



**SCOTT-MONCRIEFF**

EDINBURGH AND GLASGOW



## **NHS Forth Valley**

**Annual Report to Forth Valley Health Board  
and the Auditor General for Scotland  
2007/08**

July 2008

# NHS Forth Valley

## Annual Report to Forth Valley Health Board and the Auditor General for Scotland 2007/08

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# Executive Summary

## Finance

Our audit of the 2007/08 financial statements is complete and our audit opinions are unqualified. NHS Forth Valley achieved a saving against its Revenue Resource Limit (RRL) of £2 million. The Board is required, as a minimum, to break even against its RRL which it has therefore achieved whilst also meeting its Capital Resource Limit (CRL) and Cash Requirement targets.

Going forward, the Board is aiming to achieve a surplus against its RRL of £3.5 million in 2008/09, rising to £4.5 million in 2009/10. This surplus will be used, along with gains from land sales at Bellsdyke, to help meet the estimated costs of the move to the new acute hospital at Larbert in 2010/11. The Board is projecting to break even between 2010/11 and 2012/13.

NHS Forth Valley is currently £12.5 million below the annual funding entitlement according to the NHS Scotland Resource Allocation Committee (NRAC). Timescales for resolving this funding imparity have yet to be formally agreed, and the Board is monitoring this closely to ensure financial assumptions remain valid.

## Performance

During 2007/08 we undertook a review of NHS Forth Valley's arrangements for delivering Best Value in Financial Management. Our review found that the Board has strong financial leadership and that both executives and non-executives are committed to ensuring that the financial environment within which the Board operates is reflected within its strategic objectives. The Board's finance staff work closely with services to ensure that robust reporting information and effective financial support are available.

The Board met the significant majority of the national targets as set out in the Local Delivery Plan. One of these targets, relating to delayed discharges, continues to be a challenge for the Board along with a number of other Scottish health boards. Whilst the Board continues to meet the requirement of having no patients delayed in short stay wards, the number of patients delayed in hospital for longer than six weeks in March 2008 was 14 against a national target of zero.

The Board is making good progress in implementing the action plan from our 2006/07 'Review of ICT Infrastructure and eFinancials' report, including allocating significant additional resource to ICT in 2007/08. We were pleased to note that a Service Improvement Project has been set up to co-ordinate activities to address these actions. Progress is also being made in the development of information governance and eHealth strategies which will be critical to the ongoing deployment and security of technology within NHS Forth Valley.

## **Governance**

During 2007/08, NHS Forth Valley has continued working to deliver its Integrated Healthcare Strategy. 2008/09 will see the new community healthcare facility at Clackmannanshire being completed, with the new acute hospital building at Larbert scheduled to be completed by the end of 2009. The new acute hospital will be opened in three phases, with the first phase scheduled for the summer of 2010.

Community Health Partnerships (CHPs) continue to evolve as an established part of NHS Forth Valley's governance framework. This has been an area which has been subject to a number of reviews and assessments during the year, including consideration as part of the Multi-Agency Inspection of Services to Older People (MAISOP). The Board has responded to these reviews by way of action plans which look to ensure that all areas for development are addressed and actioned timeously.

The Board is currently taking forward three key areas in relation to its Staff Governance agenda. These include a focus on absence and attendance management, staff communications and the equalities and diversity agenda. Absence management in particular remains challenging across NHS Forth Valley, requiring a continued managerial focus at all levels. The absence position for March 2008 was 5.28% with an increase to 5.46% at April 2008. The national target to be achieved by March 2009 is 4%, therefore an overall reduction of 1.46% is required to meet this target. This is in line with a number of other NHS Scotland boards.

## **Conclusion**

This report concludes the 2007/08 audit of NHS Forth Valley. We have performed our audit in accordance with the Code of Audit Practice published by Audit Scotland, International Standards on Auditing (UK and Ireland) and Ethical Standards.

This report has been discussed and agreed with the Chief Executive and Director of Finance. We would like to thank all members of NHS Forth Valley's management and staff who have been involved in our work for their co-operation and assistance during our audit visits.

# Introduction

- 1 This report summarises the findings from our 2007/08 audit of Forth Valley Health Board, commonly known as NHS Forth Valley. The scope of our audit was set out in our External Audit Strategy and Plan, which was presented to the Audit Committee on 25 January 2008.
- 2 The main elements of our audit work in 2007/08 have been:
  - Audit of the financial statements, including a review of the Statement on Internal Control
  - Review of governance arrangements
  - Review of internal controls and financial systems
  - Best Value audit of financial management
  - A review of the Board's self-assessment of Best Value
  - Compliance check on overseas staff working in the NHS – pre-employment screening
  - High-level follow-up review of our 2006/07 report on ICT infrastructure and eFinancials
- 3 In addition to this report, we have issued the following detailed outputs during 2007/08:
  - Interim Management Report
  - Report on the Audit of the Financial Statements
  - Best Value Audit of Financial Management – Interim Report
  - National Fraud Initiative Questionnaire
  - Letter to the Chief Executive on overseas staff (to follow)

The key issues from these outputs are summarised in this annual report.
- 4 As part of our audit, we have also made use of the work of other inspection bodies including the Board's internal audit service, Audit Scotland's Health Performance and Public Reporting Group, NHS Quality Improvement Scotland (NHS QIS) review on Clinical Governance and Risk Management and the Multi-Agency Inspectorate of Services for Older People (MAISOP).
- 5 This report will be submitted to the Auditor General for Scotland and will be published on Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

# Finance

## Introduction

- 6 It is the responsibility of the Board to conduct its financial affairs in a proper manner. It is our responsibility to audit the financial statements and also to consider the Board's governance arrangements in relation to the Board's financial position.

## Annual accounts and audit opinion

- 7 The Board approved its annual accounts on 10 June 2008. We are pleased to report that our independent auditors' report expressed an unqualified opinion on the financial statements of the Board for the year ended 31 March 2008 and on the regularity of transactions reflected in those financial statements. The annual accounts were submitted to the Scottish Government Health Directorates (SGHD) and the Auditor General for Scotland prior to the 30 June 2008 deadline.
- 8 We received draft annual accounts and supporting papers of a high standard on 30 April 2008 in line with our agreed audit timetable. We are pleased to report that the audit process ran smoothly, and our thanks go to the finance team for their assistance with our work.

## The Board's financial performance in 2007/08

- 9 The Board is required to work within the resource limits and cash requirements set by the SGHD. As shown in table 1 below, NHS Forth Valley has met all of its financial targets.

**Table 1 – Performance against financial targets**

Financial Target	Target £000s	Actual £000s	Underspend £000s	Target achieved
Revenue Resource Limit	408,081	406,081	2,000	Yes
Capital Resource Limit	7,778	7,778	0	Yes
Cash Requirement	414,773	414,773	0	Yes

*(Source: Forth Valley Health Board Annual Accounts 2007/08)*

- 10 NHS Forth Valley achieved a surplus against its Revenue Resource Limit (RRL) of £2 million. This surplus represents an underspend of 0.5% and is therefore within the 1% carry forward threshold.
- 11 The Board originally projected to break-even in 2007/08 but revised its forecast during the year and has been forecasting a projected surplus of £2 million since September 2007. The Board sought to achieve this £2 million surplus to mitigate the impact of decreased annual uplifts for 2008/09 onwards as well as the significant resources required to meet the transitional costs of implementing the Integrated Healthcare Strategy, including bringing the new acute hospital into operation.

- 12 The surplus was achieved through a number of savings, most notably a saving of £1 million on prescribing costs due to a fall in prices of category M drugs. This fall in prescribing expenditure is in line with the rest of NHS Scotland.
- 13 Performance against financial targets can be affected by non-recurring funding and expenditure. To gain a better understanding of the Board's financial position it is helpful to analyse the Board's position into recurring and non-recurring items. The table below analyses the Board's 2007/08 income and expenditure between recurring and non-recurring items.

