



Annual Report and Accounts

Year ended 31st March 2023

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ANNUAL REPORT

SECTION A: THE PERFORMANCE REPORT

1. Overview

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

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

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

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

The organisation works to implement the strategies and plans of the NHS Board, of our four IJB partners, and the Scottish Government. During this financial year we have also developed the Lothian Strategic Development Framework (“LSDF”), which brings together the strategies of the 4 IJBs and NHS Lothian into one framework and outlines plans to deliver on our vision and performance aspirations. You can find key material on the [NHS Lothian website](https://nhslothian.scot). 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 2022/23.

Statement from our Chief Executive, Calum Campbell

The financial year 2022-23 remained a period of significant challenge for NHS Lothian. Our performance in many areas improved but remained below where we would want it to be, and we saw particular challenges on our unscheduled care and inpatient admission fronts. We continue to see challenges presenting in other parts of the health and social care system, particularly in the stubborn level of delayed discharges.

Looking ahead, if NHS Lothian is ever to achieve and sustain the level of performance which the Scottish Government and the public expects, there will need to be significant transformational change. A key issue is funding. Historically NHS Lothian has received less funding than the level determined by the Scottish Government's NHS Scotland Resource Allocation Committee 'NRAC' funding model. There is a cumulative effect of the Board receiving funding below NRAC parity for several years, which we estimate to be £124m since 2015. The Board has not been able to access and spend the resources that it otherwise would have had, which in turn creates a backlog of development.

NHS Lothian simply does not have the operational capacity to meet the demand for and performance standards for its services. What is required is a new national approach to ensure that the population of Lothian is not disadvantaged.

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

We have, however, undertaken significant work to progress our strategic planning for the future, with the development of the LSDF, which was agreed by our Board in June 2022. This work brings together the strategic plans of our four IJB partners with our own strategic agenda, ensuring that we are working together on our common, complex problems. This work also issues an invitation to our citizens and our partners in the third and independent sectors to work with us in developing solutions that work for all of us.

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

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

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

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

This work is presented at [Lothian Strategic Development Framework 2022-2027 \(nhslotian.scot\)](https://www.nhslotian.scot/lothian-strategic-development-framework-2022-2027) We intend to continue to engage our communities in this work throughout 2023-24.

We have spent the balance of 2022-23 developing detailed Implementation Books to support each of these six pillars and five parameters, and these are in the process of being agreed by the Board's Strategy, Planning, and Performance Committee. These outline the year-by-year steps that each programme needs to take to reach the longer-term vision and goals described in the LSDF. These also outline our financial, workforce, digital, and engagement plans for each of the six pillars.

Alongside this, we have undertaken a retooling of our capital prioritisation process, which categorises our capital programme, estimated to be in excess of £2bn, by urgency and scoring.

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

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

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

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

Each IJB prepares a strategic plan and directs the NHS Board and the relevant local authority to carry it out.

The focus for 2022/23 has been to test and implement key aspects of our revised Risk Management policy and procedure and the revised Adverse Event Policy and Procedure prior to approval, to ensure they strengthen NHS Lothian risk management system and are fit for purpose. The Risk Management Annual Report was shared with the Board in April 2023 and these risks remain under constant Board-level review. The latest iteration is shown below.

Corporate Risk	Risk Grading April 2022	Risk Grading February 2023
5360 - Covid-19 <i>New Risk for this financial year.</i>	High (15)	High (15)
3600 - Finance	Very High (20)	Very High / Extreme (25)
5186 - 4 Hours Emergency Access Target	Very High (20)	Very High / Extreme (25)
3726 - Hospital Bed Occupancy	Very High (20)	Very High / Extreme (25)
3829 - Sustainability of Model of General Practice	High (12)	High (12)
5185 - Access to Treatment	Very High (20)	Very High / Extreme (25)
5388 – Hospital Sterilisation & Decontamination Unit (HSDU) Capacity <i>New Risk for this financial year.</i>	N/A	Very High (20)
5187 - Access to Psychological Therapies	Very High (20)	High (16)
5188 - Access to Child and Adolescent Mental Health Services (CAMHS)	Very High (20)	High (16)
3828 - Nursing Workforce	Very High (20)	Very High (20)
5020 - Water Safety and Quality	High (12)	High (12)
5189 - RIE Facilities	High (15)	High (15)
3455 - Violence & Aggression	High (15)	High (15)
3328 - Roadways/Traffic Management	High (12)	High (12)
1076 - Healthcare Associated Infection	High (16)	High (16)
5322 - Cyber Security	High (12)	High (12)
5510 – Royal Edinburgh Bed Occupancy <i>New risk for this financial year.</i>	N/A	Very High / Extreme (25)

The Board agreed that it was crucial that we could transparently demonstrate our progress to the public, to staff, to partners, and to other stakeholders. This is the mandate behind the production of an LSDF Annual Report. The LSDF Annual Report Draft is due to be reported at the Public Board meeting in June 2023. This approach demonstrates NHS Lothian's efforts in identifying areas where implementation has not been effective, enables the system to study the reasons why, and adapt its planning and implementation appropriately. A refined set of Corporate Objectives for 2023/24 will accompany this report at the Board meeting in June 2023 which will tie our planned activities into the LSDF approach.

Resource pressures - both financial and workforce related – played a significant role in the partial achievement of some of our objectives and the national standards set. NHS Lothian has again achieved a balanced outturn in financial year 2022/23, delivered without the requirement for any additional financial support in the form of Brokerage from the Scottish Government. However, the financial challenge continues and we face a significant task to deliver another balanced outturn position in 2023/24. The increase in the gap is driven by multiple factors, however inflationary pressure is undoubtedly a significant contributor to the overall financial challenge, not least within areas

such as Energy. Efforts have been made to implement a robust, consistent approach to the recruitment of nursing staff across NHS Lothian. However, it should be acknowledged that there remains significant gaps in establishment in Lothian and across the UK as a whole and this impacts our service capacity.

Despite a comprehensive series of improvement actions being developed and implemented to mitigate against these performance challenges, a number of the corporate risks have worsened during 2022/23 as the improvement delivered did not and will not see compliance with current Scottish Government national standards in the short term. This includes risks relating to bed occupancy, 4-hour emergency access standard and access to treatment for reasons described in this report.

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: [Data and intelligence - Public Health Scotland](#)

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: [Publications - gov.scot](#); [Coronavirus in Scotland - gov.scot](#) + [Research Briefings | Scottish Parliament](#)

The performance measures in this section use national and local data sources to present the Board's 2022/23 performance. Please note that some of the operational (non-financial) information is taken from live management systems and accordingly it may be revised at a future date. This is 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 Reports \(nhslothian.scot\)](#)

2. Performance Analysis

Performance against Key Non-Financial Targets

The Board monitors its performance against a range of quality and performance measures, some of which are set nationally. The Board receives a Performance Report paper at every meeting, and this includes more detailed information. All Board papers are published on the NHS Lothian website here: [Lothian NHS Board \(nhslothian.scot\)](https://www.nhs.uk/lothian-nhs-board/)

Information Services Scotland publishes reports on the various activities and performance of NHS Boards throughout the year. You can find up-to-date information at the following website: [Topics | Public Health Scotland](https://www.isscotland.nhs.uk/topics/public-health-scotland/)

Noting the severe pressure NHS Lothian faced in 2022/23, a framework was developed for System Pressure Escalation and Gold Command Activation which was used to guide the Corporate Management Team (CMT). System Pressures meetings commenced in November 2022 and were scheduled weekly with the agreed strategic objectives:

- To protect the safety of patients, staff and the public
- Reduce delays and unmet need in the system
- Identify significant additional bed / equivalent service capacity
- Poor System Flow Solution Finding
- Situational updates by exception
- System Capacity for Scheduled and Unscheduled Care.

Recognising the “chronic incident” position the Board was in, an escalation framework was established which identified the immediate actions to be taken by CMT in the event of sustained significant pressure prior to activation of Gold Command. This framework was presented to the Board Chief Executives, acknowledging the agreement of concerns with financial stability, clinical safety capacity and staffing across the system.

NHS Lothian was moved to escalation Stage 3 in December 2021 on the NHS Board Performance Escalation Framework for Paediatric Audiology. An independent audit and governance review into the Paediatric Audiology service at NHS Lothian was established following the Scottish Public Services Ombudsman Investigative report into Child A’s audiology care at the health board. Following that publication, the British Academy of Audiology (BAA) was commissioned by NHS Lothian to help fulfil recommendations from that report. On 10 February 2023, NHS Lothian was de-escalated to Stage 2, recognising the significant progress the Board had made towards the BAA’s recommendations.

This Performance Analysis includes some further detail on how the Board has performed in 2022/23.

When a Statistical Performance Control (SPC) chart is included there are explanatory notes on page 15 to show how the statistical data is processed and what each legend relates to.

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 pressures across the whole health and care system, the ability to treat, discharge or admit patients from our Emergency Departments (EDs) was compromised, linked significantly to high hospital bed occupancy. Pressure and a lack of capacity in other areas of the patient pathway, including in social care, added to challenges for patient flow through hospitals. These factors had a detrimental impact on our performance against the 4-hour emergency access standard, with performance remaining below the 95% standard throughout 2022/23. Similar pressures were evident across NHS Scotland, with the national average also remaining below the 95% standard throughout the year.

The position over the winter months was unprecedented and the reasons for our unscheduled care performance were multifactorial. These included workforce pressures and a high volume of delayed discharges. In addition, there was further deterioration of our performance due to several likely factors, including the impact of adverse weather over the winter months and an increase in COVID-19 and seasonal influenza.

