



OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit Committee

Thursday 29 February 2024

Session 6



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PUBLIC AUDIT COMMITTEE

7th Meeting 2024, Session 6

CONVENER

*Richard Leonard (Central Scotland) (Lab)

DEPUTY CONVENER

*Jamie Greene (West Scotland) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

*Graham Simpson (Central Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stephen Boyle (Auditor General for Scotland)

Cornilius Chikwama (Audit Scotland)

Amanda Croft (NHS Forth Valley)

Professor Frances Dodd (NHS Forth Valley)

Derek Hoy (Audit Scotland)

Janie McCusker (NHS Forth Valley)

Andrew Murray (NHS Forth Valley)

Kevin Reith (NHS Forth Valley)

CLERK TO THE COMMITTEE

Lynn Russell

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament Public Audit Committee

Thursday 29 February 2024

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Richard Leonard): Good morning. I welcome everyone to the seventh meeting in 2024 of the Public Audit Committee.

The first item on the committee's agenda is to decide whether to take agenda items 4, 5, 6, 7 and 8 in private. Do members agree to take those items in private?

Members *indicated agreement.*

Section 22 Report: "The 2022/23 audit of NHS Forth Valley"

09:00

The Convener: We will have two evidence sessions this morning. First, we will consider the Auditor General for Scotland's section 22 report entitled "The 2022/23 audit of NHS Forth Valley".

I welcome our witnesses from NHS Forth Valley, who have joined us in the committee room. Amanda Croft is the interim chief executive. Alongside her is Janie McCusker, who is here on her last day as chair of the board. You are very welcome—thanks for joining us. Andrew Murray is the medical director on the board; Kevin Reith is the director of human resources; and Professor Frances Dodd is the executive nurse director.

The committee has quite a number of questions to put to you. Before we get to them, I ask Amanda Croft to make a short opening statement.

Amanda Croft (NHS Forth Valley): I thank the committee for affording us the time today to speak to it about NHS Forth Valley.

In November 2022, NHS Forth Valley was escalated to stage 4 of the NHS Scotland performance escalation framework—which is now the support and intervention framework—as a result of concerns relating to governance, leadership and culture. Concerns were also raised in relation to the completion of the integration of health and social care in addition to a range of performance-related issues, notably in general practitioner out-of-hour services, unscheduled care and mental health—specifically, child and adolescent mental health services and psychological therapies. Further concerns were raised by Healthcare Improvement Scotland about patient safety at Forth Valley royal hospital and by NHS Education for Scotland about the clinical supervision of doctors in training.

In October 2023, NHS Forth Valley received a report on an external review of corporate governance, which detailed 51 recommendations. Prior to the publication of that report, work had already begun on a number of the recommendations. The report's recommendations were mapped against outcomes of the board's self-assessment survey, which was undertaken in September 2023 against "The Blueprint for Good Governance in NHS Scotland" to ensure that any outstanding actions were captured in the assurance and improvement plan.

NHS Forth Valley formally reviews the progress against the actions in that plan at executive level weekly and at board level monthly, and we have a specific escalation performance and resource

committee to do that. The Scottish Government reviews progress monthly at the assurance board meetings.

Significant progress has been made and continues to be made in several areas regarding culture, leadership, governance, integration, Healthcare Improvement Scotland actions and performance. Those are laid out in the paper that we shared with the committee prior to today.

Many of our actions in the plan are completed, and work across all the priority areas is embedded in existing and future plans, normal business arrangements and our governance process, in order to support continuous learning and improvement.

The Convener: Thank you. That is a useful introduction for us. Willie Coffey will ask the first question.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning to everyone. One of the issues that were raised in the Auditor General's report was the very high prison population in Forth Valley. You did not mention that, Amanda, but I want to give you the opportunity to share with the committee your views on the impact of having to deal with that disproportionately high prison population in the health board. What impact does that have on the health board's finances and performance delivery? I wanted to give you an opportunity to set the record straight for us.

Amanda Croft: I will say a few words and then ask Frances Dodd to come in on the specifics of the healthcare service for the prison population.

We have just asked the health and social care partnership to take on the responsibility for the operational management of prison healthcare. That is in line with the integration scheme. Over the next year, we will look at moving that into the integration joint board. That does not mean that the health board will not have a big input into that.

We are funded for the prison population that we currently have. One of our challenges is that we will start to receive more prisoners over the next few months. We are in conversations with the Scottish Government and the justice teams as well as the health and social care directorate about how we can continue to fund that. However, as far as the health service is concerned, we are currently managing the funding and financial issues in the prisons quite well.

I ask Frances Dodd to talk a bit more about the prison population and the healthcare service.

Professor Frances Dodd (NHS Forth Valley): We have a mixed population across the three prisons that we provide for in NHS Forth Valley. There are young people, women and men in our prison population, and we cover a range of health

services. We cover primary care services in the prisons as well as mental health services, speech and language therapy and dietetic support. A range of health services is provided to prisoners in the prison environment.

We are working hard to recruit and retain staff in the prison environment, and we have provided that workforce in innovative ways. We have open days in the prisons, which are supported by the governor from the Scottish Prison Service, and we have a try-before-you-buy scheme, in which we encourage people to join our staff bank to try prison shifts. We do that to ensure that we have the right environment and the right staff with the right skills and abilities to support prison healthcare. We also provide regular support for patients in relation to escalation to any hospital services. We work with our SPS colleagues to be able to do that. There is a full range of services.

There are challenges due to the ageing population in our prisons. We have responsibilities for long-term conditions management for the ageing population in prisons. However, we have access to the full range of healthcare provision for that.

We continually pay attention to the number and mix of prisoners in the population. We try to ensure that we have the right health workforce to support the needs of the healthcare population in the prisons, and we continue to refine that in the work that we do. We are doing a huge amount of improvement work in the prisons, and there is a focus on patient safety and the quality of care that we provide to our prison healthcare population.

That is all that I have to say. I am happy to take questions.

Willie Coffey: Amanda Croft said that you are funded for the prison population. However, you have nearly a quarter of Scotland's entire prison population in your health board area. Does that mean that you need additional, different and more demanding skills that other health boards might not need in order to deliver care for the ageing population that Frances Dodd described?

Professor Dodd: We have a mix of prisoners across Forth Valley. We have young people, a female population, a male population, people who have long-term conditions and an ageing population.

It is an evolving picture, and we have good representation with Scottish Government colleagues that allows us to connect into networks across Scotland and to identify what the issues are in our prison healthcare environment. The connections are good, we are well wired into the networks across Scotland, and we have a solid connection with Scottish Government colleagues. We also have a very good relationship with our

SPS colleagues. We work together collectively to provide the best support that we can for the prison population.

There are always opportunities to have conversations to ensure that we have the right resources to support individuals, with the size of the population increasing.

Amanda Croft suggested that we have moved responsibility over to the health and social care partnership. However, from a clinical and managerial perspective, and for the professional development of staff, we work hand in glove with the partnership to ensure that we provide the best healthcare that we can for the prison population. That is not without its challenges.

Amanda Croft: Because there are different types of prisoner in each prison, our healthcare delivery and the skill mix are slightly different in each prison. When prisoner numbers increase, as is happening at the moment, we have to review whether the healthcare service delivery is applicable to the prisoner type. We constantly do that in each prison. Young men and women will have needs that are different from those of prisoners with long-term conditions.

Willie Coffey: Does the additional burden that is caused by prisoner numbers have a direct impact on your financial performance?

Amanda Croft: Not that we are noticing at the moment. There will definitely be an impact as prisoner numbers increase. We have done some work on what that will mean, and we are in conversations with the Scottish Government about that.

Willie Coffey: Thank you very much. I hope to come back in later on as colleagues develop their questions.

The Convener: I want to take us to a couple of broader areas. The first is governance. In exhibit 1 in the section 22 report, the Auditor General notes that concerns about governance arrangements in the health board have been flagged since May 2022, when there was a Scottish Government national planning and performance oversight group report. The terms of the independent corporate governance review were not agreed for another eight months, in January 2023, and the outcomes of that were not considered by the board until November 2023. That seems to be an inordinate delay in addressing something that is pretty fundamental to the functioning of the board. Maybe Janie McCusker will want come in on that and explain why that timeline looks as it does.

Janie McCusker (NHS Forth Valley): If I may, convener, I will take us back to early 2020, when, as you are aware, the board was on an emergency footing. We were advised by the

Scottish Government to have more of an agile footing in relation to our governance arrangements, which the board did.

On 31 March 2020, we took to the board how we would operate during that timeline. We put in place revised governance arrangements for the board to meet monthly. We more or less stood down the committees, but we had the committee chairs convene to discuss matters that related to that timeline.

We reviewed that arrangement in June 2020 and reinstated the governance assurance committees. All the committees had met in full session by the end of 2020, and we had resumed by April 2021.

If I understand your question correctly, you asked about the governance review that was conducted in that timeline. That review was commissioned, and it was anticipated that it would conclude within three to four months. That did not occur. I do not know why it did not occur, because we were not carrying it out. I think that there were delays and that additional interviews were being conducted. Once the corporate governance review was undertaken, it came to the board as soon as we received it.

I do not know whether I quite understood your question.

The Convener: My question is: why did it take so long? Concerns about governance were flagged up in May 2022. Why did it take until January the following year for a review of governance arrangements to be established? Why did it take another eight months before the conclusions were considered by the board?

Janie McCusker: On governance arrangements that were flagged up, we as a board considered all those issues. Our committees addressed everything that was put in front of them. We were waiting for Professor Brown to finalise the review. We got the final report in—I am confirming the date—October 2023. As soon as we got that report, it went immediately to the board.

The Convener: It still seems to me that there were quite big delays between those different staging posts.

I will turn to another area that has been identified in a number of external examinations of the board, which is the culture of relations with staff. The particular recurring theme is that the views and voices of staff were not being listened to. Do you accept that finding?

Amanda Croft: I will come in first on that and then ask Kevin Reith and Frances Dodd to talk about the work that we have done.

We do accept that, and it is important to accept it. If staff are saying that, then that is how they are feeling. We have taken the matter very seriously.

Kevin can come in now, and I will then ask Frances to speak about the latest HIS report and inspection, in which HIS gave us some very good feedback about what staff were saying.

09:15

Kevin Reith (NHS Forth Valley): You will see from our submission that we have done significant work on culture. We have been progressing a huge culture change and a compassionate leadership programme, recognising that we want to make improvements in that area. We have done a huge amount of work engaging with staff across the organisation over 12 months now. We have done a great amount of diagnostic work in a discovery phase, which involved listening to our staff and their views and concerns. We have taken those into key themes for the organisation. At the tail-end of last year we were looking at bringing that together to develop feedback to staff and take that work forward with them.

It is very much about co-creation for us. Having heard our staff's views, we want to hear about how we can work with them to develop and deliver changes in the organisation and in our culture. Between now and April, we are working with our staff, taking that back to them to hear what they want us to do and to ascertain what we want to change.

