

B/17/90

minutes (APPROVED)

NHS NATIONAL SERVICES SCOTLAND BOARD

MINUTES OF MEETING OF THE PERFORMANCE AND FINANCE COMMITTEE HELD IN BOARDROOM 1, GYLE SQUARE, EDINBURGH COMMENCING AT 0930HRS ON THURSDAY 23 February 2017

Present: Ms Julie Burgess, Non Executive Director
 Ms Kate Dunlop, Non Executive Director (in the Chair)
 Professor Elizabeth Ireland, NSS Chair

In Attendance: Mr John Fox-Davies, Director of Strategy and Governance
 Mr James Hall, Director of IT Operations, (Minute Item 7 only)
 Ms Jacqui Jones, HR and Workforce Director
 Ms Carolyn Low, Director of Finance and Business Services
 Mr Peter McConnell, Strategic Sourcing Director, (Minute Item 9 and 10 only)
 Ms Caroline McDermott, Planning Lead,
 Mr Colin Sinclair, Chief Executive
 Ms Marion Walker, Risk Manager Lead (Minute Item 6 only)
 Mr Drew McErlean, Committee Secretary (Minutes)

Apologies: Mr Mark McDavid, Non Executive Director

ACTION

1. Introduction and Apologies for Absence

- 1.1 Kate Dunlop welcomed everyone to the meeting and noted the apologies received.
- 1.2 Committee Members were asked if they had any interests to declare in the context of the Agenda items to be considered. There were none.

2. Minutes of Previous Meeting and Matters Arising

Minutes of the meeting held on 26 October 2016 [paper PFC/17/02 refers]

- 2.1 Subject to the correction of typographical errors in items 2.4. and 4.1 the minutes were agreed as being an accurate record of the meeting.

Action Sheet [paper PFC/17/03 refers]

- 2.2. Most of the actions were either completed, covered on the agenda for this meeting or programmed into a future meeting.

For Item 10.2. from the meeting of 26 October 2016, it was reported by Colin Sinclair that NSS had been in close contact with each of the Boards and they were aware that the claims experience needed improvement. The **Committee Secretary**



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Chair Professor Elizabeth Ireland
 Chief Executive Colin Sinclair

insurance contract was being re-tendered with the hope that a very significant saving could be achieved. The Committee agreed that this action could be closed.

For item 12.1 from the meeting of 26 October 2016, John Fox-Davies noted that the Audit Plan for 2017-2018 would be agreed by the meeting of the Audit and Risk Committee on 29 March 2017 and this would include determining approximately when the Fire Safety Awareness Training Audit would be take place. The Committee agreed that this action could be closed.

**Committee
Secretary**

3. NSS LDP Quarter 3 Report [paper PFC/17/04 refers]

3.1 John Fox Davies reported that the overall RAG status as of 31 December 2016 had been 86%. Many of the Amber rated actions were on track to be achieved by the end of the financial year.

3.2. For the SPIRE project there had been a delay in getting approval for the public information campaign to raise awareness of this project and as a result it had fallen behind schedule. Therefore the targets had been re-set. Recent press coverage had raised questions about the security of information but there was sufficient assurance that this was not an issue. SPIRE was regarded as a strong piece of work that would deliver very significant patient benefits.

3.3. In relation to the target that 90% of Integrated Joint Boards would have actively engaged LIST, this was reported at 81%, however it was anticipated the target would be reached by year end. In this context it was noted that 'actively engaged' meant work was being progressed. There had been contact with all Scottish local authorities. Elizabeth Ireland stressed the importance of the links between LIST and the Integrated Joint Boards and how engagement with GP clusters was vital. It was agreed that John Fox-Davies should issue a note to NSS Board Members which explained how LIST engagement was measured. The Report was noted.

**John Fox-
Davies**

4. NSS Financial Performance Update including CRES details [paper PFC/17/05 refers]

4.1. There was a projected surplus of £0.8m for the financial year to 31 March 2017 driven largely by the deferred implementation of the Jack Copland Centre which had reduced transitional and running cost forecasts for the current year. It had been agreed with the Scottish Government that the funding for these could be carried over into the next financial year to meet the costs as they arose.

4.2. There may be an opportunity to bring forward some planned expenditure from the next to the current financial year and discussions were underway with the SBUs to identify options for the use of these funds. Colin Sinclair advised the Committee he was confident the projected financial outturn would be achieved.

4.3. Julie Burgess questioned the planned CRES savings around the Screening Service in light of the issues that arose from the recent HIS Report. It was noted that the savings were around the procurement processes and that no money was being taken out of the screening service. It was agreed that this needed to be communicated clearly so that there was no opportunity for adverse publicity from the situation being misconstrued by linking these planned savings to the issues that had previously arisen.

