



**AUDIT COMMITTEE**

**AGENDA**

**12th Meeting, 2001 (Session 1)**

**Tuesday 4th September 2001**

The Committee will meet at 2.00 pm in Committee Room 3, Committee Chambers to consider the following agenda items:

1. **The Scottish Ambulance Service:** The Committee will consider a response from the Scottish Executive on the report entitled 'The Scottish Ambulance Service: A Service for Life' (SP Paper 142).
2. **Scottish Enterprise Skillseekers Training:** The Committee will consider a response from the Scottish Executive on the report entitled 'Scottish Enterprise Skillseekers Training for Young People' (SP Paper 166).
3. **Overview of the NHS in Scotland 1999/2000:** The Committee will consider a response from the Scottish Executive on the report entitled 'Overview of the National Health Service in Scotland 1999/2000' (SP Paper 310).
4. **Financial Reporting Advisory Board (FRAB):** The Committee will consider a letter from the Minister for Finance and Local Government on FRAB.
5. **Format of Scottish Executive Accounts:** The Committee will consider a letter from the Minister for Finance and Local Government on the format of accounts.

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The papers for this meeting are as follows

**Agenda Item 1**

Response from the Scottish Executive on the report entitled "The Scottish Ambulance Service: A Service For Life" (SP 142). AU/01/12/1

Summary of Executive Response AU/01/12/2

**Agenda Item 2**

Response from the Scottish Executive on the report entitled "Scottish Enterprise: Skillseekers Training for Young People" (SP 166) AU/01/12/3

Summary of Executive Response AU/01/12/4

**Agenda Item 3**

Response from the Scottish Executive on the report entitled "Overview Of The National Health In Scotland 1999/2000" (SP 310) AU/01/12/5

Summary of Executive Response AU/01/12/6

**Agenda Item 4**

Letter from the Minister for Finance and Local Government to the Convener dated 30 May 2001 AU/01/12/7

**Agenda Item 5**

Letter from the Minister for Finance and Local Government to the Convener dated 27 July 2001 AU/01/12/8

Draft Format of Accounts AU/01/12/9

Letter from Mr Russell Frith, Director of Audit Strategy, Audit Scotland to the Convener dated 22 August 2001 AU/01/12/10



## SCOTTISH EXECUTIVE

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### Health Department

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**Date: 31 July 2001**

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### **AUDIT COMMITTEE, THIRD REPORT 2000: THE SCOTTISH AMBULANCE SERVICE: A SERVICE FOR LIFE**

Further to my letter of 16 January, I enclose for the information of the Committee, a report on progress to date with the appraisal of the case for priority based dispatch and other, related, Scottish Ambulance Service developments.

I will aim to provide the Committee with a further report in December.

**TREVOR JONES  
Accountable Officer**

CMA06407

## **AUDIT COMMITTEE, THIRD REPORT 2000: THE SCOTTISH AMBULANCE SERVICE**

### **THE FOLLOW-UP REPORT OF THE SCOTTISH EXECUTIVE HEALTH DEPARTMENT**

#### **Introduction**

This document fulfils the commitment given in the Department's response of 12 September 2000, and subsequent progress report of 16 January 2001, to report back to the Committee on the considerations of the case for a system of priority based dispatch for emergency ambulance calls. The document also updates the Committee on the related matter of the Service's review of its operations (control) rooms and on continuing progress against the detailed actions appended to the response of September 2000.

#### **The Scottish Ambulance Service Beyond 2000 Modernisation Agenda - the Context for Prioritisation, including the Review of Operations Rooms**

The appraisal of the case for prioritisation has been just one, albeit important, element of the Service's modernisation agenda "Beyond 2000". The agenda has also included the review of the non-emergency (patient transport) service and of its operations rooms (control rooms) as well as providing for the ongoing development of the accident and emergency service.

The proposals which have emerged from the review of the Service's operations rooms represent the critical building blocks on which all of the Service's other development proposals are constructed. In summary, the operations rooms proposals provide for:

- 3 emergency operations rooms, plus a business recovery centre, in place of the existing 8 operations rooms;
- investment in improved mapping and vehicle location systems;
- new computer systems to support emergency controllers in giving advice to patients/bystanders and information to ambulance crews as the ambulance travels to an emergency scene (also known as pre-arrival software);
- better planning and control of non-emergency services, and better communications with hospital and clinic staff; and
- redeployment and re-training of staff freed up from the reduced number of emergency operations rooms. Some would be retained as call handlers to provide improved pre-arrival advice, and others would transfer to non-emergency control functions located on major acute hospital sites.

#### **The Case for Priority Based Dispatch**

The Department has been considering carefully the case for prioritisation in the light of information provided by the Scottish Ambulance Service.

The Scottish Ambulance Service presents a case for rolling out a system of call categorisation into its emergency operations rooms. The system would enable the operators to determine the urgency to be attached to 999 Ambulance Service calls and to assign the call one of 3 categories:

- A. life threatening and immediate (covering cardiac arrest, major trauma etc);
- B. serious illness/accident, but not immediately life threatening (eg, limb fracture); or
- C. other, not serious, calls (eg, back ache).

Call categorisation in itself merely provides a more formal mechanism for better identifying which calls are most likely to benefit from the fastest response. The factors which determine whether that fast response can be achieved will include distance, speed of response and quantum and availability of vehicles and staff. The Scottish Ambulance Service has confirmed that in densely populated parts of Scotland responding to non-life threatening calls more slowly than at present would free up money which could be re-invested in providing a faster response to life threatening calls. As NHS 24 develops it will provide an alternative system for dealing with calls not requiring an emergency ambulance response.

The response time standards which could be achieved for life threatening calls are not absolute but are directly related to the amount of money that may be invested in additional vehicles and staff. The Service also raises the prospect that, in the longer term, consideration may be given to extending prioritisation to include GPs' urgent calls, in addition to the 999 emergency calls.

It is, however, recognised that there are always likely to be limitations on the extent to which prioritisation could be effective in the more remote and rural areas of Scotland. The Service is, however, developing alternative proposals for improving services to those areas.

## **Conclusions**

The Department and the Minister have been sufficiently persuaded as to the potential benefits of the Service's proposals for improving its operations rooms functions and prioritising its emergency service response, as to invite the Service to take its proposals to the next phase of the business planning process.

The operations rooms proposals, including the procurement of the pre-arrival software systems which would support call categorisation and facilitate prioritisation, are in themselves designed to improve patient care. The procurement of new mapping and vehicle location systems will improve the understanding of control room staff about the exact location of incidents and of ambulances out on service. The pre-arrival and call categorisation software system will enable call handlers to provide clinical advice to patients/bystanders while the ambulance is on its way. (It is already being trialled in the Lothian control room.)

Notwithstanding the further details which the Service will be asked to work up and assuming the operations rooms case is approved and funded, it is likely that the Department and the Minister would wish the Service to phase in the operations rooms changes and carry out some modelling of the categorisation experience in Scotland before finalising the costs attaching to the case for prioritisation. This modelling would also provide the Service and the Department with real baseline information for future audit comparison should prioritisation be approved.

Scottish Executive Health Department  
July 2001

## ACTIONS

1a. Department allocates £93.3m revenue to Service for 2000/01. Allocation includes development monies:

- £500,000 to cover costs of 20 front-line ambulance staff for Glasgow;
- £485,000 to enable the Service to train an extra 75 paramedics;
- £115,000 in support of further improvements to Air Ambulance Service;
- £100,000 to appraise priority based dispatch.

Allocation also covers costs of expected 3.0% increase in emergency activity in year.

1b. *Department allocates £101.1m revenue to Service for 2001/02. Allocation provides for further developments:*

- *£700,000 to cover costs of an extra 26 front-line emergency ambulance staff for Glasgow;*
- *£150,000 to cover additional costs attaching to maintaining paramedic training programme.*

*Allocation for 2001/02 also covers the costs of the expected increase in demand on the emergency service and provision for the start-up costs attaching to Operations Rooms Review and Priority Based Dispatch, should the respective Business Cases be supported.*

2. Department allocates further £1m revenue from Modernisation Fund supporting Service, for example in expediting patient discharges from hospitals.
3. Service to review demands on Emergency Ambulance Service across Scotland, to identify where further service developments may be required and to report to the Department by March 2001. *Revised case for investment in additional staff in various ambulance stations across Scotland where working time pressures are most acute received from Service in June 2001 and currently under consideration within Department.*
4. Department to consider case for speeding up the rate of investment in the Emergency Service in Glasgow by March 2001 for 2001/02 and by December 2001 for 2002/03. *As detailed at 1b. above.*
5. Service to procure software system that will improve the clinical advice to 999 callers and the information to ambulance crews about the patient's condition and the location of the accident/incident. System rolled out into operation during 2001. *Departmental approval to procure system given late in 2000. Procurement process begun and system in operation in Lothian ambulance control in June 2001. Roll-out to other controls linked to timetable for implementation of Operations Rooms Review, if approved.*

