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22 August 2005

Members of the Board
West Wiltshire Primary Care NHS Trust
Southgate House
Pans Lane
Devizes
SN10 5EQ

Dear Ladies and Gentlemen

WEST WILTSHIRE PRIMARY CARE TRUST - REPORT IN THE PUBLIC
INTEREST UNDER SECTION 8 OF THE AUDIT COMMISSION ACT ON THE
FINANCIAL STANDING OF THE PRIMARY CARE TRUST

Introduction

1 This letter is being issued as a report in the public interest under section 8 of the Audit Commission Act 1998. This section of the Act requires the external auditor to consider whether there are any significant matters which should be formally reported to the audited body and the public.

2 The purpose of this letter is to bring to your attention, early in the financial year, our major concerns about the current financial standing of West Wiltshire Primary Care Trust.

Background

The financial standing of the PCT has deteriorated

3 West Wiltshire Primary Care Trust ('the PCT') and the local health economy have had significant financial problems for a number of years. The financial standing of West Wiltshire Primary Care Trust has deteriorated in the last two years. Historically, deficits have been minimised through additional financial support (Table 1).

4 In 2003/04 the PCT reported a year-end surplus of £37,000 however, without

additional financial support from central funds and the local NHS the PCT would have reported a deficit of £3.7 million. In 2004/05 the PCT spent more than it was allowed by Parliament and reported a deficit of £2.8 million although this would have risen to £4.6 million had it not been for planned financial support.

(Table 1 Financial performance
The PCT's underlying financial deficit is increasing
2003/04
£million
2004/05
£million
Reported surplus/(deficit) 0 (2.8)
Additional financial support
- central NHS funds
(1.9) (1.8)
Additional financial support
- local NHS funds
(1.8) 0
Underlying
surplus/(deficit)
(3.7) (4.6)
Annual accounts and PCT data)

5 The reason for the PCT's failure to achieve financial balance can be attributed to combination of factors. In 2004/05, arrangements to maintain sound finances were weak in a number of areas most notably the PCT's financial recovery plan. We reported to the Audit Committee in April 2005, that the PCT's 2004/05 savings plan was not realistic, achievable or sustainable. Prospects for improvement
The 2005/06 recovery plan is ambitious

6 The PCT is planning to achieve financial balance in 2005/06 and is developing a recovery plan to improve services and ensure they are affordable. The PCT's recovery plans include a three year financial forecast (Table 2).
Table 2 Financial recovery plan
The PCT must generate significant savings in 2005/06

(2005/06
£million
2006/07
£million
2007/08
£million
Forecast savings 11.4 1.7 1.7)

7 In total, the PCT will need to recover at least £14.8 million in the next three years. This figure has been validated by Avon, Gloucestershire and Wiltshire Strategic Health

Authority ('the SHA'). However, this figure could be even higher. The PCT has calculated that it actually needs to recover £13.8 million in 2005/06 alone. This means that the PCT needs to reduce its spending by eleven per cent before 31 March 2006.

8 The PCT is committed to identifying savings but we are deeply concerned that the recovery plan is not complete and that there is a financial shortfall of £5.4 million between the PCT's spending plans and its anticipated income. We are also concerned that the partially complete recovery plan includes a number of high risk schemes with short timescales for delivery.

9 The PCT's success depends on its ability to:

- meet a financial shortfall of £5.4 million;
- ensure that savings schemes are achievable with project plans for delivery;
- change the way healthcare services are purchased and delivered;
- make service delivery changes; and
- secure support for these changes from the public and other stakeholders.

The PCT Board is fundamentally uncertain as to whether it has the capacity to deliver the required savings in the short timescale.

10 In April 2005, the PCT appointed a new management team. Steps have been taken to improve financial standing, including developing a more realistic, risk based financial recovery plan and setting up a finance committee to ensure robust scrutiny of the PCT's position.

11 In June 2005, we wrote to the Board asking for an assurance that it had arrangements to maintain sound financial standing. Whilst the Board has stated its intention to achieve financial balance in 2005/06, the Board has stated that it remains 'fundamentally uncertain' as to the deliverability of the totality of the recovery plans given the magnitude of the required savings and the short timescale. The absence of assurance from the Board about its own financial plans has led us to issue this letter.

What does this mean for West Wiltshire Primary Care Trust?

12 If the savings are not identified and delivered by 31 March 2006, the implications could be:

- breach of the statutory duty to keep spending within its resource limit;
- uncertainty within the local health community about the provision of health

services; and

- lower performance scores from the Healthcare Commission including annually assessed 'star ratings'.

Action now required

13 We stress the urgency on the Board to agree its financial recovery plan with the SHA

The PCT has informed us that it is developing further plans to manage outstanding risks and will confirm, by no later than 1 September, with local partners and the SHA how the remaining risks will be managed.

14 The PCT should ensure that robust performance management arrangements are in

place to ensure delivery by 31 March 2006.

15 The PCT should assess whether there is sufficient management capacity to first

identify further savings and secondly to deliver all that is required in its recovery plan

16 We will continue to monitor the PCT's progress in agreeing and delivering a robust

financial recovery plan and will re-assess the position later in the financial year.

17 A copy of this letter has also been sent to the Audit Commission and the Department of Health.

Yours faithfully

Stephen Malyn

District Auditor