



Annual Report and Accounts

Year ended 31st March 2022

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ANNUAL REPORT

SECTION A: THE PERFORMANCE REPORT

1. Overview

This Overview aims to succinctly provide any reader with sufficient information to understand the NHS Board, its purpose, the key risks to the achievement of its objectives and how it has performed during the year. Should you wish to find out more detailed information we have provided this in the rest of the Performance Report, the Accountability Report, and the financial statements. NHS Lothian routinely publishes a wide range of information on its services and activities on its website which you can find at: [nhslothian.scot](https://www.nhs.uk/lothian)

Lothian NHS Board (“NHSL”) has a statutory duty to plan, commission, and deliver, healthcare for the residents of the local authority areas of East Lothian, Edinburgh, Midlothian, and West Lothian. NHSL also provides a wide range of specialist services for people from across Scotland, which are in turn commissioned by other Health Boards across the country. Provision covers all types of healthcare, from prenatal health checks to liver transplants, from neurosurgery to psychological therapy, across pharmacies, general practices, schools, and in state-of-the-art hospital facilities. NHSL also provides healthcare in people’s own homes.

Within Lothian there is also an integration joint board (‘IJB’) for each local authority area. These IJBs carry a statutory duty to strategically plan and commission a range of services. This responsibility is delegated to them by NHSL, and by the relevant local authority. The services under the auspices of our four IJB partners include adult social care, adult community health care (including general practice, community nursing, pharmacy, and ophthalmology, to mention but four), as well as a range of services provided within hospitals. The latter includes emergency departments, medical admissions, care of the elderly, respiratory illness, diabetes, and rehabilitation. It also includes the vast majority of adult mental health care, including inpatient care. NHSL delivers all the healthcare services under the delegated planning authority of our 4 IJB partners. This is therefore a complex landscape and is described later in this section.

The Board works with the Scottish Government, our 4 IJB partners, community planning partnerships, other NHS bodies, and other organisations in the public sector such as local authorities, the police, and the fire and rescue service.

The organisation works to implement the strategies and plans of the NHS Board, of our 4 IJB partners, and the Scottish Government. During this financial year we have also developed the Lothian Strategic Development Framework (“LSDF”), which brings together the strategies of the 4 IJBs and NHSL into one framework and outlines plans to deliver on our vision and performance aspirations.

You can find key material on the [NHS Lothian website](https://www.nhs.uk/lothian). The website includes the [Board Members Handbook](#) which explains how the system of governance works, and gives pointers to other useful information about NHS Lothian and NHS Scotland generally.

This Performance Report summarises information about NHS Lothian, its key issues, and how it has performed during 2021/22.

Statement from our Chief Executive, Calum Campbell

COVID-19 has had a significant impact on the NHS. This impact has been a dual one – both directly onto those infected with COVID-19 and the consequences of that, but also in the building-up of a backlog of demand for our core services. This has seen a deterioration in most areas of performance as we have focussed on responding as effectively as we could to the pandemic.

Through the financial year 2021/22 we have been on an emergency footing. This has been in place since the start of the 2020/21 financial year. In responding to COVID-19, we have had to pause large parts of our elective programmes meaning that waits for non-emergency, or conditions that did not threaten life or limb, have had to be delayed significantly. During 2021/22 our performance with emergency care has also been significantly affected, as the population has returned to “normal”. This has been exacerbated by pressure on social care across the Lothians.

To respond to COVID, we continued with a host of operational measures to free up capacity to respond to those who may be infected, and to provide certain key clinical services while observing the necessary precautions for infection prevention and control. We have worked with the Scottish Government, Public Health Scotland, National Services Scotland, and our four local authority partners to develop and deliver appropriate responses to the pandemic. We have also worked closely with, and are grateful to, partners in adult and older people’s social care, for their efforts to keep their clients and residents safe.

During the 2021-22 year we also rolled out our contribution to the national mass vaccination programme. This required agility in thinking and planning, as well as enormous flexibility from our staff – and from volunteers who returned from retirement, sabbaticals, and career breaks – to deliver a constantly evolving programme. This also required very close working with private sector partners such as the Royal Highland Society and the Edinburgh International Conference Centre, with others such as Queen Margaret University, and again we are deeply grateful for their cooperation and contributions to what has been described as the greatest peacetime mobilisation in the UK’s history. Lastly, but not least, we remain grateful to the work done by our Armed Forces to support both logistics and vaccine delivery to citizens at times of greatest pressure.

It also bears noting that the most effective group in helping us manage the spread of COVID-19 was, and continues to be, the public and we thank them for the sacrifice and courage they showed during the worst of the pandemic.

Before the pandemic NHS Lothian was expected to develop and work to an annual operating plan, and our IJB partners were similarly expected to provide a three-year strategic plan. During the two years of the pandemic, we developed a Mobilisation Plan, followed by six-monthly Remobilisation Plans. These described our plans for both reopening “business as usual”, but also on how we intended to respond to the waves of pandemic infection to keep core services operating safely and effectively. These incorporated our growing confidence in managing outbreaks, keeping infections in hospital safely cared for, and continuing to manage and support those on our waiting lists with digital communications technology and other ways of working that, while common in other spheres, are new to us but now form a core part of our future operating model.

It is worth remembering that during March 2022, more than 10% of our acute operating bed base was occupied with people with COVID-19, even after delivering a very high level of population protection through vaccines and previous infection.

As in 2020/21, we continued to coordinate our approach to COVID-19 through a GOLD Command management group. This took responsibility for our collective response to the pandemic, meeting at least twice a week throughout the year. During the latter part of the 2021/22 we expanded our approach to begin to focus on returning to “business as usual”, including the restarting of our elective treatment programmes. The group included the most senior leaders from across the organisation, including the four health & social care partnership directors who jointly manage adult social care services with our local authority partners.

Our key objectives for this period, as expressed through our GOLD Command structure, included:

- Protect and preserve life.
- Safeguard health, safety, and wellbeing of staff.
- Plan for increased mortality rates.
- Plan for maintenance of critical services.
- Learn and adapt for early recovery.

Our Remobilisation Plan sequence identified the following services to be prioritised:

- Diagnostics and treatment for cancer.
- Urgent treatment for cardiac disease, transplants, renal failure.
- Support and treatment for mental health difficulties.
- Routine treatments where additional delays caused by the pandemic may have made the clinical picture an urgent one.
- Services for children, where the impact on a child’s development could be disproportionate.
- Dental and ophthalmic services where significant underlying disease may have built up.
- General Medical Practice capacity to see patients with non-urgent but significant health problems that will worsen over time.

NHS Lothian continued to use active clinical triage and clinical judgement to ensure that we managed the clinical risks associated with delaying treatment. The Remobilisation Plans included a set of principles that meant the approach involved minimising the number of people who physically attended a healthcare facility and increasing the use of technology to provide alternative methods of interacting with people. An ever-present theme of the pandemic is that there are many uncertainties and unknowns. So, while plans are made, we have always been prepared for circumstances changing quickly and responded accordingly.

As noted above, our performance in delivering COVID-19 vaccines has been a huge ask of staff and a great success, as the table below illustrates.

Category of population	%age vaccinated in Lothian	%age vaccinated in Scotland
Older adults in care homes	84	80
Severely immunocompromised	65	52
All immunocompromised	50	46
4 th dose in care homes	94	89
4 th dose in older adults	78	79
2 nd dose in 16-17 year-olds	61	57
2 nd dose in 12-15 year-olds	44	45
5-11 year-olds first dose	18	18

Over 2 million doses have been administered to the Lothian population since the programme started.

All the staff of NHS Lothian have done a fantastic job throughout the year to respond to the pandemic, maintain and develop clinical services, and deliver landmark achievements while doing so.

Looking ahead, if NHS Lothian is ever to achieve and sustain the level of performance which the Scottish Government and the public expects, there will need to be significant transformational change. A key issue is funding. Historically NHS Lothian has received less funding than the level determined by the Scottish Government’s NHS Scotland Resource Allocation Committee ‘NRAC’ funding model. There is a cumulative effect of the Board receiving funding below NRAC parity for several years, which we estimate to be £120m since 2015. The Board has not been able to access and spend the resources that it otherwise would have had, which in turn creates a backlog of development.

NHS Lothian simply does not have the operational capacity to meet the demand for and performance standards for its services. What is required is a new national approach to ensure that the population of Lothian is not disadvantaged. Clearly, we do not accept that our performance picture is what we would want to be delivering, but we are constrained significantly by the resourcing picture, compounded by COVID-19. If we take together the impact of COVID-19 and the legacy of shortfall in NRAC funding, this places a greater burden on NHS Lothian to achieve national performance standards in the future. I will continue to work with the Scottish Government and our four IJBs to explore what the performance expectations of NHS Lothian are going forward, and how we can effectively respond to these challenges together.

We have, however, undertaken significant work to progress our strategic planning for the future, with the development of the Lothian Strategic Development Framework. This work brings together the strategic plans of our 4 IJB partners with our own strategic agenda, ensuring that we are working together on our common, complex partners. This work

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also issues an invitation with our citizens and our partners in the third and independent sectors to work with us in developing solutions that work for all of us.

Within the Framework, we have concentrated on six key pillars:

- Public Health and becoming an anchor institution.
- Investing in services for children and young people as an investment in prevention.
- Sustaining Primary Care.
- Improving our Mental Health, Illness, and Wellbeing experience.
- Improving Unscheduled Care performance.
- Improving Scheduled Care performance.

And outlined the key actions we will take in each, as well as in:

- Sustaining our workforce.
- Managing our revenue to a balanced position.
- Implementing our capital plan
- Utilising digital and technology more effectively
- Driving our sustainability agenda.

This work is presented at [Lothian Strategic Development Framework 2022-2027 \(nhslothian.scot\)](https://www.nhs.uk/lothian-strategic-development-framework-2022-2027) and we intend to engage our communities in this work throughout the year.

The Key Issues and Risks that could affect the NHS Board in delivering its objectives

The context in which NHS Lothian operates, and how it can and does operate, has changed because of COVID-19. We now have a fundamentally unstable baseline across our services, as well as an unstable workforce picture throughout our workforce.

This latter issue looks to now be the number one challenge facing our system. The Lothians are growing in population by roughly 1% per annum, with funding not increasing at a comparable rate. More crucially, the workforce is not growing, and in some areas we are aware of very acute challenges. As an example, we know that our mental health nursing workforce will shrink by approximately one-third during the 2022-27 period. This means we need to accelerate and deliver fully on the plans we have outlined in our Strategic Development Framework and be ready to deal with the impact on areas out with our control, such as the social care workforce.

We are also increasingly aware that our buildings are reaching the end of their useful lives, and that the position in general practice is particularly sharp in this respect.

Each IJB prepares a strategic plan and directs the NHS Board and the relevant local authority to carry it out. You can find the IJB strategic plans at the following links:

[Edinburgh IJB Strategic Plan 2019-22](#)

[East Lothian IJB Strategic Plan 2019 - 2022](#)

[Midlothian HSCP Strategic Plan 2019-2022](#)

[West Lothian Integration Joint Board Strategic Plan 2019-2023](#)

Throughout 2021/22 our Corporate Management Team have been reviewing the methodology and content of the Board's corporate risk register. This remains under constant Board-level review and the latest iteration is shown in Table 1.

Table 1: Corporate Risk Register at April 2022

Title	Risk Score	Title	Risk Score
GP workforce sustainability	Very High	Finance	Very High
Unscheduled Care: 4-hour performance	Very High	Access to Treatment	Very High
Access to Psychological Therapies	Very High	Access to CAMHS	Very High
Nursing workforce	Very High	Hospital Bed Occupancy	Very High

Title	Risk Score	Title	Risk Score
COVID-19	High	Water Safety and Quality	High
Facilities Fit for Purpose	High	Violence and Aggression	High
Royal Infirmary Edinburgh (RIE) maintenance of facilities	High	Cyber Security	High
Roadways/ Traffic Management on Acute Hospital Sites	High	Healthcare Associated Infection	High

Summary of Performance

The Board monitors its performance against a range of quality and performance measures and submits performance information to the Scottish Government and other bodies throughout the year. You can find up-to-date information on health matters via the Public Health Scotland website:

<https://www.publichealthscotland.scot/our-areas-of-work/sharing-our-data-and-intelligence/how-we-share-data-and-intelligence/>

Both the Scottish Government and the Scottish Parliament also routinely produce publications, some of which may relate to health. You can access this information at the following websites:

<https://www.gov.scot/publications/>

<https://www.gov.scot/coronavirus-covid-19/>

<https://digitalpublications.parliament.scot/ResearchBriefings>

The performance measures in this section use national and local data sources to present the Board's 2021/22 performance. Please note that some of the operational (non-financial) information is taken from live systems and accordingly it may be revised at a future date. This why the information in these accounts may be slightly different from that which Public Health Scotland subsequently publishes.

The IJBs also produce their own annual accounts and an [annual performance report](#).

2. Performance Analysis

Performance against Key Non-Financial Targets

The Board monitors its performance against a range of quality and performance measures, some of which are set nationally. The Board receives a Performance Report paper at every meeting, and this includes more detailed information. All Board papers are published on the NHS Lothian website here:

<https://org.nhslothian.scot/LothianNHSBoard>

Information Services Scotland publishes reports on the various activities and performance of NHS Boards throughout the year. You can find up-to-date information at the following website: <http://www.isdscotland.org/Health-Topics/>

This Performance Analysis includes some further detail on how the Board has performed in 2021/22.

4- Hour Emergency Access Standard

The standard is that 95% of patients wait no longer than four hours from arrival to admission, discharge, or transfer for emergency department treatment. NHS Boards are to work towards 98%.

As noted above, the planning and commissioning of unscheduled care services, which find their ultimate measure in healthcare in the 4-hour emergency access standard, is the responsibility of our four IJB partners, and their performance framework includes this as a key measure of success.

As also noted above, ensuring we have clarity and coherence in how we plan and operate in our complex system is one of the key roles of our LSDF, and delivering an effective unscheduled care system is one of six key pillars in that framework. This brings together all of our assets across primary care, acute care, and social care to ensure our 4 geographic areas and multiple business units work together to deliver effective healthcare and improved performance.

Immediately after the lockdown, from April 2020 to July 2020 NHS Lothian either exceeded or marginally missed the standard, and then the performance steadily fell. Public Health Scotland reporting noted that our performance within the Lothians reached 65.7% in March 2022. For context, NHS Scotland's performance was 71.6% in that month.

NHS Lothian's approach to unscheduled care has been undergoing significant development over the last two years. The pace of change has been accelerated markedly by the learning from the pandemic, with examples such as planned minor injury assessments (Call MIA), planned same day emergency care at the Western General Hospital, and rapid implementation of Home First models. It does appear that during 2021/22 there was a rise in the complexity of patients attending, suggesting that there was "pent-up" demand in the system. One of the key responses across Scotland was take the learning and implement a scheduled urgent care system, working closely with NHS24 to ask possible patients to schedule appointments for less urgent conditions and complaints, or indeed to use pharmacies, optometrists in the high street, and other services as appropriate.

During this year, the additional pressure on this services has come from a variety of interlinked factors; specific infection-control requirements, higher-than-usual staff sickness rates, and difficulties in discharging patients after inpatient stays due to challenges in social care.

As in 2020/21, it is difficult to draw meaningful comparisons with previous years, given the changing picture of infection, demand, and capacity. However, our system is clear that our performance was below where we would want to be and sees this particular measure as a measure of system effectiveness.

Cancer

There are two specific cancer waiting times' standards (both 95% compliance).

- 62-day standard from receipt of referral to start of treatment for newly diagnosed primary cancers.
- 31-day target from decision to treat to start of treatment for newly diagnosed primary cancers (whatever their route of referral).

NHS Lothian has historically found achieving the 62-day standard challenging, but we would note that performance has remained within the historical range – and not declined – during the year.

According to Public Health Scotland, NHSL achieved 85% performance against this standard in the third quarter of the year, against a national figure of 79%. Significantly, the gap between NHSL performance and Scottish performance increased from 1.8% in 20/21 to 5.5% in the 21/22 financial year. Unlike the previous year, referral numbers were in line with previous levels, indicating the restarting of other parts of the healthcare system, including general practice and screening programmes. The system remained challenged in two key tumour types, colorectal and urology.

For the 31-day standard, NHSL moved from being “below average” in 2020/21 (by 0.4%) to being above average at 98.2% (1.1% above the national position, as at Q3). This is an encouraging result illustrating the strength of recovery in diagnostic services.

Treatment Time Guarantee

The guarantee (100% compliance) gives a right to all inpatients and day case patients for pre-arranged non-emergency treatments. The Board must take practical steps to ensure a patient is treated within a maximum waiting time of 12 weeks from when the patient agrees to the treatment.

NHS Lothian and NHS Scotland have historically never achieved the treatment time guarantee, and the number of patients seen and the performance against the guarantee has been on a steady downward trend since 2013. The cancellation of routine inpatient and day case treatments from March 2020 led to a dramatic reduction in the number of people treated from then until August 2020, who were then added to the list of people waiting for treatment. From August 2020 the volume of activity has steadily risen but not to previous levels. During 21/22, this picture has been repeated, with the various waves of pandemic demand leading to a “stop-start” year for elective activity. The number of referrals to hospital, and therefore numbers being added to waiting lists, continued to return to pre-pandemic levels, leading to greater pressure on these lists.

Consequently, NHS Lothian's performance on the treatment time guarantee was lower than 2019/20. Activity dropped by approximately 40% in the Lothians, vs a national reduction of approximately 37% and comparing activity with that of 2 years ago. NHSL performance as at the end of the quarter to December 2021 was that approximately 33% of patients waited less than 12 weeks for treatment, with c.70% seen within 39 weeks. These figures closely mirrored the Scottish average.

Outpatients

The waiting time standard is that no patient should wait longer than 12 weeks for a new outpatient appointment at a consultant-led clinic. The performance standard is 95% compliance.

Public Health Scotland performance reports show that NHS Lothian's performance in this area was marked by a smaller than average reduction in activity. While Scotland's total activity dropped by 17%, NHS Lothian's dropped by 10%.

Scotland-wide, performance against this standard was approximately 68%, a figure skewed by the performance of the Golden Jubilee National Hospital, which was relatively unaffected by the pressures of COVID-19. Lothian's performance was around the 45% mark, with 85% waiting less than 39 weeks.

Delayed Discharges

This relates to the number of people whose discharge from hospital after treatment has been delayed for more than 3 days.

Delayed discharge performance is an IJB responsibility but is reported here to contextualise other performance data.

Having reached historic lows during the 20/21 financial year, performance in this area returned to historical norms after May 21. This was a mixed picture across the four local authority areas. East Lothian remained at the highest-performing end of the national spectrum; West Lothian improved markedly during the financial year and moved from historic average or under-performance to being one of Scotland’s better performers, while Midlothian remained average in the Scottish context. The City of Edinburgh, however, deteriorated and by the end of the year had the highest rate of delayed discharges in the country, with particularly acute underperformance in mental health in particular. This reflects complex socio-economic issues within the City.

The table below shows the change in performance over the 12 months.

Snapshot date	City of Edinburgh	East Lothian	Midlothian	West Lothian	In Lothian Hospitals*
March 21	122	1	16	19	165
March 22	242	11	17	25	280

*Note: citizens may be delayed in hospitals outside Lothian and will count against their home local authority area. Similarly, citizens from outside the Lothians may be delayed in their discharge from Lothian hospitals. Therefore, the figure for “In Lothian Hospitals” does not equal the sum of the 4 Lothian local authority areas.

Delayed discharge performance has a significant impact on our ability to provide other inpatient services and correlates with performance in both the 4-hour standard and scheduled care.

Child & Adolescent Mental Health Services

The performance standard is that 90% of young people should start treatment with the service within 18 weeks of referral.

Like most Boards throughout NHS Scotland, NHS Lothian has historically not met this performance standard.

Public Health Scotland data show that from the quarter ending December 2017 to the quarter ending December 2021, the NHS Scotland quarterly performance has been in a range from 60.6% to 70.3%. NHS Lothian’s performance in that period has been in a range from 48.4% to 69.1%, with performance at December 21 being 65.2% within NHSL.

This was an area of escalation in focus for the Scottish Government, although there is an acknowledgement that performance was affected by several structural factors such as implementing a new specification for CAMHS.

Psychological Therapies

The performance standard is that 90% of adult patients should start psychological therapy-based treatment within 18 weeks of referral.

As at December 2021, NHSL performance against this standard was that 79% of patients started their treatment within 18 weeks of referral, a decline of just over 3% against December 2020 performance and below the Scottish position of 84.4% performance.

However, it should be noted that the median wait for treatment in the Lothians was 1 week, vs 3 weeks for Scotland, suggesting that the most urgent cases were being seen more rapidly than across the country.

As with 2020/21, COVID-19 has had a comparable impact on the performance of all NHS Boards. The performance does need to be interpreted with caution, as the pandemic has reduced or at least delayed people accessing NHS services, and this may have an adverse impact on their clinical condition and public health generally. This risk is captured in the Board’s corporate risk register and appears to be bearing fruit in the levels of activity and in particular in emergency activity.

2021/22 Financial Performance

The Scottish Government requires NHS Boards to meet three financial targets in the year:

1. Revenue resource limit – a resource budget for ongoing operations.
2. Capital resource limit – a resource budget for new capital investment; and
3. Cash requirement – a financing requirement to fund the cash consequences of the ongoing operations and the new capital investment.

The first two limits have been split between core and non-core elements. This is to recognise how the Board is funded. In simple terms the Board's day-to-day running costs are covered by 'core' funding. The Board also must recognise other expenditure in its accounts which is determined by applying accounting standards, and the Scottish Government provides 'non-core' funding for this expenditure. Examples of 'non-core' expenditure are depreciation, other provisions, and impairment charges (where the value of an asset has been written down). Further details on the non-core items can be found in the Summary of Resource Outturn.

The Board has operated within these limits in 2021/22 as summarised below:

	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (Over)/Under £'000	
1	Core Revenue Resource Limit	2,123,228	2,121,806	1,422
	Non-Core Revenue Resource Limit	56,613	56,613	0
	Total Revenue Resource Limit	2,179,841	2,178,419	1,422
2	Core Capital Resource Limit	24,708	24,708	0
	Non-Core Capital Resource Limit	(485)	(485)	0
	Total Capital Resource Limit	24,223	24,223	0
3	Cash Requirement	2,185,727	2,185,727	0

Memorandum of In Year Outturn

Core revenue resource variance (deficit)/ surplus in 2021/22	1,422
Financial flexibility: Funding banked with / (provided by) the Scottish Government	21,928
Underlying (deficit)/ surplus against the Core Revenue Resource Limit	23,350
Percentage of the Core Revenue Resource Limit	1%

A one-year financial plan was submitted to Scottish Government by NHS Lothian on 2 March 2021. Due to the impact of the Covid-19 pandemic, the Scottish Government paused the three year Annual Operating and financial planning process. Recognising the exceptional nature of 2021-22 and the impact on delivery of financial plans, additional non-repayable funding was provided to support in-year financial balance across all NHS Boards. NHS Lothian received £249m.

The notes to the accounts provide further detail on the Board's income and expenditure during the year. Demand-led income and expenditure in respect of family health services (including dental, ophthalmic and pharmacy services) is not included in the Board's Revenue Resource Limit. The net expenditure on family health services is deducted from the Statement of Consolidated Comprehensive Net Expenditure to arrive at the performance against the Board's revenue resource limit. This is set out in the Resource Outturn Statement in Note 2a.