6. Service to appraise priority based dispatch and report to the Department by March 2001. Department and Ministers to consider and report to the Audit Committee by June 2001. *Covered in this response.*
7. Systematic monitoring of incident service time across Scotland secured by Service with report to the Department by February 2001. *Systematic monitoring in place January 2001 and reported monthly. Indicators to form part of Service's Performance Assessment Framework currently being drafted.*
8. Service to introduce improved target for reducing amount of time spent at the scene of an incident by December 2000 (performance monitoring reports for first quarter to end March 2001 to the Department by May 2001). *Service and Department have concluded that it would be inappropriate to set target for this element of overall incident service time. Conclusion reflects view that to set target risks compromising patient care where clinical condition and needs of individual patient will be prime determinants of time spent at scene. Time spent on this and other elements of overall incident service time is, however, monitored.*
9. Service to analyse time spent by emergency ambulance personnel with patients at hospital and to agree plans with NHS Trusts for securing appropriate use of staff in the interests of patient care. Service to report to Department by June 2001. *Actioned by Service and plans being pursued by Service's Divisional General Managers with NHS Trusts. Department also raised concerns with area Health Boards at Accountability Review meetings during spring 2001.*
10. Service to develop draft Health Improvement Programme (HIP) for 2001-06 that includes clinical performance standards designed to secure health gain. Draft HIP to Department by December 2000. *The Service's Health Plan to 2005/06 (published in March 2001) includes plans to develop in 2001/02 clinical performance standards and indicators in the fields of: chest pain, trauma, paediatric care, diabetic care, chronic obstructive pulmonary disease, and patient report form completion and accuracy. The Service expects that these standards will be modelled on those already compiled and issued by the Clinical Standards Board for Scotland.*
11. Service to report to Department by February 2001 on Divisional performance in completion of patient report forms. *Systematic monitoring of patient report form completion rate and accuracy rate, by Division, not yet available. (The information system required to provide systematic monitoring is currently being developed and tested). Ad hoc audits during 2000/01 show significant improvement in patient report form completion rate by comparison with the rates quoted in the NAO Clinical Performance Pilot Study 1999. National average quoted in NAO report was 59%; recent audits: North East Division 97%; D&G SubDivision 89%; South West 88%; South East 86%.*



**AUDIT COMMITTEE 3RD REPORT 2000**

**THE SCOTTISH AMBULANCE SERVICE: A SERVICE FOR LIFE**

**JULY 2001 UPDATE FROM THE SCOTTISH EXECUTIVE HEALTH DEPARTMENT**

<b><i>Audit Committee recommendation</i></b>	<b><i>Department's response (extracts)</i></b> <b><i>Originally in September 2000</i></b> <b><u>UPDATE JULY 2001</u></b>	
<p>The Scottish Ambulance Service and the NHS in Scotland should carry out a thorough and robust evaluation of the case for priority based dispatch and report the results to the Audit Committee by December 2000.</p>	<p>An extra £100,000 has been made available ... to enable ... an appraisal of the case for priority based dispatch. ... the Department and Ministers are to consider and report to the Audit Committee by June 2001.</p> <p>The Service is also in the process of procuring new software which will ... enable priority based dispatch to be introduced (if the appraisal supports this)</p>	<p><i>The appraisal of the case for prioritisation has been ... one ... element of the Service's modernisation agenda "Beyond 2000". The agenda has also included the review of the ... Service's operations rooms ...</i></p> <p><i>The operations rooms proposals represent the critical building blocks for all of the Service's other development proposals ... (There will be) ... three emergency operations rooms ...in place of the existing eight ... improved mapping and vehicle location systems ... new computer systems to support emergency controllers ... redeployment and re-training of staff ...</i></p> <p><i>(Follow up report page 1)</i></p> <p><i>(The Service has made) a case for rolling out a system of call categorisation into its emergency operations rooms ... The Department and the Minister have been sufficiently persuaded as to the potential benefits ... as to invite the Service to take its proposals to the next phase of the business planning process.</i></p> <p><i>(Follow up report page 2)</i></p> <p><i>(The increased) allocation for 2001/02 (£101 million) also covers ... provision for the start-up costs attaching to ... Priority Based Dispatch ...</i></p> <p><i>(Actions paper paragraph 1b)</i></p>

<b>Audit Committee recommendation</b>	<b>Department's response (extracts)</b> <b>Originally in September 2000</b> <b><u>UPDATE JULY 2001</u></b>	
<p>Resource allocation in the Scottish Ambulance service should reflect the current variations in performance across Scotland and be linked to the respective health needs in different parts of the country. Specific plans with quantified targets should be reported to the Audit Committee by December 2000.</p>	<p>The Department is determined to ensure that the position improves for those areas where emergency response targets are not being met ... Greater Glasgow has the greatest shortfall against target ... the Service (has) put additional emergency resources into Glasgow.</p> <p>The Service is conducting a comprehensive review of emergency ambulance performance across Scotland to determine what further service improvements may be required. ... Ministers ... expect to ... report back to the Committee in spring 2001.</p>	<p><i>Revised case for investment in additional staff in various ambulance stations across Scotland where working time pressures are most acute completed in June 2001 ... currently under consideration within the Department.</i></p> <p><i>£101.1m revenue (allocated) to Service for 2001/02 (£8.8m/ 8% increase on 2000/01)</i></p> <p><i>Allocation provides £700,000 ... for an extra 26 front-line emergency ambulance staff for Glasgow (follows increase of 20 staff the previous year) ... also covers the costs of the expected increase in demand on the emergency service ...</i></p> <p><i>(Actions paper paragraphs 1b and 3)</i></p>
<p>Records of time taken for activation, time spent at the scene and time spent at hospital should be examined systematically with a view to identifying efficiencies.</p>	<p>The Service is committed to monitoring systematically the overall service incident time across Scotland. ... It is also reviewing the scope for introducing more demanding targets ... (and) is particularly concerned to try and reduce the amount of time spent at the scene of an incident and the time spent at hospital. The Service is to present the first performance monitoring reports in these areas to the Department in May and June 2001.</p>	<p><i>Systematic monitoring (of incident time) in place January 2001 and reported monthly. Indicators to form part of Service's Performance Assessment Framework currently being drafted.</i></p> <p><i>Service and Department have concluded that it would be inappropriate to set a target for (<u>time spent at the scene of an incident</u>, which) ... risks compromising patient care ... (Monitoring of) <u>time at hospital</u> (has resulted in action) with area Health Boards at Accountability Review meetings during spring 2001.</i></p> <p><i>(Actions paper paragraphs 7 –9)</i></p>
<p>The Scottish Ambulance Service should develop specific goals for health gain and include these in their next Health Improvement Plan</p>	<p>A commitment to develop a limited range of clinical performance standards as a means of securing health gain is reflected in the Service's current Health Improvement Programme (HIP) for 2000-2005. Specific clinical performance standards to secure health gain are required for the Service's next HIP, due in draft to the Department in December 2000.</p>	<p><i>The Service's Health Plan to 2005/06 (published in March 2001) includes plans to develop in 2001/02 clinical performance standards and indicators in the fields of: chest pain, trauma, paediatric care, diabetic care, chronic obstructive pulmonary disease, and patient report form completion and accuracy.</i></p> <p><i>(Actions paper paragraph 10)</i></p>

<b><i>Audit Committee recommendation</i></b>	<b><i>Department's response (extracts)</i></b>  <b><i>Originally in September 2000</i></b>  <b><u>UPDATE JULY 2001</u></b>	
The Scottish Ambulance Service should improve their management and use of patient care information to enhance the effectiveness of service planning and provision. A strategy should be set in place to track the complete patient care pathway of emergency ambulance patients.	The Service is striving to improve the completion rates of patient report forms by emergency ambulance personnel and will report performance in this area to the Department by December 2000.	<i>(Though) systematic monitoring results are not yet available (systems being developed and tested) ... ad hoc audits during 2000/01 show significant improvement in patient report form completion rate ... (Compared to the previous national average of 59%) recent audits show: North East Division 97%; D&amp;G Sub Division 89%; South West 88%; South East 86%.  (Actions paper paragraph 11)</i>

## **AUDIT COMMITTEE REPORT: SCOTTISH ENTERPRISE: SKILLSEEKERS TRAINING FOR YOUNG PEOPLE**

### **SCOTTISH EXECUTIVE AND SCOTTISH ENTERPRISE SUPPLEMENTARY RESPONSE TO THE PRINCIPAL RECOMMENDATIONS**

#### **GENERAL**

The Scottish Executive gave an initial response to the 5 principal recommendations in the Committee's report in January 2001, welcoming the contribution that the report made to reviewing the effectiveness of the Skillseekers programme.

The Executive agreed that Scottish Enterprise should report further on the 2<sup>nd</sup> recommendation, relating to the roll-out of their Corporate Training System. The Executive also agreed to provide a further report on the 4<sup>th</sup> recommendation, on the accuracy of Scottish Enterprise's management information. These reports are set out below.

