



## **NHS Forth Valley**

### Annual report on the 2013/14 audit

Prepared for the Board of NHS Forth Valley and  
the Auditor General for Scotland

July 2014



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# Key messages

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## Financial statements

- Unqualified auditor's report on the 2013/14 financial statements.
- Audited financial statements submitted to Scottish Government by 30 June 2014.

## Financial position

- All financial targets in 2013/14 met:
- Surplus against total RRL of £0.209 million.
- Achievement of recurrent savings target of £13.167million.
- Financial management remains strong with a robust budget setting process.

## Governance & accountability

- The Board had sound governance arrangements in place.
- The Board has an effective internal audit function and sound anti-fraud arrangements.

## Best Value, use of resources & performance

- The Board has a well developed framework in place for monitoring and reporting performance.
- In 2013/14 the Board fully met 12 of its 28 HEAT targets; 8 targets were not met and the 8 remaining were either slightly behind target or in progress.

## Outlook

- A breakeven position is forecast for each of the next five financial years. This will depend on the Board achieving significant recurrent savings to bridge the funding gap. This is against the background of major challenges such as health and social care integration and pension reform.

## Financial Statements

We have given an unqualified audit opinion on the financial statements of NHS Forth Valley for 2013/14.

The Board achieved all of its financial targets in 2013/14 and reported a surplus of £0.209 million against its total Revenue Resource Limit. In addition, it achieved recurrent savings of £13.167 million against a planned savings target of £13.167 million.

Financial management remains strong with a robust budget setting process and challenge evident in agreeing and monitoring the financial position of the Board.

## Financial position

The Board's 2014/15 financial plan requires costs savings of £13.488 million. These savings levels are broadly in line with those achieved in 2013/14. In the longer term, the financial plan includes indicative recurring savings of £13.872 million for 2015/16, rising to £14.627 million in 2018/19.

The Board recognises the difficult operating environment beyond 2014/15 and the challenges facing it including reduced annual funding uplifts, pension and national insurance changes and the normal pressures of pay, prices and prescribing. Also, the Scottish independence referendum in September, regardless of the outcome, is likely to change the political and fiscal environment within which the public sector including NHSFV operates and adds a further layer of uncertainty to the organisation's financial plans.

Additionally, there are the challenges of increasing service

pressures to be met in achieving and sustaining HEAT targets, technology advances, demographic impact and a major organisational change towards the implementation of Health and Social Care Integration from April 2016.

## Governance and accountability

In 2013/14, the Board had sound governance arrangements which included a number of standing committees overseeing key aspects of governance. The Board also had an effective internal audit function and sound anti-fraud arrangements.

An independent review of the Board's ICT infrastructure confirmed that the Board is addressing the recommendations of the national report commissioned by the Cabinet Secretary for Health following a major ICT incident at NHS Greater Glasgow and Clyde.

NHS Forth Valley has sound arrangements in place for considering the implications of national inquiries (e.g. the Francis Inquiry) and other external governance reports such as Keogh.

## Best Value, use of resources and performance

The Board has a well established Best Value framework in place. This is supported by well-developed performance management and reporting arrangements.

The Board's performance reports show that the Board is finding it particularly challenging in achieving its access targets. The Board has invested in a number of initiatives to address the problem and the full benefits have yet to filter through. This remains an area of

substantial management attention and close scrutiny by the Board.

Whilst not meeting the waiting time targets, the *Management of patients on NHS waiting lists update report (December 2013)* indicated a number of good practices at NHS Forth Valley. Actions being taken locally, relating to the report, are being monitored by the Performance and Resources Committee.

The findings emerging from our local review of delayed discharges indicate that the Board is committed to addressing the issue and has introduced a number of initiatives (e.g. discharge hub) to address the problem. The benefits of these initiatives have yet to be realised.

Forth Valley is the first NHS Board in Scotland to take part in a Whole System Patient Flow Improvement programme in partnership with the Boston-based, Institute of Healthcare Optimization. The project will look at ways of reducing the amount of time that patients spend unnecessarily in hospital and to remove delays as patients move through hospitals with the aim of freeing capacity to meet potential demand from demographic change.

## Outlook

The Board is predicting a balanced budget position in each of the years from 2014/15 to 2018/19. However, this is dependent on the delivery of efficiency savings each year to compensate for the gap between available funding and the cost of services. The level of flexibility within expenditure budgets is considerably reduced by the release of cost savings in previous years.

The Board will continue to operate in a funding environment which is subject to sustained pressure to deliver more with less.

Achieving sustainability in the medium term will require innovation and vision to design and deliver the services needed to serve the future needs of citizens.

NHS Boards were only recently advised of updated NRAC positions which has had an impact on NHS Forth Valley's planning where NHS Forth Valley has moved from a "gaining" Board. Whilst still below its NRAC funding share, the Board is within 1% of its parity share. The Board has revisited its Financial Plan to reflect the updated position meaning a lower uplift in future years to meet future needs.

Health and social care integration is a key component of the Scottish Government's public sector reform. It is important that the Board and its council partners work jointly and effectively to make integration a success. The recent Falkirk Community Planning Partnership Report (May 2014) also stressed the importance of clarity of relationship and effective joint working between the CPP and the proposed health and social care partnership.

# Introduction

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This report is a summary of our findings arising from the 2013/14 audit of NHS Forth Valley (NHSFV). The purpose of the annual audit report is to summarise the auditor's opinions and conclusions, and to report any significant issues arising from the audit. The report is divided into sections which reflect our public sector audit model.

Our responsibility, as the external auditor of NHS Forth Valley, is to undertake our audit in accordance with International Standards on Auditing (UK and Ireland) and the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011.

The management of NHS Forth Valley is responsible for:

- preparing financial statements which give a true and fair view
- implementing appropriate internal control systems
- putting in place proper arrangements for the conduct of its affairs
- ensuring that the financial position is soundly based.

This report is addressed to the Board and the Auditor General for Scotland and should form the basis of discussions with the Audit Committee soon after it has been issued. Reports should be made available to stakeholders and the public, as audit is an essential element of accountability and the process of public reporting.

This report will be published on our website after it has been considered by the Board. The information in this report may be used for the Auditor General's annual overview of NHS financial performance. The overview report will be published and presented to the Public Audit Committee of the Scottish Parliament later this year.

A number of **local and national reports** have been issued during the course of the year. These reports (**appendix I**) include recommendations for improvements. We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of NHS Forth Valley.

The concept of audit risk is of key importance to the audit process. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements. We set out in our annual audit plan the related source of assurances and the audit work we proposed to undertake to secure appropriate levels of assurance. **Appendix II** sets out the **key audit risks** identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

**Appendix III** is an **action plan** setting out the issues, risks and recommendations arising from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response".