We have referenced the whistleblowing and the speak-up work that we do. I have been on a number of boards, and I have seen great attention being given to whistleblowing in the organisation. We are very much about learning: it is a matter of continuing to learn how whistleblowing works. The standards have been new for all boards, and we have been considering the ability of our staff to raise concerns through the appropriate channels, and how they recognise that. As you will see in our submission, we have done some work to improve that. Frances Dodd may wish to comment on how we have developed the speak-up work and whistleblowing.

The Convener: You refer to the note that you sent us in advance of your appearance here today. There was a lot of managerial jargon in it, and it was quite long. When it came to staff relations, it mainly just discussed whistleblowing. We all accept that whistleblowing is part of a suite of ways for the staff's voices to be heard, but I would have thought that whistleblowing public interest disclosures were in extremis. As I read it, the point that is being made in the external reviews, including the HIS review, is that there are not good, normalised, routine communications

with the staff—including through the staff trade unions, I presume. I do not know whether Mr Reith, as the human resources director, wishes to comment on that.

Kevin Reith: I am happy to comment on that. When I came on board, there were already arrangements with a regular, monthly area partnership forum meeting—APF—with our staff-side representatives. I meet our senior staff-side colleagues and the employee director every fortnight. We have an open communication, and we explore early intervention—trying to get into issues before they become bigger. The APF has been a really helpful sharing platform, and I continue to attend it with staff. I meet colleagues every fortnight, and there is an open door for the employee director and staff-side colleagues to do that with me and other members of the executive.

We have embraced that approach in the way that we do our work. Like all boards, we have significant challenges to face in managing the financial pressures that are coming over the next year. We have been working with our staff-side colleagues every fortnight, on board with the executive, to consider how we bring their views into frame and how they give us feedback on how we communicate with staff. We are doing that work with colleagues in collaboration, and that has very much been part of our setting out our stall to do things differently.

The Convener: I am an old-fashioned trade union person. When you say that you engage with your staff colleagues, do you mean that you sit down with the national health service trade unions?

Kevin Reith: We do, yes.

The Convener: Partnership working is meant to be a hallmark of good working in the NHS in Scotland, and we are trying to understand the extent to which that has or has not been working.

Amanda Croft: At the most recent area partnership forum, the feedback that came back from our staff-side, trade union colleagues was that they felt that the visibility of the executive team was greater. They felt that we were working better, and they appreciated early engagement with them, which we have had on a number of things, particularly regarding the money. That is recorded in our partnership forum minutes, so that was not an informal statement. We are getting such feedback frequently now. In fact, one of the bits of feedback has been that people were finding themselves too busy, because we are engaging with staff very early.

That feedback is really important to us. I am asking colleagues for that to be a two-way thing. We will engage with them, but we need them to tell us what staff are saying, as they are closer to

staff. We are trying to create such a culture with our trade union colleagues, who are close to our staff—far closer than we are. We have noticed an improvement in that culture over the past few months, and they tell us that it has definitely improved. When Frances Dodd comes in, the committee will also hear more about the HIS inspection that happened a couple of weeks ago.

The Convener: Perhaps Professor Dodd could come in briefly on the point about staff relations under the HIS report. Other questions about the report are still to come.

Professor Dodd: Yes—no problem. When the HIS team members came in between 22 and 24 January for a follow-up visit on the inspections that they had undertaken in 2022, they noticed that the process for escalating staff concerns had significantly improved. Staff had commented that there was a much more open culture, they felt listened to, actions were taken and risks were mitigated. Staff on the ground gave that feedback to the HIS inspectors.

The HIS team felt that the safety huddles that we undertake through our normal business processes were much more open. They also felt that there was a psychologically safe environment in which our staff could voice their concerns, and that they were listened to. Staff were escalating the right issues through that route and they were then responded to through the same route. That was an affirmation of the work that we had been doing.

We have also been working across the nursing, midwifery and allied health professional communities to consider what psychological safety means to staff nurses, clinical support workers and physiotherapists, for example. We are trying to understand the conditions that we must create for people to be sufficiently comfortable to raise concerns, which perhaps they have not always been. Our leadership is working to ensure that those conditions are different so that people will feel comfortable to say when things are not okay. Our response to such matters, and how we work on them with staff, through our leaders' behaviours and role modelling, will reinforce people's understanding that it is safe to say that things are not okay in Forth Valley. That is what came through in the HIS inspection report.

The Convener: Thanks for that answer. Graham Simpson wants to come in on that line of questioning.

Graham Simpson (Central Scotland) (Con): Mr Reith, I will put this question to you. What would you say that you were getting wrong before?

Kevin Reith: In respect of our engagement with staff?

Graham Simpson: Yes. On the whole aspect of culture.

Kevin Reith: We recognise that we needed to give our staff better opportunities to understand how they could raise concerns.

I will go back to what Frances Dodd said. This is difficult for me. I am hesitating slightly because, since I joined the organisation in late summer last year, I have seen quite an open approach. That has been very much about the way in which we set out our stall and how we approach such issues. Amanda Croft's leadership style has been all about doing that—she has an engaging, open approach. When I joined, I was struck by how open our staff-side colleagues were in sharing their concerns with me. We then had the opportunity to ask, "What can we do to sort things? How can we fix this? How can we ensure that staff voices are heard?"

Partnership arrangements had certainly been missing in some of our areas. We have re-established those on the acute side, which perhaps had not been working as regularly and as consistently as we wanted it to.

I have seen a really open approach to the way in which we deal with concerns. Our staff-side colleagues appreciate the opportunity to have early intervention conversations, which are not just with me; they are with all our executive colleagues. We have the opportunity to ask, "What can we do before this becomes more problematic or creates more conflict?" That has been an element of our culture. I do not recognise some of what happened beforehand, because I was not there.

Graham Simpson: From what you have just said, when you came in, you could see problems that needed to be fixed.

Amanda Croft: Andrew, do you want to come in? You were here.

Andrew Murray (NHS Forth Valley): Good morning. I am Andrew Murray, medical director. I am probably the longest-serving board member, so perhaps I can give a bit more historical context.

I will start by saying that the difference between our previous relationships with staff and where we are now is like night and day. The work done through escalation, and on the outcomes of the various reports, has enabled us to gain momentum in engaging with them.

We were asked, looking back, from a cultural perspective, what we were getting wrong and what we were not acting on. There is probably a missing piece of the jigsaw between what Janie McCusker described, which was the governance-light peripandemic time, and the report that was commissioned. I agree that it took a long time for

that to be brought into the organisation and there was some frustration around that but, ultimately, it was an excellent piece of work that allowed us to make a meaningful impact with a lot of the recommendations.

However, a missing piece of the jigsaw was that, in 2021, there was an external review, known locally as the ED review, of the emergency department at Forth Valley royal hospital. The review was carried out by an external group of four former NHS executives. They widened the terms of reference to look at all aspects of governance. There was a reasonable amount of media coverage at the time and Scottish Government colleagues were also aware.

To be fair to us on the board, that review gave us a long list of recommendations, which turned into action plans. We worked through those diligently. A sub-committee was set up, which Janie McCusker chaired. We were attempting to correct many of the issues that had been raised in the findings. There is a read-across, which Professor Brown mentions in his report—he acknowledges the ED report.

Therefore, looking back, there is a longer history. Escalation does not come out of the blue. Escalation is the culmination of processes. We have talked about the HIS information and we have heard about the deanery information, but those alone were not why we were escalated. We were escalated for leadership, culture and governance and, as I said, there is a context to that.

Therefore, we had been working hard as a board to go through those action plans, but we had not managed to create the impact of the delivery. It really took Professor Brown's report and the escalation process for us to be able to start to transform. I go back to what I said at the start: where we are now compared to how it was like night and day.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I was going to ask a question about improving training for board members. Having read the Auditor General's report and the corporate governance review, frankly, I think that the level of incompetence in the board is breathtaking. There is no challenge and very little scrutiny and there seems to be no understanding of proper governance. To me, an induction for board members is an induction, rather than training. Board members should be chosen for the skills that they have and the expertise that they can bring to the board, and not because they come in needing training.

Is there a problem with our recruitment process for non-executive directors? This is not the first time that the committee has looked at problems

that have arisen in the public sector and found at least some issues with the way in which non-execs have approached a situation. I am not blaming the board solely—there are other issues—but I am focusing on the board. Is there a problem with our recruitment process?

Janie McCusker: As you are aware, the Scottish Government leads on the recruitment process for non-exec directors for health boards. The board is required to have some specific skill sets, such as in finance. We also now have a clinical governance non-executive director on the board. That requirement came in after my arrival. That was a key area and I wanted the board to have that skill set within the non-executive directors. Prior to that, we did not have that skill set on the board.

Therefore, the Scottish Government leads on the non-exec director recruitment, which is based on the skills that we might be looking for at a particular time, when we have the opportunities for recruitment.

With regard to Forth Valley, our non-exec representation could be expanded. When a non-executive director arrives, we have an induction package that we give to them. In 2021, we had an active governance training programme, which was run by NES. Previous governance programmes were run with the board prior to my arrival. We also have board seminars, which go into specific areas of the business in detail, building up the knowledge of the board's non-execs—whose primary role, as you are aware, is to provide scrutiny of the executive directors' delivery.

09:30

To return to your question, I am not sure that I am conversant enough to say that there is a problem. I have been involved in two recruitment processes led by the Scottish Government. I provided the criteria that we would have welcomed on to the board at that time. We were statutorily required to have those criteria, and I was able to recruit that skill set on to the board through that process.

Colin Beattie: I hear what you are saying—that training has been provided to the board over a period of years, that there is induction, and all the rest of it. However, that did not work so well. What is the point of training people and giving them all that guidance, when it appears on every side that that did not work and they did not take any notice of it? Where is the scrutiny? Where is the challenge?

Janie McCusker: Since I came on to the board, we have had some very strong non-exec directors who have provided scrutiny and challenge. When HIS came in, we challenged on that and we got

assurances at that time. However, HIS came back and deliberated otherwise—it said that we had not fully implemented its recommendations. Certainly, I provide a lot of scrutiny at the board, as do our other non-execs.

Colin Beattie: The governance review and the overall picture here at my desk do not look too good.

Amanda Croft: I am happy to come in. I joined the board in September 2023. I do not recognise that suggestion of a lack of scrutiny. I presume that that is because a lot of work has been done while we have been in escalation, but I do not recognise the view that there is such a lack of scrutiny at the board or in the committees.

Colin Beattie: I am pleased if the situation has improved but, as we are an audit committee, we look backwards. We look at what was, not so much at what is, and we try to get to the bottom of it—to drill down as to why something happened and how it can be prevented in the future. That is our role.

It appears that there have been significant gaps in governance. We want to get to the bottom of that and find out how we can ensure that it does not happen again, because there is a pattern—this has happened elsewhere, albeit not necessarily to the same extent. We want to know, therefore, whether there is an endemic problem. For example, is there a problem in the recruitment processes? We look at everything.