**Table 2 – Achievement of 2007/08 surplus**

	<b>£000s</b>
Recurring income	365,305
Recurring expenditure	(366,143)
Recurring savings	<u>838</u>
<b>Underlying recurring breakeven</b>	<b>0</b>
Non-recurring income	42,714
Non-recurring expenditure	(40,864)
Non-recurring savings	<u>150</u>
<b>Underlying non-recurring surplus</b>	<b>2,000</b>
<b>2007/08 surplus</b>	<b>2,000</b>

(Source: Assistant Director of Finance – Planning and Coordination)

### **Achievement of recurring balance**

- 14 In 2007/08 the Board achieved an underlying recurring break-even position, reflecting the fact that services have been managed to ensure there is no gap between the cost of on-going activities and core funding received. The achievement of recurring balance in 2007/08 is in line with the Board's projections. The table below shows the Board's surplus against its RRL split between recurring and non-recurring for the last three years.

**Table 3 – Recurring and non-recurring surplus and deficit 2005/06 – 2007/08**

	<b>2005/06*</b>	<b>2006/07*</b>	<b>2007/08</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Recurring deficit/ breakeven	(3,900)	(2,500)	0
Non-recurring surplus	4,307	3,090	2,000
Total surplus	407	590	2,000

(Source: \*Previous annual audit reports )

## **Capital Resource Limit**

- 15 The Board's 2007/08 Capital Resource Limit (CRL) was initially £17.557 million. The Board agreed with the SGHD that approximately £9.779 million of this original allocation, together with Bellsdyke property proceeds, should be carried forward and used to equip the new acute and community hospital developments. The main areas of capital expenditure in the year have been £3.3 million on medical equipment (including £1.7 million on imaging and scanning equipment), £1.2 million on an IT infrastructure upgrade, £0.6 million on the Picture Archiving and Communications System (PACS) and over £3 million on rolling property projects.
- 16 Included within the total capital spend is £0.850 million of capital grant to other public bodies. This included capital grants of £0.255 million to the Falkirk and Stirling District Associations of Mental Health and £0.281 million towards dental decontamination costs.

## **Integrated Healthcare Strategy**

- 17 To realise the Board's vision of "improving healthcare for the people of Forth Valley", the Board plans to deliver acute healthcare services from a single site in Larbert. The Board's Integrated Healthcare Strategy states that "this will be supported by fully integrated and enhanced primary and community services" including community hospitals in Falkirk, Stirling, Bo'ness and Clackmannanshire to support people in, or as close to, their own homes as possible. The new single site at Larbert, as well as the new community hospital in Clackmannanshire, will be funded through the Private Finance Initiative (PFI). Both PFI projects achieved financial close during 2007/08; the Larbert project on 15 May 2007 and the Clackmannanshire project on 10 July 2007.

## **Future financial implications**

- 18 The main financial implication of the Integrated Healthcare Strategy relates to the unitary charge for the new acute hospital at Larbert. NHS Forth Valley has forecast that, to maintain financial balance, the Board needs to reduce its recurring cost base.
- 19 In addition to the on-going costs at the new acute site at Larbert, the Board is also forecasting significant double-running costs during the transfer of services from Stirling Royal Infirmary and Falkirk & District Royal Infirmary. The Board's estimate of these double running costs is £12.2 million.
- 20 The opening of Larbert and the establishment of the community hospitals is in line with the SGHD strategy of shifting the balance of care from a traditional hospital setting to community based healthcare. To date, there has been no significant shift in the Board's financial plans from the Acute Services to the Community Health Partnerships, although the implementation of the Integrated Healthcare Strategy is expected to have a significant impact on this position.

## **Impact of the Integrated Healthcare Strategy on the 2007/08 Annual Accounts**

- 21 To date, the impact on the Board's financial statements of the Integrated Healthcare Strategy has related mainly to the write down of surplus property and the disposal of land at Bellsdyke.



- 22 Where the Board has approved a decision to close a property (or a part thereof), the NHS Boards Accounts Manual requires the Board to write the value of the property down to its net realisable value over the asset's remaining life. This is known as accelerated depreciation. Plans to establish both Falkirk and District Royal Infirmary and Stirling Royal Infirmary as community hospitals as part of the service reconfiguration will result in elements of the existing facilities becoming surplus to requirements.
- 23 NHS Forth Valley incurred accelerated depreciation charges of £5.893 million in 2007/08 in relation to elements of both infirmaries. The accelerated depreciation charge is included within the total depreciation charge of £13.96 million.
- 24 In 2006/07, the Scottish Executive Health Department (SEHD) agreed to fund the Board's accelerated depreciation and impairment charges and this funding was included in the Board's 2006/07 RRL. From 2007/08 accelerated depreciation has been funded directly by the Treasury and is shown as a deduction from the Board's net resource outturn in the Operating Cost Statement.

## Financial plans

- 25 The Board has prepared a 5 year financial plan covering the period 2008/09 – 2012/13. We have reviewed these forecasts and the assumptions on which they are based appear reasonable. The plan clearly identifies the risks which may prevent the Board from achieving its forecasts and, in doing so, aims to give a balanced assessment of the future funding position to be faced by NHS Forth Valley. Table 4 below provides a high level summary of the 2008/09 plan, including the savings required to maintain recurring breakeven.

**Table 4 – Forecast financial outturn 2008/09**

	£000s
Recurring income	378,099
Recurring expenditure	(382,699)
Recurring savings	4,600
<b>Underlying recurring breakeven</b>	<b><u>0</u></b>
Non-recurring income	51,880
Non-recurring expenditure	(48,380)
Non-recurring savings	0
<b>Balance of non-recurring</b>	<b><u>3,500</u></b>
<b>PROJECTED OUT-TURN</b>	<b>3,500</b>

*(Source: Assistant Director of Finance – Planning and Co-ordination)*

- 26 The non-recurring income above includes the Board's 2007/08 surplus of £2 million.

- 27 NHS Forth Valley is forecasting a further in-year surplus of £1 million in 2009/10 to bring the cumulative underspend to £4.5 million. The Board intends to use this cumulative underspend for the implementation of its Integrated Healthcare Strategy, particularly the dual running costs relating to the move to the new acute hospital and the revision of the community hospital estate. The Board has not received formal, written confirmation from SGHD that all such monies can be carried forward although there is an expectation on the Board's part that this approval will be given. This is a key element of the Board's funding plans going forward. If it does not receive formal SGHD approval then the Board will face significant funding difficulties. The Director of Finance has raised the Board's concerns on this with the SGHD.
- 28 This funding issue is included in the risk assessment which underpins the 5 year financial plan. The risk assessment sets out a range of specific issues which must be managed if the financial position is to be achieved. Other risks include the implications of the review of free personal and nursing care, agenda for change incremental drift and the abolition of prescription charges.
- 29 The Board is projecting to break even between 2010/11 and 2012/13.

### **Bellsdyke disposal**

- 30 The Board signed a development agreement in July 2001 with partners Persimmon Homes Limited and Cala Management Limited (the developers) for the development of the Bellsdyke site. The site is divided into developable plots and title to the land transfers to the developers on a plot-by-plot basis on receipt of detailed planning permission. The Board accounts for the disposal of each plot individually.
- 31 The disposal proceeds that the Board receives are based on an agreed price per acre less deductions for abnormal costs such as roads and services. The developers received planning permission for four plots during 2006/07 prompting sale and transfer of title. The Board recognised a gain of £7.9 million from these disposals, which was shown in the Board's 2006/07 financial statements. The Board agreed at that time with the SEHD that this gain could be carried forward to later years to ease the expected pressures from the opening of the new acute hospital at Larbert.
- 32 The developers received detailed planning permission for a further three plots during 2007/08. However, the cost of the abnormal works completed during the year exceeded the gross proceeds of these four plots of land and the Board has therefore recognised a loss on disposal in its 2007/08 financial statements. The loss of £294,000 is included within the overall loss on disposal of £309,000 in note 9 to the financial statements. Abnormal costs cannot be accurately apportioned between each plot and the Board has therefore adopted a prudent accounting policy whereby it recognises the abnormal costs in line with the progress of the abnormal works.
- 33 The overall Bellsdyke disposal is not expected to be completed until 2014 at the earliest and although the Board recognised a loss in 2007/08 it is expecting to achieve a significant overall gain of over £30 million from disposal of the whole site. These expected receipts have been built into the Board's capital plans.

