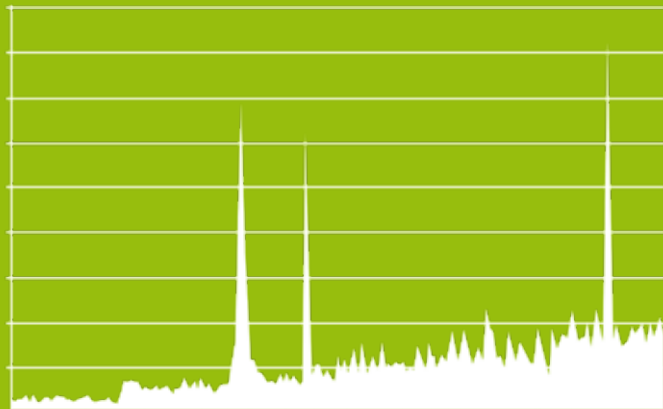


Auditors' Local Evaluation 2007/08

Summary results for NHS trusts and primary care trusts



Health

Briefing summary

October 2008

 **audit**
commission

Summary

- 1** The Auditors' Local Evaluation (ALE) assesses how well primary care trusts (PCTs) and NHS trusts manage and obtain value for money from their financial resources. It stems from auditors' statutory duty to satisfy themselves that NHS bodies have proper arrangements for securing economy, efficiency and effectiveness (value for money) in their use of resources. Auditors evaluate NHS bodies' performance in five themes – financial reporting, financial management, financial standing, internal control and value for money. The overall Use of Resources (UoR) score, which is a combined score for the five themes, is used by the Healthcare Commission as part of its Annual Health Check.
- 2** ALE was introduced in 2005/06 and this is the third year of results. The overall picture is one of significant improvement over the three years assessed. Performance has improved strongly in 2007/08 and this success can be attributed primarily to the return to financial balance of all but a small minority of NHS bodies. The improvement is all the more impressive given the fact that the strongest performing NHS trusts have become NHS foundation trusts (FTs) and are not subject to ALE assessments. Furthermore, the PCTs and ambulance trusts reconfigured in 2006/07 have now established much improved arrangements for the use of financial resources.

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- 3** There is a link between the effective use of resources and high quality services for patients. In 2006/07 91 NHS trusts and PCTs were performing well or strongly in their use of resources under ALE. Fifty-eight of the 91 organisations (64 per cent) also scored good or excellent for their quality of services in the 2006/07 Healthcare Commission Annual Health Check.
- 4** Key results from the 2007/08 NHS trust and PCT ALE assessments include:
- Ninety-three per cent (282) of NHS bodies met or exceeded minimum standards for their overall use of resources.
 - Fifty per cent (151) of NHS bodies were assessed to be performing well or strongly in their use of resources.
 - Five per cent (14) of NHS bodies were assessed to be performing strongly – the highest level.
 - Only 7 per cent (20) of NHS bodies failed to meet the minimum standards. The reasons for failure were a combination of inadequate financial standing and financial management arrangements.

Summary

- Mental health and learning disability NHS trusts performed better than other sectors across all five themes. This has also been the case in the previous two years of ALE. The most common score for NHS organisations overall was level 3, performing well. PCTs' performance improved strongly in 2007/08, virtually eliminating the gap between PCTs and NHS trusts.
 - Performance varied across England. The NHS bodies in North West Strategic Health Authority (SHA) area achieved the highest average score overall. The average overall score of NHS bodies in Yorkshire and the Humber SHA area was the lowest. NHS London has the highest proportion of NHS bodies performing strongly but it also has the highest proportion failing to achieve minimum standards.
- 5** Independent surveys of NHS bodies have demonstrated that ALE has been very helpful in driving improvement and that the dissemination of good practice that has been identified during the assessment would help further. Auditors have, therefore, identified a substantial body of notable practice case studies that other NHS bodies can learn from. The notable practice and ALE scores are available on the Commission's website www.audit-commission.gov.uk/ale.