Amanda Croft: I will speak about Forth Valley. In mid-November, we brought in a board secretary, which Forth Valley had not previously had in a true form. The role of a board secretary is exactly to make sure that non-executives are inducted properly and have the right skills, and to support them with any development. I suspect that bringing that role into Forth Valley has supported our development around that. Obviously, I cannot speak for other boards, but those things have definitely improved in Forth Valley, because I do not recognise that suggestion of a lack of scrutiny since I came into post in September.

Colin Beattie: That is a relatively short time.

Amanda Croft: It is.

Colin Beattie: Again, when it comes to the board, I would like some reassurance that proper scrutiny and challenge are in place, because—hopefully—we have learned through all the deficiencies that have been thrown up both in the audit and in the corporate governance review. What sort of reassurance can we have that those deficiencies have been rectified?

Janie McCusker: Certainly, we are looking at strengthening and further conducting the active governance programme training for the board. The

board has undertaken self-assessment. Two sessions have been facilitated by an external facilitator, to identify areas in which we have been strong and areas in which we have been weak. Through the assurance improvement plan, we have put in place how we will strengthen that governance. That is absolutely there.

The 51 recommendations from Professor Brown's report will be incorporated in that plan. A lot of mapping of that piece of work has been done and we have a separate escalation assurance board to look at all that work. We are identifying the skill set that we have, where we need to strengthen that and where we need to strengthen any further induction, either by using existing mechanisms or anything else that we can bring on board. I absolutely assure you that that has all been taken into consideration as we work to strengthen that in future.

Colin Beattie: I will return to a point that I made before. Training is fine and necessary for a board when that is to keep members up to speed about new requirements or about how a process develops, but, when a board member is appointed, I would expect that person to have the skills, experience and ability to be a board member without needing a huge amount of training. If not, what is the point of appointing that person?

Janie McCusker: The majority of non-executive directors do not come from a health background. I certainly do not come from a health background. The system could be strengthened by having an induction programme—perhaps run by the Scottish Government—on key aspects of the business. That might be helpful.

We have access to online training systems, but it can take time to get into the business of an organisation. That is why we have succession planning, so that we do not have everyone leaving and arriving at the same time and so that there can be networking between existing and new board members to help them understand. It is a bit like having a mentoring system within the board. It is an informal system, not a formal one.

Colin Beattie: My understanding, based on evidence that we have taken in other meetings, is that each NHS board has unique characteristics because of the way in which it has developed, and that there is a need for each board to provide some familiarisation for directors coming in. That is normal: it is not unique to the NHS. Non-executive directors are appointed to the boards of many different types of private and public organisation.

Let me move on.

The Convener: We are against the clock. I will bring you back in, but first I will bring Graham Simpson in.

Graham Simpson: I have a few questions and will start with the current financial position.

You very helpfully shared a paper with local MSPs. It was a finance report dated 30 January and said that the current forecast deficit was then estimated at £10.3 million. The paper also said:

“It is highly unlikely that breakeven can be achieved without additional funding from the Scottish Government and/or a significant improvement in the Acute Services Division financial performance between now and the end of the year.”

Has there been any improvement since that paper was produced?

Amanda Croft: Our latest position is that we are now quite close to breaking even. That is mainly due to additional national resources coming from the Scottish Government. We do not yet know the exact figure, which would have to go through our board at the end of March before we can make anything public, but that is our current position.

Graham Simpson: The Government has basically offered to give you more money.

Amanda Croft: All boards have had some additional resources from the Scottish Government.

Graham Simpson: You think that that will help you.

Amanda Croft: We are quite confident that we will come very close to a break-even position.

Graham Simpson: I presume that you are still having to make savings.

Amanda Croft: Absolutely. The situation is very challenging for all boards going into next year. We are working on our financial plan for next year and, like all boards, we are looking at making a significant saving. We are in a very different position next year, and we are working on that. We are discussing that with the trade unions and we are working very closely with them, as there will potentially need to be changes in how we work and deliver services. The financial plan will be finalised at the board meeting at the end of March.

Graham Simpson: As we have heard previously, and as you mention in your paper, a large number of the savings are non-recurring.

Amanda Croft: Yes.

Graham Simpson: If that is the case, it is not very sustainable, is it?

Amanda Croft: No. I will be very honest with you: it is my experience in the health service—with quite a few years at director level and a few years as a chief executive—that that is how we tend to manage, although it is not the best way to do it. NHS Forth Valley is not escalated for money: in

recent years, we have never asked for brokerage, and we have always broken even. We are at the lowest rung of the ladder in terms of the escalation programme, which is because the internal and external auditors are reassured and have confidence in our processes. That does not mean to say that we do not have challenges ahead, and non-recurring savings are not the way that anybody would want to go, but that is the reality, I am afraid.

Graham Simpson: That essentially means that you will be facing this position every year, unless we can sort it out.

Amanda Croft: Yes.

Graham Simpson: So, every single year, you will be having to make—

Amanda Croft: Yes—and I am just glad I am not a director of finance.

Graham Simpson: You will have to make big savings.

Amanda Croft: Yes, absolutely. I am not being flippanant when I say yes. Unfortunately, that is how we have to work. We have a savings plan in place for next year, and you will know about the agency spend. I am sure that you will want to know more about that at some point. We want to bring that down, which would potentially bring recurring savings, depending on the workforce. It is a really complex area, as I am sure you would agree, and it is not a great position to be in year on year. Unfortunately, that is how we have worked for many years.

Graham Simpson: What is the implication of that for patients? They are the people who matter. Your staff matter, too, of course, but you are delivering for the public.

Amanda Croft: Absolutely. There continues to be a challenge, and that is why we have robust systems in place around patient safety and governance. Any change in a funding source is relevant. Our biggest challenge lies in getting the right workforce—which is not agency. All boards in Scotland are facing similar problems. I will not sit here and say that the situation will not impact on patient safety, but we have robust systems in place to try and ensure that patient safety and quality continue as we would want them to.

Graham Simpson: What is the proportion of agency staff that you employ?

Amanda Croft: I turn to Professor Dodd, please, and Mr Reith may wish to add something.

Professor Dodd: We are trying to reduce our agency staff numbers significantly. In the past few months, we have removed off-framework agency staff from a nursing and midwifery perspective—so we do not use any agency staff off framework.

Graham Simpson: What do you mean by “off framework”?

Professor Dodd: The agencies can come to us in a number of ways. There is a framework arrangement within Scotland, whereby we can go to certain agencies that broker into a certain framework payment. Other agencies that provided a workforce to us were off framework, and they did not stick within the rules of the framework. We have completely removed our off-framework staffing use in the past few months. We did that very quickly, with good governance control. I and my deputy sign off on any such shifts—that is the level of intensity at which we scrutinise that, ensuring that the quality and safety of care are not impacted and considering all the supplementary staffing solutions that we have in order to provide the necessary level of care for our patients and support for our staff so that they can do the right job at a time when we are under significant demand with the patients coming through the system.

That is one thing that we have done. We are now looking to see what we can do to maximise our recruitment, making sure that we use all the options that are available to us and that we are recruiting locally as well as internationally, in order to meet the challenges around the vacancies that we have.

09:45

We are looking to reduce the number of healthcare support workers whom we source from agencies. In the past month, we have reduced that number by 68 per cent. We are doing a lot of work in that regard. I sign off on the use of those workers in the in-hours period, and my executive director colleagues authorise their use in the out-of-hours period.

We are exercising good governance and control around all that, ensuring that we focus on the requirement for patients to be looked after well—staff wellbeing is a factor in that, too. We are aligning that with the number of staff that, from a professional perspective, we would expect to require in order to meet patient needs.

Graham Simpson: My question was about the percentage of staff members who are agency staff. Do you have that figure?

Professor Dodd: I do not think that I have that exact figure.

Kevin Reith: We would have to provide that offline. We are certainly looking at reducing the percentage. As Professor Dodd said, we recognise that the figure has been higher than we ideally want it to be. There is a stepped process to move away from that.

Graham Simpson: It would be interesting to see actual numbers.

Professor Dodd: It is a tiny proportion of our substantive staff numbers. I do not have the exact number, but I can get it to you.

Graham Simpson: The long submission that you sent contains a lot of jargon, one piece of which I want you to explain. Page 4 says:

“Through November and into December 2023, Forth Valley has undertaken a ‘firebreak’ or system reset aiming to decompress the Forth Valley Royal Hospital site”.

I do not know what that means. Can you explain it?

Andrew Murray: When I hear the sentence read out, I can see exactly why it might be a little mystifying.

The challenges with our unscheduled care performance are at the heart of many of the issues that our regulators and inspectors have picked up on. The HIS inspection focused on patients’ experiences of unscheduled care, and, in the Deanery visit that was mentioned earlier, NES picked up issues that had arisen as a consequence of those challenges.

In the past few years, Forth Valley’s system—by that, I mean the whole unscheduled care process, from people becoming unwell in the community all the way through to discharge from hospital—has struggled to deliver what it needs to for the patients. There are various ways that we can try to improve and data is a big part of that. We work closely with Scottish Government colleagues to understand our data and determine where they see potential for improvements. We recently worked with the NHS’s national Centre for Sustainable Delivery, where Government responsibility for unscheduled care is now based, and it has helped us understand the opportunities for improvement within our system.

I have just realised that what I am saying is quite jargony—I apologise.

Graham Simpson: Just speak in English, Mr Murray.

Andrew Murray: I will do my best—you can keep me on track.

The firebreak is another way of trying to reform and reset our system. In practical terms, it meant that senior managers, middle managers and everyone who could unblock decision making in unscheduled care downed tools in their day jobs and focused purely on what they could do to improve unscheduled care. That took us into a short-term, rapid improvement process.

We were trying to use the data to see what we could influence over that time. Fundamentally, we

learned a lot, but we did not transform the system, which was frustrating. We invested a lot of time in the exercise and we used the data as well as we could, but we struggled to unlock what we were trying to achieve, which was shorter stays for patients, better performance at the front door and so on. That was frustrating for us, as we had seen other systems—sorry; I am using that jargon again. It was frustrating because we had seen other health boards make progress by doing similar things: NHS Lanarkshire made some gains through the same process, and NHS Borders made some gains through doing something similar—a sort of kaizen thing. However, every system finds it difficult to sustain those gains.

We learned a lot, and the exercise helped to refine the next iteration of our unscheduled care improvement work, which involves the output from the firebreak, the CFSD data and our local improvement plans. That constitutes our improvement process for unscheduled care and our plans for how we can solve some of the long-standing issues within the system.

Graham Simpson: I am not sure that I am any clearer.

Andrew Murray: I can try and refine it, if you have a follow-up question.

Graham Simpson: I am happy to leave it there.

Jamie Greene (West Scotland) (Con): Mr Murray, did you say that you are the longest-serving member of the board or just the longest-serving member who is here this morning?

Andrew Murray: I would need to double check, but I am pretty sure that that is the case. Yes, Janie McCusker is confirming that.