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The Scottish Government is committed to supporting business in the current economic climate by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days. The Board calculates this by comparing the date that payment was made to the date that it received the invoice.

Performance Against the Contractual 30-day payment policy

	2021/22	2020/21
Total Number of Invoices	289,880	259,389
Total Number of Invoices Paid within 30 days	275,124	242,893
Percentage by volume of invoices paid within 30 days	94.91%	93.64%
Percentage of invoices paid within 30 days by value	90.40%	93.59%
Average number of credit days taken	9	9

Performance Against the Aspirational Aim of Paying All Undisputed Invoices within 10 days

	2021/22	2020/21
Total Number of Invoices	289,880	259,389
Total Number of Invoices Paid within 10 days	256,429	226,687
Percentage by volume of invoices paid within 10 days	88.46%	87.39%
Percentage by value of invoices paid within 10 days	83.17%	87.54%

Other Financial Disclosures

The Board has a provision for bad debts of £4.895m at 31 March 2022 (31 March 2021 £5.231m). Further information is available at Note 9 to these accounts.

The Board has a provision for clinical and medical negligence claims of £95m at 31 March 2022 (31 March 2021 £116m). Most of these provisions are recoverable under the NHS Clinical Negligence and Other Risks Insurance Scheme (CNORIS). Further information is available at Note 13 to these accounts.

Pension Liabilities

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 19 and the Remuneration Report.

Social Matters

Our Services

NHS Lothian's vision and mission are social matters, and all aspects of NHS Lothian's activities have a bearing on social matters.

Our public health and health promotion work is based on the latest evidence and learning about how to influence health and wellbeing, in partnership with other community planning bodies. Our services seek to do the right thing, at the right time, for each and every patient, family member, and community we work with. We use a comprehensive patient experience system to collect feedback on how we are doing in this regard:

<http://www.nhsllothian.scot.nhs.uk/YourRights/PatientExperienceAndFeedback/Pages/default.aspx>

Equality, Diversity and Human Rights

You can find out what we are doing on equalities and human rights on our website:

<https://www.nhsllothian.scot.nhs.uk/YourRights/Equality,DiversityandHumanRights>

Employment

NHSL delivers a significant programme of Apprenticeships and employability programmes. We have continued in our national trailblazer employer role throughout 2021 for the Young Persons Guarantee supporting key learning and sharing created resources. We successfully delivered 42 Kickstart employment opportunities supporting additional housekeeper roles, domestic assistant, and biomedical support worker posts. The Housekeeper roles were part of a pilot supporting release of clinical time within wards.

We achieved 88% programme completion with 52% progressing into roles within NHSL including 11 Modern Apprentice positions.

We have recruited over 300 Modern Apprentices to date with completion rates of 92% and average 88% retention post programme. Currently we have over 100 active apprentices.

We have recruited 75 new staff and 13 existing into modern apprenticeship roles in 2021 with a further 16 existing staff being supported on Graduate Apprenticeships. 2 staff gained degrees in Business Management and Software Development in 2021.

We have continued to support national application of apprenticeship pathways and funding contributing to the development of the new Technical Apprenticeship route for Pharmacy Technician training. This includes a pilot of an extended MA programme developing talent pipelines by enabling access to roles as a Pharmacy Support worker as well as progression to the Technical Apprenticeship.

We continue to actively engage with DYW campaigns and support large scale regional activity to schools including supporting national NHS delivery and new online activity. We support and develop mentoring opportunity for staff to support local young people and offer youth mentoring training within our programmes of work. To date we have trained 134 staff mentors and now have staff who have completed their apprenticeships mentoring new apprentices.

We have grown our staff youth network to a membership of over 100 in the last year with elected roles, annual action plan and participation in supporting NHSL activity including the advancing equalities action plan and Lothian strategic framework impact assessment.

Promoting Good Business Conduct

One of [NHS Lothian's Values](#) is *Openness, Honesty and Responsibility*. Several years ago the NHS Board published its Anti-Bribery Statement, which amongst other things contains the contact details for the Board's Fraud Liaison Officer, the Public Standards Commissioner, and for employees, details on whistleblowing arrangements. You can see the full Anti-Bribery Statement here: nhslothian.scot.nhs.uk/OurOrganisation/KeyDocuments/Pages/Anti-Bribery-Statement

The Anti-Bribery Statement is supported in practice by the [Code of Conduct for Board Members](#), procedures and guidance for all employees to embed the NHS Standards of Business Conduct, as well as the professional standards of conduct which health professionals each have to observe as condition of their registration with their professional body, e.g. the General Medical Council's *Good Medical Practice* (2013): gmc-uk.org/guidance/good_medical_practice/maintaining_trust.

Sustainability and Environmental Reporting

NHS Lothian's vision is to be a lead organisation in sustainable health care with all our staff empowered to put sustainable healthcare at the heart of their practice. We will work with our partners and the communities we serve to put in place work practices, procurement systems and preventative interventions to minimise our environmental impact, protect the natural environment and enhance social value so that we are a sustainable service promoting good health and enhancing quality of life.

NHS Lothian Sustainable Development Framework and Action Plan is available at [Sustainable Development Framework and Action Plan \(nhslothian.scot\)](#).



Delivery of the Framework and Action Plan was a corporate objective for 2021-2022. Progress on the implementation of this framework and action plan is reported to the NHS Lothian Finance and Resources Committee at every meeting.

The NHS Lothian Sustainable Development Framework will be updated to take account of the Policy for NHS Scotland on the Climate Emergency and Sustainable Development DL (2021) 3 and the forthcoming NHS Scotland Climate Emergency and Sustainability Strategy 2022-2026.

In line with DL (2021) 3 and the Draft NHS Scotland Climate Emergency and Sustainability Strategy, NHS Lothian self-assessed performance in 2021-2022 using the National Sustainability Assessment Tool. The self-assessed performance will be independently verified in the coming months. The internal self-assessment showed an overall improvement in completion – up to 98% at this submission, and an overall improvement in self rated score on the previous year from 67% to 73%.

NHS Lothian submitted its Mandatory Climate Change Report (Carbon Emissions Report) for 2020-2021 as required in November 2021. This report extended the scope of our reporting of emissions, to include anaesthetic gases. The report showed (for those emissions reported) that our total emissions were 67,758 Tonnes CO₂ a reduction of 2,883 from the previous year.

The Carbon Emissions Report for 2021-2022 will be published in July 2022 and available on the NHS Lothian website.

Calum Campbell
 Chief Executive and Accountable Officer

Date: 28 June 2022

SECTION B: THE ACCOUNTABILITY REPORT

Corporate Governance Report

(A) The Directors' Report

Date of Issue

The Board presents this report and the audited accounts for the year ended 31 March 2022. The Board approved these accounts on 22 June 2022 for submission to the Scottish Government.

Appointment of the Board's External Auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Scott-Moncrieff (now called Azets) to undertake the audit of Lothian NHS Board for the five-year period from 2016/17 to 2020/21. The Auditor General extended the appointment of Azets by one year to cover the audit for 2021/22. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland, and approved by the Auditor General.

Remuneration for Non-Audit Work

The remuneration of the auditors is disclosed in note 3 to the accounts. During 2021/22 the Board's external auditors received fees amounting to £3,300 (including VAT) in relation to non-audit work. This non-audit work was the audit of the abstract of receipts and payments of patients' private funds.

Disclosure of Information to Auditors

The Board members who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Board's auditors are unaware; and each Board member has taken all the steps that he / she ought reasonably to have taken as a Board member to make himself /herself aware of any relevant audit information and to establish that the Board's auditors are aware of that information.

Board Membership

Cabinet Secretary (Health & Wellbeing) appoints all NHS Board members. The Board is made up of executive and non-executive members. The members are collectively responsible for the governance of the organisation, and the Board is accountable to the Scottish Government. The Board discharges its governance role through regular Board meetings and the work of its committees. You can find the Board's Standing Orders and other key governance policies on the Board's website at: <https://org.nhslothian.scot/KeyDocuments/Pages/StandingOrders>

As at 31 March 2022 the Board had five executive Board members, seventeen non-executive Board members and four non-executive vacancies (which were filled in April 2022). The Board's non-executive members include nominees from key stakeholders, and lay members who have applied through a public appointment process. Members are selected on the basis of their position as stakeholders or the particular expertise which enables them to contribute to the decision making process at a strategic level. You can find out more about the public appointment process at: <http://www.appointed-for-scotland.org/>

Table 1 below sets out who held the position of Board members at any time during 2021/22.

Table 1: Individuals who were Board Members at any time during the period from 1 April 2021 to 31 March 2022

Name	Position
Professor John Connaghan CBE	Non-executive, Chair (from 01/08/2021)
Esther Roberton	Non-executive, Chair (until 01/7/2021)
Peter Murray	Non-executive, Vice Chair (from 01/01/2022)
Martin Hill	Non-executive, Interim Chair (01/07/2021 to 31/07/2021), Vice Chair from (01/08/2021 to 31/12/2021)
Calum Campbell	Chief Executive
Dr Tracey Gillies	Medical Director
Susan Goldsmith	Director of Finance

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Name	Position
Dona Milne	Director of Public Health and Health Policy (from 01/06/2021)
Katie Dee	Interim Director of Public Health & Health Policy (until 31/5/2021)
Professor Alex McMahon	Director of Nursing, Midwifery & Allied Health Professionals (until 3/10/2021)
Fiona Ireland	Non-executive, Chair of Area Clinical Forum, Interim Director of Nursing, Midwifery & Allied Health Professionals (from 04/10/2021 to 03/01/2022)
Pat Wynne	Interim Director of Nursing, Midwifery & Allied Health Professionals (from 04/01/2022 until 03/04/2022)
Tom Waterson	Non-executive (Employee Director) (until Sept 2021)
Tracy Anne Miller	Non-executive (Employee Director) (from 01/01/2022)
Cllr Shamin Akhtar	Non-executive (East Lothian Council)
Cllr George Gordon	Non-executive (City of Edinburgh Council)
Cllr Derek Milligan	Non-executive (Midlothian Council)
Cllr John McGinty	Non-executive (West Lothian Council)
Professor Siddharthan Chandran	Non-executive (University of Edinburgh)
Michael Ash	Non-executive (until 30/04/2021)
Alison Mitchell	Non-executive (until 30/4/2021)
Eddie Balfour	Non-executive, Vice Chair of Area Clinical Forum (from 04/10/2021 to 03/01/2022)
Dr Richard Williams	Non-executive
Dr Patricia Donald MBE	Non-executive
Carolyn Hirst	Non-executive
Angus McCann	Non-executive
Martin Connor	Non-executive
Bill McQueen CBE	Non-executive
Katharina Kasper	Non-executive
Jock Encombe	Non-executive
Nancy McKenzie	Non-executive (until 31/7/2021)

Tom Waterson sadly passed away in September 2021. Tracey Anne Miller was appointed as replacement Employee Director from 1st January 2022.

Susan Goldsmith retired on 31st May 2022 and was replaced by Craig Marriott.

Gillian McAuley replaces Pat Wynne as Interim Director of Nursing, Midwifery & Allied Health Professionals between 4th April 2022 and 19th June 2022. Alison MacDonald has been appointed Director of Nursing, Midwifery & Allied Health Professionals from 20th June 2022.

Michael Ash and Alison Mitchell stepped down as Board members on 30 April 2021. Katie Dee stepped down from the Board on 31 May 2021 and Dona Milne replaced her as Director of Public Health & Health Policy on 1 June 2021.

Further non-executive posts have been appointed to from April 2022, these are to fill current and future known vacancies; Elizabeth Gordon, Nadin Akta, Peter Knight, Philip Allenby, Val do Souza started on 1 April 2022 and Andrew Fleming started on 11th April.

Scottish Ministers appoint local authority councillors onto the NHS Board on the condition that they continue to serve as a councillor and maintain the nomination and support of the local authority. Their nomination is only for the life of the Council, which ends when there is an election. The Scottish local authority elections were held on 5 May 2022. Consequently, Councillors George Gordon, Shamin Akhtar, Derek Milligan and John McGinty ceased being their local authority's nomination to the Board after midnight on 4 May 2022. Reappointments to these roles on NHS Lothian board have concluded with Shamin Akhtar and Derek Milligan being reappointed from 31st May. Councillor Stephen Jenkinson replaced George Gordon and Councillor Harry Cartmill replaced John McGinty from 9 June 2022. George Gordon was re-appointed as a non-executive on the 16th May 2022.

The Statement of the Health Board Members' Responsibilities in respect of the Accounts

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the

state of affairs of the Health Board as at 31 March 2022 and of its operating costs for the year then ended. In preparing these accounts the directors are required to:

- Apply on a consistent basis the accounting policies and standards approved for the NHS Scotland by Scottish Ministers.
- Make judgements and estimates that are reasonable.
- State where applicable accounting standards, as set out in the Financial Reporting Manual (FRM), have not been followed where the effect of the departure is material.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

The Health Board members are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the accounts comply with the National Health Service (Scotland) Act 1978 and the requirements of Scottish Ministers. They are also responsible for safeguarding the assets of the Board and hence taking reasonable steps for the prevention of fraud and other irregularities.

The NHS Board members confirm they have discharged the above responsibilities during the financial year and in preparing the accounts.

Board Members' and Senior Managers' Interests

All Board members are subject to the Ethical Standards in Public Life (Scotland) Act 2002. The members are required to maintain their entry on the Board's Register of Interests, and this can be found on the Board's website at: <https://org.nhslothian.scot/LothianNHSBoard/BoardMembers/Documents/LothianNHSBoardRegisterOfInterests>

The Board approves the appointment of its members to its committees. The Board Members' Handbook on the Board's website provides further information on the system of governance, including the terms of reference of its committees. You can find this by clicking the link below: <https://org.nhslothian.scot/LothianNHSBoard/Handbook/>

Some members are also nominated by the Board as voting members of the integration joint boards, and some of the Board's employees are non-voting members. The integration joint boards and their members are also subject to the Ethical Standards in Public Life (Scotland) Act 2002, and each will maintain its own Register of Interests. There is a page on the NHS Lothian website which provides information on health & social care integration and a link to the websites of the integration joint boards. <https://org.nhslothian.scot/IntegrationJointBoards/>

All Board members are also trustees of charitable funds that the Board holds. The Trustees govern the charitable funds distinctly from the Board's exchequer funds. Lothian Health Board Endowment Fund (commonly known as the [Edinburgh & Lothian Health Foundation](#)) is a charity registered with the Office of the Scottish Charity Regulator under number [SCO07342](#). The Board is required to consolidate the financial statements of Lothian Health Board Endowment Fund within the Board's Annual Accounts. Note 25 details how these consolidated Financial Statements have been calculated.

Note 24 of these accounts contain details of any interests of Board members and other senior staff and senior managers in contracts or potential contracts with the Health Board as required by IAS 24.

Board Members' Third Party Indemnity Provisions

During 2021/22 the Board was not required to pay for directors & officer's liability insurance for its members as it is now included under the NHS Clinical Negligence and Other Risks Insurance Scheme (CNORIS).

Personal data related incidents reported to the Information Commissioner

During 2021/22, the Board reported four incidents to the Information Commissioner's Office for review. The Information Commissioner's Office has ruled that the Board has acted appropriately in relation to all of these incidents. In addition NHSL were reported to the Information Commissioner's Office on three occasions relating to patients concerns over the processing of their subject access requests; The Information Commissioner's Office made recommendations in relation to two of these incidents and a response was sent in relation to the third and subsequently closed.

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Public Services Reform (Scotland) Act 2010

This Act requires the Board to publish specified information as soon as is reasonably practicable after the end of each financial year. The Board publishes this information on its website at: [NHSLothian/OurOrganisation/Key Documents/Financial](#)

(B) The Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board

Under Section 15 of the Public Finance and Accountability (Scotland) Act, 2000, the Principal Accountable Officer (PAO) of the Scottish Government has appointed me as the Accountable Officer of the Board.

This designation carries with it responsibility for:

- The propriety and regularity of financial transactions under my control
- The economical, efficient, and effective use of resources placed at the Board's disposal; and
- Safeguarding the assets of the Board.

In preparing the accounts, I am required to comply with the requirements of the Government's Financial Reporting Manual (FReM) and in particular to:

- Observe the accounts direction issued by Scottish Ministers including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the FReM have been followed and disclose and explain any material departures; and
- Prepare the accounts on a going concern basis.

I confirm that the Annual Report and Accounts as a whole are fair, balanced, and reasonable.

I am responsible for ensuring proper records are maintained and that the accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers' letter to me of 28 April 2012.

(C) The Governance Statement

As Accountable Officer, I have responsibility for maintaining an adequate and effective system of internal control that supports the achievement of Lothian NHS Board (“the Board”) policies and promotes achievement of the Board’s aims and objectives, including those set by Scottish Ministers. I am also responsible for safeguarding the public funds and assets assigned to the Board. In accordance with IAS 27 – Separate Financial Statements, these financial statements consolidate the Lothian Health Board Endowment Fund (SC007342). This statement includes any relevant disclosure in respect of these Endowment Accounts.

Purpose of System of Internal Control

The system of internal control is designed to identify and mitigate the principal risks facing the organisation. Evaluation of the nature and extent of the risks to the Board and to manage them efficiently, effectively, and economically is the prime purpose of our system of internal control. However, it can only provide reasonable and not absolute assurance. This process is consistent with the Scottish Public Finance Manual (“SPFM”) and supplementary NHS guidance and has been in place for the year up to the date of the approval of the annual report and accounts.

Governance Framework and the Process to Review its Adequacy & Effectiveness

The Performance Report describes the organisation, the Board’s approach to setting strategic direction and corporate objectives and sets out what has been achieved in the year. It also explains how the governance arrangements for health and social care functions have been fundamentally revised because of the implementation of the Public Bodies (Joint Working) (Scotland) Act 2014.

The Directors’ Report (within this Accountability Report) provides information on the Board’s membership as well as links to further information on its committees and how the Board operates.

Committees have responsibility for oversight of specific categories of risk which relate to their remit. The Performance Report sets out the Board’s key issues and risks, and how the system of risk management has been developed throughout 2021/22.

As Accountable Officer I am responsible for reviewing the effectiveness of the system of internal control. My direct reports provide me with annual certificates of assurance which inform this Governance Statement.

The Board’s external auditors have concluded in previous years’ audits that NHS Lothian has well developed governance arrangements in place, including an effective Assurance Framework for the Board and its main governance committees. In response to the social distancing measures required for Covid-19, the Board has continued to use technology to allow the system of governance to operate without convening physical meetings.

Throughout 2021/22 the Board has continued to develop its system of corporate governance, which has included:

- The Board’s system of governance has operated fully throughout the pandemic. Throughout the year the Board has developed, and approved remobilisation plans as required by the Scottish Government.
- During the year we have reviewed and revised our local induction programme for new Board members. In doing so we have used the nationally developed template for local induction and linked the programme to national induction and educational materials for Board members.
- The Board remains escalated on the Scottish Government’s Performance Escalation Framework for CAMHS and Psychological Therapies. Throughout the year the Board has developed and agreed improvement and renewal plans for both subjects.
- The Board held a development session on active governance, which is part of the national work on good governance. Management have since implemented an improved approach and format of performance reporting to the Board and the Planning, Performance & Development Committee in line with the principles of active governance.
- The Board has been reviewing its corporate risk register and its approach to overseeing those risks. This has led to a new format of reporting to the Board and its committees, with a greater emphasis on the actions being taken to mitigate risk.

NHS Lothian will continue to develop its systems of governance in line with the good practice which the Scottish Government publishes, such as the Blueprint for Good Governance and associated materials.

The Scheme of Delegation and Standing Financial Instructions (SFIs) were reviewed in February 2021 and Authorised by the Board in April 2021. The next review is due April 2023.

The committees annually review their own effectiveness as part of the process of their annual reports. The Board's Chair conducts the appraisal of non-executive Board members and my own appraisal.

The Accountability report highlights where information prepared under the Public Services (Reform) Scotland Act 2010, relating to efficiency, effectiveness and economy, and sustainable economic growth is published.

The work of the Board's auditors, internal and external supports our system of governance and internal control.

The Chief Internal Auditor has provided the following audit opinion in her 2021/22 annual report:

*Overall, Internal Audit's work indicates that NHS Lothian has a framework of controls in place that provides **moderate assurance** regarding the effective and efficient achievement of the organisation's objectives and the management of key risks.*

This is reflective of the issues identified within the reviews on Violence and Aggression, Key Internal Controls (Payroll) and Waiting List Initiative Payments. These reviews demonstrated areas of greater control deficiency however our broader testing suggests that the issues identified within these reviews are isolated to a particular area. None of the high rated findings are considered to be significant enough to impact on NHS Lothian achieving its strategic priorities and/or pervasive enough to run throughout NHS Lothian as an organisation.

Based on our work completed we can conclude sufficient arrangements are in place, in the areas Internal Audit has reviewed, to promote value for money and secure regularity and propriety in the administration and operation of NHS Lothian controls.

Assessment of the Risk Management Arrangements

The Board has a risk management policy and risk management operational procedure, as well as a policy and procedure for management of adverse events. You can find all the Board's policies & procedures at Policy Online on the Board's website: policyonline.nhslothian.scot

During 2019/20 the Board developed and approved Our Priorities for Continuous Improvement, and the risk management policy informed those priorities.

Executive managers are responsible for managing risk. As the Accountable Officer, I am required to ensure that risks are identified, that their significance is assessed, and that appropriate remedial action is taken to reduce risk exposure or eliminate it where possible. I have delegated the executive responsibility for the system of risk management to the Medical Director.

The system of risk management was in place throughout 2021/22. The Board regularly receives a report on the corporate risk register. The Audit & Risk Committee oversees the system of risk management and receives a report on it at every meeting. The Performance Report sets out the key issues and risks currently facing the Board.

The Audit & Risk Committee received the 2021/22 annual report on risk management at its meeting of 20th June, which provided assurance on the system of risk management, adverse events management, and the organisational duty of candour.

The Committee agreed to accept that it has moderate assurance that there are systems in place to manage risk across NHS Lothian based on a range of improvements that have been put in place during 2021/22 to further strengthen the risk system.

The Committee also noted that during 2021/22 the Healthcare Governance Committee agreed that it had significant assurance concerning the systems in place on the management of adverse events and accepted that local processes were in place to identify events which require to be reported to Healthcare Improvement Scotland (HIS) to comply

with the new national notification process and note number and types of events reported. Also noted that the Healthcare Governance Committee had accepted moderate assurance in the progress made in improving processes for management of significant adverse events (SAEs), addressing the backlog, the process for safety alerts and the associated reports up to March 2021.

The system of risk management is subject to continuous review and development.

Disclosures

Information Governance

The Board continues to hold equipment that cannot be encrypted without breaching the Medicines and Healthcare Products Regulatory Agency licence, and some out of date equipment that cannot be encrypted. There will always be some equipment that cannot be encrypted but the organisation has no alternative to use. The Board's Caldicott Guardian has a process which requires departments to notify of any exceptional use of unencrypted equipment. Local departments are required to take appropriate action to minimise the risk.