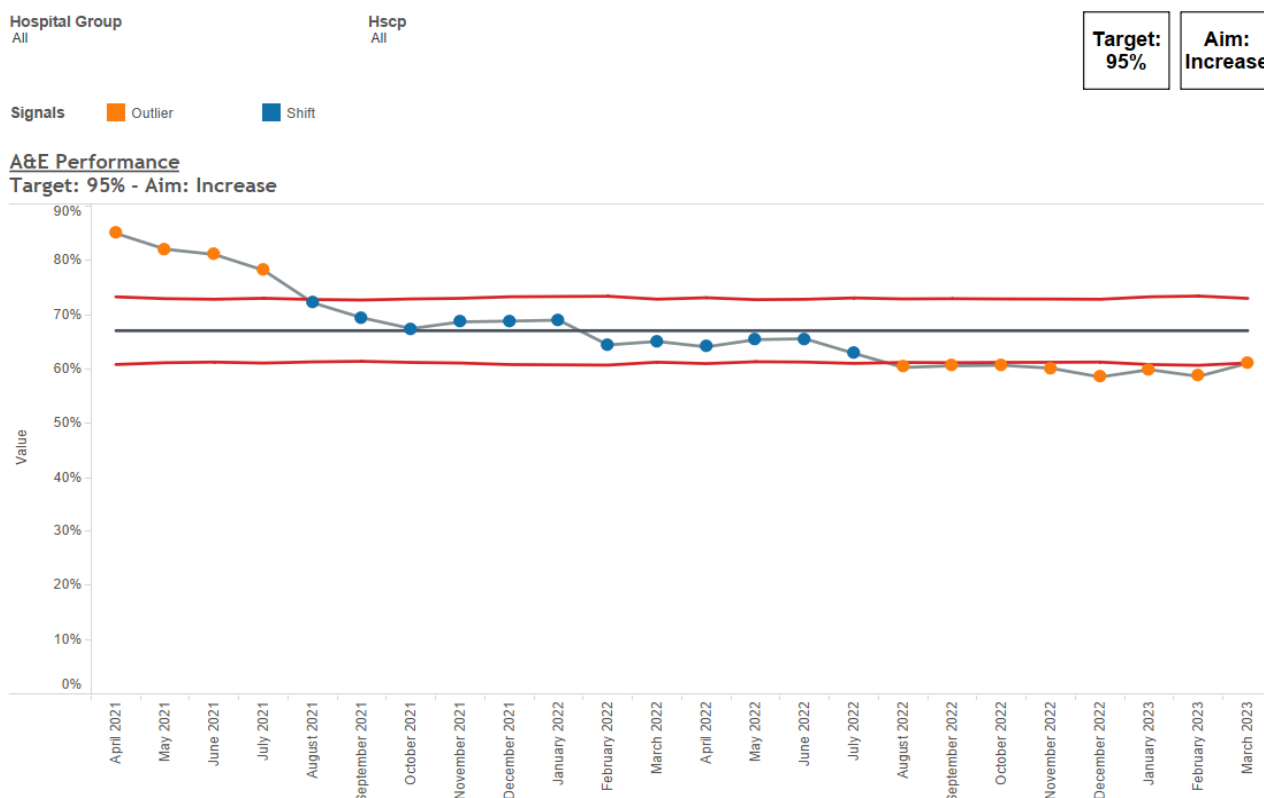
At a Pan Lothian scale the monthly ED attendances remained within the statistically expected range. There has not been a significant increase in patients coming through our emergency departments on average, however it should be acknowledged that bottlenecks do occur when groups of patients arrive in quick succession. Due to high hospital bed occupancy, patients who required to be admitted as an inpatient, remained within the Emergency Department for longer out of clinical necessity due to reduced flow through the hospital. These patients require more frequent observation, treatments and clinical input and this may have been disproportionately utilising more of our medical and nursing time in the department, impacting ED performance overall.

In 2022/23, a key focus of the Unscheduled Care Programme has been implementing the Discharge without Delay Programme. This saw NHS Lothian and Edinburgh HSCP working together to provide targeted improvement support for Elderly Frail patients, with an initial focus on Medicine of the Elderly speciality across two acute sites seeking to reduce the occupied bed days and number of delayed discharges. In addition, further efforts have been made to provide alternative care to acute hospital admission by increasing overall system capacity in Hospital at Home (H@H) Services.

NHS Lothian continued to build upon the learning from 2021/22 in its ‘Redesign of Urgent Care’ plans, by maximising on Professional to Professional referral Pathways and reducing unplanned attendances by increasing opportunities for the Flow Centre to schedule care.

Finally, as referenced before, both the 4-Hour Emergency Access Target (5186) and Hospital Bed Occupancy (3726) corporate risks increased their grading’s from Very High (20) to Extreme (25) due to the deteriorating performance this financial year.

Source: Management Information



The average NHS Lothian performance for 2022/23 was c 62%, consistently below the 95% 4-hour standard. In line with Scotland’s performance, since the summer of 2021, performance against the four hour standard dropped below 80% and has remained at this rate for a prolonged period of time. This is not unique to NHS Lothian, with other Boards also performing below the Scottish average throughout the year due to the issues described. As in 2020/21 and 2021/22, it is difficult to draw meaningful comparisons with previous years, given the changing picture of COVID-19 infection, demand and capacity. However, our system is clear that our performance has been below where we would want to be and sees this particular measure as a measure of system effectiveness. A major improvement programme to tackle overcrowding, long waits and to improve patient care commenced in early 2023 following months of exceptional pressures.

2022/23	NHS Lothian	NHS Scotland ¹
April	64.5%	72.1%
May	65.8%	73.0%
June	66.0%	71.3%
July	63.3%	70.0%
August	60.7%	69.6%
September	60.9%	69.0%
October	61.1%	67.6%

¹ [A&E activity and waiting times - Month ending 31 March 2023 - A&E activity and waiting times - Publications - Public Health Scotland](#)

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2022/23	NHS Lothian	NHS Scotland
November	60.6%	67.5%
December	59.0%	62.1%
January	60.3%	68.7%
February	59.0%	69.6%
March	61.7%	68.0%

Delayed Discharges

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%.

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

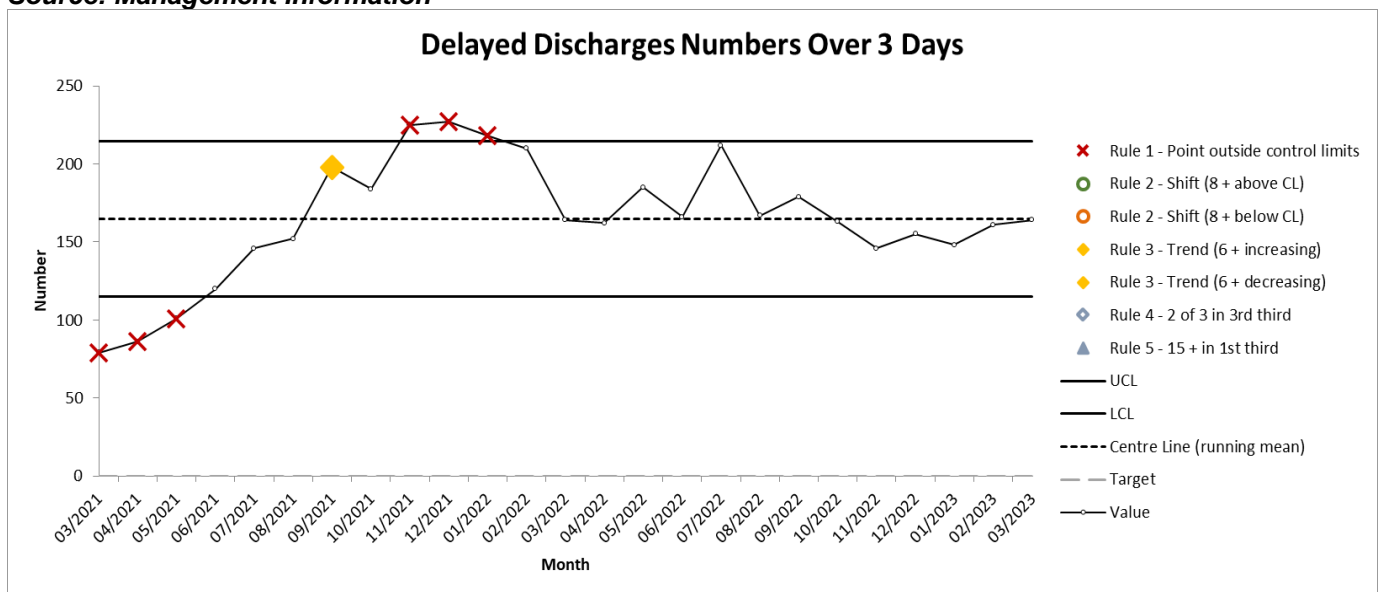
Having reached historic lows during the 2020/21 financial year, there were some clear signals in the data that our hospitals were struggling to discharge patients during 2022/23.

The size of the workforce in the care sector has likely not kept pace with rising demand, and this often makes it more difficult to discharge patients with a social care need when demand also exists in the community and is critical to preventing admissions to hospital in the first place. Both internal services and those commissioned from independent providers experienced chronic problems throughout the year.

Edinburgh Health & Social Care Partnership (HSCP) delayed discharges were subject to escalation oversight with the Scottish Government during 2022/23. Improvements have been seen, however adequate funding, staffing vacancies and sickness levels, particularly within Social Work and Nursing staff groups continued to limit improvement.

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

Source: Management Information



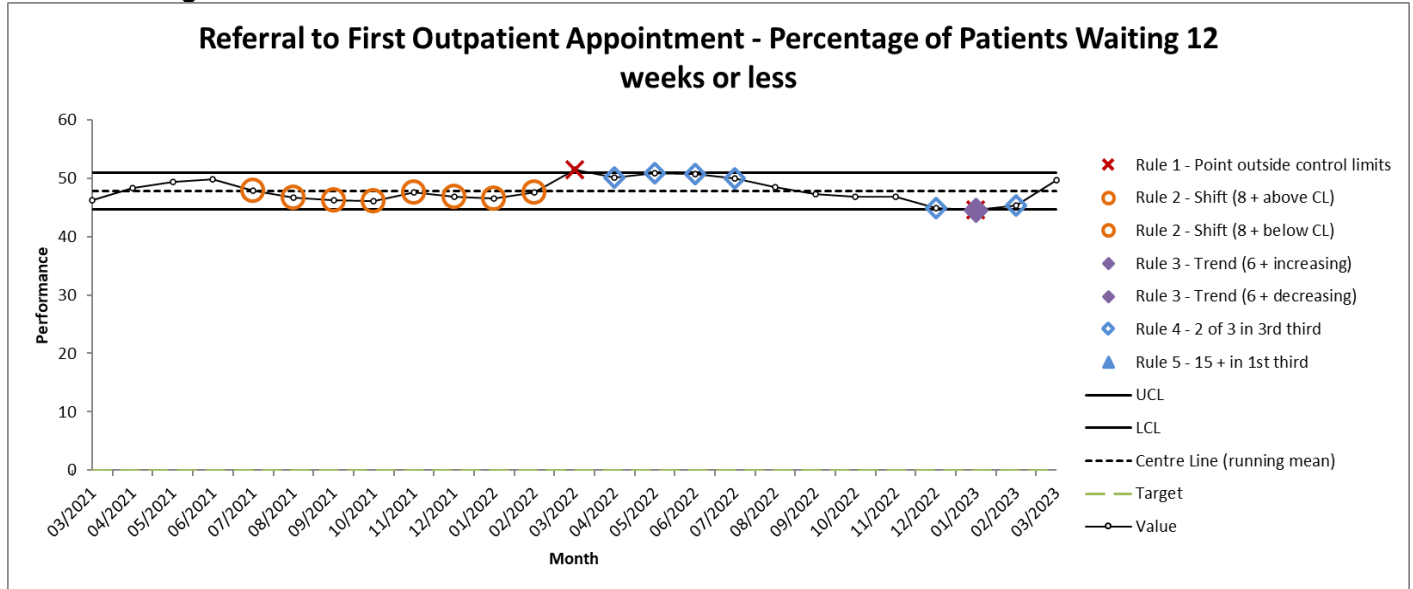
2022/23	NHS Lothian – Delayed Discharges over 3 days
April	162
May	185
June	166
July	212
August	167
September	179
October	163
November	146
December	155
January	148
February	161
March	164

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.

