



**Annual Report and Accounts**

**Year ended 31<sup>st</sup> March 2021**

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## Annual Report

### Section A: The Performance Report

Lothian NHS Board provides healthcare for the residents of the local authority areas of East Lothian, Edinburgh, Midlothian, and West Lothian, as well as a wide range of specialist services for people from across Scotland. Within Lothian there is also an integration joint board ('IJB') for each local authority area. The IJBs are responsible for their delegated "integration functions", which are essentially adult social care, all adult community health care, and some hospital services for adults. The NHS Board also delegated to IJBs the responsibility for some services to people who are under 18 years of age.

The Board works with the Scottish Government, IJBs, community planning partnerships, other NHS bodies, and other organisations in the public sector. The Board agrees an Annual Operational Plan with the Scottish Government, and this details our approach to improving outcomes for the people we serve. The organisation is generally known as NHS Lothian, implementing strategies and plans of the NHS Board, the Scottish Government and IJBs. You can find key material on the [NHS Lothian website](#). 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 2020/21.

#### A Statement from our Chief Executive, Calum Campbell

COVID-19 has had a significant impact on the NHS. As at 30 March 2020 there had been 208 confirmed cases in Lothian, and by 27 April 2021 there had been 31,342 confirmed cases.

From the start of 2020/21 the health and care system in Lothian has been on an emergency footing. We cancelled all routine inpatient, day case treatment, and face-to-face outpatient appointments from 16 March 2020. We introduced 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, the Scottish Ambulance Service and the four health & social care partnerships throughout the year.

NHS Lothian previously developed a recovery plan for its overall performance, and this was put on hold. We initially developed mobilisation plans to set out how services would operate, including the development and embedding of new and innovative models of care. The pandemic did instigate a very rapid and significant level of service development while the world was still learning about the disease.

I chaired a GOLD Command management group which had responsibility for response to the pandemic, meeting at least twice a week throughout the year. The group included senior leaders from across the organisation, including the four health & social care partnership directors (who are also the Chief Officers of the IJBs). A series of SILVER tactical level groups looking at subjects (e.g. Personal Protective Equipment, Care Homes, Testing) supported the approach.

In May 2020 the Cabinet Secretary asked Executive Nurse Directors in NHS Boards to take on professional responsibility for infection prevention control, personal protective equipment, education and training and support around mutual aid. There are approximately 5,200 care home beds in 188 homes within Lothian, which is a mixture of older peoples' care homes, homes, and residential homes for young people, learning disabilities and mental health. In doing so there was an ask that governance arrangements be put in place to ensure that the Executive Nurse Director can assure the Board on the actions being undertaken to fulfil this function. It was agreed that the NHS Lothian Healthcare Governance Committee would receive bi-monthly reports on progress or risks needing to be managed.

Around the same time the Scottish Government also introduced its strategy of Test, Trace, Isolate and Support to underpin the long-term response and to introduce more effective management of community spread. NHS Lothian had to develop local plans and capacity to support this.

We recognised that plans had to be developed for providing services in the period before a vaccine was developed and plans for how to renew and re-build services for the post-vaccine phase. The Scottish Government asked all NHS Boards to develop a Remobilisation Plan for the period from August 2020 to March 2021. This plan set out a lot of detail but included the following strategic objectives for NHS Lothian during the pandemic: Protect and preserve life; Safeguard health, safety, and wellbeing of staff; Plan for increased mortality rates; Plan for maintenance of critical services; and Learn and adapt for early recovery.

The Remobilisation Plan 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 Plan 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.

The Medicines and Healthcare products Regulatory Agency approved two vaccines for use in December 2020. The Joint Committee on Vaccination and Immunisation identified nine priority groups for vaccination. What followed was a massive and complex logistical exercise involving both the UK and Scottish Governments, local public authorities, the Army, GPs, and care homes to develop and deliver the vaccines to those priority groups. NHS Lothian started the programme for the priority group, frontline health & social care staff on 8 December. This had many challenges including the storage requirements of the vaccines, the availability of vaccine at any point in time, the availability of staff and facilities, and the timing of the administering first and second doses to individuals. The programme for care home residents and staff started on 14 December, and the programme for over-80s on 11 January 2021. The earlier groups were scheduled and booked through local arrangements, and the later groups through a national scheduling and booking system. The Board received a report on 7 April 2021 which advised that as at 22 March, 41.9% of the Lothian population aged 16 or over had received their first dose.

This Performance Report includes some further detail on how the Board has performed in 2020/21. I would like to highlight the following:

<p><b>4- Hour Emergency Access Standard</b></p> <p>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%.</p>
<p>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’s performance information shows that the lowest was 81.8% in February 2021 and was 84.9% in March 2021. Throughout the year NHS Lothian’s performance was lower than that for NHS Greater Glasgow &amp; Clyde, Tayside, and Grampian, and the average for NHS Scotland.</p> <p>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. The lockdown restrictions also reduced the volume of people with minor needs presenting at the departments.</p>

There were 73,579 (25.9%) fewer attendances at NHS Lothian emergency departments in 2020/21 compared to 2019/20. This is mostly due to a fall in the number of people who 'self-present' at emergency departments. However, the number of attendances of people who were referred from primary care or brought by ambulance has returned to the level before the pandemic. This means that there is a larger proportion of people presenting at emergency department who have a high level of severity of illness, and fewer less complex patients who can be seen and treated quickly. The effect of this on the reported performance against the 4-hour is to lower it, however it is not a reflection of a decline in the quality of clinical care that is being provided.

The extent of the change means that it is not meaningful to compare the 2020/21 performance with previous years.

### **Cancer Services**

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 not met the 62-day standard. Public Health Scotland has published quarterly performance information for the first three quarters of 2020/21. NHS Lothian's performance was better than that for both 2018/19 and 2019/20. NHS Lothian's performance in the quarter ending December 2020 (88%) was better than the average for NHS Scotland (86.2%). However, it should be noted that NHS Lothian received 294 (16%) fewer referrals in the first three quarters of 2020/21 than the same period in 2019/20. This reduces the denominator which the number of new diagnoses is compared against, which creates a statistical improvement in performance.

Similarly, about the 31-day standard, Public Health Scotland quarterly performance reports show that NHS Lothian's performance was better than that for both 2018/19 and 2019/20. However, for each of the first three quarters of 2020/21 NHS Lothian's performance was marginally lower than that for NHS Scotland. NHS Lothian's performance for the quarter ending December 2020 was 98.2% (NHS Scotland 98.6%). It should be noted that NHS Lothian treated 151 (13.4%) fewer patients in the first three quarters of 2020/21 than the same period in 2019/20.

### **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.

Consequently, NHS Lothian's performance on the treatment time guarantee was lower than 2019/20. The whole of NHS Scotland experienced a similar drop in performance. Public Health Scotland quarterly performance reports show that NHS Lothian's performance was better than the NHS Scotland performance for each quarter: for the quarter ending December 2020 the NHS Lothian performance was 64.3%. Management information for the final quarter of the year shows an improvement in each of the final three months, with March 2021 being 67.3%.

**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 quarterly performance during 2019/20 ranged from 60.3% to 64.2%. For the first three quarters of 2020/21, NHS Lothian's performance was 24.4%, 41.6% and 44%. This was due to the cancellation of routine appointments at the start of the year.

Other NHS Boards had a similar drop in performance. NHS Lothian's performance in the quarter ending December 2020 (44%) was lower than the average for NHS Scotland (47.8%). However, NHS Lothian's performance is now closer to the NHS Scotland performance (47.8%) than was the case for the quarter ending March 2020 (NHS Lothian was 63.7% while NHS Scotland was 74.5%).

**Delayed Discharges**

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

The number of delayed discharges in NHS Lothian in 2020/21 was a historic low.

Historically NHS Lothian has accounted for a disproportionate number of delayed discharges in Scotland. Public Health Scotland performance information shows that in March 2018 NHS Lothian accounted for 36% of all delayed discharges in Scotland, with 311 delays. In February 2021 NHS Lothian had 66 delays, 14.9% of all delays in Scotland.

**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 2020, the NHS Scotland quarterly performance has been in a range from 60.6% to 73.6%. NHS Lothian's performance in that period has been in a range from 48.4% to 69.1%

There was a lower rate of referrals in the first half of 2020/21 than is normally the case. However, the performance throughout NHS Scotland was broadly comparable to previous years. Public Health Scotland's published data shows NHS Lothian's performance in the quarter ending December 2020 (66.6%) was lower than the overall NHS Scotland performance (73.1%). It was significantly lower than that of NHS Grampian (96.3%) and NHS Tayside (93.8%), both of which demonstrated a dramatic improvement on their historic performance levels.

**Psychological Therapies**

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

There was a lower rate of referrals in the first half of 2020/21 than is normally the case.

Public Health Scotland's published data shows NHS Lothian's performance in the quarter ending December 2020 (82.3%) was better than the overall NHS Scotland performance (80%). NHS Lothian's performance throughout the year was broadly comparable to its 2019/20 performance. NHS Greater Glasgow & Clyde's performance has been consistently better than NHS Lothian, and for the quarter ending December 2020 it was 88.7%.

The above performance summary shows that generally 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.

Before the pandemic NHS Lothian was on Level 3 of the Scottish Government's Performance Escalation Framework and with Scottish Government support, had developed a recovery plan to improve aspects of its performance. On 1 April 2020 the Scottish Government stated that NHS Lothian would remain on Level 3 however acknowledged that priorities would change considering COVID-19. The Scottish Government did say that there should still be a focus on getting delayed discharges as low as possible, returning the paediatrics inpatients service at St John's Hospital to a 24 hour 7-day a week service, and completing and opening the new Royal Hospital for Children & Young People / Department of Clinical Neurosciences. The above performance summary shows what was achieved with delayed discharges. I am delighted to report that from 19 October 2020, NHS Lothian re-established the 24/7 inpatient paediatric service at St John's Hospital. This followed work over many years which the Royal College of Paediatrics and Child Health praised in their review report as 'considerable and impressive efforts'. I am also delighted to report that the transfer of services to the new Royal Hospital for Children & Young People / Department of Clinical Neurosciences was completed on 23 March 2021. This new hospital provides world-class facilities to the people of Lothian, co-located with the Royal Infirmary of Edinburgh at Little France.

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. 2020/21 has truly been a unique year in terms of the scale and complexity of challenges which NHS Lothian staff have had to face, and they have done so to their tremendous credit.

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 than 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 £100m 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. The Scottish Government wrote to me on 2 April 2021 to advise that the Board was being placed on a lower level of its Performance Escalation Framework for scheduled and unscheduled care. 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. The effect of lowering the Board's position on the Performance Escalation Framework is that it reduces the level of Scottish Government funding and support which the Board would otherwise receive. 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.

### **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. At the end of 2020/21 NHS Lothian produced its third Remobilisation Plan for the financial year 2021/22. Given the fast-moving nature of the pandemic, it is likely that NHS Lothian will need to revisit the Plan mid-way through the year. The key priorities within the Plan are:

- Ensuring the effectiveness of COVID-19-specific programmes such as Test and Protect, Mass and Staff Vaccination, COVID-19 Assessment Pathways, support for the care home sector, and effective infection control measures to prevent nosocomial spread.
- Continuing to deliver life- and limb-preserving assessment, diagnosis, and treatment in unscheduled care programmes, cancer waiting times, transplant, child and adult protection, urgent mental health services, and equivalent programmes.
- Working to preserve and protect the health and wellbeing of all of our staff, from ensuring appropriate personal protective equipment, through access to testing, effective occupational health support, and into our staff wellbeing programmes, focussing on mental health support in particular.



## NHS Lothian

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NHS Lothian is acutely aware of the pressure COVID-19 has placed on its staff. Several steps have been taken to manage workforce capacity, capability, and welfare, including:

- ✓ Increasing capacity within support services and creating capacity for contact tracing and COVID-19 testing.
- ✓ Establishing a care home domiciliary care wrap-around service to support care homes.
- ✓ Expanding the Public Health Protection Team to support the ongoing response to COVID-19.
- ✓ Developing a nursing & midwifery pool of returning staff and nursing students to support the service at the main sites.
- ✓ Recruiting approximately 320 whole time equivalent staff to support the vaccination programme.
- ✓ Developing, with the support of the Edinburgh & Lothian's Health Foundation, a Staff Wellbeing Strategy. NHS Lothian launched the Strategy in March 2021.
- ✓ Psychological support has been a key part of the efforts to support staff during the year. The NHS Lothian Occupational Health Service has developed a psychological support service. The Foundation will fund a test of change which will allow the service to provide support in the short to medium term, while planning to provide the service in the long term.

The Board approved [Our Priorities for Continuous Improvement in February 2020](#) (before the pandemic), and while the world has significantly changed, the four high-level priorities are still relevant namely:

- ✓ Improving the Health of the Population
- ✓ Improving the Quality of Healthcare
- ✓ Improving Staff Experience
- ✓ Achieving Value and Sustainability

The Board approved the Corporate Management Team's objectives for 2021/22 on 7 April 2021. These are set out under the headings of the above Our Priorities, and factor the requirements of the Remobilisation plan, as well as recognising that there may be need for flexibility. The objectives cover nine broad themes:

1. Maintain the immediate public health response to the pandemic including the management of outbreaks, contact tracing and delivery of the vaccination programme.
2. Develop post- COVID-19 recovery strategies to mitigate against the impact of the pandemic on health inequalities, poverty, and place.
3. Support the recovery of scheduled care and contribute to a national discussion about the challenge the NHS faces in relation to elective waiting times. This includes the continued prioritisation of clinically urgent treatment and cancer care, as well as planning for a broader recovery process for services with the longest waiting-times.
4. Deliver national and locally driven redesign priorities across unscheduled care, including the scheduling of further urgent care through 111 and Call MIA services, whilst building community capacity and pathways to manage patients closer to home.
5. Continue to prioritise mental health and staff wellbeing services given the impact of the pandemic. This includes the implementation of waiting time recovery plans in psychological services and CAMHS services.
6. Embed and sustain the rapid growth in digital provision seen during the pandemic by strengthening existing digital infrastructure as well as online and virtual capabilities.
7. Develop a longer-term strategic plan for NHS Lothian, including future financial and capital plans considering the environmental sustainability agenda.
8. Continue to focus on staff wellbeing and experience through the development of a system wide staff strategy and Covid-19 workforce recovery plan; and
9. Manage the full opening of the Royal Hospital for Children and Young People (RHCYP) and commitments in relation to the associated Public Inquiry.

The Board recognises that it needs to carry out its activities sustainably. During 2020/21 NHS Lothian developed a [Sustainable Development Framework and Action Plan](#) which sets out in detail its objectives and plans to provide sustainable healthcare.

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](#)



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Throughout 2020/21 management have been reviewing the methodology and content of the Board’s corporate risk register. The Corporate Management Team agreed principles in February 2021 which aim essentially to ensure that risks are clearly defined and articulated, positioned at the right level of the organisation, and that there is clear ownership and management of those residual risks. The Board reviewed its Corporate Risk Register on 7 April 2021 and agreed the proposed changes to it, recognising that further review work will take place in 2021/22. Table 1 below summarises the risks on the Corporate Risk Register following that review.

**Table 1: Corporate Risk Register as at 7 April 2021**

Title	Risk Score	Title	Risk Score
GP workforce sustainability  (Note: This risk is to be reviewed as it is a long-standing risk.)	Very High	COVID 19: - Health of the population and the impact on NHS Lothian services.	Very High
Timely discharge of inpatients  (Note: This risk is to be reviewed to ensure that there is a focus on community capacity, and clear systems of control and ownership throughout NHS Lothian)	Very High	The scale or quality of the Board’s services is reduced in the future due to failure to respond to the financial challenge.  (Note: This risk is to be reviewed as it is a long-standing risk.)	Very High
Access to treatment – patient (clinical risk) (Note: This risk is to be reviewed to combine it with the current organisational risk for access to treatment.)	Very High	Access to treatment – organisation risk  (Note: This risk is to be reviewed to combine it with the current patient risk for access to treatment.)	Very High
There is a risk to patient safety and outcome of care due to unreliable, timely triage/assessment and treatment, and overcrowding leading to increased likelihood of patient harm at the Royal Infirmary of Edinburgh.  (Note: This risk will be combined with the risk for the 4-hour performance standard and reviewed to clearly state the plans to manage it.)	Very High	Unscheduled Care: 4-hour performance – organisation risk  (Note: This risk will be combined with the risk to the left.)	Very High
Nursing workforce – safe staffing levels	Very High	Care Homes	High
Delivery of Level 3 recovery plans  (Note: This risk is to be reviewed to reduce overlap with other risks which are related to performance.)	High	Water Safety (Legionella)	High
Bed Capacity in Acute Mental Health Services	High	Learning from Complaints  (Note this risk is to be reviewed so that it is set in the context of the corporate objectives and performance)	High
Facilities fit for purpose  (Note: This risk is to be reviewed to identify what risks are not being managed at an operational level.)	High	Violence and Aggression  (Note: This risk is to be reviewed to identify what risks are not being managed at an operational level.)	High
Roadways/ Traffic Management  (Note: This risk is to be reviewed to identify residual risks, owners, and action plans. The focus may be on the four main inpatient hospital sites)	High	Healthcare Associated Infection  (Note: This risk is to be reviewed to considering the related risks on the corporate risk register, such as water safety and facilities fit for purpose.)	High
BREXIT / Exit from the EU			Medium

**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://www.parliament.scot/chamber-and-committees/research-prepared-for-parliament>

The performance measures in this section use national and local data sources to present the Board’s 2020/21 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.