We recognise that not all risks can be eliminated or even

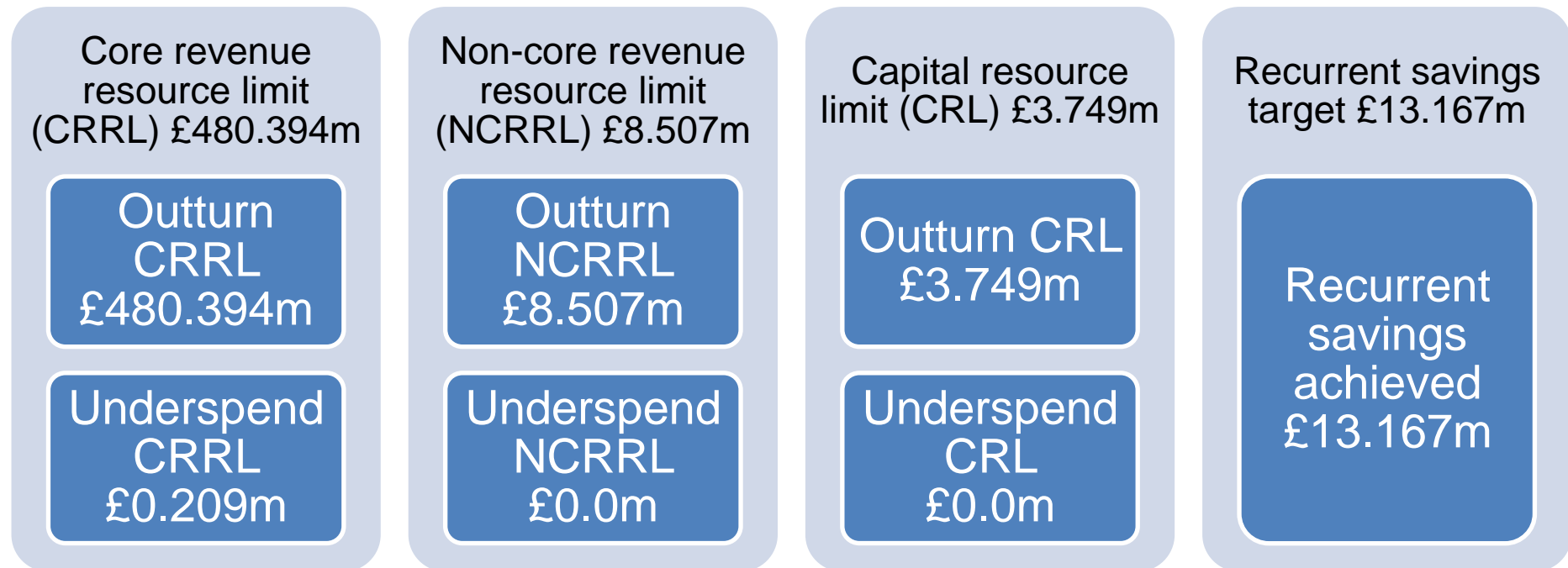
minimised. What is important is that NHS Forth Valley understands its risks and has arrangements in place to manage these risks. The Board and Accountable Officer should ensure that they are satisfied with proposed management action and have a mechanism in place to assess progress and monitor outcomes.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged

# Financial statements

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## Audit opinion

We have given an unqualified opinion that the financial statements of NHS Forth Valley for 2013/14 give a true and fair view of the state of its affairs and of its net operating cost for the year.

## Other information published with the financial statements

Auditors review and report on other information published with the financial statements, including the Directors' Report, Governance Statement and the Remuneration Report. We have nothing to report in respect of these statements.

## Regularity

The Public Finance and Accountability (Scotland) Act 2000 requires auditors to certify that, in all material respects, the expenditure and income shown in the accounts was incurred or applied in accordance with relevant legislation and guidance issued by Scottish Ministers. We addressed the requirements of the Act through a range of procedures, including obtaining written assurances from the Accountable Officer. We have given an unqualified opinion on regularity in our 2013/14 auditor's report.

## Accounting issues arising

A number of disclosure and presentational issues were identified in the financial statements during the course of our audit. These were discussed with management who agreed to amend the

unaudited financial statements.

In addition, a number of presentational changes were made to the financial statements, by management, as a result of audit findings. Also, two errors (totalling £176,650) were identified during the audit, which have not been corrected in the financial statements. If adjusted they would have had the effect of decreasing net operating costs by £176,650 in the Statement of Comprehensive Net Expenditure. The impact on the balance sheet would have been that net liabilities would have decreased by £176,650. Also, reported saving against Core Revenue Resource Limit would have increased by £176,650 to £385,650.

## Report to those charged with governance

We presented to the Audit Committee, on 6 June 2014, our report to those charged with governance (ISA 260). The primary purpose of this report is to communicate the significant findings arising from our audit prior to finalisation of the independent auditor's report. The main points are set out in the following paragraphs.

## Equal pay

The National Health Service in Scotland had received 5,905 claims for equal pay as at 31 March 2014 of which 224 related to NHS Forth Valley. Such claims are referred to the NHS NSS Central Legal Office (CLO) to deal with.

In common with other NHS Boards, NHSFV has not been able to quantify the extent of its liability for equal pay claims and has

disclosed a non quantifiable contingent liability. There is a risk that as these claims progress they could have an impact on the Board's financial position (**Action plan no 1**).

## Endowment Funds

The 2013/14 accounts manual, requires host Boards, to consolidate endowment funds established by the National Health Service (Scotland) Act 1978 into their financial statements for the first time.

The Forth Valley Health Board Endowment Funds have been consolidated into NHS Forth Valley's financial statements for 2013/14. The consolidation has required the restatement of prior year comparatives and the inclusion of a consolidated opening balance sheet at 1 April 2012.

# Financial position

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NHS Forth Valley is required to work within the resource limits and cash requirement set by the SGHSCD. Final RRL and CRL were agreed with the SGHSCD on 25 April 2014.

The board achieved all of its financial targets in 2013/14 and delivered total cash efficiency savings of £13.167million in line with planned efficiencies for 2013/14.

The Board has achieved a cumulative surplus of £0.209 million. The Board had budgeted to break-even against its Revenue Resource Limit in 2013/14. Unlike the previous year, the board achieved its savings target of £13.167 million on a recurring basis and as such there is no underlying deficit. However the projected savings for 2014/15 of £13.488 million does include a non recurring savings element of £0.457 million. There is no analysis of the savings targets from 2015/16 onwards but we would encourage the Board to identify savings options on a recurring basis where possible. Non recurring savings puts pressure on future years' budgets.