Scotland-wide, performance against this standard was approximately 47.3% at the end of March 2023, a figure skewed by the performance of the Golden Jubilee National Hospital, which was relatively unaffected by hospital flow pressures. Lothian’s 12-week performance was slightly better than the Scotland average at around 49.6% at the end of March, with 73% of patients on the waiting list for less than 6 months by the end of 2022/23.

Source: Management Information



2022/23	NHS Lothian –Total Over 12 Weeks at Month End	NHS Lothian – % waiting 12 weeks or less
April	36037	50.2%
May	37203	50.9%
June	37564	50.7%
July	38238	50.0%
August	37603	48.5%
September	37549	47.3%
October	37406	46.9%
November	36818	46.9%
December	34994	44.9%
January	34071	44.5%
February	34379	45.4%
March	37830	49.6%

Cancer

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

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

NHS Lothian Cancer performance deteriorated during the financial year and efforts have been made to recover this position through improvement actions and remobilisation plans.

According to Public Health Scotland, NHS Lothian achieved 73.7% performance against this standard in the third quarter of the year, against a national figure of 71.7%. The 62-day standard was not met by any NHS Health Boards in this quarter.

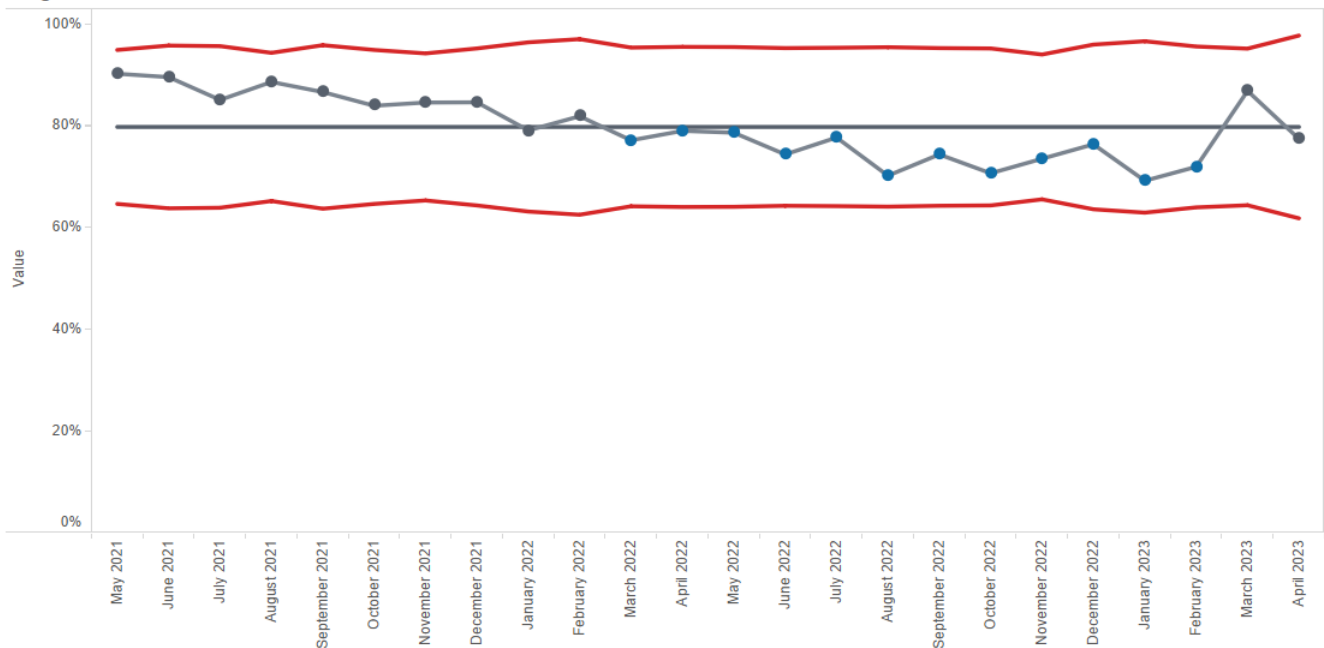
For the 31-day standard at quarter three, NHS Lothian average performance was 89.7% (4.4% below the national position). This was due to delays in waiting times for outpatient appointments, endoscopy and radiology diagnostics. The 31-day standard was met by 9 of the 15 NHS Boards.

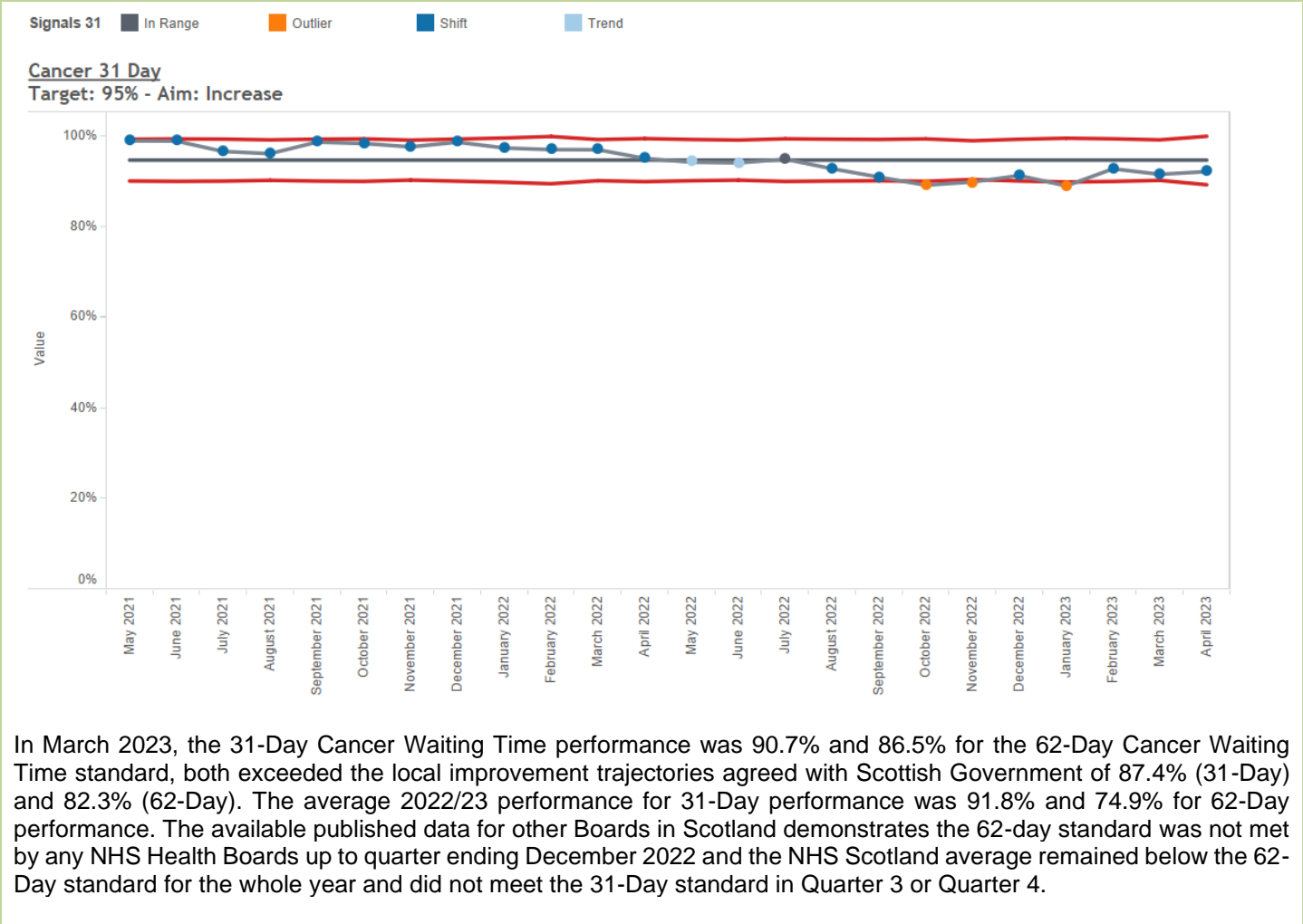
Cancer pathways have been impacted by increased Urgent Suspicion of Cancer demand, staffing pressures across Outpatients, diagnostic, theatre and bed pressures.

Source: Management Information

Signals 62 ■ In Range ■ Shift

Cancer 62 Day
Target: 95% - Aim: Increase





In March 2023, the 31-Day Cancer Waiting Time performance was 90.7% and 86.5% for the 62-Day Cancer Waiting Time standard, both exceeded the local improvement trajectories agreed with Scottish Government of 87.4% (31-Day) and 82.3% (62-Day). The average 2022/23 performance for 31-Day performance was 91.8% and 74.9% for 62-Day performance. The available published data for other Boards in Scotland demonstrates the 62-day standard was not met by any NHS Health Boards up to quarter ending December 2022 and the NHS Scotland average remained below the 62-Day standard for the whole year and did not meet the 31-Day standard in Quarter 3 or Quarter 4.

Treatment Time Guarantee

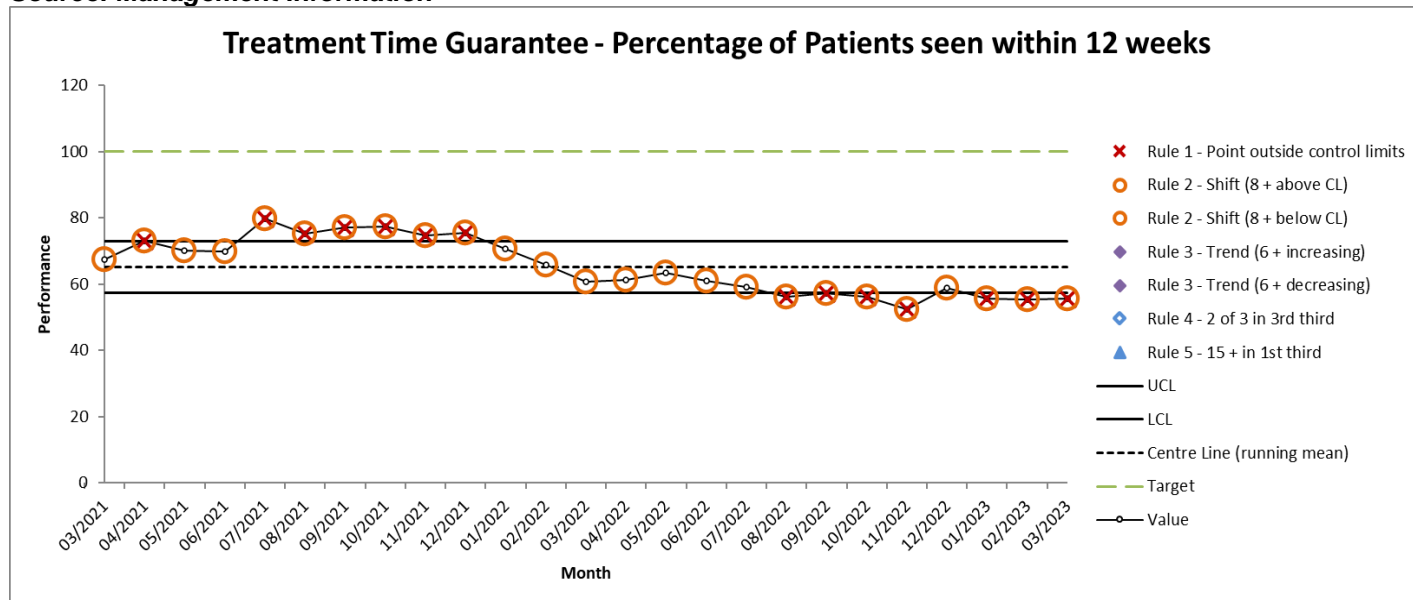
The guarantee (100% compliance) gives a right to all inpatients and day case patients for pre-arranged non-emergency treatments. The Board must take practical steps to ensure a patient is treated within a maximum waiting time of 12 weeks from when the patient agrees to the treatment.