Jamie Greene: Please do not take this question personally but, as the longest-serving board member here, you saw your health board escalated to level 4. That is one off from level 5, which is the most serious level and effectively means that the Government has no confidence in the board at all to deliver effective and safe care to patients. Level 4 is almost there. How could the board—collectively and individually—over a number of years have let things get to the stage at which the Government has had to intervene in such a fashion? Surely, the board, on an on-going basis, would be monitoring and auditing processes, outcomes and practices. If it was a private business, it is difficult to see how you would be sitting here this morning.

Andrew Murray: I have done a lot of reflection on how I could have worked differently and what I could have contributed that might have helped us to move forward more effectively and sooner.

As I alluded to, we could go back and consider a period of years. The issues are clearly set out in

Professor Brown's report. He identified a lot of the key issues about how the executive leadership team struggled to build trust and to function. That is documented in the summaries and the recommendations that he provided. We went through several attempts—formal development processes—to see whether we could improve that performance. Then we had the external report in 2021, which I mentioned, and which was referred to by Professor Brown. Again, that identified leadership, culture and governance issues. In retrospect, you can say that there were some red flags. Looking back, the frequency with which the team had to go through formal organisational development to try and build relationships was telling the wider board a story.

Speaking from the perspective of the executive team, I know that there was a desire to try to work as professionally as we could through those challenges to allow us to be able to reach collaborative decisions that were in the best interest of patients. That was a feature of that period of time. We were trying to be as professional as we could through that, because our role is to work through the challenges, but the issues became increasingly apparent. As I said, looking back, those dots can be joined fairly clearly.

The agencies that have been mentioned and that had a view of NHS Forth Valley also provided us with reports and feedback. There is a national process called shared intelligence, in which agencies come together, review all the data and provide a view of the organisation. The process applies only to health boards, which are not part of the review. Nothing really came from that process, which involved HIS and Audit Scotland—there is a group of agencies that come together to assess an organisation. I do not think that the regulator is involved. I looked back at some of those reports and nothing was ever really identified as being an issue in NHS Forth Valley. However, those of us who were in the system were certainly experiencing some of the difficulties and challenges.

Jamie Greene: We are very short on time, and I want to move on. Surely the proof would have been in the pudding, and as Mr Simpson said, outcomes for patients are what matter. Could you see a pattern of deterioration in outcomes? For example, your four-hour emergency access compliance is down at 50 per cent, which is way below the Scottish average and that dropped considerably over a period of time. Surely, all those performance issues in relation to the CAMHS statistics, the out-of-hours GP access and the 18-week waiting times for referral for psychological assessment would have been massive red flags to the board that it was in danger of escalation.

Andrew Murray: I think that they were, and I think that Janie McCusker is concurring.

The escalation process seems to have worked. I noted previously that the systems of regulation and checks and balances seem to have worked. I will go back to what I said earlier. The culture, certainly within the senior leadership team, is significantly different, and we are now making decisions that will benefit patients.

Looking back, there were real difficulties. The four-hour emergency access standard is measured at the acute site. There were real difficulties with the leadership within that particular site; for a long period, it was very inconsistent. We were really struggling, and that goes back to the comments earlier about the culture and the staff. That site had not had the support that it needed in order to deliver, and that was known to all of us within the board. I was watching our four-hour emergency access standard deteriorate and I was briefing the board on that. It was also about the patient harm that occurs as a result of people waiting more than 12 hours in the emergency department. There is a recognised association with mortality—people die as a result of waiting. Those are weighty subjects. I was also taking professional advice from senior medics within Government and telling them that I was seeing that situation happening, seeing the deteriorating picture and seeing a team that was not able to take the corrective action to improve that. It was probably that softer intelligence that resulted in the escalation process being triggered. It is absolutely regrettable that we had to be escalated in order for us to be able to make an impact and bring some of the benefits for patients that we were describing.

Jamie Greene: Can I move on to the present day? We could spend a lot of time on retrospect, but I am sure that lessons will be learned and that there is a lot of personal regret in the executive leadership team.

Ms Croft, where are you currently with some of the service improvements? It is still looking quite grim for patients in Forth Valley with regard to waiting times across a number of key metrics. At the risk of my questions needing a lengthy answer that we do not have time for, what are some of the steps that you are taking right now to improve, for example, performance with regard to the four-hour A and E turnaround and 18-week referrals for mental health assessments? What are the limiting factors? We have talked about workforce and finances, but what key barriers exist right now to making immediate improvements so that you can de-escalate out of level 4?

Amanda Croft: I will be really brief and high level, but I am happy to share detail in writing, if that is helpful.

Jamie Greene: What are the key take aways, so that a member of the public who is watching this meeting can have confidence in what is happening?

Amanda Croft: The key take aways are that our CAMHS performance, as of January, is the best in Scotland. Our psychological therapies performance has improved and is in the pack, as we call it. I am sorry—that is another bit of jargon.

Jamie Greene: It is at 64 per cent, against a target of 80 per cent, so it is still—

Amanda Croft: I have probably got more up-to-date information. Performance for psychological therapies is definitely workforce related and it will fluctuate as the workforce fluctuates. It is a very specialised area but it is about where the team was and where it is now.

I will not talk about the four-hour A and E target, but Andrew Murray might wish to come in on that.

Our out-of-hours GP services have improved greatly. The fill rate has improved up into the 90s. I think that that is correct, Andrew. There is a session next week with Sir Lewis Ritchie—who supported that work—to close the work off, because the performance is very good.

In many of the areas of planned care, you will note that Forth Valley is probably one of the best performing boards. I will not go into detail, but I am happy to supply you with that information.

I will tell you what the key issues are and what we need to do. We need good, strong leadership across the system, which means good general management leadership and good clinical leadership at nurse director and medical director level. We need the system to work as a whole; we need to work not only with the acute sector on the four-hour target but with our primary care colleagues, our integration joint boards and our health and social care partnerships. We will not do this alone as a health board. That is the work that we continue to do. Since I have been in post, I have seen a huge improvement. I am happy to supply more detailed data on the performance on access and waiting times that you require.

10:00

Jamie Greene: It would be great to have any additional updates that you can provide.

It is interesting that much has been mentioned about workforce issues, and we have talked in great detail about the importance of executive leadership. The other key finding from the external review of corporate governance is about the

“root cause of many of the significant challenges”

that you face as a health board. The review states that one root cause is

“the failure to agree an appropriate business model for the delivery of integrated health and social care services”.

We have not spent a lot of time on that aspect this morning. Have things improved?

Amanda Croft: Absolutely. When integration was first introduced, one of the key things that boards were asked to do was to transfer services. I mentioned our prison healthcare services, which we have just transferred over to the integration joint board. It is a very complex system—I will try to avoid using jargon—and our mental health, primary care and GP out-of-hours services, which were sitting with the health board, have moved over to the health and social care partnerships.

The two chief officers that lead the integration joint boards are very much part of our executive team; they are involved in every decision. We do not make decisions that will impact on primary care or health and social care partnerships and vice versa. They will be included in our conversations on financial savings plans.

We also work closely with our local authorities. Forth Valley as a region has decided to have one anchor board institution, which is about community wealth growing. We could have four such institutions in Forth Valley, because we have three councils and one health board, but we have agreed to have one. That is a real signal that we are talking to each other and working well together. We are talking about the resources that we have collectively and how we can work with them differently.

I could go on and on, but I am conscious of time.

Jamie Greene: That is fine. My parting question is for Ms McCusker. It is your last day in the job as chair. What would your advice be to the incoming chair?

Janie McCusker: My advice to them is that they should ensure that they are made aware of all the issues that perhaps led to where we are today, and that they understand and are briefed in more detail on what has gone on and how that is being addressed. It is important that an incoming chair is made aware of the historical issues that needed to be addressed and that they focus on continuing the trajectory of progress that the board has made.

Willie Coffey: Amanda Croft, I listened to your comment about the progress that has been made on the 51 recommendations. When colleagues were asking questions, I was able to take a look at your escalation update report, which was given to the board only a month ago. It says that five of the recommendations have been completed, but you said that many of them have been completed. It

also says that 14 recommendations have been moved into an assurance and improvement plan but that 32 are still outstanding. Would you mind clarifying what the actual position is for the committee?

Amanda Croft: Certainly. Again, we will definitely have more up-to-date information, and I am very happy to supply that. We are just about to take another assurance board paper to the Scottish Government assurance board meeting. I get confused with all the meetings.

The current position is that we have completed 89 per cent of the actions, which means that we still have open five high-level actions. One thing that we have learned and had feedback on from the escalation committee is that we were concentrating very much on enabling actions. Sorry—I am using jargon again. Those are actions that allow us to close off a broader action. We have carried out a huge amount of work over the past three weeks on that. We have closed off a lot of actions, which does not mean that we are stopping the work; the work will continue as part of our normal business.

It is fair to say that many of the actions from the external review and other reviews—I think that you commented on the number of reviews that NHS Forth Valley has had in the committee’s last meeting on the issue—I have forgotten what I was going to say. Sorry, but I have lost my train of thought.

Five actions are still open. Those involve some of the culture work and some of the governance work. The main bit of work on governance is embedding an assurance framework. That is more jargon, but all boards have an assurance framework, which means that all their processes align to one framework, and it tells you how one committee relates to another committee and how those relate to the board.

All the leadership actions are closed, but five high-level actions are still open on culture and governance.

Willie Coffey: Your board paper said that you had completed only five actions. That is a huge jump in one month.

Amanda Croft: The latest paper explains that.

Willie Coffey: Okay. Who reviews that performance in order to be assured that the picture is genuine? Who does that verification?

Amanda Croft: The board has an escalation, performance and resource committee meeting every month—we had one of those one or two weeks ago. The Scottish Government has an assurance board meeting every month as well.

The executives look at everything every week. We supply the information, which we go through and scrutinise whether we have closed off an issue. The board has its monthly escalation, performance and resources committee, but we also discuss some of the actions in other relevant committees of the board—for example, the staff governance committee. The culture work is discussed in the clinical governance committee, as are patient safety and HIS work. A number of committees accumulate in the escalation committee, which accumulates in the assurance board at the Scottish Government.

Willie Coffey: Are you confident that 89 per cent of the recommendations are completed?

Amanda Croft: Yes.

Willie Coffey: Thanks. I leave it at that.

The Convener: Before we finish up, I will take us back to the report that was produced 22 months ago by Healthcare Improvement Scotland following its unannounced inspection. For example, it reported that it had found a

“lack of documented risks assessments”;

and that

“the addition of a fifth bed within a four bedded bay”

created what it felt to be a breach of standard operating procedures; and so on. There were quite serious allegations about patient care.

HIS also spoke about the vacancy rate as being very high within certain staff groups, such as the registered nursing staff group, in which the vacancy rate was more than 10 per cent, and the medical staff group, in which the vacancy rate was 13.76 per cent.

Will you address those issues in turn and tell us what progress you have made in 22 months?

Amanda Croft: Yes, definitely. I go to Frances Dodd first, after which, I am sure, Kevin Reith and Andrew Murray will want to come in.

Professor Dodd: As I suggested earlier, we had a return visit from Healthcare Improvement Scotland at the end of January. I worked with the inspection team. We have not had the team’s final report. We are working with it to give additional information, in accordance with its methodology. However, in its initial feedback, the team has suggested that it did not escalate any concerns around the care and safety that are provided to patients during that time.