## **Funding**

- 34 NHS Forth Valley has received significant increases in resources over the past few years with the RRL increasing from £281 million in 2002/03 to £408 million in 2007/08, representing a rise of some 45% during this period. This increase in funding has been used to match increased expenditure including the impact of the new GMS contract, the consultants' contract and Agenda for Change. Despite a tight spending review settlement for Scotland, health expenditure is to increase by an average of 4.1% per year over the next 3 years. All NHS Boards will receive a minimum uplift of 3.15% in 2008/09.
- 35 The majority of funding to NHS boards has been calculated under the Arbutnott formula. This formula distributes funding on a weighted capitation basis which initially takes into account the number of people resident in each NHS Board area and then adjusts for the age/sex of the NHS Board population, their needs based on morbidity and life circumstances (including deprivation) and the additional costs of providing services in remote and rural areas.
- 36 The NHS Scotland Resource Allocation Committee (NRAC) was established in 2005 to review the current formula and has since published its report which proposes a revised funding formula. The Cabinet Secretary has accepted the recommendations of the NRAC report. Based on its current population, the Board is currently approximately £12.5 million per annum below its NRAC funding entitlement. The exact timescale for implementation of these funding alterations is currently unclear. However, the Board is keen for the changes to be implemented as soon as possible to secure the funding it is due under the formula.
- 37 A 0.35% parity uplift (equivalent to £1.27 million) has been included in the Board's financial plan for 2008/09 and this has been confirmed by the SGHD. The position in future years is not clear and the Board has assumed similar parity uplifts going forward. If this rate differs, the financial outturn would be affected and the Board has therefore recognised this within the financial risk schedule underpinning the financial plan. Other future year funding and spending assumptions include 2.5% pay increases, 2% price increases and 4% prescribing increases, coupled with £0.6 million per annum for new drugs.
- 38 As well as the general revenue allocations, the SGHD has announced that there will be access to additional funding for a number of the health priorities set out in the Scottish Budget, including significant investments for:
- Supporting health improvement and reducing health inequalities
  - Reducing waiting times and prioritising treatment for patient groups with particular needs.

## **Additional allocations during the year**

- 39 Health boards are informed of their core funding from the SGHD before the start of each financial year. In addition to the core funding, the Board receives additional allocations throughout the year. As a result, NHS Forth Valley's initial "formula allocation" in April 2007 was £362.983 million but the total RRL increased to £408.081 million by the final allocation, as more funding was confirmed in the monthly update statements from SGHD.

- 40 The Board anticipates and plans for allocations expected to be received over the course of the year, and this is built into budgets and projects where possible. However, the Board does periodically find itself in a position where it has had funding confirmed in writing by SGHD staff, but this confirmation has not been reflected in the formal resource allocation letters until some time later. Further, the detailed allocation letters can sometimes alter, requiring detailed scrutiny by Board staff e.g. changing an award from recurrent to non-recurrent. With the level and extent of such additional funding allocations, this increases the complexity of tracking changes across allocation letters.
- 41 One of the issues management faced whilst preparing the annual accounts this year was that the final allocation letter was not received until some time after the draft accounts had been produced. Once received, the RRL figure was nearly £0.2 million different to that which had been expected and verbally communicated. This required extensive dialogue with SGHD, and led to several “final” allocation letters being produced before the issue was resolved and the accounting impact could be clarified.

### **Cost pressures**

- 42 Cost pressures must be well managed and monitored on an ongoing basis to minimise the risk of overspends and keep the Board in a position to achieve its financial targets.
- 43 As reported above, one of the biggest local cost pressures facing NHS Forth Valley is the implementation of its Integrated Healthcare Strategy. In addition to this, pay modernisation continues to be one of the largest cost pressures faced by the NHS, resulting in substantial additional recurring costs. Agenda for Change and Modernising Medical Careers remain key elements of the modernisation process which have to be considered on an ongoing basis by the Board.
- 44 The Board faces similar pressures to those being encountered across the NHS in Scotland, including demographic change, pay and price increases, drug bill cost increases, health improvement initiative costs and expenditure in relation to reducing patient waiting times.

### **Savings plans**

- 45 The Board has forecast that the expected increase in recurring expenditure in 2008/09 will outweigh the increase in recurring funding. In order to retain recurrent financial balance, the Board has estimated that £4.6 million cash-release savings are to be made during 2008/09. These savings are required in order to meet the pay and prices estimates. Originally, the Board recognised a requirement to make £4.1 million of cash savings during 2008/09, but the recent union agreement of a 2.75% pay increase in 2007/08, as part of an 8% increase over 3 years, has led to a further £0.5 million of saving requirements being identified.
- 46 Senior management within Finance lead on the savings agenda within the Board, and this area is considered on an ongoing basis within the department. During the year, the Finance team set up sessions with a range of middle and senior managers across the Board (both clinical and non-clinical) to establish the financial and related savings requirements of the Board. These

sessions, acknowledging that managers are well-positioned to identify savings in their own areas, encouraged the identification and reporting of saving opportunities, to complement the work of Finance to optimise the Board's savings strategies.

- 47 The table below notes the cash savings achieved by the Board in 2007/08. Such savings are identified through a mixture of specific efficiencies highlighted at the start of the financial year and "in-year" programmes identified on an ongoing basis. These savings are also reported in table 2.

**Table 5 – Cash savings achieved in 2007/08**

Element of programme	Recurring Savings £000s	Non-recurring Savings £000s	Total £000s
Prescribing Savings	500	-	500
Procurement	139	150	289
General – Area Corporate	199	-	199
<b>Total savings achieved</b>	<b>838</b>	<b>150</b>	<b>988</b>

(Source: Year-end Board Finance Report)

- 48 The Board has identified a number of areas where the required cash releasing savings can be made, and are in the process of working up more detailed plans in this regard.

### **Action plan – 1**

#### **Efficient government savings**

- 49 The Board is required to achieve both cash-releasing savings and efficient government savings. Efficient government savings include not only the cash releasing savings but also savings which arise where the Board can increase operations without increasing costs, such as increasing the number of out-patients seen by a certain clinic.
- 50 NHS Forth Valley achieved its target of £5.073 million efficiency savings in 2007/08.
- 51 In line with the requirement for the Board to deliver 2% annual recurring efficiency savings from 2008/09 to 2010/11, which can be retained for local re-investment, an efficiency target of £4.1 million was initially agreed and built into the financial plan for 2007/08. This has most recently been revised to £4.6 million to reflect the additional costs of the now-confirmed 2.75% pay uplift.

#### **Agenda for Change**

- 52 NHS Forth Valley has made further progress with the implementation of Agenda for Change during 2007/08, with the majority of staff assimilated and in receipt of back pay by 31 March 2008. NHS Forth Valley's Agenda for Change accrual as at 31 March 2008 is £5.472 million (2006/07: £6.267 million). This relates to outstanding assimilations and arrears payments, and

the projected impact of post reviews and revisits. The bulk of the staff still to be assimilated are bank nursing staff and those who have left the organisation since October 2004 (the Agenda for Change effective-date).

- 53 The Board did not separately identify an accrual for post reviews and revisits as at 31 March 2007 due to the level of uncertainty involved. The level and extent of post reviews and revisit claims became clearer in 2007/08 and this has now been treated as a separate element of the accrual, resulting in additional expenditure of £1.8 million being recognised in 2007/08.

