



## AUDIT COMMITTEE

### AGENDA

8th Meeting, 2001 (Session 1)

Tuesday 15<sup>th</sup> May 2001

The Committee will meet at 2.00 pm in the Debating Chamber to consider the following agenda items:

1. **Committee Business (in private):** The Committee will consider the lines of questioning to be put to the witnesses.
2. **Committee Business:** The Committee will consider whether to take items 4 and 5 in private.
3. **National Health Service Bodies in Tayside:** The Committee will take evidence from—

Mr Peter Bates, Chairperson, NHS Tayside;

Mrs Pamela Ballie, former Director of Finance, Perth & Kinross Healthcare NHS Trust;

Mr Frank Brown, former Chief Executive, Perth & Kinross Healthcare NHS Trust;

Mr Philip Colville, former Director of Finance & Information, Dundee Teaching Hospital NHS Trust;

Mrs Caroline Inwood, former Director of Nursing, Perth & Kinross Healthcare NHS Trust

Mr Tim Brett, Chief Executive, Tayside Health Board;

Mr Paul M White, Chief Executive, Tayside University Hospital NHS Trust;

Mrs Frances Havenga, former Chairman, Tayside Health Board;

Sir William Stewart, former Chairman, Tayside University Hospital NHS Trust;

on the report by the Auditor General for Scotland entitled 'National Health Service Bodies in Tayside' (AGS/2001/3).

- 4. Consideration of Evidence:** The Committee will consider the evidence taken.
- 5. Work Programme:** The Committee will consider its work programme.

Callum Thomson  
Clerk to the Audit Committee  
Room 1.6, Committee Chambers  
Ext. 0131 348 5215  
Email: [callum.thomson@scottish.parliament.uk](mailto:callum.thomson@scottish.parliament.uk)

The papers for this meeting are as follows (members are reminded to bring those which were issued as private papers for the last meeting)

Memoranda from Mr Peter Bates/Mr Trevor Jones dated 26 April 2001 (issued for last meeting) and dated 10 May 2001 (new)	AU/01/8/1
Memorandum from Mrs Pamela Ballie dated 9 May 2001 (new)	AU/01/8/2
Memorandum from Mr Frank Brown dated 24 April 2001 (issued for last meeting)	AU/01/8/3
Memorandum from Mr Philip Colville dated 24 April 2001 (issued for last meeting) and Letter from Phillip Colville to the Auditor General for Scotland dated 16 April 2001 (new)	AU/01/8/4
Memorandum from Mrs Caroline Inwood dated 10 May 2001 (new)	AU/01/8/5
Memorandum from Mrs Frances Havenga dated 26 April 2001 (issued for last meeting)	AU/01/8/6
Memorandum from Sir William Stewart dated 26 April 2001 (issued for last meeting)	AU/01/8/7
Memorandum from Mr John Mathieson dated 24 April 2001 (issued for last meeting)	AU/01/8/8
Memorandum from Mr Geoff Scaife dated 2 May 2001 (new)	AU/01/8/9
Memorandum from Mr Howard Waldner dated 24 April 2001 (issued for last meeting)	AU/01/8/10

**Audit Committee**  
**Convener: Andrew Welsh MSP**

Mr Peter Bates  
Chairperson  
NHS Tayside  
Gateway House  
Luna Place  
Dundee  
DD2 1TP

3 May 2001

Dear Mr Bates

**NHS Bodies in Tayside**

At its meeting on Tuesday, 1 May 2001, the Audit Committee considered the evidence it had heard at its meeting in Dundee on 2 April regarding the Auditor General for Scotland's report, "NHS Bodies in Tayside" alongside written submissions (copies enclosed) which it had subsequently received on some of the issues which had been raised at the meeting in Dundee.

The Committee agreed that I should write to invite you to attend the next two meetings of the Committee on 15 and 29 May 2001, to give oral evidence. The meetings will take place, respectively, in the Debating Chamber and in Committee Room 2 of the Scottish Parliament. It is envisaged that both meetings will be held in public and will begin at 2 pm. I will contact you if these arrangements are altered.

The first meeting will focus on the relationship between the former Trusts, Tayside Health Board and the Health Department. It is expected that the extent to which new Trust senior managers were aware of problems inherited from old Trusts and the robustness of management information available around the period of transition will be of particular interest to the Committee. The second meeting will be concerned primarily with the role of the Health Department.

In addition to yourself, the Committee has invited the following individuals to give evidence at the meeting on 15 May:

Mrs Pam Ballie  
Mr Tim Brett  
Mr Frank Brown  
Mr Philip Colville

Andrew Welsh MSP  
Room 2.6 PHQ  
The Scottish Parliament  
Edinburgh EH99 1SP

Mrs Frances Havenga  
Mrs Caroline Inwood  
Sir William Stewart  
Mr Paul White

I shall be writing to invite Trevor Jones and Geoff Scaife to attend the meeting on 29 May.

The Auditor General's report is available on the Audit Scotland website.

<http://www.audit-scotland.gov.uk/publications/pdf/01ar01ag.pdf>

The Official Report of the Committee's meeting in Dundee is available on the Scottish Parliament website.

[http://www.scottish.parliament.uk/official\\_report/cttee/audit-01/au01-0601.htm](http://www.scottish.parliament.uk/official_report/cttee/audit-01/au01-0601.htm)

I enclose a guidance note which provides details of the arrangements for both meetings.

Should you wish to comment on the submissions which the Committee has received from other individuals, please do so in writing no later than 10 May 2001 (no more than 2 sides of A4 paper).

I would be grateful if you could acknowledge the receipt of this letter as soon as possible and copy your response to Callum Thomson, Clerk to the Audit Committee, The Scottish Parliament, Room G.6, Committee Chambers, Edinburgh, EH99 1SP (callum.thomson@scottish.parliament.uk).

Yours sincerely

## **CONVENER**

Enclosures:

1. Written submissions from:

Mr Frank Brown  
Mr Philip Colville  
Mrs Frances Havenga  
Mr John Mathieson  
Mr Geoff Scaife  
Sir William Stewart  
Mr Howard Waldner

2. Guidance note on arrangements for the meeting.

OUR REF: PB/LI  
YOUR REF:  
IF TELEPHONING PLEASE ASK FOR: Miss Lisa Ip  
DIRECT LINE: 01698 245013  
E-MAIL: [Pamela.Ballie@lanpct.scot.nhs.uk](mailto:Pamela.Ballie@lanpct.scot.nhs.uk)

9 May, 2001

Mr. A Welsh, MSP  
Convener – Audit Committee  
Room 2.6 PHQ  
The Scottish Parliament  
**EDINBURGH**  
EH99 1SP

Dear Mr. Welsh

**Audit Committee - NHS Bodies in Tayside**

Thank you for your letter of 3 May 2001 inviting me to attend the meeting of the Audit Committee on 15 May 2001 to give oral evidence.

In order to assist the Audit Committee, I have attached to this letter a written submission on the areas identified for review by the Committee.

I have not been directly involved in the financial position in Tayside since moving to Lanarkshire Primary Care NHS Trust on 1 April 1999. Therefore, I have had to review a number of files and documentation held by the Trust and Health Board in Tayside and I acknowledge the assistance of the Tayside personnel in facilitating this.

I have, also, attached to this letter a written submission on the content of the verbatim report from the Audit Committee meeting held on 2 April 2001. This submission seeks to clarify a number of issues of factual accuracy in the evidence given to the Committee.

I have endeavoured to restrict my submission to items of relevance for the Committee, but I would be happy to provide further documentation to the Committee as required.

It is my understanding that my submission will be copied to the other attendees at the Audit Committee and I, consequently, have not copied this letter to them in order to avoid duplication.

Yours Sincerely

**PAMELA BALLIE**  
**DIRECTOR OF FINANCE**

c.c. Mr. C Thomson

- 1 ***Mr. White cited an example of a decision made by the former Perth & Kinross Healthcare NHS Trust to recruit additional nurses at an annual cost of £300,000 based on an unrecorded discussion between two members of staff of the Trust and Tayside Health Board. Give evidence on the issue of the recruitment of these additional nurses and the extent to which you were involved in this matter.***

Perth & Kinross Healthcare NHS Trust did not recruit additional nurses at an annual cost of £300,000 as reported to the Audit Committee.

During the period since 1997, the Trust operated a very strict policy on staff recruitment, which required that a request to fill any post, either new or an existing vacancy, must be signed off by an Executive Director (Appendix 1). If this signature was not shown on the documentation then the centralised recruitment staff within the Human Resources department of the Trust would not proceed to advertisement. This policy was agreed between the Clinical Directors and the Executive Directors to ensure appropriate financial controls were applied in order to avoid any augmentation of the forecast financial deficit.

However, the Nursing cost base was increased by £284,000 during the period from 1 December 1998 to 31 March 1999. This was made up of two separate components:

1]	<i>Nursing Pay Award Stage 2 (01/12/99)</i>	<i>£148,000</i>
2]	<i>Waiting List Initiatives</i>	<i>£136,000</i>

Both the Pay Award and the Waiting List Initiatives were funded by Tayside Health Board and, consequently, did not create any financial exposure for the Perth & Kinross Trust or for the successor Trusts (Appendix 2).