The Board received non-recurring brokerage funding of £12.100 million over financial years 2010/11 and 2011/12. The brokerage was secured to meet the transitional costs associated with the Healthcare Strategy as well as a limited Voluntary Severance programme. The Board had repaid £7.686 million of brokerage paid by 31 March 2014 and is expected to repay the remaining £4.414

million in 2014/15 which is a year earlier than originally planned.

## Capital expenditure

The Board spent a total of £3.749 million on capital projects during 2013/14. This amount was within its total Capital Resource Limit (CRL) of £3.749 million.

## Financial sustainability

The Board's Local Delivery Plan (LDP) for 2014/15 aligns strategic priorities with financial plans, workforce plans and asset plans. The Board's financial planning arrangements include regular monitoring, reporting and updating of financial information and the corporate risk register to ensure that focus is maintained on financial performance and that action is taken on any emerging issues. A Finance Report is produced by the Director of Finance on a monthly basis and is presented to both the Performance and Resources Committee and the Board. This report provides a summary of the financial position at the end of each month together with a Unit Summary which highlights the cumulative trend for each Unit month by month. It also identifies the cumulative savings achieved compared to the savings forecast.

The Board's five year financial plan for the period 2014/15 to 2018/19 indicates a break-even position in each of the five years. The plan assumes efficiency savings of in excess of £13.5 million in 2014/15 and 2015/16 and in excess of £14 million in the years from 2016/17 to 2018/19. Anticipated future base funding uplifts in the

range of 2.7% for the period 2014/15 and 1.8% thereafter. For the years 2014/15 and 2015/16 the planned position takes account of additional cash efficiency savings of £13.488 million in 2014/15 and £13.872 million in 2015/16.

The Board reported through the 2014/15 LDP that, of the £13.488 million of savings required, £12.797 million of savings had been identified. This leaves £0.691 million of savings to find. Whilst the Board is confident that it will be able to identify these further savings during 2014/15, there remains the risk that the required efficiency savings are not achieved. The Board should ensure formal plans are produced covering all the required savings for 2014/15 (**Action plan no 2**).

## Workforce planning

NHS Forth Valley's Workforce Plan 2013-14 projects limited staff turnover in the next three year period. No exit packages were paid in 2013/14.

The low staff turnover rate presents a particular challenge to the board as staff are choosing not to move on. This could have an impact on the organisation's ability to realise savings especially as costs are predominantly workforce based. Management anticipate that it will be nearer 2015/16 before natural turnover is likely to pick-up again. Audit Scotland's "Scotland's Public Sector Workforce" report highlighted that public sector finances will be under pressure for the foreseeable future and, given the challenges ahead, public bodies will need to make further workforce changes,

and without service reform, are unlikely to deliver the savings needed (**Action plan no 3**).

As with other health boards, Forth Valley faces a major challenge in achieving the national sickness absence target of 4%. The March 2014 sickness absence rate is 5.03% which is an improvement from last year's rate of 5.57%. The Board has a range of measures to help reduce absence levels, including on-line referrals to occupational health, the use of absence clinics to discuss more complex cases and peer review of cases (**Action plan no 4**).

During 2013/14 the Board incurred a significant increase (15.6%) in agency/bank costs from 2012/13. Whilst the use of such staff provides flexibility to the care system and provides temporary cover for vacancies and staff absence, it is important to ensure controls are in place and that the trends and patterns are managed and monitored closely. Nurse bank spend was predominately in the Emergency and Inpatient Services and Community Health Partnership Units. Additional staff had been recruited to cover the winter period. The increased spend on medical agency remains attributable to increases in gastroenterology costs, junior medical cover in surgery, geriatricians and acute care. However continued reliance on agency workers to this extent could have a significant impact on the Board's plans to achieve the savings required for longer term sustainability (**Action plan no 5**).

## Cost of pension provision

Following the advice of the Scottish Government, Note 24 in the financial statements for 2013/14 "Pension Costs" reflects a net

liability of £370 million for the NHS Superannuation Scheme arising from the most recent actuarial valuation. This figure is based on the last quinquennial actuarial valuation on the NHS Superannuation Scheme which was for the year ended 31 March 2004. While there was a more recent actuarial valuation carried out at 31 March 2008, the publication of this valuation has been postponed by HM Treasury pending the outcome of public sector pension reforms. In future potential increases to contribution rates will need to be managed as part of the cost base.

Changes in pension legislation came into force in 2012 requiring that all eligible employees must be automatically enrolled into a workplace pension scheme. Also employer's pension contributions will increase from April 2015. The Board's five year financial plan allows for an increase of 2% but there is a risk that the increase could be as high as 4%. This pension increase has been recognised and quantified in the Board's risk register. Changes also mean that any significant increases in employee earnings in the last three years will be capped from a pension contribution perspective with the employer required to fund the balance.

### **PFI/PPP costs**

NHS Forth Valley has two PFI/PPP projects, Forth Valley Royal Hospital and Clackmannanshire Community Healthcare Centre. The commitments relating to these projects are disclosed in Note 23b of the financial statements. The capital costs of these projects are included in the balance sheet and are in excess of £336 million.

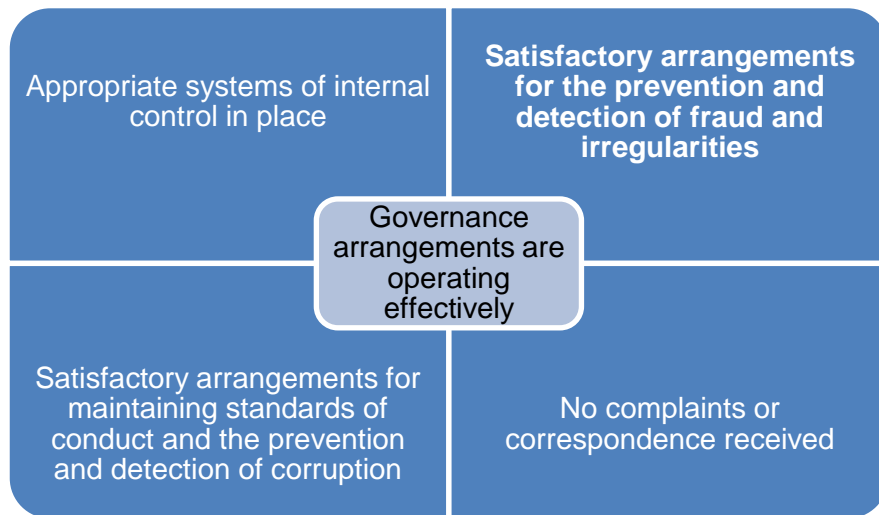
### **Outlook**

The Board is predicting a balanced budget position in each of the years from 2014/15 to 2018/19. However, this is dependent on the delivery of recurrent savings. The level of flexibility within expenditure budgets is considerably reduced by the release of cost savings in previous years. The Board will continue to operate in a funding environment which is subject to sustained pressure to deliver more with less. Also, the forthcoming independence referendum, regardless of the outcome, is likely to change the political and fiscal environment within which the public sector including NHSFV operates and adds a further layer of uncertainty to financial plans.

