

Key messages

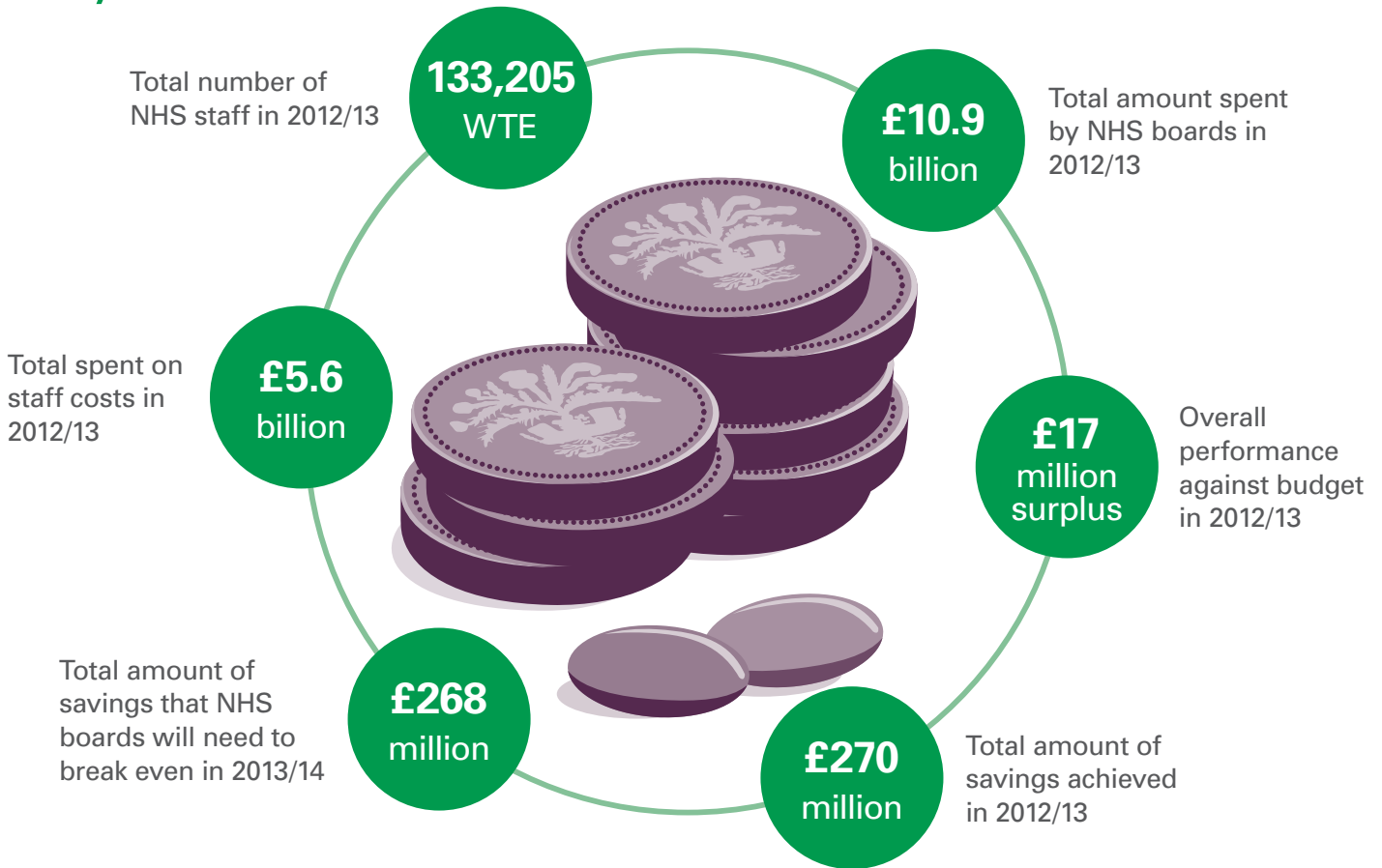
NHS financial performance 2012/13



 AUDITOR GENERAL

Prepared by Audit Scotland
October 2013

Key facts



What's this report about?