A full review of Nurse staffing levels was carried out by Tayside Health Board's Area General Manager for Perth & Kinross jointly with the Trust's Finance Manager in order to compare the staffing levels during 1996/97 to 1998/99. This shows that there was an overall reduction of 116.1 whole time posts during this period (Appendix 3). The reason for carrying out this review was to allow Tayside Health Board to reassure themselves that the Trust had not appointed staff to any unfunded posts, which would have created cost pressures. I, together with my Chief Executive, agreed to open all of the records of the Trust to the Area General Manager in order to facilitate a full understanding of the position and to ensure openness and transparency. This review was carried out during October/December 1998. The outcome of the review was that Perth & Kinross Healthcare NHS Trust had not made appointments to any unfunded posts and that the cost pressures related to increases in demand led activity patterns.

I am aware of a number of discussions between the Trust's Director of Nursing and the Chief Nursing Advisor for Tayside Health Board. On one occasion, I attended a meeting on behalf of the Trust's Director of Nursing. The discussions were aimed at reaching agreement on the appropriate level of nursing cover required and the appropriate skill mix in order to ensure safe levels of staffing in the light of increasing dependency of patients in the inpatient ward setting.

A number of areas, including general surgery and orthopaedic services, were agreed between the Director of Nursing and the Chief Nursing Advisor. However, the cover for general medicine was still under discussion regarding skill mix and the areas of mental health, community and obstetrics/gynaecology remained to be completed. It was agreed by the Director of Nursing and myself that all of the areas required full agreement to be in place prior to any recruitment. Therefore, no staff were recruited during this period.

In order to temporarily address the issue of safe staffing levels in general surgery and general medicine the two Directorates were authorised to spend an additional £50,000 on temporary in year nursing cover, which was targeted at times of greatest need. The funding for this £100,000 was provided by the virement of funds from the Property maintenance budget, which ensured no additional financial exposure.

The Director of Nursing, Chief Executive and myself maintained very close communication on the progress of the discussions on the appropriate levels of staffing with Tayside Health Board officers. The Trust's focus was, of course, to bring the discussions to a speedy conclusion.

**2a     *The relationship between the former Trusts, Tayside Health Board and the Health Department.***

- Tayside Health Board

I was appointed as Director of Finance to Perth and Kinross Directly Managed Unit of Tayside Health Board on 3 August 1993. The Perth & Kinross Healthcare NHS Trust was established on 1 April 1994 and I was formally appointed as Director of Finance with the Trust after a process of interview with the Chairman, Non Executive Directors and the Chief Executive. At this point, I was responsible for Finance and Information for the Trust, which provided Acute, Mental Health and Community Services for the population of Perth & Kinross.

With effect from September 1994, I also had an increased input into the Trust's Service Level Agreement with Tayside Health Board officers regarding the content of the Service Level Agreement with regard to quality of services, finance and activity. The Service Level Agreement was the key document detailing the services purchased by Tayside Health Board and provided by Perth & Kinross Healthcare NHS Trust under the internal market.

A process of regular quarterly monitoring reviews took place between the Trust and the Health Board covering the contract performance against patient activity, costs, quality, clinical effectiveness and charter guarantee/waiting lists.

In the latter years of the Trust this process was enhanced by the preparation of the Business Plan and Trust Implementation Plan, which was formally signed off by Tayside Health Board before formal submission to the Management Executive/...



Executive. This facilitated the process of ensuring that Health Board and Trust service strategies were aligned and were underpinned by robust financial strategies.

I met with the Director of Contracting, latterly Area General Manager, Perth & Kinross of Tayside Health Board, on a regular basis to develop an open dialogue on performance and to discuss any developing problem areas.

A series of regular meetings were held between the Directors of Finance of each of the Tayside Trusts and Tayside Health Board. This served to review financial performance across Tayside, to act as a catalyst for forward planning on areas of financial pressure and to review financial strategies.

In order to facilitate an open and transparent process of financial reporting, the normal monthly financial reports to the Trust Board and the Management Executive were sent to the Health Board's Directors of Finance from October 1997. This report incorporated the complete financial data for the Trust together with a narrative on the data including a section on key issues and performance against financial targets.

- *Health Department*

The Financial Plan of the Trust was submitted to the Health Department, formerly Management Executive, annually throughout the life of the Trust. In the latter years the Financial Plan formed an integral part of the Trust Implementation Plan, which was signed off by Tayside Health Board prior to submission to the Health Department. A full Financial Monitoring Report was submitted monthly to the Health Department, which highlighted the key issues facing the Trust and the forecast on performance against the three financial targets set for the Trust, namely:

- Achieve a 6% rate of return on relevant net assets.
- Achieve a break even position year on year.
- Operate within the set External Financing Limit.

During 1998/99 the Trust reports included commentary, which highlighted the requirement for the retention of capital receipts and the level of funding from Tayside Health Board in order to achieve the three targets.

Over the years, a number of informal meetings took place between Trust finance staff and Health Department finance staff to review progress in year.

**2b**     *The extent to which new Trust senior managers were aware of problems inherited from old Trusts and the robustness of management information available around the period of transition.*

The Chairmen and Chief Executives of the new Trusts, once appointed, were made fully aware/...

aware of the financial position within Perth & Kinross at the earliest opportunity. During mid November 1999, the Finance Directors Designate were appointed and they were subsequently fully involved in the discussions and determining agreed Action Plans as they related to the Perth & Kinross position. I am unable to comment upon whether a similar process occurred for Dundee and Angus.

As part of the briefing, the key senior staff of the two new Tayside Trusts were made fully aware that the Perth & Kinross Trust required the use of £3.3m non recurring income in 1998/99 to enable the Trust to meet the required three financial targets. A fully transparent process was taken forward throughout the transitional period.

The Chief Executive and Finance Director of Perth & Kinross Healthcare NHS Trust, Tayside Health Board and the Chief Executive and Finance Directors (Designate) of Tayside University Hospitals NHS Trust and Tayside Primary Care Trust were fully aware of the content of the Financial Recovery Plan, which had been jointly written by Perth & Kinross Healthcare NHS Trust and Tayside Health Board. This was submitted to Dr. Paul Brady, Director of Finance at the Management Executive on 18 December 1998 (Appendix 4).

The Action Plan element of the Financial Recovery Plan was the subject of considerable input and shaping from all senior staff in Tayside, both from old and new Trusts and the Health Board to ensure that the Plan represented a jointly agreed deliverable savings plan.

The Finance Directors Designate of the new Trusts joined the Chief Executives and Directors of Finance from Perth & Kinross Trust and the Health Board at the meeting with the Management Executive on 21 December 1998 to discuss the Perth and Kinross financial position.

The management information available, as it related to Perth & Kinross, was robust and gave clarity over the financial exposure, which would be faced by the Health Bodies in Tayside. As a result, Tayside Health Board confirmed that it would make a recurring investment to address the cost pressures in Perth & Kinross generated from increasing activity patterns, which reflect demand led emergency workload. This was reflected in the Tayside wide Financial Framework 1999/2000, which was submitted to the Director of Finance at the Management Executive by the Chief Executive of Tayside Health Board on 16 February 1999. It should be noted that this Financial Framework was signed off by Mr. Brett, Chief Executive of Tayside Health Board, Mr. White, Chief Executive Designate of Tayside University Hospitals NHS Trust and Mr. Wells, Chief Executive Designate of Tayside Primary Care NHS Trust (Appendix 5).

**Comments on the Official Report of the Audit Committee Meeting held on 2 April 2001**

- 1 Page 15 of 81 Mr. Brett: In Perth & Kinross, the attitude was taken that if something needed to be done additional staff were appointed and the Health Board was expected to find the funds.**

The position within Perth & Kinross was that due to the significant increases in Emergency admissions based on demand led activity the Trust was required to treat these patients as a result of the emergency nature of the presentation. The level of increased activity from 1994/95 to 1997/98 was concentrated into three key areas:

<i>General Medicine</i>	<i>51% increase</i>
<i>General Surgery</i>	<i>19% increase</i>
<i>Orthopaedics</i>	<i>30% increase</i>

The Trust endeavoured to deal with these increases from existing capacity, but the dimension of the increase was such that this was not possible.

Tayside Health Board wished to increase the activity in the Service Level Agreement to reflect actual service patterns, but did not fund the Perth & Kinross Trust to match the increase in service provision. This resulted in a discount factor of 5.1% being applied to the Trust's income from Tayside Health Board in 1998/99. This equated to a financial deficit of £2.818m.

There was an ongoing dialogue with Tayside Health Board officers during 1997/98 and 1998/99 regarding the need to deliver the increasing activity base and the need to underpin this by a robust financial baseline. The Trust Chief Executive and the Director of Finance wrote separately in January 1998 to the Chief Executive and the Director of Finance of Tayside Health Board requesting that the financial baseline be jointly addressed on a Tayside wide position.

- 2 Page 16 of 81 Mr. Brett: In Perth & Kinross, the problem (use of non recurring funds) was being disguised. We were not aware that that was how the Trusts were balancing their books.**

The Financial Plan included within the Trust Implementation Plan for Perth & Kinross Healthcare NHS Trust 1998/2003 made explicit reference to the retention of capital receipts of a non recurring nature. This plan was signed off by Tayside Health Board prior to submission to the Health Department by the Trust.

I have attached the Financial Proforma section of the Trust Implementation Plan and marked the relevant sections where reference is made to the use of non recurring retention of receipts (Appendix 6).

The use of these funds was acknowledged by the Management Executive in their letter of 16 July 1998 (Appendix 7). This letter identifies that the Trust would require to seek formal approval to transfer the receipt from Capital to Revenue.

