

THE 2007/08 AUDIT OF WESTERN ISLES HEALTH BOARD

Introduction

1. I submit the audited accounts of Western Isles Health Board and the auditor's report in terms of section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report which I have prepared under section 22(3) of the Act. This is due to the Board's failure to meet a financial target, as well as to update Parliament on recent changes at the Board.

Previous Section 22 reports and Scottish Parliament Audit Committee inquiry

2. Western Isles Health Board has faced serious financial, governance and staffing issues over a number of years and this is the fourth consecutive Section 22 report on the Board since 2004/05. Following my report on issues arising from the 2006/07 audit of the Board, issued in October 2007, the Scottish Parliament Audit Committee decided to hold an inquiry prompted by the seriousness of the issues arising and the length of time which had elapsed without a clear resolution.
3. The Audit Committee published a report on its findings on 6 May 2008. This concluded that the Board had faced cost pressures and also problems relating to its remoteness, but that poor financial management and internal control systems had exacerbated these. The Audit Committee noted recent improvements but highlighted the need for a clear clinical strategy, and improved governance and internal control arrangements. The Board responded to the report in June 2008 and accepted all the relevant recommendations.

Outturn for 2007/08

4. A health board's annual revenue expenditure should not exceed its Revenue Resource Limit (RRL). Western Isles Health Board carried forward a cumulative deficit of £3.364 million from 2006/07. The Board exceeded its RRL by £3.097 million in 2007/08. The Board has recorded a cumulative deficit for the last four financial years. However, there were signs of progress in 2007/08 towards achieving longer-term financial sustainability. After five consecutive years of in-year deficit, the Board achieved an in-year surplus for 2007/08 of £0.267 million which enabled the Board to reduce its cumulative deficit.
5. The Board's auditor reported that the improvement in the Board's financial position had been achieved through a range of both recurring and non-recurring measures. The Board has identified that it needs to continue to address its underlying funding gap and has clearly linked its future financial sustainability with the need to establish a sustainable clinical strategy. Steps to address these longer-term issues, including a financial recovery plan, are now underway. A significant development is the proposal by the Scottish Government to provide brokerage in 2008/09 to cover the cumulative deficit, providing progress is sustained at the mid-year of the 2008/09 plan.

Corporate governance

6. The auditor has been critical of the Health Board's corporate governance arrangements for a number of years and this area was subject to extensive comment by the Parliamentary Audit Committee in its 2008 report. The auditor still has some concerns but there is evidence of progress, although it will take time to see the benefits from improved governance arrangements. Some of the improvements made in the last year

include a review of terms of reference of all governance committees, the establishment of a corporate risk register, improvements in the training and development of board members, and the establishment of a new post of chief operating officer.

7. The Board's senior staffing continues to be an area of risk and there has been a high turnover of chief executives at the Board in recent years. One former chief executive was suspended from his post in September 2007 and dismissed in August 2008, while another previous chief executive, who was seconded to another Board in September 2006, had his contract terminated on 5 September 2008. The acting chief executive who had been in post since September 2007 has now moved on to a permanent position with another NHS organisation. The Board has recently appointed an interim chief executive while it recruits a permanent replacement. The Board is also currently recruiting three replacement non-executive members.
8. In July 2008 the Cabinet Secretary for Health and Wellbeing announced additional funding of £250,000 for each of the island boards to develop more formal partnership arrangements with mainland boards. Under these arrangements a formal arrangement will be put in place between Western Isles Health Board and Highland Health Board. These arrangements are intended to address specific difficulties around management capacity.

Conclusion

9. The Board achieved an in-year surplus for 2007/08 of £0.267 million which enabled the Board to reduce its cumulative deficit. However, I am submitting this report because of the Board's failure to meet a financial target and to update Parliament on financial and management changes at the Board since my report last year. I will also prepare an overview report on the NHS which will comment on significant issues arising from the 2007/08 audits of NHS bodies, including financial performance and governance.



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