NHS Lothian and NHS Scotland have historically never achieved the treatment time guarantee. The number of patients seen and the performance against the guarantee has been on a steady downward trend since 2013. At the end of March 2023 NHS Lothian’s performance was 55.6% vs an approximate 55.1% NHS Scotland average.

For Inpatient and Daycase procedures, the recovery of our Treatment Time Guarantee (TTG) performance has been more challenging than outpatients, with activity remaining below pre-pandemic levels in 2022/23. There has been continued focus of our limited capacity on our most clinically urgent patients this year and the waiting times for Urgent Suspicion of Cancer and Urgent patients have improved overall.

The majority of long waiting patients are within Orthopaedics, then General Surgery and Urology. Most specialties had no patients waiting over eighteen months by the end of 2022/23 and numbers of patients waiting have been decreasing in General Surgery and Urology. The total number of patients waiting is projected to further increase in 2023/24 in Orthopaedics, based on activity levels.

Source: Management Information



2022/23	NHS Lothian – % waiting 12 week guarantee	NHS Lothian – Total seen within 12 weeks
April	61.3%	1440
May	63.4%	1745
June	61%	1702
July	59%	1535
August	56.1%	1580
September	57.2%	1537
October	56.1%	1625
November	52.3%	1692
December	58.9%	1585
January	55.5%	1750
February	55.3%	1843
March	55.6%	2128

Child & Adolescent Mental Health Services (CAMHS)

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

For context, in quarter three of 2018 NHS Lothian was the second worst performing out of all of the Healthboards, had the longest average wait time and had the most young people waiting over 52 weeks in Scotland. In 2022/23, the focus remained on implementing the agreed NHS Lothian Improvement Plan which resulted in significant improvements in the number of longest waiting patients compared to other boards in Scotland during this period.

Like most Boards throughout NHS Scotland however, NHS Lothian has historically not met this performance standard. For the quarter ending December 2022, the NHS Scotland performance showed that 70.1% of children and young people were seen within 18 weeks of referral compared to an average of approximately 51.7% in NHS Lothian.

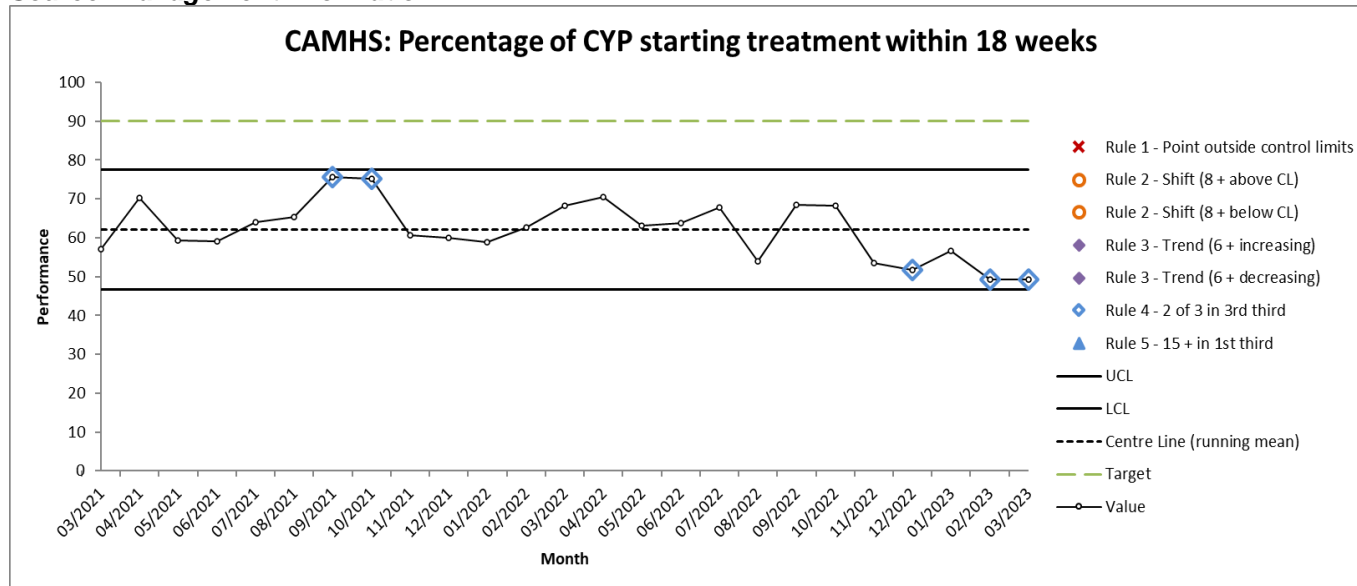
It is acknowledged that the pace of anticipated improvement was impacted by the challenges around recruitment and staff retention. There was a slight dip in the % of Children & Young People (CYP) starting treatment within 18 weeks from November 2022; this was expected as the service was seeing the longest waiting patients as part of the recovery plan agreed nationally.

The total number of CYP waiting continues to decrease each month. For example, the number of patients waiting >18 weeks across all CAMHS teams fell from 568 in September 2022 to 362 in January 2023. Of that number the number of >52 weeks continues to fall from 123 in September 2022 to 83 in January 2023. The reduction in waiting list can be contributed to several factors. This included a focus on Choice and Partnership Approach (CAPA) implementation in the outpatient Tier 3 teams, increased new treatment appointments booked in line with job plans, and the utilisation of Healios.

The CAMHS Tier 3 trajectory model has demonstrated continued progress in CAMHS waiting list position over 2022/23, however the latter part of the year saw performance against the trajectory slightly deteriorate due to two main factors:

- the service has not been able to recruit to the staffing model required in the trajectory
- there was a clinical need to prioritise referrals for treatment.

Source: Management Information



NHS Lothian was originally escalated to Stage 3 for mental health performance in July 2019. Following performance improvements in relation to the delivery of CAMHS, NHS Lothian Health Board was been de-escalated to Stage 2 of NHS Board performance escalation framework in May 2023. The improvements to CAMHS resulted in a significant decrease in the number of children and young people waiting to start treatment compared to the period prior to escalation. The average performance for patients seen within 18 weeks was 60.4% in 2022/23. The focus remained on implementing the agreed NHS Lothian Improvement Plan which has resulted in significant improvements in the number of longest waiting patients compared to other boards in Scotland during this period. Over the period end-March 2022 to end-March 2023 the waiting list distribution for CAMHS changed as follows:

Month	< 18 weeks	19-52 weeks	> 52 weeks	Total
March 2022	1,405	565	247	2,217
March 2023	1,192	242	31	1,465
Change	(213)	(323)	(216)	(752)

2022/23	NHS Lothian – % seen within 18 weeks	NHS Lothian – Number <18 weeks
April	70.5%	141
May	63.1%	178
June	63.8%	173
July	67.9%	182
August	54.0%	142
September	68.5%	189
October	68.2%	191
November	53.5%	136
December	51.8%	59
January	56.6%	90
February	49.3%	68
March	49.2%	65

Psychological Therapies

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

The waiting times for NHS Lothian Psychological Therapies decreased steadily throughout 2022/23 and represents a significant improvement compared to the position in 2016/17 when NHS Lothian held a disproportionate number of the long waits in Scotland and was one of the worst performing boards. The rate at which the treatment waits reduced in NHS Lothian has been notably higher than the national average.

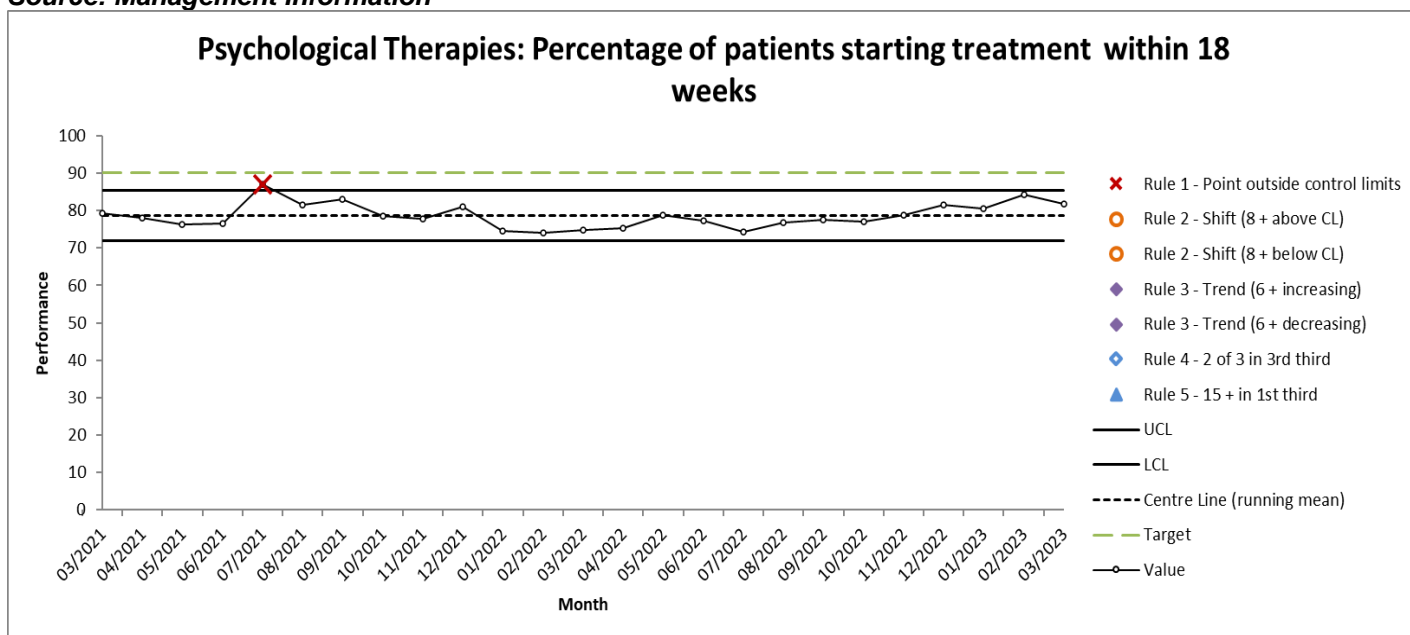
Like most Boards throughout NHS Scotland however, NHS Lothian has historically not met this performance standard. For the quarter ending December 2022, the NHS Scotland average performance showed that 81.1% of people started their treatment within 18 weeks of referral, whilst NHS Lothian performance at the end of December 2022 was 81.4%; higher than the average Scottish performance.

