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## Press release

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### Need for improvement in long-term financial planning in the NHS

The Auditor General, Robert Black, has said there is a need to improve long-term financial planning to help ensure that the large sums of money going into the NHS make a real difference to health services and patients.

He said: "Despite significant increases in funding, the NHS in Scotland is facing an unprecedented set of challenges over the coming years which will require robust long-term financial and service planning."

The Auditor General's annual financial overview report notes that while funding will increase – from £7.7 billion in 2003/04 to £9.3 billion in real terms by 2007/08 – much of this money will go towards implementing pay modernisation, rising pensions costs and an increasing drugs bill.

Most NHS bodies achieved their financial targets in 2003/04 and there were no qualifications to the annual accounts. But four boards overspent, incurring a total deficit of £61.67 million (Argyll & Clyde, Lanarkshire, Grampian and Western Isles). While this is a relatively small percentage of the total spend, boards are continuing to rely on non-recurring funds. And in some cases, projected balances in future years rely on ambitious financial recovery plans.

Mr Black questions some of the ways in which financial balance is being achieved. "Using one-off funding to run day-to-day services is sometimes appropriate to meet immediate financial pressures, but in other cases it merely stores up potential financial pressures in future years. It masks the need for health boards to deliver economies and efficiencies that result in recurring savings which would actually reduce their cost base or free up resources for improved services."

The Audit Scotland report also mentions funding gaps identified by health boards totalling around £162 million for 2004/05. Of this, £138 million relates to three boards – Argyll & Clyde, Greater Glasgow and Lanarkshire. "Although the total funding gap is small compared to total expenditure it does raise concerns about financial stability in the future," said Mr Black. "In addition, a number of NHS boards' financial recovery plans are based on the assumption that savings will be made. Unfortunately many NHS bodies have had a poor record in meeting such savings targets in the past."

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#### Notes to editors

1. The UK-wide pay modernisation agenda includes the consultants' contract, GMS contract and Agenda for Change.
2. 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.

3. 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 Accounts Commission and the Auditor General for Scotland.