#### **SUPPLEMENTARY RESPONSE TO RECOMMENDATIONS**

**Scottish Enterprise should maintain the momentum provided by the NAO report and provide us with a report by April 2001 on the roll out of their Corporate Training System and on the benefits they have gained from its use to provide:**

- **assurance that the prices they pay represent the minimum public sector contribution necessary to encourage the provision of training**
- **benchmarking information to allow meaningful comparisons of variations in the costs incurred by the LECs**
- **additional information on which to draw informed conclusions on whether surpluses earned reflect over-generous payments to some LECs**

Scottish Enterprise's report, which has been discussed with the Executive, follows here:

#### Roll-out of CTS

Scottish Enterprise have phased in the Corporate Training System (CTS) across the Network, with the first Local Enterprise Company (LEC) changing to CTS in April 1999 and the last in October 1999. The system streamlines and simplifies the administrative process and management reporting for the Skillseekers Programme from 12 different systems to a single, centralised database with Internet access. CTS uses browser based technology, allowing providers and employers to register trainees and input claims for payment via the Internet as an alternative to using paper based forms. Approximately 90% of all providers now use web based transactions, with a few LECs having achieved 100% on line.

In addition to improving the administration and payment systems, CTS has also supported the introduction of a single, consistent method of operation across the Network. From April

2001, this is facilitating robust comparisons of delivery performance and value for money across the Network. A key change is the introduction of standard milestones for each vocational qualification which will allow accurate comparisons of the contributions made by LECs in progressing VQ achievements.

#### Minimum public sector contribution

Scottish Enterprise seeks to keep the Skillseekers public sector contribution to training to a minimum by gradually reducing LEC funding whilst allowing LECs to generate a surplus as an incentive to optimise their contribution. The NAO report recognised that this process has led to significant cost reductions over time. This approach is also more effective than setting minimum unit prices for specific types of training, because of the wide range of types and levels of training, and the different levels of contribution required to encourage training in varied circumstances.

Pricing information from CTS has already informed decisions by Scottish Enterprise in making reductions in sums paid to LECs for mainstream VQ2 and VQ3 achievements. This action has released additional resources of approximately £2.75m to support priority areas, such as increasing Modern Apprenticeship activity and improving the levels of support for Special Needs Training.

#### Benchmarking and comparing LECs

The introduction from April 2001 of the single CTS business model across the Network will allow both individual LECs and the Network as a whole to compare their costs, activities and achievements. LECs can now compare with other LECs the contribution they are making to particular occupational sectors and view a range of prices applied across the Network in relation to both qualifications and providers. Although LECs will still be able to vary prices paid in support of local economic priorities, CTS enables genuine price comparisons, allows for informed decisions to be taken about pricing, and will reduce unnecessary variation in levels of support for training.

With CTS now capturing details of all variations across the Network, it will support further pricing reviews and budgetary decisions by Scottish Enterprise.

#### Surplus generation

While the benefits of surplus generation in achieving cost reductions have been recognised in the NAO and Audit Committee reports, Scottish Enterprise recognises that this policy should take account of different LECs operating in varying Labour Markets. Local competitive pressures will mean that certain LECs are in a stronger negotiating position to purchase training than others. Information from CTS now provides robust financial information on where higher levels of surplus are being generated, thus enabling better allocation of Skillseekers budgets in future

**The Scottish Executive should take an active interest in ensuring that Scottish Enterprise fulfils their promises for improving management information and provide the Audit Committee with a report on whether they are fully satisfied that the information is sufficiently accurate by April 2001.**

The Executive's initial response agreed to provide the further report on the basis of continuing discussions with Scottish Enterprise about developments in their management information systems.

The NAO's original findings were based on a Scottish Enterprise Internal Audit report of April 1999. This related to the SE Network's overall performance measurement arrangements, rather than specifically looking at corporate training information. A further Internal Audit report in May 2000, and subsequent work by LEC internal auditors, have confirmed that all the systems tested are now adequate. Further improvements are expected from the introduction of the Knowledge Management Information System (KMIS) which automates processes that were previously manual. A review of KMIS in the Scottish Enterprise Network Audit plan for 2001-02 will check that improvements to date have been maintained and that still further improvements are being made.

Turning to the Corporate Training System itself, Scottish Enterprise Internal Audit have carried out 4 audits of the system to date. Scottish Enterprise have implemented most of the recommendations in 3 of the reports: a technical review of the system, a live environment review, and a study of management and administration controls surrounding the use of CTS. Of the few recommendations in these 3 reports that have still to be implemented, none directly affect the quality of data. Implementation of the 4<sup>th</sup> report, on internet security, will be completed by the end of September with the wider introduction of a Scottish Enterprise portal as part of its Business Transformation process.

Following the initial response to the Audit Committee's report on Skillseekers, the Executive and Scottish Enterprise agreed that an external review should be carried out of the means by which data from CTS is fed into management reports via Scottish Enterprise's Network Management Accounting Information (NETMAI) database. The review was carried out by Scottish Enterprise's technical IT audit consultants, Ernst and Young, who concluded their report in June 2001. The consultants found that the interface between CTS and NETMAI is operating accurately, but that better data integrity controls should be put in place in the process of collating the data from NETMAI into reports for the Scottish Executive. The consultants also recommended that best practice on extracting management data from CTS is shared throughout the Network based on standardised mechanisms. Scottish Enterprise have ensured that problems identified in the review have been corrected and have put in place procedures for testing the accuracy of future NETMAI-based reports, and for standardising reporting procedures.

Building on the recommendations in all these reviews, Scottish Enterprise have set up a management information task group to take a wider look at improving the quality of data. The group instigated a clean-up of duplicate or redundant CTS data in the LECs, which was completed by 31 March. A user manual has been issued bringing together best practice for all internal and external users who input data into CTS, which has recently been incorporated into an on-line help facility. Future management information requirements will be defined between the Executive, Scottish Enterprise and the LECs, and CTS/NETMAI reports will be developed using formal quality assurance standards.

In addition, Scottish Enterprise have instigated a wider internal audit of training management information to test action in response to earlier reviews and to provide assurance that Skillseekers data is being continually improved. This review, which commenced at the end of June 2001, is being conducted by Price Waterhouse Coopers.

Taking all these elements together, the Executive is satisfied that the management information weaknesses originally identified in the NAO report have been fully addressed. We are also satisfied that Scottish Enterprise, in exercising their operational responsibility for Skillseekers, have taken productive steps to check and raise the accuracy of their data and are fully committed to continuous review and quality improvement. We will continue to take an interest in this area of Scottish Enterprise's work to ensure that the Executive's role in reviewing the performance of training schemes, and shaping future policy, is based on robust information. We also welcome Scottish Enterprise's intention of giving internet access to CTS data to the Executive, Parliament and the wider public.

**Transitions to Work Division  
Enterprise and Lifelong Learning Department  
Scottish Executive**

**July 2001**

## AUDIT COMMITTEE 4<sup>th</sup> REPORT 2000

### *Scottish Enterprise: Skillseekers Training for Young People*

#### ANALYSIS OF SCOTTISH EXECUTIVE AND SCOTTISH ENTERPRISE SUPPLEMENTARY RESPONSE

The Committee requested that, by April 2001, Scottish Enterprise and the Scottish Executive should provide reports on specific issues covered by two of the Committee's recommendations: progress on the roll-out of a Corporate Training System (CTS) providing a comprehensive record of trainee costs and achievements; and Scottish Enterprise promises for improving management information.

<b><i>Audit Committee Recommendation</i></b>	<b><i>Summary of the Supplementary Response</i></b>
<p>Scottish Enterprise should maintain the momentum provided by the NAO report and provide us with a report by 2001 on the roll out of their Corporate Training System and on the benefits they have gained from its use to provide:</p> <ul style="list-style-type: none"> <li>• assurance that the prices they pay represent the minimum public sector contribution necessary to encourage the provision of training</li> <li>• benchmarking information to allow meaningful comparisons of variations in the costs incurred by the LECs</li> <li>• additional information on which to draw informed conclusions on whether surpluses earned reflect over-generous payments to some LECs</li> </ul>	<p>CTS has been phased into the Scottish Enterprise network as timetabled and was fully operational by October 1999</p> <p>Information provided by CTS has led to changes in the prices Scottish Enterprise pay the LECs and as a result some £2.75m of the training budget has been used more effectively</p> <p>The introduction of a single CTS business model covering all the LECs means that information is now available to allow cost comparisons across LECs and to support pricing reviews and budgetary decisions by Scottish Enterprise</p> <p>Information from CTS now provides robust information on the source of LEC surpluses which can be used to improve the effectiveness of budget allocation.</p>



<p>The Scottish Executive should take an active interest in ensuring that Scottish Enterprise fulfils their promises for improving management information and provide the Audit Committee with a report on whether they are fully satisfied that the information is sufficiently accurate by April 2001.</p>	<p>The Scottish Executive have highlighted a number of initiatives which Scottish Enterprise have introduced to improve management information within the network generally and specific steps being taken to improve the accuracy of Skillseekers data.</p> <p>The Executive are satisfied that, taken together, these steps should address the weaknesses identified in the NAO report and have provided the Committee with a commitment that they will continue to take an active interest in this area to ensure the information provided by Scottish Enterprise is sufficiently robust.</p>
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Health Department

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15 June 2001

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**AUDIT COMMITTEE 1<sup>ST</sup> REPORT 2001 : OVERVIEW OF THE NATIONAL HEALTH  
SERVICE IN SCOTLAND 1999-2000**

The Audit Committee's report on the Overview of the National Health Service was published on 5 April.

