



The Scottish Parliament  
Pàrlamaid na h-Alba

## Public Audit Committee

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Dear Clare

### NHS in Scotland 2024

At its meeting on [12 December 2024](#), the Public Audit Committee (“the Committee”) heard evidence from the Auditor General for Scotland (AGS) on his report, [NHS in Scotland 2024](#). The Committee took further evidence from the Scottish Government at its meeting on [29 January 2025](#).

Following the evidence session on 12 December, the Committee received [follow up information from the AGS](#). The Committee also [wrote to the Scottish Government](#) following the session on 29 January, seeking further information on issues which had arisen.

The Committee considered the [response from the Scottish Government](#) dated 11 March 2025 at its meeting on 26 March 2025. It agreed to write to your Committee to highlight key issues arising from its scrutiny that may be of relevance to your future work, and in doing so, close its own scrutiny of the report.

Audit Scotland will publish its next annual financial and performance review of the NHS in Scotland towards the end of this year.

### Fiscal performance and outlook

The report states that “Health remains the single biggest area of government spending, at £19.1 billion in 2023/24, a 2.5 per cent increase since 2022/23 in real terms. This accounted for 40 per cent of the 2023/24 Scottish budget”. The Scottish Government has committed to providing additional funding of £1.5 billion for this financial year.

In oral evidence, the AGS warned that although the health budget continues to increase, healthcare spending is becoming unsustainable, putting pressure on other

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areas of public sector and that urgent reform is needed, with difficult decisions required about transforming services.

## **Brokerage loans**

The report highlights that funding increases have been insufficient to address the financial challenges NHS boards are now facing with a record number needing additional funding to break even.

The AGS highlighted concerns around the ongoing use of brokerage<sup>1</sup>. Despite efforts to reduce dependency on brokerage, eight territorial boards needed additional funding from the Scottish Government at the end of the year to meet their targets

Audit Scotland told us boards that required brokerage identified a range of cost pressures which included “prescribing costs, pay costs, services delivered by integration joint boards, agency staff costs and overspending in specific service areas— for example, in the acute service”.

The report also states that the Scottish Government has advised boards who received brokerage in previous years that further loans would be capped in 2024/25.

In oral evidence, the Scottish Government told us that boards were being provided with a range of support. Ms Lamb, Chief Executive NHS Scotland and Director-General, Health and Social Care said “We must work with our boards to get them back to a balanced position. That might take two, three or more financial years, but we need our boards to plan on that basis.”

**The Committee notes the number of NHS boards which required additional funding to meet their targets and the Scottish Government’s commitment to providing support. Your Committee may wish to consider evaluating whether this support is sufficient in reducing future reliance on brokerage loans.**

## **Integrated joint boards**

The report highlights that in 2023/24, financial transfers from the Scottish Government’s health and social care portfolio to the local government portfolio amounted to nearly £1 billion, an increase from £878 million in 2022/23. NHS boards also delegated £7.6 billion to Integration Authorities (IAs) in 2023/24.

During the pandemic, Integration Joint Boards (IJBs) built up reserves of around £0.3 billion, which were largely used in 2022/23. The report notes that “the financial position of IJBs is having a greater impact on the financial position of NHS boards with a number of these required to fund IJB overspending under their individual agreements.” While most boards managed this within their overall budgets, some had to seek additional funding from the Scottish Government to break even.

Audit Scotland advised it was examining this issue in further detail:

<sup>1</sup> Brokerage is a form of loan funding that the Scottish Government can agree to provide an NHS board to help it manage changes to planned expenditure. These loans are repayable. The Scottish Government set repayment terms only once a board has returned to a break-even position.

“The financial position of IJBs has worsened, and that will have an impact on both local government and health boards, which have to fund the IJBs. We have an eye on that, and we will report on those bodies as a system through a joint report by the Auditor General and the Accounts Commission next year”.

**The Committee notes that the AGS intends to report on this issue next year. Your Committee may wish to monitor the financial position of IJBs in the interim.**

## **Reliance on non-recurrent savings**

The report highlights that NHS boards remain reliant on one off savings which make up 63 per cent of the 2023/24 savings. The AGS raised concerns over this increasing reliance warning that the approach is not sustainable in the long term. He said:

“If the NHS remains reliant on non-recurring savings, and if we layer in the Government’s changed approach to brokerage in 2025-26, there is a risk of increasing the financial pressure on individual boards and reducing their ability to break even”.

