term recovery plans, will be ensuring clear links between the recovery plans and the board's financial planning, overarching clinical strategy, workforce planning, asset management and the digital strategy.

### **The Scottish Government has asked boards to develop and submit Annual Delivery Plans for 2022/23 by the end of June 2022**

**180.** On 27 April 2022 the Director General for Health & Social Care and Chief Executive of NHS Scotland wrote to all boards to clarify the expectations of them for 2022/23 and beyond. This advised that: *"...it had been the intention to write to Boards at the end of April 2022 with planning guidance and to ask for plans for the next 3 years. However, recognising the need to have a period to stabilise and start early improvement work focussed on key priority areas, a*



*decision had been taken to delay this for a few months and to write in July giving an extended time frame for plans to be developed for 2023/24 to 2025/26.”*

**181.** The NHS Scotland Deputy Chief Operating Officer – Planning and Sponsorship also wrote to all territorial boards on 27 April 2022 to clarify the requirements for the production and submission of Annual Delivery Plans for 2022/23. This set out that Annual Delivery Plans for 2022/23 are required to be submitted to the Scottish Government by 30 June 2022 and should be developed to reflect the following priorities:

- Recruitment, retention and wellbeing of our health and social care workforce.
- Recovering planned care and looking to what can be done to better protect planned care in the future - complementing the information already submitted on activity levels for inpatient and day case.
- Urgent and unscheduled care – taking forward the high impact changes through the refreshed Collaborative.
- Supporting and improving social care.
- Sustainability and value.

**182.** NHS Tayside is currently developing its 2022/23 Annual Delivery Plan based on the above national priorities and the local challenges faced by the board.

### **NHS Tayside adapted performance monitoring and reporting to reflect the requirements of the Clinical Prioritisation Framework, and its remobilisation plan**

**183.** In November 2020 the Scottish Government published the Framework for Clinical Prioritisation providing guidance for prioritising elective care whilst ensuring appropriate Covid-19 safety and priority measures are in place. While the duties under the Patient Rights (Scotland) Act 2011 still apply, the framework is the primary tool for monitoring service performance during the pandemic.

**184.** NHS Tayside has adapted its internal performance reporting to reflect these revised requirements and performance reporting has focussed on understanding the impact of the pandemic on performance against national measures, as well as reporting on measures aligned with the board’s remobilisation plan.

**185.** The board developed a Remobilisation Plan 2021/22 Action Tracker to monitor progress of the plan’s implementation and to report on performance against national measures. The tracker has been reported to the Performance and Resources Committee each quarter to provide an update to members on performance against agreed actions and details of performance trajectories. The tracker includes one page scorecards for performance against the national measures and remobilisation measures that provides a good overview

of current performance. It also includes more detailed information that explain the reasons for below target or deteriorating performance areas.

**186.** The board are developing performance reporting to include mental health activity and performance measures which align to the [Listen. Learn. Change. Action Plan](#), paragraphs [154.](#) to [167.](#) . It is expected that national benchmarking data for these areas will also be available to support the delivery of improvements.

**Covid-19 has significantly impacted upon the board’s activity and waiting times performance during 2021/22, and contributed to a large increase in demand for acute services. Tackling this backlog of patient demand will continue to present a major challenge to the board in 2022/23 and beyond.**

**187.** The performance report in NHS Tayside’s 2021/22 Annual Report and Accounts includes information on the board’s performance against the national performance standards. This data provides users of the annual report and accounts with good context on the scale of the impact of the pandemic on the delivery of health services. [Exhibit 10](#) (page [51](#)) shows how demand, activity and waiting times for acute services have been impacted since March 2020, and [Exhibit 11](#) (page [52](#)) provides a comparison of current waiting times compared to prior years.

**188.** [Exhibit 10](#) and [Exhibit 11](#) show that demand for acute services significantly increased during the course of 2021/22, as Covid-19 restrictions eased, while overall acute services activity decreased during the year. Activity levels did not pick up during the second half of the year, but this has not been sufficient to cope with the level of increased demand and has resulted in increased waiting times for patients accessing acute services.

