

Auditors' Local Evaluation and Use of Resources 2008/09

Summary results for NHS trusts
and primary care trusts

Summary

October 2009



The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Summary

Each year, the Audit Commission assesses how well NHS trusts and primary care trusts (PCTs) manage their resources and deliver value for money. For 2008/09, these assessments have been based on the Auditors' Local Evaluation (ALE) methodology for NHS trusts and the Use of Resources (UoR) methodology for PCTs. The assessments are not carried out at NHS foundation trusts. Auditors make assessments in a number of themes (five for ALE and three for UoR) using key lines of enquiry (KLOE). The KLOE are scored using a scale of 1 to 4 where 1 is below minimum standards or inadequate, and 4 is well above minimum standards or performing strongly (or performing excellently in UoR). These scores are then used to determine the score for each theme and, in the case of ALE, an overall score.

2008/09 was the first year that PCTs were assessed using the new UoR methodology. UoR has been developed to support a new way of assessing local public services, known as the Comprehensive Area Assessment, which examines how well councils and other public sector bodies work together to meet the needs of the people they serve. The UoR assessment has been carried out at all PCTs, local authorities, police authorities and fire and rescue authorities. UoR differs significantly from ALE, although the process and scoring system are similar. The UoR assessment is more demanding than the ALE assessment. It is broader, with a greater focus on outcomes. Unlike ALE, no overall score is calculated, only scores for each of the three themes. UoR scores cannot, therefore, be compared with ALE scores for NHS trusts in 2008/09 or with PCTs' previous ALE scores.

The scores should be viewed in the context of the overall financial performance of the NHS in 2008/09, which is one of a continued improvement in financial stability. The NHS, excluding foundation trusts, recorded a total surplus of £1.74 billion for 2008/09 (£1.67 billion in 2007/08). This surplus represents approximately 2 per cent of the total NHS resources. Only six NHS trusts and one PCT failed to achieve in-year financial balance, compared with 11 in 2007/08. A further five organisations reported ‘technical deficits’. These deficits total £37 million and have mainly arisen due to impairment of assets, which are not taken into account when considering whether an NHS trust has met its statutory duty to break-even.

ALE scores for 2008/09

The five ALE themes are:

- financial reporting;
- financial management;
- financial standing;
- internal control; and
- value for money.

The overall score, which is a combination of the five theme scores, is used by the Care Quality Commission as the ‘quality of financial management’ score in its annual health check.

Summary

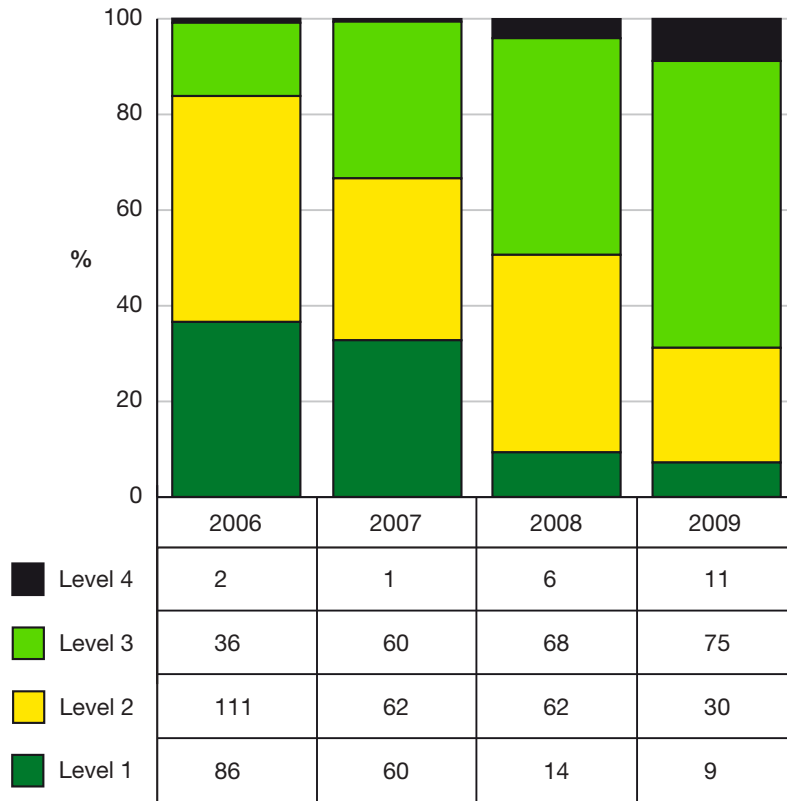
The headline results for the 2008/09 ALE assessments are:

- 93 per cent of NHS trusts (116) met or exceeded minimum standards (91 per cent in 2007/08);
- 69 per cent of NHS trusts (86) were assessed as performing well (level 3) or performing strongly (level 4) (49 per cent in 2007/08);
- 9 per cent of NHS trusts (11) were assessed as performing strongly (4 per cent in 2007/08); and
- only nine NHS trusts failed to meet the minimum standards (14 in 2007/08).