## **Equal Pay**

- 54 The National Health Service in Scotland has received a number of claims for equal pay, under the Equal Pay Act 1970, in which additional backpay is sought. These claims are mainly from female staff seeking compensation for past inequalities with male colleagues under the pay arrangements which preceded Agenda for Change. The NHS Central Legal Office (CLO) is instructed by NHSScotland's Management Steering Group and co-ordinates the NHSScotland approach to this issue.
- 55 For 2006/07, we accepted that no estimate of the potential liability for these claims could be identified because of the stage of development. As a result, a contingent liability was included within NHS Forth Valley's financial statements. We strongly encouraged NHS Forth Valley's management, working with the Scottish Government Health Directorates and other NHS boards, to resolve this matter in advance of compilation of the 2007/08 financial statements.
- 56 As at 31 March 2008, NHS bodies had received over 12,000 claims and these had been passed for attention to the CLO. It is possible that these claims represent a current liability for NHS boards generally. There were 570 grievances or employment tribunal claims registered against NHS Forth Valley as at 31 March 2008.
- 57 The CLO has co-ordinated the legal response to all claims and has attended Tribunal Hearings at which discussion about procedural matters have taken place. The CLO affirms that the cases in Scotland remain at too early a stage to allow any assessment of financial risk to be reflected in the financial statements.
- 58 A number of issues contribute to this uncertainty, including:
- Certain recent applications incorporate a challenge to the Agenda for Change system, stating that it is, in itself, discriminatory and perpetuates discrimination. This allegation is made in terms of section 77 of the Sex Discrimination Act and seeks to bring all those who were signatories to the Agenda for Change Final Agreement into the proceedings, including Unison and GMB. This allegation of discrimination needs to be legally tested.
  - Claimants also seek to identify whether the Scottish Government, or the health boards, are responsible for all the claimants' terms and conditions relating to pay. This is often referred to as the "single source issue". If this issue is actively pursued by the claimants, then it will require to be legally tested.

- 59 We note the CLO's current view of the stage the cases have reached but strongly encourage NHS Forth Valley's management, working with the Scottish Government Health Directorates and other NHS boards, to form a view of the potential liabilities as soon as practicable taking into account the progress of cases in Scotland and in England.

***Action plan – 2***

- 60 The Board plans to utilise much of the knowledge and experience gained through managing the Agenda for Change process as it looks to address the issue of equal pay at an increasingly detailed level. In particular, NHS Forth Valley plans to maintain the core team working on Agenda for Change as a local equal pay team to monitor, liaise and coordinate (as appropriate) with the national Equal Pay Unit.

**International Financial Reporting Standards (IFRS)**

- 61 The Board was preparing for the introduction of IFRS in 2008/09, prior to the announcement in the Chancellor's Budget Statement in March 2008 that implementation of these accounting standards would be deferred until 2009/10. In light of this statement, the Board plans to re-institute full IFRS preparatory activities from September 2008 onwards, whilst monitoring the situation and any developments in the meantime.
- 62 The Board should continue with these plans, to ensure that it is well placed to adopt IFRS from 2009/10, including the provision of restated comparatives for 2008/09.

**Pension liabilities**

- 63 NHS Forth Valley has pension liabilities arising from previous decisions to grant early retirement to employees, including those that have retired early due to injury sustained during work. Pension payments to these former employees are made by the Scottish Public Pensions Agency (SPPA) and costs are then recharged to the Board. SPPA has continued to make payments during the year and has recharged these to the Board. However, SPPA has not provided the necessary information to support the payments. This situation is common across NHS Scotland.
- 64 NHS Forth Valley bases the calculation of its liability on information from SPPA, and has implemented processes internally to mitigate as far as possible the problems arising from the lack of SPPA data. This has led to a position where, through no fault of the Board, there is a risk that this liability is misstated due to the level of increases in pension charges or former employees no longer receiving pensions. We are satisfied that any potential misstatement is not likely to be material at this stage. We recommend, however, that the Board continues to pursue SPPA for the required information to ensure that the Board is not exposed to the risk of a significant hidden liability.

***Action plan – 3***

# Performance

## Introduction

65 This section summarises the Board's performance in the following areas:

- Best Value standards
- Performance against national targets
- National Audit Scotland reports
- Information management

## Best Value follow-up

66 In 2005/06 the Board undertook a self-assessment of compliance against Best Value (BV) arrangements in conjunction with their previous external auditors, Audit Scotland. At that time it was identified that the Board was well developed in a number of specific BV areas however the Board's overall approach to securing BV was still considered to be 'under development'.

67 Since that time the Board has not undertaken any specific work to review its current position against the BV standards. This issue was highlighted in Internal Audit's Annual Report in 2007/08 which identified that there were currently no processes in place to provide assurance to the Audit Committee that steps were in place to secure and demonstrate work towards BV.

68 At the May 2008 Performance Management Group meeting, which now includes CHP General Managers along with the Executive Team, the Head of Performance Management at NHS Forth Valley tabled a paper on the 'Characteristics of Best Value' and gave a brief outline to the background of a BV audit. Over the course of 2008/09 the Head of Performance Management will be reviewing the Board's current position against the nine BV characteristics as set out by the Scottish Government. This work is to be undertaken in partnership with the general managers from the three CHPs to ensure board wide coverage.

## Best Value Review of Financial Management

69 In 2007/08 Audit Scotland outlined a programme of audit toolkits which are to be used across the NHS to build on the previous self-assessment process. Audit Scotland is currently developing seven toolkits which will assess boards' compliance against their overall 'use of resources' and these are to be rolled out as part of external audit work during 2007/08 and 2008/09.

70 In 2007/08 Audit Scotland introduced the first toolkit for use by auditors on BV which specifically looked at financial management. We undertook a review of the Board's financial management arrangements using this toolkit in April and May 2008.

71 The review assessed performance in five key areas:

- financial governance (and leadership);
- financial and service planning;



- finance for decision-making;
- financial monitoring and control; and
- financial reporting.

- 72 Our review found that NHS Forth Valley has strong financial leadership and that both executives and non-executives are committed to ensuring that the financial environment within which the Board operates is reflected within its strategic objectives. The Board's finance staff work closely with services to ensure that robust reporting information and effective financial support are available. Clear duties and responsibilities are set out in the Board's scheme of delegation and executives, non-executives, senior managers and budget holders are aware of what is expected of them. Services are supported by committed finance staff whom the Board is keen to develop and train further.
- 73 The Best Value regime is one of continuous improvement and financial management is only one of seven toolkits to be used to monitor Best Value within NHS Boards over the next few years. It is therefore important that the Board builds on its existing good practice and this is used to drive forward Best Value across the organisation.

### **Board Executive Performance reports**

- 74 The Board currently continues to monitor performance through its monthly Executive Performance Reports. The Executive Report provides an update on progress to the end of the preceding month. The report is aligned to the Local Delivery Plan (LDP) and core Ministerial Objectives.
- 75 The LDP is now clearly structured by the Scottish Government to ensure that the narrative response element of the report looks at risks, manpower and financial issues. The Board's LDP links to the workforce plan, which is costed.
- 76 NHS Forth Valley's corporate objectives are linked to strategic priorities to support delivery of the objectives and assist in linkage and streamlining of reporting. The performance reports contain detail on the HEAT targets, updates on the Board's Integrated Healthcare Strategy, corporate risks which have come into focus by the Board Executive's PMG along with recent news in relation to health care for the Forth Valley population.
- 77 It has been recognised that there is perhaps too much detail in these reports and as a result a review of the reporting format is underway in order to streamline reporting and acknowledge the linkage being made through the Corporate Plan to the LDP HEAT targets, Local Health Plan actions and Better Health, Better Care.
- 78 A revised reporting format will be presented to the Board at its August 2008 meeting. The Board should ensure that this revised format takes into account the developments outlined below in relation to community planning partnership working.