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- 6** NHS bodies demonstrated significant improvements in their use of resources in 2007/08. Those NHS bodies not performing well or strongly should now take action to learn from the highest performing organisations.

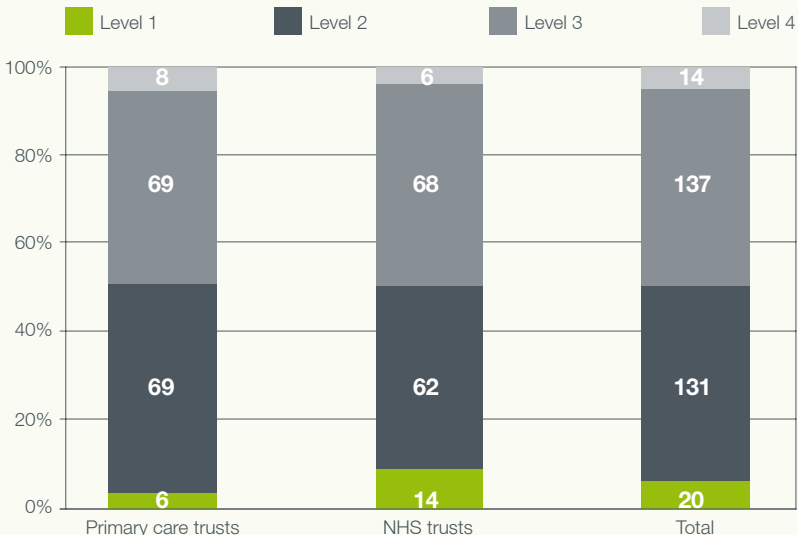
ALE scores for 2007/08

- 7** ALE scores draw on auditors' work throughout the year. Auditors follow an agreed process to reach scored judgements that:
- drive improvement by giving clear messages about adequate, good and excellent performance;
 - enable comparisons to be made between audited bodies; and
 - seek to identify and share good practice on a timely basis.
- 8** ALE assessments result in one of four scores which range from level 1, inadequate performance, to level 4, which indicates that the body is performing strongly.

Summary

9 The overall UoR scores for NHS trusts and PCTs are summarised in Figure 1, which shows that performance overall in the two sectors was broadly the same. In 2006/07 PCTs' overall performance was markedly poorer, with the reorganisation of PCTs having a large impact. The number of NHS trusts subject to ALE has also reduced by 33 in 2007/08. Some of these NHS trusts merged with others but 30 NHS trusts have achieved FT status. The majority of NHS trusts authorised as FTs had previously achieved scores of level 3 or level 4. Therefore, the improvement in the overall performance of NHS trusts is all the more impressive

Figure 1
Overall UoR scores for PCTs and NHS trusts



Source: Audit Commission

when taking into account that many of the highest performing NHS trusts assessed in 2006/07 were not assessed in 2007/08.