At theme level all NHS trusts achieved minimum standards for internal control and value for money. Nine trusts failed to meet minimum standards for financial standing, six for financial reporting and two for financial management.

The overall ALE scores for each year of ALE assessments are summarised in Figure 1 below.

Figure 1: **Overall ALE scores 2006 to 2009**

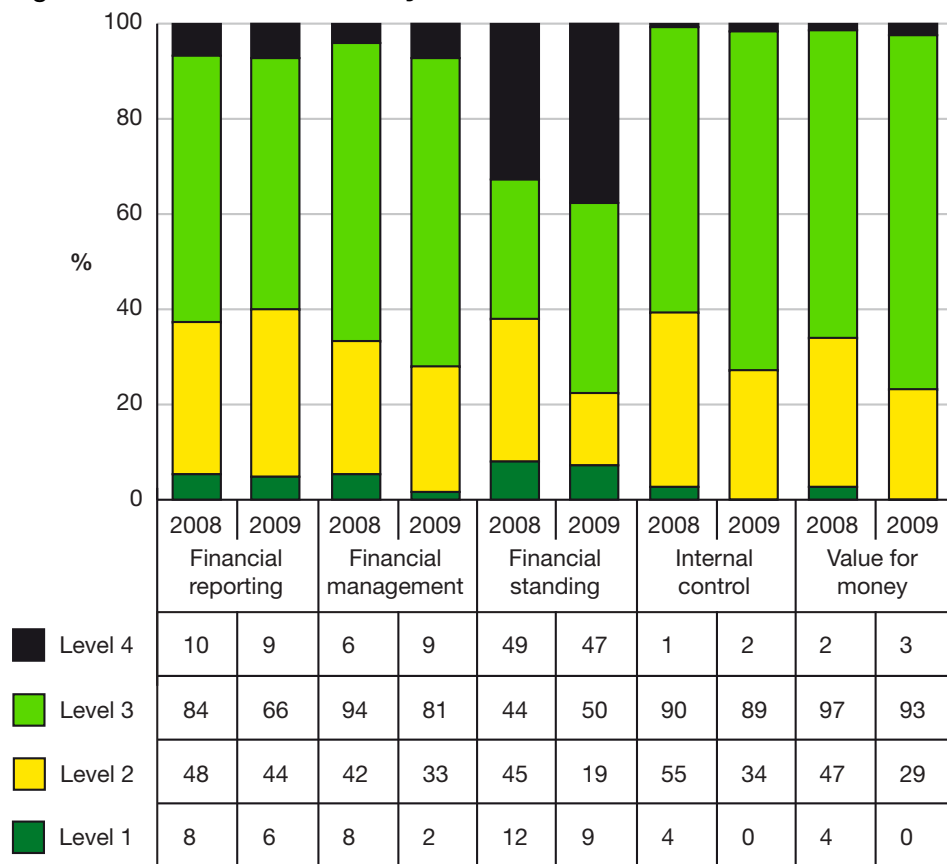


Source: *Audit Commission*

Summary

Performance in each of the five ALE themes assessed for 2008 and 2009 is summarised in Figure 2 below.

Figure 2: **ALE Performance by theme 2008 and 2009**



Source: Audit Commission

Performance improved significantly in all themes except financial reporting. Financial reporting scores did not improve due principally to the tighter timetables for the production and audit of accounts in 2008/09. All NHS trusts met minimum standards in the internal control and value for money themes and only two NHS trusts failed to meet minimum standards for financial management.

UoR scores for 2008/09

The three themes in the UoR assessment are:

- the managing finances theme, which assesses how well PCTs manage their finances to deliver value for money;
- the governing the business theme, which assesses how well PCTs govern themselves and commission servicesⁱ, that provide value for money and deliver better outcomes for local people; and
- the managing the resources theme, which assesses how well PCTs manage their natural resourcesⁱⁱ, physical assets and people, to meet current and future needs and deliver value for money.

ⁱ The commissioning and procurement KLOE was not assessed in 2008/09.

ⁱⁱ The natural resources KLOE was not assessed in 2008/09.