In the services that have been able to consistently reduce waiting times, there was some evidence that demand for Psychological Therapies is increasing. For instance, in West Lothian Psychological Therapies Service, there was a 30% increase in the number of patients referred over a 6 month period during this year. This will in part be due to primary care services being aware of reduced waits and in part in relation to higher acuity in the context of the current climate.

Computerised Psychological Interventions also had an increasing portfolio in 2022/23. On average, 500-600 referrals to a range of computerised and digital interventions were made each month, primarily from primary care, with a waiting time of up to 7 days for access to psychological treatment. The computerised treatment packages offered meet the evidence base for Cognitive Behavioural Therapy.

There are many variables making exact projections difficult in terms of meeting the 90% standard, however, the revised pathway indicates that NHS Lothian will achieve this by the end of 2023/24.

Source: Management Information



NHS Lothian was originally escalated to Stage 3 for mental health performance in July 2019. Following performance improvements in relation to the delivery of Psychological Therapies, NHS Lothian Health Board was been de-escalated to Stage 2 of NHS Board performance escalation framework in May 2023. The improvements resulted in a significant decrease in the number of adults waiting to start treatment compared to the period prior to escalation. The average performance for patients seen within 18 weeks was 78.7% in 2022/23. The waiting times for Psychological Therapies decreased although the pace slowed slightly mainly due to increased referrals in some areas. Over the period end-March 2022 to end-March 2023 the waiting list for Psychological Therapies changed as follows:

Month	< 18 Weeks	19-35 Weeks	36-52 Weeks	> 52 Weeks	Total
March 2022	2,624	889	453	866	4,832
March 2023	2,999	790	171	147	4,107
Change	375	(99)	(282)	(719)	(725)

2022/23	NHS Lothian – % seen within 18 weeks	NHS Lothian – Number <18 weeks
April	75.3%	869
May	78.7%	1052
June	77.3%	826
July	74.2%	848
August	76.7%	937
September	77.5%	900
October	77.1%	906
November	78.9%	1000
December	81.4%	728
January	80.6%	907
February	84.4%	1048
March	81.7%	1037

Explanatory Notes on the Statistical Process Control (SPC) charts shown in the performance analysis above.

The control chart provides a basis for taking action to improve a process (or system). A process is considered to be stable when there is random distribution of the plotted points within the limits. For a stable process, action should be directed at identifying the important causes of variation common to all the points. If the distribution (or pattern) of points is not random, the process is considered to be unstable and action should be taken to learn about the special causes of variation.

Centre Line (CL)	With the control chart the CL is the mean (average) of the data points being plotted.
Control Limits	The control limits (Upper Control Limits - UCL and Lower Control Limits - LCL) define the boundaries of expected common (random) cause variation around the mean.
Rule 1	Out-with control limits - A data point exceeds the Upper/Lower Control Limit. This identifies a sudden, non-random change in the process.
Rule 2	Shift - 8 or more consecutive points either all above or all below the centre line (CL). This identifies small, sustained changes such as an improvement to a process.
Rule 3	Trend - 6 or more consecutive points all going up or all going down. If the value of two or more successive points is the same (repeats), ignore the like points when counting. This identifies a small, consistent drift in a process.
Rule 4	Two Thirds - Two out of three points are located in the outer third (between 2 and 3 sigma). This rule adds additional sensitivity to detect changes that have not yet triggered an astronomical point or shift.
Rule 5	15 plus - 15 or more consecutive data points located between the centre line and 1 sigma, i.e. "hugging" the mean. There should be around 68% of the data near the mean of the distribution. When you get a pattern like this, 68% is exceeded.

2022/23 Financial Performance

The Scottish Government Health and Social Care Directorate (SGHSCD) requires NHS Boards to meet three financial targets in the year:

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

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

The Board has operated within these limits in 2022/23 as summarised below:

	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (Deficit)/Surplus £'000	
1	Core Revenue Resource Limit	2,002,184	2,001,200	984
	Non-Core Revenue Resource Limit	65,537	65,537	0
	Total Revenue Resource Limit (RRL)	<u>2,067,721</u>	<u>2,066,737</u>	<u>984</u>
2	Core Capital Resource Limit	52,188	52,188	0
	Non-Core Capital Resource Limit	1,649	1,649	0
	Total Capital Resource Limit	<u>53,837</u>	<u>53,837</u>	<u>0</u>
3	Cash Requirement	2,292,261	2,292,261	0

Memorandum of In Year Outturn

Core revenue resource variance (deficit)/ surplus in 2022/23	<u>984</u>
Financial flexibility: Funding banked with / (provided by) the Scottish Government	19,977
Underlying (deficit)/ surplus against the Core Revenue Resource Limit	<u>20,961</u>
Percentage of the Core Revenue Resource Limit	<u>1%</u>

A one-year financial plan was submitted to Scottish Government by NHS Lothian on 22nd March 2022. Due to the impact of the Covid-19 pandemic, the Scottish Government paused the formal three year annual operating and financial planning process. However NHS Boards have taken steps to return to medium term financial planning by preparing draft 3 year plans in 2022-23 that were shared with Scottish Government on 16th August 2022 prior to return of formal 3 year financial planning from 2023-24.

Excluding provision of financial flexibility provided by the Scottish Government, the Board's outturn would have been an underspend on RRL of £20.961m (equivalent to 1%). As this balance is within the one per cent flexibility afforded by the three-year financial planning, this will be managed within an overall breakeven position in the period to 2024-25.

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

Performance Against the Contractual 30-day payment policy

	2022/23	2021/22
Total Number of Invoices	321,073	289,880
Total Number of Invoices Paid within 30 days	302,443	275,124
Percentage by volume of invoices paid within 30 days	94.20%	94.91%
Percentage of invoices paid within 30 days by value	90.87%	90.40%
Average number of credit days taken	9	9

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

	2022/23	2021/22
Total Number of Invoices	321,073	289,880
Total Number of Invoices Paid within 10 days	281,885	256,429
Percentage by volume of invoices paid within 10 days	87.79%	88.46%
Percentage by value of invoices paid within 10 days	76.68%	83.17%

Other Financial Disclosures

The Board has a provision for bad debts of £5.012m at 31 March 2023 (31 March 2022 £4.895m). Further information is available at Note 9 to these accounts.

The Board has a provision for clinical and medical negligence claims of £129m at 31 March 2023 (31 March 2022 £95m). 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 and Staff Report.

Social Matters

Our Services

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

Our public health and health promotion work is based on the latest evidence and learning about how to influence health and wellbeing, in partnership with other community planning bodies. Our services seek to do the right thing, at the right time, for each and every patient, family member, and community we work with.

NHS Lothian seeks feedback in a variety of ways and encourages people to give us their feedback on their care and experiences of our services. NHS Lothian has developed its Patient Experience Strategic Plan (Listen, Hear, Respond) which highlights a number of organisational aims and programmes of work. This includes the following:

- “What matters to you?” – having a “what matters to you?” conversation.
- [Care Opinion](#) is an anonymous feedback platform where people can share their experiences with us.
- The development of an NHS Lothian local feedback system which is still in its “testing” phase.
- The implementation of the complaints handling procedure [Tell Us About Your Experience \(Compliments, Concerns & Complaints\) – Your Rights & Privacy \(nhslothian.scot\)](#)
- Clinical and management teams receive weekly, monthly and annual complaints reports and they are responsible for making any changes based on this feedback.

Ongoing engagement with stakeholders is fundamental, further information on how to get involved in helping to shape our services and influencing the work we do is found here: [Help Shape NHS Lothian – Get Involved](#)

Equality, Diversity and Human Rights

You can find out what we are doing on equalities and human rights on our website: [Equality and Human Rights \(nhslothian.scot\)](https://www.nhs.uk/equality-and-human-rights)

Employment

NHS Lothian delivers a significant programme of Apprenticeships both Modern and Graduate across multiple services within the organisation. We have continued in our national trailblazer employer role throughout 2022 for the Young Persons Guarantee supporting key learning and sharing created resources.

We have recruited around 400 Modern Apprentices (MA) to date with completion rates of 90% and average 84% retention post programme. Currently we have over 130 active apprentices.

We have recruited a total of 96 modern apprenticeship roles in 2022 with a further 7 existing staff starting their Graduate Apprenticeships. 3 staff gained degrees in Business Management and IT for Business Management in 2022.

We have continued to support national application of apprenticeship pathways and funding contributing to the development of the new Technical Apprenticeship route for Pharmacy Technician training which will commence in 2023 and support further new recruits and existing staff members to develop and progress into these roles. The pilot MA programme developing talent pipelines by enabling access to roles as a Pharmacy Support worker as well as progression to the Technical Apprenticeship has now been completed and we will continue to adopt this model going forward to support workforce need across Pharmacy.

We have worked with service managers to create a Business and Admin (B&A) Modern Apprenticeship pathway to support the workforce development activity across Medical Secretary and Admin Assistant role. This is currently at pilot stage as a test of change to establish a programme of work which will provide the skills and knowledge required for these roles and support a pathway for both new recruits and internal staff members across B&A opportunities.

We continue to actively engage with Developing the Young Workforce (DYW) campaigns and support large scale regional activity, such as a recent DYW Jobs Roadshow attended by around 560 young people, in addition to supporting national NHS delivery and new online activity. Further work is planned to develop resources in partnership with DYW to support career guidance and information within school lessons.

We have grown our staff youth network to a membership of over 138 in the last year with elected roles, annual action plan. We have developed, in partnership with Know You More, opportunities for young people on our Youth Network Mentoring and Leadership Programmes which will support the develop of skills in these areas for young people within NHS Lothian, with plans for these education programmes to be offered on a regular basis, linking with the objectives set by the Advancing Equalities Action Plan.

Promoting Good Business Conduct

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

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

Sustainability and Environmental Reporting

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

NHS Lothian's vision is to be a lead organisation in sustainable health care with all our staff empowered to put sustainable healthcare at the heart of their practice. We will work with our partners and the communities we serve to put in place work practices, procurement systems and preventative interventions to minimise our environmental

impact, protect the natural environment and enhance social value so that we are a sustainable service promoting good health and enhancing quality of life.

Goals / Strategic Objectives

1. NHS Lothian will have zero carbon emissions by 2040².
2. NHS Lothian will contribute to enhancing our natural environment.
3. NHS Lothian will promote climate resilience and ensure that its services are adapted to climate change.
4. NHS Lothian will ensure that sustainable development is embedded in all its activities including governance and decision making, clinical practice, partnership working and advocacy.
5. NHS Lothian will put sustainability at the core of its strategies for promoting health and well-being among staff, patients and the wider community.