The Convener: Are there still five beds in four-bedded bays?

Professor Dodd: Yes, there are.

The Convener: There are. Okay.

Have you carried out all the risk assessments that were required?

Professor Dodd: Patients who are in a fifth bed in a four-bedded room are risk assessed every day, throughout the day. If the condition of those patients changes, that is escalated through the staff safety huddle—we talked earlier about the staff being comfortable to raise those concerns. If we are unable to mitigate the risks, we try to move the patients out of those areas as quickly as possible.

However, in order to deal with demand, we continue to rely on contingency beds to support the flow of patients through the Forth Valley royal hospital site. That is similar to the position in a number of hospitals across Scotland. We have risk assessments; patients are assessed every day; there is senior professional support to reassess them if any concerns are raised by staff; we have a flow system in the hospital to move patients out of those situations wherever possible; and the infrastructure to support patients in those fifth beds in four-bedded rooms has been significantly improved through the equipment and support that we provide.

No concerns were raised at all about the care that was provided during the inspection visit. I came on to the board in October 2022, and the previous inspection visit had been in September 2022. The same inspectors revisited us in January this year, and they saw a significant improvement in the safety of care—there were no concerns around patient safety during that visit. They saw a very calm environment in the emergency department and in the acute assessment unit. During the three days that the inspectors were there, the environment was very busy, but they said that it was calm and well led. The staff commented that there was great leadership visibility, and they said that they were able to raise their concerns.

The inspectors spoke to a number of patients throughout their visit. The patients recognised that they were in a busy environment, but they had no concerns about their safety or the care that was being provided to them, and they gave very favourable feedback on that care, even in the context of an incredibly busy emergency department and acute assessment unit.

The Convener: Where are we with staff vacancy rates and so on?

Kevin Reith: The vacancy rates are certainly now below the level that they were at that time.

We have been doing a number of things. We have been doing on-going tracking and speeding up the process to get recruitment in place. We will be below 10 per cent for those main groups. We track and monitor against other boards in relation

to staffing levels for nursing, midwifery and allied health professionals on the medical side of things. I am confident that we would be in the mix—I do not want to use the phrase “in the pack”—with the same sorts of averages that other boards have. Vacancies are a challenge, as we recognise, but we have been doing some work recently on our funded establishment and tying that in with our financial work to ensure that we understand where all our vacancies lie.

The other part of that involves getting the process right. We have been doing some man-marking, as we call it, to ensure that all the vacancies in the system are being progressed rapidly. We have definitely made improvements. That work is on-going.

The Convener: As has been suggested by other members of the committee, it might be useful if you could follow that up in writing with some more up-to-date information, so that we have that data on the record.

My final reflection follows on from the deputy convener’s previous salient question. Three of you are very new to what are very senior positions in the health board. Did the people who left go through any kind of exit interview?

Kevin Reith: Yes, we have had exit conversations with everybody. Those will have been different in every case. We are looking at lessons learned from all that, and we will be reflecting that back in.

We have been trying to consolidate; we do not want interim arrangements. The work that we are doing now involves consolidating the team in the best possible way. We have filled spaces where we have needed to get traction, and that has helped us to move the agenda forward. There are on-going conversations, reflecting on those who have left us or moved on and on changes that have been made at the executive level.

The Convener: Okay, but my question is this: is there a formal process whereby somebody who leaves the health board—who has been the chief executive or who has been in a senior HR role for a number of years, down to those nursing staff who have left, who have now created vacancies in the system—

Kevin Reith: There are two parts—

The Convener: Let me finish, please.

Kevin Reith: Sorry.

The Convener: My question is: do you have systems in place to understand why nurses have left the health board’s employ, why the chief executive left the board’s employ—I know that it was retirement in that case—and why other people in senior posts have left? You are the new

team. Were interviews carried out to capture and record the reasons why people left?

Kevin Reith: There are two parts to the answer. First, we have in place an exit interview arrangement, and everybody has the opportunity to have an exit interview. We have had conversations with our colleagues in the trade unions, recognising that improvements could be made in that space. Not all of them are happening, but we want there to be more consistency.

Secondly, for the senior levels, we would probably do things slightly differently, with a more detailed, one-to-one interaction, reflecting on what we can learn from that experience.

The Convener: The last word goes to you, Janie McCusker.

Janie McCusker: I am aware that that is offered to anyone who wishes to depart the health board, but I am also informed that that is a confidential process, so the lessons learned have to be kept in a confidential space. We could perhaps consider how we can transfer some of that to ensure that we get the overarching thematic areas of understanding improvement—as opposed to specific areas.

10:15

The Convener: Do not misunderstand me: I am not asking you to send us copies, with people’s reasons for leaving, as a matter of public record; I am just asking whether, as a matter of good practice, you are monitoring those reasons so that you can establish if there are trends or other things.

Janie McCusker: Yes.

The Convener: We have been speaking about whistleblowing, for example. I am just asking whether, if there are cultural issues that mean that you are not able to retain staff at any level, you are able to monitor that.

Janie McCusker: Yes.

The Convener: We are now bang out of time, and I am sorry that I was not able to bring you back in. If there is something pertinent that you want to draw to the attention of the committee, please feel free to capture it and put it in a written submission after today’s session. We would appreciate that.

I thank Amanda Croft and Janie McCusker. I wish you a happy post-Forth Valley NHS Board life. I also thank Andrew Murray, Kevin Reith and Professor Frances Dodd for contributing to this morning’s evidence session, which has been greatly appreciated.

I suspend the meeting to allow for a changeover of witnesses.

10:16

Meeting suspended.

10:18

On resuming—

“Decarbonising heat in homes”

The Convener: The second half of our agenda today is an examination of a briefing paper that was prepared by the Auditor General for Scotland, “Decarbonising heat in homes”. I welcome our witnesses, all of whom are from Audit Scotland. We have the Auditor General, Stephen Boyle; Cornilius Chikwama, an audit director; and Derek Hoy, an audit manager.

We have a number of questions. Before we get to those, I invite the auditor general to make an opening statement.

Stephen Boyle (Auditor General for Scotland): I am pleased to bring to the committee my report on the Scottish Government’s plans to decarbonise heating in homes. Around 15 per cent of Scotland’s overall greenhouse gas emissions come from 2.5 million occupied homes. Reducing emissions from heating our homes will make a significant contribution to meeting Scotland’s 2045 net zero target.

My report considers the actions that relate to housing in the Scottish Government’s “Heat in Buildings Strategy: Achieving Net Zero Emissions in Scotland’s Buildings”. My report looks at the scale of challenge that the Scottish Government faces in reducing emissions from heating homes, what steps it has taken so far and what is still to be done.

The Scottish Government’s approach focuses on two things. First, it intends to scale up its long-standing work to improve the energy efficiency of Scotland’s homes. Secondly, by 2045, it is targeting the mass switch away from carbon-emitting systems, such as gas boilers, to cleaner heating systems, such as heat pumps. However, the scale and pace of activity must increase significantly if the Scottish Government is to realise its ambitions.

The Scottish Government is working to create the right conditions now to enable households to make the changes that are needed, but it faces significant risks. It is a complex process that relies on several stakeholders, including the public, private sector investors, industry and the UK Government. Interrelated factors, such as new legislation, public and private investment, supply chain growth and infrastructure development are all key to its future success.

The Scottish Government has laid some of the foundations to enable it to move forward with its plans, such as developing governance arrangements and increasing the capacity of its heat in buildings programme team. It now needs a

clear plan of action to take forward the delivery of its heat in buildings strategy.

The Scottish Government has estimated the total cost of decarbonising heating in Scotland's buildings to be around £33 billion across the public and private sectors and households. Some £1.8 billion of public money has been committed over this parliamentary session. The Scottish Government must ensure that it achieves value for money from its investment, and it must work effectively with the private sector to ensure that funding and finance are available for home owners and industry to support a large-scale change in how we heat our homes.

Cornilius Chikwama, Derek Hoy and I look forward to answering your questions.

The Convener: I will pick up straight away on governance arrangements, which was one of the themes in that introduction. In the report, you say:

"The Scottish Government should: finalise governance arrangements for the Heat in Buildings Strategy programme as soon as possible".

That is the expression that you use—there is a degree of urgency. That seems to be instructive, when we look at some of the dates in the report and the scale of the challenge that is to be met by those dates. Can you tell us what governance arrangements the Scottish Government needs to finalise at this stage?

Stephen Boyle: Yes, I am happy to do that. I will pass to Derek Hoy in a moment to take the committee through some of the history of the governance around net zero in the Scottish Government and some of the emerging plans in Government.

There is some recent history. If you will allow it, I will reflect on our report from the summer, in which Audit Scotland reviewed the overall governance arrangements with regard to the Scottish Government's net zero ambitions. I am paraphrasing slightly, but I noted that the Scottish Government's net zero department was relatively slow to have clear structures for how it wished to deliver its ambitions.

There has been progress since then, but I agree with your assessment that there is a degree of urgency, given the scale of change that is required. Having effective governance arrangements, alongside a clear and tangible plan, is one of our central recommendations in today's report. The strategy is there. We are aware that there is complexity and uncertainty with regard to the current consultation on a future bill, which might change some of the targets and how the Government will deliver its ambitions. However, that needs to be rooted in a clear set of governance arrangements. Derek Hoy can say more about where the Government is going next.

Derek Hoy (Audit Scotland): A lot of progress has been made since late 2022, when a new programme director joined the Scottish Government's heat in buildings team. Filling that role has allowed the team to make good progress in deciding what the governance arrangements will be.

I would not want to go into too much detail about the actual arrangements, because they were very much a work in progress when we spoke to the Scottish Government; it might be best to speak to the Scottish Government to get more details on how they are taking shape now. An overarching programme board and an independent strategic advisory group were ideas that were being discussed or set up at the time, but it might be best for the committee to speak to the Scottish Government to get an update on the arrangements.

We took assurance from the pace of work since the programme director came into post. A lot of work had been done in the interim period, and I do not expect that it will take much longer for the arrangements to be finalised.

The Convener: Okay, but a recurring theme has come out in the report. The third recommendation in the report talks about the need to

"identify the staff numbers and skills"

required. It sounds as if a good old-fashioned workforce plan—which we speak about a lot at the Public Audit Committee—is needed. Is that in place? If it is not yet in place, what arrangements are under way to ensure that it is? Where are we on progress with that?

Stephen Boyle: As Derek Hoy mentioned, the Government has made progress, certainly since we produced our more overarching report in summer last year, on staffing up its net zero department. As the committee heard in evidence from the director general, the workforce plan is now in place and there is a clear direction of travel in the Scottish Government on how to get the right people in the right place to deliver on its ambitions.

Before I go back to a couple of specifics on governance, I note that there is a recognition in Government—quite rightly—that those aims cannot be achieved by one directorate and, more broadly, that the Scottish Government cannot deliver its net zero ambitions by itself. There is a complex chain within which it has to encourage individuals' relationships with other parts of the public sector and with the private sector to get that right.