***Action plan – 4***

## **Single Outcome Agreement**

- 79 In 2007/08 the Scottish Government and COSLA agreed a Concordat setting out the terms of a new relationship between the Scottish Government and local government. As part of the new approach, a Single Outcome Agreement (SOA) was to be agreed by all councils and the Scottish Government, based on 15 key national outcomes agreed in the Concordat. The national outcomes reflect the Scottish Government's national performance framework and established corporate and community plan commitments.
- 80 From 2009 onwards each of NHS Forth Valley's council partners will be required to sign off each of their SOAs with the health board, as one of their community planning partners.
- 81 We identified previously that there are areas where partnership working could be improved. During 2007/08 we noted that the chief executives from each of the councils, police and NHS Forth Valley are now starting to meet every second month, with the larger group of nine partners continuing to meet quarterly. We understand that these new arrangements have been operating since December 2007 and that partnership working at a strategic level is considered to have improved.
- 82 CHPs are currently being used as the main delivery vehicle for the SOAs. The CHPs have identified the SOA targets which are already monitored through the LDP HEAT targets. Key areas of cross over are:
- Health Improvements / Inequalities
  - Mental Health and Wellbeing
  - Community Care
  - Long Term Conditions
- 83 In moving forward with the SOA, NHS Forth Valley and its council partners will have to ensure that all targets are being reported and monitored to guarantee that corrective action is taken where necessary.

### ***Action plan – 5***

- 84 Another risk area which we have previously reported on relates to the lack of effective information systems in NHS Forth Valley to timeously produce performance management data. Concerns were raised about the Board's ability to produce the information for the revised HEAT targets in 2008/09 and also to provide adequate information to CHPs and partners. We understand that improvements have been seen over the past four to five months since the new Head of Capacity took up post although further work is required to maintain focus and ensure area-wide coverage, noting the requirements of the CHPs and SOAs.

## **Performance against national targets**

- 85 The Board, as with a number of health boards across Scotland, continues to be challenged by one of the delayed discharge targets. As reported in our Annual Report last year, the Board continues to meet the target of no patients being delayed in short stay wards. The target of no

patients being delayed in hospital for longer than six weeks was not however met in March 2008, with 14 delays recorded. The Board met the April census target of zero delays however this position was not sustained and, in June, the Board reported a total of 12 delays.

- 86 The delayed discharge target is a key component of the SOA and is to be monitored both at Board level and through the CHPs. The Board has identified the challenges it has to meet to achieve this target. This includes a focus on patient / carer choice of care home placements which will have to be effectively managed to ensure the target is met whilst still trying to manage patient/carers expectations.

## **National reports**

- 87 In 2007/08 Audit Scotland also issued the following national reports:

- Overseas staff in the NHS – pre-employment checks
- Primary care out-of-hours services
- Managing long term conditions
- Free personal and nursing care
- Review of the new General Medical Services contract

## **Overseas staff in the NHS – pre-employment checks**

- 88 In November 2007 Audit Scotland undertook a review of arrangements for recruiting overseas staff. All health boards were required to submit information to Audit Scotland on the number of overseas staff they employed and five health boards were reviewed in detail. The collated information from the boards estimated that there were at least 1,200 overseas staff working within the NHS in Scotland. Audit Scotland was not however confident that these figures were robust and an extended review was undertaken across the remaining boards by individual appointed auditors. As NHS Forth Valley's external auditors we therefore reviewed its arrangements for identifying, processing and recruiting any non-European Economic Area (EEA) staff.
- 89 NHS Forth Valley's HR function has recently reviewed its current policies and practices to ensure that they are in line with the new Partnership Information Network (PIN) policy "Safer Pre and Post Employment Checks" published in December 2007. A draft recruitment policy is being developed and the Board expects that this will be in place by October 2008. The recruitment policy was presented to the Board's Area Partnership Forum in February 2008 and is currently being piloted by HR. The Board is working with its recruitment coordinators to monitor the effectiveness of the proposed policy and to ensure that it complies with the PIN policy. The Board's revised recruitment policy will be presented to the Area Partnership Forum on 22 October 2008 for approval.
- 90 Our review found that the files for staff that have been recruited since the implementation of the PIN policy complied with the policy and with the Board's draft recruitment policy. The review also looked at files for known non-EEA staff who were recruited prior to the PIN policy. The review found that these files did not contain all the information or supporting evidence required

by the Board's existing policies. This marked improvement in files since the PIN policy demonstrates the Board's commitment to delivering best practice.

- 91 The Board currently uses the national NHS Scotland application form for all recruitment. This form does not enable the Board to identify all non-EEA staff and therefore the Board cannot currently work with its non-EEA staff to ensure that the appropriate work permits are in place and remain valid. The Board has noted that this is a matter faced by all NHS boards but is seeking to identify how it can address this issue.

#### ***Action plan – 6***

- 92 As part of its recruitment process NHS Forth Valley uses external agencies and recruitment firms to identify potential candidates. Background checks on issues required by the PIN policy, such as regulatory checks and reference checks, are sometimes carried out by these external organisations on the Board's behalf. The PIN policy and good practice guidance state that boards should review the checks and arrangements undertaken on their behalf. To date NHS Forth Valley has not done this but is committed to ensuring that this is undertaken in the future.
- 93 In line with Audit Scotland's agreed reporting requirements a more detailed synopsis of our findings will be presented to NHS Forth Valley in a letter to the Chief Executive

#### **Primary care out-of-hours services**

- 94 Audit Scotland published a national report on primary care out-of-hours services in August 2007. The report looked at the changes to the delivery of primary care out of hours services following the new General Medical Services contract for GPs and the implications this has for the sustainability of services and the impact on patients. The report proposed that NHS boards should continue to develop the integration of primary care out of hours services, effectively monitor contracts with other service providers to ensure value for money and share data with other boards across Scotland.
- 95 In response to this report NHS Forth Valley has established an Emergency Care Network which involves the following key stakeholders: NHS 24, the Scottish Ambulance Service, Emergency Care, Out of Hours and Acute Physicians and Surgeons as well as representation from CHP's and General Practice. NHS Forth Valley has also established a joint workforce planning committee to pull together an emergency care workforce plan, to be available this winter (which includes emergency and urgent care including out of hours services). This plan will focus on a number of specialties delivering the services e.g. SAS, Nurse Practitioners, GPs, Emergency Nurse Practitioners etc. NHS Forth Valley also currently has a draft emergency care model which has still to be ratified by the Board.
- 96 In addition to this the out of hours service continues to closely monitor the uptake of GPs and has established clear contingency planning for peak periods and crisis situations (where relevant). NHS Forth Valley's out of hours service has also established strong links with other stakeholders e.g. NHS 24, SAS, Emergency Care, etc to support the delivery of high-quality patient care.

## **Managing long-term conditions**

- 97 This Audit Scotland national report, published in August 2007, sought to examine the delivery services for adults with long-term conditions, with a particular focus on chronic obstructive pulmonary disease and epilepsy.
- 98 The report found that there was limited information on cost or activity of service provision at both national and local levels which was hampering the ability of boards to plan effectively. The report also highlighted practical barriers to the development of community services, such as the lack of joined up health and social care provision and real incentives for change. The report recommends that health boards should obtain better information on service provision, set clear and measurable targets and also review current methods of service delivery. The report calls on boards to take a more strategic role in service delivery and redesign services to move resources from acute to local community services.
- 99 The findings of the report were presented to NHS Forth Valley's Audit Committee in October 2007 by Audit Scotland. Audit Scotland emphasised that the report included areas for boards to consider when reviewing long-term conditions service provision, however to date NHS Forth Valley has not identified how it will respond to the report.