Summary

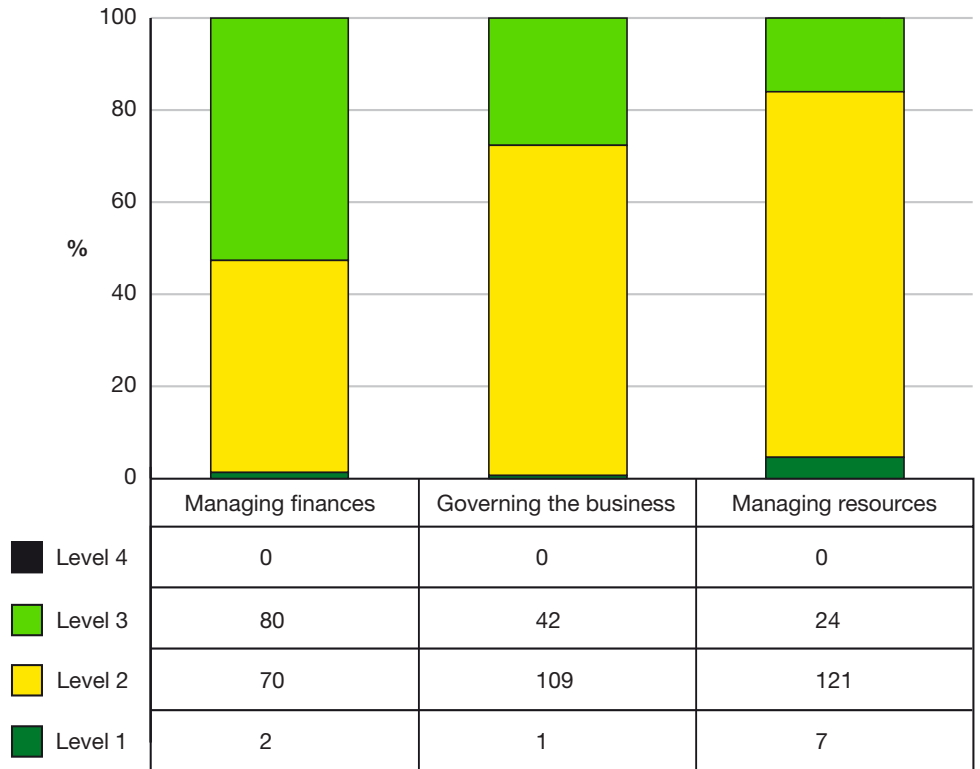
The managing finances theme score forms the 'quality of financial management' element of the Care Quality Commission's annual health check.

The headline 2008/09 results for the three themes in the UoR assessments are:

- In the managing finances theme 70 PCTs (46 per cent) were performing at minimum requirements and 80 PCTs (53 per cent) were performing above minimum requirements.
- In the governing the business theme 109 PCTs (72 per cent) were performing at minimum requirements and 42 PCTs (28 per cent) above minimum requirements.
- In the managing the resources theme 121 PCTs (80 per cent) were performing at minimum requirements and 24 PCTs (16 per cent) were performing above minimum requirements.
- Only two PCTs scored below minimum standards for the managing finances theme, one PCT scored below minimum standards for the governing the business theme and seven scored below minimum standards for the managing resources theme.
- No PCT performed excellently in any of the three themes.

The UoR results at theme level are summarised in Figure 3 below.

Figure 3: UoR performance 2008/09 by theme



Source: Audit Commission

Summary

Overall, the results for both ALE and UoR are creditable and reflect the hard work done by most NHS trusts and PCTs. NHS trusts continued to improve and most now score 3 or 4. This should be seen as a good level of performance, especially since many of the better performing NHS trusts have now become foundation trusts and are no longer subject to ALE assessments.

PCTs, assessed using the new UoR methodology, performed well in the new, more demanding assessment, particularly in the managing finances theme.

Of the 11 NHS trusts identified in last year's report as having failed to meet minimum standards in each of the three years of ALE assessments, four have improved their performance and have been scored at level 2 overall. Of the seven NHS trusts that again scored at level 1 overall in 2008/09, three were merged on 1 April 2009 to form a new trust, three have improved their theme scores and one improved its score in one theme but saw its scores deteriorate in two themes.

Over the coming years all NHS organisations will be under further pressure to deliver high-quality services without the levels of funding growth that have been experienced in the past. They must continue to modernise their service provision, find further efficiency gains and keep strong financial control if they are to maintain the financial stability that has been achieved in the last three years.

Further information, including the full briefing, ALE and UoR scores for all NHS trusts and PCTs and best practice case studies, can be found at:

www.audit-commission.gov.uk/aleuor200809

Summary

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We welcome your feedback. If you have any comments on this report, are intending to implement any of the recommendations, or are planning to follow up any of the case studies, please email: nationalstudies@audit-commission.gov.uk



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