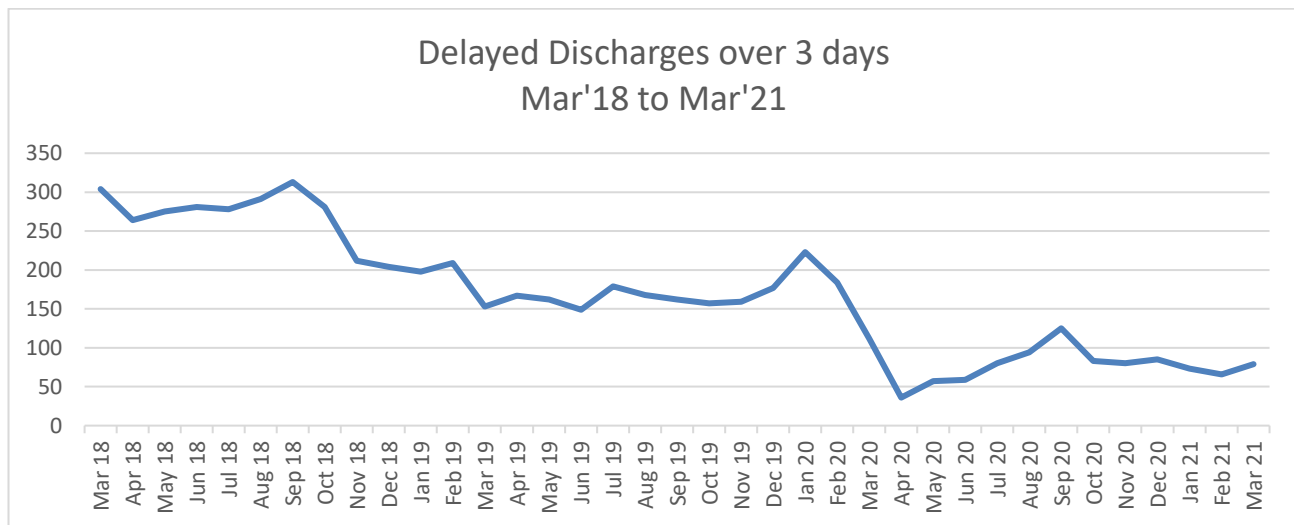
The IJBs also produce their own annual accounts and an [annual performance report](#).

**Delayed Discharges**

Timely discharge from hospital is an important indicator of quality. It is a marker for person-centred, effective, integrated and harm free care. A delayed discharge occurs when a patient who is clinically ready for discharge from inpatient hospital care continues to occupy a hospital bed beyond the date they are ready for discharge. This may happen when the individual cannot leave hospital because the other necessary care, support, or accommodation for them is not readily accessible, and/or funding is not available, for example to purchase a care home place. Delayed discharges affect patient activity throughout a hospital. If hospital beds are not available, this will affect the timely admission of a person who initially presented an emergency department (the 4-hour standard), and the capacity to meet the treatment time guarantee for inpatients and day cases.

The NHS Board and the four local authorities have delegated the responsibility for the health & social care functions which relate to delayed discharges to the four integration joint boards. NHS Lothian has an Unscheduled Care Board, which is taking a collaborative approach across the whole health & social care system in Lothian to deliver the Lothian Home First approach. The work is being taken forward with the IJB Chief Officers, supported by an infrastructure of delivery and oversight groups. Each health & social care partnership is establishing Home First teams.

Throughout 2020/21 there has been a continuation of the reduction in delayed discharges as illustrated below.



Across all adult acute sites there has been a focus on refreshing the discharge hub model and a focus on ‘patient not delay’ centred meetings which has improved joint working both across sites and with health & social care

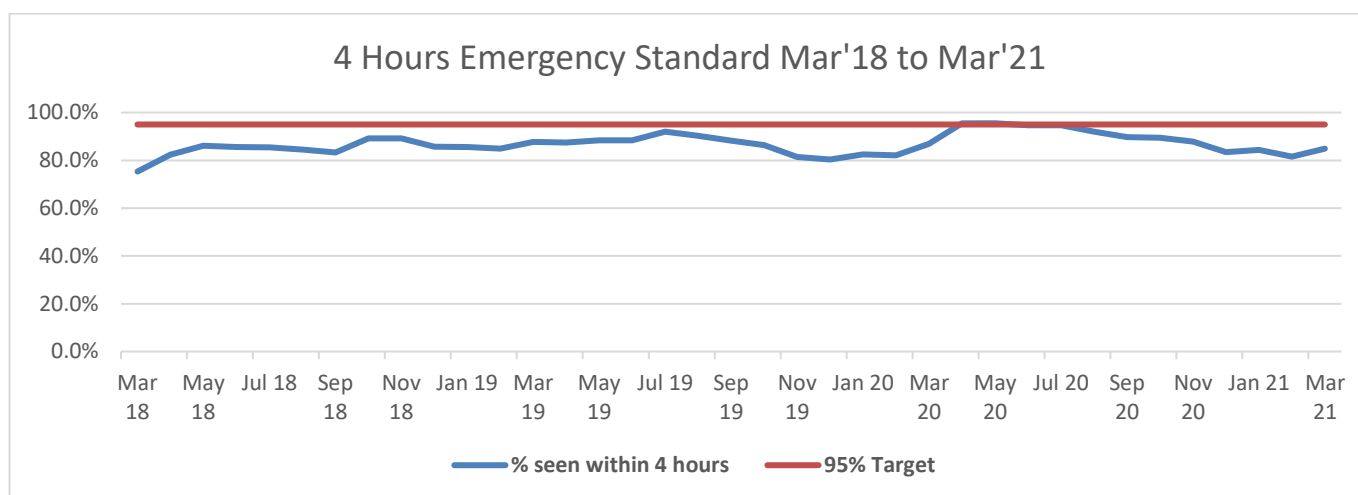
partnerships (HSCPs). A series of HSCP-led initiatives are currently underway to focus on specific cohorts of delayed patients in each area. The availability of workforce limits community capacity, and many of the initiatives involve bolstering existing community teams and services to provide the required support. Current management information suggests the key reasons for delays includes patient delays related to care required to live in their own home and in care or residential homes.

**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%.

Due to the pandemic the level of attendances at emergency departments in Scotland was significantly lower than normal years. Public Health Scotland data (6 April 2021) shows that in Lothian from April 2020 to February 2021 there were 191,204 attendances. In the same period in 2019/20 there was 265,944 attendances.

The introduction of measures to reduce the risk of COVID-19 infection does reduce the operational capacity of clinical departments. The chart below shows the trend in performance since March 2018.



**WAITING TIMES**

From mid-March 2020 in response to COVID-19, NHS Lothian cancelled 22,900 outpatient appointments and 1,223 inpatient and day case episodes in the month of March. In April 2020 there 1,297 cancelled inpatients and 31,781 cancelled outpatient appointments. The cancellations added a block of patients to the list of those waiting, and throughout the year the number of patients seen was much lower due to the COVID-19 restrictions.

Chart 1: NHS Lothian Inpatients and Day Cases Activity (Source: Public Health Scotland)

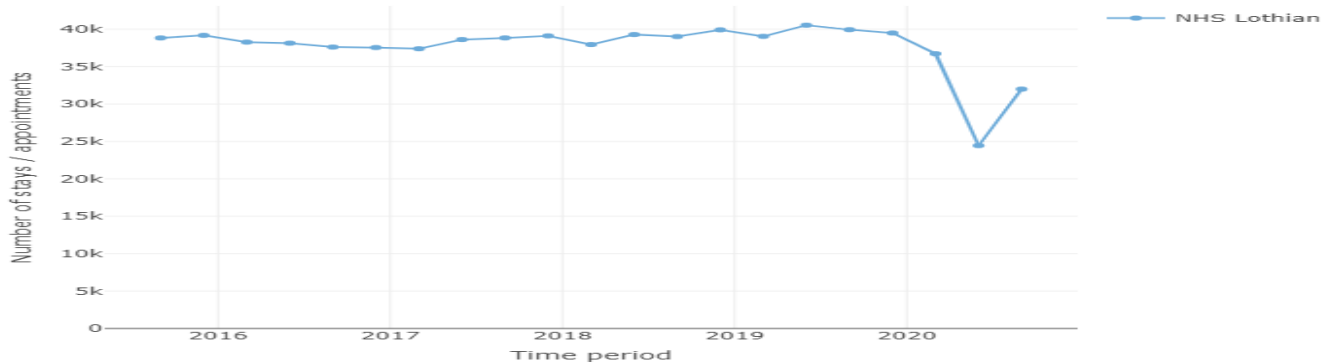
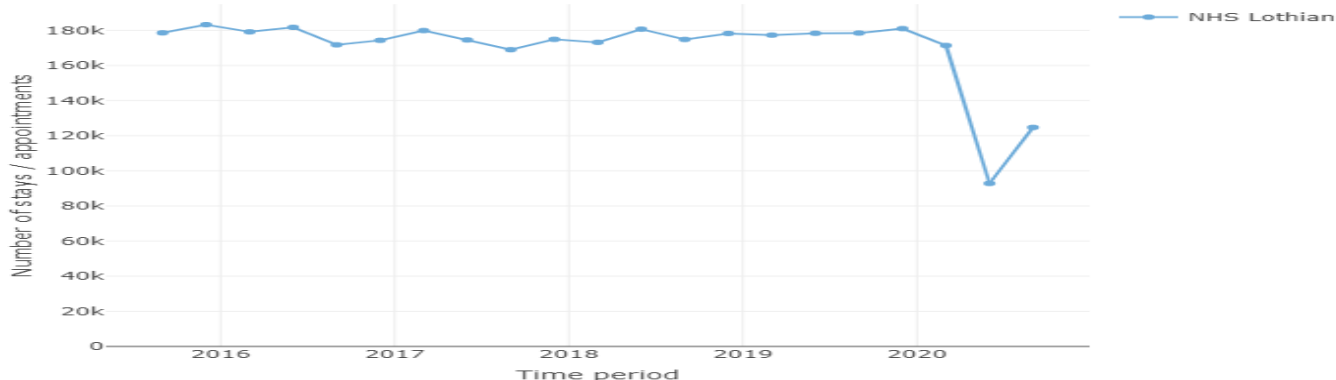


Chart 2: NHS Lothian All Outpatients Activity (Source: Public Health Scotland)

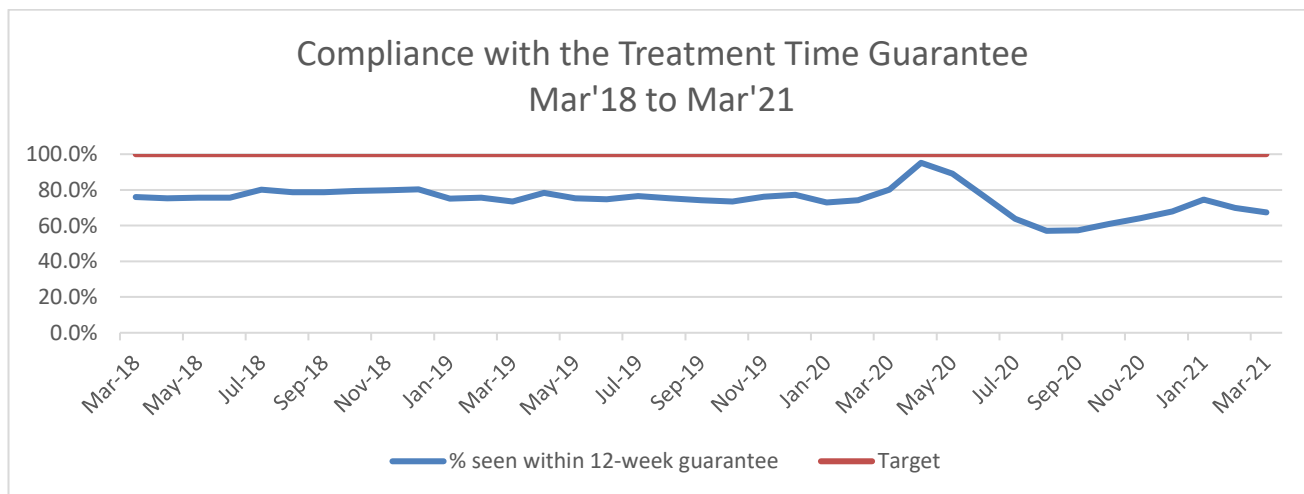
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At the end of March 2021, 62.3% of people waiting for inpatient or day case treatment had been waiting over 12 weeks. For comparison the monthly average in 2019/20 was 24.1% and in 2018/19 it was 20.6%. Similarly, for outpatients at consultant-led clinics, 52.9% of people waiting for an appointment had been waiting over 12 weeks. For comparison the monthly average in 2019/20 was 36.5% and in 2018/19 it was 35.7%.

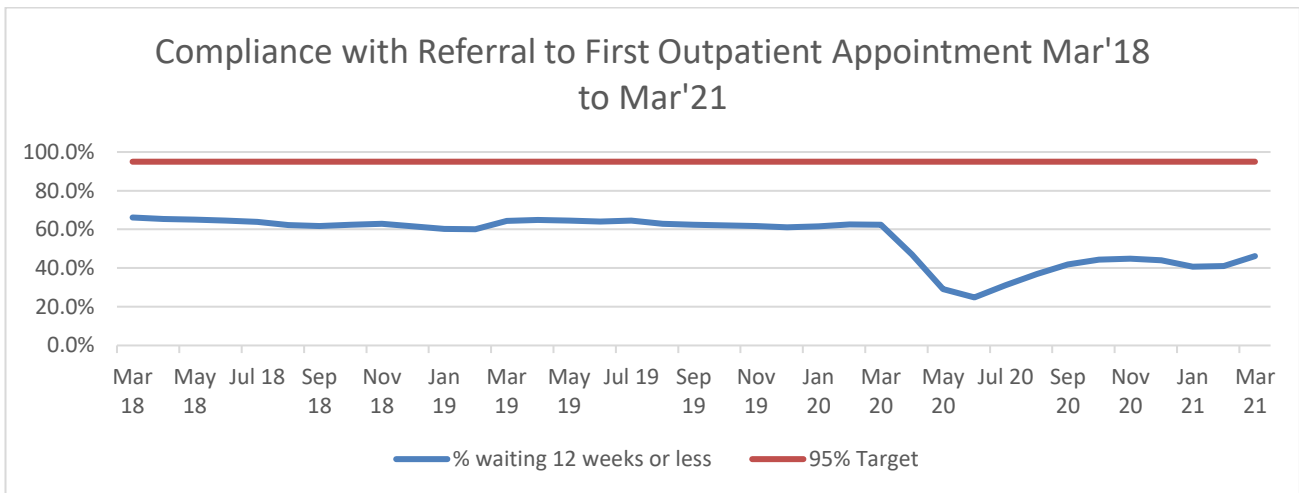
**Treatment Time Guarantee – Inpatients and Day Cases**

The Patients’ Rights (Scotland) Act 2011 created the treatment time guarantee. The guarantee gives a right to eligible patients to be treated within a maximum waiting time. The maximum waiting time is 12 weeks from when the patient agrees to the treatment. The eligible patients are those who are having pre-arranged, non-emergency inpatient and day case treatment. The Board must take all reasonably practical steps to comply with the guarantee. Where the Board cannot meet the guarantee, it must arrange to start the treatment at the next available opportunity and provide an explanation and information and support to the individual who is waiting.



**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 specialties of mental health, obstetrics, and homeopathy are excluded.



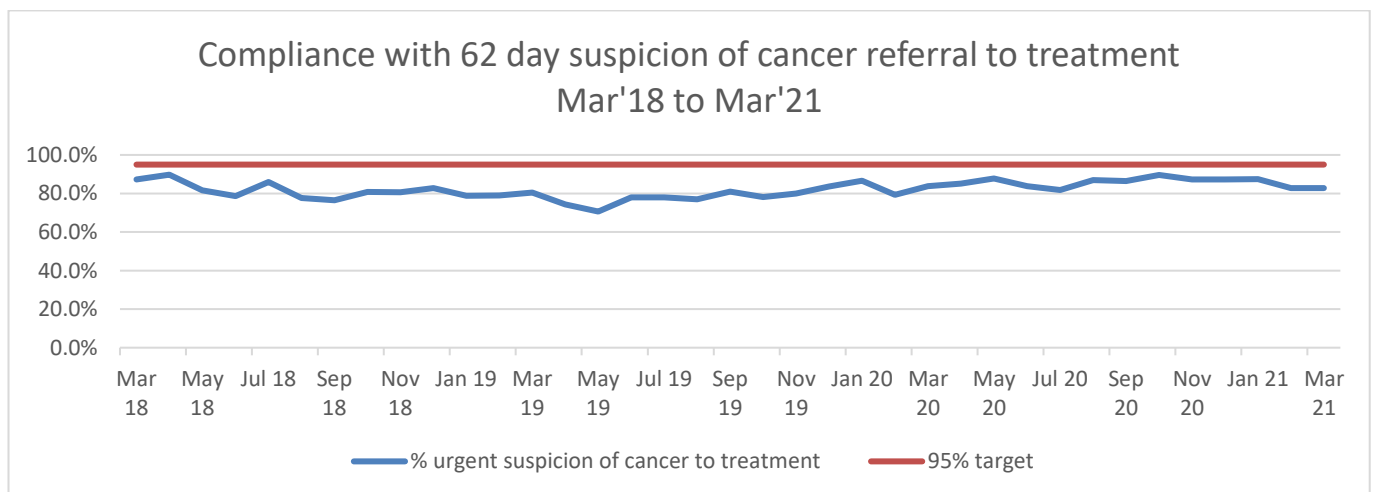
**Cancer Services**

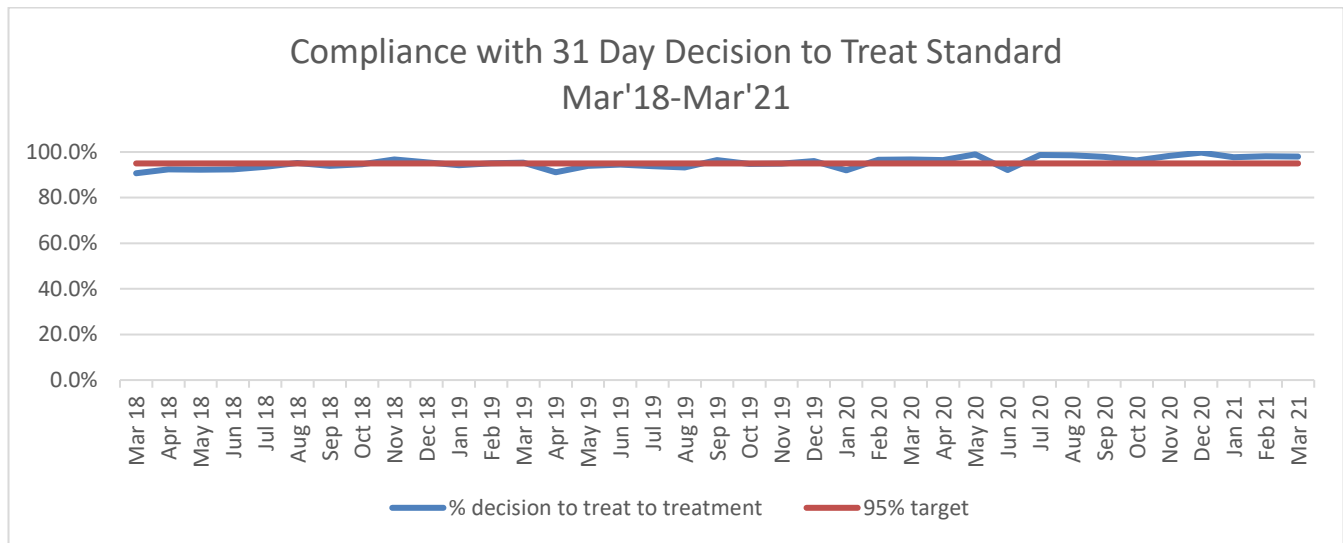
There are two specific cancer waiting times' standards. Both are for 95% compliance, as for some patients it may not be clinically appropriate to begin treatment within the timeframe.