Audit Scotland referred to the 15-box grid of saving opportunities that was shared by the Scottish Government which it had agreed with chief executives. They told us:

“That grid focuses on different areas where boards can start to increase their recurring savings. We have already talked about procedures and medicines of low clinical value, but the grid also features things such as reductions in the use of nursing agency staff, as well as increased productivity, which can also create savings through theatre optimisation and remote outpatient appointments, for example.”

The Scottish Government told us “We will always have non-recurring savings that we have to take account of.... We are moving to a greater proportion of savings being delivered on a recurring basis, which is absolutely the right direction. We have focused effort on that, working with boards; that is now starting to deliver”.

**The Committee is concerned about the number of boards who have historically relied on non-recurring savings and that this will reduce their ability to break even in the future. While we welcome the focused effort of the Scottish Government to work with boards to deliver savings on a recurring basis, your Committee may wish to monitor progress on whether the intended outcomes are being achieved.**

## **Staffing**

The report states that most NHS spending is on staff costs and recent pay deals mean significant medium and longer-term spending commitments.

It highlights that “staff costs account for almost 60 per cent of annual NHS costs” and in 2023/25 NHS boards spent £10.6 billion employing staff, a 2.5 percent real terms increase from 2022/23.

The total amount that NHS boards spent on agency staff has reduced in the last year but still remains over 45 per cent higher in real terms than it was five years ago.

Audit Scotland told us:

“There is a range of factors that need to be thought about when reducing the reliance on agency staff. Further reductions in sickness absence, turnover rates and the number of unfilled vacancies could further reduce the number of agency staff that are required to provide temporary cover, as well as increased use of the board’s own bank staff”.

The report states that although the picture has improved on last year, the number of vacancies across the NHS remains a pressure. Turnover rates for the NHS workforce has also fallen to 6.6 per cent. However, rates of sickness absence remain higher than the national average at 6.2 per cent and this impacts workforce capacity.

The AGS told us:

“We observe that the sickness absence rate has remained largely the same as it was in previous years, but higher than the Government’s target of 4 per cent. Sickness absence will be a factor in driving productivity.”

The Scottish Government acknowledged that sickness rates were higher than they would like them to be. Ms Lamb, Director-General, Health and Social Care said

“Our expectation is that, with their human resources directors every board is working through line management structures and training and development, so that there is an understanding that line managers feel confident and skilled in being able to support staff to get back to work”.

In its letter dated 11 March 2025 to the Committee, the Scottish Government outlined further measures it is taking to address staff absence. “To support them, we have a number of wellbeing initiatives and improving and maintaining good staff wellbeing will reduce the risks of burnout and staff becoming unwell in addition to having a positive effect on their performance”.

**The Committee welcomes measures outlined to us that the Scottish Government is taking to address staff absence and to reduce reliance on the use of agency staff. Your Committee may wish to consider monitoring progress of these initiatives.**

## **Estate management**

The report states that although the health capital budget has been increasing not all of it has been available to spend on new buildings and equipment or to maintain the existing estate. During 2023/24 the Scottish Government also announced a pause on new projects. The report says “These capital spending cuts will impact the NHS’s ability to address the pressures it is currently facing, as well as investing in longer term reform such as innovation and technology”

In evidence, the Scottish Government explained the complexity of the issue. They said:

“We have an ageing estate: 25 per cent of the estate was built earlier than the 1970s. The estate is getting older every decade, and, with the amount of money that we have, we are not able to replace that at the rate that we would like. We need to get into the backlog maintenance, but we can extend the life only so far. We also cannot always adapt existing infrastructure to meet full clinical or technical standards”.

However, they advised that the increased budget will allow the capital programme for the three priority projects to restart<sup>2</sup> and that they were embarking on “a whole system review with all health boards of how to maintain existing estate”.

**The Committee notes the issues outlined in the report in respect of estate management and welcomes the restart of the capital programme on priority projects. Your Committee may wish to consider monitoring the progress of these projects and seeking an update of the Scottish Government on its whole system review.**

## **PFI contracts**

The report notes that a number of early private finance initiative (PFI) contracts are nearing the end of their terms, and this will require complex closing arrangements potentially impacting NHS boards’ revenue and capital budgets.