**189.** It should be noted that the Public Health Scotland data shows the position at the board is healthier than the Scotland-wide picture as both demand for acute services and waiting times have increased at a lower rate in Tayside over the last year than across Scotland as a whole, although [Exhibit 11](#) shows a significant drop in the proportion of drug and alcohol patients that started treatment within 21 days at NHS Tayside during 2021/22. The drop in activity levels during 2021/22 has also been lower than the fall in national levels. Despite this, tackling the backlog of patient demand will continue to present a major challenge to the board in 2022/23 and beyond.

**Exhibit 10****Trends in demand, activity and waiting times for acute services since March 2020**

<b>Demand</b>		<b>% change</b>	
		<b>NHS Tayside</b>	<b>NHS Scotland</b>
Number waiting for diagnostic tests	<p>Monthly March 2020 to March 2022</p> <p>8,292 13,549</p>	<b>63%</b>	<b>84%</b>
Number of patients waiting for an inpatient or day case admission	<p>Quarterly March 2020 to March 2022</p> <p>7,226 11,465</p>	<b>59%</b>	<b>67%</b>
Number of patients waiting for a new outpatient appointment	<p>Quarterly March 2020 to March 2022</p> <p>22,523 27,631</p>	<b>23%</b>	<b>65%</b>
<b>Activity</b>		<b>% change</b>	
		<b>NHS Tayside</b>	<b>NHS Scotland</b>
Number of scheduled elective operations in theatre system	<p>Monthly March 2020 to March 2022</p> <p>1,241 1,765</p>	<b>42%</b>	<b>9%</b>
Number of inpatient and day case admissions	<p>Quarterly March 2020 to March 2022</p> <p>5,640 4,589</p>	<b>-19%</b>	<b>-29%</b>
Number of new outpatient appointments	<p>Quarterly March 2020 to March 2022</p> <p>28,717 27,885</p>	<b>-3%</b>	<b>-6%</b>
<b>Length of waits</b>		<b>% change</b>	
		<b>NHS Tayside</b>	<b>NHS Scotland</b>
Number waiting longer than 6 weeks for diagnostic tests	<p>Monthly March 2020 to March 2022</p> <p>2,581 6,889</p>	<b>167%</b>	<b>272%</b>
Number of patients waiting longer than 12 weeks for an inpatient or day case admission	<p>Quarterly March 2020 to March 2022</p> <p>2,726 7,198</p>	<b>164%</b>	<b>212%</b>
Number of patients waiting longer than 12 weeks for a new outpatient appointment	<p>Quarterly March 2020 to March 2022</p> <p>8,068 12,037</p>	<b>49%</b>	<b>229%</b>

Source: [Public Health Scotland](#)

**Exhibit 11****Impact of Covid-19 on national waiting time standards**

Target/standard	NHS Tayside performance			NHS Scotland performance
	March 2020	March 2021	March 2022 <sup>1</sup>	March 2022 <sup>1</sup>
<b>Cancer 62 Day Referral to Treatment target</b> Proportion of patients that started treatment within 62 days of referral	91.4%	94.2%	88.9%	79.0%
<b>Cancer 31 Days Referral to Treatment target</b> Proportion of patients who started treatment within 31 days of decision to treat	97.4%	98.5%	97.6%	97.1%
<b>18 Weeks Referral to Treatment target</b> Proportion of patients that started treatment within 18 weeks of referral	74.7%	76.7%	Not reported <sup>2</sup>	74.4%
<b>Patient Treatment Time Guarantee</b> Proportion of inpatients or day cases that were seen within 12 weeks	55.4%	59.6%	59.8%	69.4%
<b>Outpatients waiting less than 12 weeks</b> Proportion of patients on the waiting list at month end who have been waiting less than 12 weeks since referral	63.5%	51.3%	52.4%	46.5%
<b>A &amp; E attendees</b> Proportion of A & E attendees who were admitted, transferred or discharged within 4 hours	96.6%	96.6%	93.1%	71.6%
<b>Drug and Alcohol 21 days</b> Proportion of drug and alcohol patients that started treatment within 21 days	92.7%	95.7%	74.2%	93.1%
<b>Children and Adult Mental Health Services Waiting Times</b> Proportion of patients seen within 18 weeks of referral	69.0%	83.5%	93.0%	70.3%

Note. 1: Where March 2022 data is not yet available, the December 2021 validated data has been used.

Note. 2: Due to issues with the TrakCare system this data was not available.