- 3 **Page 24 of 81 Mr. White: *Developments took place on the basis of conversations between senior officers in the health board and the trust.***

In Perth & Kinross, no developments were put in place until the formal schedule was received from Tayside Health Board confirming funding. These were signed jointly by the Chief Executive of the Tayside Health Board and by the Chief Executive of the Trust. I am unable to comment on the procedures within other Tayside Trusts.

- 4 **Page 36 of 81 Convener: *We are told that the deficit was £11.1m and that £1.7m was given by Tayside Health Board to balance the situation that was created in Perth & Kinross Healthcare NHS Trust.***

This statement is factually correct, but it applies only to the position within Tayside University Hospitals NHS Trust. A contribution was also made available recurrently to Tayside Primary Care NHS Trust of £1m.

In order to present a Tayside wide position statement on the inherited Perth & Kinross deficit a schedule is attached giving the global picture (Appendix 8). This schedule reflects the fact that the Perth & Kinross inherited position would, in fact, have made a surplus contribution to the remaining Tayside deficits.

On the basis of this information, I would question whether it is valid to continue to quote statements regarding “the inherited deficit from Perth & Kinross”.

- 5 **Page 37 of 81 Convener: *One problem was the unrealistic setting of cash releasing efficiency savings targets.***

It is my understanding that the cash releasing efficiency savings target for 1999/2000 for the two new Tayside Trusts was 2.25% equating to £5.2m. While I would not wish to comment on whether this was deliverable, I would point out that this was a higher target than that set in other areas of Scotland, e.g. Lanarkshire.

- 6 **Page 42 of 81 Mr. Brett: *The Director of Finance contacted his colleagues in the four Trusts in November of the previous year and invited them to enter into the preparation of the following years budgets. As part of this process, they were all asked to identify cost pressures and other areas of financial concern.***

This is factually correct and each of the four existing Trust Directors of Finance presented information reflecting cost pressures. This is documented in the Financial Strategy Overview 1999/2000 – 2003/04 dated 25 March 1999 (page 3) submitted by Tayside Health Board.

The total value was £6.479 million on a Tayside wide basis. The Perth & Kinross element was £3.307m reflecting the same value, which had been covered non recurrently in 1998/99.

As stated earlier the Perth & Kinross position was dealt with on a recurring basis in order to eliminate this risk factor from future years. I was not involved in the final compilation of/...

of the Financial Strategy Overview for Tayside Health Board for 1999/2000 due to my transfer of employment to Lanarkshire Primary Care NHS Trust, but I would anticipate that an appropriate financial risk assessment profile should have been undertaken to assess the potential for recurring problems remaining in Tayside outwith the Perth & Kinross area.

**7     *General comment on evidence submitted to the Audit Committee on 2 April 2001.***

On a number of occasions during the submission of evidence, a number of witnesses queried whether appropriate financial controls were in place in Perth & Kinross. I, therefore, would wish to comment on this aspect for the information of the Audit Committee.

The Perth & Kinross Healthcare NHS Trust adhered robustly to the Standing Orders and the Standing Financial Instructions during the lifetime of the Trust. The Standing Orders and Standing Financial Instructions were approved by the Trust Board from April 1994 and were widely disseminated and understood by all members of staff. A full training programme on all aspects of financial procedures and financial control was given to all budget holders in support of this.

A number of Financial Procedures were also issued annually in order to deal with year end procedures and new rules and regulations to ensure staff were fully appraised of all developments.

A comprehensive Scheme of Delegation was in place, which clearly identified the powers delegated to individuals within specified financial limits. In addition, a schedule of decisions reserved for the Trust Board was in operation by the Trust.

The Trust adhered to the Codes of Conduct and Accountability and Code of Practice on Openness and did not at any stage seek to undertake any action outwith its powers. The Trust's Chief Executive was the Trust's Appointed Officer accountable for the proper use of public funds.

There was a strong focus in Perth & Kinross Healthcare NHS Trust on our corporate role in ensuring economic, effective and efficient use of resources. This was underpinned by the operation of the Trust's Audit Committee.

The Audit Committee and the full Trust Board were fully aware of the financial position of the Trust throughout by the approval of financial plans and the monthly monitoring of performance against the plan. The systematic approach adopted by the Trust to financial control was reviewed annually by the Trust's Internal Auditors. The Internal Auditors prepared an annual report to the Audit Committee. In each year of the Trust's lifespan, no significant control weaknesses were identified and where any weaknesses were identified, remedial action was taken to address the problems.

The Trust was also subject to External Audit by Auditors appointed by the Accounts Commission, currently Audit Scotland. In each of the financial years from 1 April 1994 to 31 March 1999, the Trust received an unqualified Audit report from the External Auditors.

A key feature of the reporting requirements for Trusts, in the latter years of the Trust, was the preparation of the Internal Financial Controls Statement. This is included in the Annual Accounts of the Trust. A copy of this Statement for the year ended 31 March 1999, together with the External Auditors opinion on the Statement is attached at Appendix 9.

The Internal Financial Control Statement, signed by Mr. Wells, Chief Executive of Tayside Primary Care NHS Trust clearly states that “an effective system of internal financial control is maintained and operated by Perth & Kinross Healthcare NHS Trust”. This statement is validated by the External Auditors, Deloitte & Touche, who state that “the Statement is not inconsistent with the information of which we were aware from our audit carried out under the Code of Audit Practice”.

**Financial Position – Perth and Kinross Healthcare NHS Trust****Inherited by Successor Trust**

	1999/2000	FYE
	£'000	£'000
Financial Deficit – Perth and Kinross	(3307)	(3307)
Recurring Investment by LHB		
- to Tayside University Hospitals Trust	1627	1627
- to Tayside Primary Care Trust	<u>1073</u>	<u>1073</u>
	(607)	(607)
Perth and Kinross Efficiency Savings Plan		
Contribution in 1999/2000	<u>617</u>	<u>1319</u>
Perth and Kinross Surplus	<u>10</u>	<u>712</u>

**Audit Committee**  
**Convener: Andrew Welsh MSP**

Mrs Pam Ballie  
Director of Finance and Information  
Lanarkshire Primary Care NHS Trust  
Trust Headquarters  
Strathclyde Hospital  
Airbles Road  
Motherwell  
ML1 3BW

3 May 2001

Dear Mrs Ballie

**NHS Bodies in Tayside**

I am writing to you in connection with the Audit Committee's current inquiry into the report by the Auditor General for Scotland entitled 'National Health Service Bodies in Tayside'.

At its meeting on Tuesday, 1 May 2001, the Audit Committee considered the evidence it had heard at its meeting in Dundee on 2 April regarding the Auditor General for Scotland's report, along with written submissions (copies enclosed) which it had subsequently received on some of the issues which had been raised at the meeting in Dundee.

During the meeting in Dundee the Committee took evidence from Mr Paul White, Chief Executive of Tayside University Hospital NHS Trust, on the development of the deficit currently faced by the Trust. Mr White cited an example of a decision made by the former Perth and Kinross Healthcare NHS Trust to recruit additional nurses at an annual cost of £300,000 based on an unrecorded discussion between two members of staff of the Trust and Tayside Health Board.

The Audit Committee has agreed that I should write to invite you, as the former Director of Finance for Perth and Kinross Healthcare NHS Trust, to attend a meeting of the Committee to give oral evidence on the issue of the recruitment of these additional nurses and the extent to which you were involved in this matter.

The Committee will meet on Tuesday 15 May 2001 at 2 pm in the Debating Chamber of the Scottish Parliament in Edinburgh. It is envisaged that the meeting will be held in public.

Andrew Welsh MSP  
Room 2.6 PHQ  
The Scottish Parliament  
Edinburgh EH99 1SP



I will contact you if these arrangements are altered. The remainder of the meeting will focus on the relationship between the former Trusts, Tayside Health Board and the Health Department. It is expected that the extent to which new Trust senior managers were aware of problems inherited from old Trusts and the robustness of management information available around the period of transition will be of particular interest to the Committee.

In addition to yourself, the Committee has invited the following individuals to give evidence at its meeting:

Mr Peter Bates  
Mr Tim Brett  
Mr Frank Brown  
Mr Phillip Colville  
Mrs Frances Havenga  
Mrs Caroline Inwood  
Sir William Stewart  
Mr Paul M White

Should you wish to make a submission to the Committee in advance of this meeting, or comment on the submissions which the Committee has received from other individuals, please do so in writing no later than 10 May 2001.

The Auditor General's report is available on the Audit Scotland website.

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I enclose a guidance note which provides details of the arrangements for the meeting.

I would be grateful if you could acknowledge the receipt of this letter as soon as possible and copy your response to Callum Thomson, Clerk to the Audit Committee, The Scottish Parliament, Room G.6, Committee Chambers, Edinburgh, EH99 1SP ([callum.thomson@scottish.parliament.uk](mailto:callum.thomson@scottish.parliament.uk)).

Yours sincerely

**CONVENER**

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Mr Peter Bates/ Mr Trevor Jones  
Mr Frank Brown  
Mr Philip Colville  
Mrs Frances Havenga  
Mr John Mathieson  
Mr Geoff Scaife  
Sir William Stewart  
Mr Howard Waldner

2. Guidance note on arrangements for the meeting.

**Audit Committee**  
**Convener: Andrew Welsh MSP**

Mr Frank Brown  
Director of Operations  
Royal Dundee Liff Hospital  
Dundee  
DD2 5NF

3 May 2001

Dear Mr Brown

**NHS Bodies in Tayside**

At its meeting on Tuesday, 1 May 2001, the Audit Committee considered the evidence it had heard at its meeting in Dundee on 2 April regarding the Auditor General for Scotland's report, "NHS Bodies in Tayside" alongside written submissions (copies enclosed) which it had subsequently received on some of the issues which had been raised at the meeting in Dundee.