The Sustainable Development Action Framework forms the basis for the SDF and contains four elements:

- People, Partners and Organisation
- Sustainable models of care
- Focus Areas
- Monitoring Progress and Evaluating Impact.

The first three elements (People, partners and organisation; sustainable models of care; and focus areas) are all further split into groupings of areas, the aim, the actions to be taken and how this will be monitored. Progress on implementation of the NHS Lothian LSDF and Action Plan are taken to every Finance and Resources Committee (FRC). The FRC meet around every 6 weeks.

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

In 2022-2023 NHS Lothian had three corporate objectives in relation to Climate Change and Sustainability.

- Corporate Objective 72 - Implement NHS Lothian Sustainable Development Framework and Action Plan in line with NHS Scotland Climate Emergency and Sustainability Policy and Strategy.
- Corporate Objective 73 - Develop a pathway to net zero and direct the implementation of the pathway through the development of a programme of projects and infrastructure implementation.

² NHS Lothian revised the target from 2045 to 2040 in line with NHS Scotland Climate Emergency and Sustainability Strategy 2022.

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- Corporate Objective 74 - Strengthen NHS Lothian’s strategy and delivery of sustainable models of care by developing clinical leadership, engagement and delivery structures in relation to clinical services, quality improvement and patient engagement.

Environmental Sustainability is a core parameter of NHS Lothian’s Strategic Framework.

NHS Lothian prepares an annual Carbon Emissions Report. The report is published on the NHS Lothian website and presented in an annual webinar. For 2022/23 this report now titled Climate Emergency and Sustainability Annual Report fulfils the reporting requirement of the NHS Scotland Climate Emergency and Sustainability Strategy 2022.

This report is presented to the FRC for review and approval prior to endorsement by the NHS Board and publication. The FRC minutes (along with other committee minutes) are submitted as papers to the Board and form part of their meeting papers.

NHS Lothian’s Climate Emergency and Sustainability Report for 2022/23 is expected to be available by end of June 2023.

NHS Lothian are participating in an NHS Scotland review of reporting requirements in relation to financial statements and Climate Change and Sustainability.

In the current year we have:

- Significant capital investments in energy infrastructure are reported through capital planning financial statements and reported to FRC.
- Utilities costs pressures are monitored and reported to FRC.
- Cost and carbon associated with scope 1 and 2 emissions sources are reported in the Climate Emergency and Sustainability Annual Report.

Events after the end of the reporting period

The Board has no significant post balance sheet events to report.

23 June 2023

Calum Campbell
..... Chief Executive and Accountable Officer

SECTION B: THE ACCOUNTABILITY REPORT

Corporate Governance Report

(A) The Directors' Report

Date of issue

The Board presents this annual report and the audited accounts for the year ended 31 March 2023. The annual report and accounts were approved by the Board and authorised for issue by the Accountable Officer on 21 June 2023.

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 Carole Grant, Audit Director, Audit Scotland, to undertake the audit of Lothian NHS Board for the five-year period from 2022/23 to 2026/27. 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 2022/23 the Board's external auditors received no fees in relation to non-audit work.

Disclosure of information to Auditors

The directors 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 they ought reasonably to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Board's auditors are aware of that information.

Board Membership

Under the terms of the Scottish Health Plan, the Health Board is a board of governance whose membership will be conditioned by the functions of the Board. Members of health boards are selected on the basis of their position or the particular expertise which enables them to contribute to the decision-making process at a strategic level.

The Health Board has collective responsibility for the performance of the local NHS system as a whole, and reflects the partnership approach, which is essential to improving health and health care.

The relevant Cabinet Secretary (NHS Recovery, Health and Social Care) appoints all Health Board members. The Board is made up of executive and non-executive members and is accountable to the Scottish Government. The Board discharges its governance role through regular meetings and the work of its committees. You can find the Board's Standing Orders and other key governance documents on the Board's website at: [Standing Orders \(nhslothian.scot\)](https://www.nhslothian.scot).

As at 31 March 2023, the Board had five executive board members and twenty non-executive board members, with two vacancies for non-executive board members (which were filled in April 2023). The Board's non-executive members fall into two broad categories: those appointed via the public appointment process after an open recruitment exercise, and those whom the Board's principal stakeholders have nominated for appointment by the Cabinet Secretary. Non-executive members are therefore 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: [Public appointments - gov.scot](https://www.gov.scot)

Table 1: Individuals who were members of the Lothian NHS Board at any time during the period from 1 April 2022 to 31 March 2023

<i>Non-executive members (via public appointment process)</i>	
Professor John Connaghan CBE	Non-executive, Chair
Peter Murray	Non-executive, Vice-Chair
Bill McQueen CBE	Non-executive
Martin Connor	Non-executive
Angus McCann	Non-executive
Katharina Kasper	Non-executive, Whistleblowing Champion

Val De Souza	Non-executive (from 01/04/2022)
Nadin Akta	Non-executive (from 01/04/2022)
Peter Knight	Non-executive (from 01/04/2022)
Elizabeth Gordon	Non-executive (from 01/04/2022)
Philip Allenby	Non-executive (from 01/04/2022)
Andrew Fleming	Non-executive (from 11/04/2022)
George Gordon	Non-executive (from 16/05/2022)
Dr Patricia Donald	Non-executive (until 31/07/2022)
Dr Richard Williams	Non-executive (until 31/07/2022)
Carolyn Hirst	Non-executive (until 31/08/2022)
Jock Encombe	Non-executive (until 31/01/2023)
Non-executive members (nominated by stakeholders)	
Tracy Anne Miller	Non-executive, Employee Director
Fiona Ireland	Non-executive, Chair of Area Clinical Forum
Professor Siddharthan Chandran	Non-executive, University of Edinburgh Medical School
Councillor Harry Cartmill	Non-executive, West Lothian Council (from 30/05/2022)
Councillor John McGinty	Non-executive, West Lothian Council (until 30/04/2022)
Councillor Derek Milligan	Non-executive, Midlothian Council (until 30/04/2022 and again from 09/06/2022)
Councillor Stephen Jenkinson	Non-executive, City of Edinburgh Council (from 09/06/2022)
Councillor George Gordon	Non-executive, City of Edinburgh Council (until 30/04/2022)
Councillor Shamin Akhtar	Non-executive, East Lothian Council (until 30/04/2022 and again from 30/05/2022)
Executive members	
Calum Campbell	Chief Executive
Dr Tracey Gillies	Medical Director
Craig Marriott	Director of Finance (from 01/06/2022)
Susan Goldsmith	Director of Finance (until 31/05/2022)
Dona Milne	Director of Public Health & Health Policy
Alison MacDonald	Director of Nursing, Midwifery and Allied Health Professionals (from 20/06/2022)
Gillian McAuley	Interim Director of Nursing, Midwifery and Allied Health Professionals (from 04/04/2022 until 19/06/2022)
Pat Wynne	Interim Director of Nursing, Midwifery and Allied Health Professionals (until 03/04/2022)

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Board as at 31 March 2023 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 on a reasonable basis.
- State where applicable accounting standards as set out in the Financial Reporting Manual 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 the 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 of 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: [Meet the Board \(nhslothian.scot\)](#)

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 [Board Members Handbook \(nhslothian.scot\)](#).

The Board is the corporate trustee of the Lothian NHS Board endowment funds held by [NHS Lothian Charity](#) (previously *Lothian Health Board Endowment Fund*), a charity registered with the Office of the Scottish Charity Regulator under number SC007342. Board members are therefore trustees of the charity *ex officio*. The trustees govern the charitable funds distinctly from the Board's exchequer funds. The Board is required to consolidate the financial statements of NHS Lothian Charity within the Board's Annual Accounts. Note 25 details how these consolidated Financial Statements have been calculated.

Note 24 of these accounts contains 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.

Directors' third-party indemnity provisions

During 2022/23 the Board was not required to pay for directors' & officers' liability insurance for its members as it is included under the NHS Clinical Negligence and Other Risks Insurance Scheme (CNORIS).

Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Act imposes duties on the Board to publish information on expenditure and other matters as soon as is reasonably practicable after the end of each financial year. The Board publishes this information on its website at: [Key Financial Documents \(nhslothian.scot\)](#).

Personal data related incidents reported to the Information Commissioner

During 2022/23, the Board reported seven incidents to the Information Commissioner's Office (ICO) for review. The ICO ruled that the Board acted appropriately in relation to six of these incidents. The seventh incident, which affected multiple Scottish NHS boards, is still being considered. In addition, the Board was reported to the ICO on two occasions in relation to patients' concerns over the processing of their personal data. One incident concerned the processing of a subject access request and the other related to personal information being shared with another organisation. The ICO ruled that the Board acted appropriately in relation to both incidents, and they were subsequently closed.

(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 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 and in particular to:

- observe the accounts direction issued by the 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 Government’s Financial Reporting Manual 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 and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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 16 July 2020.

(C) The Governance Statement

As Accountable Officer, I have responsibility for maintaining an adequate and effective system of internal control that supports compliance with the Lothian NHS Board’s (“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 – Consolidated and Separate Financial Statements, these financial statements consolidate the Board’s endowment funds, held by NHS Lothian Charity (SC007342). This statement includes any relevant disclosure in respect of these endowment funds.

Purpose of System of Internal Control

The system of internal control is designed to identify and mitigate the principal risks facing the Board. The system aims to evaluate the nature and extent of risks, and manage them efficiently, effectively, and economically. The system is designed to manage rather than eliminate the risk of failure to achieve the organisation’s aims and objectives. As such, it can only provide reasonable and not absolute assurance. This process within the Board 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

The Board is responsible for commissioning and providing health care services for the population of Lothian and sets its strategic direction based on both national policy and local need. The Board is supported in the implementation and monitoring of its strategy by a number of standing governance committees through which it seeks and receives assurance on the achievement of its corporate objectives and on the quality of its services. The Board’s work is delivered collaboratively with four Integration Joint Boards (IJBs) covering the local authority areas of Edinburgh, Midlothian, West Lothian and East Lothian. The IJBs are separate legal entities, established under The Public Bodies (Joint Working) (Scotland) Act 2014, which aim to deliver health and social care services in an integrated way.

More information on the Board’s governance framework and committee structure, including the terms of reference and membership for each committee, is provided within the Board Members’ Handbook, available as a web resource here: [Board Members Handbook \(nhslothian.scot\)](https://www.nhs.uk/lothian-board-members-handbook)

The main governance and assurance committees of the Board are listed below, and their principal functions of each are summarised. Each committee is chaired by a non-executive board member and is either solely comprised of or has a majority of non-executive members.

Committee	Principal Functions
Healthcare Governance	To seek and provide assurance to the Board that: <ul style="list-style-type: none"> • The quality of all aspects of care in NHS Lothian are person-centred, safe, effective, equitable and maintained to a high standard. • NHS Lothian meets its responsibilities with respect to: Scottish Health Council participation standards; volunteers/carers; information governance; protection of vulnerable people (including children, adults, and offenders); and the relevant statutory equality duties.
Audit and Risk	To seek and provide assurance to the Accountable Officer and the Board on the effectiveness of systems of corporate governance, internal control, and risk management.
Finance and Resources	To seek and provide assurance to the Board that suitable arrangements are in place to secure economy, efficiency, and effectiveness in the use and management of all financial resources and capital assets.
Staff Governance	To seek and provide assurance to the Board on adherence to all aspects of the Scottish Government’s Staff Government Standard and on the development and delivery of national and local workforce strategies.
Remuneration (a sub-committee of Staff Governance)	To consider and agree performance objectives and performance appraisals for staff in the Executive cohort, to oversee performance arrangements for designated senior managers, and to direct the appointment process for the Chief Executive and executive members of the Board.

