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Introduction

1. This Finance Strategy replaces the eHealth Finance Strategy for 2008-11 agreed in February 2008. The first Finance Strategy focused on; establishing an understanding of how and on what national eHealth Funds were spent, explaining how the eHealth Strategy 2008-11 would be funded and adjusting responsibility for spend areas between Boards and SG.

2. The main aims were to ensure the affordability of the improvements sought by the eHealth Strategy and to improve longer term sustainability and affordability of IT investment.

3. The most significant changes in support of sustainability were governance changes over decision making, openness about funding and funding options and a move to Board funding of the variable costs of national initiatives (those determined by local consumption decisions) with the Scottish Government focusing on fixed costs (e.g. the changes to the funding arrangements for national PACS).

4. The new strategy has been extensively discussed with eHealth Leads. It has similar purposes as its predecessor, openness, explaining the funding of strategy and moves to foster sustainability and affordability. While the immediate driver for revisiting the eHealth Finance Strategy 2008-11 was the shift from a capital investment to a revenue improvement programme the main aim of the new strategy is to increase the value of eHealth activity to Board objectives and to continue to improve the value for money represented by NHSS spend on IT.

5. The further changes in governance and to the flows of national funding introduced in the new eHealth Finance Strategy effectively move toward a collectively managed national NHSS client which funds and commissions changes to the existing national assets supporting Boards. This increases the collective influence of NHSS Boards over the ‘business as usual’ national assets intended to support them in delivering their objectives and is intended to improve the professionalism of the approach to managing client/supplier relationships.

6. This change is intended to improve the focus on costs and cost control but more importantly to create a clearer link between the service improvement aims of Boards and the focus of the national IT assets and resources intended to support them in these aims.

7. The changes to the joint national/Board planning process are also intended to improve the effective deployment of the combined local and national resources improving effectiveness and value for money through better alignment of resources. They are also intended to draw clearer lines between Board improvement objectives and the eHealth contribution to delivering them and to align the finance strategy more closely with the outcomes focus of the main eHealth Strategy.
8. The eHealth Finance Strategy is one of a group of underpinning strategies (Annex A). It was developed over a period of 18 months commencing in September 2009 and leading to an agreement in March 2011. The Finance Strategy is an important element of the eHealth Strategy for 2011-17 which was published on 12 September 2011. The eHealth Strategy, in turn, directly supports the quality ambitions laid out in the Healthcare Quality Strategy for NHS Scotland. The principles of the eHealth Finance Strategy were developed and agreed with the eHealth Strategy Board during 2010 and have further developed during 2011 as the agreed model is used and refined in an operational setting. The eHealth Finance Strategy has been developed in consultation with our key stakeholders and is written as a working document which will be reviewed regularly (at least annually) and which will be flexible enough to respond to the financial environment within which NHS Scotland and the Scottish Government operates. Its origins lie in the work of the Calderwood group which also led to the establishment of the strategic fund approach to delivering key strategy objectives. The work of this group is discussed in more detail at Annex B.

9. The Cabinet Secretary has endorsed the eHealth Strategy which outlined, at a high level, the financial arrangements that would be required to deliver the strategic aims. The principles of the Finance Strategy have also been endorsed by the eHealth Strategy Board, NHS Board Chief Executives’ and NHS Board Director’s of Finance.

10. The eHealth Strategy for 2008-11 focused on capital expenditure and renewal and growth of the capabilities and assets of NHS Scotland. The building blocks for future IT enabled progress are now in place and eHealth has moved from an acquisition/development phase to exploiting the value of the new capabilities acquired during 2008-11.

11. The eHealth Strategy 2011-17 is therefore a revenue based improvement programme, leveraging the IT assets to support the quality improvements that NHS Scotland has committed itself to, through five strategic aims
   - maximise efficient working practices, minimise wasteful variation, bring about measurable savings and ensure value for money;
   - support people to communicate with the NHS Scotland, manage their own health and wellbeing, and to become more active participants in the care and services they receive;
   - contribute to care integration and to support people with long term conditions;
   - improve the availability of appropriate information for healthcare workers and the tools to use and communicate that information effectively to improve quality;
   - improve the safety of people taking medicines and their effective use.

