

# The 2022/23 audit of NHS Forth Valley



AUDITOR GENERAL 

Prepared for the Public Audit Committee by the Auditor General for Scotland  
Made under section 22 of the Public Finance and Accountability (Scotland) Act 2000  
December 2023

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# Introduction

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- 1.** I have received the audited annual report and accounts and the independent auditor's report for NHS Forth Valley for the year ended 31 March 2023. I submit these financial statements and the auditor's report under section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report which I have prepared under section 22(3) of the Act.
- 2.** The purpose of this report is to draw Parliament's attention to concerns in relation to the governance, leadership and culture of the organisation and set out the progress NHS Forth Valley is making in addressing these issues.

## Auditor's opinion

- 3.** The auditor issued an unmodified audit opinion on NHS Forth Valley's 2022/23 financial statements. They highlighted that the board met its financial targets for 2022/23, achieving a small surplus of £229,000.

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# Summary

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- 4.** This report highlights concerns raised by a range of review bodies in 2022/23, in relation to the governance, leadership and culture of NHS Forth Valley and the progress the board is making in addressing these issues.
- 5.** In 2022/23, NHS Forth Valley delivered a break-even position, achieving an underspend of £0.229 million against its Revenue Resource Limit (RRL). However, the board experienced significant financial challenges, during the course of the year, due to ongoing capacity and staffing pressures, increases in medicine costs, ongoing Covid-19 legacy expenditure, delays in delivering recurring savings plans and inflationary pressures affecting costs.
- 6.** The board met its total efficiency savings target and delivered £29.3 million in 2022/23, but a significant proportion (£20.305 million) are on a non-recurring basis.
- 7.** NHS Forth Valley's financial plan for 2023/24 has identified an initial financial gap of £40.591 million, before savings. A residual deficit of £15.6 million remains after the total planned savings that have been identified. There is therefore a significant risk that the board is not financially sustainable in the short term. There continues to be an unsustainable reliance on non-recurring savings, and this is reflected in the board's three-year plan, which identifies an increasing level of savings required to break even. These financial challenges are not unique to NHS Forth Valley and are being felt by boards across Scotland.
- 8.** On 23 November 2022, NHS Forth Valley was escalated to stage 4 of the NHS Scotland Performance Escalation Framework due to concerns relating to governance, leadership and culture.<sup>1</sup> Concerns have been raised by Healthcare Improvement Scotland (HIS) and the National Planning and Performance Oversight Group (NPPOG) in relation to a range of performance-related issues, notably GP and primary care out-of-hours services, unscheduled care, mental health and integration. In January 2023, NHS Education for Scotland also reported concerns in terms of clinical supervision.
- 9.** In their letter to NHS Forth Valley to inform them of their escalation status, the Director General and Chief Executive of NHS Scotland said that while poor

<sup>1</sup> The Scottish Government has a five-stage escalation process to provide boards with additional support when they are unable to meet financial or performance targets. Most boards are at stage 1, which means that they are deemed to be performing steadily and are reporting normally. Stage 5 means that the Scottish Government deems that a board's organisational structure is unable to deliver effective care. On 23 September 2023, the escalation framework was renamed the NHS Scotland: support and intervention framework.

performance in any discrete area is of concern, they expect effective governance, strong leadership and improved culture to deliver sustainable change. Unfortunately, they had not seen the necessary leadership required to drive improvement in these areas of concern.<sup>2</sup>

**10.** Stage 4 escalation brings direct formal oversight and coordinated engagement from the Scottish Government in the form of an Assurance Board. An Escalation Improvement Plan was developed by NHS Forth Valley's Executive Leadership Team and agreed by the NHS Forth Valley Board in December 2022, with the aim of strengthening leadership, supported by effective governance and improved culture. A HIS Action Plan is also in place to address the requirements arising from HIS's unannounced, safe delivery of care inspections. Regular monitoring and updates have been provided on the actions in both plans.

**11.** The mid-year review from the Scottish Government, reported to the board in May 2023, confirmed they had received assurance from: the Assurance Board; the Chair of NHS Forth Valley's Board; and NHS Forth Valley's Executive Leadership Team, that the board's leadership remained committed to delivering the required change. It highlighted the importance of achieving the changes within the timeframe set out in the Escalation Improvement Plan and keeping staff, local people and their representatives informed of progress. It also highlighted that the board's focus should be on sustaining progress.