The Board continues to rely on fax machines for business continuity purposes and where the sending body will only send sensitive personal information by fax. While planned improvements to completely eliminate the use of faxes are planned they are not yet available. In the meantime, the Caldicott Guardian has a procedure to ensure exceptions to our standards, such as the use of fax are clearly documented, and risk assessed. The policy of safe e-mail transmission has on occasion been breached. The board monitors all e-mail transaction and if a breach of the safe policy is identified will use its disciplinary policies. Further management continues to update staff on the availability of mandatory training on this subject.

New diagnostic tests continue to be developed. On occasion they rely on scarce expertise to undertake and therefore require the secure transfer of identifiable or potentially identifiable data. This transfer is to university laboratories or small scientific enterprises (often health service or university spin offs) in the UK and overseas. These infrequent exceptions to standard practice are reviewed to ensure that essential clinical need for care is met. The Board's Caldicott Guardian reviews the evidence, tissue and information governance, and processing agreements are put in place as appropriate, and standard operating procedures for the transfer of data and clinical material are agreed.

Following Brexit there is agreement that personal data can flow freely from the EU (and EEA) to the UK, as EU has confirmed that UK provides adequate protection for personal data.

The Directors' Report (within this Accountability Report) contains details of personal data related incidents which have been reported to the Information Commissioner.

Healthcare Governance

The Healthcare Governance Committee highlighted the following six areas in 2021/22 for inclusion in the Governance Statement. These areas are considered to have significant control weaknesses and limited assurance. Members were assured that issues had been identified and improvement plans were in place, but it was unclear whether plans would be sufficient to increased levels of assurance from limited to moderate. These areas are programmed in for further discussion in the 2022/23 Healthcare Governance work plan. Performance issues relating to access of services (areas 1-3 below) will be considered by the Performance, Planning and Development Committee.

1. Access to Child & Adolescent Mental Health Services
2. Access to Adult Psychological Therapies
3. Access to Cancer services
4. Stroke Standards
5. Paediatric Audiology
6. Smart Centre

The Healthcare Governance Committee received reports through 2021/22 about healthcare infection control. The committee took moderate assurance from the latest report in March 2022 and noted control measures are in place to mitigate risk including antimicrobial prescribing, device management and compliance remains adequate.

The Board did not meet the LDP target for 2021/22 for staphylococcus aureus bacteraemia (SAB), Clostridioides difficile (CDI) or Escherichia coli bacteraemia (ECB).

We have continued to report on both COVID and Non-COVID outbreaks and incidents and these have been included in the Healthcare Governance reports. Investigation and reporting are in line with mandatory requirements.

The following issues have been specifically raised by direct reports through the Certificate of Assurance process as issues to be raised in this years' governance statement:

There are workforce availability concerns across many areas of the organisation which results in high level of vacancies, limited success in recruitment and increased use of supplementary staffing. Staffing pressures result in unscheduled care being prioritised ahead of schedule care.

High workforce turnover and low national workforce availability present limitations to delivery and development of service and Board recovery plans. There is continued use of the independent sector to address shortfalls in internal capacity although there remains a desire to internally implement a more sustainable solutions to the shortfall in capacity, with sustainability plans being developed.

On-going COVID pandemic is impacting on demand for unscheduled inpatient beds, high delayed discharge numbers and has materially affected Treatment Time Guarantee (TTG) performance which continues to deteriorate, with significant rise in long wait for treatment for routine patients.

Public Health continues to have a significant number of staff responding to Covid related work as well as significant workforce pressures due to staffing availability when recruiting to vacancies. There are also concerns of the uncertainty of the COVID community testing and tracing services particularly regarding the funding of posts required to meet the ongoing demand and expectations on these services. Both of these issues may reduce the speed in which we can deliver on our Health Inequalities programmes of work.

Ligature risk in our inpatient psychiatric units has been reviewed to reduce the risk of self-harm, suicide, and prevention of serious incidents. Although the doors in the Royal Edinburgh Building have been confirmed to be the best and safest available at the time of build, there is now safer types of doors available that can alarm if a ligature is placed over it. A business case is currently in governance to address this issue.

A Health & Safety (HSE) Improvement Notice was received in relation to Magnetic Resonance Imaging (MRI) safety and training. Actions plans have been implemented across all NHS Lothian sites and monitored via the MRI Safety Committee. HSE have confirmed that NHS Lothian have demonstrated meeting the requirements set out in the Notification of Contravention letter.

The Scottish Public Services Ombudsman (SPSO) highlighted concerns within the Paediatric Audiology service which resulted in an externally commissioned review. Actions from the review are being implemented.

Concerns over the risk of violence and /or aggressive behaviour in particular relating to lone working in terms of risk assessment, training needs and use of personal alarm devices have been highlighted as a weakness through the Certificate of Assurance and within an Internal Audit Report where limited assurance was given on the effectiveness of the controls in place to protect staff.

The following text summarises the outcome from follow-up of issues raised in previous years' governance statements:

Access to scheduled care, including cancer services continues to be reviewed through the Gold Command structure, Healthcare Governance Committee, Planning and Performance Committee and is included in the corporate risk register within the Access to Treatment risk. Remobilisation plans are in place but are vulnerable and are under continuous monitoring through Gold Command.

The Committee received updates on Edinburgh Health & Social Care Partnership (EHSCP) Older People's Joint Inspection Improvement Plan throughout 2021/22 and a full report in November 2021. The report provided details of the improvement activity undertaken by EHSCP in response to the Joint Inspection of Older People's Services in 2016. Although no assurance level was given it was noted that overall progress has been positive and no further external inspection to take place.

The Analytical Services team continue to work closely with the DataLoch team to develop a secure, quality assured, linked health, and social care data repository to drive innovation, improve care and reduce inequalities. The DataLoch project is regional and will bring together data from Lothian, Fife, and Borders to enable a data-driven approach to prevention, treatment, and care. The repository will support a wide range of purposes from operational to research. The current focus is to support the Covid-19 response.

In order to deliver the aims of the Board's quality strategy and information strategy, it is essential to have assurance on the quality of our data. Management are working to develop reliable data warehousing arrangements to achieve this goal, as part of the implementation of the Board's information strategy.

The Healthcare Governance Committee received a report on dental services on May 2021 and gave moderate assurance that dental services were being provided in NHS Lothian in line with the rest of NHS Scotland. New reporting requirements were to be implemented in April 2020, but this process was paused as a result of the COVID pandemic. As part of the remobilisation of services, work is continuing to develop on this new reporting across the service and will continue to be reviewed once dental services are restored closer to normal activity.

The long-standing corporate risk on GP sustainability continues to be reviewed through the corporate risk register. Strategic direction remains on track through implementation of the Primary Care Improvement Plans, further national and local work is ongoing to explore the 'right' model and a risk remains in relation to funding required to fully implement the model, particularly in the context of population growth in Lothian.

The timely discharge of inpatients (delayed discharges) remains under review by the Healthcare Governance Committee, the Planning Performance & Development Committee and is an element of the overall Hospital Bed Occupancy risk on the corporate risk register. Performance is encouraging for all HSCPs, except for Edinburgh. Social Care capacity in Edinburgh has been escalated for enhanced reporting by the Performance Oversight Board and Gold Command as the impact on flow through the acute hospitals is sustained. It is recognised that there is a close relationship between this risk and that of the risk relating to patient safety and experience in front door areas, and the challenges of occupancy on acute sites and how these impact on front door areas.

The NHS Lothian Water Safety Group is a sub-group of the Health and Safety Committee. Its aim is to provide assurance to the NHS Lothian Board that it complies legislation and technical guidance relating to the provision of water delivery and quality. This includes Legionella control, water quality testing and Health Protection Scotland requirements for augmented care areas. Water Safety and Quality was added to the risk register in August 2020 and the Staff Governance committee received updates throughout 2021/22, accepting limited assurance in March 2022. A water sampling regime is now in place which was agreed with infection control and exceeds legislative guidance. In February 2022 it was noted that water safety plans from all Third Parties had not been received but there was a system in place to monitor receipt.

The "Overall Estates Control Environment Review" carried out by Internal Audit in April 2021 contained fourteen findings which led to 'limited assurance' on the control environment within the estates function. The Audit & Risk Committee received a report in February 2022 confirming twelve of the recommendations have been actioned and Internal Audit had received evidence to close these individual actions. In January 2022, as recommended in the review, the procurement function of Estates & Facilities transferred to NHS Lothian's Core Procurement Team where the remaining actions were actioned. The Internal Audit Team will now undertake further monitoring and follow-up audits of the implementation of these actions and the outcome of these will be provided through the Audit & Risk Committee.

The Finance and Resource Committee has received regular reports on the Scottish Hospitals Inquiry (SHI) throughout the year and has been involved in reviewing proposed submissions. In January 2022 the Committee agreed that it accepted significant assurance that NHS Lothian is providing an appropriate response to the inquiry and approved the standard operating procedure for responding to the inquiry. The second Evidence Hearing sessions of the SHI commenced in May 2022. The Inquiry is investigating the construction of the Royal Hospital for Children and Young People and Department of Clinical Neurosciences (RHCYP/DCN) as well as the Queen Elizabeth University Hospital and Royal Hospital for Children in Glasgow, to understand what went wrong with the construction of these buildings. Through the Inquiry it is hoped that lessons can be learned to prevent the recurrence of such issues in future NHS construction projects. This latest Evidence Hearing will focus on technical details surrounding ventilation and the impact of ventilation on infection prevention and control.

Financial Governance and Overall Performance

The Board is currently dealing with COVID-19, which has significant implications for how the organisation functions, aspects of its operational performance, and its finances (both capital and revenue). The pandemic has had a dramatic impact on services, the level of expenditure, and will have a long-lasting effect as the NHS attempts to re-establish services. There is a significant amount of risk and uncertainty. The Committee is aware that management are actively working through these issues, however there is considerable uncertainty for 2022/23 and beyond.

The Finance and Resource Committee considered the 5-Year Financial Outlook and outline 2022/23 financial plan in January 2022. The Committee acknowledged that based on available information, NHS Lothian cannot have any assurance on a balanced financial position over the next five years. The Committee also reviewed the finance risk on the corporate risk register in January 2022 and agreed that it has limited assurance on the risk mitigation plan. The risk has been re-defined, and management have developed an action plan in the new format which the Board recently agreed should be used for all corporate risks.

The Committee has limited assurance on financial sustainability in the medium-to-long term, as well as the recovery of service performance generally. The Finance & Resources Committee has limited assurance that the Board will operate within its financial budget in 2022/23 and will monitor this issue throughout the year.

It is recognised that the Board has significant challenges with the management of the contractual and financial requirements associated with Public Private Partnership (PPP) contracts, which are included in the Corporate Risk Register. The Committee received reports from management in July 2021 and November 2021 on progress relating to the risk of "Facilities being Fit for Purpose". This included details on the establishment of an Estates Assurance Team and the introduction of an improved systematic approach to compliance. The quarterly update of November 2021 set out in detail all of the work that is being carried out. The Committee has received updates on the commercial strategy to manage the RIE contract. In February 2022, a new post of Head of PPP Contract management was filled. Priorities have been agreed given the different stages each of the PPP contracts are at, and the work underway on the RIE contract, the early preparation required to plan for the end of the primary contract period in 2027. RIE, life cycle proposals received are being discussed to understand the exact implications for our clinical and site teams, as well as ensuring that the proposed work is consistent with the contractual requirements. There is also a need to establish a contract management team to support the role of overseeing all 10 PPP contracts, dialogue has started with partnership colleagues on the likely requirements. The Head of PPP is working with the new Director of Estates to agree the interface between the contract management team and the technical assurance team.

Throughout 2021/22 the Board has been re-designing its approach to strategic planning, objective-setting, and performance management. This has included a workshop on active governance which has driven a fundamental redesign of performance reporting to the Board and the Planning, Performance & Development Committee. The transfer of the scrutiny and approval of initial agreements to the Planning, Performance & Development Committee ensures that all Board members are involved in agreeing what capital investments are to achieve.

Management established a Business Case Improvements Short-Life Working Group to help improve systems of governance and internal control on capital projects. The Committee initially received a report in August 2021 setting out the work that would be taken forward on assurance and quality, linking to the recommendations in the RHCYP/DCN internal audit report. Throughout the year the Committee has received reports setting out a proposed new approach to monitoring the capital programme, which includes factoring in the role and formal appointment of a Senior Responsible Officer for projects. While the approach has been evolving to consider feedback, it is still in development.

Following on from the findings of the internal audit report on the Royal Hospital for Children & Young People / Department of Clinical Neurosciences project the Finance and Resource Committee received a report in April 2022 providing an update on progress across a number of work streams. The report provided detailed progress against each of the six recommendations in the July 2020 internal audit report. The internal assurance work has developed an additional "checklist" detailing milestones throughout the whole of the project lifecycle and the suggested evidence to provide quality assurance. It is intended that this framework will be tested against the two most recent Initial Agreements in place, with any modifications to be made before a phased rollout across the rest of the Capital Pipeline with feedback sought at each stage of the process.

Planning, Performance & Development Committee

The Planning, Performance & Development Committee (PPDC) was established in October 2020. Its role is different from the Board and other committees with its focus to be primarily on the medium-long term, and its work is to facilitate the work of other committees on assurance, performance, and risk management. The Board has subsequently received reports on various issues which the Committee has considered at its five meetings during 2021/22.

The Committee has overseen the development of the Lothian Strategic Development Framework (LSDF). This suite of documents brings together the strategic aspirations of NHS Lothian and its four Integration Joint Board partners and outlines the ways in which the Lothian Health and Social Care system intends to meet the challenges it faces.

PPDC has also shaped a series of corporate objectives, built around the 6 pillars and 5 parameters, which show how the system will work to progress towards its 5-year vision, and these will be reviewed regularly at PPDC on an ongoing basis.

In addition, PPDC has reviewed the detail of the service failure identified within the Audiology service and the planned recovery programme.

Given the unprecedented challenges in delivering the mass Vaccination programme, the Board took the decision to improve control and coordination and the PPDC was the Committee that monitored the successful delivery of this programme within NHS Lothian.

Staff Governance Committee

New Whistleblowing Standards are in place in line with Scottish Government requirements. These are for anyone who works in NHS Lothian who wants to raise concern and provide appropriate support, governance and reporting infrastructure. Moderate assurance was given in March 2022 that systems and processes were in place to help create a culture in NHS Lothian which ensures employees have absolute confidence in the fairness and objectivity of the procedures through which their concerns are raised and are assured that concerns raised will be acted upon. Moderate assurance was given in March 2022 that staff employed within NHS Lothian and Primary Care Contractors know how to raise a concern. Speak Up Advocates are available to help and support people to speak up and create a culture of openness. Speak Up Advocates are led and supported by Speak Up Ambassadors, who report directly to the Chief Executive and have overall responsibility for ensuring that staff are supported in speaking up and any organisational barriers are dealt with.

REMUNERATION AND STAFF REPORT

1. Board Members' and Senior Employees' Remuneration

Information disclosed in this report relates to the remuneration of Board Members and senior managers who directly report to the Chief Executive. Other disclosures in these accounts provide details of the interests of Board Members and senior managers, and information about related party transactions.

Board Members and senior managers are remunerated in accordance with approved national pay rates. All posts at this level are subject to rigorous job evaluation arrangements and the pay scales applied reflect the outcomes of these processes. All extant policy guidance issued by Scottish Government Health & Social Care Directorate (SGHSCD) has been appropriately applied and agreed by the Remuneration Committee. Determination of individual salary placement on appointment is guided by the terms of circulars Health Department Letter (HDL) (2006)23 and HDL (2006)59 as amended by subsequent directives issued by SGHSCD.

All senior manager posts have been evaluated using the HAY methodology through the National Evaluation Committee. NHS Lothian Executive Board Members are appointed and graded within the new Executive Cohort in accordance with HDL (2006)23. Other senior managers, as determined by NHS Management Executive Letter (MEL) (2000)25, are appointed, and graded to a new Senior Manager cohort in compliance with HDL (2006) 59.

In accordance with the Financial Reporting Manual (FRM) and the Companies Act, 2013-14 was the first year that publication of the "pension benefits" was required. This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement.

Details of Board Members' remuneration are disclosed in notes 2a – 2d of the remuneration report and have been subject to audit.

NHS Lothian

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REMUNERATION REPORT (AUDITED)

2(a) Board Members' and Senior Employees' Remuneration – 2021/22

	Gross Salary (Bands of £5,000)	Benefits in kind (£'000)	Total Earnings in Year (Bands of £5,000)	Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
Remuneration of Executive Members					
Mr Calum Campbell Chief Executive	195-200		195-200		195-200
Mrs Susan Goldsmith, Director of Finance	145-150		145-150		145-150
Miss Tracey Gillies, Medical Director	190-195		190-195	40.2	230-235
Professor Alex McMahon, Nurse Director (to 03/10/2021) ^{Note 1}	70-75		70-75	71.6	140-145
Mr Pat Wynne, Interim Nurse Director (from 04/01/2022 - 03/04/2022) ^{Note 2}	25-30	1.1	25-30	86.6	110-115
Ms Katie Dee, Interim Director of Public Health and Health Policy (to 31/05/2021) ^{Note 3}	15-20		15-20		15-20
Ms Dona Milne, Director of Public Health and Health Policy (from 01/06/2021) ^{Note 4}	90-95		90-95	71.1	160-165
Non-Executive Members					
Mrs Esther Robertson, Interim Chair (to 01/07/2021) ^{Note 5}	15-20		15-20		15-20
Professor John Connaghan, Chair (from 01/08/2021) ^{Note 6}	25-30		25-30		25-30
Cllr Derek Milligan	5-10		5-10		5-10
Cllr John McGinty	5-10		5-10		5-10
Dr Richard Williams	5-10		5-10		5-10
Mr Michael Ash, (to 30/04/2021) ^{Note 7}	0-5		0-5		0-5
Mrs Alison Mitchell, (to 30/04/2021) ^{Note 8}	0-5		0-5		0-5
Mr Peter Murray, Vice Chair (from 01/01/2022) and Chair of East Lothian IJB (from 01/04/2021) ^{Note 9}	15-20		15-20		15-20
Mr Martin Hill, Chair of Finance & Resource Committee (to 30/10/2021) Interim Chair (01/07/21 - 31/07/2021), Vice Chair from (01/08/2021 - 31/12/2021) ^{Note 10}	10-15		10-15		10-15
Ms Carolyn Hirst, Vice Chair of Midlothian IJB then Chair Midlothian IJB (from June 2021) ^{Note 11}	15-20		15-20		15-20
Ms Fiona Ireland Chair of Area Clinical Forum, Interim Nurse Director (from 04/10/2021 - 03/01/2022) ^{Note 12}	110-115		110-115	52.3	160-165
Mr Eddie Balfour Vice Chair of Area Clinical Forum (from 04/10/2021 - 03/01/2022) ^{Note 13}	20-25		20-25	61.5	80-85
Mr Martin Connor, Chair of Audit and Risk Committee ^{Note 14}	15-20		15-20		15-20
Mr Angus McCann, Chair of Edinburgh IJB (to 26/06/2021) Vice Chair of Edinburgh IJB (from 27/06/2021), Chair of Finance and Resource Committee (from 01/11/2021) ^{Note 15}	20-25		20-25		20-25
Mr Bill McQueen, Vice chair of West Lothian IJB (to 20/09/2021) and Chair from (21/09/2021), Chair of Staff Governance Committee ^{Note 16}	25-30		25-30		25-30
Dr Patricia Donald, Chair of Healthcare Governance Committee (from 04/10/2021 - 03/01/2022) ^{Note 17}	10-15		10-15		10-15
Cllr George Gordon	5-10		5-10		5-10
Ms Katharina Kasper	15-20		15-20		15-20
Professor Siddharthan Chandran ^{Note 18}	5-10		5-10		5-10
Mrs Nancy McKenzie (to 31/07/2021) ^{Note 19}	0-5		0-5		0-5
Mr Jock Encombe	5-10		5-10		5-10
Cllr Shamin Akhtar	5-10		5-10		5-10
Mr Tom Waterson, Employee Director (to September 2021) ^{Note 20}	20-25		20-25		20-25
Ms Tracy Miller, Employee Director (from 01/01/2022) ^{Note 21}	10-15	0.6	10-15	17.7	25-30
Other Senior Employees					
Mr Jim Crombie, Deputy Chief Executive	165-170	4.8	170-175		170-175
Mr David Small, Director of Primary Care & Transformation (to 06/06/2021) ^{Note 22}	20-25		20-25		20-25
Dr Jenny Long, Director of Primary Care (from 03/06/21) ^{Note 23}	70-75		70-75	26.4	95-100
Mrs Alison MacDonald, Chief Officer, East Lothian IJB ^{Note 24}	50-55		50-55	36.2	85-90
Mr Allister Short, Chief Officer, West Lothian IJB (to 02/05/2021) ^{Note 25}	0-5		0-5	37.2	40-45
Ms Alison White, Chief Officer, West Lothian IJB (from 05/07/2021) ^{Note 26}	40-45		40-45		40-45
Mrs Janis Butler, Director of HR & Organisational Development	120-125		120-125	50.1	170-175
Mrs Judith Proctor, Chief Officer, Edinburgh IJB ^{Note 27}	80-85		80-85		80-85
Ms Morag Barrow, Chief Officer, Midlothian IJB ^{Note 28}	50-55	8.2	60-65		60-65
Ms Tracey McKigen, Services Director (Royal Edinburgh & Associated Services)	95-100		95-100	47.6	140-145
		14.7		598.5	

There were no performance related bonuses payable for 2021/22

Notes to Remuneration Table 2(a)

1. The annualised salary for Alex McMahon would be 140-145
2. The annualised salary for Pat Wynne would be 105-110 which includes an annualised amount of 80 -85 in respect of non board duties
3. The annualised salary for Katie Dee would be 95-100 which includes an annualised amount of 75 -80 in respect of non board duties
4. The annualised salary for Dona Milne would be 105-110
5. The annualised salary for Esther Robertson would be 60-65
6. The annualised salary for John Connaghan would be 40-45
7. The annualised salary for Michael Ash would be 5-10
8. The annualised salary for Alison Mitchell would be 5-10
9. The salary for Peter Murray includes an annualised amount of 5-10 as Chair of East Lothian IJB
10. The annualised salary for Martin Hill would be 60-65 which includes annualised amounts of 40-45 as Interim Chair plus 5-10 as Chair of Finance and Resource Committee
11. The salary for Carolyn Hirst includes an annualised amount of 5-10 as Vice Chair then Chair of Midlothian IJB
12. For the 3 month period where Fiona Ireland served as Interim Nurse Director she stood down as a Non-executive member and became an Executive member. Her salary includes 100-105 in respect of non board duties
13. Eddie Balfour served on the Board as a Non-executive member for the 3 month period when Fiona Ireland served as an Executive member. His annualised salary would be 85-90 which includes an annualised amount of 75-80 in respect of non board duties
14. The salary for Martin Connor includes an annualised amount of 5-10 as Chair of Audit and Risk Committee
15. The annualised salary for Angus McCann would be 25-30 which includes annualised amounts of 5-10 as Vice Chair of Edinburgh IJB plus 5-10 as Chair of Finance and Resource Committee
16. The salary for Bill McQueen includes annualised amounts of 5-10 as Chair of West Lothian IJB plus 5-10 as Chair of Staff Governance Committee
17. The annualised salary for Patricia Donald would be 15-20 which includes an annualised amount of 5-10 as Chair of Healthcare and Governance Committee
18. Siddharthan Chandran is an employee of the University of Edinburgh, and his Non-executive Allowance is charged to NHS Lothian
19. The annualised salary for Nancy McKenzie would be 5-10
20. The annualised salary for Tom Waterson would be 45-50 which includes an annualised amount of 35-40 in respect of non board duties
21. The annualised salary for Tracy Miller would be 50-55 which includes annualised amounts of 40-55 in respect of non board duties
22. The annualised salary for David Small would be 120-125
23. The annualised salary for Jenny Long would be 80-85
24. The annualised salary for Alison McDonald would be 105-110. 50% of the costs are charged to East Lothian Council in relation to her role as Chief Officer of the IJB and is disclosed in the IJB accounts
25. The annualised salary for Allister Short would be 105-110. 50% of the costs are charged to West Lothian Council in relation to his role as Chief Officer of the IJB and is disclosed in the IJB accounts
26. Alison White is an employee of West Lothian Council (50% of the costs of charged to NHS Lothian 55-60 in 2021-22)
27. Judith Proctor is an employee of The City of Edinburgh Council (50% of the costs of charged to NHS Lothian 110-115 in 2021-22)
28. The annualised salary for Morag Barrow would be 105-110. 50% of the costs are charged to Midlothian Council in relation to her role as Chief Officer of the IJB and is disclosed in the IJB accounts