62-day target from receipt of referral to start of treatment for newly diagnosed primary cancers. This applies to:

- Patients urgently referred with a suspicion of cancer by a primary care clinician
- Screened positive patients referred through a national cancer screening programme
- Direct referral to hospital (for example, self-referral to A&E)

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





**Healthcare Associated Infection**

In 2020/21 the Board has did not meet the required performance standards for healthcare associated infection.

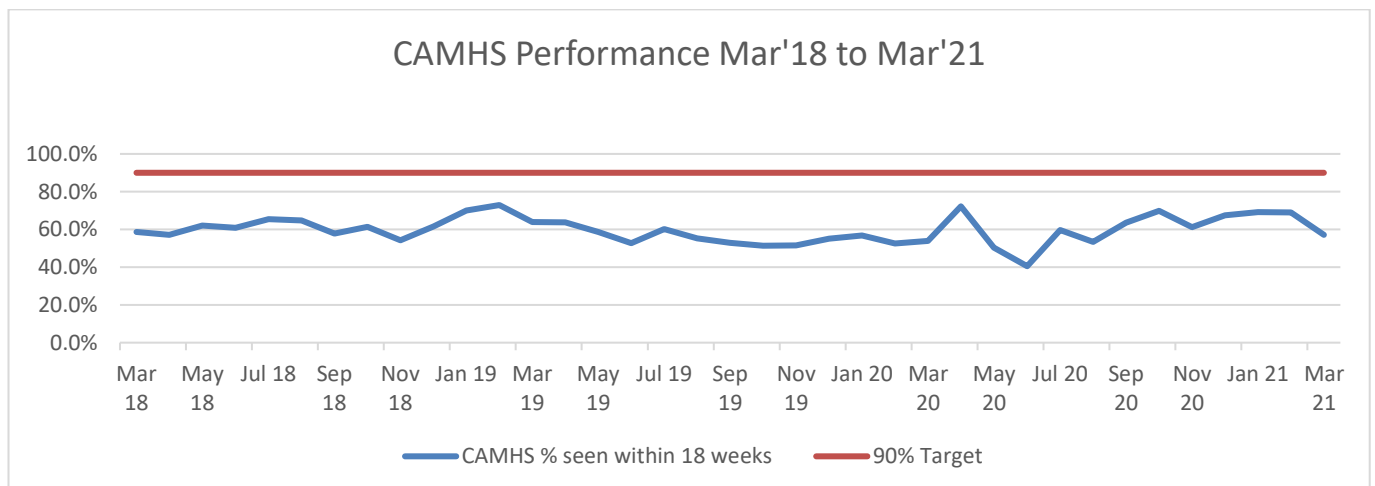
	Target Rate per 100,000 bed days	Actual Rate per 100,000 bed days
SaB	12.6 or less (less than 107 episodes)	13.9 (118 episodes)
CDI	11.8 or less (less than 100 episodes)	13.2 (112 episodes)
ECB	29.6 or less (less than 252 episodes)	31.4 (267 episodes)

The reduced level of admissions due COVID-19 has had a bearing on these performance measures because they calculated with reference to occupied bed days. The 2020/21 infection rates should be viewed in the context of fluctuating overall activity due to COVID-19. There are some instances where infection numbers have decreased or remained steady year-on year, however the reduced occupied bed days mean the calculated rate is higher.

**Child & Adolescent Mental Health Services ('CAMHS')**

These services work with children and young people and their parents or careers. NHS Lothian CAMHS provides specialist assessment/intervention as part of a tiered system, which can include consultation and advice prior to referral, and assessment appointment to establish clinical need and priority status. You can find more information about them on the [Board's website](#).

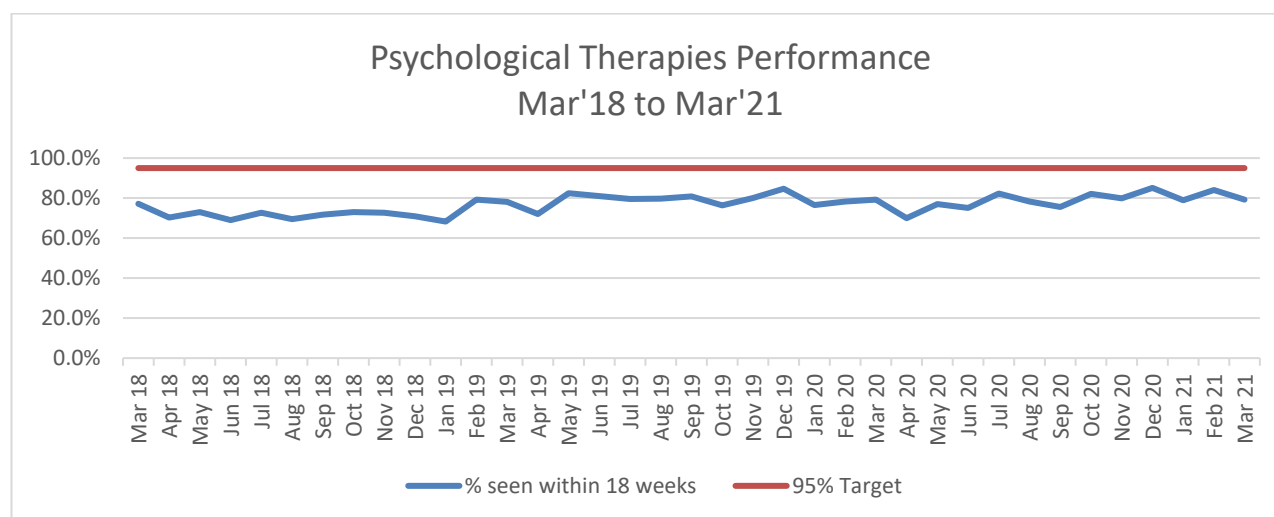
The performance standard is that 90% of young people should start treatment with the service within 18 weeks of referral.



The service has adapted to the current pandemic by introducing different treatment delivery methods, such as Near Me videoconferencing.

**Psychological Services**

The performance standard is that 90% of patients should start psychological therapy-based treatment within 18 weeks of referral. This standard relates to 'adult mental services'. This is an umbrella term in NHS Lothian, made up of multidisciplinary, high volume services, which deliver evidence-based psychological therapies within General Adult Mental Health Services and Specialist Adult Mental Health Services.



**Inpatient Paediatric Services at St John’s Hospital**

In August 2020 the Board agreed to re-instate the 24/7 paediatric inpatient services at St John’s Hospital from October 2020. This followed the Royal College of Paediatrics and Child Health publishing a report from its review of the service, commending NHS Lothian for its ‘considerable and impressive’ efforts to restore the service.

The recruitment of consultants and advanced nurse practitioners has allowed safe and sustainable staffing arrangements to be put in place. This means that any patients requiring to stay in hospital over the weekend can remain at St John’s, rather than transferring to the children’s hospital in Edinburgh.

**Royal Hospital for Children & Young People / Department of Clinical Neurosciences at Little France**

On 23 March 2021 the Royal Hospital for Sick Children at Sciennes was fully opened, as the transfer of children’s services to the new Royal Hospital for Children & Young People at Little France was completed. The full opening of the new hospital was a momentous occasion for Children’s Services in Lothian, as all patients can now benefit from the stunning and world-class facilities that it offers. While remedial work was being undertaken, throughout 2020/21 NHS Lothian steadily transferred services to the new hospital at Little France. The Department of Clinical Neurosciences and most children’s outpatient services moved in July 2020. Later in the year the Child & Adolescent Mental Health Services inpatients and some outpatient services moved there. The remaining children’s services moved in March.

The Royal Hospital for Children and Young People will deliver local, regional, and national services in some of the most modern and best-designed healthcare facilities in the world. With the new facilities connected to the Royal Infirmary of Edinburgh, paediatric care, specialist neonatal care, neurosciences and both emergency departments are now all on the same site. This reduces the need for emergency transfers between hospitals and ensures that our teams can share skills and expertise for the benefit of all our patients.

**2020/21 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.



## NHS Lothian

### ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021

The first two limits have been split between core and non-core elements. This has been done 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 2020/21 as summarised below:

	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (Over)/Under £'000
1	Core Revenue Resource Limit	1,983,910	1,982,582
	Non-Core Revenue Resource Limit	94,050	94,050
	Total Revenue Resource Limit	2,077,960	2,076,632
2	Core Capital Resource Limit	74,771	74,771
	Non-Core Capital Resource Limit	0	0
	Total Capital Resource Limit	74,771	74,771
3	Cash Requirement	2,053,463	2,053,463

#### Memorandum of In Year Outturn

Core revenue resource variance (deficit)/ surplus in 2020/21	1,328
Financial flexibility: Funding banked with / (provided by) the Scottish Government	15,098
Underlying (deficit)/ surplus against the Core Revenue Resource Limit	16,426
Percentage of the Core Revenue Resource Limit	0.8%

NHS Lothian submitted a three-year financial plan to the Scottish Government on 2 March 2020. Due to the impact of the Covid-19 pandemic, the Scottish Government paused the Annual operating and financial planning process. Recognising the exceptional nature of 2020-21 and the impact on delivery of financial recovery plans, additional non-repayable funding was provided to support in-year financial balance across all NHS Boards. NHS Lothian received £205m.

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.

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.

## NHS Lothian

### Annual Report and Accounts for the Year ended 31<sup>st</sup> March 2021

#### Performance Against the Contractual 30-day payment policy

	2020/21	2019/20
Total Number of Invoices	259,389	282,034
Total Number of Invoices Paid within 30 days	242,893	266,259
Percentage by volume of invoices paid within 30 days	93.64%	94.41%
Percentage of invoices paid within 30 days by value	93.59%	93.51%
Average number of credit days taken	9	9

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

	2020/21	2019/20
Total Number of Invoices	259,389	282,034
Total Number of Invoices Paid within 10 days	226,687	246,398
Percentage by volume of invoices paid within 10 days	87.39%	87.36%
Percentage by value of invoices paid within 10 days	87.54%	86.10%

#### Other Financial Disclosures

The Board has a provision for bad debts of £5.231m at 31 March 2021 (31 March 2020 £4.938m). Further information is available at Note 9 to these accounts.

The Board has a provision for clinical and medical negligence claims of £116m at 31 March 2021 (31 March 2020 £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.

#### Sustainability and Environmental Reporting

The Climate Change (Scotland) Act 2009 set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. In 2015, an Order was introduced requiring all designated Major Players (of which Lothian NHS Board is one) to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act. The information returned by the Board is compiled into a national analysis report, published annually, and superseding the prior requirement for public bodies to publish individual sustainability reports. Further information on the Scottish Government's approach can be found in the Climate Change Plan 2018-2032 while national reports can be found at the following resource: <https://sustainableScotlandNetwork.org/reports>

*Calum Campbell*

..... Chief Executive and Accountable Officer

12 July 2021

## 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 2021. The Board approved these accounts on 23<sup>rd</sup> June 2021 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 2020/21 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 2021 the Board had five executive Board members and twenty-one non-executive Board members. 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 2020/21.

**Table 1: Individuals who were Board Members at any time during the period from 1 April 2020 to 31 March 2021**

Name	Position
Esther Robertson	Non-executive, Chair
Tim Davison	Chief Executive (until 15 July 2020)
Calum Campbell	Chief Executive (from 16 July 2020)
Professor Alex McMahon	Director of Nursing, Midwifery & Allied Health Professionals
Susan Goldsmith	Director of Finance
Professor Alison McCallum	Director of Public Health & Health Policy (until 7 October 2020)
Katie Dee	Interim Director of Public Health & Health Policy (from 8 October 2020)
Dr Tracey Gillies	Medical Director

## NHS Lothian

### Annual Report and Accounts for the Year ended 31<sup>st</sup> March 2021

Name	Position
Michael Ash	Non-executive
Cllr Fiona O'Donnell	Non-executive (East Lothian Council) (until 22 February 2021)
Cllr Shamin Akhtar	Non-executive (East Lothian Council) (from 23 February 2021)
Cllr George Gordon	Non-executive (City of Edinburgh Council)
Professor Moira Whyte	Non-executive (University of Edinburgh) (until 31 January 2021)
Professor Siddharthan Chandran	Non-executive (University of Edinburgh) (from 1 February 2021)
Cllr Derek Milligan	Non-executive (Midlothian Council)
Alex Joyce	Non-executive (Employee Director) (until 31 July 2020)
Tom Waterson	Non-executive (Employee Director) (from 1 August 2020)
Peter Murray	Non-executive
Fiona Ireland	Non-executive (Area Clinical Forum)
Alison Mitchell	Non-executive
Martin Hill	Non-executive, vice-Chair
Cllr John McGinty	Non-executive (West Lothian Council)
Dr Richard Williams	Non-executive
Dr Patricia Donald	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 (from 1 January 2021)
Nancy McKenzie	Non-executive (from 1 January 2021)

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.

#### 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 2021 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 2020/21 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 2020/21, the Board reported five 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 personal data; The Information Commissioner's Office made recommendations in relation to two of these incidents.

**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:

[NHS Lothian > Our Organisation> 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 2020/21.

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.

Throughout 2020/21 the Board has continued to develop its system of corporate governance, which has included:

- As a response to the necessary social distancing measures due to Covid-19, the Board has used technology to allow the system of governance to operate without convening physical meetings. From December 2020, the Board put in a facility to allow the public to observe Board meetings.
- The Board has revised its governance structure by creating a new Planning, Performance & Development Committee which has all the non-executives as its members. This replaced the Strategic Planning Committee and scheduled Board development sessions. The Board also revised the terms of reference of the Finance & Resources Committee, which included transferring the review and approval of initial agreements for capital projects to the Planning, Performance & Development Committee. The Board has also refreshed the terms of reference of its Pharmacy Practices Committee and Reference Committee.
- The Board has reviewed and approved its Standing Financial Instructions and Scheme of Delegation.
- The Board has reviewed and revised its system for overseeing performance and agreed a new format of performance report to be presented to Board meetings.
- The Board altered its Board meeting agendas to ensure that there is always an item on public health. The Board has monitored the response to the pandemic and the development and implementation of its vaccination programme throughout the year.
- The Board also had the new Royal Hospital for Children & Young People and Department of Clinical Neurosciences (‘RHCYP/DCN’) as a standing item on its agenda. The new hospital fully opened on 23 March 2021. The Board had increased the frequency of both the Board and its Finance & Resources Committee to closely monitor that project as well as the Board’s recovery plan. In 2021 the Board and the Finance & Resources Committee reverted to the normal cycle of meetings, both in response to the progress on the new hospital and the need to give executive management capacity to focus on responding to the pandemic.



**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

- Throughout 2020/21 the Board has been reviewing its approach to strategic planning, particularly in light of the changed landscape which the pandemic created. The Board has agreed the broad direction and themes of a new Lothian Strategic Development Framework, and this will be progressed in 2021/22.
- The Board has developed and approved a new Public Engagement Framework. This progresses an identified area for development from the Board's action plan in response to the NHS Scotland Blueprint for Good Governance.
- The Board has developed and approved its Sustainable Development Framework and Action Plan to shape its response to climate change and the need to achieve environmental sustainability.
- The pandemic has fundamentally changed the context within which the Board operates. The Board has reviewed the risks on its corporate risk register in light of this, also considering at what level of the organisation risks are being or should be managed.
- The Board has had whistleblowing arrangements for a number of years. It appointed its first Speak-Up Ambassadors in March 2019, who report to the Chief Executive and support staff in speaking up when they have any concerns, and to ensure any organisational barriers are dealt with. In February 2020, the Scottish Government appointed an additional non-executive to the Board who is the Board's Whistleblowing Champion. The Speak Up Ambassadors work with the Whistleblowing Champion and the Director of Human Resources & Organisational Development to implement and develop the systems that are in place. During 2020/21 management have been preparing to implement the new [National Whistleblowing Standards for NHS Scotland](#) which came into force on 1 April 2021. Given the wider system pressures and priorities, the standards will not be fully embedded across our system and contractor services by the April 'go live', however this work will continue in 2021/22. This position has been flagged to both the Independent National Whistleblowing Officer's team and the Scottish Government.