Source: [Public Health Scotland](#)

## Alongside Covid-19, the board face a number of other ongoing operational challenges in delivering services

**190.** Covid-19 continues to present the main challenge to the board in delivering service improvements and tackling the backlog of patient demand. However, the board also faces a number of other ongoing operational challenges.

**191.** In January 2022 the board's only breast radiotherapy oncologist retired and a replacement is yet to be appointed. To support the delivery of breast cancer treatment to patients from Tayside, early breast cancer services have been supported by an NHS Grampian consultant, and NHS Forth Valley has provided additional support for routine breast cancer diagnostic referrals. However, some patients have had to travel out with Tayside to receive cancer treatment and the service faces a further challenge as another staff member who delivered advanced breast oncology services left NHS Tayside's employment in June 2022. Management has advised that they are committed to finding a longer-term solution to these issues and continue to work hard to recruit to the service in the face of a national shortage of oncology staff.

**192.** NHS Tayside has also faced significant challenges in recruiting permanent staff for a number of other posts over the last year, whilst also managing the ongoing impact of Covid-19 on staff sickness absence levels. This resulted in a significant increase in the use of agency staff which not only increased employee expenditure, paragraph [82.](#), but also presented challenges to the continuity of service delivery throughout the year. We recognise that the board is taking steps to manage its use of temporary staff and this is being adversely impacted on by the pandemic.

**193.** During 2021/22 Ryehill Health Centre in Dundee, and Friockheim Health Centre in Arbroath, gave notice to NHS Tayside that they would be terminating their contracts to provide local health services. These decisions reflect a national challenge with an increasing number of GP practices choosing to close due to unmanageable service pressures created by a combination of increased demand and a shortage of GPs. NHS Tayside and the Health and Social Care Partnerships have worked with both health centres to manage the closures and to support the independent GPs plan their next steps. The board and HSCPs also continue to support other GP practices across Tayside to ensure the provision of high quality primary care services to patients.

## The board should continue to progress the development of its Best Value Framework to demonstrate that arrangements to secure best value are embedded across the organisation

**194.** [\*Ministerial guidance to Accountable Officers\*](#) for public bodies and the [\*Scottish Public Finance Manual \(SPFM\)\*](#) detail the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

**195.** Management previously considered the Good Governance Blueprint provided sufficient evidence of best value but in our view this did not provide

explicit and comprehensive assurance on the seven best value themes. In our 2020/21 annual audit report we recommended that a formal review of the BV assurance framework and an assessment of the board's BV arrangements should be progressed as soon as practicable, and the outcome of the assessment reported to the Board to provide assurance to the over the arrangements in place. Management agreed to progress this work during 2021/22.

**196.** During 2021/22 the board conducted a self-evaluation exercise to review its arrangements in place in relation to value for money and effective use of resources, one of the Best Value themes as set out in the Scottish Government (SG) Best Value Framework. This review assessed the arrangements in place at the board for each of the strategic and operational requirements and identified whether measures and expected outcomes had been established to monitor and report on the delivery of each area. It also identified which standing committees are responsible for monitoring the delivery of these measures and outcomes.

**197.** The results of the self-evaluation were reported to the April meeting of the Performance and Resources Committee. This identified that the board already has well-established measures and outcomes in place for the majority of the strategic and operational requirements relating to the effective use of resources, and arrangements are in place to monitor and report on these areas to the relevant standing committees (for example, regular reports on the financial position are taken to the full Board and the Performance and Resources Committee).

**198.** The report also identified other areas, including staff capacity and procurement arrangements, where measures and outcomes have still to be developed so that these can be monitored and reported as part of the board's Best Value assurance framework. Management has advised that the board will develop measures and outcomes for each of these areas, and establish monitoring and reporting arrangements, to provide assurance to the Accountable Officer and the Board on the arrangements in place.

**199.** The Finance Directorate is also leading a wider review to develop a Best Value Framework, that will demonstrate throughout the organisation how all Best Value characteristics are met, and ensure mechanisms are in place to promote best value, improved efficiency and effectiveness. This will include embedding annual reporting on Best Value themes within each standing committee's annual report.

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## Recommendation 4

The board should continue to progress the development of its Best Value Framework to demonstrate that arrangements to secure best value are embedded across the organisation.