NHS Lothian

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Remuneration Report

2(b) Board Members' and Senior Employees' Remuneration – 2020/21

	Gross Salary (Bands of £5,000)	Benefits in kind (£'000)	Total Earnings in Year (Bands of £5,000)	Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
Remuneration of Executive Members					
Mr Tim Davison, Chief Executive (to 09/08/2020) ^{Note 1}	65-70	-	65-70	-	65-70
Mr Calum Campbell, Interim Chief Executive (from 15/06/2020 – 09/08/2020) and Chief Executive (from 10/08/2020) ^{Note 2}	115-120	-	115-120	162.1	280-285
Mrs Susan Goldsmith, Director of Finance	140-145	-	140-145	-	140-145
Miss Tracey Gillies, Medical Director	180-185	-	180-185	441.6	620-625
Professor Alison McCallum, Director of Public Health and Health Policy (to 24/09/2020) ^{Note 3}	70-75	-	70-75	27.6	95-100
Professor Alex McMahan, Nurse Director	120-125	-	120-125	48.2	170-175
Ms Katie Dee, Interim Director of Public Health and Health Policy (25/09/2020) ^{Note 4}	45-50	-	45-50	-	45-50
Non-executive Members					
Mrs Esther Robertson, Interim Chair	60-65	-	60-65	-	60-65
Clr Derek Milligan	5-10	-	5-10	-	5-10
Clr John McGinty	5-10	-	5-10	-	5-10
Clr Fiona O'Donnell (to 22/02/2021) ^{Note 5}	5-10	-	5-10	-	5-10
Dr Richard Williams	5-10	-	5-10	-	5-10
Mr Michael Ash, Chair of Audit & Risk Committee (to 31/07/2020) ^{Note 6}	10-15	-	10-15	-	10-15
Mrs Alison Mitchell, Chair of Staff Governance & Acute Hospitals Committee (to 30/06/2020) ^{Note 7}	10-15	-	10-15	-	10-15
Mr Peter Murray, Vice Chair of East Lothian IJB ^{Note 8}	15-20	-	15-20	-	15-20
Mr Martin Hill, Chair of Finance & Resource Committee ^{Note 9}	15-20	-	15-20	-	15-20
Ms Carolyn Hirst, Vice Chair of Midlothian IJB ^{Note 10}	15-20	-	15-20	-	15-20
Professor Moira Whyte, The University of Edinburgh and Chair of Health Governance Committee (to 31/01/2021) ^{Note 11}	10-15	-	10-15	-	10-15
Ms Fiona Ireland ^{Note 12}	120-125	-	120-125	31.4	150-155
Mr Alex Joyce, Employee Director (to 30/09/2020) ^{Note 13}	25-30	-	25-30	41.9	65-70
Mr Martin Connor, Chair of Audit and Risk Committee (from 01/08/2020) ^{Note 14}	10-15	-	10-15	-	10-15
Mr Angus McCann, Chair of Edinburgh IJB ^{Note 15}	15-20	-	15-20	-	15-20
Mr Bill McQueen, Lead Member, West Lothian IJB and Chair of Staff Governance Committee (from 01/07/2020) ^{Note 16}	20-25	-	20-25	-	20-25
Clr George Gordon	5-10	-	5-10	-	5-10
Dr Patricia Donald	5-10	-	5-10	-	5-10
Ms Katharina Kasper	5-10	-	5-10	-	5-10
Professor Siddharthan Chandran (from 01/02/2021) ^{Note 17}	0-5	-	0-5	-	0-5
Mrs Nancy McKenzie (from 01/01/2021) ^{Note 17}	0-5	-	0-5	-	0-5
Mr Jock Encombe (from 01/01/2021) ^{Note 17}	0-5	-	0-5	-	0-5
Clr Shamin Akhtar (from 23/02/2021) ^{Note 17}	0-5	-	0-5	-	0-5
Mr Tom Waterson Employee Director (from 01/08/2020) ^{Note 18}	30-35	-	30-35	11.6	40-45
Other Senior Employees					
Mr Jim Crombie, Deputy Chief Executive	155-160	13.8	170-175	-	170-175
Mr David Small, Director of Primary Care & Transformation	110-115	-	110-115	23.2	130-135
Mrs Alison MacDonald, Chief Officer, East Lothian IJB ^{Note 19}	50-55	-	50-55	35.2	85-90
Mr Allister Short, Chief Officer, West Lothian IJB ^{Note 20}	50-55	-	50-55	60.2	110-115
Mr Simon Watson, Chief Quality Officer (to 05/04/2020) ^{Note 21}	0-5	-	0-5	0.6	0-5
Mrs Janis Butler, Director of HR & Organisational Development	115-120	-	115-120	58.7	175-180
Mrs Judith Proctor Chief Officer, Edinburgh IJB ^{Note 22}	80-85	-	80-85	-	80-85
Ms Morag Barrow, Chief Officer, Midlothian IJB ^{Note 23}	45-50	7.8	55-60	-	55-60
		<u>21.6</u>		<u>942.3</u>	

There were no performance related bonuses payable for 2020/21

Notes to Remuneration Tables 2(b)

1. The annualised salary for Tim Davison would be 180-185
2. The annualised salary for Calum Campbell would be 175-180
3. The annualised salary for Alison McCallum would be 140-145
4. The annualised salary for Katie Dee would be 95-100
5. The annualised salary for Fiona O'Donnell would be 5-10
6. The salary for Michael Ash includes an annualised figure of 5 -10 as Chair of Audit and Risk Committee
7. The salary for Alison Mitchell includes an annualised figure of 5-10 as Chair of Staff Governance and Acute Hospitals Committee
8. The salary for Peter Murray includes 5-10 as Vice Chair of East Lothian IJB
9. The salary for Martin Hill includes 5-10 as Chair of the Finance and Resource Committee
10. The salary for Carolyn Hirst includes 5-10 as Vice Chair of Midlothian IJB
11. The annualised salary for Moira Whyte would be 15-20 which includes an annualised figure of 5 -10 as Chair of Health Governance Committee
12. The salary for Fiona Ireland includes 110-115 in respect of non board duties
13. The annualised salary for Alex Joyce would be 55-60 which includes an annualised figure of 45 -50 in respect of non board duties
14. The salary for Martin Connor includes an annualised figure of 5 -10 as Chair of Audit and Risk Committee
15. The salary for Angus McCann includes 5-10 as Chair of Edinburgh IJB
16. The salary for Bill McQueen includes 5-10 as Vice Chair of West Lothian IJB plus an annualised figure of 5 -10 as Chair of Staff Governance Committee
17. The annualised salary for Siddharthan Chandran, Nancy McKenzie, Jock Encombe and Shamin Akhtar would be 5-10
18. The annualised salary for Tom Waterson would be 45-50 which includes 35-40 in respect of non board duties
19. 50% of the costs in respect of Alison McDonald are charged to East Lothian Council. This salary is in relation to her role as Chief Officer of the IJB and is disclosed in the IJB accounts
20. 50% of the costs in respect of Allister Short are charged to West Lothian Council. This salary is in relation to her role as Chief Officer of the IJB and is disclosed in the IJB accounts
21. The annualised salary for Simon Watson would be 155-160
22. Judith Proctor is and employee of The City of Edinburgh Council (50% costs charged to NHS Lothian 105-110 in 2020-21)
23. 50% of the costs in respect of Morag Barrows Chief Officer role are charged to Midlothian Council. This salary is in relation to her role as Chief Officer of the IJB and is disclosed in the IJB accounts

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2(c) Cash Equivalent Transfer Value (CETV) of deferred pension rights 2021/22

	Total accrued pension at pensionable age as at 31 March (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Total accrued lump sum at pensionable age as at 31 March (Bands of £5,000)	Real increase in lump sum at pensionable age (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2022 (£'000)	Cash Equivalent Transfer Value (CETV) at 31 March 2022 (£'000)	Real increase in CETV in year (£'000)
Pension Values: Executive Members							
Mr Calum Campbell, Chief Executive ^{Note 1}	70-75		185-190		1546	1562	15
Mrs Susan Goldsmith, Director of Finance ^{Note 2}	40-45		125-130		1062	1030	(32)
Miss Tracey Gillies, Medical Director	75-80	2.5-5	160-165		1432	1507	75
Professor Alex McMahon, Nurse Director (to 03/10/2021)	30-35	2.2-5	65-70	2.5-5	595	683	88
Mr Pat Wynne, Interim Nurse Director (from 04/01/2022 - 03/04/2022)	40-45	2.5-5	110-115	7.5-10	730	826	96
Ms Dona Milne, Director of Public Health and Health Policy (from 01/06/2021)	30-35	2.5-5	55-60	5-7.5	459	532	73
Pension Values: Non-executive Members							
Ms Fiona Ireland Chair of Area Clinical Forum	45-50	2.5-5	135-140	7.5-10	952	1040	75
Mr Eddie Balfour Vice Chair of Area Clinical Forum (from 04/10/2021 - 03/01/2022)	20-25	2.5-5	35-40	5-7.5	309	368	59
Ms Tracy Anne Miller Employee Director (from 01/01/2022)	15-20	0-2.5	25-30	0-2.5	268	290	22
Pension Values: Other Senior Employees							
Mr Jim Crombie, Deputy Chief Executive ^{Note 3}	45-50		140-145		1142	1133	(8)
Mr David Small, Director of Primary Care & Transformation (to 06/06/21)	50-55		150-155		1239	1225	(18)
Dr Jenny Long, Director of Primary Care (from 03/06/2021)	5-10	0-2.5	0-5	0-2.5	69	88	19
Mrs Alison MacDonald, Chief Officer, East Lothian IJB ^{Note 4}	15-20	0-2.5	10-15		253	290	37
Mr Allister Short, Chief Officer, West Lothian IJB	25-30	0-2.5	45-50	0-2.5	415	457	42
Mrs Janis Butler, Director of HR & Organisational Development	55-60	2.5-5	120-125	0-2.5	941	1006	65
Ms Morag Barrow, Chief Officer Midlothian IJB ^{Note 5}	20-25		50-55		414	412	(2)
Ms Tracey McKigen, Services Director	25-30	0-2.5	45-50	0-2.5	432	474	41

The real discount rate used to evaluate CETV has been as advised by the UK Government Actuaries Department.

Unless also subject to an employment contract with the Board, non-executive members have no deferred pension rights under the NHS Superannuation Scheme for Scotland. Such members are therefore not included in the schedule of CETV transfer values above.

Notes to Pension Table 2(c)

1. Calum Campbell exited the NHS Pension scheme during the period
2. Susan Goldsmith has exited the NHS Pension Scheme, so no employee or employer contributions were paid in the period
3. Jim Crombie has exited the NHS Pension Scheme, so no employee or employer contributions were paid in the period
4. Alison MacDonald has benefits under more than 1 pension scheme. For the purposes of disclosure here the figures have been added together.
5. Morag Barrow has exited the NHS Pension Scheme, so no employee or employer contributions were paid in the period.
6. Tom Waterson was an active member of the pension scheme when he sadly passed away. The prior year figures detailed on the next page would have become payable to his surviving dependants and consist of a lump sum payment and a survivor's pension

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2(d) Cash Equivalent Transfer Value (CETV) of deferred pension rights 2020/21

	Total accrued pension at pensionable age as at 31 March (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Total accrued lump sum at pensionable age as at 31 March (Bands of £5,000)	Real increase in lump sum at pensionable age (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2021 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2021 £'000	Real increase in CETV in year £'000
Pension Values: Executive Members							
Mr Tim Davison, Chief Executive (to 09/08/2020) ^{Note 1}	65-70	-	200-205	-	1,598	1,627	29
Mr Calum Campbell, Interim Chief Executive (from 15/06/2020 – 09/08/2020) and Chief Executive (from 10/08/2020)	70-75	7.5-10	185-190	17.5-20	1,314	1,500	186
Mrs Susan Goldsmith, Director of Finance ^{Note 2}	40-45	-	125-130	-	1,035	1,030	-
Miss Tracey Gillies, Medical Director	70-75	20-22.5	155-160	50-52.5	947	1,384	436
Professor Alison McCallum, Director of Public Health and Health Policy (to 24/09/2020)	55-60	2.5-5	170-175	7.5-10	1,331	1,399	48
Alex McMahan, Nurse Director	25-30	2.5-5	60-65	0-2.5	516	577	61
Pension Values: Non-executive Members							
Ms Fiona Ireland	40-45	0-2.5	120-125	5-7.5	861	924	50
Mr Alex Joyce (to 30/09/2020)	25-30	0-2.5	75-80	5-7.5	580	626	44
Mr Tom Waterson Employee Director (from 01/08/2020)	15-20	0-2.5	15-20	0-2.5	203	221	18
Pension Values: Other Senior Employees							
Jim Crombie, Deputy Chief Executive ^{Note 3}	45-50	-	140-145	-	1,086	1,107	21
David Small, Director of Primary Care & Transformation	45-50	0-2.5	145-150	2.5-5	1,136	1,202	52
Alison MacDonald, Chief Officer, East Lothian IJB ^{Note 5}	15-20	0-2.5	5-10	-	207	241	34
Allister Short, Chief Officer, West Lothian IJB	20-25	2.5-5	40-45	2.5-5	346	400	54
Simon Watson, Chief Quality Officer (to 05/04/2020)	40-45	0-2.5	90-95	-	714	730	16
Janis Butler, Director of HR & Organisational Development	50-55	2.5-5	115-120	2.5-5	840	909	69
Morag Barrow, Chief Officer Midlothian IJB ^{Note 4}	20-25	-	50-55	-	394	401	8

The real discount rate used to evaluate CETV has been as advised by the UK Government Actuaries Department.

Unless also subject to an employment contract with the Board, non-executive members have no deferred pension rights under the NHS Superannuation Scheme for Scotland. Such members are therefore not included in the schedule of CETV transfer values above.

Notes to Pension Table 2(d)

1. Tim Davison has Exited the NHS Pension scheme, so no employee or employer contributions were paid in the period.
2. Susan Goldsmith has Exited the NHS Pension scheme, so no employee or employer contributions were paid in the period.
3. James Crombie has Exited the NHS Pension scheme, so no employee or employer contributions were paid in the period.
4. Morag Barrow has Exited the NHS Pension scheme, so no employee or employer contributions were paid in the period.
5. Alison MacDonald has benefits under more than 1 pension scheme. For the purposes of disclosure here the figures have been added together.

2(e) Additional disclosure in respect of Hutton Review on Fair Pay in the Public Sector (Audited)

The Hutton Review reported its recommendations on disclosure of public sector pay in March 2011. The additional disclosure in respect of the highest earning executive member's remuneration is set out below.

	2021/22	2020/21 (Restated)	% Change
Range of Staff Remuneration (Bands of £5,000)	5-10 to 220-225	5-10 to 220-225	
Highest Earning Director Total Remuneration Band (£5,000)	195-200	180-185	8.22%
Median (total pay & benefits)	33,600	32,392	3.73%
Median (salary only)	33,599	32,392	3.73%
Ratio	5.88	5.63	4.44%
25th Percentile (total pay & benefits)	25,845	24,994	3.40%
25th Percentile (salary only)	25,845	24,994	3.40%
Ratio	7.64	7.30	4.66%
75th Percentile Pay (total pay & benefits)	43,620	41,628	4.79%
75th Percentile Pay (salary only)	43,584	41,602	4.76%
Ratio	4.53	4.38	3.42%

As a result of the implementation of the new disclosure requirements the calculation of the Whole Time Equivalent (WTE) had led to a restatement of the median pay for 2020/21. For comparison the Median Pay disclosed in the 2020/21 accounts was £30,434 with a Ratio of 6.

The table above shows the Ratio and the % change of the highest paid director to the median, 25th percentile and 75th percentile of the workforce. The % change of the highest pay director, shows an increase of just over 8% in comparison to an average increase of 3.73% for the rest of the workforce. Section 2a of the Remuneration Report details that the highest paid director in 2021/22 was Chief Executive, Calum Campbell. However, in 2020/21 the highest paid director was Medical Director, Miss Tracey Gillies, as Mr Campbell had only been in post for part of 2020/21 therefore the comparison year on year is between different people.

The % change across years within each percentile category reflects a combination of pay increases and changes due to the workforce profile. Workforce profiles change when long serving employees (who would be at the higher end of the pay scale) leave and new employees start at the lower end of the pay scale. For example, a pay increase for a median paid employee was 4% in 2021/22, but an overall increase of 3.73% is reported within the overall workforce profile.

The table shows the % increase across years between each percentile category and shows there is a broadly consistent increase in the current financial year's pay ratios, in comparison to 2020/21.

3. Remuneration Committee

The remit of the Board's Remuneration Committee is to review the performance management and pay arrangements for the Chief Executive, executive directors, and senior managers within the Board.

Committee Membership:

- Peter Murray, Chair
- Cllr Derek Milligan
- Dr Richard Williams (from 23/06/2021)
- Ms Katerina Kasper (from 06/10/2021)
- Mr Calum Campbell, Chief Executive (from June 2021)
- Ms Tracy Miller (from 09/02/2022)
- Ms Alison Mitchell (to 30/04/2021)

Mr Tom Waterson (to Sept 2021)
Nancy Mackenzie (to 31/07/2021)
Mr Michael Ash (to 30/04/2021)

During 2021/22 the Remuneration Committee met twice – 20th April and 26th July

Senior Managers' Remuneration

Executive and senior managers' pay, and terms and conditions are under the direction of the Cabinet Secretary for Health and Wellbeing. The Board's policy on senior managers' remuneration is in line with MEL (2000)25 and subsequent guidance, with particular reference to HDL (2006)23 and HDL (2006)59. The Board operates an appraisal system for all staff where personal development plans and objectives are agreed. Performance is assessed at annual appraisal with mid-cycle reviews. The TURAS appraisal recording system was introduced in April 2018. Appraisals of Executive Directors are carried out by the Chief Executive. Appraisal of the Chief Executive is carried out by the Chairman. Outstanding Performance Awards are robustly reviewed and approved by the Remuneration Committee. The Remuneration Committee also approves the individual objectives and assessment of those objectives of the Executive Directors within the Board. Reports are submitted to the National Performance Management Committee by 31st July each year with provisional performance ratings for approval.

NHS Lothian

Annual Report and Accounts for the Year ended 31st March 2022

Staff Report

1(a) Higher Paid Employees' Remuneration

Other employees, not being Board members (Executive and Non-executive members), whose remuneration fell within the following ranges:

			Clinical Staff		Other Staff	
			2022	2021	2022	2021
			Number	Number	Number	Number
£70,001	to	£80,000	284	276	38	35
£80,001	to	£90,000	180	172	15	17
£90,001	to	£100,000	165	167	15	15
£100,001	to	£110,000	158	156	8	11
£110,001	to	£120,000	162	159	8	6
£120,001	to	£130,000	136	131	1	0
£130,001	to	£140,000	114	120	0	1
£140,001	to	£150,000	94	78	1	0
£150,001	to	£160,000	72	61	0	0
£160,001	to	£170,000	51	41	0	0
£170,001	to	£180,000	38	23	1	1
£180,001	to	£190,000	14	11	0	0
£190,001	to	£200,000	11	3	0	0
£200,001	and above		7	4	0	0

Clinicians' remuneration includes only that which arises from their NHS Lothian work.

NHS Lothian

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1(b) STAFF NUMBERS AND COSTS

	Executive Board Members £'000	Non-executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees £'000	2022 Total	2021 Total £'000
STAFF COSTS								
Salaries & Wages	744	427	990,670			(1,912)	989,929	944,610
Social security costs	97	35	102,834				102,966	94,807
NHS scheme employers' costs	83	31	181,084				181,198	167,134
Inward Secondees				1,150			1,150	1,266
Agency & recharged Univ. Staff					31,553		31,553	31,055
	924	493	1,274,588	1,150	31,553	(1,912)	1,306,796	1,238,872
Compensation for loss of office							0	64
TOTAL	924	493	1,274,588	1,150	31,553	(1,912)	1,306,796	1,238,936

Included in the total staff costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of: 0 0

STAFF NUMBERS

Whole time equivalent (WTE)	7	5	23,438	18	419	(43)	23,844	23,093
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Included in the total staff above were disabled staff of: 647 677

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are in note 19

1(c) Staff Composition

	2021/22				2020/21			
	Male	Female	Prefer not to say	Total	Male	Female	Prefer not to say	Total
Executive Directors	1	4	0	5	2	3	0	5
Non-Executive Directors and Employee Director	10	6	0	16	12	9	0	21
Senior Employees	36	27	0	63	35	30	0	65
Other	6,938	26,048	0	32,986	6,759	25,247	0	32,006
Total Headcount	6,985	26,085	0	33,070	6,808	25,289	0	32,097

1(d) Sickness Absence

	2021/22	2020/21
Sickness Absence Rate	5.1%	4.4%

1(e) Staff Policies

Under the Equality Act 2010, it is unlawful to discriminate against, harass or victimise people on the grounds of a protected characteristic. Those characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, or sexual orientation.

All employing organisations are also obliged to anticipate and put in place reasonable adjustments to avoid people with disabilities being put at a disadvantage. What is 'reasonable' will vary from case to case depending on the individual circumstances. The Board of NHS Lothian is fully aware of its obligations around disability. Our application process allows disabled candidates to request any adjustments or assistance that they may require at the time of interview and then, if successful, in the workplace to allow them to undertake their role. If subsequently during the course of employment a member of staff becomes disabled, appropriate adjustments would be made following Occupational Health advice to allow them to remain in the workforce.

An Annual Report is prepared for the Staff Governance Committee by protected characteristic and the trends and any actions required are highlighted. During 2019/20 a Disability Staff Network was established which gives an opportunity for our staff who are disabled to meet together for support and share experiences and also acts as a useful point of contact when new policies or initiatives are being implemented to ensure there is no unintended bias towards our staff who are disabled. NHS Lothian is also participating in the National Management Training Scheme for disabled candidates and has maintained Level 2 Disability Confident Employer status and working towards Level 3. Whilst there are no separate policies relating specifically to disability, all of our employment policies and procedures recognise our roles and responsibilities in relation to disability. In addition Staff Networks have also been established for LGBT+, BME, Youth and Carers.