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 Board has chosen to tackle the long term challenges of rising demand, rising costs and limited resources in healthcare by making quality the focus of how we run services. The Board has approved the NHS Lothian Quality Strategy 2018-23, which sets out eight key actions which will be taken forward through the NHS Lothian quality management system. <https://qilothian.scot.nhs.uk/> This strategy will play a central role in NHS Lothian organisational strategy which is currently in development.

The NHS Lothian Corporate Risk Register has been subject to change due to the Covid-19 pandemic, the 3-year Recovery Plan and capital plans. In response to these contextual changes and following discussion at the Audit & Risk Committee, management have reviewed the Corporate Risk Register and the associated to strengthen the risk management system.

It was agreed at the February 2021 Corporate Management Team that the Corporate Risk Register would be managed through the CMT and subject to review every two months, with the risk manager in attendance to ensure proactive management, timely feedback from assurance committees and alignment of assurance levels and risk grading. This collective oversight strengthens the NHS Lothian risk management system including our assurance system. The April 2021 Board agreed a set of risk review recommendations which included complaints and GP sustainability

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 Healthcare Governance Committee has patient experience as part of its remit and has received regular reports on it. The Committee has agreed that it has moderate assurance on the systems in place, however the risk remains graded as High on the corporate risk register. An Executive Director leads on complaints received as well as the wider patient feedback agenda.

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 2020/21 annual report:

Overall, Internal Audit's work indicates that NHS Lothian has a framework of controls in place that provides **reasonable assurance** regarding the effective and efficient achievement of the organisation's objectives and the management of key risks, except for our reviews on Estates and RHCYP. This is reflective of the issues identified

within the Estates and RHCYP reviews where areas of control deficiency were identified. The issues identified within these reviews are isolated to a particular area and we do not believe these to be pervasive to NHS Lothian's control arrangements, however, these should be included in the governance statement of the annual report and accounts.

We would highlight particular areas of risk around NHS Lothian's control arrangements within Estates, in particular relating to overall management oversight, on-call procedures and controls, the monitoring of supplier performance and review of spend with suppliers. In addition, the contract management of the Consort contract requires improvement and better controls should be put in place for approving invoices and, investigating charges which are out with set expectations and the payment of invoices. The RHCYP Internal Audit report considered governance and the internal control environment, focused on root cause to support management take forward improvements. Our work identified a number of areas where future capital projects/programmes could be strengthened and these were agreed with management and the Committee has been updated by management on the progress in implementing the agreed recommendations. Whilst these findings are isolated to certain NHS Lothian activities, we consider them of a sufficient level for reporting in the governance statement of the annual report and accounts, alongside planned improvement activities and progress against those.

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.'

The Audit & Risk Committee received the 2020/21 service audit reports on 23 June 2021. The Committee accepted those reports from the service auditor as a source of significant assurance that there are adequate and effective systems of internal control relating to the National IT Services, and a source of moderate assurance with respect to Practitioner and Counter Fraud Services Non Covid payments.

### **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 adverse events. You can find all of the Board's policies & procedures at Policy Online on the Board's website: <https://policyonline.nhslothian.scot/Pages/default.aspx>

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 2020/21. 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 2020/21 annual report on risk management at its meeting of 21<sup>st</sup> June, which provided assurance on the system of risk management, adverse events management, and the organisational duty of candour.

The Corporate Risk Register has changed throughout the year due to the Covid-19 pandemic; the 3-year recovery plan and capital plans. The Corporate Management Team developed and agreed a methodology to review the risks on the corporate risk register. The Corporate Management Team agreed in February 2021 to review the risks on a bi-monthly basis with the Risk Manager in attendance. The Corporate Management Team will make recommendations to the Board with respect to new and/or amended risks, with a clear articulation of the risk that cannot be managed at an operational level. This collective oversight strengthens the risk management system.

## **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.

There is currently an agreement to allow personal data to flow freely from the EU (and EEA) to the UK, until Brexit adequacy decisions have been adopted. This allows additional time to ensure that contractual provisions are in place while Brexit arrangements are finalised. Currently all Lothian Information assets are being checked to ensure contractual provisions are in place, and with progress this is currently deemed low risk.

The Directors 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 three subjects in its 2020/21 for inclusion in the Governance Statement:

1. Access to Child & Adolescent Mental Health Services. The Committee has received a range of papers and presentations on this subject during 2020/21. It is an area of weakness as it is acknowledged that even with effective clinical prioritisation in place, the growing significant waits will impact on experience and outcome of care
2. Access to scheduled care, including cancer services. The Committee received limited assurance given the challenges of service provision in the context of the Covid-19 pandemic. It is an area of weakness as it is acknowledged that even with effective clinical prioritisation in place the growing significant waits will impact on experience and outcome of care
3. Edinburgh Health & Social Care Partnership older people's joint inspection improvement plan. The Committee received a paper on progress at the November 2020 meeting. The Committee deferred a decision on level of assurance and requested a further update for the March 2021 meeting. The paper was further delayed from May to July 2021 and remains an area of weakness as no level of assurance has been assigned.

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

## **NHS Lothian**

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The Board did not meet the LDP target for 2020/21 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 is in line with mandatory requirements.

We have reported on Healthcare Environment Inspectorate inspection activity in both acute and community hospitals noting no issues of serious concern identified with these.

The Infection Prevention and Control Team continues to provide surveillance of alert organisms (as defined by national policy) and respond to any data exceedance or potential outbreaks of infection associated with these organisms. As part of this response, a risk rated report (red, amber, green) is submitted to ARHAI Scotland (formerly HPS) who then advise and inform Scottish Government on our behalf.

The Performance Report confirms that the Board agreed to re-instate the 24/7 paediatric inpatient services at St John's Hospital from October 2020.

The Iodine Ablation Suite at the Western General Hospital project was put on hold from mid-March 2020 due to the COVID-19 pandemic. The Health & Safety Executive granted an additional extension until 16<sup>th</sup> March 2021. The Principal Supply Chain Partner (PSPC) took control of the site on 14<sup>th</sup> October 2020 and construction of the new Radioiodine Ablation Suite was completed on 9<sup>th</sup> March 2021 and handed back to NHS Lothian for acceptance and commissioning testing. The Health & Safety Executive confirmed that NHS Lothian have demonstrated compliance with all actions detailed within their Improvement Notices and they are now closed. The first patient was treated in the new suite on 22<sup>nd</sup> March 2021.

The Analytical Services team are working 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 reports on dental services during 2019/20. New reporting on dental services was to have been implemented in April 2020, but the COVID-19 pandemic saw a complete shutdown of non-urgent dentistry in the early months, followed by a gradual reintroduction of limited services. Services were still limited at the end of 2020/21. This issue will be reviewed once dental services are restored closer to normal activity.

The long-standing corporate risk on GP sustainability is currently being reviewed as part of the wider exercise to review the corporate risk register.

There are significant workforce pressures within nursing, specifically within Theatres, Anaesthetics and Critical Care and at St John's, that current recruitment and temporary cover (Bank/ Agency) cannot fully mitigate.

The Healthcare Governance Committee has received moderate assurance on the timely discharge of inpatients (delayed discharges), with greater oversight of delayed discharges and enhanced joint working, including winter planning and remobilisation plans. However, there was limited assurance regarding plans in place which would lead to sustaining improvements. The current status raises concerns for the committee in respect to the negative impact on patient experience and outcome of care. Monitoring continues through performance and leadership group meetings and through specific papers and presentations at the committee. NHS Lothian have also committed recurring funding to HSCPs to facilitate targeted and additional services. Recruitment to these are underway and should be concluded in early 21/22. 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 impacts 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 has been subject to a Health & Safety Executive Improvement Notice which has continued despite the COVID-19 pandemic but is not yet complete. A water safety policy has been developed along with water safety plans and written schemes of control for all sites with a reporting structure. This will be rolled out over the following 12 months.

### **Financial Governance and Overall Performance**

Both the unavoidable expense of the COVID-19 response and the wider “economic shock” of the pandemic in Scotland has sharpened and added to existing financial challenges. The changing context will require a shift in strategic direction and a greater focus on how resources are prioritised to deliver effective, high quality services and address health and social inequalities. Building on the recent acceleration of digital solutions could support the delivery of more accessible and resilient service, to meet the needs of our population.

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). In terms of financial governance our early response to Covid was to focus on our response to the pandemic, and as such financial controls were flexed to enable an agile organisational response, while observing the Board’s financial policies and procedures. The Committee is aware that management are actively working through these issues, however there is considerable uncertainty for 2021/22 and beyond. 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 2021/22 and will monitor this issue throughout the year.

The Board does have significant challenges with the management of the contractual and financial requirements associated with Public Private Partnership contracts. There is a significant budgetary pressure associated with those contracts and the level of life cycle investment required. A recent internal audit report included a ‘critical’ finding that the oversight of the Board’s largest contract (Royal Infirmary of Edinburgh) requires immediate improvement. There are also ongoing issues associated with the carrying out of upgrade and remedial works, and this may have a bearing on the Board’s ability to provide services in 2021/22. We are in the process of developing and implementing a new contract management function for all the Board’s Public Private Partnership contracts, and a framework of controls to provide technical assurance on the management of the Board’s property and asset portfolio. Specifically, we have established an executive oversight group to oversee the enhanced monitoring of the contract management and the performance of the estate at the Royal Infirmary of Edinburgh.

The Deputy Chief Executive has led an Estates and Facilities Review which started in November 2020. Following a whistleblowing complaint relating to procurement practices and separate concerns being raised relating to on-call arrangements, management commissioned internal audit to carry out a review of the estates control environment. As highlighted in the annual opinion of the Chief Internal Auditor, the resultant report gave an overall opinion of ‘limited assurance’ on the control environment within the estates function. The report included an opinion of ‘no assurance’ with regard to having there being a framework of policies and procedures in place which is consistently implemented and monitored. That report contained fourteen findings (one ‘critical’, eleven ‘high’, two ‘medium’). Management have accepted all of the recommendations in the report and aim to have completed all of the remedial actions by the end of 2021.

The Royal Hospital for Children & Young People / Department of Clinical Neurosciences is now open, and the Board has agreed to close the associated risk which was on the corporate risk register. The Finance & Resources Committee has already amended its terms of reference and the Board has amended its Scheme of Delegation after considering lessons learned from this project. The Finance and Resources Committee will consider the findings from internal audit (and any other reviews) on this subject and seek assurance that opportunities for the Board to learn lessons and improve its systems of governance and internal control on capital projects are taken. The Audit & Risk Committee received a report in April 2021 which provided an update on the progress being made on the internal audit of the Royal Hospital for Children & Young People / Department of Clinical Neurosciences project, and has agreed that it should receive a further report in November 2021.

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### **ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

The Scottish Government has recently revised the Board's position on the Scottish Government's Performance Escalation Framework in relation to performance. The Committee will consider the implications of this during 2021/22.

The NHS faces significant strategic challenges to recover from the pandemic. The Scottish Government published Re-mobilise, Recover, Re-Design: Framework for Decision-Making on 31 May 2020, and the Board has produced plans in line with this. It is expected that these plans will need to be continually refreshed as there are many unknowns and uncertainties. The Board is currently focussed on managing the pandemic, delivering essential services, and supporting our workforce.

The pandemic applies significant constraints on NHS Lothian and its partners in providing all services, particularly regarding the availability of workforce and the need to observe physical distancing and infection control procedures. NHS Lothian has put in place arrangements to respond to the pandemic. There are processes to develop and maintain operational, tactical, and strategic plans. However, it is expected that the pandemic and its legacy will impact on service delivery in NHS Lothian and NHS Scotland for many years to come. The restrictions on operational capacity mean that the Board cannot achieve its expected performance measures and this cannot be resolved only by action by NHS Lothian.

The Planning, Performance & Development Committee will oversee the development of the new NHS Lothian Strategic Development Framework. COVID-19 will probably become an endemic disease. This means that the disease becomes constantly present in our society without the rate of infection increasing, like influenza, the common cold, and chickenpox. The NHS Lothian Strategic Development Framework will set out the organisation's approach as it moves forward and will include plans to respond to the increased problems relating to access to clinical services, and the need to carry out our services in a sustainable way.

**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

## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021

### REMUNERATION REPORT (AUDITED)

#### 2(a) 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)
<b>Remuneration of Executive Members</b>					
Mr Tim Davison, Chief Executive (to 09/08/2020) <sup>Note 1</sup>	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) <sup>Note 2</sup>	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) <sup>Note 3</sup>	70-75	-	70-75	27.6	95-100
Professor Alex McMahon, Nurse Director	120-125	-	120-125	48.2	170-175
Ms Katie Dee, Interim Director of Public Health and Health Policy (25/09/2020) <sup>Note 4</sup>	45-50	-	45-50	-	45-50
<b>Non Executive Members</b>					
Mrs Esther Robertson, Interim Chair	60-65	-	60-65	-	60-65
Cllr Derek Milligan	5-10	-	5-10	-	5-10
Cllr John McGinty	5-10	-	5-10	-	5-10
Cllr Fiona O'Donnell (to 22/02/2021) <sup>Note 5</sup>	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) <sup>Note 6</sup>	10-15	-	10-15	-	10-15
Mrs Alison Mitchell, Chair of Staff Governance & Acute Hospitals Committee (to 30/06/2020) <sup>Note 7</sup>	10-15	-	10-15	-	10-15
Mr Peter Murray, Vice Chair of East Lothian IJB <sup>Note 8</sup>	15-20	-	15-20	-	15-20
Mr Martin Hill, Chair of Finance & Resource Committee <sup>Note 9</sup>	15-20	-	15-20	-	15-20
Ms Carolyn Hirst, Vice Chair of Midlothian IJB <sup>Note 10</sup>	15-20	-	15-20	-	15-20
Professor Moira Whyte, The University of Edinburgh and Chair of Health Governance Committee (to 31/01/2021) <sup>Note 11</sup>	10-15	-	10-15	-	10-15
Ms Fiona Ireland <sup>Note 12</sup>	120-125	-	120-125	31.4	150-155
Mr Alex Joyce, Employee Director (to 30/09/2020) <sup>Note 13</sup>	25-30	-	25-30	41.9	65-70
Mr Martin Connor, Chair of Audit and Risk Committee (from 01/08/2020) <sup>Note 14</sup>	10-15	-	10-15	-	10-15
Mr Angus McCann, Chair of Edinburgh IJB <sup>Note 15</sup>	15-20	-	15-20	-	15-20
Mr Bill McQueen, Lead Member, West Lothian IJB and Chair of Staff Governance Committee (from 01/07/2020) <sup>Note 16</sup>	20-25	-	20-25	-	20-25
Cllr 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) <sup>Note 17</sup>	0-5	-	0-5	-	0-5
Mrs Nancy McKenzie (from 01/01/2021) <sup>Note 17</sup>	0-5	-	0-5	-	0-5
Mr Jock Encombe (from 01/01/2021) <sup>Note 17</sup>	0-5	-	0-5	-	0-5
Cllr Shamin Akhtar (from 23/02/2021) <sup>Note 17</sup>	0-5	-	0-5	-	0-5
Mr Tom Waterson Employee Director (from 01/08/2020) <sup>Note 18</sup>	30-35	-	30-35	11.6	40-45
<b>Other Senior Employees</b>					
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 <sup>Note 19</sup>	50-55	-	50-55	35.2	85-90
Mr Allister Short, Chief Officer, West Lothian IJB <sup>Note 20</sup>	50-55	-	50-55	60.2	110-115
Mr Simon Watson, Chief Quality Officer (to 05/04/2020) <sup>Note 21</sup>	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 <sup>Note 22</sup>	80-85	-	80-85	-	80-85
Ms Morag Barrow, Chief Officer, Midlothian IJB <sup>Note 23</sup>	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 Table 2(a)**

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 Siddarthan 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 an 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