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**The board has arrangements in place to meet its responsibilities under the Equality Act 2010. There is also evidence that the Best Value principle of equality is embedded within many areas of the organisation.**

**200.** As part of our 2021/22 audit we reviewed the board's arrangements for ensuring that they meet their responsibilities under the [Equality Act 2010](#) (including the Scottish Specific Duties introduced in May 2012) and the additional duty placed on the board from April 2018, when Part 1 of the Equality Act 2010 came into force in Scotland, which is the Fairer Scotland Duty. This Duty places a legal responsibility on particular public bodies in Scotland to actively consider how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.

**201.** As part of our work we also considered the extent to which the best value principle of equality is embedded within the organisation, including the evidence that arrangements are in place to support equal access to healthcare services and information.

**202.** The Equality Act 2010 requires public bodies to consider all individuals when carrying out their day-to-day work: in shaping policy, in delivering services and in relation to their own employees. The public sector equality duty, also known as the general equality duty, covers the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. This duty requires public bodies to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act.
- advance equality of opportunity among all people, and
- foster good relations between different people when carrying out their activities.

**203.** The Scottish Specific Duties (introduced in May 2012) requires listed authorities to carry out the following activities:

- report progress on mainstreaming the equality duty,
- publish equality outcomes and report progress,
- assess and review policies and practices,
- gather and use employment information,
- publish gender pay gap information,
- publish statements on equal pay,
- consider award criteria and conditions in public procurement, and
- publish information in a manner that is accessible.

**204.** NHS Tayside are listed authorities for both the Equality Act and the Specific Duties in Scotland. Consequently, they are required to report progress on mainstreaming the public sector equality duty and to report progress on their published equality outcomes.

**205.** NHS Tayside's [Mainstreaming Report and Equality Outcomes 2021-2025](#) report was published on the NHS Tayside website in April 2021. The website also provides copies of the report in Arabic, Polish and Romanian and the report provides details of how members of the public can request a copy of it in other languages including Russian, Hungarian, Chinese, Urdu and British Sign Language; as well as large print or Braille versions of the report.

**206.** Our review of the [Mainstreaming Report and Equality Outcomes 2021-2025](#) report confirmed that the board has completed a detailed review of equality, focusing on progressing equality for its staff and patients and in the services it provides to people across Tayside. The report contains outcome data on the progress in delivering the 4 previous equality outcomes during 2019-2021 and sets 11 new equality outcomes for the period 2021-2025, developed through consultation and involvement of staff and patients, and reflecting relevant local and national evidence and research. The report also contains the required information on employment equalities and the gender pay gap, and the board's equal pay statement. We also noted that the Equality Outcome Implementation Group has been established to report on progress with the equality outcomes for NHS Tayside.

**207.** Our work also identified a range of other activities at the board that address the other requirements of the Equality Act and support equality being embedded within the organisation. These include:

- The establishment of a Corporate Equalities Team – The Corporate Equalities team have a key role in supporting and advising staff in NHS Tayside who are required to undertake EIAs for policies, strategies and service developments. The team can help staff develop the recommendations, prior to the submission of the policy, strategy or service development to one of the Board's standing committees for approval, and assist in ensuring that each EIA has considered all legal requirements.
- Preparation of [British Sign Language \(BSL\) Action Plan 2018-24](#) – The board has developed a BSL Action Plan to enable BSL users (those individuals whose first or preferred language is BSL) to be fully involved in daily and public life as active, healthy citizens able to make informed choices about all aspects of life.
- Establishment of equality groups – The board has a number of groups and networks to support staff with protected characteristics and assist in advancing equalities across NHS Tayside. These include the Disability Confident Implementation Group and Disability Employee Network; the NHS Tayside Black, Asian, Minority Ethnic Network; the EqualiTAY LGBTQ+ Network; and a Staff Carer Network.
- Equality and Diversity Champions Scheme – Equality and Diversity Champions work to promote equality and value diversity within NHS Tayside. Champions are trained to help staff in equality, diversity



and human rights matters and can signpost them to a range of support and materials.

- Staff newsletters – The board produce a range of internal staff newsletters to ensure that its employees are aware of the arrangements in place to support equality across the organisation. These include an Interpretation and Translation Service Newsletter and an Equality and Diversity Newsletter.