The Department has considered the report carefully and I now enclose our response.

I am arranging for the response to be laid formally before Parliament.

**TREVOR JONES**

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## **AUDIT COMMITTEE, 1<sup>st</sup> REPORT 2001**

### **OVERVIEW OF THE NATIONAL HEALTH SERVICE IN SCOTLAND 1999-2000**

#### **Introduction**

1. The Scottish Executive Health Department welcomed the Auditor General's Report "Overview of the National Health Service in Scotland 1999-2000" which was published on 19 December 2000. The Department noted the Auditor General's confirmation that overall financial stewardship in the National Health Service continued to be of a high standard. The Report also identified a number of issues arising in Health Boards and NHS Trusts, including the financial position of NHS Trusts and rising trends in the provision being made to meet clinical and medical negligence claims. The Auditor General also commented on particular difficulties in Tayside and announced his intention to prepare a separate report. This was published on 16 March and the Audit Committee took evidence on 2 April. (The Committee will produce a report and the Department will respond in due course.)
2. This paper is the Department's formal response to the Committee's Overview Report. It does not attempt to respond to every point made by the Committee, rather it addresses the Committee's observations on financial performance and its specific recommendations.

#### **Financial performance**

3. The Committee commented on the way in which the accounts of Health Boards and NHS Trusts are presented and the different accounting regimes.
4. "Our National Health : A plan for action, a plan for change" indicated that there would be a review of the financial regime of Health Boards and NHS Trusts. This review will seek to align these regimes as far as possible to promote greater transparency and consistency across the health service in Scotland. A number of changes will be made during 2001-02 with further changes put in place from April 2002 after the new NHS Boards are set up.
5. The Committee also commented on the issue of capital to revenue transfers and the use of non-recurring revenue and capital funds to ensure financial targets were achieved and suggested that the Department's involvement in assisting NHS Trusts may leave it open to criticism.
6. The accounts of health service bodies are prepared under generally accepted accounting principles (UK GAAP). All transactions must therefore comply with the relevant accounting standards and are consistent in this respect. As a general principle, it is for local health bodies to manage their finances in order to ensure value for money for public resources and the achievement of financial targets. In some circumstances this will mean utilising non recurring resources. While the Department does not condone the use of non-recurring resources to meet recurring costs on an ongoing basis, it recognises that in some cases it may be appropriate to use non-recurring resources to meet recurring costs when this is part of an agreed strategy to achieve financial balance. During 2000-01 the implementation of the rules relating to capital to revenue transfers were significantly tightened. Only transfers meeting strict criteria are now allowed.

7. As regards the cost of pharmaceutical products, sufficient funds have been made available by the Executive to meet the trend effect of new treatments and increased use, in line with guidelines, of existing therapies. There are no contingency funds to be distributed as new products come on stream, rather Health Boards and NHS Trusts are expected to have contingency plans to deal with in-year pressures on prescribing expenditure.

### **Clinical and medical negligence**

8. The Committee considered that in view of the reasonably constant level of settlement for negligence claims against the NHS there may be scope for the Department to reassess the basis on which health bodies reflect claims for negligence in their accounts. The Committee recommended that the Department reviews its approach in this area and reports back to the Committee by the end of 2001.

9. The Department welcomes the Committee's comments and their recommendation that the methodology by which health bodies currently calculate the likely cost of future negligence claims for annual accounts purposes should be reviewed. The Department will discuss with Audit Scotland what options may be pursued with a view to making changes this financial year.

### **Primary Care Payments**

10. The Committee considered that Primary Care payments represent a very significant element of health service expenditure and that effective post payment checks are essential. In respect of GP payment reconciliations, the Committee recommended that clear targets are set against which to monitor performance and that some sort of early warning system is put in place to ensure backlogs and delays do not occur in future. The Committee welcomed the Department's intention to bring forward formal proposals for a consistent unified post-payment system across the country. It recommended that any such system should include post-payment verification visits and should be introduced as a matter of urgency.

11. The Department agrees that Primary Care Payments represent a significant element of health service expenditure. As of the end of June 2000, financial reconciliation's have been completed within 6 working days of the month end. Regular meetings take place between CSA Practitioner Services, the Department and the Primary Care Trusts at which payment issues are discussed. Due to shortages of generic drugs in 1999-2000 and the introduction of a new computer system in September 2000, delays have been experienced in the processing of prescriptions and the production of prescribing information during 2000-01. The Common Services Agency currently has a recovery plan in place to get prescription processing back to historic timescales by November 2001 and progress towards this is being closely monitored.

12. Payment verification proposals have been drawn up by the Common Services Agency with input from Health bodies and their auditors and endorsed by the Scottish Executive Health Department. These proposals were presented to the Auditor General on 1 June 2001. They comprise a comprehensive system of pre and post payment checks. These checks also propose that practice visits should normally be undertaken for payment verification, as opposed to clinical purposes, only after other checks have highlighted specific problems in a

particular practice. However, in addition a small entirely random sample of practices would be visited to provide additional assurances.

### **European Union Working Time Directive**

13. The Committee took the view from the evidence taken that it appeared there was no clear estimate of the final extent of the liability to the NHS in Scotland arising from the delay in implementing the European Working Time Directive. For the future the Committee expects the Department to be able to provide an estimate of costs or potential liability associated with any delay in implementing Regulations or Directives. The Committee recommended that the Department should detail the issues that remain, the estimated total liability, the NHS Trusts involved and the extent to which any liabilities will be covered by the respective Health Boards.

14. The Department notes the Committee's recommendations in respect of the European Working Time Directive and the future implementation of Regulations and Directives. The Department worked closely with Health Boards and Trusts to determine the impact of the Working Time Directive on NHSScotland, including the financial implications. In determining the allocations for 2001-02 onwards, the Department took account of NHS Scotland's estimate of the costs involved. In addition, a special allocation of £20m was provided as a contribution to the back costs involved. However, as a general principle it is not appropriate for the Department to be involved in the details of cost pressures within individual Health Boards and NHS Trusts or the discussions on how these are to be financed. Having made financial allocations through the agreed formula it is for the local health bodies to discuss how these resources are most appropriately utilised in line with national and local priorities and to meet any cost pressures within the system. It is also worth noting that at the time the European Working Time Directive came into force there were legal doubts about the extent of the liability. It was therefore appropriate for the NHS to delay payment until the legal issues were resolved. To make payments any earlier could have led to a significant disadvantage to the NHS. In the light of the foregoing the Department does not consider it is appropriate to commission a special exercise to obtain and collate the detailed information as recommended by the Committee.

Scottish Executive Health Department  
June 2001

## NHS OVERVIEW REPORT 1999/2000

Audit Committee recommendation	SEHD response (15 June 2001)
<p>1. <u>Financial performance</u></p> <p>1.1 The Committee were concerned that some Trusts were able to resort to 'quick fixes' to achieve financial targets. For future years, the Committee indicated that they wished to review the extent to which Trusts anticipate funds and defer payments and <b>recommended</b> that the AGS provides that information in his overview report. (Committee report para 21)</p>	<p>As a general principle it is for local health bodies to manage their financial resources to achieve VFM and their financial targets. This may involve utilising non-recurring funds and this may be appropriate as part of an agreed strategy to achieve financial balance.</p>
<p>2. <u>Clinical and medical negligence</u></p> <p>2.1 The Committee considered that in light of the reasonably consistent level of settlement of claims, there may be scope to reassess the basis on which health bodies reflect negligence in their accounts, possibly freeing up funds for services. The Committee <b>recommended</b> that the Department reviews its approach and reports to it by the end of 2001. (Committee report para 26)</p>	<p>The Department will discuss with Audit Scotland what options may be pursued with a view to making changes this financial year.</p>
<p>3. <u>Primary care payments</u></p> <p>3.1 In respect of the time taken to complete financial reconciliations, the Committee <b>recommended</b> that clear targets are set, against which performance can be monitored and also that an early warning system is put in place to ensure that the backlogs and delays experienced in 1999/2000 do not occur in future. (Committee report para 29)</p> <p>3.2 On post payment checking, the Committee <b>recommended</b> that consistently applied arrangements across Scotland should include post payment verification practice visits and that the arrangements should be introduced as a matter of urgency. (Committee report para 32)</p>	<p>As at the end of June 2000, financial reconciliations have been completed within 6 working days of the month end. Delays were experienced in the production of prescribing information during 2000/01. The CSA has a recovery plan in place to restore processing times by November 2001.</p> <p>Payment verification proposals have been drawn up by the CSA. These proposals were presented to the Auditor General on 1 June 2001. The proposals include practice visits for payment verification only after checks have highlighted specific problems in a particular practice. In addition, a small entirely random sample of practices would be visited to provide additional assurances.</p>

<p>4. <u>EU Working Time Directive</u></p> <p>4.1 The Committee was concerned that outstanding issues relating to the implementation of the EU Working Time Directive may not have been resolved. The Committee <b>recommended</b> that the Department details the issues which remain, the estimated total liability, which Trusts are involved and the extent to which any liabilities will be covered by the respective Health Boards. (Committee report para 35)</p>	<p>The Department worked closely with health service bodies to determine the impact of the Working Time Directive. In determining the allocations for 2001/02 onwards, the Department took account of the estimate of the costs involved. In addition, a special allocation of £20 million was provided as a contribution to the back costs involved. The NHS delayed payments pending resolution of associated legal issues.</p> <p>Overall the Department does not consider it appropriate to commission a special exercise to obtain and collate the detailed information as recommended by the Committee.</p>
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Minister for Finance & Local Government  
**Angus MacKay** MSP

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30 May 2001

Dear Andrew

I have considered the matters raised in your joint letter with the Finance Committee dated 10 May 2001 and my officials have also consulted with Treasury officials.