# NHS Lothian

## Annual Report and Accounts for the Year ended 31<sup>st</sup> March 2021

### Remuneration Report

#### 2(b) Board Members' and Senior Employees' Remuneration – 2019/20

	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)
<b>Remuneration of Executive Members</b>					
Mr Tim Davison, Chief Executive	180-185	-	180-185	-	180-185
Mrs Susan Goldsmith, Director of Finance	140-145	-	140-145	-	140-145
Miss Tracey Gillies, Medical Director	190-195	-	190-195	-	190-195
Professor Alison McCallum, Director of Public Health and Health Policy	135-140	-	135-140	29	165-170
Professor Alex McMahon, Nurse Director	115-120	-	115-120	57.5	175-180
<b>Non Executive Members</b>					
Mr Brian Houston, Chair (to 31/01/2020) <sup>Note 1</sup>	40-45	-	40-45	-	40-45
Mrs Esther Robertson, Interim Chair (from 10/02/2020) <sup>Note 2</sup>	5-10	-	5-10	-	5-10
Cllr Derek Milligan	5-10	-	5-10	-	5-10
Cllr John McGinty	5-10	-	5-10	-	5-10
Cllr Fiona O'Donnell	5-10	-	5-10	-	5-10
Professor Tracy Humphrey, Chair of Healthcare Governance (to 31/01/2020) <sup>Note 3</sup>	10-15	-	10-15	-	10-15
Dr Richard Williams, Chair of Acute Hospitals Committee (to 31/01/2020) <sup>Note 4</sup>	15-20	-	15-20	-	15-20
Mr Michael Ash, Chair of Audit & Risk Committee	15-20	-	15-20	-	15-20
Mrs Alison Mitchell, Chair of Staff Governance & Acute Hospitals Committee	15-20	-	15-20	-	15-20
Mr Peter Murray, Vice Chair of East Lothian IJB <sup>Note 5</sup>	15-20	-	15-20	-	15-20
Mr Martin Hill, Chair of West Lothian IJB (to 31/10/2019) and Finance & Resource Committee <sup>Note 6</sup>	20-25	-	20-25	-	20-25
Ms Carolyn Hirst, Vice Chair of Midlothian IJB <sup>Note 7</sup>	15-20	-	15-20	-	15-20
Professor Moira Whyte, The University of Edinburgh and Chair of Health Governance Committee (From 01/02/2020) <sup>Note 8</sup>	10-15	-	10-15	-	10-15
Ms Fiona Ireland <sup>Note 9</sup>	95-100	-	95-100	-	95-100
Mr Alex Joyce, Employee Director <sup>Note 10</sup>	50-55	-	50-55	14.7	65-70
Mr Martin Connor	10-15	-	10-15	-	10-15
Mr Angus McCann, Chair of Edinburgh IJB <sup>Note 11</sup>	15-20	-	15-20	-	15-20
Mr Bill McQueen, Lead Member, West Lothian IJB (From 21/09/2019) <sup>Note 12</sup>	10-15	-	10-15	-	10-15
Cllr George Gordon	5-10	-	5-10	-	5-10
Dr Patricia Donald	5-10	-	5-10	-	5-10
Ms Katharina Kasper (from 01/02/2020) <sup>Note 13</sup>	0-5	-	0-5	-	0-5
<b>Other Senior Employees</b>					
Mr Jim Crombie, Deputy Chief Executive	155-160	15.5	170-175	-	170-175
Mr James Forrest, Chief Officer, West Lothian IJB (to 13/09/2019) <sup>Note 14</sup>	15-20	-	15-20	15.4	30-35
Mr David Small, Director of Primary Care & Transformation	105-110	-	105-110	-	105-110
Mrs Alison MacDonald, Chief Officer, East Lothian IJB <sup>Note 15</sup>	45-50	-	45-50	27.8	75-80
Mr Allister Short, Chief Officer, Midlothian IJB (to 30/09/2019) and Chief Officer, West Lothian IJB (From 01/10/2019) <sup>Note 16</sup>	45-50	-	45-50	28.5	70-75
Mr Simon Watson, Chief Quality Officer	150-155	-	150-155	68.3	220-225
Mrs Janis Butler, Director of HR & Organisational Development	110-115	-	110-115	71.6	180-185
Mrs Judith Proctor Chief Officer, Edinburgh IJB <sup>Note 17</sup>	75-80	-	75-80	-	75-80
Ms Morag Barrow, Chief Officer, Midlothian IJB (From 01/10/2019) <sup>Note 18 &amp; 19</sup>	45-50	8.3	50-55	-	50-55
		<u>23.8</u>		<u>312.8</u>	

There were no performance related bonuses payable for 2019/20

**Notes to Remuneration Tables 2(b)**

1. The annualised salary figure for Brian Houston would be £51,286
2. The annualised salary figure for Esther Robertson would be £50,628
3. The annualised salary figure for Tracey Humphrey would be £17,250
4. Richard Williams remuneration includes the annualised figure of £8,584 as Chair of Acute Hospitals Committee
5. Peter Murray's remuneration includes £8,584 as Vice Chair of East Lothian IJB.
6. Martin Hill's remuneration includes the annualised salary figure of £8,584 as Chair of West Lothian IJB.
7. Carolyn Hirst's remuneration includes £8,584 as Vice Chair of Midlothian IJB.
8. Moira Whyte is an employee of The University of Edinburgh and her Non Executive Allowance is charged to NHS Lothian - Also includes the annualised salary figure of £8,584 as Chair of Health Governance Committee
9. The salary figure for Fiona Ireland includes £88,755 for non board duties.
10. The salary figure for Alex Joyce includes £44,688 for non board duties.
11. Angus McCann's remuneration includes £8,584 as Chair of Edinburgh IJB.
12. Bill McQueen's remuneration includes the annualised salary figure of £8,584 as Lead Member of West Lothian IJB.
13. The annualised salary figure for Katharina Kasper would be £8,584
14. James Forrest's remuneration includes the annualised salary figure of £8,584 as Chief Officer of West Lothian IJB.
15. 50% of Alison McDonald's costs are charged to East Lothian Council. This salary is in relation to her role as Acting Chief Officer of the IJB and is disclosed in the IJB accounts
16. 50% of the costs for Allister Shorts Chief Officer role are charged to Midlothian Council. This salary is in relation to his role as Chief Officer of the IJB and is disclosed in the IJB accounts
17. Judith Proctor is an employee of The City of Edinburgh Council. 50% of her total costs are recharged to NHS Lothian (50% costs charged to NHS Lothian - £106,757 in 2019/20)
18. 50% of the costs for 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.
19. The figures have been restated due to information that came to light during 2020-21.

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

**2(c) 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
<b>Pension Values: Executive Members</b>							
Mr Tim Davison, Chief Executive (to 09/08/2020) <sup>Note 1</sup>	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 <sup>Note 2</sup>	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 McMahon, Nurse Director	25-30	2.5-5	60-65	0-2.5	516	577	61
<b>Pension Values: Non Executive Members</b>							
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
<b>Pension Values: Other Senior Employees</b>							
Jim Crombie, Deputy Chief Executive <sup>Note 3</sup>	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 <sup>Note 5</sup>	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 <sup>Note 4</sup>	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(c)**

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.

# NHS Lothian

## Annual Report and Accounts for the Year ended 31<sup>st</sup> March 2021

### 2(d) Cash Equivalent Transfer Value (CETV) of deferred pension rights 2019/20

	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 2020 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2020 £'000	Real increase in CETV in year £'000
<b>Pension Values: Executive Members</b>							
Mr Tim Davison, Chief Executive <sup>Note 1</sup>	65-70	-	200-205	-	1,578	1,590	12
Mrs Susan Goldsmith, Director of Finance <sup>Note 2</sup>	40-45	-	125-130	-	1,047	1,030	-
Miss Tracey Gillies, Medical Director	50-55	-	105-110	-	1,160	947	-
Professor Alison McCallum, Director of Public Health and Health policy	50-55	0-2.5	160-165	5-7.5	1,273	1,324	31
Alex McMahon, Nurse Director	25-30	2.5-5	60-65	0-2.5	461	513	52
<b>Pension Values: Non Executive Members</b>							
Ms Fiona Ireland <sup>Note 5</sup>	35-40	-	115-120	-	881	857	-
Mr Alex Joyce	20-25	0-2.5	60-65	0-2.5	466	496	26
<b>Pension Values: Other Senior Employees</b>							
Jim Crombie, Deputy Chief Executive <sup>Note 3</sup>	45-50	-	140-145	-	1,076	1,081	4
James Forrest, Chief Officer, West Lothian IJB (to 27/09/2019)	60-65	0-2.5	180-185	2.5-5	1,383	1,449	63
David Small, Director of Primary Care & Transformation	45-50	-	140-145	-	1,106	1,130	9
Alison MacDonald, Chief Officer, East Lothian IJB <sup>Notes 5 &amp; 6</sup>	10-15	-	5-10	-	174	206	32
Allister Short, Chief Officer, Midlothian IJB (to 30/09/2019) & Chief Officer, West Lothian IJB (From 01/10/2019)	20-25	2.5-5	35-40	2.5-5	300	345	45
Simon Watson, Chief Quality Officer	40-45	2.5-5	90-95	0-2.5	657	713	55
Janis Butler, Director of HR & Organisational Development	45-50	2.5-5	110-115	2.5-5	772	837	65
Morag Barrow, Chief Officer Midlothian IJB (From 01/10/2019) <sup>Notes 4 &amp; 5</sup>	20-25	-	50-55	-	389	392	3

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. These figures have been restated due to information that came to light during 2020-21
6. 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.

	<b>2020/21</b>	<b>2019/20</b>
Range of Staff Remuneration (Bands of £5,000)	5-10 to 220-225	5-10 to 250-255
Highest Earning Director Total Remuneration Band (£5,000)	180-185	190-195
Median Total Remuneration (£)	30,434	29,562
Ratio of Highest Earning Board Member to Median	6.00	6.51

**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:

- Mr Michael Ash
- Mr Alex Joyce (to 31<sup>st</sup> July 2020)
- Mr Derek Milligan
- Ms Alison Mitchell
- Mr Tom Waterson (from 1<sup>st</sup> August 2020)
- Nancy Mackenzie (from 1<sup>st</sup> January 2021)
- Peter Murray

During 2020/21 the Remuneration Committee met 5 times – 21<sup>st</sup> April, 17<sup>th</sup> July, 20<sup>th</sup> October, 15<sup>th</sup> December and 22<sup>nd</sup> February.

**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 31<sup>st</sup> July each year with provisional performance ratings for approval.

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

**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	
			2021	2020	2021	2020
			Number	Number	Number	Number
				(Restated*)		(Restated*)
£70,001	to	£80,000	276	237	35	30
£80,001	to	£90,000	172	146	17	17
£90,001	to	£100,000	167	145	15	13
£100,001	to	£110,000	156	148	11	8
£110,001	to	£120,000	159	145	6	3
£120,001	to	£130,000	131	119	0	0
£130,001	to	£140,000	120	106	1	1
£140,001	to	£150,000	78	70	0	0
£150,001	to	£160,000	61	55	0	0
£160,001	to	£170,000	41	47	0	0
£170,001	to	£180,000	23	18	1	1
£180,001	to	£190,000	11	12	0	0
£190,001	to	£200,000	3	5	0	0
£200,001	and above		4	7	0	0

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

\*The figures for 2019-20 are being re-stated as the Senior Employees, included within the Remuneration Report, had been excluded in error.

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

**1(b) STAFF NUMBERS AND COSTS**

	<b>Executive Board Members £'000</b>	<b>Non Executive Members £'000</b>	<b>Permanent Staff £'000</b>	<b>Inward Secondees £'000</b>	<b>Other Staff £'000</b>	<b>Outward Secondees £'000</b>	<b>2021 Total</b>	<b>2020 Total £'000</b>
<b>STAFF COSTS</b>								
Salaries & Wages	755	457	945,227			(1,829)	<b>944,610</b>	<b>836,557</b>
Social security costs	98	39	94,670				<b>94,807</b>	<b>85,978</b>
NHS scheme employers' costs	91	29	167,014				<b>167,134</b>	<b>154,104</b>
Inward Secondees				1,266			<b>1,266</b>	<b>670</b>
Agency & recharged Univ. Staff					31,055		<b>31,055</b>	<b>28,248</b>
	944	525	1,206,911	1,266	31,055	(1,829)	<b>1,238,872</b>	<b>1,105,557</b>
Compensation for loss of office			64				<b>64</b>	<b>97</b>
<b>TOTAL</b>	<b>944</b>	<b>525</b>	<b>1,206,975</b>	<b>1,266</b>	<b>31,055</b>	<b>(1,829)</b>	<b>1,238,936</b>	<b>1,105,654</b>

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

**STAFF NUMBERS**

Whole time equivalent (WTE)	6	6	22,695	20	404	(38)	<b>23,093</b>	<b>21,921</b>
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Included in the total staff above were disabled staff of: 677 502

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**

	2020/21				2019/20			
	Male	Female	Prefer not to say	Total	Male	Female	Prefer not to say	Total
Executive Directors	2	3	0	5	2	3	0	5
Non-Executive Directors and Employee Director	12	9	0	21	11	7	0	18
Senior Employees	35	30	0	65	38	32	0	70
Other	6,759	25,247	0	32,006	6,424	24,161	0	30,585
Total Headcount	6,808	25,289	0	32,097	6,475	24,203	0	30,678

**1(d) Sickness Absence**

	2020/21	2019/20
Sickness Absence Rate	4.4%	4.9%

**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 has been 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 and Youth.

**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. During 2019/20 a number of the core employment policies were produced as Once for Scotland Workforce Policies and now apply across all NHS Boards from 1 April 2020. Further Once for Scotland Workforce Policies were due to be developed during 2020/21, but this work was delayed due to COVID and the national work will recommence in August 2021.

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 sustain employment beyond 12 months and 97% complete their awards within 12 months. We frequently attract application rates over 200 for our positions. In 2020 one of our Modern Apprentice staff was a finalist for the Scottish Health Awards young achiever and in 2021 another Modern

Apprentice won the Scottish Apprenticeship Award for Modern Apprentice of the year. Over 100 staff have completed their training and around 70 are actively studying. We recruit over 60 positions a year.

We deliver several pre-employment programmes through Project Search, Career Ready and Princes Trust and offer extensive work experience placements. We actively engage with 'Developing The Young Workforce' campaigns and support large scale regional activity in schools. 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
Exit Package cost band	Number of Compulsory	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
<b>Total number of exit Packages</b>	<b>0</b>	<b>1</b>	<b>1</b>
<b>Total Resource Cost (£'000)</b>	<b>0</b>	<b>64</b>	<b>64</b>

Exit Packages –Prior Year			
			2020
Exit Package cost band	Number of Compulsory	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	1	1
£50,000 - £100,000	0	1	1
<b>Total number of exit Packages</b>	<b>0</b>	<b>2</b>	<b>2</b>
<b>Total Resource Cost (£'000)</b>	<b>0</b>	<b>97</b>	<b>97</b>

**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 2020/21.

However, it should be noted that the majority of the costing information in this report for 2020/21 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.

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

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

**Relevant Union Officials**

<b>Number of employees who were relevant union officials during the period 1 April 2020 to 31 March 2021</b>	<b>Full-time equivalent employee number</b>
120 – adhoc time 40 – dedicated time Total – 160	32.58 (relates to those with dedicated time only)

**Percentage of time spent on facility time**

<b>Percentage of time</b>	<b>Number of representatives</b>
0%	
1 - 50%	120
51 – 99%	
100%	40*

**Percentage of pay bill spent on facility time**

Total cost of facility time	£1,425,565( relates to those with dedicated time only)*
Total pay bill	£1,238,960,000
Percentage of the total pay bill spent on facility time	0.12%

**Paid trade union activities**

Time spent on paid trade union activities as a percentage of total paid facility time hours	20%
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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:

	<b>No. of cases</b>	<b>£000</b>
<b>Losses</b>	375	6,445

In the year to 31 March 2020, there were no balances in excess of £250,000 written off.

In 2020/21, the Board was required to pay out £4,897k in respect of 9 claims individually greater than £250,000 settled under the CNORIS scheme (2019/20: £4,205k, 7 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

12 July 2021



## 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 and its group for the year ended 31 March 2021 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Statement of Consolidated Cash Flow, the Statement of Consolidated Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 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 and its group as at 31 March 2021 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 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 for 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 five years. We are independent of the board and its group 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 body's ability 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.

#### Risks of material misstatement

We report in a separate Annual Audit Report, available from the Audit Scotland website, 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 and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **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](http://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 to detect material misstatements in the financial statements in respect of irregularities, 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.

#### **Statutory other information**

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory 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 statutory other information and, in doing so, consider whether the statutory 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 statutory 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 statutory 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

Date: 12 July 2021 \_\_\_\_\_

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

**STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2021**

<b>2020</b>		<b>Note</b>	<b>2021</b>
<b>£'000</b>			<b>£'000</b>
1,107,730	Staff costs	3a	1,240,765
	Other operating expenditure:	3b	
249,583	Independent Primary Care Services		262,319
392,042	Drugs and medical supplies		408,424
<u>1,436,010</u>	Other health care expenditure		<u>1,704,491</u>
3,185,365	Gross expenditure for the year		3,615,999
(1,314,156)	Less: operating income	4	(1,450,108)
<u>2,793</u>	Associates and joint ventures accounted for on an equity basis		<u>(23,535)</u>
<b>1,874,002</b>	<b>Net expenditure for the year</b>		<b>2,142,356</b>
<b>OTHER COMPREHENSIVE NET EXPENDITURE</b>			
(20,298)	Net gain on revaluation of Property Plant and Equipment	SOCTE	(14,942)
<u><b>1,853,704</b></u>	<b>Total Comprehensive Expenditure</b>		<u><b>2,127,414</b></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 2021

Consolidated 2020 £'000	Board 2020 £'000		Note	Consolidated 2021 £'000	Board 2021 £'000
		<b>Non-current assets:</b>			
1,064,655	1,064,655	Property, plant and equipment	7c	1,078,234	1,078,234
629	629	Intangible assets	6a	944	944
		Financial assets:			
84,566	2,096	Investments	10	99,543	2,090
5,124	0	Investments in associates and joint ventures		28,659	0
98,512	98,512	Trade and other receivables	9	98,127	98,127
<b>1,253,486</b>	<b>1,165,892</b>	<b>Total non-current assets</b>		<b>1,305,507</b>	<b>1,179,395</b>
		<b>Current Assets:</b>			
21,762	21,762	Inventories	8	22,384	22,384
77,578	76,076	Trade and other receivables	9	91,238	90,867
53,896	49,425	Cash and cash equivalents	11	22,003	17,271
2,035	0	Investments	10	0	0
0	0	Assets classified as held for sale	7b	1,955	1,955
<b>155,271</b>	<b>147,263</b>	<b>Total current assets</b>		<b>137,580</b>	<b>132,477</b>
<b>1,408,757</b>	<b>1,313,155</b>	<b>Total assets</b>		<b>1,443,087</b>	<b>1,311,872</b>
		<b>Current liabilities</b>			
(47,979)	(47,979)	Provisions	13a	(61,139)	(61,139)
		Financial liabilities:			
(306,484)	(303,926)	Trade and other payables	12	(387,698)	(385,059)
<b>(354,463)</b>	<b>(351,905)</b>	<b>Total current liabilities</b>		<b>(448,837)</b>	<b>(446,198)</b>
<b>1,054,294</b>	<b>961,250</b>	<b>Non-current assets plus/(less) net current assets/(liabilities)</b>		<b>994,250</b>	<b>865,674</b>
		<b>Non-current liabilities</b>			
(221,608)	(221,608)	Provisions	13a	(209,251)	(209,251)
		Financial liabilities:			
(388,470)	(388,470)	Trade and other payables	12	(373,680)	(373,680)
<b>(610,078)</b>	<b>(610,078)</b>	<b>Total non-current liabilities</b>		<b>(582,931)</b>	<b>(582,931)</b>
<b>444,216</b>	<b>351,172</b>	<b>Assets less liabilities</b>		<b>411,319</b>	<b>282,743</b>
		<b>Taxpayers' Equity</b>			
133,377	133,377	General fund	SOCTE	59,907	59,907
217,795	217,795	Revaluation reserve	SOCTE	222,836	222,836
5,124	0	Joint Venture reserves	SOCTE	28,659	0
87,920	0	Fund held on Trust	SOCTE	99,917	0
<b>444,216</b>	<b>351,172</b>	<b>Total taxpayers' equity</b>		<b>411,319</b>	<b>282,743</b>