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## Good practice – Interpretation and translation services

NHS Tayside provides interpretation and translation services for patients who have difficulty verbally communicating in English, deaf patients, and patients who are deaf and blind. The interpretation services include telephone interpretation services in 200 languages, face-to-face interpreting and British Sign Language interpreting for deaf patients, and guide communicators for patients who are both deaf and blind; while Language Line Solutions can provide translation of written information for non-English speaking patients. The board also has various other arrangements in place to support residents in accessing healthcare services, including video remote interpreting and the use of transparent face masks to help reduce communication challenges for staff and patients with communication needs.

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**208.** Overall, we have concluded that the board has arrangements in place to meet its responsibilities under the Equality Act 2010. There is also evidence that the Best Value principle of equality is embedded within many areas of the organisation.

## The board should proceed with the roll-out of the revised Equality Impact Assessment policy to ensure this is embedded across NHS Tayside and applied to all key strategies and policies

**209.** Our review of the equality arrangements at the board included consideration of the use of equality impact assessments to ensure that these are being completed and give due consideration to how a policy or service change could affect different protected groups. Our work also included the review of a sample of completed equality impact assessments across a range of areas.

**210.** The board's Equality Impact Assessment (EIA) policy was updated in April 2022. The revised policy defines the process by which NHS Tayside will assess the impact of their policies, functions, and service improvements or service changes on people with protected characteristics. The EIAs are intended to highlight potential health and wellbeing issues and impacts on equality groups or people with protected characteristics. This is intended to help identify ways in which a policy or service improvement / redesign should be changed to address any adverse impact or barriers for people with protected characteristics, equality groups, and socio-economically deprived groups.

**211.** The EIA process is a key element in driving fairness and good business practice in the board's operations. The board is currently developing a communication plan to support the roll-out of the revised EIA process across NHS Tayside.

**212.** Our review of a sample of EIAs (including the EIAs completed for the Digital Health Strategy and the National Treatment Centre business case) identified that these gave good coverage of the potential equalities impacts, including consideration of the health inequalities impacts and human rights impacts. We also noted that the EIAs are now included within relevant policies which is a good approach to ensure that impact assessments are prepared as part of the development of all relevant policies, and also that these assessments are freely available to members of the public via the NHS Tayside website.

**213.** We also identified instances where the EIA had not been signed off and dated by the manager after completion so it was not clear when in the process the EIA was completed (i.e. as part of the development of the strategy or after the strategy had already been fully developed and was ready for approval). As stated on the EIA form itself, it is important that the completed EIA is signed off and dated by the Lead Director or Manager in all cases to evidence the proper and timely completion of the EIA.

**214.** One of the EIAs we had requested to review was the EIA completed for the 'Living Life Well' - Tayside Mental Health and Wellbeing Strategy. However, we were informed by officers that no EIA had been completed for this strategy as strategic planning for mental health is a delegated function for IJBs, therefore this strategy is not the responsibility of NHS Tayside but the three Tayside IJBs. Given the significant challenges faced by the health board and its partners in improving mental health services across Tayside, paragraphs [154.](#) to [167.](#), it is imperative that all bodies take ownership for improving the quality of services delivered, which should include consideration of the equality impacts of any changes to mental health services delivered by NHS Tayside on behalf of the IJBs. Therefore, we would have expected NHS Tayside to have completed its own EIA in respect of this strategy.

**215.** Our review of the sampled EIAs noted the positive input of the Corporate Equalities Team in the EIA processes they were involved in, which led to improvements being made to the completion of these EIAs. This indicates that there may be an opportunity to expand and enhance the role of the Corporate Equalities Team to have oversight of the completion of EIAs across the whole organisation and to track the completion and sign-off of all EIAs.

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## Recommendation 5

The board should proceed with the roll-out of the revised EIA policy to ensure this is embedded across NHS Tayside and applied to all key strategies and policies.

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## National performance audit reports

**216.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2021/22 a number of reports were published which may be of interest to the board. These are listed in [Appendix 3](#).

**217.** The NHS in Scotland Report on the 2021/22 audits will include a review of the impact of the Covid-19 pandemic on the treatment of patients and NHS boards plans to address any backlogs in the treatment of patients. The report will also cover the deliverability of NHS recovery plans, including a review of performance against the Clinical Prioritisation Framework, and report on financial performance during the year. The report is scheduled to be published early in 2023.