12. In support of these 5 aims there are key deliverables to be complete by 2014 which are outlined at Annex C.

13. In order to deliver the strategic aims the focus is very much on an outcomes approach rather than on activity or inputs. This and the need to put the costs of
existing services closer to the business to maximise capability and benefits resulted in the majority the eHealth funding being distributed to Boards in the form of three ‘Funds’ in 11-12. These Funds are:

- A Strategic Fund to deliver the five strategic eHealth aims outlined above. The Strategic Funds are allocated to Boards who will be responsible for ensuring that the outcomes identified are delivered
- An Applications/Services enablers Fund to maintain and improve upon the shared, products and services already in use across NHS Scotland, e.g., SCI Store and national PACs. This covers ‘Business as usual’ for application and services
- An Infrastructure enablers fund to maintain and improve upon the underlying shared technical infrastructure that is critical to the operation of NHS Scotland e.g., Broadband and email.

14. This funding model is also in line with the Scottish Government and NHS Boards approach to ‘bundled’ allocations.

**Governance**

15. Governance arrangements have been revised to take account of the new strategy particularly in the description of Board led collective national governance and the portfolio group structure and are outlined in Figure 1

16. Most of this governance activity has existed since 2007. Only the Portfolio Management Groups (PMGs) which look after portfolios of existing IT assets is new. The most significant change, however, is in the role of the eHealth Leads set under Board collective governance. Originally a link between Board activity and national activity it is now a direct manager of existing resources collectively on behalf of all Boards.
17. How these changes affect the authorising environment, accountability and funding is set out in Figure 2.

**Figure 2**

Board Governance/Funding

18. Boards have existing internal governance and accountability arrangements for funding allocated to them. This includes funds Boards allocated to support their eHealth teams and services they supply in support of Board services.

19. The Finance Strategy does not change this. The eHealth strategic objectives funding is an allocation specifically to support the delivery of the outcomes set out in the eHealth Strategy. Boards are therefore accountable for this allocation and the objectives it funds through their internal process. The main difference is the agreed annual eHealth Plan. Part of the conditions of funding is the generation of an annual plan that sets out the objectives for Board eHealth and is intended to be signed off at Chief Executive level.

20. The plan is the main mechanism by which the value for money for the central allocation and the progress toward the objectives of the eHealth Strategy are demonstrated. The plan also has broader purposes in bringing together action relating to national and Board led initiatives in the same plan agreed with Board management it is intended to improve overall value by ensuring that the value of existing assets are maximised. By focusing the plan toward the LDP it is also intended to maximise the benefit of eHealth activity both at Board and national level in supporting the improvement objectives that Boards commit themselves to in their planning cycle.

21. The added value of the annual plan process is expected to rise over the next few years and to be capable of supporting both one and multiple year planning and forecasting and to progressively extend outward the number of years over which more accurate planning assumptions can be made.
Collective Governance/Funding

22. The strategic fund allocated to boards is the main national source of resource to implement the eHealth strategy. It represents, however, a minority of the total national eHealth funding distributed to Boards. Over 80% of central funding supports a range of ‘business as usual’ products and services such as the commitments to N3 and NHSmail and national IT services such as ECS, the CHI database and the public health and screening systems. (see Figure 3) Further detail on budgets is at Annex C.

23. The eHealth strategy aims to increase the value of the existing shared assets to the NHS by improving; asset and service management, cost control, and alignment with healthcare improvement objectives.

24. The collectively managed assets are managed on behalf of NHSS by eHealth Leads. The funding for the assets is allocated to Boards but the deployment of the resources is decided collectively by Leads. In governance terms this is a significant difference from the allocations supporting the strategic funds. It reflects the national and shared character of the assets being managed and that changes have implications for other boards and that decisions on the deployment of this fund are for collective decision.

25. The introduction of collective management of existing assets is intended to provide a more direct link through the eHealth Lead to align the management and development of these assets to Board improvement priorities.