This report examines the financial performance of the NHS in Scotland in 2012/13 and how well equipped it is to deal with future financial challenges. It is based on an analysis of NHS boards' annual accounts and audit reports for 2012/13, and their plans for the next three to five years.

NHS budgets are getting tighter, and demand for healthcare is rising due to an ageing population, more people with long-term conditions, and the impact of factors such as increasing rates of obesity. The way services are provided is also changing, with technological innovation and the planned integration of health and social care. These changes present significant challenges for the NHS.

Key messages

1 All NHS boards are required to meet annual financial targets. This can mean that the key focus for NHS boards and the Scottish Government is on breaking even each year. But they also need to increase their focus on longer-term financial planning to meet the

significant challenges associated with rising demand and tightening budgets.

- 2** The NHS managed its overall finances well in the short term, and all NHS boards achieved their financial targets in 2012/13. Across all NHS boards there was a small overall surplus of £16.9 million, 0.16 per cent of the total revenue and capital budget.
- 3** The NHS made savings of £270 million in 2012/13, and achieved the Scottish Government's target of saving a minimum of three per cent of the baseline budget. NHS boards also set their own savings targets as part of their plans to break even. Overall they made 99 per cent of these savings. Twenty-two per cent of savings were one-off savings that boards will need to make again in the next year. NHS boards did not achieve their forecast levels of recurring savings. This will be a continuing challenge next year and in the future as it becomes more difficult to identify further opportunities to make significant savings.

4 The NHS has made good progress in improving outcomes for patients, such as reducing death rates from heart disease, stroke and cancer. Demand for healthcare is rising, and there were signs of pressure within the system in 2012/13. Not all boards met their waiting times targets; vacancy rates for consultants and nursing and midwifery staff increased; and boards increased their use of agency and bank staff and their spending on private sector healthcare. The introduction of the Treatment Time Guarantee in October 2012 has been a particular pressure and remains a key challenge for the future.

Key recommendations

The NHS is facing significant challenges. This means it needs to change how services are delivered, and increase its focus on longer-term financial planning.

Good practice includes NHS boards working with their partners to undertake:

- detailed analysis of the expenditure required each year to meet known needs and pressures
- scenario planning to compare expected funding with projected expenditure under different models of service delivery, and modelling the pressure on financial and other resources
- detailed planning of how these pressures will be managed, linked to the financial, workforce, asset and information technology strategies.

To ensure their savings forecasts are realistic and achievable, NHS boards need to:

- improve the accuracy of their short-term savings forecasts
- review previous savings forecasts against actual performance to assess their reliability and to inform future projections and plans.


To further improve the transparency of the annual accounts, NHS boards should:

- report movements in the capital budget, such as brokerage, and significant delays and slippage leading to the return of capital funds to the Scottish Government. This should build on the improvements NHS boards have made in the past year to disclosure about movements in planned revenue expenditure.

To help improve NHS boards' financial planning, the Scottish Government should:

- work with NHS boards to provide greater clarity on the timing, value and nature of funding allocations earmarked for specific purposes during the year. This would help to reduce financial uncertainty for the boards and any potential impact on providing services
- consider moving away from the current arrangements of setting annual financial resource limits for each NHS board. This would help NHS boards plan for the longer term and lead to fewer movements in their budgets during the year.

What happens now?

The full report can be accessed on our website: www.audit-scotland.gov.uk 

We will present our report to the Scottish Parliament's Public Audit Committee. The Committee may invite people from the Scottish Government and NHS boards to discuss the issues raised.

We will monitor progress against our recommendations through our audit work.

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This report is available in PDF and RTF formats, along with a podcast summary at:
www.audit-scotland.gov.uk 

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