1(f) Other Employee Matters

Other employee matters including equality and diversity, employee relations, organisational change and redeployment, management of leave entitlements, health and safety at work, partnership working and facilities for trade union representatives are set out in our range of employment policies. A number of the core employment policies have already been produced as Once for Scotland Workforce Policies and have applied across all NHS Boards from 1 April 2020. Further Once for Scotland Workforce Policies are due to be developed, but this work was delayed due to COVID but the national work to produce further Once for Scotland Workforce Policies will recommence in May 2022.

NHSL delivers a significant programme of Apprenticeships and employability programmes. In 2020 NHSL became one of 4 national trailblazer employers for the Young Persons Guarantee. We have been the first health board in NHS Scotland in 2021 to implement the Kickstart programme for young unemployed people offering over 40 roles in the first 4 weeks of launch.

Over 90% of our Modern Apprentice staff either sustain employment or use this to gain career progression in health beyond 12 months and 97% complete their entry SCQF L6 awards within 12 months. We frequently attract application rates over 100 for our positions. In 2020 one of our Modern Apprentice staff was a finalist for the Scottish Health

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2022

Awards young achiever and in 2021 another Modern Apprentice won the Scottish Apprenticeship Award for Modern Apprentice of the year. Over 140 staff have completed their training and around 90 are actively studying. We recruit over 60 positions a year.

We deliver several pre-employment programmes through Project Search, Career Ready and the national partnership with Princes Trust and offer extensive work experience opportunity. We actively engage with ‘Developing The Young Workforce’ campaigns and support large scale regional activity in schools (some of this work experience and school based activity has been affected by C-19 with plans to restart suspended activity in 2022).

We support and develop mentoring opportunity for staff to support local young people and offer youth mentoring training within our programmes of work. We have developed one of the first staff youth networks in NHS Scotland to bring the voice and influence of young staff into the organisation and are represented in key national strategic groups.

Pay and terms and conditions for our staff – as for all staff in NHS Scotland – are set out in the relevant frameworks for the respective staff groups: Agenda for Change, Medical and Dental and Executive and Senior Managers.

2(a) Exit Packages

Exit Packages – Current Year			2021/22
Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0
£10,000 - £25,000	0	0	0
£25,000 - £50,000	0	0	0
£50,000 - £100,000	0	0	0
Total number of exit packages	0	0	0
Total Resource Cost (£'000)	0	0	0

Exit Packages – Prior Year			2020/21
Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0
£10,000 - £25,000	0	0	0
£25,000 - £50,000	0	0	0
£50,000 - £100,000	0	1	1
Total number of exit packages	0	1	1
Total Resource Cost (£'000)	0	64	64

2(b) The Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require public sector employers to publish information relating to facility time taken by union representatives within their organisation. The reporting period runs from 1 April to 31 March and reports require to be published by 31 July each year. Detailed below is the relevant information for NHS Lothian for the period 2021/22.

However, it should be noted that the majority of the costing information in this report for 2021/22 relates to those trade union representatives who have dedicated time each week for trade union activities and does not include the number of others who are given time for trade union activities on an ad hoc basis but where costs are not available.

The facility time data organisations are required to collate and publish under the new regulations is shown below.

Relevant Union Officials

Number of employees who were relevant union officials during the period 1 April 2021 to 31 March 2022	Full-time equivalent employee number
120 – adhoc time 38 – dedicated time Total – 158	29.87 (relates to those with dedicated time only)

Percentage of time spent on facility time

Percentage of time	Number of representatives
0%	
1 - 50%	120
51 – 99%	
100%	38*

Percentage of pay bill spent on facility time

Total cost of facility time	£1,499,813 (relates to those with dedicated time only)*
Total pay bill	£1,308,708,000
Percentage of the total pay bill spent on facility time	0.11%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	<p>Information is not currently collected in terms of the differential between facility time (trade union duties) and trade union activity. However, it is likely that trade union activities will take up approximately a day a week per representative and therefore this would equate to 12,741 hours.</p> <p>The time spent on Trade Union Activities as a percentage of total paid facility time hours is therefore $11,681/58,406 \times 100\% = 20\%$</p>
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*Includes time spent on partnership duties as well as traditional trade union duties

PARLIAMENTARY ACCOUNTABILITY REPORT

The Parliamentary Accountability report collates the key Parliamentary accountability documents into the annual report and accounts.

Guidance on the content of the Parliamentary Accountability Report, while not fully applicable to entities financed by the Scottish Parliament, is set out at paragraph 5.3.29 of the FReM. The SPFM sets out the minimum mandatory accountability disclosures required to be included within the annual report namely losses and special payments; fees and charges; and remote contingent liabilities.

The FReM also requests Boards provide detail relating to the regularity of expenditure and long-term expenditure trends.

Regularity of expenditure

Losses and Special Payments

On occasion, the Board is required to write off balances which are no longer recoverable.

Losses and special payments require formal approval to regularise such transactions and their notation in the annual accounts.

The write-off of the following losses and special payments has been approved by the board:

	No. of cases	£000
Losses	392	23,901

In the year to 31 March 2022, there were no balances in excess of £250,000 written off.

In 2021/22, the Board was required to pay out £18,198k in respect of 10 claims individually greater than £250,000 settled under the CNORIS scheme (2020/21: £4,897k, 9 claims). Further details on the scheme can be found in Note 1 (accounting policies) of the annual accounts.

Remote Contingent Liabilities

Contingent liabilities that meet the disclosure requirements in IAS37 *Provisions and Contingent Liabilities* are included in note 14 of the Notes to the Accounts.

In addition, due to the nature of activities of NHS Lothian there are contingent liabilities for which IAS37 does not require disclosure because the probability of any requirement on the Board to meet future liabilities is considered to be remote.

Calum Campbell

..... Chief Executive and Accountable Officer

Date: 28 June 2022

Independent auditor's report to the members of NHS Lothian, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of NHS Lothian for the year ended 31 March 2022 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board as at 31 March 2022 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is six years. We are independent of the board in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the board to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the board's current or future financial sustainability. However, we report on the Board's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the board's operations.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the board is complying with that framework;
- identifying which laws and regulations are significant in the context of the board;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the board's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Other information

The Accountable Officer is responsible for other information in the annual report and accounts. The other information

comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Chris Brown

Chris Brown, (for and on behalf of Azets Audit Services)
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

30 June 2022

Date: _____

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2022

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2022

2021		Note	2022
£'000			£'000
1,240,765	Employee expenditure	3a	1,308,708
	Other operating expenditure:	3b	
262,319	Independent Primary Care Services		279,312
408,424	Drugs and medical supplies		441,370
<u>1,704,491</u>	Other health care expenditure		<u>1,820,922</u>
3,615,999	Gross expenditure for the year		3,850,312
(1,450,108)	Less: operating income	4	(1,548,630)
<u>(23,535)</u>	Associates and joint ventures accounted for on an equity basis		<u>(49,361)</u>
2,142,356	Net expenditure for the year		2,252,321
OTHER COMPREHENSIVE NET EXPENDITURE			
(14,942)	Net gain on revaluation of Property Plant and Equipment	SOCTE	(29,729)
<u>2,127,414</u>	Total Comprehensive Expenditure		<u>2,222,592</u>

The Notes of the Accounts, numbered 1 to 25, form an integral part of these Accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2022

Consolidated 2021 £'000	Board 2021 £'000		Note	Consolidated 2022 £'000	Board 2022 £'000
Non-current assets:					
1,078,234	1,078,234	Property, plant, and equipment	7c	1,095,916	1,095,916
944	944	Intangible assets	6a	1,104	1,104
Financial assets:					
99,543	2,090	Investments	10	90,636	2,210
28,659	0	Investments in associates and joint ventures		78,020	0
98,127	98,127	Trade and other receivables	9	87,116	87,116
1,305,507	1,179,395	Total non-current assets		1,352,792	1,186,346
Current Assets:					
22,384	22,384	Inventories	8	22,810	22,810
91,238	90,867	Trade and other receivables	9	70,061	69,747
22,003	17,271	Cash and cash equivalents	11	16,195	11,823
0	0	Investments	10	0	0
1,955	1,955	Assets classified as held for sale	7b	0	0
137,580	132,477	Total current assets		109,066	104,380
1,443,087	1,311,872	Total assets		1,461,858	1,290,726
Current liabilities					
(61,139)	(61,139)	Provisions	13a	(45,341)	(45,341)
Financial liabilities:					
(387,698)	(385,059)	Trade and other payables	12	(473,121)	(470,596)
(448,837)	(446,198)	Total current liabilities		(518,462)	(515,937)
994,250	865,674	Non-current assets plus/(less) net current assets/(liabilities)		943,396	774,789
Non-current liabilities					
(209,251)	(209,251)	Provisions	13a	(204,313)	(204,313)
Financial liabilities:					
(373,680)	(373,680)	Trade and other payables	12	(357,340)	(357,340)
(582,931)	(582,931)	Total non-current liabilities		(561,653)	(561,653)
411,319	282,743	Assets less liabilities		381,743	213,136
Taxpayers' Equity					
59,907	59,907	General fund	SOCTE	(31,174)	(31,174)
222,836	222,836	Revaluation reserve	SOCTE	244,310	244,310
28,659	0	Joint Venture reserves	SOCTE	78,020	0
99,917	0	Fund held on Trust	SOCTE	90,587	0
411,319	282,743	Total taxpayers' equity		381,743	213,136

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts.

The Accountable Officer authorised these financial statements for issue on 22nd June 2022.



Director of Finance

Date: 27 June 2022



Chief Executive

Date: 28 June 2022

NHS Lothian

Annual Report and Accounts for the Year ended 31st March 2022

Statement of Consolidated Cash Flow for the Year ended 31 March 2022

2021 £'000		Note	2022 £'000	2022 £'000
Cash flows from operating activities				
(2,142,356)	Net expenditure	SOCTE	(2,252,321)	
44,654	Adjustments for non-cash transactions	2b	(26,894)	
44,568	Add back: interest payable recognised in net operating cost	2b	42,705	
(160)	Deduct: interest receivable recognised in net operating cost	4	(199)	
(1,826)	Investment income		(1,866)	
95,826	Movement in working capital	2b	108,816	
<u>(1,959,294)</u>	Net cash outflow from operating activities	25c		<u>(2,129,759)</u>
Cash flows from investing activities				
(71,939)	Purchase of property, plant, and equipment		(35,824)	
(666)	Purchase of intangible assets		(614)	
(22,025)	Investment Additions	10	(24,196)	
3,829	Proceeds of disposal of property, plant, and equipment		17,336	
20,314	Receipts from sale of investments		36,952	
1,986	Interest received		2,065	
<u>(68,501)</u>	Net cash outflow from investing activities	25c		<u>(4,281)</u>
Cash flows from financing activities				
2,085,617	Funding	SOCTE	2,191,175	
(32,154)	Movement in general fund working capital	SOCTE	(5,448)	
2,053,463	Cash drawn down	SOCTE	2,185,727	
(12,993)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2b	(14,790)	
16	Interest paid		21	
(44,584)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(42,726)	
<u>1,995,902</u>	Net Financing	25c		<u>2,128,232</u>
(31,893)	Net Increase / (decrease) in cash and cash equivalents in the period			(5,808)
53,896	Cash and cash equivalents at the beginning of the period			<u>22,003</u>
<u>22,003</u>	Cash and cash equivalents at the end of the period			<u>16,195</u>
Reconciliation of net cash flow to movement in net debt/cash				
(31,893)	Increase/(decrease) in cash in year	11		(5,808)
53,896	Net debt/cash at 1 April			<u>22,003</u>
<u>22,003</u>	Net debt/cash at 31 March			<u>16,195</u>

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts.

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2022

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY FOR YEAR ENDED 31 MARCH 2022

	Note	General Fund £'000	Revaluation Reserve £'000	Joint Venture Reserves £'000	Funds held in Trust £'000	Total Reserves £'000
Balance at 31 March 2021		59,907	222,836	28,659	99,917	411,319
Balance at 1 April 2021		59,907	222,836	28,659	99,917	411,319
Changes in taxpayers' equity for 2021/22						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a		27,999			27,999
Impairment of property, plant, and equipment			9,351			9,351
Revaluation & impairments taken to operating costs	2b		(7,621)			(7,621)
Transfers between reserves		8,255	(8,255)			0
Adjustments	2b	1,841				1,841
Net operating cost for the year	CFS	(2,292,352)		49,361	(9,330)	(2,252,321)
Total recognised income and expense for 2021/22		(2,282,256)	21,474	49,361	(9,330)	(2,220,751)
Funding:						
Drawn down	CFS	2,185,727				2,185,727
Movement in General Fund (Creditor) / Debtor	CFS	5,448				5,448
Balance at 31 March 2022	SoFP	(31,174)	244,310	78,020	90,587	381,743
Balance at 31 March 2020		133,377	217,795	5,124	87,920	444,216
Balance at 1 April 2020		133,377	217,795	5,124	87,920	444,216
Changes in taxpayers' equity for 2020/21						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a		(15,746)			(15,746)
Impairment of property, plant, and equipment			(5,980)			(5,980)
Revaluation & impairments taken to operating costs	2b		36,668			36,668
Transfers between reserves		9,901	(9,901)			0
Adjustments		8,900				8,900
Net operating cost for the year	CFS	(2,177,888)		23,535	11,997	(2,142,356)
Total recognised income and expense for 2020/21		(2,159,087)	5,041	23,535	11,997	(2,118,514)
Funding:						
Drawn down	CFS	2,053,463				2,053,463
Movement in General Fund (Creditor) / Debtor	CFS	32,154				32,154
Balance at 31 March 2021	SoFP	59,907	222,836	28,659	99,917	411,319

NOTES TO THE ACCOUNTS

FOR YEAR ENDED 31 MARCH 2022

NOTE 1 ACCOUNTING POLICIES

1. Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards (IFRS) as adopted by the United Kingdom, IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in section 29 below.

(a) Standards, amendments, and interpretations effective in 2021/22

There are no new standards, amendments, or interpretations effective in 2021/22.

(b) Standards, amendments, and interpretation early adopted this year

There are no new standards, amendments or interpretations early adopted in 2021/22.

(c) Standards, amendments, and interpretations issued but not adopted this year.

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2022. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities and provides enhanced disclosures to improve transparency of reporting on capital employed.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, NHS Scotland has elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed. NHS Lothian expects that its existing finance leases will continue to be classified as leases. All existing operating leases will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16. In future year's new contracts and contract renegotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-use assets. Assets recognised under IFRS 16 will be held on the Statement of Financial Position as (i) right of-use assets which represent the Board's right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments. The bringing of leased assets onto the Statement of Financial Position will require depreciation and interest to be charged on the right-of-use asset and lease liability, respectively. Cash repayments will also be recognised in the Statement of Cash Flows, as required by IAS 7.

Impact of the new standard

The Board has assessed the impact that the application of IFRS 16 will have on the comprehensive net expenditure for the financial year ending 31 March 2022 and on the Statement of Financial Position at that date. The figures below represent existing leases as at 31 March 2022.

The standard is expected to increase total expenditure by £0.247m. Right-of-use assets totalling £109m will be brought onto the Statement of Financial Position, with an associated lease liability of £109m.

Basis of Consolidation

2. Consolidation

In accordance with IFRS 10 – Consolidated Financial Statements, the Financial Statements consolidate the Lothian Health Board Endowment Fund operating under the name of the Edinburgh & Lothian's Health Foundation.

NHS Endowment Funds were established by the NHS (Scotland) Act 1978. The legal framework under which charities operate in Scotland is the Charities and Trustee Investment (Scotland) Act 2005. Under the 1978 Act Endowment Trustees are also members of the NHS Board. The Board members (who are also Trustees) are appointed by Scottish Ministers.

The Edinburgh & Lothian Health Foundation is a Registered Charity with the Office of the Charity Regulator of Scotland (OSCR) and is required to prepare and submit Audited Financial Statements to OSCR on an annual basis.

The basis of consolidation used is Merger Accounting. Any intragroup transactions between the Board and the Endowment Fund have been eliminated on consolidation.

The integration of health and social care services under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and associated secondary legislation impacts on Health Board disclosure requirements in the annual accounts.

In accordance with IAS 28 – Investments in Associates and Joint Arrangements, the primary financial statements have been amended for the additional disclosure required to accurately reflect the interest of IJBs using the equity method of accounting.

IJBs will act as principal in their own right. The Board's contributions and subsequent expenditure in delivering services are treated as distinct and separate from the commissioning income that will be received.

Note 25 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

3. Going Concern

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future.

4. Accounting Convention

The Accounts are prepared on a historical cost basis, as modified by the revaluation of property, plant and equipment, intangible assets, inventories, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value.

5. Funding

Most of the expenditure of the Health Board as Commissioner is met from funds advanced by the Scottish Government within an approved revenue resource limit. Cash drawn down to fund expenditure within this approved revenue resource limit is credited to the general fund.

All other income receivable by the Board that is not classed as funding is recognised in the year in which it is receivable.

Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met and is measured as the sums due under the sale contract.

Non-discretionary funding out with the RRL is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, dental or ophthalmic services identified by the Scottish Government. Non-discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the RRL in the Statement of Resource Outturn.

Funding for the acquisition of capital assets received from the Scottish Government is credited to the general fund when cash is drawn down.

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in the Statement of Comprehensive Net Expenditure except where it results in the creation of a non-current asset such as property, plant, and equipment.

6. Property, plant, and equipment

The treatment of capital assets in the accounts (capitalisation, valuation, depreciation, particulars concerning donated assets) is in accordance with the NHS Capital Accounting Manual.

Title to properties included in the accounts is held by Scottish Ministers.

6.1 Recognition

Property, Plant and Equipment is capitalised where: it is held for use in delivering services or for administrative purposes; it is probable that future economic benefits will flow to, or service potential be provided to, the Board; it is expected to be used for more than one financial year; and the cost of the item can be measured reliably.

All assets falling into the following categories are capitalised:

- Property, plant, and equipment assets which are capable of being used for a period which could exceed one year and have a cost equal to or greater than £5,000.
- In cases where a new hospital would face an exceptional write off of items of equipment costing individually less than £5,000, the Board has the option to capitalise initial revenue equipment costs with a standard life of 10 years.
- Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

6.2 Measurement

Valuation:

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets that are not held for their service potential (i.e. investment properties and assets held for sale), including operational assets which are surplus to requirements where there are no restrictions on disposal which would prevent access to the market, are measured subsequently at fair value as follows:

Specialised NHS Land, buildings, equipment, installations, and fittings are stated at depreciated replacement cost, as a proxy for fair value as specified in the FReM. Nonspecialised land and buildings, such as offices, are stated at fair value.

Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

Nonspecialised equipment, installations and fittings are valued at fair value. Boards value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).

Assets under construction are held at cost until operational. Thereafter they are valued as above according to the asset categories. These are also subject to impairment review.

To meet the underlying objectives established by the Scottish Government the following accepted variations of the RICS Appraisal and Valuation Manual have been required:

Specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only.

Operational assets which are in use delivering front line services or back office functions, and surplus assets with restrictions on their disposal, are valued at current value in existing use. Assets have been assessed as surplus where there are no clear plans to bring the asset back into future use as an operational asset.

Subsequent expenditure:

Subsequent expenditure is capitalised into an asset’s carrying value when it is probable the future economic benefits associated with the item will flow to the Board and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria the expenditure is charged to the Statement of Comprehensive Net Expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.

Revaluations and Impairment:

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together.

Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.

Gains and losses on revaluation are reported in the Statement of Comprehensive Net Expenditure.

6.3 Depreciation

Items of Property, Plant and Equipment are depreciated to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Depreciation is charged on each main class of tangible asset as follows:

- Freehold land is considered to have an infinite life and is not depreciated.
- Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Board, respectively.
- Property, Plant and Equipment, which has been reclassified as ‘Held for Sale’, ceases to be depreciated upon the reclassification.
- Buildings, installations, and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
- Equipment is depreciated over the estimated life of the asset.
- Property, plant, and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

<u>Asset Category/Component</u>	<u>Useful Life</u>
Building – Structural	5 – 75 years*
Building – Engineering and External Plant	15 – 35 years
Medical Equipment	3 –15 years
Vehicles	7 years
Furniture	10 years
Office & IT Equipment	5 – 8 years

*The useful life of building – structural is based on independent valuer’s recommendations.

7. Intangible Assets

7.1 Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Board's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Board and where the cost of the asset can be measured reliably.

Intangible assets that meet the recognition criteria are capitalised when they are capable of being used in a Board's activities for more than one year and they have a cost of at least £5,000.

The main classes of intangible assets recognised are:

Internally generated intangible assets:

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use.
- the Board intends to complete the asset and sell or use it.
- the Board has the ability to sell or use the asset.
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset.
- adequate financial, technical, and other resources are available to the Board to complete the development and sell or use the asset; and
- The Board can measure reliably the expenses attributable to the asset during development.

Expenditure so deferred is limited to the value of future benefits.

Software:

Software which is integral to the operation of hardware e.g. an operating system is capitalised as part of the relevant item of property, plant, and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset.

Software licences:

Purchased computer software licences are capitalised as intangible assets where expenditure of at least £5,000 is incurred.

Carbon Emissions (Intangible Assets):

Participation in the Carbon Reduction Commitment (CRC) scheme gives rise to an asset for allowances held and a liability for the obligation to deliver allowances equal to emissions that have been made.

Intangible Assets, such as CRC Emission Allowances intended to be held for use on a continuing basis whether allocated by government or purchased are classified as intangible assets. Allowances that are issued for less than their fair value are measured initially at their fair value.

When allowances are issued for less than their fair value, the difference between the amount paid and fair value is revaluation and charged to the general fund. The general fund is charged with the same proportion of the amount of the revaluation, which the amount of the grant bears to the acquisition cost of the asset.

A provision is recognised for the obligation to deliver allowances equal to emissions that have been made. It is measured at the best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. This will usually be the present market price of the number of allowances required to cover emissions made up to the balance sheet date.

Websites:

Websites are capitalised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Board; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

7.2 Measurement

Valuation

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce, and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets that are not held for their service potential (i.e. assets held for sale), including operational assets which are surplus to requirements where there are no restrictions on disposal which would prevent access to the market, are measured at fair value. Where an active (homogeneous) market exists, intangible assets are carried at fair value. Where no active market exists, the intangible asset is revalued, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

Revaluation and impairment

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised in income.

Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.

Temporary decreases in asset values or impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to the Statement of Comprehensive Net Expenditure.

Intangible assets held for sale are reclassified to 'non-current assets held for sale' measured at the lower of their carrying amount or 'fair value less costs to sell'.

Operational assets which are in use delivering front line services or back office functions, and surplus assets with restrictions on their disposal, are valued at current value in existing use. Assets have been assessed as surplus where there are no clear plans to bring the asset back into future use as an operational asset.