The Committee agreed that I should write to invite you to attend a meeting of the Committee on Tuesday, 15 May 2001, to give oral evidence. The meeting will take place in the Debating Chamber of the Scottish Parliament at 2 pm. It is envisaged that the meeting will be held in public. I will contact you if these arrangements are altered.

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Yours sincerely

## **CONVENER**

Enclosures:

1. Written submissions from:

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**Audit Committee**  
**Convener: Andrew Welsh MSP**

Mr Phillip Colville  
105 Duncan House  
Dolphin Square  
London  
SW1V 3PW

3 May 2001

Dear Mr Colville

**NHS Bodies in Tayside**

At its meeting on Tuesday, 1 May 2001, the Audit Committee considered the evidence it had heard at its meeting in Dundee on 2 April regarding the Auditor General for Scotland's report, "NHS Bodies in Tayside" alongside written submissions (copies enclosed) which it had subsequently received on some of the issues which had been raised at the meeting in Dundee.

The Committee agreed that I should write to invite you to attend a meeting of the Committee on Tuesday, 15 May 2001, to give oral evidence. The meeting will take place in the Debating Chamber of the Scottish Parliament at 2 pm. It is envisaged that the meeting will be held in public. I will contact you if these arrangements are altered.

The meeting will focus on the relationship between the former Trusts, Tayside Health Board and the Health Department. It is expected that the extent to which new Trust senior managers were aware of problems inherited from old Trusts and the robustness of management information available around the period of transition will be of particular interest to the Committee.

In addition to yourself, the Committee has invited the following individuals to give evidence at this meeting:

Mrs Pam Ballie  
Mr Peter Bates  
Mr Tim Brett  
Mr Frank Brown  
Mrs Frances Havenga  
Mrs Caroline Inwood  
Sir William Stewart  
Mr Paul White

Andrew Welsh MSP  
Room 2.6 PHQ  
The Scottish Parliament  
Edinburgh EH99 1SP

The Auditor General's report is available on the Audit Scotland website.

<http://www.audit-scotland.gov.uk/publications/pdf/01ar01ag.pdf>

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I enclose a guidance note which provides details of the arrangements for the meeting.

Should you wish to comment on the submissions which the Committee has received from other individuals, please do so in writing no later than 10 May 2001 (no more than 2 sides of A4 paper).

I would be grateful if you could acknowledge the receipt of this letter as soon as possible and copy your response to Callum Thomson, Clerk to the Audit Committee, The Scottish Parliament, Room G.6, Committee Chambers, Edinburgh, EH99 1SP (callum.thomson@scottish.parliament.uk).

Yours sincerely

## **CONVENER**

Enclosures:

1. Written submissions from:

Mr Peter Bates/Mr Trevor Jones  
Mr Frank Brown  
Mrs Frances Havenga  
Mr John Mathieson  
Mr Geoff Scaife  
Sir William Stewart  
Mr Howard Waldner

2. Guidance note on arrangements for the meeting.

**Easter Banchory,  
Coupar Angus,  
Perthshire  
PH13 9HH  
16 April 2001**

Mr R W Black,  
Auditor General,  
Audit Scotland,  
110 George Street,  
Edinburgh EH2 4LH

Dear Mr Black,

I have noted with sadness some of the media coverage relating to the Scottish Parliament Audit Committee meeting on Tayside health services. Having worked as Director of Finance and Information of Angus NHS Trust and subsequently Dundee Teaching Hospitals I am concerned at some of the quotes relating to the period up to 31 March 1999. I have refrained from making any comments before now as I have no wish to increase the media noise that must be a considerable distraction to everyone working in the health service in Tayside. But given the recent coverage I wish to indicate that I am willing to meet with you or your team to answer any questions that you may wish to put to me. I also intend to write to Mr Andrew Welsh MSP advising him that I have written to you.

Although I am currently working in London I get home to Scotland for a long weekend on a monthly basis and I occasionally visit the Scottish Executive for business reasons so I could meet with you or your colleagues on one of those visits.

Turning to the events prior to 31 March 1999 one of the surprises has been that no one has sought my views. I was somewhat taken aback when I heard that the Management Executive Task Force had indicated to Tayside Health Board that they had spoken to me when they had not done so.

I have read a number of quotes about how surprised Paul White, Sir William Stewart and others were at the deficit that the new merged Trust inherited. At the meeting of the Council of Clinical Directors of Dundee Teaching Hospitals in September 1998 I predicted a deficit of £9m for the new acute Trust for 1999/2000. Derek Maclean, the medical director, then put that figure into the public domain at the Annual Public Meeting in September 1998 – this meeting was chaired by Sir William Stewart. During the interview process that led to Paul White's appointment as Chief Executive I explicitly raised with him the issue of the likely deficit as I felt it was important that he view the post in the full context. I also briefed Colin Masson the incoming Finance Director. I cannot give precise dates for the conversations with Paul and Colin but in Paul's case the interview date will be easy to establish (probably

August / September 1998) and in Colin's case it was probably during November / December 1998.

My estimate of £9m was mainly based on the known Perth problems, the general surgery problems at Stracathro and general cost pressures across the patch. Given that this estimate was before the estate revaluation it wasn't too far off the final outturn.

But if you ask me for the real source of the financial crisis I would have to point to the Lesley Barrie / Nigel Young regime at Tayside Health Board. A lack of strategic planning, a fear culture, a lack of openness and a fair amount of "economy with the truth" meant that the organisation was not preparing itself or its Trusts for the difficulties ahead unlike Fife Health Board who were working on their Integrated Healthcare Strategy. Further moves to weighted capitation parity were obviously round the corner and Tayside Health Board should have been preparing for them. The recruitment of the cancer professors into this strategic vacuum was underway when I arrived at Ninewells. It was perhaps a brave decision by the Trust to try to bring the clinical services into line with similar services elsewhere in Scotland but there seemed to be little evidence of sign up in terms of the financial consequences by the Health Board. However that goes back to the Lesley Barrie era when promises were made without the knowledge of the Health Board Finance Director and therefore funding may not have been identified. While I was at Ninewells we had repeated meetings with senior managers at the Health Board to try to get them to clarify which cancer services they wished to fund and which they did not wish to fund and by implication we should withdraw from thus leaving the Trust to carry the can both financially and morally. During my time at Dundee Teaching Hospitals I also became frustrated at the unwillingness of Fife Health Board to pay for the cancer treatment for their residents and the unwillingness of senior managers in the Management Executive to get involved attempting to resolve such issues.

I don't claim that the work that the Trusts did or that I as Director of Finance and Information did was fault free but I think that at Dundee Teaching Hospitals we had a strong team that was totally committed to improving health services in Tayside within the structural environment that we had to work in. With the possible exception of one fairly ambitious director the whole of the senior team cared passionately about Tayside and wanted to spend the bulk of their careers in Tayside. Each year we achieved our financial objectives and indeed during the last quarter of 1998/99 we made significant investment in the estate addressing health and safety issues (CCTV and lightning conductors come to mind) and addressing Y2K issues. Our position in March 1999 was such that we turned down the offer of additional funds from Tayside Health Board! However, had Dundee Teaching Hospitals remained a separate Trust in 1999/2000, it would have faced a difficult year with increasing underlying pressures on cancer services and drug pressures for HIV/AIDS, Hepatitis C and recombinant factor VIII blood products.

I recognise that after over two years away from the health service without access to any papers my memory of dates and some of the detail may be a bit hazier than it was but I will do what I can to respond to any questions that you may wish to put to me. My address in London is 105 Duncan House, Dolphin Square, London SW1V 3PW. My office email address is [philip.colville@highways.gsi.gov.uk](mailto:philip.colville@highways.gsi.gov.uk) and my phone



number is 0207 921 4088 or using GTN 3814 4088. I look forward to hearing from you in due course.

Yours Sincerely,

**Philip J Colville**

Our Ref: CI/MF

9 May 2001

Mr Andrew Welsh MSP  
Convener – Audit Committee  
Room 2.6 PHQ  
The Scottish Parliament  
EDINBURGH EH99 1SP

Dear Mr Welsh

### **NHS BODIES IN TAYSIDE**

Thank you for your letter of 3 May 2001 regarding the Scottish Parliament Audit Committee Inquiry into the report by the Auditor General for Scotland entitled “National Health Service Bodies in Tayside”.

I would like to submit the following written response in advance of the meeting on 15 May 2001. I am on maternity leave at present therefore I have not been able to visit Perth and Kinross in advance of the meeting. I have therefore been reliant on my memory and information which has been sent through the Director of Nursing Office at Tayside University Hospitals NHS Trust. I have of course contacted the Nurse Managers and discussed their recollection of the position at the end of March 1999.

### **Director of Nursing Responsibilities**

I was appointed to Perth and Kinross Healthcare NHS Trust on 28 August 1995 as Director of Nursing and Quality designate and on the retiral of the outgoing Director of Nursing and Quality took up my substantive post. My responsibilities as Director of Nursing and Quality was as an Executive Member of the Trust Board providing professional advice on all nursing matters to the Trust Board, Chief Executive, Executive Directors, Clinical Directors and other Line Managers. This included review and approval of the nursing skill mix, policy and policy development to ensure that the Trust met all the necessary national, local and UKCC requirements. I attach a copy of my job description for the Committee's information.