# Appendix 1. Action plan 2021/22

## 2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Three-year financial plan</b></p> <p>NHS Tayside are required to submit a three-year financial plan to the Scottish Government Health Finance and Governance Directorate in July 2022.</p> <p><b>There is a risk that the board's three-year financial plan does not align with the national priorities advised by the Scottish Government, and the local challenges faced by the board.</b></p>	<p>NHS Tayside's three-year financial plan should be aligned with the national priorities advised by the Scottish Government and the local challenges faced by the board, and also include scenario planning of key financial assumptions.</p> <p><a href="#">Paragraphs 73. and 74.</a></p>	<p>The Board's three-year financial plan will be submitted in July 2022 and will be aligned to the outcomes of the Scottish Government Resource Spending Review in May.</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Agreed date:</b> March 2023</p>
<p><b>2. 2022/23 financial gap</b></p> <p>NHS Tayside's one year Strategic Revenue Plan 2022/23 identifies a financial gap of £51.2 million and includes planned measures to reduce this to £19.6 million.</p> <p><b>There is a risk that the board is unable to identify additional measures to address the remaining financial gap.</b></p>	<p>Additional savings plans should be developed to address the remaining financial gap of £19.6 million for 2022/23. Where possible these should include recurring savings to help reduce the recurring deficit of the board.</p> <p><a href="#">Paragraphs 77. and 78.</a></p>	<p>The Board continues to develop savings plans with the services as they stabilise and continue to respond to Covid-19. Savings plans are monitored and reported regularly to Scottish Government.</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Agreed date:</b> March 2023</p>
<p><b>3. Agency staff costs</b></p> <p>Staffing pressures contributed to agency staff costs increasing by £12.0 million (103 per cent) from £11.6 million in 2020/21 to £23.6 million in 2021/22, although this significant increase in agency staff costs</p>	<p>Given the tight financial constraints within which the board are operating, it is vital that it tackles the current staff recruitment and retention issues that are contributing to</p>	<p>Against a backdrop of national shortage specialities, in every circumstance the use of external agency or temporary staffing is the final option in support of the care of patients and subject to ongoing performance management. Recruitment and staff retention priorities form part of the agreed</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>was partly attributable to higher levels of activity during the year as Covid-19 restrictions eased. It is clear that this level of expenditure on agency staff is not sustainable.</p> <p><b>These increased costs present a risk to the financial sustainability of services.</b></p>	<p>unsustainable levels of expenditure on agency staff.</p> <p><a href="#">Paragraph 82.</a></p>	<p>Board Workforce Plan and Talent strategies, and progress against actions form part of quarterly resource monitoring reports to Executive Team and Board Staff Governance Committee.</p> <p><b>Responsible officer:</b> Director of Workforce</p> <p><b>Agreed date:</b> March 2023</p>
<p><b>4. Best Value framework</b></p> <p>The Finance Directorate is leading a review to develop a Best Value Framework, that will demonstrate throughout the organisation how all Best Value characteristics are met, and ensure mechanisms are in place to promote best value, improved efficiency and effectiveness.</p> <p><b>There is a risk that arrangements to secure best value are not embedded across the organisation.</b></p>	<p>The board should continue to progress the development of its Best Value Framework to demonstrate that arrangements to secure best value are embedded across the organisation.</p> <p><a href="#">Paragraphs 194. to 199.</a></p>	<p>A report will be submitted to the June 2022 Audit and Risk Committee regarding a Best Value Framework for NHS Tayside. This will then be implemented during 2022/23</p> <p><b>Responsible officer:</b> Board Secretary / Director of Finance</p> <p><b>Agreed date:</b> March 2023</p>