You mentioned one of the recommendations, convener, which is intrinsically connected to the other recommendation that I touched on briefly.

The strategies are there, but those have to be underpinned by a clear delivery plan with regard to what actions will be taken to support the implementation of the strategies.

I will draw out one other point that we make in the report, on governance, at paragraph 33. Since November, the Government has put in place what it refers to as a monitoring and evaluation framework to support the implementation of aspects of public reporting on progress of the heat in buildings strategy. It will need to keep that under very close review, accompanied by a clearer and more overarching delivery plan.

Some progress has been made, and a workforce plan is part of that, but, given the scale and complexity of the programme, there are key steps to take over the next five, 10 or 20 years to deliver it successfully.

The Convener: Have you had an opportunity to evaluate the evaluation framework? Do you have any sense of whether the monitoring and evaluation framework that was published back in November will be up to the job that has been set for it?

Stephen Boyle: Given the short space of time between the publication of that framework and the publication of our report, we have not taken a view on its adequacy. Otherwise, it is fair to say that we will continue to engage clearly with that through our audit work, both in the audit of the Scottish Government and in further public reporting that we will undertake on progress towards net zero, and it will be part of our assessment in due course. However, we have not yet formed a view.

Ultimately, it is for the director general, together with Scottish Government colleagues and non-executives, to be satisfied that the framework is appropriate to assist their progress.

The Convener: The other thing is a delivery plan, is it not? I think that there is talk of the production of a delivery plan by the end of this calendar year. Do you consider that to be a reasonable timescale, or is it coming too late, when you look at the timescale and targets that have been set? What is your opinion on that?

Stephen Boyle: The end of 2024 is the date that we put in the report. Weighing up the number of variables that exist, and the complexity, there may be changes to some of the timescales following the conclusion of the consultation on the bill, so there has to be a degree of space—I think that we are talking about a number of months—to take stock and translate those findings into a clear delivery plan.

I do not think that that detracts from the overall sense that there is some urgency to this. You will see from other parts of the report that, despite the

importance that the transition to clean heating systems will play in delivering net zero ambitions, that has not happened at pace thus far. That has included aspects of the establishment of the team and the governance arrangements. All those have to be pointing in the right direction and moving at the right pace. We feel that by the end of 2024 would be about the right timescale for producing the delivery plan. We would start to be more concerned if it were to drift beyond that.

10:30

The Convener: I do not know whether you have—or are willing to state on the record—a view on the dilution of targets in some cases and their abandonment in others. The original target was that, by 2030, 1 million homes out of the 2.5 million in Scotland would be converted, and that we would see a complete phasing out of all new gas boilers by around those target dates. We would also have 22 per cent of heat being generated by renewables; that percentage relates not to the number of households but to the measure of heat. All those targets seem to have been dropped.

Stephen Boyle: You are right to say that. Our report makes similar reference to those changes and to amendments to aspects of the targets that have been indicated in the current consultation on the new bill.

Our report also draws on the views of subject experts who have assessed the Scottish Government's likely progress in delivering its interim and eventual net zero targets by 2045. The most notable of those is the Climate Change Committee, which has expressed reservations about the pace of progress that the Scottish Government forecasts it will make. It is clear that delivering the interim targets by 2030 will be incredibly challenging. That is all the more reason for putting in place effective arrangements now if the overall target is to be delivered by 2045. That will be stretching, given the scale of change that will be required over the next 21 years. There is clearly work to do here.

The Convener: Your report certainly indicates that you are calling into question some of those targets. There is also a credibility question, about whether the scale of change is sufficient. There are 2.5 million households in Scotland, but you refer to only 26,000 households having had heat pumps installed. That represents a completion rate of around 1 per cent, which, by my rough arithmetic, leaves more than 98 per cent of households having not had those conversions.

Stephen Boyle: That is one of the most fundamental points in our report.

Please allow me to delve into history for a second, convener. It is probably fair to say that, in the 2010s, the Government's focus was on improving the insulation quality and energy efficiency of Scotland's homes. Our report says, fairly, that it made pretty reasonable progress in that environment.

However, to deliver the Government's net zero targets, decarbonising heating systems had to become the next phase. Our judgment was that the Government was slow to make a change in its focus on resources on that aspect. That is probably borne out by the statistics that you mentioned, convener. The rate of installation of heat pumps has been in very small numbers that pale in comparison with the overall target of 80 per cent-plus of existing gas boilers.

There is no doubt that this will be a really complex programme. Not all of Scotland's housing stock will lend itself to the installation of heat pumps. There will have to be careful plans and transitions to review the range of heating systems that could make the difference in achieving low-carbon targets. As I am sure that the committee will want to explore further, it is also reasonable to draw out how that could be done in a just way—through a just transition—that would not exacerbate the existing levels of fuel poverty in Scotland.

All those factors are captured in the Government's heat in buildings strategy. However, we are now talking about a step change, and about the Government navigating the current complexities to deliver all its aims. Derek Hoy and I will be happy to explore the various pillars of that approach and how they are being taken forward.

The Convener: Right—that is very useful. Thank you.

Colin Beattie will now put some questions to you about funding and investment.

Colin Beattie: Good morning, Auditor General.

Nothing happens without money. The whole programme hangs on whether public and private investment can be obtained in very large quantities. The fourth recommendation in the report is that the Scottish Government should

“clarify how it will use public money in the short and long term to support the delivery of its Heat in Buildings Strategy objectives, while achieving value for money”.

When would you expect the Scottish Government to be able to do that? What evidence would you expect to see in order to demonstrate that value for money is being achieved?

Stephen Boyle: You are quite right, Mr Beattie—the Scottish Government cannot achieve the strategy's aims alone. Delivery will clearly rely

on a combination of private sector investment; individual household investment, which will involve accessing grants and loans; and a variety of other factors. The introduction of private sector finance, together with creating a supply chain, will be a key component of that.

Again, I will turn to Derek Hoy to update the committee on the judgments of the green heat finance task force, which was one of the external reference bodies that the Government created, acknowledging all the complexity. Derek can explore that a bit further, but first I will say a word on the investment from the Scottish Government relative to its estimate of what delivery will take in totality.

As I mentioned in my introductory remarks, the Government estimates that it will take more than £30 billion—£33 billion, in fact—to deliver the change. It has set aside £1.8 billion of investment over the current session of Parliament to provide support through a variety of different measures. Some of that is in the form of grants, and some involves the continuation of existing funding arrangements—for example, for insulation.

It is inevitable that that will change, however. The work will not stop at the end of the current session of Parliament. We have no involvement in this work, but I listened to some information on the “No home left behind: Funding a just transition to clean heat in Scotland” report that the Institute for Public Policy Research published today, which explores the extent to which public investment in the strategy will help it to deliver the scale of change that is needed. Those policy decisions will be made over the current session of Parliament and into the future.

An assessment of value for money will be required. We will make such an assessment in due course, but public officials and parliamentarians will also want to do so with regard to whether £1.8 billion is enough and whether the programme is delivering effectively. That will be set out through a combination of different ways, and we will have a role to play in that. It is clear, however, that continued investment will be needed from both the public and private sectors for many years to come.

If you are content with that, Mr Beattie, I will pause and ask Derek Hoy to say a bit more about the Government's engagement with private sector funders and where that might go next.

Derek Hoy: The Scottish Government set up the green heat finance task force, which involves a combination of individuals from across financial institutions and the public sector, and heat in buildings experts, to try to tease out the options that might be available to provide finance to

households and businesses to make the necessary changes to how we heat our homes.

Much of the findings from the initial report of the task force—a second report is due out later this year—resonate with what we say in our report with regard to the huge scale of the risk and challenge in delivering the scheme. The market is currently very much in its infancy. That is not to say that funding and finance, and the mechanisms to deliver the programme, are not in place, but the market is not yet quite mature enough for those things to take off. The Scottish Government's role is to try to create conditions whereby the market can grow, and private investors will then have more confidence to invest in funding schemes. That is the real catalyst that will, one would hope, drive large-scale change and start us moving towards achieving the Scottish Government's aims and objectives.

The risks and challenges that the task force identified are very similar to what we found in our own report.

Colin Beattie: To me, there are two ways that the private sector can get involved. One is by directly financing discrete projects; the other is by providing finance to householders to carry out whatever works are needed in their homes. Has consideration been given to the balance between those? It seems problematic that the facility to go into debt to do that work will be particularly attractive to householders. Has any analysis or work been done on that?

Derek Hoy: Not that I am aware of. We could certainly look into that, but we did not do that as part of the audit.

Colin Beattie: For example, to what extent is the private sector going to be involved in just transition? Just transition implies helping those who are less well off to make the transition without getting into financial difficulties or fuel poverty, for example. I am struggling to see a role for the private sector in that, because the private sector requires a return. How does that work with public sector funding?

Stephen Boyle: I can offer a couple of points on that, and Cornilius Chikwama might want to come in. There is a huge opportunity for business here. If I can lay my hands on it, I will give Mr Beattie the right statistic to illustrate the changes. The number of accredited gas installers in Scotland dwarfs those who are currently able to install heat pumps or any other low-carbon heating system.

Inevitably, delivery of the programme will be done through regulation, investment, incentives and raising public awareness. Those aspects will all be parts of the strategy that the Government will want to use. The private sector needs the right

conditions and market certainty. That means clear opportunities so that businesses feel confident to invest in the market, and businesses need to know the timescales so that they can plan and reskill their workforce; that will also attract new entrants to the market. Based on the estimates that I have mentioned—there is more than £30 billion at play in Scotland—that ought to be a very attractive market, but the right conditions have to be in place.

That is the early feedback that businesses and their representatives have given. They are looking for that level of certainty so that they can make the shift at the right point away from gas installations to low-carbon systems.

I will come to just transition in a moment, but it is worth acknowledging that that is part of the Government's thinking. The consultation on the bill is already exploring how some of the incentives or arrangements could be put in place so that households make the transition and so that there is a knock-on effect for businesses.

There could be trigger points. For example, when people buy or sell a property, that could open a window within which a low-carbon system had to be installed. Inevitably, the process will have to be accompanied by a range of loans and grants. As you mentioned, loans will be one of the mechanisms by which the private sector can become involved in this new model of low-carbon systems.

I will pause there because I think that Cornilius wants to say more about that, and then I want to return to your point about just transition.

Cornilius Chikwama (Audit Scotland): There are a number of issues to reflect on. There is an issue of affordability and loans being available to households so that they can afford to make the investments. However, with regard to value for money, there is a question of when it becomes worth while for households to decide that they want to make the switch. That will be the biggest test for value for money. If Government can get to the stage where households are deciding that it is worth while to switch from gas boilers to alternative technologies, we will have cracked the value for money challenge.

A second element of value for money is recognising that Government cannot reduce emissions from people's homes, but it has other options to reduce emissions elsewhere. It has to look at the totality of the challenge that it faces.