Whilst as Director of Nursing, together with my Executive Director colleagues, I was corporately responsible for the Trust financial performance I was not responsible or involved in the day-to-day line management or recruitment of Clinical Directorate nursing staff. This responsibility was devolved to Clinical Directorates who were responsible for managing their nursing workforce within the budgets that were agreed with the Director of Finance.

## **Nurse Recruitment**

With regard to recruitment my understanding of the position at the time in question was that recruitment of nursing staff was on the basis that a funding stream was identified in advance of a nurse vacancy being advertised and ultimately appointed to. Recruitment was handled through our Human Resources Department. When budgets were under extreme pressure all vacancies required Executive Director approval before processing was initiated.

I understand that evidence provided by Mr Paul White, Chief Executive of Tayside University Hospitals NHS Trust has suggested that the former Perth and Kinross Healthcare NHS Trust recruited additional nurses at an annual cost of £300,000 based on an unrecorded discussion between myself and the former Planning Director of Tayside Health Board.

I was surprised to read in the Audit Committee Official Record of Proceedings Mr White's statement for the following reasons:-

- Robust financial systems were in place which required all Health Board approved developments to be confirmed in writing through the Director of Finance.
- In the scheme of delegated authority such a decision would be outside the scope of my post.
- I did not at any time authorise or give such an instruction to any member of staff within the Trust. The Trust did not recruit additional nurses as reported to the Audit Committee.
- Mr White at no time discussed this matter with me and I am therefore at a loss to understand why he would make such a suggestion.
- At the time of my leaving the Trust the matter of the additional Nurse manpower remained unresolved.
- Information previously submitted by Mr F Brown, formerly Chief Executive Perth and Kinross Healthcare NHS Trust, in Appendix 5 identifies an overall decrease in nurse manpower of 116 whole-time equivalent nurses between 1996 and 1999.
- Mr Brown also provides a clear explanation in his submission to Mr White's statement that the monies referred to related to Waiting List Initiatives and second stage national nursing pay awards.

I hope this information is helpful.

Yours sincerely

**CAROLINE INWOOD**  
**DIRECTOR OF NURSING**

Enc.

c.c. Callum Thomson, Clerk to the Audit Committee, The Scottish Parliament.

# PERTH & KINROSS HEALTHCARE NHS TRUST

## JOB DESCRIPTION

<b>JOB TITLE</b>	<b>DIRECTOR OF NURSING AND QUALITY</b>												
<b>DIRECTORATE</b>	NURSING AND QUALITY												
<b>MANAGERIALLY RESPONSIBLE TO:</b>	Chief Executive												
<b>PROFESSIONALLY RESPONSIBLE TO:</b>	Chief Nursing Officer for Scotland												
<b>PURPOSE OF JOB:</b>	As an executive member of the Trust Board provide leadership on Nursing Matters and lead and control the process to deliver the highest quality of care possible within available resources.												
<b>DIMENSIONS</b>	<table> <tr> <td>No. of hospital sites</td><td>9</td></tr> <tr> <td>No. of Health Centres/Clinics</td><td>8</td></tr> <tr> <td>No. of Staff</td><td>2,100 wte</td></tr> <tr> <td>No. of Nursing Staff</td><td>1,300 wte</td></tr> <tr> <td>Trust Income 95/96</td><td>£58m (1)</td></tr> <tr> <td>Quality Budget</td><td>£115,000</td></tr> </table> <p>(1) 95% comes from the main Purchaser, the THB.</p>	No. of hospital sites	9	No. of Health Centres/Clinics	8	No. of Staff	2,100 wte	No. of Nursing Staff	1,300 wte	Trust Income 95/96	£58m (1)	Quality Budget	£115,000
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Trust Income 95/96	£58m (1)												
Quality Budget	£115,000												
<b>KEY RESULT AREAS:</b>	<ol style="list-style-type: none"> <li>1. <b><u>Corporate Management</u></b> Participate as a member of the Trust Board in order to contribute to the effective management of the Trust.</li> <li>2. <b><u>Standard Setting and Monitoring</u></b> Establish Trust wide strategies and mechanisms for Setting, maintaining, improving and monitoring nursing standard, including the use of effective using audit techniques to ensure the optimum nursing service for the Trust.</li> <li>3. <b><u>Quality Strategy</u></b></li> </ol>												

Lead and control the development, implementation and maintenance of a Trust Quality Strategy and programme to ensure the quality standards set nationally, by the purchasers of services and by the Trust are achieved and can be shown to be achieved by the maintenance and development of effective monitoring systems.

4. **Developing Quality**

Develop a total quality management culture by providing advice, support and direction to all services and disciplines on all aspects of quality, including standard setting, training, audit and client research, to ensure that all departments are equipped to sustain and improve the quality of service they provide.

5. **Promoting Quality**

Develop patient focused services where patients and their carers are fully informed of facilities, treatments, standards and Trust performance, are actively involved in treatment plans and options and are encouraged to make their views known on the services provided.

6. **Professional Advice**

Provide professional advice on all nursing matters to the Trust Board, Chief Executive, Executive Directors, Clinical Directors and other line managers to ensure the organisation and managerial decisions take full account of nursing considerations.

7. **Professional Leadership**

Support and direct the Nursing Service Managers in the professional aspects of their work and guide them on other issues to maintain motivation, professional leadership and consistency of standards.

8. **Skill Mix Review**

Review and approve the skill mix for nursing staff in the Trust and agree policies for the development of staff, ensuring that Board and National policies are met so as to optimise the use of nursing staff resources and facilitate succession planning.

9. **Nursing Policies**

Develop, implement, monitor and review the effectiveness of a range of nursing policies which reflect best practice and which facilitate the effective and efficient delivery of care.

10. **Complaints**

Ensure that complaints are fully investigate and answered timeously and courteously.

Ensure that any lessons learned are incorporated into Trust policy.

11. **Nursing Education and Continuing Professional Development**

Oversee the identification of the training and development needs of nursing staff to ensure that the Trust nursing staff have the necessary skills and knowledge to deliver high quality care.

12. **Health Promotion**

Oversee and control the delivery of Health Promotion services within the Trust in line with purchaser specifications and contractual terms.

13. **Nursing Education**

Develop and sustain effective University links on all educational matters in order to influence the range of services provided by the University and maximise benefits for the Trusts.

14. **Marketing/Business Development**

Maintain an awareness of purchaser requirements and Trust capabilities in order to identify potential business opportunities.

**ASSIGNMENTS AND  
REVIEW OF WORK:**

The jobholder operates with considerable freedom under the general direction of the Chief Executive.

Objectives are set by the Chief Executive who subsequently monitors and appraises performance against these.

The executive nature of the job results in it operating with a high level of autonomy in all areas except for the approval of strategy which is done by the Board.

**WORKING  
RELATIONSHIPS:**

**The main internal contacts of the job are:**

Other Board members and Clinical Directors on a regular basis regarding provision of nursing care.

Senior nurses and charge nurses regarding professional training

and development, nursing policy development and implementation, nursing audit and to provide advice which is also given on an individual basis to nurses as required.

**The main external contacts are:**

Directors of Quality Assurance and senior nurses in purchasing organisations on professional, quality and contractual matters.

The Chief Nursing Adviser/Director of Quality to discuss nursing matters.

**MOST  
CHALLENGING PART  
OF JOB:**

The main challenges of the job are:

Achieving for patients the available benefits which come from a total quality approach.

Securing opportunities to develop business and remaining aware of external threats.

Developing professional practice at a pace which supports the delivery of care.

**QUALIFICATION  
AND/OR  
EXPERIENCE:**

The job requires a registered nurse with at least 5/6 years experience of senior management with a proven record of achievement and innovation.

A relevant degree and/or other formal management qualifications are also desirable.

The post requires an individual with the ability to think strategically as well as practically; to earn the respect of colleagues, possess a high level of inter-personal skills and exercise judgement and tact.

*(Taken from original job description)*

**Audit Committee  
Convener: Andrew Welsh MSP**

Mrs Caroline Inwood  
50 Ratho Park Road  
Ratho  
Edinburgh  
EH28 1PQ

3 May 2001

Dear Mrs Inwood

**NHS Bodies in Tayside**

I am writing to you in connection with the Audit Committee's current inquiry into the report by the Auditor General for Scotland entitled 'National Health Service Bodies in Tayside'.

At its meeting on Tuesday, 1 May 2001, the Audit Committee considered the evidence it had heard at its meeting in Dundee on 2 April regarding the Auditor General for Scotland's report, along with written submissions (copies enclosed) which it had subsequently received on some of the issues which had been raised at the meeting in Dundee.

During the meeting in Dundee the Committee took evidence from Mr Paul White, Chief Executive of Tayside University Hospital NHS Trust, on the development of the deficit currently faced by the Trust. Mr White cited an example of a decision made by the former Perth and Kinross Healthcare NHS Trust to recruit additional nurses at an annual cost of £300,000 based on an unrecorded discussion between yourself, as the former Director of Nursing Services for Perth and Kinross Healthcare NHS Trust and the then Planning Director of Tayside Health Board. The Audit Committee has agreed that I should write to invite you to attend a meeting of the Committee to give oral evidence on the issue of the recruitment of these additional nurses.

The Committee will meet on Tuesday 15 May 2001 at 2pm in the Debating Chamber of the Scottish Parliament in Edinburgh. It is envisaged that the meeting will be held in public.