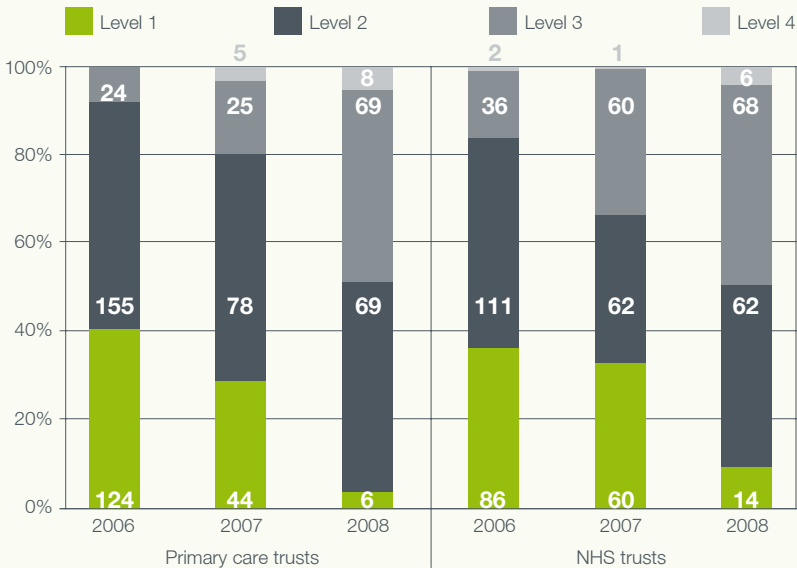
Continual improvement

- 10** Since the first ALE assessment in 2005/06 there has been a year-on-year improvement in overall scores and within themes, by both NHS trusts and PCTs. The average overall score has risen from 1.73 in 2005/06 to 1.96 in 2006/07 and 2.48 in 2007/08. The proportion of NHS bodies meeting or exceeding minimum standards has increased from 61 per cent in 2005/06 to 69 per cent in 2006/07 to 93 per cent in 2007/08. The most common score in 2007/08 for NHS bodies was level 3, compared to level 2 in the two previous years.
- 11** There has been an increase in the number of organisations scoring level 4 – in 2007/08 six NHS trusts and eight PCTs were performing strongly compared to one and five respectively in 2006/07 and two NHS trusts but no PCTs in 2005/06. All but one of the top performing organisations in 2006/07 retained this score in 2007/08.

Summary

12 In 2006/07 PCTs and ambulance trusts were reconfigured. The number of PCTs was reduced, through merging existing organisations, from 303 to 152 and the number of ambulance trusts from 29 to 12 (now 11 through a further merger in October 2007). Figure 2 shows that the performance of PCTs and NHS trusts has become more balanced, now that the reorganised PCTs have become more established.

Figure 2
Overall UoR scores for PCTs and NHS trusts – 2006 to 2008



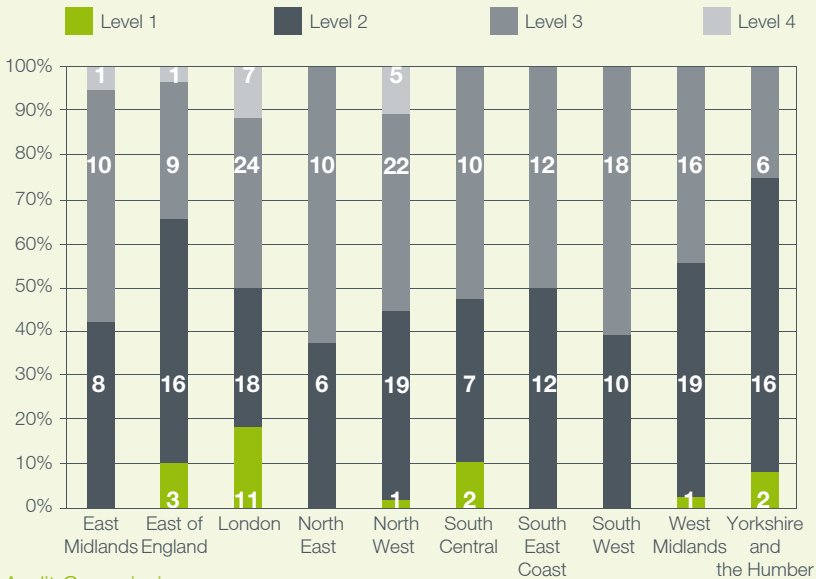
Source: Audit Commission

Performance by region

13 NHS bodies' performance when grouped by SHA has been variable, as illustrated by Figure 3. Yorkshire and the Humber SHA, West Midlands SHA and East of England

SHA have the lowest proportion of NHS bodies either performing well or performing strongly. North East SHA and South West SHA have the highest proportion of NHS bodies performing well, at over 60 per cent in each SHA area; however, neither SHA area has any organisations that are performing strongly. The NHS bodies in North West SHA area achieved the highest average score overall. The organisations in London SHA area displayed the greatest range of scores. London SHA achieved both the highest proportion of NHS bodies failing to meet minimum standards and the highest proportion performing strongly of any SHA in the country.