10:45

The key question in that regard is whether, if the Government is going to spend £1 on reducing emissions from homes, it could have achieved

more emissions reductions had it chosen to reduce emissions elsewhere. The Scottish Government will have to grapple with the question of where it will get the best returns in emissions reductions.

You make an important point, Mr Beattie, about the role of the private sector in the just transition. There is a recognition that, although the private sector might not have a direct role to play, policy has a role to play in shaping what the private sector does in relation to a just transition.

A key point in that regard is how we regulate competition as the markets emerge, and what measures will be put in place for consumer protection. Those things may be important in thinking about a just transition. The question is whether the powers around those things lie with the Scottish Government, or whether some of that is for the UK Government. That then raises an important question with regard to how the Scottish Government and the UK Government are working on those issues.

Colin Beattie: Focusing on just transition, the Scottish Government already has some financial support schemes for individuals in place. Has the Government actually estimated how quickly those current schemes will become oversubscribed? It is clear that there is a limited amount of public funding available.

Stephen Boyle: You are right. Cornilius Chikwama might know a wee bit more about the forecasting.

Effectively, the role of just transition in that area is about looking to insulate—if you will pardon the pun—households that are currently experiencing, or at risk of experiencing, fuel poverty from being forced to adopt a low-carbon heating system, which may thereby exacerbate their exposure to fuel poverty. The Government has currently put in place a range of measures, one of which is funding to social housing providers of £200 million over the current session of Parliament.

There is a very live risk in that regard. I draw the committee's attention to exhibit 3 in our report, on the percentage of households that are experiencing fuel poverty. In 2019, that figure was 24 per cent, and it has now risen to 35 per cent, with the energy crisis and cost of living challenges. Those things will have to be factored in to ensure that, as we transition to low-carbon heating systems, which we must do, that does not draw new households into fuel poverty or result in a deterioration of circumstances for those who are already experiencing it.

The Government has set aside funding, but it is quite difficult to forecast the extent to which that will be eaten up by demand. Cornilius might have the most up-to-date figures, but the amount will be

set on a rolling basis through each annual budget process.

Cornilius Chikwama: The key thing to highlight is that the level of fuel poverty remains quite high. The latest figure that we have is that 35 per cent of households in Scotland are considered to be in fuel poverty.

If we consider what Government is currently investing, we see that it highlights that more is likely to be demanded in the future. As to the extent of that, we have not seen any assessments done by the Scottish Government, but I think that it is fair to say that more resources will be required around protecting households.

Colin Beattie: That figure—35 per cent in fuel poverty—is certainly very startling. The Scottish Government will obviously have to find more money to enable those individuals to make the transition, and that is a huge task.

How challenging is it going to be to actually achieve a just transition in decarbonising heat for homes? Thirty-five per cent is a huge amount of people in fuel poverty.

Stephen Boyle: That is incredibly complicated. We mentioned some of the factors that will have to be overcome, and that includes tackling fuel poverty. The Government's ambition is that, by 2040, no more than 5 per cent of people in Scotland will be fuel poor. We probably use the term "step change" too loosely, but that is a hugely significant challenge, given where we currently are.

We are approaching the middle of the 2020s. In 16 years' time, we need to move from 35 per cent to 5 per cent of people in fuel poverty. That will require not simply a just transition, but a significant move from existing circumstances.

The heat in buildings strategy covers aspects of that, as we expect the delivery plan to do, too. That includes continuing to support effective insulation properties, which is easier said than done, because some of the more straightforward insulation work has already been done. In much of Scotland's housing stock, it is not easy to deliver effective insulation. The age of some properties and their condition can present issues, and tenement buildings do not easily lend themselves to the installation of effective insulation. It will be harder to retrofit some of the housing stock with low-carbon systems. There is, therefore, a very significant challenge to be met.

Your assessment that more funding will be required is fair. The sources of that funding, whether it comes from the private sector or, as is probably more likely, from increases in public sector funding, will have to be part of the plan.

The Convener: Okay—thank you. Graham Simpson wants to come in on some of those points, and then I will bring in Willie Coffey.

Graham Simpson: Auditor General, I have been reflecting on everything that has been said so far, and what strikes me is that we have very ambitious fuel poverty targets, as you have said. I wonder whether there is a bit of contradiction between having those targets, which Parliament set, and wanting to decarbonise. Right now, if you were to think of getting rid of your gas boiler, there is a very good chance that you could end up with having to install a very expensive heating system, and something that costs far more to run. Is there a risk that people would be plunged into fuel poverty if they were to make the move now?

Stephen Boyle: If it were left to the market, that would be a clear risk. Before today's session, I was reading, for example, that the price per unit for gas is currently lower than that for electricity. The decarbonisation process is about moving away from fossil fuel-based to renewables-based, electric-powered systems.

Those factors—decarbonisation and fuel poverty—will clearly have to be weighed up. They might or might not be competing demands, but both are very challenging. To deliver on the statutory target of no more than 5 per cent of people experiencing fuel poverty, and to deliver on the 2045 net zero targets to decarbonise Scotland's heating systems, will require clear plans to navigate all the complexities that we touch on in the report. The targets are undoubtedly stretching.

Graham Simpson: I am simplifying this, but, in essence, people end up in fuel poverty because the cost of heating their home is too much for them. You rightly say that if people move to a fully electric system, that will, at present, cost far more than gas. That is correct, is it not? That balance has to change.

Stephen Boyle: That will be one of the safeguards that will be a hallmark of the Government's plans to ensure a just transition. Moving towards meeting fuel poverty targets and a just transition come under the same banner, and Cornilius Chikwama might want to say a bit more about the Government's thinking in that area.

The complexity of these issues is hugely significant, as the Government recognises. It will be important, therefore, to see what comes out of the consultation, and what is in future legislation, governance monitoring arrangements and so forth, so that both aspects of decarbonising Scotland's heating systems are treated with equal priority in the years to come.

Cornilius Chikwama: The Auditor General is right. There is a risk in this transition. I do not want

to talk about plunging people into fuel poverty, but there is a risk of increasing fuel poverty in this transition. If one looks at the two pillars of decarbonising—that is, improving energy efficiency and changing the technology—one would expect that, if we were able to make progress on improving energy efficiency, it would reduce the amount of energy needed by households, which could mitigate the impact of fuel poverty to an extent. As the Auditor General has said, the Scottish Government has made progress on improving energy efficiency, but there is still more to be done.

The second pillar is where the challenge lies, with the switch from gas to alternative technologies. At the moment, those technologies are much more expensive than gas, and that is where the risk is greatest. The issue is how to balance the energy efficiency side with the options for switching from gas to alternative sources.

Graham Simpson: Have you done any analysis of the difference in costs? What would it cost the average household to switch from gas to something else? I know that there are various alternatives. How much would it cost to maintain those systems?

Stephen Boyle: That type of analysis of what it would mean for individual households was not part of the scope of this report. Derek Hoy might want to say a bit more about some of the insight that we have into where the Government intends to go, but we will probably have a greater feel for that following the conclusion of the consultation on the next bill.

At a high level, the price varies depending on the property, the type of system chosen and any groundwork that is necessary around the property. I know that this is a fairly broad scale—forgive me—but I think the anticipated cost of installing a heat pump was last estimated at between £7,000 and £15,000.

There are other options. For some properties, a heat pump will not be possible and you will then have to look at modern electric storage systems. Then there is the option of heat networks—that is, district heating systems. There are various such models, and it is not easy to say with any confidence what the average might be and how it will relate to individual properties. Nonetheless, you can say that, at a relatively high level, it will, for almost every household, be a significant investment that people will want to plan for. People will want to know what finance is available and what grants are at their disposal.

Derek Hoy might wish to add to that.

Derek Hoy: I do not have much to add, but on your question whether we have looked at an average cost, Mr Simpson, the answer is no. The

main reason for that is that I am not sure how valid such an average calculation would be. There will be so much variation due to a whole range of factors—the type of property, its age, building fabric and so on—that we did not see much value in trying to carry out that exercise. However, as the Auditor General has pointed out, it will be a significant investment for any household.

The other thing to mention is how it all looks over the long term. It is a significant investment just now; the cost of a clean heating system is, on average, more expensive than replacing a gas boiler, like for like. However, as technology develops and economies of scale are achieved in the industry, you would over time expect those costs to come down. We need to bear in mind that we are looking at a 21-year timescale from now; the situation at the moment is that things might be more expensive, but that could change over the course of the next few years. There are a lot of different factors and a lot of unknowns.

Graham Simpson: I will make a final observation. If we are talking only about housing, I think that we can deal with new housing relatively easily, and the Government is looking at improving the standards of such housing. I was at an event last night about passive housing. Serious consideration is being given to introducing new building standards so that new homes meet those very high energy efficiency standards, and that could deal with the fuel poverty issue almost overnight, which would be very positive. However, given that the challenge is the existing housing, do you agree that that is probably where the money has to go?

11:00

Stephen Boyle: I recognise the scale of the challenge, which will require effective engagement with many different stakeholders. We have already mentioned explaining the options to individuals, bringing private finance into the system and engaging with the UK Government on the capacity of the energy grid.

Mr Simpson, you mentioned passive housing. The approach should therefore involve clear and effective engagement with social housing providers and their representatives in Scotland, given that many people who currently live in fuel poverty live in social housing. There should be a clear explanation of what is expected of them and the funding that is available, so that we can support increased confidence with regard to insulation and the transition arrangements that are in place for low-carbon systems.

The Convener: I call Willie Coffey.

Willie Coffey: Auditor General, the public perception of all this is not great. I do not think that

we should still be hearing that lot of work needs to be done. We have heard that said before, and we are still hearing it now.

Constituents who talk to me about the transition say, “What are the solutions on offer? I do not know where to find them or who to talk to about them.” They ask whether there will be subsidy or other help to install whichever devices will be used. However, their main question is, “How much is this thing going to cost me to run?”

In your view, what will be the key sea-change element that will accelerate the transition? I think that I know what it will be: the cost of electricity, which is currently four times higher than that of gas. Even if an army of heat-pump engineers were to appear from somewhere, and even if we had great subsidy schemes on offer, people will still vote with their wallets and say, “No thanks—it’s too expensive.” If someone were to switch just now from consuming gas to consuming electricity to heat their house, their electricity charge ratio would be four times higher than it is at the minute. Is that not the key challenge that we face in effecting at pace the transition that we need?

Stephen Boyle: That will be one of the key challenges to overcome, Mr Coffey. There is no question but that it will require the public to engage with, and have confidence in, transitioning from a fossil fuel-based system to a low-carbon one. People will make environmental decisions, but fundamentally they will make economic decisions for them and their families. That might be at the expense of fuel poverty or other aspects of how they lead their lives.

There are others who will do this voluntarily. Indeed, our report mentions that some people—and I am going back nearly 10 years now—were early adopters of such heating systems. However, we are still talking about the low numbers of those people—5,000 or so—compared with the more than 1.8 million households that still have gas boilers that will have to be targeted, so the scale of change that will have to take place is enormous.