I will contact you if these arrangements are altered. The remainder of the meeting will focus on the relationship between the former Trusts, Tayside Health Board and the Health Department. It is expected that the extent to which new Trust senior managers were aware of problems inherited from old Trusts and the robustness of management information available around the period of transition will be of particular interest to the Committee

Andrew Welsh MSP  
Room 2.6 PHQ  
The Scottish Parliament  
Edinburgh EH99 1SP



In addition to yourself, the Committee has invited the following individuals to give evidence at its meeting:

Mrs Pam Ballie  
Mr Peter Bates  
Mr Tim Brett  
Mr Frank Brown  
Mr Phillip Colville  
Mrs Frances Havenga  
Sir William Stewart  
Mr Paul M White

Should you wish to make a submission to the Committee in advance of this meeting, or comment on the submissions which the Committee has received from other individuals, please do so in writing no later than 10 May 2001.

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I would be grateful if you could acknowledge the receipt of this letter as soon as possible and copy your response to Callum Thomson, Clerk to the Audit Committee, The Scottish Parliament, Room G.6, Committee Chambers, Edinburgh, EH99 1SP ([callum.thomson@scottish.parliament.uk](mailto:callum.thomson@scottish.parliament.uk)).

Yours sincerely

**CONVENER**

Enclosures:

1. Written submissions from:

Mr Peter Bates/ Mr Trevor Jones  
Mr Frank Brown  
Mr Philip Colville  
Mrs Frances Havenga  
Mr John Mathieson  
Mr Geoff Scaife  
Sir William Stewart  
Mr Howard Waldner

2. Guidance note on arrangements for the meeting.

**Audit Committee**  
**Convener: Andrew Welsh MSP**

Mrs Frances Havenga  
Bank House  
Kirriemuir  
Angus  
DD8 4BE

3 May 2001

Dear Mrs Havenga

**NHS Bodies in Tayside**

At its meeting on Tuesday, 1 May 2001, the Audit Committee considered the evidence it had heard at its meeting in Dundee on 2 April regarding the Auditor General for Scotland's report, "NHS Bodies in Tayside" alongside written submissions (copies enclosed) which it had subsequently received on some of the issues which had been raised at the meeting in Dundee.

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Yours sincerely

## **CONVENER**

Enclosures:

1. Written submissions from:

Mr Peter Bates/ Mr Trevor Jones  
Mr Frank Brown  
Mr Philip Colville  
Mr John Mathieson  
Mr Geoff Scaife  
Sir William Stewart  
Mr Howard Waldner

2. Guidance note on arrangements for the meeting.

26 April 2001

45 Fairfield  
West Ferry  
Dundee  
DD5 1PL

Andrew Welsh MSP  
Convener: Audit Committee  
Room 2.6 PHQ  
The Scottish Parliament  
Edinburgh  
EH99 1SP

Dear Chairman,

Thank you for inviting my views on matters relating to health services in Tayside. The Task Force chaired by Professor Clark which considered the TUHT and the recent audit review worked through the CEOs so this is the first time that I have been asked directly to input.

I appreciate this opportunity but I am working mainly from memory. I hope that what I say below in response to your questions makes sense.

I regret not replying sooner but I was on holiday after Easter and now work as Chair of a NHS/DTI (Whitehall) committee on the funding of mobile phone research, as Chair of the Microbiological Research Authority a NDPB reporting to the Department of Health in London, and as President of the Royal Society of Edinburgh, Scotland's National Academy.

### **Role and responsibilities.**

My role in both Trusts was to chair the Board, to enable executives and non-executives to contribute openly and freely, to seek to ensure that corporate decisions were taken and agreed, to seek to promote a coherent strategy for the Trust and to seek to get the fullest possible information brought to the Board. In general I sought to work closely and positively with staff at all levels, the public, the universities and charitable bodies. I worked particularly closely with the Chair of the Primary Care Trust and contributed fully, where possible, to the Health Board. I enjoyed a friendly working relationship with Mrs. Havenga, Chair of the Health Board. I saw my role as being to promote the Trust at all levels.

I had no financial accounting responsibility. It was made abundantly clear to me and to the Board that financial accountability which rested with the CEO was directly to the NHS CEO in Scotland. This was a major difficulty for the Board. Most of the issues of importance were dependent on finance and yet the Board was told clearly that the CEO's financial accounting route was directly to Edinburgh, not to the Trust Board.

I reported directly to the Minister when that proved to be possible and via the CEO NHS in Scotland. I had an excellent and positive interaction and exchange with Lord James Douglas Hamilton, the Health Minister during the previous government and with Sam Galbraith of the

current government. Sam Galbraith in particular was always positive and very helpful and we discussed interactively the type of issues facing the Trust. He visited Ninewells often and interacted most positively with myself and with clinical staff.

I regularly interacted with the Chief Executive of the NHS Scotland discussing with him issues such as my concerns about how TUHT was shaping up and about financial management, managerial issues and personnel problems. I worked hard with the Board within the circumstances that I inherited to find a positive way forward in shaping health care in Tayside for the future.

Overall, it was difficult for the part-time Chair and non-executives of TUHT to positively shape strategy in the best interests of patient care because so much of it depended on financial issues and the accounting officer (the CEO) was directly responsible on financial matters to the NHS Chief Executive based in Edinburgh.

**Renal medicine.** I am assuming that this question is about renal dialysis.

As far as I can remember, new programmes were not introduced and increased costs were due to increased patient demand. The point about renal dialysis is that some patients require it several times a week for hours at a time and they have to come to Dundee from right across Tayside to receive it. That is an arduous and to my mind an uncaring provision. I know that specialists in this area are having an ongoing struggle to get a satellite unit established in Perth. Whilst Chair I made representations for more funding for this area to the Health Board but no funding could be delivered. What I did find most disappointing whilst Chair of TUHT was that the offer of a mobile dialysis unit to TUHT, which would have been of huge benefit to patients particularly in Perthshire and Angus, was rejected by the executive on financial grounds because the recurring costs (disputed) were considered to be too high - but what a huge difference it would have made to the patient. The fact that when difficult decisions had to be made the needs of the patient regularly took second place was most worrying especially as an important role for the non-executives, including the Chair, was to seek to ensure best possible patient care. I note that the number of independent non-executives on the TUHT Board has recently been reduced.

So, in sum, extra costs were incurred by extra demand. My role was to seek to get support for the provision of a satellite renal unit in Perth, and particularly to support a mobile dialysis unit for Perthshire and Angus, but both came to nothing because neither the Health Board nor the Trust could be persuaded to fund the initiatives.

**New clinical programmes in cancer medicine.**

Cancer services in Dundee were for many years very poor and not up to best practice despite valiant efforts by hard working and able staff. There was no medical oncologist; lung cancer patients were often located at Kings Cross Hospital; very ill patients regularly had to travel to Glasgow for treatment; cancer patients were being treated in non-specialist wards and by non-specialist staff, and very seriously ill patients were sometimes shunted across Dundee from one hospital to another by ambulance – sometimes returning without having been treated. I know from family experience of this.

The situation began to improve over earlier years when, before I became Chair of DTH, funding was agreed for the appointment of three new cancer specialists. One was funded by the Imperial Cancer Research Fund, one by the University of Dundee and one by DTH. This included the appointment for the first time of a medical oncologist. Ninewells was the last of the major teaching

centres in Scotland to appoint a medical oncologist. These appointments were well supported by the people of Tayside and the media.

The decision to invest in cancer services was led by patient need and was in accord with published statements by the current health minister whose publication *Our National Health, a plan for action, a plan for change* states “cancer is a clinical priority”; “too many people wait too long for treatment and care”; “too many people get shunted from one part of the system to another without getting their needs properly addressed”; “national standards are to be delivered locally”. Tayside had and still has, according to consultant cancer clinicians at Ninewells, poorer NHS funding for cancer treatment than any other Cancer Centre in Scotland.

So the role of the Board was to seek to help the huge number of seriously ill cancer patients needing treatment, some perhaps as a result of sub-optimum treatment because of lack of the relevant specialities in earlier years. Also, this was a government priority area and the Board took account of the government’s view that all who needed treatment should get it in a fair and equitable way.

It was not for the Board to say what clinical treatments were needed by individual patients in that priority area. That was a matter for the clinicians. The Trust Board made strenuous efforts to obtain realistic extra funding from the Health Board and from the Scottish Executive. It was also up to the accounting officer to seek to release funds from within the totality of the budget.

In sum, the reason that extra spending on cancer services was incurred was because patients needed it and it was a priority area.

### **The Committee was told that Tayside University Hospitals Trust’s budget did not provide for the recruitment of 200 nurses and other staff to fill established vacancies.**

First, the NHS auditors gave a clean bill of health to DTH in FY 1998/1999 and as these were established vacancies it was reasonable to assume that funding for them was being provided but probably used at that time for other priority areas such as cancer.

Second, because of a general shortage of nurses, who are hugely important to patient care, it seemed desirable to fill such established vacancies when new funds became available at the start of a financial year and for the priorities and funding for these in 1999/2000 to be sorted out by effective executive management over the ensuing 12 months of FY 1999/2000, as in previous years.

Third, I am surprised at the suggestion that the new Trust executive did not know of the costs of the 200 staff. A shadow executive team of the new Trust was meeting weekly months before the end of the financial year 1998/1999, chaired by the incoming chief executive and it had as its members the Medical Director and the Director of Nursing of the old DTH, who were there in their capacities as members of the new Trust.