*Action plan – 7*

## **Free personal and nursing care**

- 100 Audit Scotland published its review of free personal and nursing care in January 2008. The report sought to evaluate the current costs of funding free personal and nursing care, the robustness of the arrangements to support this policy and the financial impact that the programme of care has had on the Scottish public sector.
- 101 The report found that ambiguities in legislation and guidance resulted in differing levels of service provision across Scotland. It was therefore considered to be difficult to estimate the impact of the policy in isolation. The report estimated that the cost of the policy for the first four years was £1.8 billion. The key recommendations of the report require local authorities to improve data and information regarding free personal and nursing care. Authorities were also encouraged to work with health partners to evaluate the longer term consequences of the policy. NHS Forth Valley presented a summary of the report's findings for noting to the Audit Committee in March 2008. The Board has yet to decide on what role it may have in supporting local authority colleagues in this area.

*Action plan – 7*

## **Review of the new General Medical Services contract**

102 Audit Scotland published a report on the new General Medical Services (nGMS) contract in July 2008. The key messages from the nGMS report are highlighted below and the Board should ensure that it takes steps to address the issues raised.

### ***Action plan – 7***

103 The report highlights that the new General Medical Services contract (nGMS) cost more than expected. In the first three years of the contract, general medical services cost £160.4 million more than the SE allocated to NHS boards for these services. The majority of the additional costs are due to the costs of implementing an incentive payment system for quality (the Quality and Outcomes Framework - QOF) and ensuring that no GP practice was financially disadvantaged by the new contract (the correction factor).

104 The report also highlights that the nGMS contract has the potential to develop general medical services for patients by introducing payments for improved or targeted services (known as enhanced services). NHS boards are spending more than the minimum required on these services but shortfalls in funding could limit boards' ability to develop further general medical services to meet the needs of their local population.

105 There is a lack of basic management data on general practice, which makes it more difficult for the NHS to plan effectively, including workforce planning. There is some evidence however that the roles of practice staff are changing and that GPs are more satisfied with their income and working hours. Securing patient benefits from the nGMS contract will take time, but better monitoring, particularly of access to primary care, is required. There is evidence of some improvement, for example the QOF is helping to provide consistency of care through better monitoring of patients with certain long-term conditions.

## **Information management**

106 We performed a detailed review of NHS Forth Valley's ICT infrastructure and eFinancials in 2006/07. Our review identified a number of issues and our report included 51 recommendations, including 13 priority one recommendations.

107 To allow the Board sufficient time to make the required improvements, we performed our follow-up review at the end of June 2008, with a particular focus on progress made on addressing the priority one issues.

108 We are pleased to report that the Board has taken positive steps to address the recommendations identified in our 2006/07 report. With one exception, all priority one recommendations are in the process of being completed. The recommendation that has not been addressed is the update by the Finance Department of the business continuity plan for eFinancials.

109 We recognise that most of the priority one recommendations require to be addressed through a series of actions or projects. We were therefore pleased to note that ICT has developed a

Service Improvement Project (SIP). The aim of this is to ensure that the programme of change is addressed in a controlled manner rather than through ad-hoc actions.

- 110 The Board is in the process of agreeing two key information management related strategies. A revised eHealth Strategy has been agreed but will be completed once the Board's financial plans are approved. The agreement of the Board's financial plans will allow identification of the financial resources available to the Board to deliver the eHealth plan. Once these resources are known, the eHealth Programme Board will determine those projects to be delivered as part of the strategy in 2008/09. The e-Health financial plan is scheduled to be agreed in July 2008.
- 111 The other key information management strategy is the Information Governance Strategy. This is in the process of being finalised. The Board's Information Governance Group will be responsible for the initial review and approval of the strategy before it is passed to the Clinical Governance Committee who will be responsible for approval of the final strategy. It is intended that the strategy will be approved before the end of the 2008 calendar year.
- 112 The Board has a dedicated information governance team which has responsibility for data protection, freedom of information and information security. It has been agreed that the Board will appoint an ICT Security Analyst during the 2008/09 financial year who will report to the Head of Information Governance. It was stated that there has been a significant increase in the engagement with users for information governance related training in the last twelve months which is assisting in the application of good information security practices.
- 113 Performance management and benefits realisation monitoring is progressing within the Board. The eHealth Programme Board is seeking to develop a benefits profile for the entire eHealth programme to allow stated benefits to be more readily monitored.

# Governance

## Introduction

114 This section sets out the main findings arising from our review of NHS Forth Valley's governance arrangements as they relate to:

- Corporate governance
- Clinical governance
- Staff governance
- Community health partnerships
- Shared support services
- Business continuity planning

## Corporate governance

115 Our work on corporate governance focussed on our review of the Board's arrangements to ensure effective systems of internal control, prevention and detection of fraud and irregularity and standards of conduct and prevention and detection of corruption. We are pleased to report that governance arrangements at NHS Forth Valley are generally strong.

## Board membership

116 The Local Government elections in May 2008 impacted on the Board membership, with non-executive directors representing both Stirling and Clackmannanshire Councils ceasing to hold office on 30 April 2007, when their respective terms of office ended. Both councillors were re-appointed to the Board on 16 July 2007.

117 In January 2008 a new Director of Public Health took up post, replacing the previous Director who left the Board at the end of 2006/07 to move to the SGHD. The Medical Director provided cover for this role in the interim period.

## Systems of internal control

118 The framework of internal controls operating at NHS Forth Valley is reported within the Statement on Internal Control (SIC) included with the annual accounts. No issues requiring disclosure have been identified and reported within NHS Forth Valley's 2007/08 SIC.

119 We review the Statement of Internal Control by:

- Considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control; and
- Assessing whether disclosures in the statement are consistent with our knowledge of the Board.



- 120 We are satisfied that the statement is consistent with the Scottish Ministers' guidance and that the contents are not inconsistent with information gathered during the course of our normal audit work.

### **Risk management**

- 121 Risk Management is important to the establishment and regular review of systems of internal control. Considering NHS Quality Improvement Scotland's (NHS QIS) work on clinical risk management, we reviewed the Board's overall risk management arrangements during the year and concluded that the Board's risk management arrangements are improving. The Board is further developing policies, procedures and structures that will help to ensure that risk management is effectively implemented across NHS Forth Valley.

### **Internal Audit**

- 122 Internal audit is a key component of the Board's corporate governance arrangements. The Board's internal audit service is provided by FTF Audit and Management Services.
- 123 As part of our governance work we carried out a review of the internal audit service provided by FTF Audit and Management Services. Overall, we concluded that FTF provides an effective service which complies with the NHS Internal Audit Standards and demonstrates examples of best practice. To avoid duplication of effort and ensure an efficient audit process, we have made use of internal audit work where appropriate.
- 124 FTF Audit and Management Services completed its 2007/08 programme with the exception of one review on Joint Futures. While we were unable to place reliance on this report, this did not create a significant problem for our audit as we were able to obtain assurance from alternative sources. A number of other reports remain to be fully signed off but we have placed reliance on draft reports where appropriate.
- 125 We are grateful to the FTF Internal Audit team for their assistance during the course of our audit work.

### **National Fraud Initiative (NFI)**

- 126 We reviewed NHS Forth Valley's participation in the National Fraud Initiative (NFI). NFI makes use of computerised techniques to compare and match information about individuals held by various public sector bodies to identify potential fraud, error or anomalies. Under the NFI, payroll data is downloaded and matched against other datasets such as housing benefit applicants, local authority employees, pensioners, students, deceased persons, and failed asylum seekers. The results are passed to key contacts within each participating public body for further analysis and investigation.
- 127 As reported in Audit Scotland's NFI report for 2006/07, issued in May 2008, fraud and error of at least £9.7 million has been identified nationally this year, 94 housing benefit overpayment cases were found involving NHS employees and 17 employees were dismissed or resigned as a result of NFI enquiries. Cumulative savings from NFI in Scotland are now approximately £37 million.