7.3 Amortisation

Intangible assets are amortised to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Amortisation is charged to the Statement of Comprehensive Net Expenditure on each main class of intangible asset as follows:

- Internally generated intangible assets. Amortised on a systematic basis over the period expected to benefit from the project.
- Software. Amortised over their expected useful life.
- Software licences. Amortised over the shorter term of the licence and their useful economic lives.
- Other intangible assets. Amortised over their expected useful life.
- Intangible assets, which have been reclassified as 'Held for Sale' ceases to be amortised upon the reclassification.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

<u>Asset Category/Component</u>	<u>Useful Life</u>
Application Software	4 years

8. Non-current assets held for sale

Non-current assets intended for disposal are reclassified as 'Held for Sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales.
- the sale must be highly probable i.e.
 - management are committed to a plan to sell the asset.
 - an active programme has begun to find a buyer and complete the sale.
 - the asset is being actively marketed at a reasonable price.
 - the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
 - The actions needed to complete the plan indicate it is unlikely that the plan will be dropped, or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant, and equipment which is to be scrapped or demolished does not qualify for recognition as 'Held for Sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

9. Donated Assets

Non-current assets that are donated or purchased using donated funds are included in the Statement of Financial Position initially at the current full replacement cost of the asset. The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual.

10. Sale of Property, plant and equipment, intangible assets and non-current assets held for sale

Disposal of non-current assets is accounted for as a reduction to the value of assets equal to the net book value of the assets disposed. When set against any sales proceeds, the resulting gain or loss on disposal will be recorded in the Statement of Comprehensive Net Expenditure. Non-current assets held for sale will include assets transferred from other categories and will reflect any resultant changes in valuation.

11. Leasing

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Board, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. Assets held under finance leases are valued at their fair values and are depreciated over the remaining period of the lease in accordance with IFRS.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled, or expires. The minimum lease payments (annual rental less operating costs e.g. maintenance and contingent rental) are apportioned between the repayment of the outstanding liability and a finance charge. The annual finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability using either the implicit interest rate or another relevant basis of estimation such as the sum of the digits method. Finance charges are recorded as interest payable in the Statement of Comprehensive Net Expenditure. Contingent rental and operating costs are charged as expenses in the periods in which they are incurred.

Operating leases

Other leases are regarded as operating leases and the rentals are charged to expenditure on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to expenditure over the life of the lease.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately. Leased land is treated as an operating lease unless title to the land is expected to transfer.

12. Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the Statement Of Comprehensive Net Expenditure are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

13. General Fund Receivables and Payables

Where the Health Board has a positive net cash book balance at the year end, a corresponding creditor is created, and the general fund debited with the same amount to indicate that this cash is repayable to the SGHSCD. Where the Health Board has a net overdrawn cash position at the year end, a corresponding debtor is created, and the general fund credited with the same amount to indicate that additional cash is to be drawn down from the SGHSCD.

14. Inventories

Inventories are valued at the lower of cost and net realisable value. Taking into account the high turnover of NHS inventories, the use of average purchase price is deemed to represent current cost. Work in progress is valued at the cost of the direct materials plus the conversion costs and other costs incurred to bring the goods up to their present location, condition, and degree of completion.

15. Losses and Special Payments

Operating expenditure includes certain losses which would have been made good through insurance cover had the NHS not been bearing its own risks. Had the NHS provided insurance cover, the insurance premiums would have been included as normal revenue expenditure.

16. Employee Benefits

Short-term Employee Benefits

Salaries, wages, and employment-related payments are recognised in the year in which the service is received from employees. The cost of annual leave and flexible working time entitlement earned but not taken by employees at the end of the year is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following year.

Pension Costs

The Board participates in NHS Superannuation Schemes (Scotland). This scheme is an unfunded statutory pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay as specified in the regulations. The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every four years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the Statement of Comprehensive Net Expenditure at the time the Board commits itself to the retirement, regardless of the method of payment.

17. Clinical and Medical Negligence Costs

Employing health bodies in Scotland are responsible for meeting medical negligence costs up to a threshold per claim. Costs above this threshold are reimbursed to Boards from a central fund held as part of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) by the Scottish Government.

NHS Lothian provide for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' as 50% of the claim and those in 'category 1' as nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

NHS Lothian also provides for its liability from participating in the scheme. The Participation in CNORIS provision recognises the Board's respective share of the total liability of NHS Scotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in AME provision and is classified as non-core expenditure.

18. Related Party Transactions

Material related party transactions are disclosed in the note 24 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

19. Value Added Tax

Most of the activities of the Board are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

20. PFI/HUB/NPD Schemes

Transactions financed as revenue transactions through the Private Finance Initiative or alternative initiatives such as HUB or the Non Profit Distributing Model (NPD) are accounted for in accordance with the HM Treasury application of IFRIC 12, *Service Concession Arrangements*, outlined in the FReM.

Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' by the Board. The underlying assets are recognised as Property, Plant and Equipment and Intangible Assets at their fair value. An equivalent liability is recognised in accordance with IAS 17. Where it is not possible to separate the finance element from the service element of unitary payment streams this has been estimated from information provided by the operator and the fair values of the underlying assets. Assets are subsequently revalued in accordance with the treatment specified for their applicable asset categories.

The annual contract payments are apportioned between the repayment of the liability, a finance cost, and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme.

The service charge and the finance cost interest element are charged in the Statement of Comprehensive Net Expenditure.

21. Provisions

The Board provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by HM Treasury.

22. Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets but are disclosed in note 14 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 14, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

23. Corresponding Amounts

Corresponding amounts are shown for the primary statements and notes to the financial statements. Where the corresponding amounts are not directly comparable with the amount to be shown in respect of the current financial year, IAS 1 'Presentation of Financial Statements', requires that they should be adjusted and the basis for adjustment disclosed in a note to the financial statements.

24. Financial Instruments

Financial assets

Business model

The Board's business model refers to how it manages its financial assets in order to generate cash flows and is determined at a level which reflects how groups of financial assets are managed to achieve a business objective, rather than assessment of individual instruments.

Classification

When the Board first recognises a financial asset, it classifies it based on its business model for managing the asset and the asset's contractual flow characteristics. The Board classifies its financial assets in the following categories: at fair value through profit or loss, amortised cost, and fair value through other comprehensive income (OCI). The default basis for financial assets is to be held at fair value through profit or loss, although alternative treatment may be designated where receivables are held to collect principal and interest and/ or for sale.

(a) Financial assets at fair value through profit or loss.

This is the default basis for financial assets.

(b) Financial assets held at amortised cost

A financial asset may be held at amortised cost where both of the following conditions are met:

- the financial asset is held within a business model where the objective is to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

(c) Financial assets at fair value through other comprehensive income

A financial asset may be held at fair value through other comprehensive income where both of the following conditions are met:

- the financial asset is held within a business model where the objective is to collect contractual cash flows *and* sell the asset; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

Impairment of financial assets

Provisions for impairment of financial assets are made on the basis of expected credit losses. The Board recognises a loss allowance for expected credit losses on financial assets and this is recognised in other comprehensive income, rather than reducing the carrying amount of the asset in the Statement of the Financial Position.

Lifetime expected credit losses are recognised and applied to financial assets by the Board where there has been a significant increase in credit risk since the asset's initial recognition. Where the Board does not hold reasonable and supportable information to measure lifetime expected credit losses on an individual instrument basis, the losses are recognised on a collective basis which considers comprehensive credit risk information.

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Recognition and measurement

Financial assets are recognised when the Board becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Board has transferred substantially all risks and rewards of ownership.

(a) Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Net Expenditure.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Expenditure.

(b) Financial assets held at amortised cost

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of the asset.

(c) Financial assets held at fair value through other comprehensive income

Financial Liabilities

Classification

The Board classifies its financial liabilities in the following categories: at fair value through profit or loss, and amortised cost. The Board classifies all financial liabilities as measured at amortised cost, unless:

- These are measured at fair value on a portfolio basis in accordance with a documented risk management or investment strategy.
- They contain embedded derivatives; and/or
- It eliminates or reduces "accounting mismatch" that would otherwise arise from measurement or recognition on an amortised costs basis.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. The NHS Board does not trade in derivatives and does not apply hedge accounting.

(b) Financial liabilities held at amortised cost

Financial liabilities held at amortised cost are disclosed in current liabilities, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current liabilities. The NHS Board's financial liabilities held at amortised cost comprise trade and other payables in the Statement of Financial Position.

Recognition and measurement

Financial liabilities are recognised when the NHS Board Scotland becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled, or expired.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Expenditure.

(b) Amortised costs

Financial liabilities held at amortised cost are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

25. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

26. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held with the Government Banking Service, balances held in commercial banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Where the Government Banking Service is using Royal Bank of Scotland Group to provide the banking services, funds held in these accounts should not be classed as commercial bank balances.

The NHS Lothian Accounts include the consolidation of The Edinburgh & Lothian Health Foundation (ELHF). The Foundation investments are categorised as level 1 in accordance with IFRS 13 and are denominated in pounds sterling.

27. Foreign exchange

The functional and presentational currencies of the Board are sterling. A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the Board has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items (other than financial instruments measured at 'fair value through income and expenditure') are translated at the spot exchange rate on 31 March.
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and
- Non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expenditure in the period in which they arise. Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

28. Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Board has no beneficial interest in them. However, they are disclosed in Note 23 to the accounts in accordance with the requirement of HM Treasury's Financial Reporting Manual.

29. Key sources of judgement and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Board makes judgements in applying accounting policies. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year are addressed below.

Clinical and Medical Negligence Provision: The clinical and medical negligence provision is calculated using information received from the Central Legal Office regarding claims they have received relating to NHS Lothian. The provision covers all claims classified as category 3 and 50% of the value of claims in category 2 which have been assessed as having a probability of settlement. The share of the NHS Scotland CNORIS liability is estimated based on actual settlement trends in prior years.

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Pension Provision: The pension provision is calculated using information received from the Scottish Public Pension Agency (SPPA) relating to former NHS Lothian employees for whom NHS Lothian have an ongoing pension liability. The liability is calculated using information obtained from SPPA and discount rates as per SGHSCD guidance.

Fair Value of Property, Plant & Equipment: Approximately 20% of property assets were fully revalued and all remaining property, plant and equipment were subject to a desktop valuation on the basis of local market related indices at 31 March 2022, and the impact of any impairment in value on operating costs agreed. Such indices, including zero indexation factors, were applied following consultation and advice from the Board's Property Advisor.

Leases: For all relevant agreements, NHS Lothian has made judgement as to whether substantially all the significant risks and rewards of ownership of leased assets are transferred in line with IAS 17.

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2a. SUMMARY OF CORE REVENUE RESOURCE OUTTURN

	2022	2022
	£'000	£'000
Net Expenditure	SoCNE	2,252,321
Total Non-Core Expenditure (see below)		(56,613)
Family Health Services non-discretionary allocation		(113,933)
Endowment net expenditure		(9,330)
Associates and joint ventures accounted for on an equity basis		49,361
Total core expenditure		2,121,806
Core Revenue Resource Limit		<u>2,123,228</u>
Saving/(excess) against Core Revenue Resource Limit		<u>1,422</u>

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Capital Grants to / (from) Other Bodies	11,208	
Depreciation / Amortisation	42,334	
Annually Managed Expenditure – Impairments	2,867	
Annually Managed Expenditure - Creation of Provisions	(1,476)	
Annually Managed Expenditure – Depreciation of Donated Assets	735	
Annually Managed Expenditure - fair value adjustments	169	
Additional Scottish Government non-core funding	94	
Donated assets income	485	
IFRS PFI Expenditure	197	
Total Non-Core Expenditure		<u>56,613</u>
Non Core Revenue Resource Limit		<u>56,613</u>
Saving/(excess) against Non-Core Revenue Resource Limit		<u>0</u>

SUMMARY RESOURCE OUTTURN

	Resource	Expenditure	Saving /
	£'000	£'000	(Excess)
			£'000
Core	2,123,228	2,121,806	1,422
Non-Core	56,613	56,613	0
Total	<u>2,179,841</u>	<u>2,178,419</u>	<u>1,422</u>

2b. NOTES TO THE CASH FLOW STATEMENT

Consolidated adjustments for the non-cash transactions

2021			2022
£'000	Expenditure Not Paid In Cash	Note	£'000
45,007	Depreciation on Purchased Assets	7a	46,284
351	Amortisation	6	454
863	Depreciation on Donated Assets	7a	735
6,179	Impairments on PPE charged to SOCNE		13,094
30,688	Net revaluation on PPE charged to SOCNE		1,730
(199)	Reversal of impairments on PPE charged to SoCNE		(22,445)
(3,344)	Loss/(Profit) on disposal of property, plant, and equipment		(14,075)
(9,019)	Funding of Donated assets	7a	485
(23,535)	IJB joint venture share	SoCNE	(49,361)
0	GP Loans fair value adjustment	10	169
10,934	Other non-cash transactions DOH assets		258
(13,271)	Other non-cash transactions (profit) / loss on investments		(4,222)
<u>44,654</u>	Total Expenditure Not Paid In Cash		<u>(26,894)</u>

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Interest Payable			
44,584	PFI Finance Lease charges allocated in year	18b	42,726
(16)	Unwinding of Discount		(21)
44,568	Net interest payable	CFS	42,705

Consolidated movement in working capital

2021			Opening Balances	Closing Balances	Net Movement
£'000		Note	£'000	£'000	£'000
	INVENTORIES				
(622)	Balance Sheet	8	22,384	22,810	
(622)	Net Decrease/(Increase)				(426)
	TRADE AND OTHER RECEIVABLES				
(13,660)	Due within one year	9	91,238	70,061	
385	Due after more than one year	9	98,127	87,116	
(13,275)			189,365	157,177	
0	Less: Property, Plant & equipment included in above		0	0	
			189,365	157,177	
(13,275)	Net Decrease/(Increase)				32,188
	TRADE AND OTHER PAYABLES				
81,214	Due within one year	12	387,698	473,121	
(14,790)	Due after more than one year	12	373,680	357,340	
(2,651)	Less: Property, Plant & Equipment (Capital) included in above		(31,807)	(23,338)	
32,154	Less: General Fund Creditor included in above	12	(17,271)	(11,823)	
12,993	Less: Lease and PFI Creditors included in above	12	(388,470)	(373,680)	
			323,830	421,620	
108,920	Net (Decrease)/Increase				97,790
	PROVISIONS				
803	Statement of Financial Position	13a	270,390	249,654	
			270,390	249,654	
803	Net (Decrease)/Increase				(20,736)
95,826	NET MOVEMENT Decrease/(Increase)	CFS			108,816

3. EXPENDITURE

3a. Staff Costs

2021		Board 2022	Consolidated 2022
£'000		£'000	£'000
314,566	Medical and Dental	332,030	332,030
510,962	Nursing	528,283	528,283
415,237	Other Staff	448,395	448,395
1,240,765	Total	1,308,708	1,308,708

Further detail and analysis of employee costs can be found in the Remuneration and Staff Report, forming part of the Accountability Report.

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3b. Other operating expenditure

Independent Primary Care Services:

2021		Board	Consolidated
£'000		2022	2022
£'000		£'000	£'000
147,719	General Medical Services	155,534	155,534
40,462	Pharmaceutical Services	41,993	41,993
57,029	General Dental Services	64,285	64,285
17,109	General Ophthalmic Services	17,500	17,500
262,319	Total	279,312	279,312

Drugs and Medical Supplies:

£'000		£'000	£'000
153,161	Prescribed drugs Primary Care	155,973	155,973
142,088	Prescribed drugs Secondary Care	154,482	154,482
21,397	PPE and testing kits	24,379	24,379
91,778	Medical Supplies	106,536	106,536
408,424	Total	441,370	441,370

Other health care expenditure:

2021		2022	2022
£'000		£'000	£'000
1,114,683	Contribution to Integration Joints Boards	1,209,211	1,209,211
16,713	Other NHS Scotland Bodies	18,180	18,180
588	Health Bodies outside Scotland	1,268	1,268
6,140	Private sector	4,969	4,969
18,691	Goods and services from voluntary organisations	16,549	16,549
159,161	Resource Transfer	149,733	149,733
0	Loss on disposal of assets	164	164
384,959	Other operating expenses	405,657	405,657
284	Statutory audit fee	287	287
3,272	Endowment Fund expenditure		14,904
1,704,491	Total	1,806,018	1,820,922
2,375,234	Total Other Operating Expenditure	2,526,700	2,541,604

During 2021/22 the Board's external auditors received £3,300 in relation to non audit work. This non audit work was the audit of the Private Patient Funds. Included within Endowment fund expenditure is £12,493 in relation to the External Audit of the Endowment Fund.

Other operating expenses includes property related costs £60m, PFI unitary charge payments £80m, depreciation and amortisation £47m, Clinical negligence and CNORIS (note 13) £13m, E-health costs £30m and equipment related (including maintenance) £32m.

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4. INCOME

2021			Board	Consolidated
£'000	NHS Scotland Bodies	Note	2022	2022
			£'000	£'000
1,389	Income from Scottish Government		1,529	1,529
242,252	Income from other NHS Scotland bodies		252,464	252,464
2,566	Income from NHS non-Scottish bodies		3,920	3,920
557	Income from private patients		1,063	1,063
1,080,263	Income for services commissioned by Integration Joint Board		1,129,816	1,129,816
1,592	Patient charges for primary care		8,192	8,192
13,787	Donations		13,919	13,919
3,344	Profit on disposal of assets		14,239	14,239
10,500	Contributions in respect of clinical and medical negligence claims		2,759	2,759
160	Interest received	CFS	199	199
	Non NHS:			
213	Overseas patients		188	188
15,269	Endowment Fund Income			5,574
78,216	Other		114,768	114,768
1,450,108	Total Income	SOCNE	1,543,056	1,548,630

5. SEGMENTAL

The net operating costs of the Board are analysed on the basis of Individual Business Units reported to the Board for performance management purposes. The acute specialist hospital services are reported under the University Hospital Support Services. East Lothian, Mid Lothian, West Lothian, and City of Edinburgh Partnership Business Units are responsible for delivery of Family and Community health services and include Child and Adult Mental Health, Learning Disabilities and acute adult and child mental health services at the Royal Edinburgh Hospital. Corporate Department budgets include the non-clinical support services performed to support the Board's core operations and Strategic Budgets represent the Board's commissioning of services, and central overhead costs of the Board. As responsibilities for care shift from the acute sector the segmental analysis and comparatives will reflect these changes.

The segments that have been used to report performance management this year are as follows:

- University Hospital Support Services
- East Lothian; Mid Lothian; West Lothian and City of Edinburgh Partnership Business Unit
- Corporate and Strategic Departments
- Edinburgh Integration Joint Boards (IJB)
- Endowments

Assets and liabilities are not reported as part of performance management arrangements, so this information is not provided.

	University Hospitals Support Services	Partnership Business Units	Corporate	Endowments	Edinburgh IJB	Midlothian IJB	East Lothian IJB	West Lothian IJB	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net operating cost 2021/22	894,822	637,803	759,727	9,330	(28,374)	(5,260)	(5,341)	(10,386)	2,252,321
Net operating cost 2020/21	817,271	595,974	764,643	(11,997)	(11,122)	(4,186)	(3,605)	(4,622)	2,142,356

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ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2022

6. INTANGIBLE ASSETS

	Note	Software Licences £'000	Total £'000
Cost or Valuation:			
As at 1 April 2021		20,866	20,866
Additions		614	614
Disposals		(1,055)	(1,055)
As at 31 March 2022		20,425	20,425
Amortisation			
As at 1 April 2021		19,922	19,922
Provided during the year		454	454
Disposals		(1,055)	(1,055)
At 31 March 2022		19,321	19,321
Net Book Value at 1 April 2021		944	944
Net Book Value at 31 March 2022	SoFP	1,104	1,104

PRIOR YEAR – CONSOLIDATED

	Note	Software Licences £'000	Total £'000
Cost or Valuation:			
As at 1 April 2020		20,200	20,200
Additions		666	666
As at 31 March 2021		20,866	20,866
Amortisation			
As at 1 April 2020		19,571	19,571
Provided during the year		351	351
At 31 March 2021		19,922	19,922
Net Book Value at 1 April 2020		629	629
Net Book Value at 31 March 2021	SoFP	944	944

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7a) PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED

Note	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2021	57,017	863,946	875	70	187,967	37,976	1,255	125,528	1,274,634
Additions - Purchased	0	0	0	0	0	0	0	27,355	27,355
Additions – Donated	0	0	0	0	0	0	0	(485)	(485)
Completions	0	28,711	0	22	26,753	17,165	0	(72,651)	0
Asset Transfers (to)/from other SG Consolidation Entities	0	1,105	0	0	0	0	0	643	1,748
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	4,805	(7,144)	150	0	0	0	0	0	(2,189)
Impairment Charges	0	0	0	0	0	0	0	(13,094)	(13,094)
Impairment Reversals	0	17,600	0	0	0	0	0	0	17,600
Disposals – Purchased	(612)	(2,176)	0	0	(16,174)	(14,628)	(1,070)	0	(34,660)
Disposals – Donated	0	(305)	0	0	(178)	0	0	0	(483)
At 31 March 2022	61,210	901,737	1,025	92	198,368	40,513	185	67,296	1,270,426
Depreciation									
At 1 April 2021	0	45,242	133	56	116,026	33,716	1,227	0	196,400
Provided during the year – purchased	0	25,984	39	3	15,219	5,014	25	0	46,284
Provided during the year – donated	0	276	0	10	443	6	0	0	735
Revaluations	0	(30,118)	(70)	0	0	0	0	0	(30,188)
Impairment Charges	0	0	0	0	0	0	0	0	0
Impairment reversals	0	(4,845)	0	0	0	0	0	0	(4,845)
Disposals – Purchased	0	(1,886)	0	0	(16,089)	(14,628)	(1,070)	0	(33,673)
Disposals – Donated	0	(25)	0	0	(178)	0	0	0	(203)
At 31 March 2022	0	34,628	102	69	115,421	24,108	182	0	174,510
Net book value at 1 April 2021	57,017	818,704	742	14	71,941	4,260	28	125,528	1,078,234
Net book value at 31 March 2022	SoFP 61,210	867,109	923	23	82,947	16,405	3	67,296	1,095,916
Open Market Value of Land, buildings and Dwellings Included Above	9,750		0						
Asset financing:									
Owned – purchased	61,210	409,904	923	19	82,083	16,375	3	66,567	637,084
Owned – donated	0	16,700	0	4	864	30	0	729	18,327
Finance leased	0	3,532	0	0	0	0	0	0	3,532
On-balance sheet PFI contracts	0	436,973	0	0	0	0	0	0	436,973
Net Book Value at 31 March 2022	SoFP 61,210	867,109	923	23	82,947	16,405	3	67,296	1,095,916