### **Benchmarking.**

The message that the Trusts received from the Executive was that Tayside and Grampian were being benchmarked together and this DTH sought to do. One of the areas this highlighted prior to the increased emphasis in cancer in Tayside was how poorly Tayside was provided for in this area compared with Grampian. Interestingly, I was told by a cancer consultant this week that, because of current financial pressure, cancer services in Tayside have to find substantial cuts in resources

whilst Grampian has increased its resources for work in this area. I have to emphasise that I cannot vouch personally for this but I accept it from the consultant in good faith.

Benchmarking is at best a rough approximation unless it is carried out over a good number of years. The base from which one starts is important and the needs of populations differ between regions. Above all, decisions on expenditure should be clinically driven.

## Résumé

- DTH was an excellent Trust which, like sister Trusts covering Perth and Kinross and Angus, balanced their books at the end of each financial year. When I was chair of DTH substantial progress was made in improving patient care; the Trust was well-thought of and well supported by the people of Dundee and the local press; the CEOs were in demand by the executive of the NHS in Scotland: one became CEO of Tayside Health Board, and the acting CEO had been called upon by the Executive to sort out problems for them in Inverness and in central Scotland; the transfer of Dundee Royal Infirmary to Ninewells greatly improved patient care and, for example, the Prime Minister Tony Blair subsequently came to open the new building at Ninewells.
- TUHT was difficult from the outset. The restructuring of the three Trusts into two: one Acute Services and the other Primary Care meant very significant structural and managerial changes had to be made. There was very strong central (Edinburgh) control from the start; the Scottish Executive gave us a short list of CEOs to lead the Trust and we were directed to choose one; the imperative was given by the centre to balancing the books and the CEO as Accounting Officer reported directly to the CEO NHS in Scotland. Because virtually every decision had financial overtones, the Trust Board and particularly the non-executives, including the Chair, had some difficulty in driving necessary change.
- I believe that matters will improve now that Tayside Health Board with a Chair, who for the first time has been given powerful local authority by the centre, is firmly in charge. That to my mind is the proper organisational structure. If difficult decisions are now taken to improve the underpinning structure of health provision in Tayside, then the people of Tayside will be well served. To my mind, across Tayside there needs to be a single Board with a single Chair and a single CEO. Unhelpful duplication needs to be rooted out at all levels. There is a need for this Board to drive forward the whole of health provision across Tayside and with financial accountability directly to the Scottish Executive. The arrangements now in place are a move in the right direction – but there is much more to be done locally.

Yours sincerely

Sir William Stewart

Cc: Callum Thomson, Clerk of the Audit Committee



**Audit Committee**  
**Convener: Andrew Welsh MSP**

Sir William Stewart  
President  
The Royal Society of Edinburgh  
22-26 George St  
Edinburgh  
EH2 2PQ

3 May 2001

Dear Sir William

**NHS Bodies in Tayside**

At its meeting on Tuesday, 1 May 2001, the Audit Committee considered the evidence it had heard at its meeting in Dundee on 2 April regarding the Auditor General for Scotland's report, "NHS Bodies in Tayside" alongside written submissions (copies enclosed) which it had subsequently received on some of the issues which had been raised at the meeting in Dundee.

The Committee agreed that I should write to invite you to attend a meeting of the Committee on Tuesday, 15 May 2001, to give oral evidence. The meeting will take place in the Debating Chamber of the Scottish Parliament at 2 pm. It is envisaged that the meeting will be held in public. I will contact you if these arrangements are altered.

The meeting will focus on the relationship between the former Trusts, Tayside Health Board and the Health Department. It is expected that the extent to which new Trust senior managers were aware of problems inherited from old Trusts and the robustness of management information available around the period of transition will be of particular interest to the Committee.

In addition to yourself, the Committee has invited the following individuals to give evidence at this meeting:

Mrs Pam Ballie  
Mr Peter Bates  
Mr Tim Brett  
Mr Frank Brown  
Mr Philip Colville  
Mrs Frances Havenga  
Mrs Caroline Inwood  
Mr Paul White

Andrew Welsh MSP  
Room 2.6 PHQ  
The Scottish Parliament  
Edinburgh EH99 1SP

The Auditor General's report is available on the Audit Scotland website.

<http://www.audit-scotland.gov.uk/publications/pdf/01ar01ag.pdf>

The Official Report of the Committee's meeting in Dundee is available on the Scottish Parliament website.

[http://www.scottish.parliament.uk/official\\_report/cttee/audit-01/au01-0601.htm](http://www.scottish.parliament.uk/official_report/cttee/audit-01/au01-0601.htm)

I enclose a guidance note which provides details of the arrangements for the meeting.

Should you wish to comment on the submissions which the Committee has received from other individuals, please do so in writing no later than 10 May 2001 (no more than 2 sides of A4 paper).

I would be grateful if you could acknowledge the receipt of this letter as soon as possible and copy your response to Callum Thomson, Clerk to the Audit Committee, The Scottish Parliament, Room G.6, Committee Chambers, Edinburgh, EH99 1SP (callum.thomson@scottish.parliament.uk).

Yours sincerely

## **CONVENER**

Enclosures:

1. Written submissions from:

Mr Peter Bates/ Mr Trevor Jones  
Mr Frank Brown  
Mr Philip Colville  
Mrs Frances Havenga  
Mr John Mathieson  
Mr Geoff Scaife  
Mr Howard Waldner

2. Guidance note on arrangements for the meeting.

**Audit Committee**  
**Convener: Andrew Welsh MSP**

John Mathieson  
Inchmagrannachan  
Dunkeld  
Perthshire

11 April 2001

Dear Mr Mathieson

I am writing in connection with the Audit Committee's current inquiry into the National Health Service in Tayside which follows on from the recent report by the Auditor General for Scotland into this subject.

The Committee met in Dundee on 2 April and took evidence from Mr Trevor Jones, Head of the Scottish Executive Health Department and Chief Executive of the NHS in Scotland; Mr John Aldridge, Director of Finance at the Scottish Executive Health Department; Mr Peter Bates, Chairperson, NHS Tayside; Mr Tim Brett, Chief Executive, Tayside Health Board; Mr Paul M White, Chief Executive, Tayside University Hospital NHS Trust and Mr Tony Wells, Chief Executive, Tayside Primary Care NHS Trust.

The Committee agreed that I should write to you as former Chairman of Perth and Kinross Healthcare NHS Trust to seek the following written information:

- Please explain your role and responsibilities whilst Chairman of Perth and Kinross Healthcare NHS Trust. What lines of accountability existed between yourself and Tayside Health Board, the Health Department and Ministers?
- The Committee took evidence that significant financial problems in Tayside University Hospitals NHS Trust were inherited from its predecessor constituent Trusts. What did Perth and Kinross Healthcare NHS Trust do to resolve its financial problems and was the full extent of the difficulties communicated to successor trusts?
- The Committee was told that Perth and Kinross Healthcare NHS Trust decided to recruit additional nurses at an annual cost of £300,000 based on an unrecorded discussion between two members of staff of the Trust and Tayside Health Board. To what extent were you made aware of this arrangement?

Andrew Welsh MSP  
Room 2.6 PHQ  
The Scottish Parliament  
Edinburgh EH99 1SP

The Committee is meeting on 1 May to consider oral and written evidence and to decide how it wishes to proceed with the inquiry. I should be grateful, therefore, if you would reply by 25 April.

Please copy your response to Callum Thomson, Clerk of the Audit Committee, Committee Chambers, The Scottish Parliament, Edinburgh, EH99 1SP.

Yours sincerely

**Andrew Welsh MSP**  
Convener

GS/GAS/01050201

2<sup>nd</sup> May 2001

Mr Andrew Welsh  
Convener  
Room 2.6 PHQ  
The Scottish Parliament  
Edinburgh  
EH99 1SP

Dear Mr Welsh

Further to my letter of 24<sup>th</sup> April 2001 I am now in a position to answer the questions posed in your letter to me dated 11<sup>th</sup> April 2001 in connection with the Audit Committee's inquiry into the National Health Service in Tayside. I do apologise for missing your deadline of 25<sup>th</sup> April, but as I have previously explained, I did not receive your letter until 24<sup>th</sup> April and I needed a few days to check out detailed facts and figures with former colleagues in Edinburgh.

I will answer the questions in the order you put them:-

i) **Role and Responsibilities**

As Chief Executive of the NHS in Scotland from September 1993 to July 2000 I worked directly to four successive Ministers for Health (Peter Fraser, James Douglas Hamilton, Sam Galbraith and Susan Deacon). Essentially, I performed two roles. First, I was the senior policy adviser to the Minister on all matters concerning the NHS in Scotland. Second, working on behalf of and under the direction of the Minister, I was responsible for providing overall direction and leadership to the NHS in Scotland and for its performance in implementing Ministers' policies, including meeting Ministers' targets. As I am sure you will appreciate, Ministers' policies and targets were both very demanding and wide-ranging.

Health Boards and NHS Trusts are statutory bodies in their own right and are led by a board of non-executive and executive members. The (non-executive) Chairman and other non-executive members are appointed by Ministers and they (ie the Chairman and non-executive members) appoint their Chief Executives and then that group (Chairman, non-executive members and the Chief Executive) appoint the other executive directors (responsible for finance, human resources, etc). This is an important point since it is only Chairmen and non-executive members of the board who are appointed by Ministers and whose appointment can be terminated by Ministers; neither Ministers nor civil servants such as myself had powers to discipline or to dismiss Chief Executives or other members of NHS staff. Accordingly, considerable reliance was placed on recruiting and retaining high calibre Chairmen (and non-executives) and Ministers and I and my team worked closely with

them. Chief Executives and their executive teams of Health Boards and Trusts are held to account by their Boards for their management and operational duties.