**12.** The Chief Executive announced her intention to retire from the board in September 2023 and an interim Chief Executive has now been appointed. There are plans to start the process for recruiting permanently to the Chief Executive role early in the new year.

**13.** The board is responding positively to the escalation framework, has put appropriate governance arrangements in place and has made progress in the months since agreeing the Escalation Improvement Plan. It is critical that progress is sustained, especially under the new leadership, with sufficient resources in place to drive forward the change needed.

<sup>2</sup> [NHS Forth Valley escalation status: letter](#), Scottish Government, December 2022.

# Findings

**14.** This report highlights concerns raised by a range of review bodies in 2022/23, in relation to the governance, leadership and culture of NHS Forth Valley and sets out the progress the board is making in addressing these issues.

## Financial management

**15.** The external auditor reported that NHS Forth Valley continues to have effective budget-setting and monitoring arrangements in place. This is supported by an experienced finance team and a robust independent internal audit function, as well as appropriate arrangements for the prevention and detection of fraud and error.

**16.** NHS Forth Valley delivered a break-even position in 2022/23, achieving an underspend of £0.229 million against its Revenue Resource Limit (RRL). A break-even position was also achieved against the Capital Resource Limit (CRL). While an overall surplus was achieved, this was through a combination of both over and underspends in key areas, including:

- An overspend of £3.23 million in acute services.
- An underspend of £1.355 million in corporate functions.
- An underspend of £2.245 million in ringfenced and contingent budgets.
- Within delegated functions, operational services reported an underspend of £5.336 million, which was largely offset by overspends of £5.558 million in universal services (ie, prescribing and family health services).

**17.** Significant financial challenges were experienced during the course of the year due to:

- ongoing capacity and staffing pressures (including temporary workforce costs to cover sickness absence)
- increases in medicine costs across both hospital and community settings
- ongoing Covid-19 legacy expenditure
- delays in delivering recurring saving plans

- inflationary pressures affecting energy costs and a range of contracts which are linked to Retail Price Index (RPI).

**18.** The board delivered total efficiency savings of £29.3 million (4.9 per cent of baseline funding) in 2022/23. This was largely in line with the savings targets set in previous years. While overall savings were achieved, a significant proportion (£20.305 million) are on a non-recurring basis.

## Financial sustainability

**19.** NHS Forth Valley's financial plan for 2023/24, after inflationary adjustments to costs and uplifts in funding, has identified an initial financial gap of £40.591 million, before savings, representing 5.4 per cent of the board's core Revenue Resource Level (RRL). Total planned savings identified are £25 million, £10 million (40 per cent) of which are expected to be recurring, with the balance relating to various non-recurring measures and one-off funding sources. A residual deficit of £15.6 million remains. The Scottish Government have asked boards to further develop plans to deliver 3 per cent recurring savings in 2023/24 and develop options to meet any unidentified or high-risk savings balances. This will prove challenging for NHS Forth Valley, and it is progressing work to identify further savings proposals.

**20.** In setting its 2023/24 budget, the board has recognised a number of risks, including:

- Potential delays in delivering efficiency savings due to the lead-in time needed, coupled with limited staff capacity to drive progress.
- Recruitment and retention challenges, impacting on continued use of bank and agency staff.
- Failure to implement Covid-19 exit strategies to ensure costs cease at 31 March 2023.
- Whole-system capacity and workforce pressures across the health and social care sector.
- Significant inflationary pressures.
- Affordability challenges regarding the introduction of new drugs and therapies.
- Financial pressures associated with the disproportionately high prison population in Forth Valley.
- The recurring funding gap associated with the full implementation of the Primary Care Improvement Plan if not addressed by the Scottish Government.

**21.** Overall, there remains a significant funding gap in 2023/24 where savings plans have not yet been identified. There is a considerable risk that the board is not financially sustainable in the short term. There continues to be an unsustainable reliance on non-recurring savings, and this is reflected in the board's three-year plan, which identifies an increasing level of savings required. These financial challenges are not unique to NHS Forth Valley and are being felt by boards across Scotland.

## NHS Scotland Performance Escalation

**22.** In November 2022, NHS Forth Valley was escalated to stage 4 of the NHS Scotland Performance Escalation Framework (now called the NHS Scotland: support and intervention framework) due to concerns relating to governance, leadership and culture. [Exhibit 1](#) provides a timeline of significant events surrounding the decision to escalate NHS Forth Valley.