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 23<sup>rd</sup> June 2021

*Susan Goldsmith*

12 July 2021

Director of Finance

*Calum Campbell*

12 July 2021

Chief Executive

NHS Lothian

Annual Report and Accounts for the Year ended 31<sup>st</sup> March 2021

Statement of Consolidated Cash Flow for the Year ended 31 March 2021

2020 £'000		Note	2021 £'000	2021 £'000
<b>Cash flows from operating activities</b>				
(1,874,002)	Net expenditure	SOCTE	(2,142,356)	
56,937	Adjustments for non-cash transactions	2b	44,654	
42,748	Add back: interest payable recognised in net operating cost	2b	44,568	
(82)	Deduct: interest receivable recognised in net operating cost	4	(160)	
(2,201)	Investment income		(1,826)	
(5,721)	Movement in working capital	2b	95,826	
<b>(1,782,321)</b>	<b>Net cash outflow from operating activities</b>	25c		<b>(1,959,294)</b>
<b>Cash flows from investing activities</b>				
(53,940)	Purchase of property, plant and equipment		(71,939)	
0	Purchase of intangible assets		(666)	
2,494	Proceeds of disposal of property, plant and equipment		3,829	
(22,885)	Investment Additions	10	(22,025)	
16,337	Receipts from sale of investments		20,314	
2,283	Interest received		1,986	
<b>(55,711)</b>	<b>Net cash outflow from investing activities</b>	25c		<b>(68,501)</b>
<b>Cash flows from financing activities</b>				
1,857,962	Funding	SOCTE	2,085,617	
48,397	Movement in general fund working capital	SOCTE	(32,154)	
1,906,359	Cash drawn down	SOCTE	2,053,463	
21,930	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2b	(12,993)	
8	Interest paid		16	
(42,756)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(44,584)	
<b>1,885,541</b>	<b>Net Financing</b>	25c		<b>1,995,902</b>
47,509	<b>Net Increase / (decrease) in cash and cash equivalents in the period</b>			(31,893)
6,387	<b>Cash and cash equivalents at the beginning of the period</b>			53,896
<b>53,896</b>	<b>Cash and cash equivalents at the end of the period</b>			<b>22,003</b>
<b>Reconciliation of net cash flow to movement in net debt/cash</b>				
47,509	Increase/(decrease) in cash in year	11		(31,893)
6,387	Net debt/cash at 1 April			53,896
<b>53,896</b>	<b>Net debt/cash at 31 March</b>			<b>22,003</b>

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 31<sup>ST</sup> MARCH 2021**

**STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY FOR YEAR ENDED 31 MARCH 2021**

	Note	General Fund £'000	Revaluation Reserve £'000	Joint Venture Reserves £'000	Funds held in Trust £'000	Total Reserves £'000
<b>Balance at 31 March 2020</b>		133,377	217,795	5,124	87,920	444,216
<b>Balance at 1 April 2020</b>		133,377	217,795	5,124	87,920	444,216
<b>Changes in taxpayers' equity for 2020/21</b>						
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)
<b>Total recognised income and expense for 2020/21</b>		(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
<b>Balance at 31 March 2021</b>	SoFP	59,907	222,836	28,659	99,917	411,319
<b>Balance at 31 March 2019</b>		129,552	208,777	7,917	93,712	439,958
<b>Balance at 1 April 2019</b>		129,552	208,777	7,917	93,712	439,958
<b>Changes in taxpayers' equity for 2019/20</b>						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a		3,965	0	0	3,965
Impairment of property, plant and equipment			6,264	0	0	6,264
Revaluation & impairments taken to operating costs	2b		10,069	0	0	10,069
Transfers between reserves		11,280	(11,280)	0	0	0
Net operating cost for the year	CFS	(1,865,417)	0	(2,793)	(5,792)	(1,874,002)
<b>Total recognised income and expense for 2019/20</b>		(1,854,137)	9,018	(2,793)	(5,792)	(1,853,704)
Funding:						
Drawn down	CFS	1,906,359				1,906,359
Movement in General Fund (Creditor) / Debtor	CFS	(48,397)				(48,397)
<b>Balance at 31 March 2020</b>	SoFP	133,377	217,795	5,124	87,920	444,216

## NOTES TO THE ACCOUNTS

### FOR YEAR ENDED 31 MARCH 2021

#### 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 as adopted by the European Union (IFRS as adopted by the EU), 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 30 below.

##### (a) Standards, amendments and interpretations effective in 2020/21

There are no new standards, amendments or interpretations effective in 2020/21.

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

There are no new standards, amendments or interpretations early adopted in 2020/21.

##### (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 2021 and on the Statement of Financial Position at that date. The figures below represent existing leases as at 31 March 2021.

The standard is expected to increase total expenditure by £0.219m. Right-of-use assets totalling £50m will be brought onto the Statement of Financial Position, with an associated lease liability of £50m.



## **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. Non specialised 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.

Non specialised 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 is 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 is 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. 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.

## NHS Lothian

### Annual Report and Accounts for the Year ended 31<sup>st</sup> March 2021

#### 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.

**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 2021, 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.

During 2019/20 in applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation report, which was due to the market uncertainties caused by COVID-19. This resulted in the auditors including an emphasis of matter in relation to the property valuation in their independent auditor's report.

In their 2020/21 valuation report the Board's valuers concluded that '*valuation is not reported as being subject to material valuation uncertainty as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards*'.

**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.

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

**2a. SUMMARY OF CORE REVENUE RESOURCE OUTTURN**

		2021 £'000	2021 £'000
<b>Net Expenditure</b>	<b>SoCNE</b>		2,142,356
Total Non-Core Expenditure (see below)			(94,050)
FHS Non Discretionary Allocation			(110,275)
Donated Assets Income	<b>2b</b>		9,019
Endowment Net Operating Costs			11,997
Joint Ventures accounted for on an equity basis			23,535
<b>Total Core Expenditure</b>			<b>1,982,582</b>
Core Revenue Resource Limit			1,983,910
<b>Saving/(excess) against Core Revenue Resource Limit</b>			<b>1,328</b>

**SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN**

Capital Grants to / (from) Other Bodies		7,081	
Depreciation / Amortisation		40,958	
Annually Managed Expenditure – Impairments		30,489	
Annually Managed Expenditure - Creation of Provisions		(1,620)	
Annually Managed Expenditure – Depreciation of Donated Assets	<b>2b</b>	863	
Additional SGHSCD non-core funding		6,196	
IFRS PFI Expenditure		10,083	
<b>Total Non-Core Expenditure</b>			<b>94,050</b>
Non Core Revenue Resource Limit			94,050
<b>Saving/(excess) against Non-Core Revenue Resource Limit</b>			<b>0</b>

<b>SUMMARY RESOURCE OUTTURN</b>	<b>Resource £'000</b>	<b>Expenditure £'000</b>	<b>Saving / (Excess) £'000</b>
Core	1,983,910	1,982,582	1,328
Non-Core	94,050	94,050	0
<b>Total</b>	<b>2,077,960</b>	<b>2,076,632</b>	<b>1,328</b>

**2b. NOTES TO THE CASH FLOW STATEMENT**

**Consolidated adjustments for the non-cash transactions**

2020		2021
£'000	Expenditure Not Paid In Cash	£'000
40,909	Depreciation on Purchased Assets	45,007
315	Amortisation	351
856	Depreciation on Donated Assets	863
269	Impairments on PPE charged to SOCNE	6,179
16,333	Net revaluation on PPE charged to SOCNE	30,688
(6,533)	Reversal of impairments on PPE charged to SoCNE	(199)
1,601	Loss/(Profit) on disposal of property, plant and equipment	(3,344)
(3,275)	Funding of Donated assets	(9,019)
2,793	IJB joint venture share	(23,535)
0	Other non-cash transactions DOH assets / Return of Hospice Funding	10,934
3,669	Other non-cash transactions (profit) / loss on investments	(13,271)
<b>56,937</b>	<b>Total Expenditure Not Paid In Cash</b>	<b>44,654</b>
	<b>Interest Payable</b>	
42,756	PFI Finance Lease charges allocated in year	44,584
(8)	Unwinding of Discount	(16)
<b>42,748</b>	<b>Net interest payable</b>	<b>44,568</b>

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

**Consolidated movement in working capital**

2020			Opening Balances	Closing Balances	Net Movement
£'000	Note		£'000	£'000	£'000
<b>INVENTORIES</b>					
(2,994)	Balance Sheet	8	21,762	22,384	
<b>(2,994)</b>	<b>Net Decrease/(Increase)</b>				<b>(622)</b>
<b>TRADE AND OTHER RECEIVABLES</b>					
6,630	Due within one year	9	77,578	91,238	
(7,462)	Due after more than one year	9	98,512	98,127	
(832)			176,090	189,365	
0	Less: Property, Plant & equipment included in above		0	0	
			176,090	189,365	
<b>(832)</b>	<b>Net Decrease/(Increase)</b>				<b>(13,275)</b>
<b>TRADE AND OTHER PAYABLES</b>					
56,613	Due within one year	12	306,484	387,698	
(17,061)	Due after more than one year	12	388,470	373,680	
(2,290)	Less: Property, Plant & Equipment (Capital) included in above		(29,156)	(31,807)	
(48,397)	Less: General Fund Creditor included in above	12	(49,425)	(17,271)	
(21,930)	Less: Lease and PFI Creditors included in above	12	(401,463)	(388,470)	
			214,910	323,830	
<b>(33,065)</b>	<b>Net (Decrease)/Increase</b>				<b>108,920</b>
<b>PROVISIONS</b>					
31,170	Statement of Financial Position	13a	269,587	270,390	
			269,587	270,390	
<b>31,170</b>	<b>Net (Decrease)/Increase</b>				<b>803</b>
<b>(5,721)</b>	<b>NET MOVEMENT Decrease/(Increase)</b>	CFS			<b>95,826</b>

**3. EXPENDITURE**

**3a. Staff Costs**

2020		Board 2021	Consolidated 2021
£'000		£'000	£'000
292,680	Medical and Dental	314,566	314,566
453,515	Nursing	510,962	510,962
361,535	Other Staff	415,237	415,237
<b>1,107,730</b>	<b>Total</b>	<b>1,240,765</b>	<b>1,240,765</b>

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

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

**3b. Other operating expenditure**

**Independent Primary Care Services:**

<b>2020</b>		<b>Board</b>	<b>Consolidated</b>
<b>£'000</b>		<b>2021</b>	<b>2021</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
137,043	General Medical Services	147,719	147,719
31,887	Pharmaceutical Services	40,462	40,462
63,543	General Dental Services	57,029	57,029
17,110	General Ophthalmic Services	17,109	17,109
<u>249,583</u>	<b>Total</b>	<u>262,319</u>	<u>262,319</u>

**Drugs and Medical Supplies:**

<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
161,511	Prescribed drugs Primary Care	153,161	153,161
128,226	Prescribed drugs Secondary Care	142,088	142,088
0	PPE and testing kits	21,397	21,397
<u>102,305</u>	Medical Supplies	<u>91,778</u>	<u>91,778</u>
<u>392,042</u>	<b>Total</b>	<u>408,424</u>	<u>408,424</u>

**Other health care expenditure:**

<b>2020</b>		<b>2021</b>	<b>2021</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
974,097	Contribution to Integration Joints Boards	1,114,683	1,114,683
14,496	Other NHS Scotland Bodies	16,713	16,713
1,791	Health Bodies outside Scotland	588	588
5,515	Private sector	6,140	6,140
20,316	Goods and services from voluntary organisations	18,691	18,691
111,767	Resource Transfer	159,161	159,161
1,719	Loss on disposal of assets	0	0
303,022	Other operating expenses	384,959	384,959
273	Statutory audit fee	284	284
3,014	Endowment Fund expenditure	0	3,272
<u>1,436,010</u>	<b>Total</b>	<u>1,701,219</u>	<u>1,704,491</u>
<u>2,077,635</u>	<b>Total Other Operating Expenditure</b>	<u>2,371,962</u>	<u>2,375,234</u>

During 2020/21 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 £16,825 in relation to the External Audit of the Endowment Fund.

Other operating expenses includes property related costs £58m, PFI unitary charge payments £91m, depreciation and amortisation £46m, Clinical negligence and CNORIS (note 13) £17m, E-health costs £26m and equipment related (including maintenance) £48m.

## NHS Lothian

### Annual Report and Accounts for the Year ended 31<sup>st</sup> March 2021

#### 4. INCOME

2020			Board	Consolidated
£'000	NHS Scotland Bodies	Note	2021	2021
			£'000	£'000
1,637	Income from Scottish Government		1,389	1,389
250,529	Income from other NHS Scotland bodies		242,252	242,252
4,689	Income from NHS non-Scottish bodies		2,566	2,566
1,103	Income from private patients		557	557
972,614	Income for services commissioned by Integration Joint Board		1,080,263	1,080,263
14,162	Patient charges for primary care		1,592	1,592
3,275	Donations		13,787	13,787
118	Profit on disposal of assets		3,344	3,344
20,831	Contributions in respect of clinical and medical negligence claims		10,500	10,500
82	Interest received	CFS	160	160
	<b>Non NHS:</b>			
646	Overseas patients		213	213
(2,778)	Endowment Fund Income			15,269
47,248	Other		78,216	78,216
<b>1,314,156</b>	<b>Total Income</b>	SOCNE	<b>1,434,839</b>	<b>1,450,108</b>

#### 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
<b>Net operating cost 2020/21</b>	817,271	595,974	764,643	(11,997)	(11,122)	(4,186)	(3,605)	(4,622)	<b>2,142,356</b>
<b>Net operating cost 2019/20</b>	771,889	489,578	603,951	5,792	3,264	(372)	(308)	209	<b>1,874,003</b>



**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

**6. INTANGIBLE ASSETS**

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

**PRIOR YEAR – CONSOLIDATED**

	Note	Software Licences £'000	Total £'000
<b>Cost or Valuation:</b>			
As at 1 April 2019		20,200	20,200
<b>As at 31 March 2020</b>		<b>20,200</b>	<b>20,200</b>
<b>Amortisation</b>			
As at 1 April 2019		19,256	19,256
Provided during the year		315	315
<b>At 31 March 2020</b>		<b>19,571</b>	<b>19,571</b>
<b>Net Book Value at 1 April 2019</b>		<b>944</b>	<b>944</b>
<b>Net Book Value at 31 March 2020</b>	SoFP	<b>629</b>	<b>629</b>

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021

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
<b>Cost or valuation</b>										
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
<b>At 31 March 2021</b>		<b>57,017</b>	<b>863,946</b>	<b>875</b>	<b>70</b>	<b>187,967</b>	<b>37,976</b>	<b>1,255</b>	<b>125,528</b>	<b>1,274,634</b>
<b>Depreciation</b>										
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
<b>At 31 March 2021</b>		<b>0</b>	<b>45,242</b>	<b>133</b>	<b>56</b>	<b>116,026</b>	<b>33,716</b>	<b>1,227</b>	<b>0</b>	<b>196,400</b>
<b>Net book value at 1 April 2020</b>		56,055	835,287	781	24	45,012	5,527	119	121,850	1,064,655
<b>Net book value at 31 March 2021</b>	SoFP	<b>57,017</b>	<b>818,704</b>	<b>742</b>	<b>14</b>	<b>71,941</b>	<b>4,260</b>	<b>28</b>	<b>125,528</b>	<b>1,078,234</b>
<b>Open Market Value of Land, buildings and Dwellings Included Above</b>		<b>6,900</b>		<b>0</b>						
<b>Asset financing:</b>										
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
<b>Net Book Value at 31 March 2021</b>	SoFP	<b>57,017</b>	<b>818,704</b>	<b>742</b>	<b>14</b>	<b>71,941</b>	<b>4,260</b>	<b>28</b>	<b>125,528</b>	<b>1,078,234</b>