The updated National Resource Allocation position was published earlier this year. This has resulted in a change in NHS Forth Valley's population share from 5.51% to 5.45% (after taking account of additional needs) and seen the Board move from a 'gaining' position to one of 'parity'.

The impact of the revised NRAC position is now fully reflected in the Financial Plan 2014/15 onwards. The 2014/15 modelled position still sees the Board being slightly short of parity but as the Board is now considered to be more or less "at parity", no further allocations are anticipated going forward. This will reduce the Board's flexibility in future.

# Governance and accountability



The Board and accountable officer are responsible for establishing arrangements for ensuring the proper conduct of the affairs of NHS Forth Valley and for monitoring the adequacy and effectiveness of these arrangements.

## Corporate governance

The corporate governance framework within NHS Forth Valley is centred on the Board which is supported by a number of standing

committees. Based on our observations and audit work our overall conclusion is that the governance arrangements within NHS Forth Valley are operating effectively.



## Internal control

As part of our audit we reviewed the high level controls in a number of NHS Forth Valley systems that impact on the financial statements. This audit work focussed on trade payables and banking (reconciliations).

We also relied on previous years' audit work in relation to trade receivables, general ledger, capital accounting and family health services where we carried out a high level review of key controls to confirm they were still operating effectively. Additionally, we formally relied on internal audit's work on the payroll system. Our overall conclusion was that the key controls within the Board's main financial systems were operating satisfactorily during 2013/14.

## Internal audit

Internal audit provides the Board and accountable officer with independent assurance on the Board's overall risk management, internal control and corporate governance processes. In addition, in an effort to avoid duplication, we place reliance on internal audit work where appropriate. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work.

Our review of internal audit was carried out in December 2013 and we concluded that the internal audit service operates in accordance with Government Internal Audit Standards and has sound documentation standards and reporting procedures in place.

## ICT audit

ICT security is an area of high risk particularly with the sharing of information between NHS bodies and outside agencies. In the current year we carried out a review of ICT user identity and access management arrangements. Overall, we were satisfied that the Board has reasonably robust identity and access management arrangements in place. We also noted actions being taken to further improve ICT security including the introduction of Meta Compliance software which will help measure staff's knowledge and understanding of ICT policies.

## Arrangements for the prevention and detection of fraud

The Board's arrangements in relation to the prevention and detection of fraud and irregularities were satisfactory.

NHS Forth Valley participates in the National Fraud Initiative (NFI). The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error. Overall, we concluded that the Board has satisfactory arrangements in place for investigating and reporting data matches identified by the NFI.

## National ICT / BCP Resilience Review

Following a major ICT incident at NHS Greater Glasgow and Clyde, the Cabinet Secretary for Health required all NHS Boards to carry out a review of their ICT resilience and business continuity planning arrangements to provide assurance of their effectiveness. A national report was subsequently issued containing 21 recommendations for health boards to consider.

Prior to the incident in Glasgow, NHS Forth Valley had already commissioned an independent health check of the Board's ICT infrastructure. The review was carried out by Trustmarque who confirmed that the Board had or was in the process of addressing all 21 of the national recommendations. Our ICT audit specialist having reviewed the evidence agrees with this assessment.

## Arrangements for maintaining standards of conduct and the prevention and detection of corruption

The arrangements for the prevention and detection of corruption in NHS Forth Valley are satisfactory and we are not aware of any specific issues that we need to record in this report.

## Correspondence referred to the auditor by Audit Scotland

No complaints and correspondence was received.

## Francis Inquiry Report

The Francis Report into the Mid-Staffordshire Foundation Trust was published in February 2013. It identified a number of serious weaknesses with the Trust failing to listen to the concerns of staff, and patients, about the standards of care and safety.

NHS Forth Valley has tasked the Performance and Resources committee to oversee the Board's response to the Francis Inquiry. A sub-group has been established to consider actions required locally in response to the Francis Inquiry. Its remit has been extended to consider the implications of other external relevant governance reviews such as the Keogh Report.

We are satisfied that NHS Forth Valley has put adequate arrangements in place for considering external governance reviews.

## Integration of adult health and social care

The Public Bodies (Joint Working) (Scotland) Act received royal assent on 1 April 2014. The Act provides the framework for the integration of health and social care services in Scotland and is part of the Scottish Government's ambitious programme of reform of public services. The integration process will be complex and challenging and the Board working jointly with its council partners is faced with a significant challenge to ensure that integration is delivered within the required timescales and that the arrangements are functional and fit for purpose. This will require:

- The establishment of a local integrated partnership and related governance arrangements.
- Integrated budgets for health and social care.
- Joint responsibility for strategic and locality planning in the area served.

The Board and Falkirk Council have agreed to proceed with integration on a '*Body Corporate*' model. Under these new proposed arrangements, both bodies will delegate accountability for the delivery of agreed health and social care services to a new Integrated Joint Board, with equal representation from both organisations. The Board will also appoint a Chief Officer who will report directly and jointly to the Chief Executives of Falkirk Council and NHS Forth Valley.

A number of work streams have been established to develop and agree an integration Scheme which will set out the range of services and resources to be delegated to the new Falkirk Health



and Social Care Partnership. It will also describe national and local priorities for the Partnership and how these will be delivered. Further work is also ongoing to establish the budgets for services within scope and financial monitoring and control arrangements. The Board and Stirling and Clackmannanshire Councils have also recently agreed to proceed with “ a *Body Corporate* ‘model for integration and discussions are continuing on proposals for delivering these services which would cover both council areas. There are regular, high level discussions between chief officers through the Joint Executive Group. **(Action plan no 6).**

## Equality Act 2010

The Equality Act 2010 introduced a new public sector ‘general duty’ which encourages equality to be mainstreamed into public bodies’ core work. The Act states that by no later than 30 April 2015 and every two years thereafter, an authority must publish a report on the progress made to achieve the quality outcomes it has set.

NHS Forth Valley took the decision to publish a report (*Equality Delivery Annual Report 2014*) outlining the activities that have completed since the Board developed its Equality Outcomes in April 2013. This is available on the Board’s website. The report provides details of work being done with employees to embed equality and diversity and person centred care in service delivery.

The Board’s *Equality and Diversity Strategy – Improving Outcomes and Performance 2014 to 2017* sets out they key priorities for embedding equality and diversity in every day work. It also includes a SMART (Specific, Measurable Action, Oriented Realistic and with

Timescales) action plan for taking forward the equality agenda. In addition, performance against equality and diversity criteria is monitored through biannual reports to the Board and Clinical Governance Group. This helps maintain a focus on the Equality agenda.