Derek Hoy might want to say a bit more about this, but I just want to put on record that the Government recognises that that is one of its key challenges. It is badging it as part of its public awareness strategy, the detail of which we set out in paragraph 72 of our report. The public might be well aware of what is on offer and the grants that are available, but I accept your premise that they will make economic decisions. They will want to be satisfied about what they are signing up for in the longer term and what the costs might be. Together with its partners, the Government will have to overcome that challenge and others—for example, the issues of its relationship with the UK Government with regard to grid capacity and the underlying cost drivers of the disparity in price.

Again, Derek Hoy might wish to add to that.

Derek Hoy: From the evidence that we have gathered, the Scottish Government clearly accepts that public engagement is an important part of its approach, and it has put an awful lot of effort into getting that right. It is all at an early stage, so it is hard to see how effective it will be. It is good that the Government has put a strategy in place, along with indicators to monitor its effectiveness, and it is also planning to come back and evaluate the public engagement strategy in, I think, 2026.

A lot of other work is going on aside from that. Indeed, you will see in appendix 1 of the report a list of the various consultations on heat decarbonisation and energy efficiency improvements. The Scottish Government is very much aware of the issue, and it is certainly under no illusions about the scale of the task to sway public opinion and get it onside.

On the original point, I would say that cost will be a major factor, and there is a role for the Scottish Government to provide clarity on how much the systems will cost and what the best system will be for particular houses. There is a lot of work that the Scottish Government can do to provide people with a bit more assurance and confidence, but there are also factors outwith the Scottish Government's control, such as the cost of electricity, that will undoubtedly play a part.

Willie Coffey: That is the fundamental, bottom-line question for me. Consumers do not control the price of electricity or gas, nor does the Scottish Government. We rely on co-operation from our partners in Government. Electricity prices in the UK are among the highest in the world, and that is the bottom line here. If we tell people that they should make the transition to help with progress towards net zero, they will reply, "How much is it going to cost me?" In my view, some work needs to be done to reduce the cost of electricity.

People to whom I talk ask why, when we are producing more than 100 per cent of our electricity needs in Scotland from renewable sources, it is still costing them a fortune to use that electricity. Why is that? Energy companies are still generating and creating profits from that, but the public are getting the benefit. For me, doing something about the price is the key to getting the transition rolling faster. All the rest of the factors are important, but they will chip away at the 1.8 million houses with gas central heating boilers if people think that the cost to replace them is going to be excessively high.

Stephen Boyle: We recognise in our report that engagement between the Scottish and UK Governments is one of the fundamental pillars of delivering a successful transition, recognising the

distinction between the devolved and reserved powers held by the two Governments.

The Scottish Government's strategy involves regulatory intent, with plans around different dates that will fundamentally force consumers to make the change. As you would expect, that is far more likely to succeed, and people will be willing to comply, if they recognise the environmental benefits but do not feel that they will be hit by what it will cost them, compared with where they were. There is no doubt that there is work to be done, and that engagement and regulatory clarity will help that transition.

The Convener: One of the factors at play relates to the on-going consultation on the proposed legislation, which I understand will come before the Parliament before the end of the year, and concerns the housing market. There is an expectation that, if someone buys a property, a condition will be put on the purchase such that, within a certain timeframe, the new owner will convert. That could have some interesting consequences, could it not?

Stephen Boyle: Like you, convener, I was aware of that aspect of the consultation. As parliamentarians, you will expect to have the opportunity to scrutinise the proposals, explore how they might be implemented and, indeed, consider the intended and unintended consequences. There is no doubt that regulation will play a key part in driving the level of change required, especially given the many variables that Mr Coffey has touched on and which include the price of electricity, supply-chain factors and the availability of private finance. We await the next stage of the legislation with interest.

Jamie Greene: A lot of very good ground has already been covered, and I have been listening intently. I want to mop up a few other areas where you might share your wisdom.

First, there is an overarching discussion about how we define fuel poverty in the modern world. The technical definition is that a household is in fuel poverty if it spends more than 10 per cent of its net household income on fuel/energy consumption. As we know, if that figure reaches 20 per cent, a household is defined as being in extreme fuel poverty. It does not take very much to fall into that category. Even someone on a fairly substantial income who might be in a higher tax bracket could quickly find themselves in a position in which their annual fuel bill was £2,500 or £3,000, which would very easily take them into that situation. Are you worried that there is an assumption that people on very low incomes or people on various benefits are the sole victims of the current fuel poverty situation?

Stephen Boyle: Cornilius Chikwama might want to say more about the definition. I refer back to exhibit 3 in the report, where we look at the step change in the number of households in Scotland that have been classed as experiencing fuel poverty. I agree with your assessment that some people will have experienced extreme fuel poverty in the circumstances that we have seen over the past few years, which have included energy price shocks.

How that is distributed across different socioeconomic groups across the country is relevant. Depending on the choices that individual households make and what their housing costs are, we expect that that will be a key part of the Government's thinking.

I want to step back for a second. In order to ensure that it delivers on the challenging statutory targets of reaching net zero by 2045 and achieving a significant reduction to only 5 per cent of people in Scotland being fuel poor by 2040, the Government will require to have focused plans, as well as all the various pillars around regulation and awareness.

Cornilius Chikwama: We did not examine the definition much in the report, partly because I am sure that the Scottish Government follows the statistical standards around fuel poverty. As Stephen said, if you were to look at the distribution of the people who are counted as being in fuel poverty, you would find that they are likely to be distributed across different socioeconomic groups, but it is fair to say that a lot of them will probably be in the low-income categories. There are a lot of standards that guide how the Scottish Government applies the definition.

Jamie Greene: Appendix 2 of the report is on the delivery schemes. It seems to be a complicated and complex subsidy environment. There are a number of schemes. We have warmer homes Scotland, which is delivered by Warmworks. We have area-based schemes, which are delivered by local councils. We have Home Energy Scotland grants, which are delivered by the Energy Savings Trust, and so on. The number of households that are getting proper conversion of heating systems out of that is in the tens of thousands, as opposed to the hundreds of thousands or millions.

It seems to be quite a complex landscape, as other members have mentioned. Could it be simplified? The risk is that if you leave things to the market alone and people's only exposure to accessing improvements is via the private sector advertising those schemes with a view to making profit in their own way, it becomes quite a dangerous environment for the consumer.

Stephen Boyle: I agree with you. There will always be a fundamental role for Government alongside the market, especially if the Government's statutory targets, which the Parliament signed up to, are to be delivered. There is a trick to pull off here. As I mentioned, the Government's focus in the 2010s was on improving the energy efficiency of properties, and, as we reasonably say in the report, it did that well—properties have become better insulated. However, to ensure a just transition, we must not move the focus solely on to decarbonising heating systems; we should continue to support effective energy insulation and—to build on Mr Simpson's example—to pursue passive house standards, effective retrofit and so forth. That should be a shared objective.

11:15

On the specifics around the different schemes, it must be simple and easy for people to access the right schemes and to know where they can get grants and what loans are available. That all falls under the Government's pillar of public awareness and giving confidence to individuals and the market. There are many moving parts to that work at the moment, but that is all the more reason—this was our overall conclusion in the report—to have a clear delivery plan that underpins the strategy.

Jamie Greene: It is interesting that you talked about the various incarnations of the work in this area. Following the days when solar panels on roofs were the big thing, people were told, "We'll come and insulate your home. There are some grants available for that, and you can top it up yourself." We are now talking about a root-and-branch approach, which involves people taking out their current heating system and replacing it with new technologies, yet most people probably do not understand what those technologies are. Does that open up any risk of increased exposure to rogue companies, scams, fake grant scenarios, misleading advice being given to consumers and so on? Should the Office of Gas and Electricity Markets pay attention to that?

Stephen Boyle: Regrettably, there is a risk of that. There will be a fundamental change in market conditions; we are talking about the need for the development of a new supply chain with new providers, some of which will provide finance and some of which will provide insulation services. History is littered with examples of rogue operators that look to take advantage of ambiguity when there are such changes in market conditions.

It is not that the Government has not recognised that; there is an engagement strategy and an awareness strategy. However, effective safeguards must be put in place against the kind

of scams that we have seen in the past. Ofgem will have a role, and Consumer Scotland—the new public agency—will want to give some consideration to what its role might be in that environment.

Jamie Greene: That is based on the assumption that we will have the people to do the work. As you said, there is a huge number of people out there who can install new gas boilers, but there will need to be a marked shift to installing new technologies and maintaining them on an on-going basis.

There has been a fair amount of pushback from the industry about what is on offer to incentivise it to retrain and reskill staff if the market does not exist. It is a bit of a chicken-and-egg situation, of course. Do you think that the Government is acutely aware of that? Do you think that the plans that it has produced to ensure that we have the people to carry out the transition are robust?

Stephen Boyle: I will pass over to Cornilius Chikwama to say a bit more about the Government's plans to create a supply chain and a workforce, but, first, I want to mention a statistic that illustrates the scale of the change, which I struggled to lay my hands on. In paragraph 76 of our report, we say:

“Scotland currently has only around 200 accredited air source heat pump installers compared to 8,700 gas installers.”

I expect that that is going to have to flip. Therefore, there will have to be effective engagement by Government, the enterprise and skills agencies, further education colleges and universities so that heat pump know-how becomes an integral skill.

We often phrase the workforce issue as being a risk to success and a challenge to overcome, but there is an enormous opportunity if the conditions are right and the Government is able to provide confidence to the market and to consumers. As I mentioned, there is potentially £30 billion-worth of economic growth and financial opportunities at play here.

Cornilius Chikwama: This is an area in which the Government has been doing a lot of work through its supply chain development programmes.

In relation to skills specifically, we have the new mobile centre for heat pump training, which seeks to provide training opportunities in a flexible way. We have the climate change emergency skills action plan, which seeks to invest in skills. However, the real test is in the numbers. As the Auditor General said, there are only 200 certified installers. That suggests that, whatever investments are being made in skills development

in that area, they will need to scale up, and to do so very quickly, potentially.

When we did the audit work, we identified a number of challenges, which are mentioned in our report. One of those is around the funding schemes that are available for retraining and upskilling. The key issue is about their being complex and challenging to access. That is what the people who have tried to access them have said.

In addition, some companies are still a bit reluctant to make those investments. The market is still growing, and there is a lot of uncertainty about the pace at which it will take off. Again, those things will impact on the choices that are made on skills investment.

Larger companies that are looking at the wider UK market will look at the pace of growth that they are likely to see in the rest of the UK vis-à-vis Scotland. They will take that into account when they make their investment decisions, given that the rest of the UK is on a much slower timeline.

Those are the key issues that have come out of the audit work that we have done.

Jamie Greene: Thank you. I appreciate that we are out of time, convener, so I will park my other questions.

The Convener: Thank you, Jamie. I thank the Auditor General for his evidence and Derek Hoy and Cornilius Chikwama for their input. We now need to consider what our next steps will be and who we might need to invite to give us more evidence on what is a really important subject from the point of view of both public policy and consumer interests.

With that, I draw to a close the public part of this morning's proceedings.

11:21

Meeting continued in private until 11:36.

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