With regard to finance and financial management, Chief Executives and their executive teams in Health Boards and in NHS Trusts are accountable to their Boards for their management and operational performance. In addition, before devolution General Managers of Health Boards and Chief Executives of NHS Trusts were designated by me as 'Appointed Officers' and so were responsible directly to me as Accounting Officers and through me to Parliament for the proper use of the resources allocated to their organisations.

ii) **Powers in relation to management and performance**

On a day to day basis there were a range of actions which could be taken to encourage Health Boards and Trusts to 'toe the line' although essentially these involved the giving (or withholding) of permission for service or other developments, the allocation of capital monies, etc. However, our preferred way of working was to seek to achieve absolute clarity about the direction and pace of travel and to have in place Chairmen and others who understood what was required and who had the ability and the inclination to work with us to achieve the desired outcomes.

At an operational level, we used performance targets and performance indicators extensively. Agreeing objectives and progress chasing were mostly exercised as part of the performance management arrangements culminating each year in a formal Accountability Review which I chaired and which was attended by Chairmen and non-executive board members as well as by members of Boards' and Trusts' executive teams. In the case of Health Boards, Ministers had a power of direction but up until the passage of the Health Act 1999 there was no similar power in relation to NHS Trusts.

iii) **Assistance to Tayside Trusts in re-organising from four bodies to two**

The re-organisation of NHS Trusts which took effect in March 1999 was but one of a whole series of reforms introduced by Sam Galbraith and published in 'Designed to Care' in late 1997. Other reforms included: ending GP fundholding, introducing a unified funding stream for Hospital and Community health services and GP prescribing, linking all GPs electronically and completing a major review of Acute Services. Every area of Scotland and every part of the NHS in Scotland was involved in the reform process which flowed from 'Designed to Care' and which had to be implemented by March 1999. I and my whole team actively managed the programme of reform within the timescale set by Ministers. We provided guidance, organisational development assistance and day by day support. We also ensured that non-executive and executive appointments were made as early as possible and on objective criteria (which we developed).

Once appointments were made, it was important to allow local Boards and their management teams to plan and to implement the change programme for themselves drawing on advice and support from my team when they needed it. Tayside was no different to any other region of Scotland, except that by halving the number of Trusts

(from four to two) they should have had more scope than others to reduce their overhead costs and thereby transfer more of their resources to direct patient care.

iv) **The Department's action in addressing the financial problems emerging in Tayside**

There was regular and frequent contact with Tayside NHS in order to encourage and to help the local NHS to resolve its financial problems. You will know that in the year to 31<sup>st</sup> March 1999 all four Tayside Trusts demonstrated a 6% return on their assets and carried forward a surplus in their accounts. Given the declared position of the four Tayside Trusts for the year ending 31<sup>st</sup> March 1999 and the allocation to Tayside Health Board of very significant additional monies for the financial year beginning April 1999, it was something of a disappointment to us that almost from the inception of the new financial year, the Chairmen and others in the two new Trusts were signalling that all was not right with their finances. Initially, the two Trusts' financial returns for 1999/2000 predicted a break-even position for the year end and it was August 1999 (with July 1999 monitoring data became available) that a year-end overspend was declared - stated to be £3.1m but supported by a narrative which pointed to a £12m shortfall. Once the financial position became explicit in our monitoring, the Trust was required to produce a recovery plan and deadlines were set (end of October 1999). The draft recovery plan was received on 3<sup>rd</sup> November 1999 and was followed up by a meeting at Perth Royal Infirmary on 8<sup>th</sup> November 1999. In all there were at least five formal meetings with the Trust including one led by the Minister (on 15<sup>th</sup> October 1999) and two led by me (on 15<sup>th</sup> September 1999 and on 15<sup>th</sup> February 2000) before the task force was announced by the Minister on 16<sup>th</sup> February 2000. You will know that the Minister met the Chairman of the Health Board on 30<sup>th</sup> June 2000 at which point the Chairman tendered her resignation.

Throughout the period leading up to and beyond the formation of the task force our objective was to work with the people in the Health Board and in the two Trusts to support them in the production of a recovery plan which they could implement with their doctors, nurses and other staff and which they could explain and defend to the people of Tayside. Since all Health Boards are funded on a weighted capitation (ie 'fair shares') basis, there was never any question of Tayside being 'under-funded' relative to other parts of Scotland so that throughout this difficult period our objective was to work with and through them. I have already explained to you the powers which we (ie Ministers) had in forcing changes in personnel if it was felt that those on the ground were unable or unwilling to deliver what was required.

I hope that you and members of your Committee find this response helpful and informative.

Yours sincerely

Geoff Scaife  
Chief Executive

**Audit Committee  
Convener: Andrew Welsh MSP**

Mr Geoff Scaife  
Chief Executive  
Birmingham Health Authority  
St Chad's Court  
213 Hagley Road  
Edgbaston  
Birmingham  
B16 9RG

10 May 2001

Dear Mr Scaife

**NHS Bodies in Tayside**

At its meeting on Tuesday, 1 May 2001, the Audit Committee considered the evidence it had heard at its meeting in Dundee on 2 April regarding the Auditor General for Scotland's report, "NHS Bodies in Tayside" alongside written submissions (copies enclosed) which it had subsequently received on some of the issues which had been raised at the meeting in Dundee.

The Committee agreed that I should write to invite you to attend the meeting of the Committee on 29 May 2001, to give oral evidence. This meeting will take place in Committee Room 2, Committee Chambers. It is envisaged that the meeting will be held in public and will begin at 2 pm. I will contact you if these arrangements are altered.

This meeting will be concerned primarily with the role of the Scottish Executive Health Department in relation to the Trusts, and former Trusts, in Tayside and the development of the deficit currently facing the NHS in Tayside.

In addition to yourself, the Committee has invited the following individuals to give evidence at the meeting on 29 May:

Mr Peter Bates  
Mr Trevor Jones

I enclose a guidance note which provides details of the arrangements for the meeting.

Should you wish to comment on the submissions which the Committee has received from other individuals, please do so in writing no later than 23 May 2001 (no more than 2 sides of A4 paper).

Andrew Welsh MSP  
Room 2.6 PHQ  
The Scottish Parliament  
Edinburgh EH99 1SP



I would be grateful if you could acknowledge the receipt of this letter as soon as possible and copy your response to Callum Thomson, Clerk to the Audit Committee, The Scottish Parliament, Room G.6, Committee Chambers, Edinburgh, EH99 1SP (callum.thomson@scottish.parliament.uk).

Yours sincerely

## **CONVENER**

Enclosures:

1. Written submissions from:

Mrs Pam Ballie  
Mr Peter Bates/Mr Trevor Jones  
Mr Frank Brown  
Mr Philip Colville  
Mrs Frances Havenga  
Mr John Mathieson  
Sir William Stewart  
Mr Howard Waldner

2. Guidance note on arrangements for the meeting.

**Audit Committee**  
**Convener: Andrew Welsh MSP**

Howard Waldner  
71 Edenstone View  
NW  
Calgary  
Alberta T3A 4T4  
Canada

11 April 2001

Dear Mr Waldner

I am writing in connection with the Audit Committee's current inquiry into the National Health Service in Tayside which follows on from the recent report by the Auditor General for Scotland into this subject.

The Committee met in Dundee on 2 April and took evidence from Mr Trevor Jones, Head of the Scottish Executive Health Department and Chief Executive of the NHS in Scotland; Mr John Aldridge, Director of Finance at the Scottish Executive Health Department; Mr Peter Bates, Chairperson, NHS Tayside; Mr Tim Brett, Chief Executive, Tayside Health Board; Mr Paul M White, Chief Executive, Tayside University Hospital NHS Trust and Mr Tony Wells, Chief Executive, Tayside Primary Care NHS Trust.

The Committee agreed that I should write to you as former acting Chief Executive, Dundee Teaching Hospital NHS Trust to seek the following written information:

- Please explain your role and responsibilities whilst acting Chief Executive, Dundee Teaching Hospital NHS Trust. What lines of accountability existed between yourself and Tayside Health Board, the Health Department and Ministers?
- In evidence to the Committee, Tayside health bodies identified renal medicine and cancer medicine as examples where new clinical programmes were introduced into Tayside without full recognition of their total cost on future budgets. What was your role in approving these clinical developments and how did you ensure that funding was fully in place to support them?
- In the final quarter of 1998/99 Dundee Teaching Hospitals NHS Trust recruited some 200 nurses and other staff to fill established vacancies. The Committee was told that Tayside University Hospitals NHS Trust's budget did not provide for these staff. Can you explain why the new trust was not informed of the extra costs of the 200 staff?

Andrew Welsh MSP  
Room 2.6 PHQ  
The Scottish Parliament  
Edinburgh EH99 1SP

- The Committee heard evidence about the high cost of acute services in Tayside and attempts by Tayside University Hospitals NHS Trust to benchmark services. What benchmarking of unit costs was carried out by Dundee Teaching Hospitals NHS Trust and what action resulted?

The Committee is meeting on 1 May to consider oral and written evidence and to decide how it wishes to proceed with the inquiry. I should be grateful, therefore, if you would reply by 25 April.

Please copy your response to Callum Thomson, Clerk of the Audit Committee, Committee Chambers, The Scottish Parliament, Edinburgh, EH99 1SP.

Yours sincerely

**Andrew Welsh MSP**  
Convener