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Press release

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NHS in surplus at year-end but financial pressures continue

Despite record levels of funding and an underspend on its 2005/06 budget, the NHS in Scotland continues to face long-term financial pressures.

An Audit Scotland report finds that at the end of the 2005/06 financial year the health service, including the Scottish Executive Health Department, had an overall surplus of £70.6m on its £9bn budget. This compares with a combined deficit of £32m 12 months previously. All of the underspend was on capital funding, rather than the spending the NHS carries out in its day-to-day operation.

Robert Black, the Auditor General for Scotland, said: 'The NHS budget will have grown by almost 40 per cent over the five years to 2007/08. But all boards continue to face cost pressures and have to deliver efficiency savings, highlighting the need for robust long-term financial and service planning to meet the challenges that lie ahead.'

Scotland is spending more each year on the health service. The total NHS budget in 2005/06 was £8.96bn and will reach £10bn by 2007/08. Scotland also spends more on healthcare per head of population than other UK countries. But the report highlights that the service continues to face a number of cost pressures such as pay deals for health staff and increasing energy prices. NHS bodies are also expected to contribute to the Efficient Government initiative by making £523m savings by 2007/08. The report therefore points to the importance of good long-term financial planning.

Although there was a £70.6m underspend overall, two boards ended the year in deficit – Lanarkshire and Western Isles. Also the Health Department cleared NHS Argyll and Clyde's £81.7m cumulative deficit on its dissolution at the end of the financial year.

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Notes to editors

1. This year the overview of the NHS in Scotland focuses on financial performance. Financial performance cannot be considered in isolation from overall performance and service delivery, so this report should be read alongside Audit Scotland's overview report on the performance of the NHS in Scotland published in December 2005. Audit Scotland's next performance overview will be published in December 2007.
2. A summary of the financial performance of each NHS board and special health board is in Appendix One of the report.
3. *An overview of the financial performance of the NHS in Scotland 2005/06* and all Audit Scotland reports published since 2000 can be found on Audit Scotland's website www.audit-scotland.gov.uk
4. Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. Audit Scotland has prepared this report jointly for the Auditor General for Scotland and the Accounts Commission for Scotland:
 - The Auditor General is responsible for securing the audit of the Scottish Executive and most other public bodies in Scotland, except local authorities. He investigates whether spending bodies achieve the best possible value for money and adhere to the highest standards of financial management. The Auditor General is independent and is not subject to the control of the Scottish Executive or the Scottish Parliament.