26. The different character of this fund has implications for other areas of financial management. The funds are non recurring revenue provided to meet existing shared commitments to the management and maintenance of assets such as the Emergency Care Summary and contracts such as N3. Boards are funded to contribute proportionately to this collectively managed group of assets. Unlike the Strategic fund where Board improvements in the efficient delivery of the strategic objectives can produce a surplus for reallocation within their own governance, the management of surpluses and deficits in the Infrastructure and Applications fund areas is subject to collective decision and responsibility under the authority of the eHealth Leads group.
27. eHealth Leads are supported in this task by the Portfolio Management Groups (PMGs) which oversee groups of eHealth assets and services. These groups address the more day to day management issues which arise. The PMGs who bring together a cross section of expertise from Scottish Government, Regional Health Boards and Specialist Health Boards spanning policy, strategy, clinical care, programmes, architecture and design, supplier management, service managers and users group representatives to coordinate and make decisions on the future direction of in-service IT systems. There are 5 PMGs covering the following areas: Clinical, Primary Care, Public Health, Business Systems and Infrastructure. It is the responsibility of the eHealth Leads to outline strategic development goals for the PMGs and clearly define efficiency targets that each PMG would be expected to meet. eHealth Leads are expected to act as the mechanism by which the overall improvement priorities within their organisation direct the development priorities of the national assets. As such they need to be engaged with the relevant clinical and other planning groups setting performance and other objectives in their Boards and have a mechanism for agreeing prioritisation of these objectives.

28. Clinical involvement in the eHealth programme continues to be strong. eHealth Leads ensure that the views of Clinicians are reflected in their business planning. The PMGs have appropriate clinical representation and Medical Directors are engaged and aware of the importance of the role of Board eHealth Clinical Leads.

29. eHealth Leads meet on a monthly basis to discuss a range of issues including managing business as usual expenditure. eHealth Leads agree the overall financial envelope and the overall performance and direction of development for the PMGs.

Scottish Government Led Governance/National Funding

30. The eHealth Strategy Board agrees overall strategic direction and provides the authorising body for major national developments and investments. The eHealth Programme Board provides more detailed scrutiny of proposals and provides the authorising body for programmes/projects up to £5m (though in practice the Strategy Board will often remit larger decisions to the Programme Board once the parameters have been agreed). The eHealth Division of Scottish Government can agree national projects up to £0.5m (though in practice even relatively small developments will be subject to wider governance given the importance of a broad understanding and agreement to the success of investments). All IT enabled projects funded or sponsored by Health Directorates should be approved through these mechanisms.

31. As the eHealth Programme moves from a capital development/acquisition phase toward resource based exploitation of assets it is anticipated that the flow of business cases should reduce. Beyond the scrutiny of business cases the eHealth Programme Board has a role in ensuring the alignment of activity with agreed strategies and plans and the value for money represented by the national contribution to eHealth resources. In this context the eHealth Programme Board
has oversight over the direction of the annual planning process and the Portfolio Groups are accountable to it for alignment with agreed strategies and policies (the Portfolio Groups are accountable to eHealth Leads for budgetary and outcome planning purposes).

Support for new roles

32. The changes increase the time demand on senior eHealth staff in Boards. This will be necessary to ensure that national and collective activity is properly linked with local activity and objectives. It is expected that senior NHSS officers will be made available for national and collective tasks. It is likely that time demands on some managers will be greater than would ordinarily be expected as a contribution to the national good. The eHealth Programme has identified funding to provide a contribution in these circumstances and to provide funding for dedicated support for the collective governance groups and processes.

Challenges to 2015

33. Delivering the significant improvements sought by the eHealth Strategy raises challenges for Boards as resources, and particularly resources for non front line services are under pressure. The eHealth programme argues that the strategic objectives are part of the answer to the pressures facing Boards nevertheless the general financial challenge is well understood by Boards. The main eHealth specific financial challenges over the spending review relate to the flat cash allocations in the infrastructure and applications funds, to the end of the N3 contract, and the withdrawal of support for Microsoft XP on which the bulk of the NHSS computer estate is based.