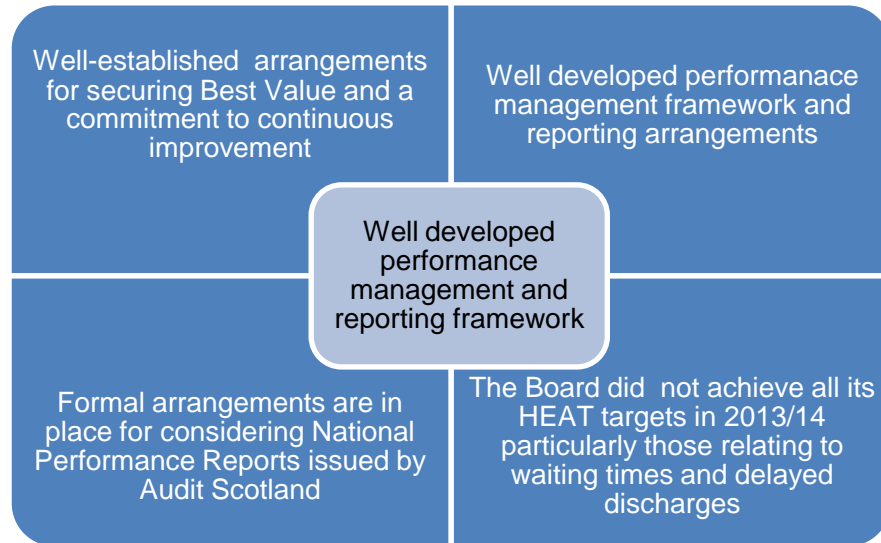
We have concluded that the Board is committed to implementing the requirements of the Equality Act 2010 and has made good progress in mainstreaming equality and diversity within the organisation.

## Outlook

Integration of health and social care is a complex and challenging process. The Scottish Government has commenced work on the Regulations relating to the Act and the underpinning statutory guidance although this work will not be completed until late 2014. When a final set of regulations is produced, the Scottish Government will consult with partnerships before they are introduced to parliament.

The lead-in time for integration is gradually reducing thereby adding further pressure on the health board and its local authority partners to deliver. Integration schemes must be submitted to Scottish Ministers for approval by 1 April 2015, while full integration arrangements must be in place by 1 April 2016. There is a lot of work to do in the interim period and there is a risk that integration arrangements may not be fully developed by the required timescales.

# Best Value, use of resources and performance



Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.

## Arrangements for securing Best Value

The Board has well-established arrangements for securing Best Value (BV) and commitment to continuous improvement. The Audit Committee receives an annual report which sets out the evidence demonstrating the Board's approach to the key BV

themes of:

- Vision and leadership
- Effective partnerships
- Governance and accountability
- Use of resources
- Performance management.

In addition, this Best Value framework covers cross-cutting themes of Equality and Sustainability.

During the course of our audit work we have considered and reviewed the evidence supporting the Board's BV framework. This included a review of committee minutes and supporting papers.

We are satisfied that the Board can demonstrate a clear commitment to Best Value and continuous improvement.

## Performance management

The Board has a well-developed Performance Management Framework in place. This is based on comprehensive performance reporting (including the development of a Balanced Scorecard), a systematic programme of Unit Reviews and sound governance arrangements. The performance management framework is reviewed on an annual basis by the Board.

We are satisfied that appropriate performance management arrangements were in place within NHS Forth Valley for 2013/14.

## An overview of delayed discharges

NHS Forth Valley and its partner councils have an ongoing focus on managing and reducing delayed discharges. The standard specifies that no patient will wait more than 28 days to be discharged from hospital into a more appropriate care setting. As part of our 2013-14 audit we carried out a local review of delayed discharges.

We have issued our draft report for management and our key findings are summarised opposite. We have also issued an improvement action plan which is being finalised with management.

The Board as with other NHS Boards is finding delayed discharges a complex and difficult issue to manage. The number of patients who experienced a delayed discharge in NHS Forth Valley has reduced in recent years. However, in 2013 and again in 2014 the number of patients delayed, and the length of delays increased. This standard will become even more challenging when the standard is set to reduce to 14 days by April 2015.

In our report we concluded that the Board working jointly with its local authority partners is actively addressing delayed discharges including some new initiatives. This situation is not helped by the reduced availability of care home places in recent years. There is a need for a fundamental whole system change in how people with care needs are supported across Forth Valley to reduce admissions and tackle the underlying causes of delays.

### Delayed Discharges key findings

- The Board and its council partners have taken action to try and reduce delayed discharges through a focus on joint and early planning for discharge and avoiding admissions.
- A number of new initiatives have been developed to address delays such as establishing a dedicated discharge hub while other areas are under development e.g. the Bo'ness Locality pilot. The Board has also re-launched its *Admissions, Transfer and Discharge Policy*. These are positive initiatives but it is too early to assess their impact.
- The reasons for delayed discharges vary across Forth Valley. In the Falkirk area delayed discharges are largely due to patients waiting for a care home place particularly one of their choice. In Stirling and Clackmannanshire delays have been mainly due to waits for community care assessment or packages of care.
- Comprehensive monitoring arrangements including weekly micro management meetings involving the Board and the Council to review delayed patients and agree actions.
- The number of care home places across Forth Valley has reduced by just under three percent over the last five years. This is outwith the Board's control but adds significantly to the pressure on managing delayed discharges. This problem is more acute in the Falkirk area.

## National performance audit reports

The Board has sound arrangements in place for considering national performance reports issued by Audit Scotland. The Director of Finance normally prepares a covering paper for each national performance report summarising key findings and highlighting any local issues where action is required. These are presented to the Audit Committee although responsibility for monitoring improvement actions lies with the relevant governance committee. Service managers routinely attend Audit Committee to explain the local position and answer members' questions.

Additionally, Audit Scotland staff from our Performance Audit and Best Value Group regularly attend the Audit Committee to present findings from national performance reports and to discuss any issues raised by members. The most recent example of this being the *Accident and Emergency: Performance Update* which was presented to the Audit Committee on 6 June 2014.

A summary of national performance audit reports is included in appendix I. It also notes when these reports were considered by the Board's Audit Committee.

## Management of patients on NHS waiting lists

Audit Scotland carried out a review of waiting times across the health service in Scotland following reported misuse of patient unavailability codes at NHS Lothian. The review recognised the need for independent assurance on the management of waiting times to restore public confidence in the system. As reported last

year, the national report highlighted good practice at NHS Forth Valley e.g. the way information was recorded in its electronic waiting list system, with detailed notes in patient records.

A follow-up review was published in December 2013 and found an improving situation. The review noted that Boards were improving controls and audit trails in the systems used to manage waiting lists. In particular, there is a stronger focus on how Boards record and monitor the reasons for patient unavailability.