<p><b>5. Equality Impact Assessment policy</b></p> <p>The board's Equality Impact Assessment policy was updated in April 2022 but is still to be rolled out across the organisation.</p> <p><b>There is a risk that the requirements of the new policy are not being applied to all assessments being undertaken.</b></p>	<p>The board should proceed with the roll-out of the revised EIA policy to ensure this is embedded across NHS Tayside and applied to all key strategies and policies.</p> <p><a href="#">Paragraphs 209. to 215.</a></p>	<p>The Equality Impact Assessment Policy has been reviewed and will be approved and communicated during Summer 2022. The Corporate Equalities Team will continue to communicate the legal requirement to undertake Equality Impact Assessments and will provide support and facilitation to the managers within NHS Tayside to ensure Equality Impact Assessments are undertaken for not only policies but strategies and service redesign and change.</p> <p><b>Responsible officer:</b> Board Secretary</p> <p><b>Agreed date:</b> March 2023</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>PY1. Savings gap</b></p> <p>The board has only high-level savings plans to achieve the £27 million of savings required in 2021/22 to meet its funding gap.</p> <p><b>The board may not be able to deliver the savings planned for 2021/22.</b></p>	<p>The board should ensure that detailed savings plans are developed identifying how the £27 million of savings in 2021/22 will be delivered.</p>	<p><b>Complete</b></p> <p>The board delivered the targeted efficiency savings of £27 million, but only 22 per cent of these represented recurring savings.</p> <p><a href="#">Paragraphs 45. to 46.</a></p>
<p><b>PY2. Financial Planning</b></p> <p>The board's medium-term financial plan was developed before the Covid-19 pandemic occurred in March 2020 and has been replaced, as instructed by the Scottish Government, by a one-year financial plan for 2021/22. Going forward a medium to long term plan will be required.</p> <p><b>The board's medium term financial plan is out of date due to Covid-19.</b></p>	<p>The board should review its medium-term financial plan following the Covid-19 pandemic to reflect its impact on the board's finances going forward. The plan should be aligned with the board's strategic direction and remobilisation plan and include scenario planning of key financial assumptions.</p>	<p><b>Ongoing</b></p> <p>The requirement for NHS boards to produce three-year financial plans has been postponed to July 2022 due to the ongoing impact of the Covid-19 pandemic.</p> <p><a href="#">Paragraphs 73. and 74.</a></p> <p><b>See action plan point 1</b></p>
<p><b>PY3. Board Member training and development</b></p> <p>In 2019/20 we reported on the board's review of its Board Member training and development which had commenced in 2018/19. We recommended that, as part of that review, the board should develop Board Member training needs analyses and personal development plans. We have been advised that this recommendation has been delayed due to the work required to respond to Covid-19.</p> <p><b>Members may not be sufficiently supported to carry out their role of scrutinising and holding to account.</b></p>	<p>The board should develop Board Member training needs analyses and personal development plans, linked to the Board's corporate objectives.</p>	<p><b>Complete</b></p> <p>This was delayed due to the impact of Covid-19 during 2020/21 but was completed in December 2021 for all members.</p> <p><a href="#">Paragraphs 127. to 130.</a></p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>PY4. Best Value</b></p> <p>We have been advised that due to the pandemic the board has been unable to provide evidence to give appropriate assurance over best value arrangements.</p> <p><b>The board cannot demonstrate it is delivering on its BV responsibilities.</b></p>	<p>While recognising the need to prioritise Covid-19 recovery, we recommend that a formal review of the BV assurance framework and an assessment of the board's BV arrangements should be progressed as soon as practicable. The outcome of the assessment should be reported to the Board.</p>	<p><b>Ongoing</b></p> <p>During 2021/22 the board conducted a self-evaluation exercise to review its arrangements in place in relation to value for money and effective use of resources, one of the Best Value themes as set out in the Scottish Government (SG) Best Value Framework.</p> <p>The Finance Directorate is also leading a wider review to develop a Best Value Framework, that will demonstrate throughout the organisation how all Best Value characteristics are met, and ensure mechanisms are in place to promote best value, improved efficiency and effectiveness. This will include embedding annual reporting on Best Value themes within each standing committee's annual report.</p> <p><a href="#">Paragraphs 194. to 199.</a></p> <p><b>See action plan point 4</b></p>