Figure 3
Distribution of overall UoR scores by SHA



Source: Audit Commission

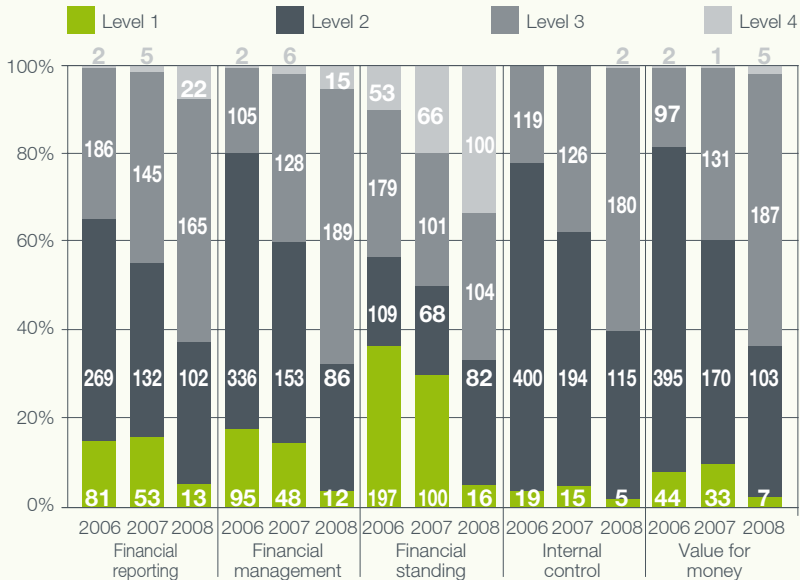
Summary

Performance by theme

14 The overall scores can be further analysed at theme level, revealing variations across the themes. Performance improved in 2007/08 in all themes and at all levels.

15 Figure 4 shows that the biggest improvement overall is in the financial standing theme. The proportion of NHS bodies performing well or strongly in the financial management and value for money themes has also increased. It is encouraging that performance in these key themes in particular has improved so strongly and suggests that NHS bodies are well placed to meet future financial challenges.

Figure 4
Performance by theme – 2006 to 2008



Source: Audit Commission

Conclusions and the way forward

- 16** The key message from 2007/08 is that the performance of NHS bodies has improved significantly across all five themes assessed. There will be new accounting challenges over the next 18 months as NHS bodies have to complete their accounts earlier and convert to International Financial Reporting Standards, but this year's ALE shows that two-thirds of organisations are well placed to meet both challenges.
- 17** There remains a small core of 20 poorly performing NHS bodies as yet unable to achieve minimum standards. The challenge facing NHS bodies now is to raise standards to those of the highest performing organisations.
- 18** Auditors assessing NHS bodies as performing well or strongly documented the notable practices at these organisations that set them apart from other organisations. The Audit Commission will be making all of these case studies available via its website and through local auditors.

Summary

19 Looking forward to 2008/09, there will be some changes to the way NHS bodies' use of resources is assessed. For NHS trusts the current ALE framework will remain. The KLOE have been finalised and there are some minor changes to the financial standing theme. For PCTs, ALE will be replaced by a use of resources assessment that will form part of the area-based Comprehensive Area Assessment that will also apply to local authorities, police authorities and fire and rescue services. They will all be assessed under the three themes of: managing finances; governing the business; and managing resources. The Audit Commission consulted on these changes and the framework was published in May 2008. Further information can be found at www.audit-commission.gov.uk/ale

Copies of the full report are available at: www.audit-commission.gov.uk
or to order a printed copy telephone: 0800 502030 quoting stock code:
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