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2022

7(a) PROPERTY, PLANT AND EQUIPMENT - PRIOR YEAR – CONSOLIDATED

Note	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2020	56,055	883,341	875	100	148,039	36,827	1,255	121,850	1,248,342
Additions - Purchased	0	0	0	0	0	0	0	74,590	74,590
Additions – Donated	0	0	0	0	0	0	0	9,019	9,019
Completions	0	29,029	0	0	43,574	1,149	0	(73,752)	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale	(574)	(1,381)	0	0	0	0	0	0	(1,955)
Revaluations	1,979	(46,898)	0	0	0	0	0	0	(44,919)
Impairment Charges	0	0	0	0	0	0	0	(6,179)	(6,179)
Impairment Reversals	25	65	0	0	0	0	0	0	90
Disposals – Purchased	(468)	(210)	0	(30)	(3,646)	0	0	0	(4,354)
Disposals – Donated	0	0	0	0	0	0	0	0	0
At 31 March 2021	57,017	863,946	875	70	187,967	37,976	1,255	125,528	1,274,634
Depreciation									
At 1 April 2020	0	48,054	94	76	103,027	31,300	1,136	0	183,687
Provided during the year – purchased	0	26,148	39	0	16,321	2,408	91	0	45,007
Provided during the year – donated	0	521	0	10	324	8	0	0	863
Revaluations	0	(29,173)	0	0	0	0	0	0	(29,173)
Impairment Charges	0	0	0	0	0	0	0	0	0
Impairment reversals	0	(109)	0	0	0	0	0	0	(109)
Disposals – Purchased	0	(199)	0	(30)	(3,646)	0	0	0	(3,875)
Disposals – Donated	0	0	0	0	0	0	0	0	0
At 31 March 2021	0	45,242	133	56	116,026	33,716	1,227	0	196,400
Net book value at 1 April 2020	56,055	835,287	781	24	45,012	5,527	119	121,850	1,064,655
Net book value at 31 March 2021	57,017	818,704	742	14	71,941	4,260	28	125,528	1,078,234
Open Market Value of Land, buildings and Dwellings Included Above	6,900		0						
Asset financing:									
Owned – purchased	57,017	359,160	742	0	71,144	4,240	28	113,446	605,777
Owned – donated	0	8,415	0	14	797	20	0	12,082	21,328
Finance leased	0	3,827	0	0	0	0	0	0	3,827
On-balance sheet PFI contracts	0	447,302	0	0	0	0	0	0	447,302
Net Book Value at 31 March 2021	57,017	818,704	742	14	71,941	4,260	28	125,528	1,078,234

7b) NON CURRENT ASSETS HELD FOR SALE– CONSOLIDATED

	Note	Property, Plant & Equipment £000	Intangible Assets £000	Total £000
At 1 April 2021		0	0	0
Transfers from property, plant, and equipment		1,955	0	1,955
Transfers (to) / from intangible assets	6	0	0	0
Gain or losses recognised on re-measurement of non-current assets held for sale		0	0	0
Disposals of non-current assets held for sale		(1,955)	0	(1,955)
At 31 March 2022	SoFP	0	0	0

7c) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES - CONSOLIDATED

2021 £'000		Note	2022 £'000
1,056,906	Purchased		1,077,589
21,328	Donated		18,327
1,078,234	Total	SoFP	1,095,916
6,900	Net book value related to land valued at open market value at 31 March		9,750
0	Net book value related to buildings valued at the open market value at 31 March		
	Total value of assets held under:		
3,827	Finance Leases		3,532
447,302	PFI and PPP Contracts		436,973
451,129			440,505
	Total depreciation charged in respect of assets held under:		
294	Finance leases		294
11,545	PFI and PPP contracts		11,485
11,839			11,779

In line with the Board's revaluation policy a sample was revalued by an independent valuer, Avison Young at 31 March 2022 on the basis of fair value (market value or depreciated replacement costs where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS. The net impact was an increase of £29.729m (2020-21: an increase of £14.942m) which was credited to the revaluation reserve. Impairment reversal of £7.621m (2020-21 impairment charge of £36.668m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

7d) ANALYSIS OF CAPITAL EXPENDITURE

2021 £'000	EXPENDITURE	Note	2022 £'000
666	Acquisition of Intangible Assets	6	614
74,590	Acquisition of Property, plant, and equipment	7a	27,355
9,019	Donated Asset Additions	7a	(485)
84,275	Gross Capital Expenditure		27,484
	INCOME		
479	Net book value of disposal of Property, plant, and equipment	7a	987
0	Net book value of disposal of Donated Assets	7a	280
0	Value of disposal of non-current assets held for sale	7b	1,955
6	HUB – repayment of investment		39
485	Capital Income		3,261
83,790	Net Capital Expenditure		24,223

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SUMMARY OF CAPITAL RESOURCE OUTTURN

The summary outturn against core and non-core allocations of capital expenditure was as follows:

	Core	Non Core	Total
74,771 Net capital expenditure as above	24,708	(485)	24,223
<u>74,771</u> Capital Resource Limit	<u>24,708</u>	<u>(485)</u>	<u>24,223</u>
0 Saving/(excess) against Capital Resource Limit	0	0	0

Note: The discrepancy between 2020-21 net capital expenditure and Total Capital Resource Limit is due to the reclassification of accounting treatment of donated assets income received in that year. There is no impact on NHS Lothian performance in that year against the capital budget provided.

8. INVENTORY

2021 £'000		Note	2022 £'000
22,384	Raw Materials and Consumables		22,810
<u>22,384</u>	Total Inventories	SoFP	<u>22,810</u>

9. TRADE AND OTHER RECEIVABLES

Consolidated 2021 £'000	Board 2021 £'000		Note	Consolidated 2022 £'000	Board 2022 £'000
Receivables due within one year					
NHS Scotland					
Scottish Government Health & Social Care Directorate					
506	506			745	745
25,753	25,753	Boards		22,241	22,241
<u>26,259</u>	<u>26,259</u>	Total NHS Scotland Receivables		<u>22,986</u>	<u>22,986</u>
2,034	2,034	NHS Non-Scottish Bodies		1,896	1,896
3,607	3,584	VAT recoverable		2,845	2,844
16,491	16,143	Prepayments		13,725	13,725
16,670	16,670	Accrued income		13,606	13,606
5,529	5,529	Other Receivables		2,211	1,898
19,914	19,914	Reimbursement of provisions		12,018	12,018
734	734	Other Public Sector Bodies		774	774
<u>91,238</u>	<u>90,867</u>	Total Receivables due within one year	SoFP	<u>70,061</u>	<u>69,747</u>
Receivables due after more than one year					
290	290	Prepayments		619	619
3	3	Other Receivables		3	3
97,834	97,834	Reimbursement of Provisions		86,494	86,494
<u>98,127</u>	<u>98,127</u>	Total Receivables due after more than one year	SoFP	<u>87,116</u>	<u>87,116</u>
<u>189,365</u>	<u>188,994</u>	TOTAL RECEIVABLES		<u>157,177</u>	<u>156,863</u>
5,231	5,231	The total receivables figure above includes a provision for bad debts of :		4,895	4,895

Movements on the provision for impairment of receivables are as follows:

Consolidated 2021 £'000	Board 2021 £'000		Consolidated 2022 £'000	Board 2022 £'000
4,938	4,938	At 1 April	5,231	5,231
4,883	4,883	Provision for receivables impairment	4,607	4,607
(295)	(295)	Receivables written off during the year as uncollectable	(107)	(107)
<u>(4,295)</u>	<u>(4,295)</u>	Unused amounts reversed	<u>(4,836)</u>	<u>(4,836)</u>
<u>5,231</u>	<u>5,231</u>	At 31 March	<u>4,895</u>	<u>4,895</u>

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10. INVESTMENTS

Consolidated 2021 £'000	Board 2021 £'000		Note	Consolidated 2022 £'000	Board 2022 £'000
22,444		UK equities & investment trusts		36,616	0
30,695		Non UK equities & investment trusts		41,326	0
10,537		Fixed Interest securities		6,470	0
35,867	2,090	Other		6,224	2,210
99,543	2,090	TOTAL	SoFP	90,636	2,210
86,601	2,096	At 1 April		99,543	2,090
22,025		Additions	CFS	23,868	0
0	0	GP Loans advances		328	328
(22,354)	(6)	Disposals		(37,156)	(39)
0	0	GP Loans Fair Value Adjustment Revaluation (deficit)/surplus transferred to equity	2a	(169)	(169)
13,271				4,222	0
99,543	2,090	At 31 March		90,636	2,210
0	0	Current	SoFP		
99,543	2,090	Non-current	SoFP	90,636	2,210
99,543	2,090	At 31 March		90,636	2,210
		Other Financial Assets available for sale comprise:			
	33	Loans to Hub South East Scotland Limited			33
	33				33

The Edinburgh & Lothian Health Foundation (ELHF) has a pooled investment portfolio with NHS Lanarkshire which is managed by independent investment managers, Schroders. These investments are categorised as level 1 in accordance with IFRS13. Only the ELHF share of the investments is recorded within the Foundations' Financial Statements and is included within the consolidated Board statements. At year end 2021/22 there were investments of £84,412k and cash awaiting investment £299k. The NHS Lanarkshire share was 6.03% of the total portfolio managed by Casenove (Schroders). ELHF also holds investment properties of £3,715k these are solely owned by ELHF.

The investments in the shares of Hub South East Scotland Limited are unlisted and are denominated in UK pounds sterling. These investments are categorised as level 2 in accordance with IFRS13 and are valued at cost less impairment. The loan to Hub South East Scotland Limited is also denominated in UK pounds sterling.

The Board owns 11.11% of the share capital of Hub South East Scotland Limited and holds its shares alongside 9 public and private sector partners, including the Scottish Futures Trust, a company controlled by Scottish Ministers. The Board has made a loan of £33k to Hub South East Scotland Limited, and also advanced a further £267k to its public sector partners, to enable them to finance the initial working capital requirements of Hub South East Scotland Limited.

NHS Lothian is entitled to recover the full economic cost of activity in support of Hub South East Scotland and has no requirement to under-write any reported trading losses of these companies. The carrying value of the investment is cost less impairment as there is no active market for the equity investment in Hub South East Scotland Limited.

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11. CASH AND CASH EQUIVALENTS

	Note	At 01/04/21 £'000	Cash Flow £'000	At 31/03/22 £'000
Government Banking Service account balance		17,202	(5,465)	11,737
Cash at bank and in hand		69	17	86
Endowments		4,732	(360)	4,372
Total cash – balance sheet	SoFP	22,003	(5,808)	16,195

		At 01/04/20 £'000	Cash Flow £'000	At 31/03/21 £'000
Government Banking Service account balance		49,355	(32,153)	17,202
Cash at bank and in hand		70	(1)	69
Endowment cash		4,471	261	4,732
Total cash – balance sheet		53,896	(31,893)	22,003

Cash at bank is with major UK banks. The credit risk associated with cash at bank is considered to be low.

12. TRADE AND OTHER PAYABLES

Consolidated 2021 £'000	Board 2021 £'000		Note	Consolidated 2022 £'000	Board 2022 £'000
Payables due within one year					
NHS Scotland					
362	362	Scottish Government Health & Social Care Directorate			
6,352	6,352	Boards		4,644	4,644
6,714	6,714	Total NHS Scotland Payables		4,644	4,644
709	709	NHS Non-Scottish Bodies		645	645
17,271	17,271	General Fund Payable		11,823	11,823
25,619	25,619	FHS Practitioners		29,043	29,043
3,552	3,378	Trade Payables		5,730	5,723
192,588	190,123	Accruals		163,989	161,471
22,629	22,629	Deferred Income		22,034	22,034
14,790	14,790	Net obligations under PPP/PFI Contracts	18b	16,493	16,493
25,416	25,416	Income tax and social security		26,919	26,919
20,605	20,605	Superannuation		21,579	21,579
(4,866)	(4,866)	Other Public Sector Bodies		119,225	119,225
2,524	2,524	Other payables		1,764	1,764
26,553	26,553	Employee Benefits		33,509	33,509
1,787	1,787	Pay and Conditions Accrual		1,787	1,787
31,807	31,807	Capital Accruals		13,937	13,937
387,698	385,059	Total Payables due within one year	SoFP	473,121	470,596
Payables due after more than one year					
16,492	16,492	Net obligations under PPP/PFI Contracts due within 1-2 years	18b	18,414	18,414
61,742	61,742	Net obligations under PPP/PFI Contracts due after 2 years but within 5 years	18b	68,811	68,811
295,446	295,446	Net obligations under PPP/PFI Contracts due after 5 years	18b	269,962	269,962
		NPDs		153	153
373,680	373,680	Total Payables due after more than one year	SoFP	357,340	357,340
761,378	758,739	TOTAL PAYABLES		830,461	827,936

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12. TRADE AND OTHER PAYABLES (continued)

Consolidated 2021 £'000	Board 2021 £'000		Consolidated 2022 £'000	Board 2022 £'000
		Borrowings included above comprise:		
388,470	388,470	PFI Contracts	373,680	373,680
388,470	388,470		373,680	373,680
		The carrying amount and fair value of the non-current borrowings are as follows:		
		Carrying amount		
373,680	373,680	PFI Contracts	357,187	357,187
373,680	373,680		357,187	357,187
		Fair value		
		Finance Leases		
373,680	373,680	PFI Contracts	357,187	357,187
373,680	373,680		357,187	357,187

The carrying amount of short term payables approximates to their fair value and is denominated in Pounds.

13a. PROVISIONS – CONSOLIDATED

2021 £'000		Pensions & similar obligations £'000	Clinical & Medical Negligence £'000	Participation in CNORIS £'000	Other £'000	Total £'000
269,587	At 1 April 2021	24,425	116,363	125,585	4,017	270,390
23,814	Arising during the year	1,297	29,187	5,193	647	36,324
(14,691)	Utilised during the year	(1,592)	(21,538)	(3,270)	(451)	(26,851)
(16)	Unwinding of discount	(21)	0	0	0	(21)
(8,304)	Reversed unutilised	(652)	(29,330)	0	(206)	(30,188)
270,390	At 31 March 2022	23,457	94,682	127,508	4,007	249,654

The amounts shown above in relation to Clinical & Medical Claims against NHS Lothian are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in Note 9.

Other provisions include an amount of £4,007k for non-medical CNORIS.

Analysis of expected timing of discounted cash flows:

2021 £'000		Pensions & similar obligations £'000	Clinical & Medical Negligence £'000	Participation in CNORIS £'000	Other £'000	Total £'000
61,139	Payable within one year	1,613	10,927	31,804	997	45,341
153,666	Payable between 2 -5 years		58,749	77,487	3,010	139,246
8,623	Payable between 6 – 10 years		3,271	6,592		9,863
46,962	Thereafter	21,844	21,735	11,625	0	55,204
270,390	At 31 March 2022	23,457	94,682	127,508	4,007	249,654

Pensions and similar obligations

The board meets the additional cost of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the expected share of payments over the remaining lives of the former employees, discounted by the Treasury discount rate of -1.30% (2020/21: -0.95%). The Board expects expenditure to be charged to this provision for a period of up to 30 years.

Clinical & Medical Negligence

The Board holds a provision to meet the costs of all outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. The provision contains sums for settlement awards, legal expenses and third party costs. Clinical and medical negligence cases lodged can be extremely complex. It is expected that expenditure will be charged to this provision for up to 10 years. The amounts disclosed are stated gross and the amount of any expected reimbursements from the Clinical Negligence and Other Risks Insurance Scheme (CNORIS) is shown separately as receivables in Note 9 to the accounts. Reimbursements yet to be received are included in current and long term trade receivables.

13b. CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)

2021 £'000		Note	2022 £'000
120,380	Provision recognising individual claims against the NHS Board as at 31 March	13a	98,689
(117,748)	Associated CNORIS receivable at 31 March	9	(98,512)
125,585	Provision recognising the NHS Board' liability from participating in the scheme at 31 March	13a	127,508
128,217	Net Total Provision relating to CNORIS at 31 March		127,685

The Clinical Negligence and Other Risks Scheme (CNORIS) has been in operation since 2000. Participation in the scheme is mandatory for all NHS boards in Scotland. The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value less than this are met directly from within boards' own budgets. Participants e.g. NHS boards contribute to the CNORIS pool each financial year at a pre-agreed contribution rate based on the risks associated with their individual NHS board. If a claim is settled the board will be reimbursed by the scheme for the value of the settlement, less a £25k "excess" fee. The scheme allows for the risk associated with any large or late in the financial year legal claims to be managed and reduces the level of volatility that individual boards are exposed to.

When a legal claim is made against an individual board, the board will assess whether a provision or contingent liability for that legal claim is required. If a provision is required then the board will also create an associated receivable recognising reimbursement from the scheme if the legal claim settles. The provision and associated receivable are shown in the first two lines above. The receivable has been netted off against the provision to reflect reimbursement from the scheme.

As a result of participation in the scheme, boards should also recognise that they will be required to make contributions to the scheme in future years. Therefore a second provision that recognises the board's share of the total CNORIS liability of NHS Scotland has been made and this is reflected in third line above.

Therefore there are two related, but distinct provisions required as a result of participation in the scheme. Both of these provisions as well as the associated receivable have been shown in the note above to aid the reader's understanding of CNORIS.

Further information on the scheme can be found at: <http://www.clo.scot.nhs.uk/our-services/cnoris.aspx>

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14. Contingent Liabilities

The following contingent liabilities have not been provided for in the Accounts:

2021 £'000		2022 £'000
157,289	Clinical and medical compensation payments	146,473
<u>496</u>	Other	<u>649</u>
157,785		147,122

The following contingent assets have not been provided for in the Accounts:

2021 £'000		2022 £'000
(155,815)	Clinical and medical negligence contingent assets	(145,315)

In the normal course of business, medical incidents may have occurred but may not yet be reported to the Board and so cannot be quantified with sufficient degree of certainty to allow an assessment to be made as to whether or not provision is required. Accordingly no provision has been reported in these Accounts.

Other non-quantifiable contingent liabilities

So far as the members are aware, the Board has not entered into any guarantee arrangement, indemnity nor provided any letter of comfort which would give rise to a contingent liability within the meaning of IAS 37.

15. Events After the Reporting Period

There were no Post Balance Sheet date events having a material effect on the accounts.

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16. COMMITMENTS – CONSOLIDATED

(a) Capital Commitments

The Board have the following capital commitments which have not been provided for in the accounts:

2021		2022
£'000	Contracted	£'000
364	Radiotherapy Replace Programme	0
489	Haematology	0
349	Medical Equipment	1,320
113	Royal Hospital for Sick Children and DCN project	0
101	Energy Infrastructure Phase 2	0
58	Autism Hub	0
571	Oncology Enabling Projects	0
126	WGH Clinical Trials	0
0	Gynae Ambulatory Care	1,722
0	Lauriston Pharmacy	422
0	Fire Alarm Compliance	1,053
0	Paep Reprovision	35
0	Facilities Asset Replacement	408
0	SJH Bodystore	195
218	Other Commitments	262
2,389		5,417
	Authorised but not Contracted	
2,795	Cockenzie	1,221
2,914	Ihs Panmure	0
0	Esmac – St Kats	3,163
2,263	HEPMA - Electronic Prescribing	1,259
467	Haematology	0
738	Hsdu Trak and Traceability	428
741	Digital Devices	0
600	Anti-Ligature Works	600
1,521	West Edin Primary Care Provision	450
18,377	Oncology Enabling Projects	10,657
3,306	Decant Capacity at RIE	0
3,000	Additional Linacc	3,000
2,160	ICU Clinical Info System	2,160
151	Energy Infrastructure Phase 2	1,199
3,446	Meadows Primary Care Provision	895
2,879	Radiotherapy Replace Programme	3,181
	Gynae Ambulatory Care	877
	Lauriston Pharmacy	988
45	Other Schemes	0
45,403	Total	30,078

(b) Other financial commitments

The Board has no other financial commitments

(c) Financial Guarantees, Indemnities and Letters of Comfort

The Board has not entered into any quantifiable guarantee, or indemnity or letter of comfort arrangement which would require evaluation under IAS 39.

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Total future minimum lease payments under operating and finance leases are given in the table below for the each of the following periods.

2021		2022
£'000	Operating Leases	£'000
	Buildings	
5,351	Not later than one year	5,147
5,344	Later than one year but not later than two years	5,040
14,282	Later than two but not later than five years	12,039
18,502	Later than five years	13,508
	Other	
2,072	Not later than one year	1,904
1,355	Later than one year but no later than two years	962
968	Between two and five years (inclusive)	2,958
	Amounts charged to Operating Costs in year were:	
6,655	Hire of equipment (including vehicles)	6,663
6,560	Other operating leases	5,980
13,215		12,643

18. PFI CONTRACTS – CONSOLIDATED

The Board has entered into the following on-balance sheet PFI contracts.

Name	Description of Scheme	Start Date	End Date	Estimated capital value £'000
Royal Hospital for Children and Young People Edinburgh & Department for Clinical Neurosciences	This facility is a new hospital for children and young people, integrating the department of clinical neurosciences into the same new build.	23/02/19	31/07/42	£129,650
Allermuir Health Centre	An integrated primary care facility, combining General Practice and NHS community health services in the Firrhill area of Edinburgh	25/09/17	24/09/42	£6,480
Blackburn Partnership Centre	This facility includes health and social care services as well as community services for local residents	22/09/17	21/09/42	£8,523
Pennywell All Care Centre	A joint development between NHS Lothian and the City of Edinburgh Council, providing health and social care services for the local community	23/10/17	22/10/42	£11,795
East Lothian Community Hospital	The project includes all services provided previously in Roodlands and Herdmanflat Hospitals and also supports patients previously in Haddington and Crookston Care Homes, and Midlothian Community Hospital.	Phase 1 – 10/02/17 Phase 2 – 23/02/18 Phase 3 – 28/10/19	30/08/44	£55,318
Royal Edinburgh Hospital Phase 1	This service provides 185 beds for both mental health services and a national acquired brain injury service	05/12/16	04/12/41	£49,631
Royal Infirmary of Edinburgh	Acute teaching hospital facilities	01/11/01	30/05/53	£188,410
Midlothian Community Hospital	This provides 88 beds for frail elderly and dementia patients, outpatient clinics and a base for CHP led community activities	01/09/10	31/08/40	£18,957
Ellens Glen	This service provides 60 bedded facility for frail elderly and dementia patients.	01/10/96	01/11/29	£2,827
Findlay House	This service provides 60 bedded facility for frail elderly and dementia patients in the grounds of the Eastern General Hospital	01/11/99	12/06/33	£3,400
Tippethill	This service provides 60 bedded facility for frail elderly and dementia patients at Whitburn	13/06/03	05/09/25	£2,489
Bathgate Primary Care Centre	This service provides a Primary Care Centre which accommodates 3 GP Practices and the CHP's community activities in the locality.	06/09/00	30/09/26	£1,818

The balance of the risks and rewards of ownership of on balance sheet PFI/PPP property are borne by the Board and included in the Board's accounts as property. The liability to pay for the property is in substance a finance lease obligation. Contractual payments therefore comprise two elements: imputed finance lease charges and service charges. The imputed finance lease obligations are as follows:

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Under IFRIC 12 the asset is treated as an asset of the Board and included in the Board's accounts as a non current asset. The liability to pay for the property is in substance a finance lease obligation. Contractual payments therefore comprise two elements; imputed finance lease charges and service charges. The imputed finance lease obligation is as follows:

Total obligations under on-balance sheet PFI / PPP / Hub contracts for the following periods comprises:

2021	Gross Minimum Lease Payments	Primary Care facilities	Midlothian Community	RIE Little France	P1 Royal Edinburgh	Allermuir Health Centre	Blackburn Partnership	Pennywell All Care Centre	ELCH	RHCYP & DCN	2022 TOTAL
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
57,160	Rentals due within 1 year	1,803	1,430	32,617	3,162	568	443	813	4,511	12,471	57,818
57,160	Due within 1 to 2 years	1,803	1,430	32,617	3,162	568	443	813	4,511	12,471	57,818
171,043	Due within 2 to 5 years	4,476	4,291	97,852	9,487	1,704	1,329	2,438	13,532	37,414	172,523
612,298	Due after 5 years	4,191	19,444	191,714	46,371	8,845	6,917	12,650	78,556	191,240	559,928
897,660	Total	12,273	26,595	354,800	62,182	11,685	9,132	16,714	101,110	253,596	848,087

2021	Less Interest Element	Primary Care facilities	Midlothian Community	RIE Little France	P1 Royal Edinburgh	Allermuir Health Centre	Blackburn Partnership	Pennywell All Care Centre	ELCH	RHCYP & DCN	2022 TOTAL
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
(42,370)	Rentals due within 1 year	(1,234)	(926)	(22,482)	(2,256)	(413)	(198)	(511)	(3,490)	(9,815)	(41,325)
(40,667)	Due within 1 to 2 years	(1,173)	(907)	(21,012)	(2,197)	(403)	(191)	(496)	(3,420)	(9,605)	(39,404)
(109,301)	Due within 2 to 5 years	(2,757)	(2,598)	(51,929)	(6,193)	(1,139)	(529)	(1,391)	(9,790)	(27,386)	(103,712)
(316,852)	Due after 5 years	(2,066)	(8,618)	(137,347)	(17,172)	(3,379)	(1,426)	(3,958)	(33,466)	(82,534)	(289,966)
(509,190)	Total	(7,230)	(13,049)	(232,770)	(27,818)	(5,334)	(2,344)	(6,356)	(50,166)	(129,340)	(474,407)

2021	Present value of minimum lease payments	Note	Primary Care facilities	Midlothian Community	RIE Little France	P1 Royal Edinburgh	Allermuir Health Centre	Blackburn Partnership	Pennywell All Care Centre	ELCH	RHCYP & DCN	2022 TOTAL
£000			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
14,790	Rentals due within 1 year	12	569	504	10,135	906	155	245	302	1,021	2,656	16,493
16,493	Due within 1 to 2 years	12	630	523	11,605	965	165	252	317	1,091	2,866	18,414
61,742	Due within 2 to 5 years	12	1,719	1,693	45,923	3,294	565	800	1,047	3,742	10,028	68,811
295,446	Due after 5 years	12	2,125	10,826	54,367	29,199	5,466	5,491	8,692	45,090	108,706	269,962
388,470	Total		5,043	13,546	122,030	34,364	6,351	6,788	10,358	50,944	124,256	373,680
388,470	Total commitments		5,043	13,546	122,030	34,364	6,351	6,788	10,358	50,944	124,256	373,680

Primary Care Facilities include the following properties: - Tippethill, Findlay House, Ellens Glen House, and Bathgate Primary Care.