The AGS told us:

“There is a range of different arrangements for what happens at the end of those contracts. Notwithstanding the significant amounts that are still to be paid, there is no clear model to follow in relation to what happens at the end of the 25 or 30-year period. It is not necessarily the case that the asset will return to the NHS at no cost. Sometimes, there will be a cost. A process of management needs to be put in place around that”.

The Scottish Government [wrote previously to the Committee](#) to outline specific contracts which are coming to an end.

In evidence they told us “We have a team of people—my own team and NHS Scotland Assure and the Scottish Futures Trust—providing support to the boards as well as legal advisers... to help them to go into a strong negotiating position and be able to work through what the best options are”.

One recommendation in the report is that the Scottish Government should publish a national capital investment and asset management strategy.

**The Committee supports the recommendation that the Scottish Government should ensure lessons learned from the process of negotiating the end of PFI contracts are communicated to NHS boards and provide greater certainty**

<sup>2</sup> The Monklands replacement project, the eye pavilion and the new Belford hospital in Fort William

**about how associated capital and revenue costs will be funded. Your Committee may wish to follow up with the Scottish Government on progress in this area.**

## **Operational performance and challenges**

### **Waiting times**

The report notes that only two out of nine national standards for waiting times are being met at the end of June 2024 and while performance against five of the standards improved in the year to June 2024, overall performance has not markedly changed. Waits for some specialities, for example, orthopaedic procedures are particularly long.

Audit Scotland told us:

“We have not had any progress reported to us by the Scottish Government on developing the indicators that relate to the waiting lists. The targets that were originally set in July 2022 on eradicating the long waits of over a year, 18 months and two years were recommitted to in 2023. As of last week, in the budget, there was a commitment on eradicating waits of over a year by March 2026. There has been no update on that.”

There were some areas in improvement, for example, performance against the Child and Adolescent Health (CAMHS) standard while not reaching the target (of 90 per cent starting treatment within 28 weeks) had improved from 73.8 per cent to 84.1 per cent by June 2024. Two boards had also shown notable and sustained improvement including NHS Forth Valley who, by implementation of the international CAPA model<sup>3</sup>, is now achieving the CAMHS target.

The Scottish Government told us “We have earmarked £100 million of the £200 million investment to devote to waiting times.” and will be “focussing on optimising the core planned care activity across Scotland”.

**The Committee notes that only two out of the nine national waiting times standards are currently being met and that overall performance has not improved. It welcomes the increased funding announced by the Scottish Government to address this. Your Committee may wish to follow up with the Scottish Government on what progress the renewed investment is making to reduce waiting times.**

### **NHS productivity**

The report states that in its annual Scottish budget report published in February 2024, the Institute of Fiscal Studies analysed Scottish health spending, staffing and

<sup>3</sup> NHS Forth Valley implemented the Choice and Partnership Approach (CAPA). CAPA focuses on the service user and their family. The CAPA model has been used with success in other areas of the UK and in Australia, NZ and Canada. It aims to increase the range of treatment options available and ensure oversight of demand for the service and capacity.

activity and found that even with increased funding and staff, hospital productivity has fallen significantly.

It explains that different factors may be contributing to this including a lack of investment in infrastructure, workforce factors and patients requiring more care in hospital because they are sicker along with difficulties with hospital discharge.

The AGS told the Committee:

“Staffing levels, staff absence levels, investment in technology and building maintenance all weave a complex web of factors that drive productivity. It is ultimately for the NHS and the Scottish Government to determine how they plan to improve activity levels by looking at factors such as delayed discharge or patient flow. There are multiple drivers in relation to productivity levels, but, at base level, it is about doing more than we are seeing in the system at the moment.”

## **A & E attendance**

Unscheduled care also continues to experience sustained pressure resulting in accident and emergency waiting times remaining considerably below target.

Audit Scotland told us:

“We note (in the report) that the A & E waiting time standard is an indicator of pressure in the system... The performance target is for 95 per cent of people to be seen and admitted, discharged or transferred, as appropriate, within four hours. The performance has remained at around 70 per cent in NHS Scotland. “

Audit Scotland explained the reasons as being “a complex mixture of factors” with one issue being space in hospitals to transfer people out of A & E and enable more people to flow through. This is significantly affected by delayed discharges. We heard however that the Scottish Government is working intensively with some boards to address this as the issue varies significantly across different boards.