The follow-up review was considered at the Audit Committee on 17 January 2014. The report highlighted that NHS Forth Valley had not achieved the 90% standard of patients being treated within 18 weeks of referral to hospital since May 2012 while 205 of patients looking for an outpatient's appointment had to wait longer than the 12 week standard. The report also indicated that NHS Forth Valley showed signs of good practice with clear and detailed information issued to patients regarding the waiting times process and involving patient groups in this work.

Performance against the waiting times heat targets is monitored by the Performance and Resources Committee and reflected in the next section of this report.

The Director of Finance has agreed to provide further feedback on the actions being taken locally in response to the national follow-up at a future meeting of the Audit Committee. We have concluded that the Board is well sighted on the management of patient's waiting lists and actions required locally.

## Accident & Emergency Performance Update

Audit Scotland published an Accident and Emergency performance update in May 2014. The report provides an update on how the NHS in Scotland has performed against the 4-hour A& E waiting time target since last reviewed by Audit Scotland in 2010.

The report noted that, overall, the number of patients waiting more than four hours is still higher than when the last review was carried out in 2010, and performance varies considerably between A&E departments. The report also recognises that improving and sustaining performance is a challenge for A&E departments across Scotland.

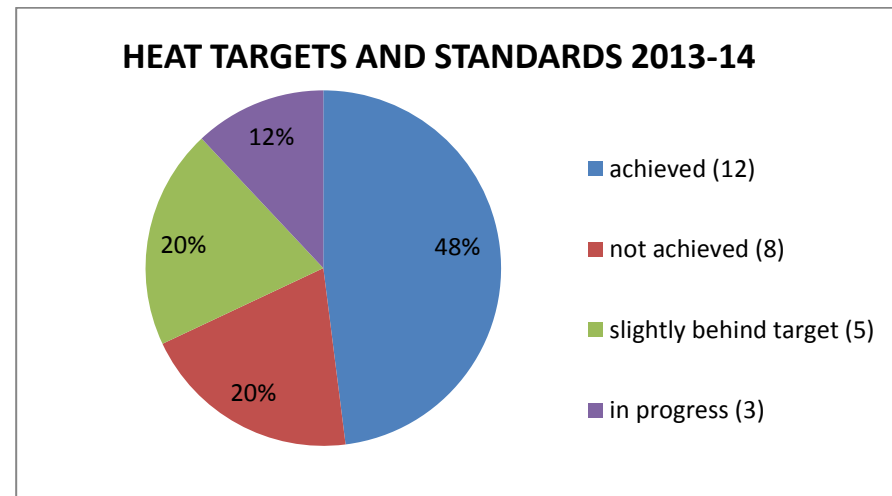
The report also noted that NHS Forth Valley was one of six Boards to have an average bed occupancy rate of over 85% (2012/13 data). Research indicates that occupancy rates higher than 85% can carry risks. In NHS Forth Valley, where the average bed occupancy rate was 91.3%, 10.2 % of attendances at A&E departments waited longer than four hours. NHS Boards are required to achieve an interim target of 95% compliance with A&E waits of no longer than four hours by September 2014. The core performance report shows that the Board did not achieve this interim target in 7 out of 12 months in 2013-14 although there has been a steady improvement since January 2014. The latest position (May 2014) saw performance of 93.6% achieved (Scottish average 92.9%).

As with other aspects of performance, specifically access targets, it will be challenging for the Board to achieve the 4-hour target and then maintain and sustain performance (**Action plan no 7**).

## Overview of performance targets in 2013/14

An important element of the Board's performance reporting presented at each meeting of the Board is that it provides members with assurance on the overall performance of the organisation including HEAT targets and standards. In addition, performance is subject to more detailed scrutiny by the Performance and Resources Committee which receives monthly Core Performance Reports that include performance trend information showing the direction of travel between periods.

The board's performance against its HEAT targets and standards is summarised in the diagram below.



The Core Performance Report submitted to the Performance and Resources Committee in May 2014 highlighted some areas of concern particularly in relation to access targets. As well as the

performance on delayed discharges referred to above other key areas are:

- Meeting waiting times targets, particularly the 18 week referral to treatment target. In March, the Board recorded a performance level of 80.8% against the national target of 90% (Scottish average of 89.6%). This remains an area of very high risk in the Board's corporate risk register despite existing controls and recent improvements. Performance is likely to continue to be below 90% until the longer outpatient waiting times action plan is complete.
- Also, there were 105 breaches to the statutory 12 week Treatment Time Guarantee in 2013/14, however the position has generally improved through the year and there were no recorded breaches in the final quarter.

Substantial recurrent funding was approved in 2012/13 (£3 million) and 2013/14 (£4 million) and this was invested in reducing waiting times in a number of areas including rheumatology, audiology, ENT and gastroenterology where waiting times are high. The benefit of this investment has yet to be fully realised.

The Board also has a number of other initiatives to address access targets including a four phase recovery plan to reduce the number of outpatients waiting more than 12 weeks. Also, in areas such as psychological therapies, locum support and the recruitment of additional specialist staff are being made to reduce waiting times. In addition, the Chief Executive prepares a *Waiting Time Report* for the Performance and Resources Committee to ensure that

attention is focused on key issues and actions being taken to improve performance.

Maintaining and sustaining access targets is resource intensive and costly. This increases the pressure on the Board at a time when it requires to achieve significant recurrent savings (**Action plan no 7**).

## Whole System Patient Flow Improvement

The Forth Valley Royal Hospital became fully operational in July 2011. It has the latest technology including the first robotic hospital system in the UK to transport supplies as well as the first fully automated robotic pharmacy system. The hospital also has 860 inpatient (and day beds) and 4,000 rooms.

Forth Valley is the first NHS Board in Scotland to take part in a Whole System Patient Flow Improvement programme in partnership with the Boston-based, Institute of Healthcare Optimization. The project will look at ways to remove delays as patients move through its hospitals, with the aim of reducing the amount of time that patients spend unnecessarily in hospital and freeing capacity to meet potential demand from demographic change.

This is a National Improvement Programme and a key workstream of the Government's Quality and Efficiency Programme aimed at improving outcomes for patients and reducing costs with a focus on reducing the time patients spend waiting for something to

happen. NHS Forth Valley have been selected as the lead Board and one of four Boards to “pilot” this improvement work which will be rolled out to all Boards in due course.

### **Falkirk Community Planning Partnership**

The Accounts Commission and the Auditor General for Scotland recently published their report on the Falkirk Community Planning Partnership (May 2014). The report said that there is a strong culture of collaboration within the Falkirk area which has helped Falkirk respond quickly to local problems and secure funding for major initiatives although there is little evidence that improved outcomes have been directly due to the CPP.