Given the need to co-ordinate laying before the Westminster, Scottish and Northern Ireland Parliaments I believe this is best done by officials. The guidance covering reports, papers etc which Ministers wish to lay before the Scottish Parliament imposes the following requirements.

One copy is required to be formally laid, a copy is to be sent to the Minister for Parliament and a further 20 copies made available in **SPICE**.

Copies are to be provided to the Clerk of the relevant Committee which are sufficient to ensure one copy for each member and a copy for the Clerk.

Paragraph 2.2.d requires the Scottish Ministers to lay the Board's report before the Parliament. The arrangements above will ensure that the report of the FRAB reaches the Committees at the same time as it is laid before the Parliament.

You asked that paragraph 3.1 be amended such that the independent economist be appointed after discussion with the Chief Economist at the Scottish Executive. Treasury is strongly of the view that they wish to retain sole responsibility for this nomination. I do not believe the matter is sufficiently important to press the Treasury further. The present appointee is Professor David Mayston, Professor of Public Sector Finance, Economics and Accountancy of the University of York. Extending such a right to one would mean conceding it to Northern Ireland, possibly the Health Sector and other groups which are planned for inclusion within the FRAB's remit.



I believe that with a say in the selection of the Chairman and 2 Scottish nominees we have ample representation.

In the light of the above I would hope that your Committee would now be able to indicate agreement to the arrangements attached to my letter of 17 April 2001.

A copy of this letter goes to Mike Watson, Convenor of the Finance Committee, and to the Clerk to the Audit and Finance Committees.

**ANGUS MACKAY**

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July 2001

## FORMAT OF ACCOUNTS

1. At its meeting on 27 June 2000 (Meeting 11, 2000) your Committee agreed that:
  - the accounts for 1999-2000 the Scottish Executive should follow the template that had been recommended by the Executive; and
  - a shadow set of accounts containing percentages would be made available to the Committee.
2. The resource accounts for 1999-2000 were laid before the Parliament in April and copies made available to all MSPs.
3. The accounts extend to some 51 pages with much of this being text. To redraft the whole document to allow further consideration by the Committee is not necessary. The Committee's main interest in shadow accounts was to consider the impact of the inclusion of information on the percentage change in outturn between the current and prior years.
4. Statements showing this percentage change year on year have been prepared for all of the primary accounting statements (i.e. the 9 outturn statements, the balance sheet, the cash flow) and for the tangible fixed asset note to the accounts. These follow the style shared with the Committee last year and have been populated with the data from the audited accounts to 31 March 2000. Copies are attached for consideration.

5. As indicated last year we do not consider this presentation helpful to an understanding of the accounts and feel that there is a risk that the provision of this information could create confusion or lead to misinterpretation. For example, in the Outturn Statements the percentage change (i.e. the year on year change) lies immediately after the variance amount and, although the column heading is perfectly clear, there is a danger that a reader of the accounts would assume that the percentage was intended to relate to the degree of variance from budget and not the year on year change. Alternative layouts have been constructed but these do not avoid the potential for confusion.
6. The same problem does not arise on the balance sheet and cash flow statements since no budget figures are provided. Other concerns do however arise in relation to these statements.
7. The balance sheet figures are aggregates and providing percentage changes at that level is fairly uninformative. For example stocks have risen from £259k to £18,932k (an increase of over 7,000 per cent). Looking at the notes to the accounts one finds that all of this arises from the inclusion of Land for Development which did not feature in the previous year. Cash at bank has fallen by 79% over the year but this conveys no information beyond that statistic.
8. In the commercial world the purpose of the cash flow statement is to report cash generation and absorption in a way which allows comparison of the cash flow performance of different businesses; and to do so in such a way that assists in the assessment of their liquidity, solvency and financial adaptability. Government departments do not have the same concerns on liquidity and solvency as exist in the commercial world. Adding percentage changes year on year does not add anything to the understanding of the flows.
9. In the case of the balance sheet and cash flow statement the percentages provide data but no information. There must be a concern that the inclusion of this additional data may in fact detract from, or at least deflect attention from, the “real” information disclosed by the statements.
10. Very similar comments apply to the provision of percentages in the fixed asset note.
11. The intention of resource accounting and budgeting is to translate policy priorities into departmental strategies and budgets, and then to report to the Parliament on the efficiency and effectiveness of the services provided. The link is clearly to the budget.
12. In developing the form of the resources accounts it has been possible to draw on best practice in financial reporting in both the private and public sectors; resource accounts have many similarities to the accounts of public limited companies (‘plcs’). The financial statements of ‘plcs’ and of countries such as Australia and New Zealand where a form of resource accounting is in use provide no example of accounts showing percentage changes.
13. It seems to me that the time to focus on the changes in the allocation between different programmes is at the budgeting stage when there is an opportunity to debate the shift in spending priorities. In presenting annual financial statements to the Parliament the focus should concentrate on how closely the actual activity matched the intentions set out in the budget.
14. I remain of the view that the inclusion of percentage information is not helpful to an understanding of the accounts and that there is a substantial risk that the provision of this information could create confusion or lead to misinterpretation.

15. I would hope that the Committee can agree that we should continue to use the formats in the 1999-2000 accounts developing these as necessary to stay in line with best practice.

16. I am content for the Committee to discuss this further information with my officials should the Committee find that helpful.

17. I have copied this letter and its attachments to Mike Watson as Convenor of the Finance Committee and to the clerks to the Audit and Finance Committees.

**ANGUS MACKAY**

**The Scottish Executive  
Summary of Outturn  
for the Year Ended 31 March 2000**

<b>1998-99 Illustrative Unaudited £000s</b>	<b>Gross Expenditure £000s</b>	<b>Income Applied £000s</b>	<b>Outturn £000s</b>	<b>Budget £000s</b>	<b>Variance £000s</b>	<b>% change Outturn to Outturn %</b>
<b>Programme Resources</b>						
247,195 Rural Affairs Department	681,886	423,875	258,011	266,726	-8,715	4.4
6,165,145 Development Department	6,440,377	235,085	6,205,292	6,273,079	-67,787	0.7
542,306 Education Department	1,155,485	481,745	673,740	742,469	-68,729	24.2
1,613,811 Enterprise and Lifelong Learning Department	1,801,864	21,865	1,779,999	1,852,256	-72,257	10.3
4,413,462 Health Department	5,419,378	856,978	4,562,400	4,651,379	-88,979	3.4
867,743 Justice Department	934,395	4,291	930,104	981,697	-51,593	7.2
<b>13,849,662 Total Programme Resources</b>	<b>16,433,385</b>	<b>2,023,839</b>	<b>14,409,546</b>	<b>14,767,606</b>	<b>-358,060</b>	<b>4.0</b>
 153,553 <b>Administration</b>	 186,945	 15,755	 171,190	 187,028	 -15,838	 11.5
<b>14,003,215 Total Outturn</b>	<b>16,620,330</b>	<b>2,039,594</b>	<b>14,580,736</b>	<b>14,954,634</b>	<b>-373,898</b>	<b>4.1</b>