- 128 NHS Forth Valley has previously raised concerns about data protection laws and has not submitted bank account data as part of its NFI submissions. Overall, the Board has made limited progress on NFI to date, linked to a decision to prioritise work on Agenda for Change. In the most recent Audit Scotland report, the Board was one of six participants identified as needing to address a number of weaknesses in its approach, including “overall marshalling of the exercise; planning; commitment; submitting data on time; starting follow-up sooner; prioritising follow up; overall progress with follow up.”
- 129 In June 2008, the Audit Committee approved a letter in response to the SGHD’s initial letter regarding Notification from Sponsored Body Audit Committees, setting out the position within NHS Forth Valley in relation to NFI. The letter highlighted the concerns of the Board, making particular comment on the requirement to provide staff bank details as a required element of the return. This requirement was not complied with by the Board, and data was submitted to Audit Scotland minus the bank details.
- 130 Audit Scotland is performing another NFI exercise in 2008/09. Participation in the NFI exercise is a legal requirement, and the Board must ensure that it fully and completely complies with the obligations arising from future NFI initiatives. In our interim report to the Board, issued in March 2008, we set out a series of recommendations to take forward NFI within the Board. We have made further recommendation within our Action Plan in relation to this aspect of the NFI process.

***Action plan – 8***

## **Clinical governance**

- 131 Clinical governance refers to the framework through which NHS boards are accountable for continuously improving the quality of their services and safeguarding high standards of care, by creating an environment in which excellence in clinical care will flourish. It is essential that NHS Forth Valley has adequate arrangements in place to ensure the continuous improvement of services in a safe environment.
- 132 NHS Forth Valley has a Clinical Governance committee and this met four times during 2007/08. The core agenda is structured around the key strategic objectives as set out in the Clinical Governance Strategy.
- 133 NHS Quality Improvement Scotland (NHS QIS) has developed clinical governance risk management standards and reviewed each health board in Scotland against these standards between May 2006 and May 2007. The standards cover the following areas:
- Risk management
  - Emergency & continuity planning
  - Clinical effectiveness and quality improvements
  - Access, referral, treatment and discharge
  - Corporate governance
  - Equity and diversity
  - Communication
  - Clinical governance and quality assurance

- Fitness to practice
- External communication
- Performance management
- Information governance.

134 NHS QIS published its report on NHS Forth Valley's clinical governance and risk management arrangements in September 2007 and its national overview report in October 2007. Overall, NHS QIS awarded the Board 6 out of a possible 12 score. This is consistent with most of the other health boards in Scotland. This does, however, show that the Board has some way to go to be fully compliant with the standards.

135 In order to facilitate the improvements required, the objectives of the Clinical Governance Committee and main themes of the NHS Forth Valley Clinical Governance Strategy are now integrated with the NHS QIS standards.

### **Staff governance**

136 NHS Forth Valley submitted its staff governance data to the SGHD by the deadline of 30 April. The submission to the SGHD had been reviewed and agreed by the Area Partnership Forum, Staff Governance Committee, the Employee and HR Directors. The actions set out in the Board's Action Plan for 2007/08 were reported as being achieved or were ongoing. The Board intends to finalise the 2008/09 action plan by the end of September 2008.

137 In June 2008 NHS Forth Valley was the first single system board in Scotland to be awarded Investors in People (IIP), an accolade is now being communicated to staff throughout the Board.

138 The Board is now reporting that it has assimilated 99% of posts which were subject to Agenda for Change and has begun work to assimilate leavers, which is ahead of most boards in Scotland.

139 Some of the key areas which the Board is currently looking to address in relation to the Staff Governance agenda, include:

- Absence and attendance management
- Staff communications
- Equality and Diversity and Dignity at work

140 Absence and attendance management remains challenging across NHS Forth Valley requiring a continued managerial focus at all levels. Consequently, a HEAT Attendance Management Group was established in May 2007 to address this. The latest reported position at April 2008 was 5.46% which reflects an in-month increase of 0.18%. The rate reported nationally at that time was 5.15%. The average rate for the Board in 2007/08 was 5.46%.

141 The national target to be achieved by March 2009 is 4% and an overall reduction of 1.46% is therefore required to meet this target. Specific targeted work is being taken forward across all units in respect of absence management and detailed reviews of the reported figures and work being undertaken is being monitored by the Board's Performance Management Group (PMG).

- 142 The Board continues to prioritise activities on attendance management and work has been undertaken with staff groups to raise the focus and emphasis on this area. Key issues are the need for consistency in approach to absence management across all units and for the policy to be reviewed regarding consistent implementation across Forth Valley. This particular point relates to return to work interviews and being proactive in addressing recurring absences with staff.
- 143 One area being developed is occupational health's approach to the Board's management of absence and work is being undertaken to look at their response times, support for units and their overall general approach.
- 144 The Board will have to ensure that attention remains in this area to ensure that the national target is met.
- 145 The Board is continuing to work on staff communication. The Board approved its Communications Strategy in May 2007 and work is ongoing to ensure that staff are aware of the impact of the Integrated Healthcare Strategy and how this will affect them.
- 146 Ongoing training is taking place in relation to equalities and diversity. Advisors are in place for the equalities and diversity framework and the Board has trained 14 members of staff across service levels to be equality and diversity champions. Training in this area is now part of all training programmes run by the Board to ensure that this ethos is embedded.

### **Benefits realisation**

- 147 The objectives within the Pay Modernisation Benefits Delivery plan reflect NHS Forth Valley's corporate objectives and strategic priorities.
- 148 The Board's Benefits Realisation Plans, which include plans to develop the Knowledge Skills Framework (KSF) agenda, are reviewed and signed off by the Workforce Modernisation Board which reports into the Staff Governance Committee. Updates are provided to this Board on the current position including an action plan with progress to date, actions still to be taken and the anticipated result of the actions.

### **Community Health Partnerships**

- 149 The Board currently has one pooled budget in place, within the Clackmannanshire CHP. This relates to Integrated Mental Health Day Services. The budget is held under a jointly appointed manager and is governed by a formal agreement, which includes incurring expenditure through this jointly funded area of service. There are plans in place to implement a similar arrangement within the Falkirk CHP. The Board is currently working on joint reporting on CHP and Council Community Care budgets on an aligned basis. The first of these joint reports is scheduled to go out in October 2008.
- 150 The Board and its three partner local authorities recently commissioned some research on the issue of increased integration in order to inform future development of the respective CHPs. This research includes option appraisal for future integration and the Board plans to advance this

area once the output from this exercise is received. Following on from work performed in 2006/07, the Board has substantially completed the structural organisation of its CHPs and related activities, and are now into the “delivery” phase.

- 151 A detailed Multi-Agency Inspectorate of Services for Older People (MAISOP) review was undertaken during 2007/08 and a report was issued which identified a range of areas for development within the Board. The report noted that there is room for improvement in the clarity and accuracy of the financial reports submitted to the CHP committees. We have reviewed more recent CHP finance reports as part of the 2007/08 year end audit and have found the reporting to be notably improved.

### **Shared Support Services**

- 152 The Shared Support Services project, championed by NHS National Services Scotland, proposes bringing together transaction processing functions with a view to releasing savings for front line services and meeting efficient government objectives.
- 153 NHS National Services Scotland has performed “State of Readiness Assessments” of each health board in Scotland, with each health board expected to meet a common baseline in terms of operations and performance. Each health board was given a report of the assessment which highlighted any areas where they needed to improve.
- 154 In addition, NHS National Services Scotland is running a number of “Pathfinder Projects” to pilot new and more efficient working systems, for roll out across the service. NHS Forth Valley is leading on the e-expenses project. This is currently at the system testing stage, and subject to successful outcomes from this testing, is scheduled for roll out from September 2008 onwards.