### Exhibit 1 Timeline of events

Date	Event
6 & 7 Apr 2022	<p>Healthcare Improvement Scotland (HIS) carried out an unannounced, safe delivery of care inspection of Forth Valley Royal Hospital.<sup>3</sup></p> <ul style="list-style-type: none"> <li>HIS's inspection report highlights that, at the time of their inspection, NHS Scotland was experiencing a range of pressures associated with Covid-19, including increased hospital admissions and reduced staff availability.</li> <li>The inspection report states that during the course of their inspection HIS escalated a number of serious concerns to the NHS board on two occasions, in line with their escalation process. The first escalation related to the care of a patient where hospital staff had raised concerns around the patient's ability to consent to treatment. HIS found a lack of documented risks assessments and formal Adult with Incapacity Assessment.</li> <li>The second escalation related to increased bay capacity and the addition of a fifth bed within a four-bedded bay area. In addition, HIS raised a serious concern around the use of treatment rooms as non-standard care areas for in-patients. HIS also raised a serious concern relating to the NHS board's application of their own policies, their risk assessments on the placement of patients in these areas, restricted access in an emergency situation and the privacy and dignity of patients residing in additional beds and non-standard care areas.</li> <li>Throughout the inspection HIS observed staff working together to deliver patient care. However, some of the multidisciplinary team they spoke with expressed feelings of frustrations at staffing levels and the senior</li> </ul>

<sup>3</sup> [Forth Valley Royal Hospital - safe delivery of care inspection report: June 2022, Healthcare Improvement Scotland.](#)

Date	Event
	<p>leadership decision-making in relation to this, which they believed left wards short of staff and unsupported.</p> <p>As a result of findings from this inspection, HIS escalated a number of serious concerns to NHS Forth Valley, requesting assurances on the improvement actions that would be taken to address these concerns. Sufficient assurances were not received from NHS Forth Valley.</p>
<b>19 Apr 2022</b>	HIS carried out a return visit to Forth Valley Royal Hospital, and following that concerns were again raised by HIS around contingency beds and associated risks.
<b>May 2022</b>	<p>The Scottish Government's National Planning and Performance Oversight Group (NPPOG) met to consider the issues raised by HIS after their April inspections. Members of the group noted other performance concerns relating to NHS Forth Valley across a range of areas, including:</p> <ul style="list-style-type: none"> <li>• unscheduled care (NHS Forth Valley's performance related to the 4-hr emergency access standard has been variable but is consistently in the lower quartile for NHS Scotland)</li> <li>• out-of-hours (OOH) services (following a number of major concerns regarding the resilience of OOH services in NHS Forth Valley being identified, Professor Sir Lewis Ritchie carried out an independent review of progress in OOH services in October 2022 and made 12 recommendations)</li> <li>• mental health (NHS Forth Valley is performing below target in both psychological therapies and Child and Adolescent Mental Health Services (CAMHS))</li> <li>• integration</li> <li>• governance, leadership and culture.</li> </ul>
<b>27 &amp; 28 Sep 2022</b>	<p>Due to the serious concerns raised during their April 2022 inspections, HIS returned to carry out an unannounced follow-up inspection of Forth Valley Royal Hospital.<sup>4</sup></p> <ul style="list-style-type: none"> <li>• This follow-up inspection highlighted the limited improvement made against the nine requirements from their April 2022 inspection. The requirements that had not been met remained in place and in addition, there were a further 11 new requirements for improvement arising from this follow-up inspection.</li> <li>• These concerns included a deterioration in the procedures and processes for safe and fully risk-assessed 'contingency beds', specifically a fifth patient being hosted in a four-bedded area.</li> <li>• In addition, HIS observed patients being seated in corridors and other overcrowded areas for prolonged periods of time with fundamental care</li> </ul>

<sup>4</sup> [Forth Valley Royal Hospital - safe delivery of care inspection report: December 2022](#), Health Care Improvement Scotland.