34. There are significant cost pressures in the infrastructure and applications fund and while the current plan for N3 replacement envisages savings large scale replacement of computer operating systems will be a pressure. Strategies for addressing each of these issues are being devised. eHealth Leads are responsible for developing strategy around each of these areas and work with NSS has identified resources over the next two years and have agreed that they should be applied to reducing the impact of cost pressures later in the spending review period. While the efficiencies made will mitigate future costs pressures they will not be sufficient to cover all of the future pressures that arise. (Figure 4)
35. Within the infrastructure and applications fund are a number of older systems, such as those supporting CHI and public health, for which there is strong national and collective commitment. Developing cost effective replacements for these systems which also provide better support for the NHSS will be a key challenge for eHealth over the next period. The eHealth Finance strategy improves the influence of Boards as customers of these services over the strategies for replacement.

36. The reduced availability of capital poses a significant challenge. Previous procurement models such as that which produced the previous Microsoft EWA produce significant capital demands for licences at a time when demand for capital for non IT purposes is high. This also impacts on technology refresh activity, new operating systems often require more modern PCs to run them, if technology refresh activity needs to be scaled back then this can pose challenges when the software needs to be replaced. Similar issues are raised with the replacement of older systems such as CHI where traditionally a capital based solution would be adopted. A key outcome for the period to 2015 will be an examination of procurement and delivery models to assess options against their demand for capital and the overall value for money they represent for NHSS.

37. The McClelland review of public sector IT suggests changes which may provide challenges over the period. While NHSS has a good record on sharing systems and services and on collective governance (which were commented on favourably in the report) there will be a challenge to move further in this direction. In addition McClelland talks of organisations not expecting to be entirely self sufficient in IT terms and this requires a dialogue about shared services to agree a way forward.
Annex A: eHealth – Underpinning strategies

Strategic Service Direction
- Quality Strategy

Information Systems Response
- eHealth Strategy

Underpinning Strategies and Enablers
- eHealth Business Case

Governance
- Comms/Stakeholder
- Information assurance
- Finance
- Applications
- Infrastructure
- Person Centred eHealth

Delivery Plan

1. In September 2009, Robert Calderwood, CEO of NHS Greater Glasgow & Clyde, was asked to lead a short life working group to review SG eHealth expenditure, efficiencies and identify areas for savings as a key output. The successful implementation of these findings has provided the capacity to take forward the five Strategic eHealth aims. One recommendation was to develop a new eHealth financial operating model, replacing the one which had been in place since 2008. The new financial model, which was implemented on 1 April 2011, supports the delivery of the new eHealth Strategy. It has done this against the background of a radically different financial environment. It also builds on our experience of what has worked well and what has not over 2008-11. Actions to acknowledge the financial challenges faced by NHSS and health care providers include:

- allocating a larger proportion of the eHealth budget to NHS Boards against a smaller number of strategic headings (the five strategic aims), allowing Boards greater flexibility and a stronger alignment to the outcomes based approach
- releasing funds for new investment from areas of existing expenditure through efficiencies by creating an environment that allows boards to control cost reduction activity of national services.
- further convergence around common eHealth systems, particularly where costs can be reduced;
- building on the success of previous collaboration such as PMS to establish shared services;
- making available funds to support eHealth enabled savings in NHSS
- Strengthening the role of those who deliver front line services.
- The provision of a service that sees a closer alignment between the ‘user’ of a service and the ‘supplier’
- not penalising where Boards have already invested;
- not rewarding Boards with higher than average cost solutions.
1. The outcomes based approach is in line with other areas of the Scottish Government as a mean of evaluating performance. This has introduced Better accountability and a longer planning horizon that will assist Boards with expressing and evaluating eHealth performance in terms of the outcomes it enables.

2. The new strategic eHealth aims for 2011 to 2017 are targeted at improving quality across the service and at the same time delivering savings, value for money and efficiencies.

3. During 2011-12 Boards are discussing these outcomes with the Scottish Government with a view to agreeing associated measures and success factors. It has been agreed with Boards that this is a preparatory year and the outcomes discussed will inform future eHealth plans for each Board. The regular eHealth annual review for each Board and the associated plans will assist in providing an overarching view of eHealth activity and associated outcomes.