Additionally, the report calls for stronger leadership from the CPP's Leadership Board in a number of areas including setting a clear and strategic improvement agenda. The CPP report also stressed the importance, especially for Falkirk Council and NHS Forth Valley, of clarity of relationship and effective joint working between the CPP and the proposed health and social care partnership.

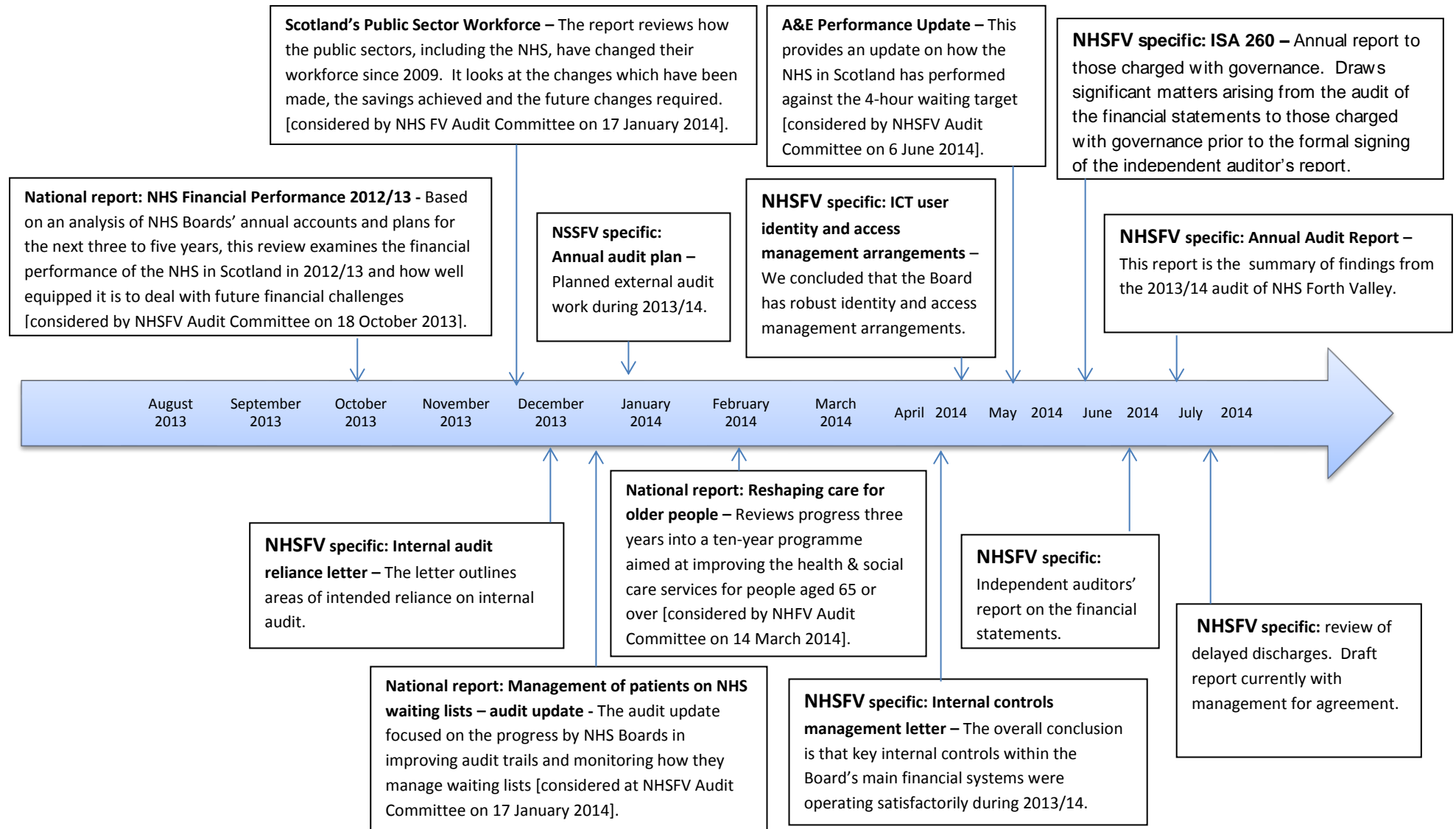
A number of work streams have been established jointly by NHS Forth Valley and Falkirk Council to progress the health and social care integration.

### **Outlook**

In common with other NHS Boards, NHS Forth Valley faces unprecedented demand for increased and improved services arising from changing demographics, health inequalities, increasing public expectations, the availability of new drugs, treatments and technologies and the impact health service specific inflation. As demand, and the consequent cost of healthcare, continues to grow, the Board will find it a challenge to deliver at current funding levels. The scope of what can be done to respond to tough financial pressures is limited: services will need to be transformed to improve quality, while also making them more efficient and sustainable.

The Board's 2014/15 financial plan has no additional recurrent funding built in for access targets although some additional non-recurrent funding has been included to complete delivery of the 12 week maximum outpatient wait. It will remain very challenging for the Board to sustain access targets going forward.

## Appendix I – Summary of Audit Scotland reports 2013/14





## Appendix II - Significant audit risks

The table below sets out the key audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure
Equal pay liability cannot be quantified.	<p>The number of Equal Pay Claims has reduced from 394 in 2012/13 to 224 in 2013/14. While the risk is reducing over time the NHS Central Legal Office (CLO) continue to advise that it is not possible to provide any quantification of Equal Pay Claims</p> <p>The Board has included an unquantified contingent liability in its accounts in line with advice from the CLO.</p> <p>The Board continues to maintain links with the SGHSCD and CLO to keep up to date with progress being made in settling Equal Pay Claims.</p>
Consolidation of Endowment Funds is not undertaken in accordance with IAS 27.	<p>The Forth Valley Health Board Endowment Funds were consolidated into NHS Forth Valley's financial statements for the first time in 2013/14 in accordance with IAS 27 and as required by the health accounts manual. The basis of consolidation was merger accounting.</p> <p>The external auditors of Forth Valley Health Board Endowment Funds issued a clear audit opinion which was reported to the Audit Committee on 6 June 2014. The Endowment Funds Accounts were subsequently approved by the Board on the 17 June 2014.</p>
Accruing unspent allocations.	Audit testing did not identify any unspent allocations carried forward as creditor balances in 2013/14.
Recurring savings target not achieved.	The 2013/14 savings target of £13.167 million i.e. cash releasing savings of £10.453 million and productivity gain savings of £2.714 million, was achieved on a recurrent basis.