- 4.4. The Committee noted that there may be an additional staff related financial pressure of circa £1m which had been included in the budget for 2017 - 2018.

5. 2017 - 2018 LDP

Draft LDP [paper PFC/17/06 refers]

- 5.1. Caroline McDermott noted that the paper was an update of the draft LDP paper which had been submitted to the meeting of the NSS Board on 3 February 2017. Work was ongoing with key stakeholders to firm up the targets and the paper would be submitted to the Scottish Government when it was complete (they had already been issued with a draft). John Fox-Davies noted that some of the targets may be amended to have them focused on outcomes rather than activities. Colin Sinclair noted there would be further discussion with the SBU Directors to ensure that the targets were appropriately challenging. The initial discussion with the Scottish Government was scheduled for 28 February 2017.
- 5.2. Julie Burgess expressed surprise that an increase of 194 WTE was being projected in Programme Management Services. Julie Burgess asked if all of the ambitions in the plan had been prioritised. Colin Sinclair noted it was expected that all of the items in the plan would be delivered based on the current anticipated budget but there would be continuous review throughout the year. A further update on the financial plan would be presented to the April Board. This would seek to identify any 'red pen' items that might need to be dropped in light of further pressure on the budget.
- 5.3. Elizabeth Ireland noted the need to add context to the plan and emphasise that much of the LDP activity was driven by Scottish Government changes. It was noted that further LDP requirements would emerge later in the year and NSS would need to be able to respond to this demand and build these new LDP targets into the plans for 2018 -2019. Some of these would be driven by the new Regional arrangements.
- 5.4. Julie Burgess asked if the plans for a new public health body in Scotland and the implication of some parts of the NSS PHI Department moving to that body had potential financial consequences that should be referenced in the plan. Carolyn Low noted there would be an impact on the allocation given to NSS but there would also be a reduction in costs and the overall net financial impact would be neutral. Colin Sinclair noted that NSS Executive Management Team would discuss the potential strategic and local impact of this issue at their offsite meeting at the end of March 2017. Some initial work had been done by PHI and a number of options had been identified. Once the overall context was clearer and the implications for NSS were better understood a paper would be taken to a meeting of the NSS Board so that they were clearly sighted on the impact and issues. A meeting with the Scottish Government about the establishment of the new public health body was scheduled for March and NSS would be represented at that. Further discussion on this topic would certainly feature at the October Board offsite.

NSS Draft Finance and Workforce Plan [paper PFC/17/07 refers]

- 5.5. Carolyn Low noted that the draft finance plan supporting the LDP would be submitted to the Scottish Government on 28 February 2017. NSS would release £3m back to as its share of the £15m CRES requirement the Government had asked for from the Specialist Boards. It was hoped that with careful management a surplus of £400k would be carried forward into the year 2017 – 2018. Carolyn Low noted that from a financial planning perspective this was a strong base to be working from given the projected financial environment. Work to consider what investment was needed in the IT infrastructure should be completed over the course of the next few days.
- 5.6. Elizabeth Ireland questioned whether the savings from the Specialist Boards were transactional or transformational for 2018. Colin Sinclair noted that to date the meetings of the Boards Chief Executives had been positive in agreeing the high level principles around the need to make transformational change but there was a challenge in achieving the £15M in the required timescales. The next meeting of the group would need to reach firm decisions about where and how these savings should be made.
- 5.7. Julie Burgess about why the overall shape of the workforce did not appear to change over the course of the plan, Jacqui Jones noted the work that HR Business Partners had been tasked with to ensure workforce plans reflected the projected service changes. The staff development programme would be key to help balance the needs of the organisation with the needs of individuals.
- 5..8. There would be a greater need to meet the challenges brought about by having to re-deploy dis-placed staff. The organisation would need to know what transferable skills staff had to help it manage change effectively and efficiently. The challenge of being able to attract specialist skills was also expected to become more acute than it already was. Staff sickness absence rates were still too high and the need to improve this was being addressed through a number of initiatives. Elizabeth Ireland noted that over the next 5 years the proportion of staff working on fixed term contracts was expected to increase significantly. That would bring with it a number of management challenges that the organisation would have to anticipate and be able to support.

6. Review of Business Risks on NSS Register [paper PFC/17/08 refers]

- 6.1 The NSS Board Development session on 3 March 2017 would include a session on how risk was measured, managed and reported. The EMT development session at the end of March would include a review of the Risk Register. A review of the Risk Register would be done to ensure that, in due course, all the underlying clinical risks had been identified using a new flag that had been added to the system. Progress on this work would be reported to the Clinical Governance Committee on 23 March 2017.
- 6.2. In relation to the one open red risk: '4086 eLinks Breaking' the risk rating would be reduced in the event of the planned pilot work with NHS Shetland being successful. The background to this risk was discussed and it was noted that the key underlying issue was to ensure continuity of service irrespective of the underlying technical issues. Elizabeth Ireland commented that most GP Practices now had very strong in-house IT infrastructure but the problematic issue was how these systems communicated with other parts of the service.