2021	Imputed finance lease obligation under on-balance-sheet PFI/PPP contracts comprises:	2022
£'000		£'000
57,160	Rentals due within 1 year	57,818
57,159	Rentals due within 1 to 2 years	57,818
171,043	Rentals due within 2 to 5 years	172,523
612,298	Rentals due thereafter	559,928
897,660		848,087
(509,190)	Less interest element	(474,407)
388,470	Total	373,680

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The amount charged to the Statement of Comprehensive Net Expenditure in respect of costs relating to on balance sheet PFI contracts was as follows:

2021		2022
£'000		£'000
24,448	Service charges	25,419
44,584	Interest charges on finance lease debt	42,726
12,993	Principal repayment	14,790
82,025	Total	82,935

Contingent rents included within the interest charges were £7,411k (2020/21: £6,733k)

19. PENSION COSTS

2021		2022
£'000		£'000
167,134	Pension cost charge for the year	181,198
24,425	Provisions/Liabilities/Pre-payments included in the Statement of Financial Position	23,457

The NHS Board participates in the NHS Superannuation Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an employer contribution rate from 1 April 2019 of 20.9% of pensionable pay and an anticipated yield of 9.6% employees' contributions.

The NHS board has no liability for other employer's obligations to the multi-employer scheme.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme.

It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the NHS board is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution of £181.2m were payable to SPPA (2020/21 £167.1m) at the rate of 20.9% of pensionable pay for the period from 1 April 2022 (2020/21 20.9%). The employee rate applied is variable and is anticipated to provide an actuarial yield of 9.6% of pensionable pay.

While a valuation was carried out as at 31 March 2016, work on the cost cap valuation was suspended by the UK Government following the decision by the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that the transitional protections provided as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

The NHS board level of participation in the scheme is 14.33% based on the proportion of employer contributions paid in 2020/21.

Description of schemes

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member

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of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2017-18 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland)

This scheme closed to new joiners on 31 March 2015, but any benefits earned in either NHS 1995 or NHS 2008 sections are protected and will be paid at the section's normal pension age using final pensionable pay when members leave or retire. Some members who were close to retirement when the NHS 2015 scheme launched will continue to earn benefits in their current section. This may affect members who were paying into the scheme on 1 April 2012 and were within 10 years of their normal retirement age. Some members who were close to retirement but did not qualify for full protection will remain in their current section beyond 1 April 2015 and join the 2015 scheme at a later date.

All other members automatically joined the NHS 2015 scheme on 1 April 2015.

Further information is available on the Scottish Public Pensions Agency (SPPA) web site at www.sppa.gov.uk.

National Employment Savings Trust (NEST)

The Pensions Act 2008 and 2011 Automatic Enrolment regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. For those staff not entitled to join the NHS Superannuation Scheme (Scotland), the Board utilised an alternative pension scheme called NEST to fulfil its Automatic Enrolment obligations.

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £6,240 up to £50,000, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

Date	Employee Contribution	Employer Contribution	Total Contribution
1st March 2013	1%	1%	2%
1st October 2018	3%	2%	5%
1st October 2019	5%	3%	8%

Pension members can choose to let NEST manage their retirement fund or can take control themselves and alter contribution levels and switch between different funds. If pension members leave the Board they can continue to pay into NEST.

NEST Pension members can take money out of NEST at any time from age 55. If suffering from serious ill health or incapable of working due to illness members can request to take money out of NEST early. They can take the entire retirement fund as cash; use it to buy a retirement income or a combination. Additionally members can transfer their NEST retirement fund to another scheme.

NEST is run by NEST Corporation, a trustee body which is a non-departmental public body operating at arm's length from government and is accountable to Parliament through the Department for Work and Pensions.

20. RETROSPECTIVE RESTATEMENTS

There were no Prior year adjustments

21. FINANCIAL INSTRUMENTS - CONSOLIDATED

2021 £'000	AT 31 MARCH 2022	Note	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit / loss £'000	Total £'000
Assets per Statement of Financial Position					
99,543	Investments	10		90,636	90,636
24,970	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	18,490		18,490
22,003	Cash and cash equivalents	11	16,195		16,195
146,516			34,685	90,636	125,321
Financial liabilities at amortised cost					
Total £'000	Liabilities per Statement of Financial Position	Note		£'000	Total £'000
0	Finance lease liabilities	12		0	0
388,470	PFI Liabilities	12		373,680	373,680
297,544	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12		381,605	381,605
686,014				755,285	755,285

FINANCIAL INSTRUMENTS – Board

2021 £'000	AT 31 MARCH 2022	Note	Financial assets at fair value through OCI £'000	Financial assets at fair value through profit / loss £'000	Total £'000
Assets per Statement of Financial Position					
2,090	Investments	10		2,210	2,210
24,970	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	18,177		18,177
17,271	Cash and cash equivalents	11	11,823		11,823
44,331			30,000	2,210	32,210
Financial liabilities at amortised cost					
Total £'000	Liabilities per Statement of Financial Position	Note		£'000	Total £'000
	Finance lease liabilities	12		0	0
388,470	PFI Liabilities	12		373,680	373,680
294,905	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12		379,080	379,080
683,375				752,760	752,760

Financial Risk Factors

Exposure to Risk

The NHS Board's activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due
- Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments
- Market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements of foreign exchange rates.

Because of the largely non-trading nature of its activities and the way in which government departments are financed, the NHS Board is not exposed to the degree of financial risk faced by business entities.

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The Board provides written principles for overall risk management, as well as written policies covering:

i) Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and other institutions, only independently rated parties with a minimum rating of 'A' are accepted. Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the NHS Board. The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the reporting period and no losses are expected from non-performance by any counterparties in relation to deposits.

ii) Liquidity Risk

The Scottish Parliament makes provision for the use of resources by the NHS Board for revenue and capital purposes in a Budget Act for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Budget Act. The Act also specifies an overall cash authorisation to operate for the financial year. The NHS Board is not therefore exposed to significant liquidity risks.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	TOTAL
PFI Liabilities	16,493	18,414	68,811	269,962	373,680
Trade and other payables excluding statutory liabilities	379,080				379,080
At 31 March 2022 (£'000)	395,573	18,414	68,811	269,962	752,760
At 31 March 2021 (£'000)	309,695	16,492	61,742	295,446	683,375

iii) Market Risk

The NHS Board has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the NHS Board in undertaking its activities.

Cash flow and fair value interest risk

The NHS Board has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of changes in market interest rates.

Foreign Currency Risk

The NHS Board is not exposed to foreign exchange rates except through occasional ad-hoc settlement of purchase liabilities denominated in non-sterling currencies. The Foundation holds non Sterling equities and bonds and is therefore exposed to foreign currency risk.

Price risk

The NHS Board is not exposed to equity security price risk.

Fair Value Estimation

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on future projected cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

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The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current HM Treasury interest rate that is available for similar financial instruments

22. Derivative Financial Instruments and Forward Currency Exchange Contracts

At 31 March 2022 there were no principal amounts outstanding in respect of forward currency exchange contracts and there were no amounts credited or charged to the Statement of Consolidated Comprehensive Net Expenditure in respect of gains or losses on such contracts in the year ended 31 March 2022.

23. THIRD PARTY ASSETS

The Board holds funds on behalf of those inpatients that are highly dependent and not capable of handling their financial affairs when admitted to and during their stay in hospital. Transactions made on behalf of such patients and residual funds are subject to regular audit. These are not departmental assets and are not included in the accounts. The assets held at the reporting period date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit. The amounts and movements in year are set out in the table immediately below.

	At 31 March 2021 £'000	Gross Inflows £'000	Gross Outflows £'000	At 31 March 2022 £'000
Bank balances and monies on deposit	1,080	861	(971)	970
Total Monetary Assets	1,080	861	(971)	970

24. RELATED PARTY TRANSACTIONS

The Board is required to disclose material transactions with related parties – entities or individuals that have the potential to control or influence the Board or be controlled or influenced by the Board.

- a) On 1 April 2015 a new Integration Joint Board (IJB) was established in each of the four local authority areas within the NHS Lothian boundary. These are distinct legal entities consisting of the NHS Lothian and the relevant local authority. Each IJB is responsible for planning and overseeing the delivery of a full range of community health and social work / social services, including those for older people, adults, children, and families. In the year 2021/22 the following financial transactions were made to each of the NHS Lothian IJB's relating to integrated and social care functions

	East Lothian Integration Joint Board		Edinburgh Integration Joint Board		Midlothian Integration Joint Board		West Lothian Integration Joint Board	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contribution made to IJB from NHS Lothian	156,160	143,606	677,164	621,642	127,824	122,648	248,063	226,787
Commissioning Income received from IJB	(146,427)	(136,829)	(629,045)	(598,938)	(121,552)	(120,076)	(232,792)	(224,420)
IJB balance due (to)/from NHS Lothian in year	9,733	6,777	48,119	22,704	6,272	2,573	15,271	2,367
Overall Reserve Balance held by NHSL for IJBs	18,782	9,049	70,823	22,704	11,899	5,626	17,638	2,367

- b) Lothian Health Board Endowment Fund is overseen by Trustees who are also Non-Executive Directors of the Board (as disclosed in the Remuneration Report on page 27) and is therefore a related party. Lothian NHS Endowment Fund is a registered Scottish Charity which expends donations for any NHS purpose and in accordance with the donor of the funds. During 21/22 the fund spent a total of £14.96m (2020/21: £6.38m), in support and in addition to, NHS funded supplies and services, including projects. NHS Lothian had a trading balance due from the Lothian NHS Endowment Fund of £178,950 as at 31 March 2022 (31 March 2021: £54,288).
- c) The Board enters into transactions with other Scottish Government and United Kingdom Government agencies and publicly funded bodies (such as Councils and educational institutions) in the ordinary course of its operations. These transactions take place at arm's length. Scottish Ministers issue instructions and

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guidance on special transactions between publicly funded bodies in areas such as property transfers and joint venture investments.

- d) By nature of the position of significant influence they hold, all Board Members are regarded as related parties of NHS Lothian, a full list of Board Members and their employee benefits is shown in the remuneration report on page 27.
- e) Mr George Gordon is a non-executive member of NHS Lothian (as notified in the remuneration report) and is Chair of the Edinburgh International Conference Centre. In 2021/22 the Edinburgh International Conference Centre was used as a Covid Vaccination Centre and as a result NHS Lothian made payments that amounted to £3,065,294. (2020/21: £1,363.323). There is no outstanding balance due to / from EICC from NHS Lothian at 31 March 2022.
- f) Mr Martin Fennelly Hill is a non-executive member of NHS Lothian (resigned 31/12/2021) and is a non-executive member of Scottish Environmental Protection Agency. In 2021/22 NHS Lothian made payments to Scottish Environmental Protection Agency in relation to health service provision that amounted to £79,308 (2020/21 £34,627). There is no outstanding balance due to/ from SEPA from NHS Lothian at 31 March 2022.

Website links to the Integration Joint Boards, Lothian Health Board Endowment Fund and Members Declarations of Interest can be found in the Accountability Report on page 15.

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25. GROUP STATEMENTS

LINKED STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE

(a) Group SOCNE	Group 2021	Note	Integrated Joint Board (Joint venture)							
			Board	Endowments	Intra Group adjustment	Edinburgh	West	East	Mid	Consolidated
	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Total income and expenditure									
1,240,765	Staff costs	3	1,308,708							1,308,708
	Other operating expenditure									
262,319	Independent Primary Care Services	3	279,312							279,312
408,424	Drugs and medical supplies		441,370							441,370
1,704,491	Other health care expenditure		1,806,018	3,995	10,909					1,820,922
3,615,999	Gross expenditure for the year		3,835,408	3,995	10,909					3,850,312
(1,450,108)	Less: operating income	4	(1,543,056)	(6,965)	1,391					(1,548,630)
(23,535)	Joint venture accounted for on an equity basis					(28,374)	(10,386)	(5,341)	(5,260)	(49,361)
2,142,356	Net Expenditure		2,292,352	(2,970)	12,300	(28,374)	(10,386)	(5,341)	(5,260)	2,252,321

The intercompany adjustments relate to removal of intercompany rental income to endowments from NHS Lothian £99k, and removal of grants to NHS Lothian £1,292k. Gains from Foundation investments of £3,299k have been recognised in the Endowment 'Operating income' line above.

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Linked Consolidated Group Statement of Financial Position

(b) Group Statement of Financial Position		Integrated Joint Board (Joint Venture)								
		Note	Board	Endowments	Intra Group adjustment	Edinburgh	West	East	Mid	Group
Group			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2021										
£'000										
Non-current assets:										
1,078,234	Property, plant, and equipment	SoFP	1,095,916	0						1,095,916
944	Intangible assets	SoFP	1,104	0						1,104
Financial assets:										
99,543	Investments	SoFP	2,210	88,426						90,636
28,659	Investments in Joint Ventures	25a	0	0	41,079	11,756	10,145	15,040		78,020
98,127	Trade and other receivables	SoFP	87,116	0						87,116
1,305,507	Total non-current assets		1,186,346	88,426	0	41,079	11,756	10,145	15,040	1,352,792
Current Assets:										
22,384	Inventories	SoFP	22,810	0						22,810
Financial assets:										
91,238	Trade and other receivables	SoFP	69,747	314						70,061
22,003	Cash and cash equivalents	SoFP	11,823	4,372						16,195
0	Investments	SoFP	0	0						0
1,955	Assets classified as held for sale	SoFP	0	0						0
137,580	Total current assets		104,380	4,686	0	0	0	0	0	109,066
1,443,087	Total assets		1,290,726	93,112	0	41,079	11,756	10,145	15,040	1,461,858
Current liabilities										
(61,139)	Provisions	SoFP	(45,341)	0						(45,341)
Financial liabilities:										
(387,698)	Trade and other payables	SoFP	(470,596)	(2,525)						(473,121)
(448,837)	Total current liabilities		(515,937)	(2,525)	0					(518,462)
994,250	Non-current assets plus/(less) net current assets/(liabilities)		774,789	90,587	0	41,079	11,756	10,145	15,040	943,396

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Non-current liabilities									
(209,251)	Provisions	SoFP	(204,313)	0					(204,313)
	Financial liabilities:								
(373,680)	Trade and other payables	SoFP	(357,340)	0					(357,340)
(582,931)	Total non-current liabilities		(561,653)	0	0	0	0	0	(561,653)
411,319	Assets less liabilities		213,136	90,587	0	41,079	11,756	10,145	15,040
	Taxpayers' Equity								
59,907	General fund	SoFP	(31,174)						(31,174)
222,836	Revaluation reserve	SoFP	244,310						244,310
28,659	Joint venture reserves	SoFP	0	0	41,079	11,756	10,145	15,040	78,020
99,917	Funds held on Trust	SoFP	0	90,587					90,587
411,319	Total taxpayers' equity		213,136	90,587	0	41,079	11,756	10,145	15,040

LINKED CONSOLIDATED GROUP CASHFLOWS

(c) Group Cashflows								
2021	2021	2021			2022	2022	2022	
Board	Endowment	Integration	Group	Cash flows from operating	Board	Endowment	Integration	Group
£'000	£'000	joint board	£'000	activities	£'000	£'000	joint board	£'000
(2,177,888)	11,997	23,535	(2,142,356)	Net operating cost	(2,292,352)	(9,330)	49,361	(2,252,321)
81,460	(13,271)	(23,535)	44,654	Adjustments for non-cash transactions	26,525	(4,058)	(49,361)	(26,894)
44,568		0	44,568	Add back: interest payable recognised	42,705	0	0	42,705
(160)	0	0	(160)	in net operating cost	(199)	0	0	(199)
0	(1,826)	0	(1,826)	Deduct: interest receivable recognised	0	(1,866)	0	(1,866)
92,581	3,245	0	95,826	in net operating cost	108,872	(56)	0	108,816
(1,959,439)	145	0	(1,959,294)	Movement in working capital				
				Net cash outflow from operating	(2,114,449)	(15,310)	0	(2,129,759)
				activities				
				Cash flows from investing activities				
(71,939)	0	0	(71,939)	Purchase of property, plant, and	(35,824)	0	0	(35,824)
(666)			(666)	equipment	(614)	0	0	(614)
0	(22,025)		(22,025)	Purchase of intangible assets	(328)	(23,868)	0	(24,196)
3,829	0		3,829	Investment Additions	17,336	0	0	17,336
0	20,314		20,314	Proceeds of disposal of property,		36,952	0	36,952
160	1,826		1,986	plant, and equipment	199	1,866	0	2,065
(68,616)	115	(68,501)	(68,501)	Receipts from sale of investment				
				Interest and dividends received	(19,231)	14,950	0	(4,281)
				Net cash outflow from investing				
				activities				
				Cash flows from financing activities				
2,085,617			2,085,617	Funding	2,191,175	0	0	2,191,175
(32,154)			(32,154)	Movement in general fund working	(5,448)	0	0	(5,448)
2,053,463			2,053,463	capital	2,185,727	0	0	2,185,727
(12,993)			(12,993)	Cash drawn down	(14,790)	0	0	(14,790)
16			16	Capital element of payments in	21	0	0	21
(44,584)			(44,584)	respect of finance leases	(42,726)	0	0	(42,726)
1,995,902	1,995,902	1,995,902	1,995,902	and on-balance sheet PFI contracts				
				Interest paid				
				Interest element of finance leases				
				and on-balance sheet PFI/PPP				
				contracts				
				Net Financing	2,128,232	0	0	2,128,232
(32,153)	260		(31,893)	Net Increase / (decrease) in cash	(5,448)	(360)	0	(5,808)
49,424	4,472		53,896	and cash equivalents in the period	17,271	4,732	0	22,003
17,271	4,732	22,003	22,003	Cash and cash equivalents at the	11,823	4,372	0	16,195
				beginning of the period				
				Cash and cash equivalents at the				
				end of the period				
				Reconciliation of net cash flow to				
(32,153)	260		(31,893)	movement in net debt/cash	(5,448)	(360)	0	(5,808)
49,424	4,472		53,896	Increase/(decrease) in cash in year	17,271	4,732	0	22,003
17,271	4,732	22,003	22,003	Net debt/cash at 1 April	11,823	4,372	0	16,195
				Net debt/cash at 31 March				

DIRECTIONS BY THE SCOTTISH MINISTERS

The Scottish Ministers, in exercise of their functions under section 86(1) and (3) of the National Health Service (Scotland) Act 1978, in relation to the functions of Health Boards in that section which apply to NHS Lothian by virtue of that Act, and all other powers enabling them to do so, hereby DIRECT that:

1. NHS Lothian must prepare a statement of accounts for each financial year in accordance with the accounting principles and disclosure requirements set out in the edition of the Government Financial Reporting Manual which is applicable for the financial year for which the statement of accounts is prepared.
2. In preparing a statement of accounts in accordance with paragraph 1, NHS Lothian must use the NHS Lothian Annual Accounts template which is applicable for the financial year for which the statement of accounts is prepared.
3. In preparing a statement of accounts in accordance with paragraph 1, NHS Lothian must adhere to any supplementary accounting requirements set out in the following documents which are applicable for the financial year for which the statement of accounts is prepared –
 - (a) The NHS Scotland Capital Accounting Manual,
 - (b) The Manual for the Annual Report and Accounts of NHS Boards and for Scottish Financial Returns, and
 - (c) The Scottish Public Finance Manual.
4. A statement of accounts prepared by NHS Lothian in accordance with paragraphs 1, 2 and 3, must give a true and fair view of the income and expenditure and cash flows for that financial year, and of the state of affairs as at the end of the financial year.
5. NHS Lothian must attach these directions as an appendix to the statement of accounts which it prepares for each financial year.
6. In these Directions –

“financial year” has the same meaning as that given by Schedule 1 of the Interpretation Act 1978,

“Government Financial Reporting Manual” means the technical accounting guide for the preparation of financial statements issued by HM Treasury,

“Manual for the Annual Report and Accounts of NHS Boards and for Scottish Financial Returns” means the guidance on preparing annual accounts issued to Health Boards by the Scottish Ministers,

“NHS Act 1978” means the National Health Service (Scotland) Act 1978 (c. 29),

“NHS Scotland Capital Accounting Manual” means the guidance on the application of accounting standards and practice to capital accounting transactions in the NHS issued by the Scottish Ministers,

NHS Lothian is a Health Board established under section 2(1) of the National Health Service (Scotland) Act 1978

“NHS Lothian Annual Accounts template” means the Excel spreadsheet issued to NHS Lothian by the Scottish Ministers as a template for their statement of accounts, and

“Scottish Public Finance Manual” means the guidance on proper handling and reporting of public funds issued by the Scottish Ministers.

7. Any expressions or definitions, where relevant and unless otherwise specified, take the meaning which they have in section 108 of the NHS Act 1978.
8. This Direction will come into force on the day after the day on which it is signed.
9. This Direction will remain in force until such time that it is varied, amended or revoked by a further Direction of the Scottish Ministers under section 86 of the NHS Act 1978.

A handwritten signature in black ink, appearing to read 'R. McC...' with a long horizontal flourish extending to the right.

Signed by the authority of the Scottish Ministers

Dated 22 March 2022