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021

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
<b>Cost or valuation</b>									
At 1 April 2019	57,707	831,389	875	100	141,862	32,077	1,255	138,139	1,203,404
Additions - Purchased	0	0	0	0	0	0	0	56,230	56,230
Additions – Donated	0	0	0	0	0	0	0	3,275	3,275
Completions	0	64,867	0	0	6,177	4,750	0	(75,794)	0
Transfers between asset categories	0	0	0	0	0	0	0	0	0
Revaluations	1,394	(15,055)	0	0	0	0	0	0	(13,661)
Impairment Charges	0	(808)	0	0	0	0	0	0	(808)
Impairment Reversals	0	4,351	0	0	0	0	0	0	4,351
Disposals – Purchased	(3,046)	(1,403)	0	0	0	0	0	0	(4,449)
Disposals – Donated	0	0	0	0	0	0	0	0	0
<b>At 31 March 2020</b>	<b>56,055</b>	<b>883,341</b>	<b>875</b>	<b>100</b>	<b>148,039</b>	<b>36,827</b>	<b>1,255</b>	<b>121,850</b>	<b>1,248,342</b>
<b>Depreciation</b>	0	42,853	55	66	90,201	28,443	1,011	0	162,629
At 1 April 2019	0	25,412	39	0	12,476	2,857	125	0	40,909
Provided during the year – purchased	0	496	0	10	350	0	0	0	856
Provided during the year – donated	0	0	0	0	0	0	0	0	0
Revaluations	0	(17,626)	0	0	0	0	0	0	(17,626)
Impairment Charges	0	(539)	0	0	0	0	0	0	(539)
Impairment reversals	0	(2,182)	0	0	0	0	0	0	(2,182)
Disposals – Purchased	0	(360)	0	0	0	0	0	0	(360)
Disposals – Donated	0	0	0	0	0	0	0	0	0
<b>At 31 March 2020</b>	<b>0</b>	<b>48,054</b>	<b>94</b>	<b>76</b>	<b>103,027</b>	<b>31,300</b>	<b>1,136</b>	<b>0</b>	<b>183,687</b>
<b>Net book value at 1 April 2019</b>	57,707	788,536	820	34	51,661	3,634	244	138,139	1,040,775
<b>Net book value at 31 March 2020</b>	SoFP 56,055	835,287	781	24	45,012	5,527	119	121,850	1,064,655
<b>Open Market Value of Land, buildings and Dwellings Included Above</b>	6,850		0						
<b>Asset financing:</b>									
Owned – purchased	56,055	362,707	781	0	44,162	5,527	119	112,974	582,325
Owned – donated	0	4,057	0	24	850	0	0	8,876	13,807
Finance leased	0	4,121	0	0	0	0	0	0	4,121
On-balance sheet PFI contracts	0	464,402	0	0	0	0	0	0	464,402
<b>Net Book Value at 31 March 2020</b>	SoFP 56,055	835,287	781	24	45,012	5,527	119	121,850	1,064,655

7b) NON CURRENT ASSETS HELD FOR SALE– CONSOLIDATED

	Note	Property, Plant & Equipment £000	Intangible Assets £000	Total £000
<b>At 1 April 2020</b>		0	0	0
Transfers from property, plant and equipment		1,955		1,955
Transfers (to) / from intangible assets	6		0	0
Gain or losses recognised on re-measurement of non-current assets held for sale				0
Disposals of non-current assets held for sale				0
<b>At 31 March 2021</b>	<b>SoFP</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>

7c) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES - CONSOLIDATED

2020 £'000		Note	2021 £'000
	<b>Net book value of Property, plant and equipment at 31 March</b>		
1,050,848	Purchased		1,056,906
13,807	Donated		21,328
<b>1,064,655</b>	<b>Total</b>	SoFP	<b>1,078,234</b>
6,850	Net book value related to land valued at open market value at 31 March		6,900
0	Net book value related to buildings valued at the open market value at 31 March		0
	<b>Total value of assets held under:</b>		
4,121	Finance Leases		3,827
464,402	PFI and PPP Contracts		447,302
<b>468,523</b>			<b>451,129</b>
	<b>Total depreciation charged in respect of assets held under:</b>		
289	Finance leases		294
8,075	PFI and PPP contracts		11,545
<b>8,364</b>			<b>11,839</b>

In line with the Board’s revaluation policy a sample was revalued by an independent valuer, Avison Young at 31 March 2021 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 £14.942m (2019-20: an increase of £20.298m) which was credited to the revaluation reserve. Impairment of 36.668m (2019-20 £10.068m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

7d) ANALYSIS OF CAPITAL EXPENDITURE

2020 £'000	EXPENDITURE	Note	2021 £'000
0	Acquisition of Intangible Assets	6	666
56,230	Acquisition of Property, plant and equipment	7a	74,590
3,275	Donated Asset Additions	7a	9,019
<b>59,505</b>	<b>Gross Capital Expenditure</b>		<b>84,275</b>
	<b>INCOME</b>		
4,089	Net book value of disposal of Property, plant and equipment	7a	479
0	Net book value of disposal of Donated Assets	7a	0
6	HUB – repayment of investment		6
3,275	Donated Asset Capital income		9,019
<b>7,370</b>	<b>Capital Income</b>		<b>9,504</b>
<b>52,135</b>	<b>Net Capital Expenditure</b>		<b>74,771</b>

# NHS Lothian

## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021

### SUMMARY OF CAPITAL RESOURCE OUTTURN

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

		Core	Non Core	Total
52,141	Net capital expenditure as above	74,771	0	74,771
52,141	Capital Resource Limit	74,771	0	74,771
<b>0</b>	<b>Saving/(excess) against Capital Resource Limit</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 8. INVENTORY

2020 £'000		2021 £'000
21,762	Raw Materials and Consumables	22,384
<b>21,762</b>	<b>Total Inventories</b>	<b>22,384</b>

Note  
SoFP

### 9. TRADE AND OTHER RECEIVABLES

Consolidated 2020 £'000	Board 2020 £'000		Consolidated 2021 £'000	Board 2021 £'000
		<b>Receivables due within one year</b>		
		<b>NHS Scotland</b>		
		Scottish Government Health & Social Care Directorate	506	506
0	0	Boards	25,753	25,753
<b>16,417</b>	<b>16,417</b>	<b>Total NHS Scotland Receivables</b>	<b>26,259</b>	<b>26,259</b>
1,082	1,082	NHS Non-Scottish Bodies	2,034	2,034
2,901	2,881	VAT recoverable	3,607	3,584
16,481	16,481	Prepayments	16,491	16,143
20,804	19,322	Accrued income	16,670	16,670
2,073	2,073	Other Receivables	5,529	5,529
16,922	16,922	Reimbursement of provisions	19,914	19,914
898	898	Other Public Sector Bodies	734	734
<b>77,578</b>	<b>76,076</b>	<b>Total Receivables due within one year</b>	<b>91,238</b>	<b>90,867</b>
		<b>Receivables due after more than one year</b>		
107	107	Prepayments	290	290
3	3	Other Receivables	3	3
98,402	98,402	Reimbursement of Provisions	97,834	97,834
<b>98,512</b>	<b>98,512</b>	<b>Total Receivables due after more than one year</b>	<b>98,127</b>	<b>98,127</b>
<b>176,090</b>	<b>174,588</b>	<b>TOTAL RECEIVABLES</b>	<b>189,365</b>	<b>188,994</b>
4,938	4,938	The total receivables figure above includes a provision for bad debts of :	5,231	5,231

Note  
SoFP

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

Consolidated 2020 £'000	Board 2020 £'000		Consolidated 2021 £'000	Board 2021 £'000
4,992	4,992	At 1 April	4,938	4,938
4,843	4,843	Provision for receivables impairment	4,883	4,883
(73)	(73)	Receivables written off during the year as uncollectable	(295)	(295)
(4,824)	(4,824)	Unused amounts reversed	(4,295)	(4,295)
<b>4,938</b>	<b>4,938</b>	At 31 March	<b>5,231</b>	<b>5,231</b>

## NHS Lothian

### Annual Report and Accounts for the Year ended 31<sup>st</sup> March 2021

#### 10. Investments

Consolidated 2020 £'000	Board 2020 £'000		Note	Consolidated 2021 £'000	Board 2021 £'000
22,502		UK equities & investment trusts		22,444	
30,775		Non UK equities & investment trusts		30,695	
10,564		Fixed Interest securities		10,537	
22,760	2,096	Other		35,867	2,090
<b>86,601</b>	<b>2,096</b>	<b>TOTAL</b>	SoFP	<b>99,543</b>	<b>2,090</b>
83,728	2,102	At 1 April		86,601	2,096
22,885	0	Additions	CFS	22,025	
(16,343)	(6)	Disposals		(22,354)	(6)
(3,669)	0	Revaluation (deficit)/surplus transferred to equity	2a	13,271	
<b>86,601</b>	<b>2,096</b>	At 31 March		<b>99,543</b>	<b>2,090</b>
2,035	0	Current	SoFP	0	0
84,566	2,096	Non-current	SoFP	99,543	2,090
<b>86,601</b>	<b>2,096</b>	At 31 March		<b>99,543</b>	<b>2,090</b>
		Other Financial Assets available for sale comprise:			
	<b>33</b>	Loans to Hub South East Scotland Limited			<b>33</b>
	<b>33</b>				<b>33</b>

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 2020/21 there were investments of £82,702k and cash awaiting investment £3,446k. The NHS Lanarkshire share was 6.43% of the total portfolio managed by Casenove (Schroders). ELHF also holds investment properties of £11,305k 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.

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

**11. CASH AND CASH EQUIVALENTS**

	Note	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
Endowments		4,471	261	4,732
<b>Total cash – balance sheet</b>	SoFP	<b>53,896</b>	<b>(31,893)</b>	<b>22,003</b>

		At 01/04/19 £'000	Cash Flow £'000	At 31/03/20 £'000
Government Banking Service account balance		949	48,406	49,355
Cash at bank and in hand		79	(9)	70
Endowment cash		5,359	(888)	4,471
<b>Total cash – balance sheet</b>		<b>6,387</b>	<b>47,509</b>	<b>53,896</b>

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 2020 £'000	Board 2020 £'000		Note	Consolidated 2021 £'000	Board 2021 £'000
<b>Payables due within one year</b>					
<b>NHS Scotland</b>					
		Scottish Government Health & Social Care Directorate		362	362
0	0	Boards		6,352	6,352
5,223	5,223	<b>Total NHS Scotland Payables</b>		<b>6,714</b>	<b>6,714</b>
1,026	1,026	NHS Non-Scottish Bodies		709	709
49,425	49,425	General Fund Payable		17,271	17,271
34,811	34,811	FHS Practitioners		25,619	25,619
1,135	1,135	Trade Payables		3,552	3,378
90,710	88,152	Accruals		192,588	190,123
18,873	18,873	Deferred Income		22,629	22,629
12,993	12,993	Net obligations under PPP/PFI Contracts	18b	14,790	14,790
22,575	22,575	Income tax and social security		25,416	25,416
18,383	18,383	Superannuation		20,605	20,605
(14)	(14)	Other Public Sector Bodies		(4,866)	(4,866)
3,377	3,377	Other payables		2,524	2,524
17,024	17,024	Employee Benefits		26,553	26,553
1,787	1,787	Pay and Conditions Accrual		1,787	1,787
29,156	29,156	Capital Accruals		31,807	31,807
<b>306,484</b>	<b>303,926</b>	<b>Total Payables due within one year</b>	SoFP	<b>387,698</b>	<b>385,059</b>
<b>Payables due after more than one year</b>					
14,790	14,790	Net obligations under PPP/PFI Contracts due within 1-2 years	18b	16,492	16,492
55,491	55,491	Net obligations under PPP/PFI Contracts due after 2 years but within 5 years	18b	61,742	61,742
318,189	318,189	Net obligations under PPP/PFI Contracts due after 5 years	18b	295,446	295,446
0	0	NPDs			
<b>388,470</b>	<b>388,470</b>	<b>Total Payables due after more than one year</b>	SoFP	<b>373,680</b>	<b>373,680</b>
<b>694,954</b>	<b>692,396</b>	<b>TOTAL PAYABLES</b>		<b>761,378</b>	<b>758,739</b>

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**12. TRADE AND OTHER PAYABLES (continued)**

Consolidated 2020 £'000	Board 2020 £'000		Consolidated 2021 £'000	Board 2021 £'000
		Borrowings included above comprise:		
401,463	401,463	PFI Contracts	388,470	388,470
<b>401,463</b>	<b>401,463</b>		<b>388,470</b>	<b>388,470</b>
		The carrying amount and fair value of the non-current borrowings are as follows:		
		<b>Carrying amount</b>		
388,470	388,470	PFI Contracts	373,680	373,680
<b>388,470</b>	<b>388,470</b>		<b>373,680</b>	<b>373,680</b>
		<b>Fair value</b>		
0		Finance Leases		
388,470	388,470	PFI Contracts	373,680	373,680
<b>388,470</b>	<b>388,470</b>		<b>373,680</b>	<b>373,680</b>

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

**13a. PROVISIONS – CONSOLIDATED**

2020 £'000		Pensions & similar obligations £'000	Clinical & Medical Negligence £'000	Participation in CNORIS £'000	Other £'000	Total £'000
238,417	At 1 April 2020	26,269	115,827	125,710	1,781	269,587
56,381	Arising during the year	904	14,081	6,047	2,782	23,814
(8,784)	Utilised during the year	(1,638)	(6,560)	(6,172)	(321)	(14,691)
(8)	Unwinding of discount	(16)				(16)
(16,419)	Reversed unutilised	(1,094)	(6,985)		(225)	(8,304)
<b>269,587</b>	<b>At 31 March 2021</b>	<b>24,425</b>	<b>116,363</b>	<b>125,585</b>	<b>4,017</b>	<b>270,390</b>

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 £1,781k for non-medical CNORIS.

Analysis of expected timing of discounted cash flows:

2020 £'000		Pensions & similar obligations £'000	Clinical & Medical Negligence £'000	Participation in CNORIS £'000	Other £'000	Total £'000
47,979	Payable within one year	1,653	27,198	31,325	963	61,139
153,305	Payable between 2 -5 years		74,293	76,319	3,054	153,666
8,307	Payable between 6 – 10 years		2,131	6,492		8,623
59,996	Thereafter	22,772	12,741	11,449	0	46,962
<b>269,587</b>	<b>At 31 March 2021</b>	<b>24,425</b>	<b>116,363</b>	<b>125,585</b>	<b>4,017</b>	<b>270,390</b>



**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 -0.95% (2019/20: -0.5%). 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)**

2020 £'000		Note	2021 £'000
117,608	Provision recognising individual claims against the NHS Board as at 31 March	13a	120,380
(115,324)	Associated CNORIS receivable at 31 March	9	(117,748)
125,710	Provision recognising the NHS Board' liability from participating in the scheme at 31 March	13a	125,585
<b>127,994</b>	<b>Net Total Provision relating to CNORIS at 31 March</b>		<b>128,217</b>

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>

## NHS Lothian

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#### 14. Contingent Liabilities

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

<b>2020</b> <b>£'000</b>		<b>2021</b> <b>£'000</b>
123,685	Clinical and medical compensation payments	157,289
<u>690</u>	Other	<u>496</u>
124,375		157,785

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

<b>2020</b> <b>£'000</b>		<b>2021</b> <b>£'000</b>
(122,453)	Clinical and medical negligence contingent assets	(155,815)

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

Post balance sheet date NHS Lothian disposed of the Royal Hospital for Sick Children. The asset was sold in a single transaction on 11th June 2021 for £23.25m to a private entity. The sale proceeds were allocated between NHS Lothian and the Edinburgh and Lothians Health Foundation reflecting their interests in the asset.

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

**16. COMMITMENTS – CONSOLIDATED**

**(a) Capital Commitments**

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

<b>2020</b>	<b>2021</b>
<b>£'000 Contracted</b>	<b>£'000</b>
1,612 Radiotherapy Replace Programme	364
497 Hsdu Trak and Traceability	0
887 Haematology	489
1,060 Medical Equipment	349
0 Royal Hospital for Sick Children and DCN project	113
0 Energy Infrastructure Phase 2	101
0 Autism Hub	58
0 Oncology Enabling Projects	571
0 WGH Clinical Trials	126
118 Other Commitments	218
<b>4,174</b>	<b>2,389</b>
<b>Authorised but not Contracted</b>	
6,545 Royal Hospital for Sick Children and DCN Reprovision	0
2,862 Cockenzie	2,795
2,917 Ihs Panmure	2,914
210 Esmac – St Kats	0
5,212 Renal WGH	0
7 Body Storage Equipment	0
4,701 HEPMA - Electronic Prescribing	2,263
8,539 Energy Infrastructure Phase 1	0
9,846 Haematology	467
994 Hsdu Trak and Traceability	738
0 Digital Devices	741
0 Anti-Ligature Works	600
0 West Edin Primary Care Provision	1,521
0 Oncology Enabling Projects	18,377
0 Decant Capacity at RIE	3,306
0 Additional Linacc	3,000
0 ICU Clinical Info System	2,160
0 Energy Infrastructure Phase 2	151
0 Meadows Primary Care Provision	3,446
0 Radiotherapy Replace Programme	2,879
0 Other Schemes	45
<b>41,842 Total</b>	<b>45,403</b>

**(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.

**NHS Lothian****ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021****17. LEASES – CONSOLIDATED**

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

<b>2020</b>		<b>2021</b>
<b>£'000</b>	<b>Operating Leases</b>	<b>£'000</b>
	<b>Buildings</b>	
5,283	Not later than one year	5,351
5,275	Later than one year but not later than two years	5,344
15,238	Later than two but not later than five years	14,282
20,572	Later than five years	18,502
	<b>Other</b>	
1,681	Not later than one year	2,072
1,090	Later than one year but no later than two years	1,355
680	Between two and five years (inclusive)	968
	<b>Amounts charged to Operating Costs in year were:</b>	
6,627	Hire of equipment (including vehicles)	6,655
6,704	Other operating leases	6,560
<b>13,331</b>		<b>13,215</b>

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

**18. PFI CONTRACTS – CONSOLIDATED**

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

<b>Name</b>	<b>Description of Scheme</b>	<b>Start Date</b>	<b>End Date</b>	<b>Estimated capital value £'000</b>
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	£123,673
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	£6,172
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	£8,120
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	£11,227
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	£52,726
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	£39,677
Royal Infirmary of Edinburgh	Acute teaching hospital facilities	01/11/01	30/05/53	£181,357
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	£12,981
Ellens Glen	This service provides 60 bedded facility for frail elderly and dementia patients.	01/10/96	01/10/21	£2,997
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	01/11/29	£3,469
Tippethill	This service provides 60 bedded facility for frail elderly and dementia patients at Whitburn	13/06/03	12/06/33	£3,009
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	05/09/25	£1,895