Date	Event
	<p>needs unmet. HIS also identified concerns in relation to patient and staff safety in the planning for emergency fire evacuation procedures in areas with extreme overcrowding, such as the emergency department.</p> <ul style="list-style-type: none"> <li>HIS's inspectors identified instances of unsafe practice around medicines governance which could result in serious harm to patients. In addition, staff shared with inspectors their concerns about patient safety due to staff levels, skill mix and unsafe working conditions. They also described a lack of senior management oversight and a culture of staff not being listened to or supported by senior management.</li> </ul> <p>In response to further serious concerns identified throughout this follow-up inspection, HIS again initiated their escalation process. This was the third time HIS had escalated concerns about safety and quality of care at Forth Valley Royal Hospital since April 2022.</p>
<b>26 Oct 2022</b>	NPPOG convened for a special meeting. Members noted that the situation in NHS Forth Valley was of continuing concern.
<b>11 Nov 2022</b>	NPPOG re-convened and the decision to escalate NHS Forth Valley was taken. A letter regarding the escalation of NHS Forth Valley was sent to the Convener of the Scottish Parliament's Public Audit Committee and which was copied to the Auditor General. This letter stated that the decision to escalate NHS Forth Valley was taken following a consistent demonstration that the NHS Forth Valley leadership team had been unable to follow through with the transformational change required without additional formal support and monitoring.
<b>Dec 2022</b>	Direct formal oversight and coordinated engagement from the Scottish Government was implemented in the form of an Assurance Board (see paragraph 24). An Escalation Improvement Plan was developed by NHS Forth Valley's Executive Leadership Team and agreed by the NHS Forth Valley Board, and which sets out short-, medium- and longer-term actions, with the aim of strengthening leadership, supported by effective governance and improved culture.
<b>Jan 2023</b>	NHS Education for Scotland also reported concerns as a result of observing departments within Forth Valley Royal Hospital experiencing significant challenges, giving rise to serious concerns in terms of clinical supervision. <sup>5</sup>

## Response to escalation and progress

**23.** In their letter to NHS Forth Valley to inform them of their escalation status, the Director General and Chief Executive of NHS Scotland said that while poor performance in any discrete area is of concern, they expect effective

<sup>5</sup> Scotland Deanery, Specialty quality management visit report: [Forth Valley Royal Hospital - General Internal Medicine](#), NHS Education for Scotland, January 2023.

governance, strong leadership and improved culture to deliver sustainable change. Unfortunately, they had not seen the necessary leadership required to drive improvement in these areas of concern.<sup>6</sup>

**24.** Stage 4 escalation brings direct formal oversight and coordinated engagement from the Scottish Government in the form of an Assurance Board. This board is chaired by the Scottish Government's Director of Population Health, with the Assurance Board reporting to the Director General and Chief Executive of NHS Scotland.

**25.** A Programme Board, led by the Chief Executive of NHS Forth Valley, provides the direction and oversight to ensure delivery of the agreed actions within the Escalation Improvement Plan. The board membership includes the Executive Leadership Team (including the Employee Director) and Chair of the Area Clinical Forum. The Programme Board is held to account by the NHS Forth Valley Escalation Performance and Resources Committee and is also responsible for developing and agreeing formal progress reports to the Assurance Board on a monthly basis.

**26.** The Escalation Improvement Plan, which aims to strengthen leadership, supported by effective governance and improved culture, focuses on three key priorities:

- Putting patients first.
- Supporting staff.
- Working in partnership.

A HIS Action Plan is also in place, to address the requirements arising from HIS's unannounced, safe delivery of care inspections.<sup>7</sup>

**27.** Regular monitoring and updates have been provided on both the Escalation Improvement Plan (the Plan) and the HIS Action Plan. An update to the NHS Forth Valley Board, in March 2023, noted that all immediate and short-term actions in the Plan have been progressed with board members seeking assurance on implementation of these and the steps being taken to continue to update the Plan to ensure the delivery of sustainable improvement. Version two of the Plan, agreed in March 2023, sets out NHS Forth Valley's actions to respond to the medium to longer-term actions. An 18-week progress update in relation to the HIS Action Plan was also approved.

**28.** A Measurement Framework was also agreed in March 2023 to enable the board and its Assurance Committees to monitor and measure progress against key actions, timescales and outcomes as set out in the approved Escalation Improvement Plan. The Measurement Framework is intended to complement

<sup>6</sup> [NHS Forth Valley escalation status: letter](#), Scottish Government, December 2022.

<sup>7</sup> [Forth Valley Royal Hospital - safe delivery of care inspection action plan: February 2023](#), Health Care Improvement Scotland.

the Escalation Improvement Plan and describe metrics being used to provide evidence and to give assurance that improvements and/or corrective actions are being taken to support sustained, improved performance. It reports the progress being made against each of the priority areas: putting patients first, supporting our staff and working in partnership through the lens of the three escalated domains of leadership, governance, and culture.