The report also details work carried out by The Centre for Sustainable Delivery (CfSD) to identify opportunities for improving unscheduled care. Boards are implementing their own improvement plans, and the Scottish Government is putting in place monitoring plans for the next phase of improvement work.

The Scottish Government told us that “Creating capacity in the in-patient space—to ensure flow from the A & E department—is a particular focus for us, and that links to the work that we referenced earlier on delayed discharges. There is considerable activity on that”.

## **Delayed discharge**

The report explains that the number of patients whose discharge is delayed is continuing to impact on the ability of a hospital to move patients through the hospital. Delayed discharges are now at the highest levels since current guidance came into place in July 2016.

Audit Scotland told us:

“In our report last year, we set out a range of Scottish Government initiatives to try to tackle delayed discharges, and I have to say that it does not look like those targets will be met. We have already mentioned the Centre for Sustainable Delivery, and there is also a delayed discharge and hospital occupancy plan, which was brought out in March 2023, and which boards are currently self-assessing against.”

The report sets out various initiatives put in place by the Scottish Government including:

- Delayed discharge and hospital occupancy plan – issued to boards in March 2023
- Collaborative response and assurance group – set up to look at pressures and take action
- Rapid peer review and response team – to deploy additional support and practical help
- Improved data- focused on ensuring timely and consistent data is available.
- Hospital at home – allowing acute care to be provided to more patients in their own homes.

In evidence, the Scottish Government described delayed discharges as “a complex and multifaceted issue” and accepted they were not where they wanted them to be. Ms Lamb, Director-General, Health and Social Care told the Committee:

“It is not an issue on which the NHS can pull all the levers. The health service can absolutely take steps to increase the number of short hospital stays when patients do not need care at home and therefore will not need support after discharge. It can also work on reducing the number of long stays for patients in the same category. However, we need to work with our partners on people who need support to enable them to get home or at least into a homely environment”.

**The Committee notes initiatives set out by the Scottish Government to address the unacceptable levels of delayed discharge from hospital. It also notes that this is impacting waiting times in A & E services. Your Committee may wish to consider monitoring the progress of these initiatives.**

## **Reform**

The report states that the need for reform is more urgent than ever, and its scale and pace must increase if pressing capacity and affordability issues are to be addressed.

It calls for “clear and transparent annual progress reports on the work to reform services” and says these should show the “effectiveness and value for money of new innovations and ways of providing NHS services”. It highlights that to manage current and future demand a “whole system approach to improving the health of the Scottish population is essential” which should include an increased and ongoing focus on prevention.

The report notes that the Scottish Government and COSLA are leading on the development of a Population Health Framework which is intended to take a cross



government and cross sector approach to improve the factors which shape people's health and wellbeing. The Scottish Government provided further detail on its focus on preventative measures [in its letter to the Committee dated 11 March 2025](#).

The AGS concluded that:

“Wider reform and a focus on improving the health of Scotland's people are essential and need to be part of a clear plan for delivering on the Scottish Government's vision for health and social care. The situation also means that difficult decisions need to be made about transforming services and, potentially, about what the NHS should stop doing”.

The report states that the absence of national plans that provide indicative medium term financial planning assumptions, workforce projections and national priorities continues to affect the ability of individual boards to identify the types of service transformation and reforms that are necessary. One recommendation in the report is that the Scottish Government publish a revised Medium Term Financial Framework for health and social care.

In oral evidence Ms Lamb, Director-General, Health and Social Care told the Committee “We are committed to producing the population health improvement framework. Again, substantial work has been undertaken on that with partners, including, importantly, the Convention of Scottish Local Authorities, and it will be published in the spring. We have also committed to publishing a framework for the medium-term reform of health and social care by the Parliament's summer recess.”

**The Committee notes that reform is urgent and echoes the recommendation in the report that the Scottish Government publish clear and transparent annual progress reports on the work to reform services.**

**The Committee supports the recommendation that the Scottish Government publish a revised Medium Term Financial Framework for health and social care and notes the Scottish Government's commitment to publish this and a Population Health Framework by summer recess. Your Committee may wish to monitor the progress of this.**

I hope these findings are helpful in informing your future work.

Yours sincerely,



**Richard Leonard MSP**

**Convener**