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:												
2020	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	2021 TOTAL	
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
56,694	Rentals due within 1 year	1,731	1,330	32,131	3,162	568	443	813	4,511	12,471	57,160	
56,695	Due within 1 to 2 years	1,730	1,330	32,131	3,162	568	443	813	4,511	12,471	57,159	
170,083	Due within 2 to 5 years	4,755	3,990	96,393	9,487	1,705	1,329	2,437	13,532	37,415	171,043	
665,284	Due after 5 years	5,396	19,368	220,987	49,534	9,413	7,360	13,462	83,066	203,712	612,298	
948,756	<b>Total</b>	13,612	26,018	381,642	65,345	12,254	9,575	17,525	105,620	266,069	897,660	
2020	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	2021 TOTAL	
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
(43,701)	Rentals due within 1 year	(1,217)	(845)	(23,279)	(2,312)	(422)	(205)	(525)	(3,555)	(10,010)	(42,370)	
(41,905)	Due within 1 to 2 years	(1,163)	(826)	(21,995)	(2,256)	(413)	(198)	(511)	(3,490)	(9,815)	(40,667)	
(114,592)	Due within 2 to 5 years	(2,944)	(2,359)	(56,285)	(6,396)	(1,174)	(552)	(1,440)	(10,031)	(28,120)	(109,301)	
(347,095)	Due after 5 years	(2,731)	(7,957)	(149,200)	(19,167)	(3,747)	(1,594)	(4,404)	(36,646)	(91,406)	(316,852)	
(547,293)	<b>Total</b>	(8,055)	(11,987)	(250,759)	(30,131)	(5,756)	(2,549)	(6,880)	(53,722)	(139,351)	(509,190)	
2020	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	2021 TOTAL
£000			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
12,993	Rentals due within 1 year	12	514	485	8,852	850	146	238	288	956	2,461	14,790
14,790	Due within 1 to 2 years	12	567	504	10,136	906	155	245	302	1,021	2,656	16,492
55,491	Due within 2 to 5 years	12	1,811	1,631	40,108	3,091	531	777	997	3,501	9,295	61,742
318,189	Due after 5 years	12	2,665	11,411	71,787	30,367	5,666	5,766	9,058	46,420	112,306	295,446
401,463	<b>Total</b>		5,557	14,031	130,883	35,214	6,498	7,026	10,645	51,898	126,718	388,470
<b>401,463</b>	<b>Total commitments</b>		<b>5,557</b>	<b>14,031</b>	<b>130,883</b>	<b>35,214</b>	<b>6,498</b>	<b>7,026</b>	<b>10,645</b>	<b>51,898</b>	<b>126,718</b>	<b>388,470</b>

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

2020	Imputed finance lease obligation under on-balance-sheet PFI/PPP contracts comprises:	2021
£'000		£'000
56,694	Rentals due within 1 year	57,160
56,695	Rentals due within 1 to 2 years	57,159
170,083	Rentals due within 2 to 5 years	171,043
665,284	Rentals due thereafter	612,298
948,756		897,660
(547,293)	Less interest element	(509,190)
<b>401,463</b>	<b>Total</b>	<b>388,470</b>

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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:

2020 £'000		2021 £'000
21,480	Service charges	24,448
42,756	Interest charges on finance lease debt	44,584
12,222	Principle repayment	12,993
<b>76,458</b>	<b>Total</b>	<b>82,025</b>

Contingent rents included within the interest charges were £6,733k (2019/20: £6,226k)

#### 19. PENSION COSTS

2020 £'000		2021 £'000
154,104	Pension cost charge for the year	167,134
26,269	Provisions/Liabilities/Pre-payments included in the Statement of Financial Position	24,425

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 2020 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 £167.1m were payable to SPPA (2019/20 £154.1m) at the rate of 20.9% of pensionable pay for the period from 1 April 2020 (2019/20 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 14.41% 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 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](http://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.

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

Pension members can chose 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

2020 £'000	AT 31 MARCH 2021	Note	Loans and Receivables £'000	Available for sale £'000	Total £'000
<b>Assets per Statement of Financial Position</b>					
86,601	Investments	10		99,543	99,543
24,860	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	24,970		24,970
53,896	Cash and cash equivalents	11	22,003		22,003
<b>165,357</b>			<b>46,973</b>	<b>99,543</b>	<b>146,516</b>
<b>Other Financial Liabilities</b>					
0	Finance lease liabilities	12		0	0
401,463	PFI Liabilities	12		388,470	388,470
228,437	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12		297,544	297,544
<b>629,900</b>				<b>686,014</b>	<b>686,014</b>

FINANCIAL INSTRUMENTS – Board

2020 £'000	AT 31 MARCH 2021	Note	Loans and Receivables £'000	Available for sale £'000	Total £'000
<b>Assets per Statement of Financial Position</b>					
2,096	Investments	10		2,090	2,090
23,378	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	24,970		24,970
49,425	Cash and cash equivalents	11	17,271		17,271
<b>74,899</b>			<b>42,241</b>	<b>2,090</b>	<b>44,331</b>
<b>Other Financial Liabilities</b>					
0	Finance lease liabilities	12		0	0
401,463	PFI Liabilities	12		388,470	388,470
225,879	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12		294,905	294,905
<b>627,342</b>				<b>683,375</b>	<b>683,375</b>

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.

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,

## NHS Lothian

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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	14,790	16,492	61,742	295,446	388,470
Trade and other payables excluding statutory liabilities	294,905				294,905
<b>At 31 March 2021 (£'000)</b>	<b>309,695</b>	<b>16,492</b>	<b>61,742</b>	<b>295,446</b>	<b>683,375</b>
<b>At 31 March 2020 (£'000)</b>	<b>241,430</b>	<b>14,790</b>	<b>55,491</b>	<b>318,189</b>	<b>629,900</b>

#### 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.

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

## NHS Lothian

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#### 22. Derivative Financial Instruments and Forward Currency Exchange Contracts

At 31 March 2020 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 2021.

#### 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 2020	Gross Inflows	Gross Outflows	At 31 March 2021
	£'000	£'000	£'000	£'000
Bank balances and monies on deposit	906	849	(675)	1,080
Total Monetary Assets	<b>906</b>	<b>849</b>	<b>(675)</b>	<b>1,080</b>

#### 24. RELATED PARTY TRANSACTIONS

a) By virtue of their membership of the Board, executive and non-executive members are Trustees of the Lothian NHS Endowment Fund, which is a registered Scottish Charity and which expends donations for any NHS purpose and in accordance with the donor of the funds. During 20/21 the funds spent a total of £6.38m (2019/20: £4.4m), 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 £54,288 as at 31 March 2021 (31 March 2020: £61,171).

b) Mr Martin Fennelly Hill is a non-executive member of NHS Lothian and is a non-executive member of Scottish Environmental Protection Agency. In 2020/21 NHS Lothian made payments to Scottish Environmental Protection Agency in relation to health service provision that amounted to £34,627 (2019/20 £51,945).

c) Spouse of Mr McCann who is a non executive member of NHS Lothian is a Trustee / Director of a charity Move On. In 2020/21 NHS Lothian made payments to Move On in relation to tobacco prevention work that amounted to £17,049 (2019/20: £nil).

d) Fiona O'Donnell was a non executive member of NHS Lothian (resigned 23/2/2021) and is a director of Pennypit Community Development Trust. In 2020/21 NHS Lothian made payments to Pennypit Community Development Trust in relation to health service provision that amounted to £32,445 (2019/20: £nil).

e) 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 arms length. Scottish Ministers issue instructions and guidance on special transactions between publicly funded bodies in areas such as property transfers and joint venture investments.

f) During 2015/16 a new integration joint board (IJB) was established in each of the four local authority areas within the NHS Lothian boundary, under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014. The IJBs are distinct legal entities the NHS Board and the relevant local authority. The NHS Board and the relevant local authority have delegated some of their functions to these IJBs, and each IJB is wholly responsible for carrying out those functions. The new arrangements for health and social care came fully into effect on 1 April 2016.

- City of Edinburgh Integration Joint Board. The Health Board has incurred costs of £641,642k (2019/20: £543,312k) for its contribution to the IJB. The draft, unaudited, Accounts of Edinburgh IJB indicate that resource transfer has been presented differently and shown as Social Care expenditure in the IJB accounts.

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This presentation difference has no impact on the Board's out-turn. This treatment by Edinburgh IJB is different from how the other 3 IJBs have reported.

- Mid Lothian Integration Joint Board. The Health Board has incurred costs of £122,648k (2019/20: £107,282k) for its contribution to the IJB.
- East Lothian Integration Joint Board. The Health Board has incurred costs of £143,606k (2019/20: £124,533k) for its contribution to the IJB.
- West Lothian Integration Joint Board. The Health Board has incurred costs of £226,787k (2019/20: £198,970k) for its contribution to the IJB.

g) Cllr George Gordon is a non executive member of NHS Lothian and is Chair of the Edinburgh International Conference Centre. In 2020/21 the Edinburgh International Conference Centre was used as a Covid Vaccination Centre and as a result NHS Lothian made payments that amounted to £1,363.323. (2019/20: £2,444).

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**25. GROUP STATEMENTS**

**LINKED STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE**

**(a) Group SOCNE**

**Integrated Joint Board (Joint venture)**

Group 2020 £'000	Note	Board £'000	Endowments £'000	Intra Group adjustment £'000	Edinburgh £'000	West £'000	East £'000	Mid £'000	Consolidated £'000	
<b>Total income and expenditure</b>										
1,107,730	Staff costs	3	1,240,765						1,240,765	
Other operating expenditure										
249,583	Independent Primary Care Services	3	262,319						262,319	
392,042	Drugs and medical supplies		408,424						408,424	
1,436,010	Other health care expenditure		1,701,219	6,375	(3,103)				1,704,491	
3,185,365	Gross expenditure for the year		3,612,727	6,375	(3,103)				3,615,999	
(1,314,156)	Less: operating income	4	(1,434,839)	(18,372)	3,103				(1,450,108)	
2,793	Joint venture accounted for on an equity basis				(11,122)	(4,622)	(3,605)	(4,186)	(23,535)	
<b>1,874,002</b>	<b>Net Expenditure</b>		<b>2,177,888</b>	<b>(11,997)</b>	<b>0</b>	<b>(11,122)</b>	<b>(4,622)</b>	<b>(3,605)</b>	<b>(4,186)</b>	<b>2,142,356</b>

The intercompany adjustments relate to removal of intercompany rental income to endowments from NHS Lothian £307k, and removal of grants to NHS Lothian £3,080k. Losses from Foundation investments of £2,796k 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

Group 2020 £'000	Note	Integrated Joint Board (Joint Venture)							Group £'000	
		Board £'000	Endowments £'000	Intra Group adjustment £'000	Edinburgh £'000	West £'000	East £'000	Mid £'000		
<b>Non-current assets:</b>										
1,064,655	Property, plant and equipment	SoFP	1,078,234	0						1,078,234
629	Intangible assets	SoFP	944	0						944
Financial assets:										
84,566	Investments	SoFP	2,090	97,453						99,543
5,124	Investments in Joint Ventures	25a	0	0	12,705	4,654	4,804	6,496		28,659
98,512	Trade and other receivables	SoFP	98,127	0						98,127
<b>1,253,486</b>	<b>Total non-current assets</b>		<b>1,179,395</b>	<b>97,453</b>	<b>0</b>	<b>12,705</b>	<b>4,654</b>	<b>4,804</b>	<b>6,496</b>	<b>1,305,507</b>
<b>Current Assets:</b>										
21,762	Inventories	SoFP	22,384	0						22,384
Financial assets:										
77,578	Trade and other receivables	SoFP	90,867	371						91,238
53,896	Cash and cash equivalents	SoFP	17,271	4,732						22,003
2,035	Investments	SoFP	0	0						0
0	Assets classified as held for sale	SoFP	1,955	0						1,955
<b>155,271</b>	<b>Total current assets</b>		<b>132,477</b>	<b>5,103</b>	<b>0</b>					<b>137,580</b>
<b>1,408,757</b>	<b>Total assets</b>		<b>1,311,872</b>	<b>102,556</b>	<b>0</b>	<b>12,705</b>	<b>4,654</b>	<b>4,804</b>	<b>6,496</b>	<b>1,443,087</b>
<b>Current liabilities</b>										
(47,979)	Provisions	SoFP	(61,139)	0						(61,139)
Financial liabilities:										
(306,484)	Trade and other payables	SoFP	(385,059)	(14,939)	12,300					(387,698)
<b>(354,463)</b>	<b>Total current liabilities</b>		<b>(446,198)</b>	<b>(14,939)</b>	<b>12,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(448,837)</b>
<b>1,054,294</b>	<b>Non-current assets plus/(less) net current assets/(liabilities)</b>		<b>865,674</b>	<b>87,617</b>	<b>12,300</b>	<b>12,705</b>	<b>4,654</b>	<b>4,804</b>	<b>6,496</b>	<b>994,250</b>

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<b>Non-current liabilities</b>										
(221,608)	Provisions	SoFP	(209,251)	0					(209,251)	
	Financial liabilities:									
(388,470)	Trade and other payables	SoFP	(373,680)	0					(373,680)	
<b>(610,078)</b>	<b>Total non-current liabilities</b>		<b>(582,931)</b>	<b>0</b>					<b>(582,931)</b>	
<b>444,216</b>	<b>Assets less liabilities</b>		<b>282,743</b>	<b>87,617</b>	<b>12,300</b>	<b>12,705</b>	<b>4,654</b>	<b>4,804</b>	<b>6,496</b>	<b>411,319</b>
<b>Taxpayers' Equity</b>										
133,377	General fund	SoFP	59,907	0					59,907	
217,795	Revaluation reserve	SoFP	222,836	0					222,836	
5,124	Joint venture reserves	SoFP	0	0	0	12,705	4,654	4,804	6,496	28,659
87,920	Funds held on Trust	SoFP	0	87,617	12,300					99,917
<b>444,216</b>	<b>Total taxpayers' equity</b>		<b>282,743</b>	<b>87,617</b>	<b>12,300</b>	<b>12,705</b>	<b>4,654</b>	<b>4,804</b>	<b>6,496</b>	<b>411,319</b>

LINKED CONSOLIDATED GROUP CASHFLOWS

(c) Group Cashflows

2020					2021			
Board	Endowment	Integration joint board	Group	Cash flows from operating activities	Board	Endowment	Integration joint board	Group
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(1,865,417)	(5,792)	(2,793)	(1,874,002)	Net operating cost	(2,177,888)	11,997	23,535	(2,142,356)
50,475	3,669	2,793	56,937	Adjustments for non-cash transactions	81,460	(13,271)	(23,535)	44,654
42,748	0	0	42,748	Add back: interest payable recognised in net operating cost	44,568		0	44,568
(82)	0	0	(82)	Deduct: interest receivable recognised in net operating cost	(160)	0	0	(160)
0	(2,201)	0	(2,201)	Investment income	0	(1,826)	0	(1,826)
(13,505)	7,784	0	(5,721)	Movement in working capital	92,581	3,245	0	95,826
<b>(1,785,781)</b>	<b>3,460</b>	<b>0</b>	<b>(1,782,321)</b>	<b>Net cash outflow from operating activities</b>	<b>(1,959,439)</b>	<b>145</b>	<b>0</b>	<b>(1,959,294)</b>
				<b>Cash flows from investing activities</b>				
(53,940)	0	0	(53,940)	Purchase of property, plant and equipment	(71,939)	0	0	(71,939)
0	0	0	0	Purchase of intangible assets	(666)			(666)
0	(22,885)	0	(22,885)	Investment Additions	0	(22,025)		(22,025)
2,494	0	0	2,494	Proceeds of disposal of property, plant and equipment	3,829	0		3,829
0	16,337	0	16,337	Receipts from sale of investment	0	20,314		20,314
82	2,201	0	2,283	Interest and dividends received	160	1,826		1,986
<b>(51,364)</b>	<b>(4,347)</b>	<b>0</b>	<b>(55,711)</b>	<b>Net cash outflow from investing activities</b>	<b>(68,616)</b>	<b>115</b>		<b>(68,501)</b>
				<b>Cash flows from financing activities</b>				
1,857,962	0	0	1,857,962	Funding	2,085,617			2,085,617
48,397	0	0	48,397	Movement in general fund working capital	(32,154)			(32,154)
1,906,359	0	0	1,906,359	Cash drawn down	2,053,463			2,053,463
21,930	0	0	21,930	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(12,993)			(12,993)
8	0	0	8	Interest paid	16			16
(42,756)	0	0	(42,756)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(44,584)			(44,584)
<b>1,885,541</b>	<b>0</b>	<b>0</b>	<b>1,885,541</b>	<b>Net Financing</b>	<b>1,995,902</b>			<b>1,995,902</b>
48,396	(887)	0	47,509	<b>Net Increase / (decrease) in cash and cash equivalents in the period</b>	(32,153)	260		(31,893)
1,028	5,359	0	6,387	<b>Cash and cash equivalents at the beginning of the period</b>	49,424	4,472		53,896
<b>49,424</b>	<b>4,472</b>	<b>0</b>	<b>53,896</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>17,271</b>	<b>4,732</b>		<b>22,003</b>
				<b>Reconciliation of net cash flow to movement in net debt/cash</b>				
48,396	(887)	0	47,509	Increase/(decrease) in cash in year	(32,153)	260		(31,893)
1,028	5,359	0	6,387	Net debt/cash at 1 April	49,424	4,472		53,896
<b>49,424</b>	<b>4,472</b>	<b>0</b>	<b>53,896</b>	<b>Net debt/cash at 31 March</b>	<b>17,271</b>	<b>4,732</b>		<b>22,003</b>





**Lothian Health Board**

**DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in pursuance of sections 86(1), (1B) and (3) of the National Health Services (Scotland) Act 1978, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.
4. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
5. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 10/2/2006