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## News release

Strictly embargoed until 00:01 hours, Thursday 25 October

### NHS needs to increase its focus on long-term financial planning

All 23 health boards in Scotland broke even in 2011/12. However, this required movements in funding across the NHS during the year, and this is not clearly reported in boards' annual accounts.

An Audit Scotland report published today, *NHS financial performance 2011/12*, provides an overview of the financial performance of the NHS in Scotland in the last financial year, as well as financial sustainability and the challenges and cost pressures the NHS faces.

All the boards met their financial targets for the fourth consecutive year, ending 2011/12 with a small combined surplus of £13.4 million against total spending of £10.9 billion.

Auditor General for Scotland, Caroline Gardner, said: "The NHS in Scotland continues to manage its finances within its total budget, and has achieved this for the fourth year in a row. The annual accounts show a picture of good financial performance, but this doesn't reflect the pressure boards faced in achieving this. Money was moved between boards, several relied on non-recurring savings, and some needed extra help from the Scottish Government to break even in 2011/12. The requirement for boards to break even each year encourages a short-term view, and the NHS needs to increase its focus on longer-term financial planning."

Due to on-going cost pressures, boards say they will need to make a total of £271.7 million of savings in 2012/13. All currently predict they will meet their savings targets, but this may become harder to achieve; across the NHS 20 per cent of savings plans are deemed 'high risk' by boards themselves, and this proportion is much higher at some individual bodies.

Capital budgets are also falling, which reduces boards' ability to invest in new ways of working and maintain buildings and equipment.

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#### Notes to editors

1. There are different ways in which funding moved across the NHS in 2011/12. In some cases, the Scottish Government provided special financial support to boards, either for a specific project or new service or to address a deficit, and allowed the boards to pay that back over future years (this is known as 'brokerage'). The government can also make additional funding allocations during the year. Some boards returned surplus funds to the government when it was clear they would not spend them during the financial year. In some cases, the government then used this money to support other boards.
2. This report is based on an analysis of the audited annual accounts and auditors' reports on the 2011/12 audits of the 23 NHS boards. Audit Scotland also reviewed documentation provided by the Scottish Government.
3. Annual audit reports for 2011/12 for all 23 NHS boards are available on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk), as are all Audit Scotland reports published since 2000.
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 for the Auditor General for Scotland.
5. The Auditor General is responsible for securing the audit of the Scottish Government and most other public bodies in Scotland, except local authorities. She 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 Government or the Scottish Parliament.