# Appendix 2. Wider audit dimension risks

The table below sets out the risks we identified for the 2021/22 audit relating to our wider responsibility under the Code of Audit Practice 2016 and how we addressed each risk in arriving at our conclusion.

## Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Covid-19 recovery and transformation</b></p> <p>NHS Tayside continues to deal with the operational and financial impact of the Covid-19 pandemic. There remain major challenges for the board across a range of areas, including:</p> <ul style="list-style-type: none"> <li>• financial sustainability of services</li> <li>• capacity to deliver services and manage patient backlog, compounded by higher than normal levels of staff absence</li> <li>• staff care and wellbeing concerns</li> <li>• recruitment and retention issues in certain specialisms.</li> </ul> <p>To deliver the board's longer-term recovery plans there will be a requirement to transform services and deliver them more efficiently and effectively. Key to this will be ensuring clear links between the recovery plans and the board's financial planning, overarching clinical strategy, workforce planning, asset management and the digital strategy.</p>	<ul style="list-style-type: none"> <li>• Review the impact of the pandemic on NHS Tayside's performance and finances and the response of the board.</li> <li>• Monitor the delivery of the board's recovery plans.</li> </ul>	<p>NHS Tayside operated within its annual Revenue Resource Limit during 2021/22. The financial impact of Covid-19 was covered by additional Scottish Government funding during 2021/22.</p> <p><a href="#">Paragraphs 39. to 44.</a></p> <p>NHS boards across Scotland face significant financial challenges that have been exacerbated by the impact of the Covid-19 pandemic. Additional funding resulted in a 6 per cent increase in NHS Tayside's overall resource funding in 2021/22, but the Scottish Government has indicated that a similar increase in financial support will not be available in 2022/23.</p> <p><a href="#">Paragraphs 68. to 72.</a></p> <p>NHS Tayside's Strategic Revenue Plan for 2022/23 identifies a financial gap of £51.2 million, reducing to £19.6 million after additional anticipated funding and planned savings. Additional plans now need to be developed to bridge this gap.</p> <p><a href="#">Paragraphs 73. to 78.</a></p>



Audit risk	Assurance procedure	Results and conclusions
		<p>During 2021/22 the board faced various workforce pressures, including Covid-19 absence and recruitment and retention issues. These staffing and service pressures contributed to a significant increase in agency staff costs during 2021/22 and continue to present a risk to the financial sustainability of services in the future. Further increases in energy costs, and other inflationary increases, could place additional financial pressure on the board during the course of 2022/23.</p> <p><a href="#">Paragraphs 82. and 83.</a></p> <p>Key to NHS Tayside delivering its remobilisation plans, and longer-term recovery plans, will be ensuring clear links between the recovery plans and the board's financial planning, overarching clinical strategy, workforce planning, asset management and the digital strategy.</p> <p><a href="#">Paragraphs 176. to 179.</a></p> <p>Covid-19 has significantly impacted upon the board's activity and waiting times performance during 2021/22, and contributed to a large increase in demand for acute services. Tackling this backlog of patient demand will continue to present a major challenge to the board in 2022/23 and beyond.</p> <p><a href="#">Paragraphs 187. to 189.</a></p> <p>Alongside Covid-19, the board face a number of other ongoing operational challenges in delivering services, including difficulties in recruiting and retaining</p>

Audit risk	Assurance procedure	Results and conclusions
<p><b>2. Mental health services</b></p> <p>In July 2021, Dr. Strang reported on the progress of the improvements made in mental health services in Tayside in response to report published in February 2020. This follow-up review identified areas of positive change however, it also stated that there had been missed opportunities for listening to people and engaging with partners in order to build trust. We reported in 2020/21 that the board was considering its response to the progress report.</p> <p>The Director of Mental Health post has been vacant since March 2021, with the Director of Nursing providing the directorate leadership for this area on an interim basis to strengthen and support the leadership team.</p> <p>There is a risk that the board, and its partners, fail to deliver the required improvements to mental health services across Tayside.</p>	<ul style="list-style-type: none"> <li>• The Oversight &amp; Assurance Group has been established, the role is to provide challenge and support to the Tayside Executive Partners (TEP).</li> <li>• Initial focus is to seek an update on progress of the implementation of the 51 Strang recommendations. A collective progress review has been submitted to the Group.</li> </ul>	<p>staff for certain specialities.  <a href="#">Paragraphs 190. to 193.</a></p> <p>The Minister for Mental Wellbeing and Social Care has appointed an independent Oversight and Assurance Group (OAG) to work with the Tayside Executive Partnership (TEP) to improve mental health services across Tayside. The group's first quarterly report highlighted a disparity between the assessments of the OAG and the TEP of the progress made in addressing the recommendations of the Trust and Respect report.</p> <p><a href="#">Paragraphs 154. to 167.</a></p>

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# Appendix 3. National performance reports 2021/22

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May

[Local government in Scotland Overview 2021](#)

January

[Planning for skills](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 2020/21](#)

# NHS Tayside

## 2021/22 Annual Audit Report

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