**The Scottish Executive  
Summary Departmental Outturn Statement  
for the Year Ended 31 March 2000**

<b>1998-99 Illustrative Unaudited £000s</b>	<b>Gross Expenditure £000s</b>	<b>Income Applied £000s</b>	<b>Outturn £000s</b>	<b>Budget £000s</b>	<b>Variance £000s</b>	<b>% change Outturn to Outturn %</b>
<b>Rural Affairs department</b>						
272,530 Department Expenditure Limit	280,208	5,437	274,771	284,118	-9,347	0.8
374,995 Annually Managed Expenditure Welfare to Work	401,624		401,624	341,495	60,129	7.1
-400,330 Other Expenditure	54	418,438	-418,384	-358,887	-59,497	4.5
247,195	681,886	423,875	258,011	266,726	-8,715	4.4
<b>Development Department</b>						
4,410,973 Department Expenditure Limit	4,485,765	23,519	4,462,246	4,525,051	-62,805	1.2
335,714 Annually Managed Expenditure Welfare to Work	514,088	211,566	302,522	307,504	-4,982	-9.9
1,418,458 Other Expenditure	1,440,524		1,440,524	1,440,524		1.6
6,165,145	6,440,377	235,085	6,205,292	6,273,079	-67,787	0.7
<b>Education Department</b>						
327,555 Department Expenditure Limit	425,139	517	424,622	425,722	-1,100	29.6
214,751 Annually Managed Expenditure Welfare to Work	703,439	481,228	222,211	290,033	-67,822	3.5
Other Expenditure	26,907		26,907	26,714	193	n/a
542,306	1,155,485	481,745	673,740	742,469	-68,729	24.2
<b>Enterprise and Lifelong Learning Department</b>						
1,563,112 Department Expenditure Limit	1,707,732	12,940	1,694,792	1,765,996	-71,204	8.4
11,359 Annually Managed Expenditure Welfare to Work	11,359		11,359	11,359		
39,340 Other Expenditure	82,773	8,925	73,848	74,455	-607	87.7
1,613,811	1,801,864	21,865	1,779,999	1,852,256	-72,257	10.3
<b>Health Department</b>						
4,818,116 Department Expenditure Limit	5,260,178	278,283	4,981,895	5,064,601	-82,706	3.4
164,201 Annually Managed Expenditure Welfare to Work	159,200		159,200	159,200		-3.0
-568,855 Other Expenditure		578,695	-578,695	-572,422	-6,273	1.7
4,413,462	5,419,378	856,978	4,562,400	4,651,379	-88,979	3.4
<b>Justice Department</b>						
852,900 Department Expenditure Limit	919,304	4,291	915,013	965,536	-50,523	7.3
1,328 Annually Managed Expenditure 50 Welfare to Work	1,745		1,745	1,745		31.4
13,465 Other Expenditure	13,346		13,346	13,571	-225	-0.9
867,743	934,395	4,291	930,104	981,697	-51,593	7.2
<b>13,849,662 Total Programme Outturn</b>	<b>16,433,385</b>	<b>2,023,839</b>	<b>14,409,546</b>	<b>14,767,606</b>	<b>-358,060</b>	<b>4.0</b>
153,553 <b>Administration</b>	186,945	15,755	171,190	187,028	-15,838	11.5
<b>14,003,215 Total</b>	<b>16,620,330</b>	<b>2,039,594</b>	<b>14,580,736</b>	<b>14,954,634</b>	<b>-373,898</b>	<b>4.1</b>

**The Scottish Executive  
Rural Affairs Department  
Departmental Outturn Statement for the Year Ended 31 March 2000**

<b>1998-99 Illustrative Unaudited £000s</b>	<b>PROGRAMME</b>	<b>Gross Expenditure £000s</b>	<b>Income Applied £000s</b>	<b>Outturn £000s</b>	<b>Budget £000s</b>	<b>Variance £000s</b>	<b>% change Outturn to Outturn %</b>
	<b>Departmental Expenditure Limit (DEL)</b>						
	Structural and Agri-Environmental						
98,070	Measures	88,757	2,843	85,914	88,515	-2,601	-12.4
80,809	Agricultural Services	88,161	2,321	85,840	86,915	-1,075	6.2
12,345	Scottish Fisheries Protection Agency	12,910		12,910	12,835	75	4.6
14,129	Fisheries Research Services	12,796		12,796	13,485	-689	-9.4
-1,640	Scottish Agricultural Science Agency	-2,022		-2,022	-1,995	-27	23.3
57,068	Environmental Services	67,274	78	67,196	70,098	-2,902	17.7
6,715	Fisheries	7,133	195	6,938	7,538	-600	3.3
4,800	Rural Affairs Support to Local Authorities	4,965		4,965	6,493	-1,528	3.4
234	Civil Estate Capital Charges	234		234	234		
<b>272,530</b>	<b>Total DEL</b>	<b>280,208</b>	<b>5,437</b>	<b>274,771</b>	<b>284,118</b>	<b>-9,347</b>	<b>0.8</b>
	<b>Annually Managed Expenditure (AME)</b>						
2,317	Capital Charges	2,421		2,421	2,421		4.5
	Profit/Loss on disposal of fixed assets	-82		-82		-82	
367,560	CAP Market Support	391,930		391,930	328,415	63,515	6.6
5,118	CAP Accompanying Measures	7,355		7,355	10,659	-3,304	43.7
<b>374,995</b>	<b>Total AME</b>	<b>401,624</b>		<b>401,624</b>	<b>341,495</b>	<b>60,129</b>	<b>7.1</b>
	<b>Other Expenditure</b>						
54	Animal License Fees	54		54	55	-1	
	Transactions with Other Government						
-372,689	Departments		399,676	-399,676	-339,074	-60,602	7.2
-27,695	Direct EC Receipts		18,762	-18,762	-19,868	1,106	-32.3
<b>-400,330</b>	<b>Total Other Expenditure</b>	<b>54</b>	<b>418,438</b>	<b>-418,384</b>	<b>-358,887</b>	<b>-59,497</b>	<b>4.5</b>
<b>247,195</b>	<b>TOTAL</b>	<b>681,886</b>	<b>423,875</b>	<b>258,011</b>	<b>266,726</b>	<b>-8,715</b>	<b>4.4</b>

**The Scottish Executive  
Development Department  
Departmental Outturn Statement for the Year Ended 31 March 2000**

<b>1998-99 Illustrative Unaudited £000s</b>	<b>PROGRAMME</b>	<b>Gross Expenditure £000s</b>	<b>Income Applied £000s</b>	<b>Outturn £000s</b>	<b>Budget £000s</b>	<b>Variance £000s</b>	<b>% change Outturn to Outturn %</b>
<b>Departmental Expenditure Limit (DEL)</b>							
163,476	Motorways and Trunk Roads	212,773	23241	189,532	188,407	1,125	15.9
22,819	Other Transport	36,445		36,445	37,468	-1,023	59.7
38,467	Grant to Caledonian MacBrayne	24,202		24,202	28,362	-4,160	-37.1
6,179	Grant to Highlands & Islands Airports	12,290		12,290	12,700	-410	98.9
159,779	European Structural Funds	211,568		211,568	207,539	4,029	32.4
	European Funds - exchange rate gain	-3,521		-3,521		-3,521	
350,319	Housing	312,088	68	312,020	350,086	-38,066	-10.9
58,555	Social Inclusion	52,884		52,884	53,200	-316	-9.7
3,609,459	Development Support to Local Authorities	3,624,864		3,624,864	3,631,038	-6,174	0.4
1,920	Miscellaneous	2172	210	1,962	16,251	-14,289	2.2
<b>4,410,973</b>	<b>Total DEL</b>	<b>4,485,765</b>	<b>23,519</b>	<b>4,462,246</b>	<b>4,525,051</b>	<b>-62,805</b>	<b>1.2</b>
<b>Annually Managed Expenditure (AME)</b>							
482,483	Capital Charges	502,381		502,381	502,381		4.1
-159,779	European Structural Funds		211,566	-211,566	-207,539	-4,027	32.4
13,010	Housing	11,707		11,707	12,662	-955	-10.0
<b>335,714</b>	<b>Total AME</b>	<b>514,088</b>	<b>211,566</b>	<b>302,522</b>	<b>307,504</b>	<b>-4,982</b>	<b>-9.9</b>
<b>Other Expenditure</b>							
1418456	Local Government	1,440,522		1,440,522	1,440,524	-2	1.6
2	Housing	2		2		2	
<b>1,418,458</b>	<b>Total Other Expenditure</b>	<b>1,440,524</b>		<b>1440524</b>	<b>1,440,524</b>		<b>1.6</b>
<b>6,165,145</b>	<b>TOTAL</b>	<b>6,440,377</b>	<b>235,085</b>	<b>6,205,292</b>	<b>6,273,079</b>	<b>-67,787</b>	<b>0.7</b>



