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DEFICITS DOWN BUT FINANCIAL PRESSURES REMAIN IN NHS SCOTLAND

The number of NHS trusts facing deficits dropped in the last financial year, according to the annual overview report on the NHS by the Auditor General for Scotland, Robert Black.

Overall, financial stewardship of the NHS continues to be of a good standard, with improvements in the preparation of accounts and more effective audits. The Scottish Executive Consolidated Resource Accounts 2001/02 indicate that, overall, the gross expenditure of the NHS in Scotland amounted to some £6.4 billion in 2001/02. The Scottish Executive Health Department's expenditure was within 1% of the limits set by the Scottish Parliament.

Three trusts – Argyll and Clyde Acute Hospitals, Grampian University Hospitals and Lanarkshire Acute Hospitals – had accumulated deficits totaling £13.2 million in 20001/02. This compares with 2000/01 when eight trusts failed to break even and had accumulated deficits of nearly £54 million.

At least some of this improvement can be attributed to a one-off £90 million extra payment provided by the Scottish Executive in order to help health bodies balance their books. Auditors reported that trusts used £41.3 million to eliminate accumulated deficits.

“While the 2001/02 financial situation of most trusts improved over the previous year, this is at least partly thanks to the additional £90 million which the Executive provided,” said Mr Black. “Without that additional funding, simply based on figures in the accounts, another 12 trusts would have found it difficult to break even during 2001/02.”

Auditors have expressed concern about the ability of three trusts in particular to deliver their financial plans in 2002/03 and beyond. These are Argyll and Clyde Acute Hospitals Trust, Grampian University Hospitals Trust and Lothian University Hospitals Trust (further details in notes below).

In September 2002 the Scottish Executive also announced an additional £2.7 billion to be invested in the NHS over the next three years. The Auditor General's report points out that these additional resources are expected to contribute significant improvement in patient services, and there is no guarantee that health bodies will find it any easier to balance their books. “Underlying financial pressures remain and need to be addressed,” said Mr Black.

The report also mentions the new NHS performance assessment framework which is being introduced and stresses that it must be able to identify and report on the healthcare improvements being provided with the additional funds.

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Notes

1. Year-end deficits as of 31 March 2002: Argyll and Clyde Acute Hospitals Trust £1.7 million; Grampian University Hospitals Trust £5.2 million; Lanarkshire Acute Hospitals Trust £6.3 million (note: the deficit at Lanarkshire is a "technical" deficit arising from a revaluation of properties and is likely to be cleared in financial year 2002/03). Some of the reasons for the deficits include lower efficiency savings than planned, higher drugs costs than anticipated and increased staffing costs.
2. Concerns over trusts likely to face particular financial problems in 2002/03:

Argyll and Clyde Acute Hospitals Trust (ACAHT)

ACAHT and the other two trusts in this area have recurring deficits which require rigorous financial control while additional, as yet unfunded, cost pressures have been identified for 2002/03. ACAHT is also required to deliver savings of nearly £3 million.

Grampian University Hospitals Trust (GUHT)

GUHT may need to spend additional unidentified funds in order to meet waiting list targets; proposed savings are ambitious; and further cost reductions are required to meet planned deficit reductions

Lothian University Hospitals NHS Trust (LUHT)

Financial targets have only been met largely through the use of non-recurring funding, masking an underlying recurring deficit. The trust's financial recovery plan is dependent on substantial funding from Lothian NHS Board, together with strategic change initiatives. The external auditor has expressed concern that the plan may not be deliverable.

3. Clinical negligence: the report shows a continual increase in the level of potential claims against trusts and boards, which now total £114 million. Actual settlements also rose from £6.5 million in 2000/01 to £7.7 million in 2001/02.
4. Primary care payments: the report finds that, while internal controls over payments to primary care contractors (doctors, dentists etc) are improving there is scope for more progress in this area.
5. Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Accounts Commission and the Auditor General for Scotland.
6. The Auditor General is responsible for securing the audit of the Scottish Executive and most other public bodies in Scotland, except local authorities. He investigates whether spending bodies achieve the best possible value for money and adhere to the highest standards of financial management. The Auditor General is independent and is not subject to the control of the Scottish Executive or the Scottish Parliament.