### **Business Continuity Planning**

- 155 The Civil Contingencies Act 2004 identifies the Board as a Category 1 responder. This means that the Board, amongst other things, is required to develop and maintain business continuity plans. Business continuity planning is still developing within the Board. At present the Board does not have business continuity plans in place, although we recognise that there is a Pandemic Flu plan and an IT disaster recovery plan in the process of being developed. There is a project, which is in its early stages, to develop business continuity plans across the Board. Given the scale and complexity of this task, it is expected that it will be late in the 2008/09 financial year before detailed plans will be in place throughout the Board. The Board should ensure that business continuity planning is addressed and is given a high priority.

***Action plan – 9***

# Appendix 1 – Action Plan

Our annual report action plan details the control weaknesses and opportunities for improvement that we have identified during our final audit visit as well as the key recommendations raised in other reports during the year.

The action plans detail the officers responsible for implementing the recommendations and implementation dates. The Board should assess these recommendations for their wider implications before approving the action plan. Following submission of this report to the Audit Committee, we will send a copy to the Auditor General.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist.

## Priority rating

The priority rating is intended to assist the Board in assessing the significance of the issues raised and in prioritising the action required to address them. The rating structure is summarised as follows:

- Priority 1      High risk, material observations requiring immediate action.
- Priority 2      Medium risk, significant observations requiring reasonably urgent action.
- Priority 3      Low risk, minor observations which require to be brought to the attention of management.

## Issues arising from our 2007/08 final audit

No	Title	Issue identified	Risk and recommendation	Management comments
1	<b>Cash-releasing savings</b> <i>Para 48</i>	<p>The Board has identified a number of areas where cash-releasing savings can be made, and are in the process of working up more detailed plans.</p>	<p>The Board should formalise detailed cash-releasing savings plans and communicate them to all relevant stakeholders as soon as possible.</p> <p>This will reduce the risks of non-achievement of savings targets and maintain and build upon the Board-wide approach to savings instigated through the management sessions held to date.</p> <p><b>Priority 2</b></p>	<p>Agreed.</p> <p>A further update is scheduled to the NHS Board in September and to the Audit Committee in October</p> <p>Thereafter there will be periodic updates to both.</p> <p>Given the size of cash savings required this will continue into 2009/10 planning cycle</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Implementation date:</b> March 2009</p>
2	<b>Equal pay</b> <i>Para 59</i>	<p>As we have previously reported NHS Forth Valley has received grievances or employment tribunal claims in respect of equal pay. The Board has so far been unable to quantify the risk of this potential liability.</p>	<p>There is a risk that the Board is understating its liabilities and we encourage NHS Forth Valley's management, working with the Scottish Government Health Directorate and other NHS Boards, to form a view of the potential liabilities as soon as practicable taking into account the progress of cases in Scotland and in England.</p> <p><b>Priority 1</b></p>	<p>Work ongoing jointly with CLO and SGHD.</p> <p><b>Responsible officers:</b> Director of Finance / Director of Human Resources</p> <p><b>Implementation date:</b> March 2009</p>

No	Title	Issue identified	Risk and recommendation	Management comments
3	<b>SPPA Pensions Information</b> <i>Para 64</i>	SPPA has not provided the necessary information to support their recharge of pension payments of the Board during 2007/08.	<p>Through no fault of the Board, there is a risk that this liability is misstated due to the level of increases in pension charges or former employees no longer receiving pensions.</p> <p>We recommend that the Board continues to pursue SPPA for the required information to ensure that the Board is not exposed to the risk of significant hidden liability.</p> <p><b>Priority 2</b></p>	<p>Agreed.</p> <p>Director of Finance will raise for discussion at next national Directors of Finance Meeting ( August 2008)</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Implementation date:</b> August 2008</p>
4	<b>Executive Performance reports</b> <i>Para 78</i>	Ensure that the revised format of these reports takes into account the new requirements set-out for community planning partners.	<p>We recommend that the Board ensures that it is monitoring and reviewing the performance targets related to health which have been agreed by its council partners with the Scottish Government.</p> <p><b>Priority 2</b></p>	<p><b>Responsible officer:</b> Head of Performance Management</p> <p><b>Implementation date:</b> March 2009</p>



No	Title	Issue identified	Risk and recommendation	Management comments
5	<b>Single Outcome Agreement</b> <i>Para 83</i>	Targets which are to be monitored by the Board as part of the single outcome agreement have not been agreed with partners or identified in the Board's performance reports.	There is a risk that all targets are not being effectively monitored by key partner bodies.  Ensure that the targets which are to be monitored by the Board as part of Single Outcome Agreement are agreed with partners and explicitly referred to in the Board's performance reports.  <b>Priority 2</b>	Single Outcome Agreement was not in place in 2007/08.  Joint performance reporting is developing in line with the introduction of the Single Outcome Agreement.  This will be evidenced through reports to the CHPs initially and incorporated into Board Reports in due course.  <b>Responsible officer:</b> Head of Performance Management  <b>Implementation date:</b> ongoing to March 2009
6	<b>Non-EEA staff</b> <i>Para 91</i>	We identified that the Board has limited arrangements to identify all non-EEA staff who require a work permit. Current arrangements mean that only staff who state that they will require a work permit are identified  Our audit work also identified that not all the files for non-EEA staff employed prior to the implementation of the PIN policy had the required paperwork to comply with existing policies or procedures. The Board is reviewing existing files to ensure that they will comply with PIN policy.	We recommend that NHS Forth Valley uses the ethnicity section of the national application form to highlight any staff member whose country of origin is out-with the EEA.  We recommend that the Board sets up internal checklists for HR files which are reviewed and signed off to ensure that all required information is evidenced within HR files.  <b>Priority 1</b>	Action has been identified in advance of the audit report and is in the process of implementation.  <b>Responsible officer:</b> Director of Human Resources  <b>Implementation date:</b> March 2009

No	Title	Issue identified	Risk and recommendation	Management comments
7	<b>Audit Scotland national reports</b> <i>Para 99</i>	Points arising from national Audit Scotland reports are not being taken forward by the Board.	<p>There is a risk that the Board is not complying with the recommendations raised by the Auditor General for Scotland.</p> <p>A structure should be implemented to ensure that issues identified by Audit Scotland in their national reports are identified and addressed by the Board.</p> <p><b>Priority 2</b></p>	<p>Actions that are specific to NHS Forth Valley are actioned through appropriate routes.</p> <p>All reports are taken to the Audit Committee and to other Governance Committees where relevant.</p> <p>Where an action is general to all Boards this is forwarded to relevant Directorate / Planning Group for consideration against all other issues that they are dealing with. A more formal follow-up process will be considered during 2008/09.</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Implementation date:</b> March 2009</p>
8	<b>National Fraud Initiative 2008/09</b> <i>Para 130</i>	<p>The Board has not fully complied with the requirements of NFI, and this was highlighted in the Audit Scotland NFI report issued in May 2008.</p> <p>Bank details were not submitted by the Board, and this data would have been used as a means to identify matches for further investigation. We understand that all other Boards submitted such data.</p>	<p>Participation in the NFI exercise is a legal requirement.</p> <p>We recommend that the Board complies with all elements of the NFI process in addition to improving the management of the exercise as recommended in our interim management report.</p> <p><b>Priority 2</b></p>	<p>Steps have been put in place to ensure local management of this exercise meets the standard required in 2008/09.</p> <p>The Audit Committee discussed concerns regarding release of a particular part of the data set and this concern has been recorded in our submission to Health Directorate Audit Committee in June'08.</p> <p><b>Recommendation already implemented</b></p>

No	Title	Issue identified	Risk and recommendation	Management comments
9	<b>Civil Contingencies Act 2004</b> <i>Para 155</i>	The Board should ensure that business continuity plans are developed as required across NHS Forth Valley.	There is a risk that the Board fails to comply with legislative requirements.  There is also a risk that the Board will not be able to respond effectively to restore service delivery in the event of a disaster.  <b>Priority 2</b>	<b>Responsible officer:</b> Director of Public Health  <b>Implementation date:</b> March 2009 initially



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