**The Scottish Executive  
Education Department  
Departmental Outturn Statement for the Year Ended 31 March 2000**

<b>1998-99 Illustrative Unaudited £000s</b>	<b>PROGRAMME</b>	<b>Gross Expenditure £000s</b>	<b>Income Applied £000s</b>	<b>Outturn £000s</b>	<b>Budget £000s</b>	<b>Variance £000s</b>	<b>% change Outturn to Outturn %</b>
<b>Departmental Expenditure Limit (DEL)</b>							
79,074	Schools	51,268	51	51,217	59,707	-8,490	-35.2
98,761	Children and Young People	111,442		111,442	111,427	15	12.8
18,040	Specific Grants	123,970		123,970	123,520	450	587.2
5,515	Scottish Public Pensions Agency	4,815		4,815	4,860	-45	-12.7
42,213	National Institutions	38,746		38,746	37,413	1,333	-8.2
48,595	Other Arts and Sports	58,801		58,801	53,580	5,221	21.0
2,892	Built Heritage and Monuments	3,836	466	3,370	3,200	170	16.5
32,465	Historic Scotland	32,261		32,261	32,015	246	-0.6
<b>327,555</b>	<b>Total DEL</b>	<b>425,139</b>	<b>517</b>	<b>424,622</b>	<b>425,722</b>	<b>-1,100</b>	<b>29.6</b>
<b>Annually Managed Expenditure (AME)</b>							
116	Capital Charges	116		116	116		
214,635	SPPA-Programme	703,323	481,228	222,095	289,917	-67,822	3.5
<b>214,751</b>	<b>Total AME</b>	<b>703,439</b>	<b>481,228</b>	<b>222,211</b>	<b>290,033</b>	<b>-67,822</b>	<b>3.5</b>
<b>Welfare to Work</b>							
	New Deal for Schools	26,907		26,907	26,714	193	n/a
	<b>Total Welfare to Work</b>	<b>26,907</b>		<b>26,907</b>	<b>26,714</b>	<b>193</b>	<b>n/a</b>
<b>542,306</b>	<b>TOTAL</b>	<b>1,155,485</b>	<b>481,745</b>	<b>673,740</b>	<b>742,469</b>	<b>-68,729</b>	<b>24.2</b>

**The Scottish Executive**  
**Enterprise and Lifelong Learning Department**  
**Departmental Outturn Statement for the Year Ended 31 March 2000**

1998-99						% change	
Illustrative		Gross	Income			Outturn to	
Unaudited		Expenditure	Applied	Outturn	Budget	Outturn	
£000s	PROGRAMME	£000s	£000s	£000s	£000s	%	
Departmental Expenditure Limit (DEL)							
531,922	Scottish Higher Education Funding Council	601,555		601,555	601,814	-259	13.1
289,246	Scottish Further Education Funding Council	331,573		331,573	329,108	2,465	14.6
23,742	Careers Guidance	27,781	3,669	24,112	24,000	112	1.6
298,980	Scottish Enterprise	371,895		371,895	376,293	-4,398	24.4
54,901	Highlands & Islands Enterprise	65,390		65,390	65,390		19.1
20,296	Scottish Tourist Board	19,820	218	19,602	19,309	293	-3.4
73,610	Departmental Investment Assistance	57,895	8423	49,472	80,022	-30,550	-32.8
7,590	Other	14,250	630	13,620	53,034	-39,414	79.4
258,170	Student Awards Programme	212,848		212,848	213,344	-496	-17.6
4,655	Student Awards Agency for Scotland	4725		4,725	3682	1,043	1.5
1,563,112	Total DEL	1,707,732	12,940	1,694,792	1,765,996	-71,204	8.4
Annually Managed Expenditure (AME)							
11,359	Capital Charges	11,359		11,359	11,359		
11,359	Total AME	11,359		11,359	11,359		
Welfare to Work							
	University for Industry				446	-446	n/a
	Total Welfare to Work				446	-446	
Other Expenditure							
39340	Student Loans	82,773	8,925	73,848	74,455	-607	87.7
39,340	Total Other Expenditure	82,773	8,925	73,848	74,455	-607	87.7
1,613,811	TOTAL	1,801,864	21,865	1,779,999	1,852,256	-72,257	10.3

**The Scottish Executive  
Health Department  
Departmental Outturn Statement for the Year Ended 31 March 2000**

<b>1998-99 Illustrative Unaudited £000s</b>	<b>PROGRAMME</b>	<b>Gross Expenditure £000s</b>	<b>Income Applied £000s</b>	<b>Outturn £000s</b>	<b>Budget £000s</b>	<b>Variance £000s</b>	<b>% change Outturn to Outturn %</b>
<b>Departmental Expenditure Limit (DEL)</b>							
	Hospital, Community and Family Health						
4,757,929	Services	5,197,578	277,057	4,920,521	5,011,505	-90,984	3.4
47,310	Other Health Services	49,872	1,226	48,646	42,013	6,633	2.8
12,877	Community Care	12,728		12,728	11,083	1,645	-1.2
<b>4,818,116</b>	<b>Total DEL</b>	<b>5,260,178</b>	<b>278,283</b>	<b>4,981,895</b>	<b>5,064,601</b>	<b>-82,706</b>	<b>3.4</b>
<b>Annually Managed Expenditure (AME)</b>							
164,201	Capital Charges	159,200		159,200	159,200		-3.0
<b>164,201</b>	<b>Total AME</b>	<b>159,200</b>		<b>159,200</b>	<b>159,200</b>		<b>-3.0</b>
<b>Other Expenditure</b>							
-568,855	National Insurance Contributions		578,695	-578,695	-572,422	-6,273	1.7
<b>-568,855</b>	<b>Total Other Expenditure</b>		<b>578,695</b>	<b>-578,695</b>	<b>-572,422</b>	<b>-6,273</b>	<b>1.7</b>
<b>4,413,462</b>	<b>TOTAL</b>	<b>5,419,378</b>	<b>856,978</b>	<b>4,562,400</b>	<b>4,651,379</b>	<b>-88,979</b>	<b>3.4</b>

**The Scottish Executive  
Justice Department  
Departmental Outturn Statement for the Year Ended 31 March 2000**

<b>1998-99 Illustrative Unaudited £000s</b>	<b>PROGRAMME</b>	<b>Gross Expenditure £000s</b>	<b>Income Applied £000s</b>	<b>Outturn £000s</b>	<b>Budget £000s</b>	<b>Variance £000s</b>	<b>% change Outturn to Outturn %</b>
<b>Departmental Expenditure Limit (DEL)</b>							
136,426	Legal Aid	125,738	180	125,558	133,183	-7,625	-8.0
27,807	Criminal Injuries Compensation	24,575		24,575	30,014	-5,439	-11.6
178,467	Scottish Prison Service	212,066		212,066	215,272	-3,206	18.8
27,960	Police Central Government	37,899	3,621	34,278	32,744	1,534	22.6
3,994	Fire Central Government	4,073	193	3,880	4,156	-276	-2.9
	Criminal Justice, Social Work Services and						
68,272	Victim Issues	69,538		69,538	71,561	-2,023	1.9
360,162	Justice Support to Local Authorities	368,483		368,483	384,854	-16,371	2.3
12,524	Miscellaneous	39,042	294	38,748	54,459	-15,711	209.4
29,803	Scottish Courts Service Agency	30,483		30,483	31,647	-1,164	2.3
3,981	Courts Group	3,903	3	3,900	4,142	-242	-2.0
3,504	Civil Estate Capital Charges	3,504		3,504	3,504		
<b>852,900</b>	<b>Total DEL</b>	<b>919,304</b>	<b>4,291</b>	<b>915,013</b>	<b>965,536</b>	<b>-50,523</b>	<b>7.3</b>
<b>Annually Managed Expenditure (AME)</b>							
1,328	Capital Charges	1,745		1,745	1,745		31.4
<b>1,328</b>	<b>Total AME</b>	<b>1,745</b>		<b>1,745</b>	<b>1,745</b>		<b>31.4</b>
<b>Welfare to Work</b>							
50	Millennium Volunteers				845	-845	n/a
<b>50</b>	<b>Total Welfare to Work</b>				<b>845</b>	<b>-845</b>	<b>n/a</b>
<b>Other Expenditure</b>							
13,465	Police Loan Charges	13,346		13,346	13,571	-225	-0.9
<b>13,465</b>	<b>Total Other Expenditure</b>	<b>13,346</b>		<b>13,346</b>	<b>13,571</b>	<b>-225</b>	<b>-0.9</b>
<b>867,743</b>	<b>TOTAL</b>	<b>934,395</b>	<b>4,291</b>	<b>930,104</b>	<b>981,697</b>	<b>-51,593</b>	<b>7.2</b>