4. While outcomes are being agreed in 2011-12 it has been agreed that this will be a transitional year which also provides an opportunity to refine the financial model.

5. The annual performance review meetings in Q1 of the next financial year will provide the first formal review of progress against the plan. The outcomes agreed will deliver the five strategic aims and will support nine key objectives which the eHealth Strategy seeks to achieve by 2014 these are:

   i. By 2014 NHS Boards will have well established programmes to replace paper with digital equivalents, along with digital dictation, voice recognition, scanning and video conferencing.

   ii. By 2014, the eHealth Programme will have developed a national strategy covering the range of electronic contact that individuals have with NHS. This will provide a coherent and citizen centred framework for these developments.

   iii. By 2014, a national strategy to guide further work in this area will have been developed and agreed.

   iv. By 2014 a new health and social care IT strategy will have been developed in partnership with local authorities. This will have paved the way for improvements in information sharing between health and social care workers and greater integration of health and social care services, for people of all ages, across Scotland.

   v. By 2014 the ePCS and KIS will have been rolled out nationally across Scotland for those who need it.

   vi. By 2014 we will have established an eHealth research and innovation advisory group.

   vii. By 2014, the local use of information for quality improvements will be enhanced by the eHealth Programme developing a strategy for real time and near time performance data.
viii. By 2014 all territorial Health Boards will be using clinical portals (or electronic windows to information) and the priority information items agreed by clinicians will be available at the point of care.

ix. By 2014 work to implement an agreed Information Assurance Strategy will be well established.
Annex C

Budgets 2011-12

1. With a revenue budget of £89.268m\(^1\) and the bulk of that budget covering business as usual. The funding to support the strategic objectives is outlined in the table below:

<table>
<thead>
<tr>
<th></th>
<th>2011-12</th>
<th>2013-14</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Funding (£m)</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Business as Usual (£m)</td>
<td>73</td>
<td>73</td>
<td>73</td>
</tr>
</tbody>
</table>

2. Table 2 provides a further breakdown of the business as usual funding made in 2011-12:

<table>
<thead>
<tr>
<th></th>
<th>2011-12 (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Funding (£m)</td>
<td>16.000</td>
</tr>
<tr>
<td>Applications Fund</td>
<td>30.345</td>
</tr>
<tr>
<td>Infrastructure Fund</td>
<td>13.019</td>
</tr>
<tr>
<td>Other*</td>
<td>24.134</td>
</tr>
<tr>
<td>SG retained**</td>
<td>5.770</td>
</tr>
<tr>
<td>TOTAL</td>
<td>89.268</td>
</tr>
</tbody>
</table>

* ‘Other’ includes capital charges, time limited allocations to Boards e.g. PMS implementation and national products administered by NSS.
** ‘SG retained’ includes SG team costs of £2.1m with the remainder being utilised to deal with in year pressures. Work is underway to further reduce SG team costs and it is anticipated that the bulk of the remaining retained budget will be allocated to Boards. The SG retained funding will be used to fund new initiatives which will eventually transition to BAU

3. At the beginning of 2011-12 over 93.5\(^2\) of budgets were allocated to Boards as illustrated in Figure 1

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\(^1\) Budget includes 2.116m transferred from eCare

\(^2\) Includes allocations made to NSS
4. Figure 2 provides a more detailed illustration of the breakdown of funds provided in paragraph 6

![Figure 2](image-url)

5. In addition to these Funds, NHS Boards also have local budgets for eHealth related activity. Work is currently underway to develop benchmarks around IT expenditure and performance. As part of this work a framework will be put in place that will facilitate the collection of data on expenditure made on IT by the Scottish Government and NHS Boards combined on an annual basis.

6. Our outcomes approach to delivering the five strategic eHealth aims as an enabler of quality improvements in healthcare services across Scotland, rather than discrete projects and programmes, changes the way in which performance is measured.

7. These changes have been introduced to align with the key objectives of supporting change which is closer to the professionals providing care and to the people that rely on it. Experience with the strategy in 2008-11 has also demonstrated that these approaches produce significant value for money over more centralised control based approaches.