John Fox-Davies

- 6.3. Colin Sinclair referenced the establishment of a new group that had been charged with setting out the eHealth strategy for NHS Scotland. It was essential that this group focused on service requirements and the clinical risks around lack of effective IT systems. Those issues should be what drove the prioritisation of systems developments.

7. IT: Resilience of Key Systems

- 7.1. James Hall noted that 85% of IT SBU services supported external customers. The level of dependency on IT would continue to grow with increased support and development essential for resilience, business continuity and security amongst other factors. The work undertaken to conduct a resilience assessment across all NSS IT systems was highlighted. This work had covered key areas such as disaster recovery, stability of the applications and the ability of services to function if the IT systems were not available.

- 7.2. It was noted that there were a number of workarounds to support systems, e.g. Excel spreadsheets to perform calculations that the core payroll system did not have the functionality for. Work was now underway to quantify all of these workarounds in a single document. A technology roadmap through to 2022 had been prepared and was supported by a detailed technical assessment of all the systems which RAG rated the systems through to the current projected end of their usability. This work had also considered issues such as migration from these systems that would be needed to manage the risk. It was agreed that in making this assessment the priority for work on these systems should be informed by clinical rather than purely technical issues

- 7.3. It was evident that NSS would need to work very closely and negotiate with other NHS Boards to ensure there was a clear understanding of IT dependencies, the risks associated with them and the work that would be required to maintain and develop IT systems. It had not yet been decided which of the NSS Board Committees would be the most appropriate to keep oversight and track progress of this work.

- 7.4. In response to a question from Kate Dunlop about the resilience of key systems, James Hall noted that the current position was reasonably good but that things change over time and can change quite quickly. Not all of the issues were under the control of NSS – e.g. operating software that would not be supported on an on-going basis - and NSS had to have a strategy and plan to address that. It was important to look across a range of systems rather than looking at them individually. There may be work that could address a number of problems at the same time.

- 7.5. Colin Sinclair noted that the presentation gave a very helpful synopsis of the key issues and indicated that the approach to the work appeared to have been a bit dis-jointed in the past. That had to change and there was a clear need to have a single coordinated plan which would set out the priority work and the costs associated with it. There would then be a need to engage with the Scottish Government about what the risks to continuity of service were and what action was needed to mitigate these. A paper which will list all significant upcoming IT projects would be produced for the next meeting of the NSS Performance and Finance Committee on 31 May 2017 (see item 7 below). This should include significant projects to address resilience issues.

**James Hall /
John Fox-
Davies**

- 8. Escalation / Reporting to NSS Board on key IT Projects (e.g. SWAN / CHI) [paper PFC/17/09 refers]**
- 8.1 John Fox-Davies noted the background to the request for the paper that had come from the meeting of the NSS Board in November 2016 at which they had asked that the NSS Performance and Finance Committee review the current monitoring process to identify any opportunities for providing the NSS Board with earlier sight of emerging IT related issues.
- 8.2. Two recommendations had been made in the report and these were – **John Fox-Davies**
- For the Director of IT and Director of IT Operations to provide a paper for the May meeting of the committee which would list all significant, upcoming IT projects. The committee could then consider whether regular presentation of this list would be helpful to them;
 - To ensure that, on an ongoing basis, IT procurements were included in the scope of the PCF National Procurement Contract Schedule which was presented to each meeting of the committee.
- The recommendations were agreed.
- 8.3. Colin Sinclair noted that he would be representing NSS at a meeting on 27 February at which the plans for what an eHealth Strategy for NHS Scotland should look like would be discussed. It was agreed by the Committee that there was a need to ensure the Scottish Government and the other Health Boards had a clear understanding about what the IT systems were that NSS had responsibility for and what the emerging critical issues were. It was also agreed that there was a need for improvement around the accountability for the funding to maintain and develop these systems.
- 9. National Procurement Contract Schedule [paper PFC/17/10 refers]**
- 9.1 Peter McConnell noted that National Procurement was estimating that they would deliver in excess of £50M savings in 16/17 against an LDP target of £35m. Contract negotiations continued with suppliers and this involved working closely with the Scottish Government in areas such as Pharmacies. It was noted that estimated savings of £42.9m were included in the 2017-2018 plans. It was agreed that Peter McConnell should contact James Hall to discuss any opportunities that may exist to derive savings from the possible upgrading of IT systems such as moving to the latest version of the Windows operating system. **Peter McConnell**
- 9.2. In relation to the GP IT Framework procurement it was hoped that the proof of concept phase would be completed in October 2017 which, if successful would allow the full implementation to proceed. The Lab system framework may provide a shared service opportunity that would help to increase the potential for savings.
- 9.3. There were three contract strategy summaries detailed in the report. In relation to Fixed Line Voice services it was noted that savings of £400k had been targeted in the 2017-2018 workplan and there was strong confidence that this would be achieved. There were complexities due to the variations in the way different Health Boards operated. There were also convergence issues between this work and SWAN. The key risks around the work were noted. The Home Parenteral Nutrition Contract Strategy currently had a multi supplier framework agreement. The strategy was to have a maximum of three suppliers in the new agreement with fixed pricing for 36 months. It was felt that the RAG risk rating for this approach was low. For the Surgical Gloves strategy it was noted that the current arrangements which were very complex had been extended until Aug 2017 to allow further interaction