**The Scottish Executive  
Administration  
Departmental Outturn Statement for the Year Ended 31 March 2000**

<b>1998-99 Illustrative Unaudited £000s</b>	<b>PROGRAMME</b>	<b>Gross Expenditure £000s</b>	<b>Income Applied £000s</b>	<b>Outturn £000s</b>	<b>Budget £000s</b>	<b>Variance £000s</b>	<b>% change Outturn to Outturn %</b>
	<b>Departmental Expenditure Limit (DEL)</b>						
	<b>Staff Costs</b>						
	Directly Employed Staff	102,830		102,830	109,000	-6,170	
	Seconded Staff	7,978		7,978	9,000	-1,022	
	Other Staff Costs	8,784		8,784	9,000	-216	
106,197		119,592		119,592	127,000	-7,408	12.6
	<b>Administration Expenditure</b>						
	Accommodation	19,344		19,344	20,500	-1,156	
	Travel	5,892		5,892	7,500	-1,608	
	Transport	504		504	800	-296	
	Legal	2,790		2,790	1,198	1,592	
	Supplies and Services	4,653		4,653	4,700	-47	
	Training	1,930		1,930	2,500	-570	
	Hospitality	339		339	500	-161	
	Civil Estate Capital Charges	7,842		7,842	7,850	-8	
	Auditor's Remuneration	475		475	500	-25	
	Other Office	9,258		9,258	10,500	-1,242	
49,860		53,027		53,027	56,548	-3,521	6.4
1,438	<b>Mental Welfare Commission</b>	1511		1,511	1500	11	5.1
	<b>Food Standards Agency</b>	261		261	1100	-839	n/a
	<b>Administration Income</b>						
	Accommodation Charges		715	-715	-500	-215	
	Staff Secondments and Other Staff		7223	-7,223	-7500	277	
	Fees & Charges		498	-498	-500	2	
	Miscellaneous Income		3339	-3,339		-3,339	
	VAT		3980	-3,980	-3000	-980	
-16,205			15755	-15,755	-11500	-4255	-2.8
<b>141,290</b>	<b>Total DEL</b>	<b>174,391</b>	<b>15,755</b>	<b>158,636</b>	<b>174,648</b>	<b>-16,012</b>	<b>12.3</b>
	<b>Annually Managed Expenditure (AME)</b>						
12380	Other Capital Charges	12380		12,380	12380		
-117	Loss on Disposal of Assets	174		174		174	n/a
<b>12,263</b>	<b>Total AME</b>	<b>12,554</b>		<b>12,554</b>	<b>12,380</b>	<b>174</b>	<b>2.4</b>
<b>153,553</b>	<b>TOTAL</b>	<b>186,945</b>	<b>15,755</b>	<b>171,190</b>	<b>187,028</b>	<b>-15,838</b>	<b>11.5</b>

**The Scottish Executive  
Balance Sheet  
As at 31 March 2000**

1998-99 Illustrative Unaudited £000's			% Change Year on Year %
	£000's	£000's	
<b>Fixed Assets</b>			
8,030,388 Tangible Assets	8,542,131		6.4
7,570 Intangible Assets	11,117		46.9
4,183,415 Investments	4,547,016		8.7
<u>12,221,373</u>		13,100,264	
<b>Current Assets</b>			
259 Stocks	18,932		7209.7
347,288 Debtors	583,870		68.1
354,744 Cash at bank and in hand	73,103		-79.4
<u>702,291</u>	675,905		
<u>-750,203</u> Creditors (due within one year)	-631,023		-15.9
<u>-47,912</u> Net Current Assets		44,882	
<b>12,173,461</b> Total assets less current liabilities		<b>13,145,146</b>	
-1,134,473 Creditors (falling due after more than one year)	-1,424,574		25.6
-202,631 Provisions for liabilities and charges	-265,088		30.8
<u>-1,337,104</u>		-1,689,662	
<u><b>10,836,357</b></u>		<u><b>11,455,484</b></u>	
<b>Taxpayers' Equity</b>			
10,566,635 General fund		10,666,112	0.9
269,715 Revaluation reserve		789,315	192.6
7 Donated Assets reserve		57	714.3
<u><b>10,836,357</b></u>		<u><b>11,455,484</b></u>	

**The Scottish Executive  
Cash Flow Statement  
For the year ended 31 March 2000**

<b>1998-99 Illustrative Unaudited £000's</b>		<b>£000's</b>	<b>% Change Year on Year %</b>
-11,742,952	Net cash outflow from operating activities	(A) -14,154,346	20.5
-183,862	Capital expenditure and financial investment	(B) -430,126	133.9
-1,684,180	Payments to the Consolidated Fund	-48,039	-97.1
13,521,025	Financing	(C) 14,350,871	6.1
<b>-89,969</b>	<b>Increase/(Decrease) in cash in the period</b>	<b>-281,640</b>	
<b>(A) Reconciliation of operating costs to operating cash flows</b>			
-12,580,209	Net operating cost	-14,532,606	15.5
857,905	Adjust for non-cash transactions	710,765	-17.2
-12,383	Adjust for movements in working capital other than cash	-394,962	3089.6
-8,265	Net movement on provisions etc.	62,457	-855.7
<b>-11,742,952</b>	<b>Net cash outflow from operating activities</b>	<b>-14,154,346</b>	
<b>(B) Analysis of capital expenditure and financial investment</b>			
-41,317	Purchase of fixed assets	-63,472	53.6
403	Proceeds of disposal of fixed assets	352	-12.7
-142,948	Investments (net)	-367,006	156.7
<b>-183,862</b>	<b>Net cash outflow from investing activities</b>	<b>-430,126</b>	
<b>(C) Analysis of financing</b>			
13,347,314	From Consolidated Fund	14,032,458	5.1
163,536	Loans net	235,661	44.1
10,168	Roads DBFOs etc	82,702	713.4
7	Donation of fixed assets	50	614.3
<b>13,521,025</b>	<b>Net financing</b>	<b>14,350,871</b>	
89,969	Decrease/(Increase) in cash	281,641	213.0
<b>13,610,994</b>	<b>Net cash requirement</b>	<b>14,632,512</b>	

## The Scottish Executive

## Summary table showing movements on tangible fixed assets

For the year ended 31 March 2000

	Land & Buildings £000s	Road Network £000s	Office Equipment £000s	Vehicles £000s	Equipment £000s	IT Systems £000s	Fixtures & Fittings £000s	AUC* £000s	Total £000s
Opening value	123,459	7,855,349	925	2,258	3,928	22,272	7,087	15,110	8,030,388
Closing value	124,800	8,367,440	960	2,231	3,829	20,481	7,519	14,871	8,542,131
Change in value over year	1,341	512,091	35	-27	-99	-1,791	432	-239	511,743
	1.1%	6.5%	3.8%	-1.2%	-2.5%	-8.0%	6.1%	-1.6%	6.4%
Change arising from:									
Additions	7,201	38,541	371	675	499	6,905	1451	-239	55,404
Disposals	-395	-32,967		-20	-6	-23			-33,411
Revaluation	2,143	511,348	5	-7	-60		257		513,686
Depreciation	-7,608	-4,831	-341	-675	-532	-8,673	-1,276		-23,936
	1,341	512,091	35	-27	-99	-1,791	432	-239	511,743
Contribution to % change:									
Additions	5.8%	0.5%	40.1%	29.9%	12.7%	31.0%	20.5%	-1.6%	0.7%
Disposals	-0.3%	-0.4%	0.0%	-0.9%	-0.2%	-0.1%	0.0%	0.0%	-0.4%
Revaluation	1.7%	6.5%	0.5%	-0.3%	-1.5%	0.0%	3.6%	0.0%	6.4%
Depreciation	-6.2%	-0.1%	-36.9%	-29.9%	-13.5%	-38.9%	-18.0%	0.0%	-0.3%
	1.1%	6.5%	3.8%	-1.2%	-2.5%	-8.0%	6.1%	-1.6%	6.4%

\* Assets under Construction



**AU/01/12/10**

Andrew Welsh MSP  
Convener  
Audit Committee  
The Scottish Parliament  
Room 2.6 PHQ  
Edinburgh  
EH99 1SP

22 August 2001

Dear

**Format of Resource Accounts**

Thank you for your letter of 9 August enclosing a copy of the Minister's letter and shadow accounts with percentage change information included.

I have considered the Minister's letter and accompanying documents and would offer the following comments.

The Scottish Executive's Resource Account is one of the most complex anywhere in the United Kingdom as it covers a very wide range of activities. The account as originally presented already contains a significant amount of data and before adding more calculated figures, as compared to additional raw data, it is reasonable to consider whether the additions are likely to provide real assistance to the reader.

The primary purpose of the Resource Account is to provide a statement of accountability comparing the actual amounts of income and expenditure with those approved by Parliament through the Budget Acts. Whilst comparison of outturn with prior year outturn can provide useful further information with which to follow up issues of financial performance this may perhaps best be done as part of a specific exercise, where the trend over a number of years may be examined and may be much more informative than the change between any two years.

On the specific points made by the Minister I tend to agree with the view that having a percentage change in outturn column next to one showing the absolute variance between budget and outturn on the Departmental Outturn Statements may be misleading. The primary exercise of Parliamentary control is in the setting of budgets and parliament will have examined the proposed changes in these earlier in the budget cycle. The Resource Accounts then show outturn against the approved budget and allow scrutiny of the reasons for under or over spending.

In the case of the Balance Sheet there are both very large and very small numbers shown. To include percentage changes could lead to attention being focused on large percentage changes in small numbers whereas the real issues are more likely to be within the larger numbers which will almost certainly have moved by relatively small percentages.

I have compared the published Resource Account with the shadow pages provided and overall I feel that the published set are more easily digested by the reader than the set with the additional column. A reader interested in any area of the account could readily calculate any percentages that they were interested in and if any members of the Committee would like information on any aspect of the accounts then they can ask the Scottish Executive, or alternatively, Audit Scotland would be pleased to provide assistance.

I trust that you will find these comments helpful and I would be happy to attend the Committee meeting if this would be helpful.

As requested a copy of this letter goes to Callum Thomson.

Yours sincerely

**Russell A.J. Frith**  
**Director of Audit Strategy**