The Board and its governance and assurance committees are also supported by the **Strategy, Planning & Performance Committee** (SPPC), comprised of all non-executive board members. The SPPC’s primary function is

to support the continuous improvement of the Board's health and care system by making recommendations to the Board on medium and long-term planning and strategy development and by reviewing system performance and improvement, discussing specific performance challenges, exploring contributing factors and considering potential solutions.

The Board meets bi-monthly (six times per annum) and each of its main committees meet four to six times a year, depending on need, so as to ensure the effective and regular reporting of business.

Other Governance Arrangements

The conduct and proceedings of the Board are set out in its Standing Orders. Along with the Standing Financial Instructions, the Scheme of Delegation, Committee Terms of Reference and the IJB Integration Schemes, these form part of the Board's suite of Operating Guidance. Amongst other things, they specify the matters which are solely reserved for the Board to determine as well as the matters for which decision-making authority is delegated. The Board has adopted the national Model Standing Orders for NHS Boards, created in 2019 to improve consistency as part of a "Once for Scotland" approach. The Board reviewed its Standing Orders during 2022/23, agreeing minor updates to reflect changes in terminology and to align with the NHS Scotland Blueprint for Good Governance (Second Edition, November 2022) and the Code of Conduct for Members of NHS Lothian Board.

As part of its regular consideration of governance arrangements, the Board has also reviewed the terms of reference of various committees, its Standing Financial Instructions, and its Scheme of Delegation. Final versions of these latter documents will be presented to the Board for approval in June 2023, following scrutiny by the Audit and Risk Committee.

All committees of the Board are required to prepare and submit an Annual Report to the Audit and Risk Committee, based on a common template, providing confirmation that they have delivered their functions in line with their approved terms of reference, and stating the levels of assurance that they can provide on the effectiveness of internal controls, risk mitigation plans or the achievement of objectives. Reports are informed and supplemented by the results of an annual self-assessment survey of committee members intended to review the committee's overall effectiveness and identify potential areas for improvement.

The Board ensures an ongoing focus on the development of its governance and on enhancing the knowledge, skills, and experience of its members. Two dedicated Board Development sessions were held during the period, focusing on organisational development and system transformation/innovation. In December 2022, the second edition of the NHS Scotland Blueprint for Good Governance was published and circulated to the Board. During the next financial year, the Board will build upon its previous work to align with the requirements of the original Blueprint (2019) by undertaking an internal assessment exercise and developing an action plan to address any enhancements required to current governance arrangements.

New non-executive board members undergo a thorough local induction and orientation exercise to supplement the national board induction and development materials provided and hosted by NHS Education for Scotland (NES). Internal induction is supported by the Board Members' Handbook, linked to above.

To support the Board's compliance with relevant legislation, regulations, guidance and policies, a well-established distribution process is in place to ensure that all circulars and communications received from the SGHSCD are directed to the executive directors responsible for implementation. An annual log of circulars and the actions taken in response is maintained and this informs the completion of the annual Certificates of Assurance provided to the Accountable Officer (the Chief Executive) by their direct reports.

In accordance with the principles of Best Value, the Board aims to foster a culture of continuous improvement. The committees support the Board in delivering Best Value through the relevant focus within their terms of reference and annual work-plans. Directors and managers are encouraged to review, identify, and improve the efficient and effective use of resources.

Even at the height of the Covid-19 pandemic, the Board and its committees continued to operate under its pre-existing governance framework by making effective use of technology. During 2022/23, meetings of the full Board returned to a face-to-face format, enabling greater interaction between members, and supporting the development needs of newer non-executive members. Technology-enabled benefits were maintained by continuing to host most committee meetings in a virtual environment.

Integration Joint Boards

The planning, commissioning, and oversight of a range of health services are delegated by the Board and local authorities to IJBs. These delegated services include adult social care, all adult community healthcare, and some hospital services for adults. The NHS Board also delegates to IJBs the responsibility for a range of healthcare services to people who are under 18 years of age. Having received delegated budgets to cover these services, the IJBs develop integrated strategic commissioning plans then direct the Health Board to provide the relevant health services. Further detail on the Board's approach to setting the strategic direction and the integrated planning of health and social care is provided within the Performance Report, elsewhere in these Annual Accounts.

Many non-executive board members also serve as voting members on one or more of the IJBs. This usually entails also serving on at least one IJB committee. The latest approved minutes of each IJB are received at NHS Lothian Board meetings and each Board agenda includes a standing item for the Board's IJB Lead Voting Members to highlight or request discussion of relevant IJB issues. The IJBs submit annual reports to the Board, via the Healthcare Governance Committee, providing appropriate assurance on their delivery of delegated services.

The Director of each of the four Health & Social Care Partnerships reports directly to the NHS Lothian Chief Executive and is also the Accountable Officer (Chief Officer) for the relevant IJB. The Chief Executive maintains responsibility for all aspects of governance relating to health services across Lothian.

Section 44 of the Public Bodies (Joint Working) (Scotland) Act 2014 requires an Integration Scheme established between a local authority and a health board to be reviewed on a five-year cycle. All four of the Lothian integration schemes were due to be reviewed in 2020 but this process was delayed, with Scottish Government approval, due to the impact of the Covid-19 pandemic. Subsequently, work was undertaken jointly across Lothian during the 2021/22 financial year to review each of the four integration schemes. Updated integration schemes were finalised during 2022/23 and approved by the Board in June 2022. Amongst other areas, the changes approved included greater strategic alignment, revised financial governance and reporting arrangements, and enhanced information governance and data sharing protocols.

Review of Adequacy and Effectiveness

As Accountable Officer I am responsible for reviewing the effectiveness of the system of internal control. My review is informed by:

- Regular interaction and discussion with executive directors and senior managers who are responsible for developing, implementing and maintaining internal controls across their respective areas.
- My receipt of formal Certificates of Assurance from each executive director, informed by reviews of their systems of internal control, as required by the Scottish Public Finance Manual.
- Reviewing any reports received from relevant inspection bodies.
- The work of the internal auditors, who undertake an annual programme of audit and submit regular reports to the Audit & Risk Committee, including their independent and objective opinion on the effectiveness of risk management, control and governance processes, together with recommendations for improvement.
- The work of the external auditors, including their independent and objective opinion on the audit of the annual report and accounts and their review of key financial systems and controls.
- Annual reports and statements of assurance prepared by each of the Board's governance committees, along with the results of a self-assessment exercise undertaken by committee members.
- The range of topics explored at Board Development Sessions and other fora, enhancing the knowledge, awareness, and engagement of both executive and non-executive board members on strategic matters.
- The thorough and comprehensive approach to risk management, reviewed and agreed by the Board.
- The depth and range of items discussed by governance committees and other groups in support of the Board and its agreed strategies and Corporate Objectives.
- Thorough, extensive and regular reporting to the Board and its committees against a range of quality and performance measures, based on validated and reliable data and applying the principles of "Active Governance"; and
- The National Service Audit Reports which report on the effectiveness of the following systems of control managed on the Board's behalf:
 - National Single Instance Financial Ledger Services (NHS Ayrshire & Arran)
 - National IT Services (NHS National Services Scotland)
 - Practitioner and Counter Fraud Services (NHS National Services Scotland)

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The Audit & Risk Committee received the 2022/23 National Service audit reports on 19 June 2023. The Committee accepted those reports as assurance that the specific controls relating to each of these national services had operated effectively during the year

The Head of Internal Audit has provided the following audit opinion in their 2022/23 Annual Report:

“My overall opinion for the period 1 April 2022 to 31 March 2023 is that based on the scope of reviews undertaken and the sample tests completed during the period, Moderate Assurance can be given on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”

Work carried out by the Board’s Internal Audit Team during October 2022 resulted in two high risk findings in relation to the controls in place for Critical Infrastructure Systems (Ventilation) and, specifically, the level of compliance with Part B of the Scottish Health Technical Memorandum (SHTM) 03-01. It was found that planned maintenance was not being carried out as and when required, or to the appropriate instruction and that actions arising from the annual inspection of critical ventilation systems were not subject to ongoing monitoring and review. The Internal Audit Report’s findings were first received and discussed by the Audit & Risk Committee in November 2022, where it was confirmed that all recommendations had been accepted by management and that appropriate steps were underway to address them, through an enhanced framework of governance. At its subsequent meeting in February 2023, the Audit & Risk Committee received a formal report confirming that all but one of the required remedial actions had been completed. The residual action was addressed following the meeting.

Risk Management Arrangements

The Board has a Risk Management Policy and Risk Management Operational Procedure, as well as a policy and procedure for the management of adverse events. These are accessible on the Board’s website: [Policy Online \(nhslothian.scot\)](https://www.nhs.uk/lothian/policy-online)

Executive directors and other senior 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 maintaining the system of risk management to the Medical Director and the day-to-day operational responsibility sits within the remit of the Board’s Quality Improvement Support Team.

The Board’s current system of Risk Management was in place throughout 2022/23. The Board regularly considered reports on the Corporate Risk Register, which contains the strategic risks which may compromise the delivery of NHS Lothian objectives or operational risks which cannot be managed at a lower level and/or have a system-wide impact. The Board’s review of these corporate risks and its acceptance of levels of assurance in each case was informed by the prior review of specific Risk Mitigation and Action Plans, considered at Board committees, and by the recommendations of the Corporate Management Team.

Both the Risk Management Policy and Risk Management Operational Procedure were reviewed during the year, with updates considered by the Audit & Risk Committee and approved by the Board during April 2023. This included the adoption by the Board of a new Risk Appetite Statement to meet the requirements of the NHS Scotland Blueprint for Good Governance (Second Edition), as follows:

“NHS Lothian operates within a low overall risk appetite range. The Board and the relevant Board committees will not accept risks with an assurance level of less than moderate (No appetite for none or limited assurance). A higher level of scrutiny will be applied to risks and associated mitigation plans where the level of assurance is none or limited, until a minimum of moderate assurance is agreed. (Tolerate moderate assurance).”

At the time of writing, revisions to the Board’s Adverse Event Management Policy and Procedure were subject to live consultation with staff and scheduled for formal consideration and approval in June 2023.

The Audit & Risk Committee received the 2022/23 Risk Management Annual Report at its meeting of 17 April, accepting Moderate assurance that there are effective systems in place to manage risk across NHS Lothian based on a range of improvements that have been put in place during the financial year to further strengthen the risk system.

This report also confirmed to the Audit & Risk Committee that the Healthcare Governance Committee had:

- Accepted Significant assurance that local processes are in place to identify events which require to be reported to Healthcare Improvement Scotland (HIS), in compliance comply with a new national notification process.

