

News release

For immediate use, Thursday, 6 October 2016

Auditor General signposts major challenges at two health boards

The Auditor General for Scotland, Caroline Gardner, has reported to the Scottish Parliament on significant issues arising from the annual audits of NHS Tayside and NHS 24.

The Auditor General has highlighted:

- The scale of the challenge NHS Tayside faces to meet financial targets, and a significant risk that it will not achieve its financial plan for 2016/17 and future years;
- Action taken by NHS 24 to address delays to the implementation of a new IT system, and the subsequent financial impact on the board.

NHS Tayside has received £24.3 million in financial support from the Scottish Government over the last four years in order to break even. In 2015/16, the health board received £5 million to cover pressures including staffing and prescribing costs, and reaching national performance targets.

As well as the need to repay this support, the board has set an unprecedented savings target of £58.4 million for 2016/17. At the same time it is forecasting a potential deficit of £11.6 million and does not currently have plans in place that fully address this gap. Based on its financial performance to date, there is a significant risk it will require financial aid again in order to break even.

NHS 24 has invested significantly in implementing a new IT system over the past six years. Failure to launch the system successfully and additional double running costs have meant the total projected cost of the programme will be £131.2 million - 73 per cent higher than the original business case. The delays have also created risks to the board's ability to meet future financial targets.

Whilst significant challenges remain NHS 24 is now taking reasonable steps to mitigate the risk of further delay. It maintained the existing IT system, minimising the impact on services for patients and met 14 of its 15 key performance indicators. While work continues towards successful completion, delivering financial targets will be very difficult and largely depend on achieving efficiency savings.

Caroline Gardner said: "Each of these health boards is experiencing prolonged and considerable challenges which continue to have an impact on the way they operate and deliver services.

"While action is under way to try and address these issues, there's no quick fix available and recovery will take time. It's important that the Scottish Parliament and the Scottish Government closely monitor progress, to ensure circumstances do not worsen, to the detriment of staff and service users."

The Auditor General reports on the overall financial health and performance of the NHS in Scotland later this month.

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Notes to editors

1. The Auditor General has prepared these reports on the 2015/16 accounts of NHS Tayside and NHS 24 under Section 22 of the Public Finance and Accountability (Scotland) Act 2000. This allows the Auditor General to bring to the Parliament and the public's attention matters of public interest related to the financial statements of public bodies.

2. The independent audit opinion on both accounts is unqualified. This means that they show a true and fair picture, follow accounting standards and the income and expenditure for the year is lawful.
3. NHS Tayside has identified that in order to be financially sustainable in the long term, it must make savings of £175 million over the next five years. This is in addition to increasing reliance on non-recurring savings and with a total of £20 million of outstanding brokerage to be repaid. After the board received £5 million brokerage from the Scottish Government, the final position at end of 2015/16 was a surplus of £0.145 million (see Exhibit 1 on page 5).
4. Between 2012/13 and 2014/15, the Scottish Government provided additional loan funding of approximately £20.8million to NHS 24 to help it manage the implementation costs and costs associated with delays in the new IT system. NHS 24 repaid £0.4 million during 2014/15, leaving approximately £20.4million still to repay (see Exhibit 2 on page 9).
5. In December 2015, the Auditor General reported to the Public Audit Committee that the total cost of NHS 24's IT system had risen by 55 per cent to £117.4 million, compared to a business case cost of £75.8 million covering the ten-year contract period. The increase was due to changes in the contract specification and costs associated with the delay in implementing the IT system. Timelines of key events are included in Appendices 1 and 2.
6. The Auditor General's report NHS in Scotland 2016 is due to publish on 27th October 2016. More information is available [here](#).
7. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk
 - The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament
 - 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 Auditor General for Scotland and the Accounts Commission for Scotland.