**29.** This Measurement Framework does not replace key performance indicators currently used to monitor organisation performance. Implementation of the Measurement Framework is a key element for the board to be able to demonstrate that the actions being taken are improving outcomes. It will be important that the board can demonstrate it has the data systems in place to be able to capture the information to measure outcomes.

**30.** The board continues to report actions being taken to improve service performance, and in particular in the areas of concern raised by the NPPOG including unscheduled care, out-of-hours services, mental health and integration.

**31.** In response to the concerns raised around culture, leadership and governance, the following actions have been taken:

- NHS Forth Valley is about to embark on a Culture Change and Compassionate Leadership programme, based on a programme that has been successfully introduced within a number of NHS organisations across the UK.
- As a result of the escalated governance arrangements, the Chair of NHS Greater Glasgow and Clyde, has undertaken an independent review of the board and Assurance Committee governance arrangements. The terms of reference for this review were agreed by the board in January 2023. The review is intended to assist the board in identifying any improvements to their approach to corporate governance that will be required to address the range of performance-related issues included in the Improvement Plan. The report resulting from this review is due to be considered by the NHS Forth Valley Board in late November 2023.
- New performance management meetings have been put in place for board Directorates and Health and Social Care Partnerships to manage and monitor performance.

**32.** The mid-year review from the Scottish Government, reported to the board in May 2023, confirmed they had received assurance that the board's leadership remained committed to delivering the required change. It highlighted the importance of achieving the changes within the timeframe set out and keeping staff, local people and their representatives informed of progress. It also highlighted that the board's focus should be on ensuring progress is sustained over time.

**33.** The most recent NHS Forth Valley Board meeting papers from September 2023 included a draft minute of the Escalation Performance and Resources Committee meeting held on 15 August 2023.<sup>8</sup> The Committee had received an escalation update which included consideration and discussion regarding the Escalation Improvement Plan and a performance update.

**34.** The minute of the Escalation Performance and Resources Committee noted that the NHS Forth Valley Chief Executive discussed the previous Assurance Board meeting (July 2023). It was clear the key areas of focus for escalation would continue to be centred on the Executive Leadership Team's relationships and behaviours and how they lead, manage, and demonstrate shared organisational values in their everyday interactions with each other and staff. The minute also noted that the Chair and other members of the Assurance Board had expressed frustration at the pace to improve performance, implement the agreed actions and demonstrate improvement, however there was an acknowledgement that progress is being made and the board is now in a better place to support and deliver sustainable improvement.

**35.** Overall, the Escalation Performance and Resources Committee agreed it was assured that progress was being made subject to caveats in the following specific areas:

- The receipt and analysis of the report from the independent review of the board and Assurance Committee governance arrangements is the key action in relation to the governance domain.
- The Committee has not yet seen how the whole Measurement Framework knits together as a cohesive narrative and evidence base.
- It is not yet clear how overall improvement in leadership and culture will be evidenced.
- It is unclear whether it will be possible to achieve sustainable improvement in Urgent and Unscheduled Care.
- The projected rate of improvement in Psychological Therapies and, especially, CAMHS appears extremely challenging.
- Further work is required on supporting middle management to be comfortable with the 'Speak Up' service. This service provides a confidential, impartial service where NHS Forth Valley employees can discuss concerns in a safe space.

**36.** While leadership remained relatively consistent during 2022/23, the Chief Executive announced her intention to retire from the board in September 2023. An interim Chief Executive has been appointed, who was formerly Chief Nursing Officer for the Scottish Government and Chief Executive of NHS

<sup>8</sup> [NHS Forth Valley Board Meeting Papers, 26 September 2023.](#)

Grampian. There are plans to start the process for recruiting permanently to the Chief Executive role early in the new year.

## Conclusion

**37.** The board is responding positively to the escalation framework. It has put appropriate governance arrangements in place and has made progress in the months since agreeing the Escalation Improvement Plan. It is critical that sustained progress is made, especially under the new leadership, with sufficient resources put in place to drive forward the change needed. Implementation of the Measurement Framework is also a key element for the board to be able to demonstrate that the actions being taken are improving outcomes.

**38.** Some of the challenges the board faces are not unique to NHS Forth Valley and are being felt by boards across Scotland. The external auditor will continue to monitor the board's performance and will report progress in the 2023/24 annual audit report to be published next year. The Auditor General will report further to the Scottish Parliament's Public Audit Committee, if necessary.

# The 2022/23 audit of NHS Forth Valley



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