with Boards/clinicians to establish product trials and methodology as part of the new procurement assessment process. The objective was to end up with 4 'lots' of gloves in the proposed framework with targeted savings of £200k in the 2017-2018 workplan.

- 9.4. The contracts detailed in Appendix A of the report were homologated by the Committee.

10. Foreign Exchange Rate Update [paper PFC/17/11 refers]

- 10.1 Peter McConnell noted the paper had been produced in response to a request from the Committee at their meeting on 26 October 2016 for an assessment on how foreign exchange rate movements would impact NSS Procurement. This was in response to the exchange rate movements that had followed the vote for the UK to leave the European Union in June 2016. It was noted that all national procurement contracts had a fixed price period from contract commencement date, which negated the immediate risk of price increases due to exchange rates; typically the fixed price period was 2 years.

- 10.2 It had been estimated that on the current portfolio of contracts a contract spend of £1.38bn, had a potential foreign exchange rate exposure of £5.95m. For utilities it was geo-political issues that represented a greater risk rather than exchange rate movements. It was felt that pharmacy branded products had sufficient margin not to be impacted by exchange rate movements. Since the vote to leave the European Union actual national contract price increases had been approximately £420K on a spend Value of £16.4M (2.4%) which compared well with the impact assumption. It was agreed that as the situation with regards to Brexit remained fluid that an update to this paper should be produced for the meeting of Committee in October 2017.

**Peter
McConnell**

11. Occurrences where SFIs have not been followed

- 11.1 There had been no reported instances where the SFIs had not been followed. John Fox-Davies noted that, following the previous review of the Gifts and Hospitality section of the SFIs and the communication of these, the Strategy and Governance Team had been collecting relevant returns from SBUs and Directorates and that an update would be provided at the next meeting. This might include recommendations for any further changes as required.

12. Review of PFC Terms of Reference Update [paper PFC/17/12 refers]

- 12.1 It was agreed that there were no changes required to the Terms of Reference and these would be taken to meeting of the NSS Board in due course for ratification.

13 Feedback from relevant Committee Chairs on other NSS Board Sub Committee Governance Issues

- 13.1 Clinical Governance Committee – the screening service issues that had arisen from the Health Improvement Scotland report.

Staff Governance Committee – this Committee was now chaired by John Deffenbaugh. There was a focus on improvement on the production and storage of data. There was evidence of strong partnership working across a number of issues.

Information Governance Committee – the key issues were the need to progress the Digital Transformation Programme and the need for awareness of the threats around cyber security.

- 13.2. Professor Ireland noted that it may be necessary to review whether three meetings of this committee per year was sufficient given the complexity of the issue that were arising and the governance oversight that would therefore be required. These issues were largely driven by the external environment. This would be discussed with the NSS Board. **Professor Elizabeth Ireland**

14 Committee Highlights for NSS Board Meeting on 7 April 2017 [paper PFC/17/13 refers]

- 14.1 The items for the Board Highlight Report were identified as

Items and Risks of the Boards Attention

- The potential impact on financial plans of further LDP requirements.
- The need for investment in IT systems to ensure address resilience issues and ensure continuity of service.

Emerging Themes for Board Awareness e.g. changing trends in elements of NSS performance

- Changes in the external environment driven by the Scottish Government.

Governance Improvements e.g. actions which have strengthened governance of Committee and should be shared.

- Potential changes to structure and frequency of the meetings of the NSS Performance and Finance Committee.

15. Performance and Finance Committee Forward Programme 2017 [Paper PFC/17/14 refers]

- 15.1 The forward programme was noted.

16. Any Other Business

- 16.1 There was no other business raised.

17. Date of Next Meeting

- 17.1 Thursday 31 May 2017 at 0930 Hrs: South Gyle, Edinburgh