Audit Risk	Assurance procedure
<p>The Board and its local authority partners are not fully prepared for the implementation of health and social care integration.</p>	<p>The NHS Forth Valley meeting on 22 April 2014 approved the adoption of the '<i>Body Corporate</i>' model for delivering integrated health and social care services. This model was also considered and approved by Falkirk Council at its council meeting on 14 May 2014.</p>
	<p>NHS Forth Valley and Falkirk Council are working together over the coming months to develop an Integration Scheme which will set out the services in scope and the resources to be delegated to the new Falkirk Health and Social Care Partnership.</p>
	<p>Stirling and Clackmannanshire Councils have recently approved the adoption of the '<i>Body Corporate</i>' model for delivering integrated health and social care services and discussions are continuing with these Councils on proposals for delivering these integrated services which would cover both council areas.</p>
<p>Performance targets are not achieved and the delivery of affordable services is not achieved</p>	<p>New initiatives to tackle the issue of delayed discharges such as the establishment of a dedicated discharge hub and the re-launching of the Board's Admissions, Transfer and Discharge Policy.</p>
	<p>Detailed scrutiny of performance against HEAT targets and standards to identify areas where resources need to be targeted to secure improvements.</p>
	<p>Substantial recurrent funding was approved in 2012/13 and 2013/14 and this was invested in reducing waiting times in a number of areas including rheumatology, audiology, ENT and gastroenterology where waiting times are high. The benefit of this investment has yet to be fully realised although progress is closely monitored by the Board.</p>

Audit Risk	Assurance procedure
ICT resilience and business continuity arrangements are not fully effective.	<p data-bbox="840 236 2022 311">Independent external specialists (Trustmarque) carried out an independent review of the Board's prior ICT infrastructure and an action plan of improvements was agreed.</p> <p data-bbox="840 339 2022 459">The Trustmarque report provided the Board with assurances that they had addressed the key recommendations in the national report that was commissioned by the Cabinet Secretary for Health following a major ICT incident at NHS Greater Glasgow and Clyde.</p>

## Appendix III – Action plan

Action plan point/ page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
1/10	<p><b>Equal pay</b></p> <p>NHS Forth Valley, in common with other NHS bodies, has not been able to quantify the extent of its liability for compensation in respect of equal pay claims.</p> <p><b>Risk</b></p> <p>Settlement of equal pay claims could have a significant impact on the Board's future financial position.</p> <p><b>Recommendation</b></p> <p>The Board should continue to work with CLO to establish its potential exposure to successful claims for compensation payments.</p>	As in previous years maintain link with Scottish Government Health and Social Care Directorate and CLO to keep up-to-date with progress.	Director of Finance/Director of HR	Ongoing

Action plan point/ page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
2/12	<p><b>Savings Target</b></p> <p>The delivery of the cost savings plan for 2014/15 and subsequent years will continue to remain challenging. £0.691 million of the 2014/15 savings target has not been identified.</p> <p><b>Risk</b></p> <p>Whilst the Board is confident that it will be able to identify these further savings during 2014/15, there remains the risk that the required efficiency savings will not be achieved.</p> <p><b>Recommendation</b></p> <p>The Board should ensure that formal plans are produced covering all the required savings for 2014/15.</p>	Unit Plans were updated by end of June 2014 to ensure all savings covered on a recurrent basis.	Director of Finance	Complete

Action plan point/ page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
3/12	<p><b>Workforce Reduction</b></p> <p>The low staff turnover rate presents a particular challenge to the board as staff are choosing not to move on.</p> <p><b>Risk</b></p> <p>There is a risk that this could impact on the Board's ability to realise savings particularly as costs are predominately workforce based.</p> <p><b>Recommendation</b></p> <p>The staffing position is closely monitored in relation to the savings plan.</p>	<p>In 2014/15 the majority of savings in respect of staffing costs are targeted at bank and agency staff costs. Turnover rates will be carefully monitored in 2014/15 and 2015/16 onwards, Plans are prepared to identify areas of risk.</p>	Director of Finance/Director of HR	Ongoing

Action plan point/ page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
4/12	<p><b>Sickness Absence</b></p> <p>The Board may not achieve the sickness absence target of 4%.</p> <p><b>Risk</b></p> <p>There is a risk that this may impact on the Board's ability to achieve its financial and non –financial performance targets and adversely impact on safe and efficient service delivery</p> <p><b>Recommendation</b></p> <p>The sickness absence figures continue to be closely monitored on a monthly basis and the Board assesses the effectiveness of the measures introduced to reduce absence levels.</p>	<p>The sickness absence figures are closely scrutinised on a monthly basis at Senior Management and Board level including reports on actions taken/being considered. Sickness levels within Units and actions being taken are also discussed at each Unit Review .</p>	Director of HR	Ongoing

Action plan point/ page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
5/12	<p><b>Agency workers</b></p> <p>The spending on agency/bank staff increased significantly (15.6%) in 2013/14. Whilst the use of such staff provides flexibility to the care system and provides temporary cover for vacancies and staff absence, it is important that controls are in place and that trend and patterns are managed and monitored closely.</p> <p><b>Risk</b></p> <p>Continued reliance on agency workers to this extent could have a significant impact on the Board's plans to achieve the savings required for longer term sustainability.</p> <p><b>Recommendation</b></p> <p>The Board monitors the cost of agency staff with a view to reducing their cost.</p>	<p>Monthly reports are already included in both Finance Report and Performance Report presented to both the Board and Performance and Resources Committee.</p> <p>A more detailed analysis covering trends/causes and actions is scheduled for the September Performance and Resources Committee with discussions ongoing at the Corporate Management Team Meeting.</p>	Director of Finance	Ongoing



Action plan point/ page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
6/17	<p><b>Health and social care integration</b></p> <p>The integration of health and social care services in Scotland requires to be implemented from 1 April 2016.</p> <p><b>Risk</b></p> <p>There is the risk that the Board and its local authority partners will not be fully prepared for the integration of health and social care from 1 April 2016. This could adversely impact on the effectiveness of service delivery.</p> <p><b>Recommendation</b></p> <p>The Board continues to work closely with its partners to prepare for this significant reform of health and social care services.</p>	<p>Area-wide work is in progress to prepare the two Integration Schemes required to establish the two Partnerships/Integrated Joint Boards within the prescribed national timeframes.</p>	Chief Executive	March 2015

Action plan point/ page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
7/21 & 22	<p><b>Performance against HEAT targets and standards</b></p> <p>The Board did not achieve all its performance targets in 2013/14 particularly those relating to access.</p> <p><b>Risk</b></p> <p>The delivery of quality and affordable services is not sustainable.</p> <p><b>Recommendation</b></p> <p>Monitor investment in new initiatives aimed at improving access targets and determine whether specific areas / specialties require more detailed scrutiny or additional actions to be taken.</p>	Work on Access Sustainability Plan reviewing capacity plans across each speciality is in progress and reviewed via monthly Access Meetings.	Chief Executive	September 2014.