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- Accepted Moderate assurance concerning progress with system improvements for the management of significant adverse events (SAEs).
- Accepted Moderate assurance on the process for safety alerts.
- Received and approved the NHS Lothian Duty of Candour Annual Report, prior to its publication.

The Board's current risk profile is illustrated within the Performance Report, elsewhere in these Annual Accounts, by reference to each of the corporate risks and their grading. The Board's Corporate Risk Register is made publicly available at regular intervals via the publication on the website of Board meeting papers.

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

Information Governance

An Internal Audit Report on Information Sharing covering 2022/23 was received and considered by the Audit and Risk Committee in April 2023. This found that the controls in place in respect of information sharing provided a Significant level of assurance.

The Information Commissioner's Office (ICO) audited NHS Lothian in late 2022, as part of a programme of audit covering all NHS boards in Scotland. The ICO's Data Protection Audit Report provided an overall Assurance Rating of "High" for NHS Lothian and stated that: *"There is a high level of assurance that processes and procedures are in place and are delivering data protection compliance. The audit has identified only limited scope for improvement in existing arrangements and as such it is not anticipated that significant further action is required to reduce the risk of non-compliance with data protection legislation."*

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

Significant Issues

Healthcare Governance

The Healthcare Governance Committee highlighted the following six areas in 2022/23 for inclusion in the Governance Statement. These areas are considered to have significant control weaknesses and/or limited assurance. Members were assured that issues had been identified and improvement plans were in place, but it was unclear at the time of discussion whether plans would be sufficient to increase levels of assurance from limited to moderate. These areas will continue to be monitored through the 2023/24 Healthcare Governance Committee work plan. Performance issues relating to access of services (areas 4-6 below) will also be considered by the Strategy, Planning and Performance Committee.

1. SMART (South-east Mobility and Rehabilitation Technology) Centre Strategic Improvement Plan – with respect to the waiting times for those who require equipment review and response. The Committee took assurance that a clinical prioritisation process was in place to manage and mitigate the risks.
2. GP sustainability Risk Mitigation Plan (Corporate Risk 3829) - the Committee considered that the risk mitigation plan was not likely to sufficiently control or fully mitigate the risk due to the combined impacts of projected population growth, ongoing funding constraint, national workforce challenges and premises infrastructure capacity.
3. Bed occupancy/delayed discharges Risk Mitigation (Edinburgh HSCP) Plan – the Committee was able to accept only Limited Assurance (September 2022) that there were effective plans in place to mitigate the impacts of delayed discharges on outcomes for patients.
4. Hospital Bed Occupancy Risk Mitigation Plan (Acute Services) (Corporate Risk 3726) – the Committee was unable to take sufficient assurance that the current risk mitigation plan would maintain or improve performance to a level that would impact positively on the patient experience and the outcome of care.
5. 4-Hour Emergency Access Risk Mitigation Plan (Corporate Risk 5186) – the Committee was unable to take sufficient assurance that the current risk mitigation plan would maintain or improve performance to a level that would impact positively on the patient experience and the outcome of care.
6. Access to treatment Risk Mitigation Plan (Corporate Risk 5185) – the Committee was unable to take sufficient assurance that the current risk mitigation plan would maintain or improve performance to a level that would impact positively on the patient experience and the outcome of care.

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

Access to both Adult Psychological Services and Child & Adolescent Mental Health Services (CAMHS) were areas of limited assurance highlighted in the Board's 2021/22 Governance Statement. Throughout 2022/23, both these

areas were present on the Corporate Risk Register with performance monitored at Board and committee level. The Board also remained at Stage 3 of the NHS Scotland Performance Management Framework for Mental Health Performance. As illustrated in the Performance Report, elsewhere in these Annual Accounts, the Board has seen significant improvements in mental health waiting times during the year, through the implementation of dedicated improvement plans. Evidence of these improvements resulted in the Scottish Government's decision, announced on 12 May 2023, to de-escalate the Board to Stage 2 of the Framework

An externally commissioned review of the Board's Paediatric Audiology service identified a number of concerns and led to the publication of three reports, available here: [NHS Lothian Review into Paediatric Audiology Services](#). The service was therefore highlighted as an area of limited assurance in the Board's 2021/22 Governance Statement and the Board was moved to Stage 3 of the NHS Scotland Performance Management Framework in December 2021. A detailed action plan was developed and delivered throughout 2022/23 and implementation was closely monitored by the Healthcare Governance Committee. A final report was provided to the Committee in March 2023 and to the Board in April, providing moderate assurance that the quality of care had improved, and that testing was carried out in line with UK standards. The Board was de-escalated to Stage 2 of the NHS Scotland Performance Management Framework in February 2023.

Access to Cancer Services continued to be an area of performance focus during 2022/23 and was routinely monitored through the Strategy, Planning and Performance Committee. This included the implementation of improvement and remobilisations plans. The Board's level of attainment in relation to the 31-day and 62-day standards is illustrated within the Performance Report.

The Healthcare Governance Committee took only limited assurance in 2021/22 on the Board's compliance with national standards on Stroke Care, which had been impacted by the Covid-19 pandemic. Improvements in performance against expected standards were demonstrated during 2022/23, to the extent that the Committee was able to increase its level of assurance to moderate in November 2022.

Financial Governance and Sustainability

The Board's Corporate Risk Register reflects an increasing risk that the Board will be unable to respond to the service requirements arising from the population growth in all age groups across NHS Lothian. This is because of a combination of the level of resource available for both capital and revenue and the uncertainty around future resource leading to an inability to plan for and deliver the additional capacity required to address current system pressures and to serve a growing population. It remains a point of substantial concern for the Board that NHS Lothian currently and historically has not received enough funding to cover its population growth, according to the National Resource Allocation Formula (NRAC) funding model.

During 2022/23, the Finance and Resources Committee was assured that management were responding appropriately to these very significant challenges, for example by undertaking robust prioritisation of both capital and revenue requirements. The Committee also received assurance that the Board was engaged via the planning system and maximising opportunities, where necessary, to secure appropriate developer contributions, particularly in relation to Primary Care capital investment.

However, at the end of 2022/23, the Finance and Resources Committee was unable to take any level of assurance on the Board's financial sustainability in the short, medium and long-term or on its ability to achieve required levels of financial savings in 2023/24. The Committee considered that, even with significant commitment and concerted efforts, there was likely to be an increasing and potentially extreme level of difficulty in achieving all aspects of the Board's Annual Delivery Plan for 2023/24, not to mention the delivery of its strategic ambitions over the medium-term planning horizon, as set out within the Lothian Strategic Development Framework (LSDF).

The Finance and Resources Committee considered that there was a particular threat to the Board's achievement of its longer-term strategy due to the ongoing uncertainty and expected paucity of future Scottish Government capital resource. The inability to invest in the Board's capital infrastructure in the ways that it has planned to do, is likely to threaten the viability or success of a number of key programmes that are considered essential to meeting current and future service demands. Examples of planned major infrastructure projects where the Board may be forced to take unpalatable decisions due to lack of Scottish Government capital funding include: the replacement of the Princess Alexandra Eye Pavilion in Edinburgh, the re-provision of the Edinburgh Cancer Centre at the Western General Hospital, the establishment of the National Treatment Centre at St John's Hospital, and the re-provisioning of the Hospital Sterilisation Decontamination Unit (HSDU) at the Royal Infirmary of Edinburgh.

These matters are likely to impact significantly upon the Board's ability to deliver person-centred, safe and effective care and exist despite the Board's longstanding reputation for good governance and sound financial stewardship.

The Finance and Resources Committee also considered the following areas of identified risk to have significant control weaknesses and/or limited assurance:

- The ability of the Board's HSDU capacity to meet current or future demands for theatre equipment. There remains a Very High risk that physical space limitations of the current department and lack of staff with appropriate competence to maintain and repair key equipment may lead to the closure of operating theatres and subsequent cancellation of patient operations, thereby impacting on the quality of patient experience.
- The fitness for purpose of facilities at the Royal Infirmary of Edinburgh, due to a failure to carry out required lifecycle works and maintenance of the estate.

The latter risk is compounded by significant challenges with the management of the contractual and financial requirements associated with Public Private Partnership (PPP) contracts. The Board highlighted in its 2021/22 Governance Statement particular challenges with the PPP contract in place for the Royal Infirmary of Edinburgh. Work to bring effective executive oversight and drive improvement through a new contract management function has continued throughout 2022/23 and the associated risk on the Corporate Risk Register is being managed through a specific mitigation plan overseen and monitored by the Finance and Resources Committee.

Staff Governance

The Staff Governance Committee continued to oversee an extensive programme of work during 2022/23, in line with its Terms of Reference and the requirements of the NHS Scotland Staff Governance Standard. In relation to its assurance role, the Committee provided scrutiny and oversight of risk mitigation plans, on behalf of the Board, in relation to the following risks contained within the Corporate Risk Register: Management of Violence and Aggression, Roadways and Traffic Management; Nurse Workforce (safe staffing levels), and Water Safety and Quality.

Strategy, Planning and Performance

The Board approved the renaming of its Planning, Performance and Development Committee (PPDC) to the Strategy, Planning and Performance Committee (SPPC) on 7 December 2022, along with a revised Terms of Reference. The Committee's primary function is described earlier in this Governance Statement.

During the course of 2022/23 the SPPC took limited assurance in relation to the following areas:

- The Board's overall operational performance – although there was moderate assurance on the performance oversight infrastructure in place and the development of improvement actions, it was not clear that the successful delivery of all mitigating actions available to Board would deliver the performance improvements required.
- The impact and implementation of plans to address unscheduled care performance.
- Hospital Bed Occupancy Risk Mitigation Plan (*performance delivery aspects*).
- 4-Hour Emergency Access Risk Mitigation Plan (*performance delivery aspects*).
- Access to treatment Risk Mitigation Plan (*performance delivery aspects*).

The following paragraphs summarise issues of significance that have been specifically raised by direct reports through the Certificate of Assurance process and are not otherwise covered in the preceding text:

As in previous years, but with increasing severity, significant workforce pressures and recruitment challenges are impacting upon the Board's ability to deliver safe and effective patient care and to achieve its objectives. The workforce challenge and its impacts are felt particularly strongly amongst the Nursing cohort.

The aftermath of the Covid-19 pandemic, increased demand pressures and delayed discharges all continue to impact on the Board's ability to deliver unscheduled care in a timely manner and to achieve scheduled care performance standards.

A Healthcare Improvement Scotland (HIS) inspection of the Emergency Department at the Royal Infirmary of Edinburgh in February 2023 highlighted concerns around the safe delivery of care. A robust action plan is in place to fully address all the issues raised and will be implemented during 2023/24, with monitoring by the Healthcare Governance Committee.

During 2022/23, the Analytical Services team continued to work closely with the DataLoch team to develop a secure, quality assured, linked health, and social care data repository to drive innovation, improve care and reduce inequalities. As part of the implementation of the Board's information strategy, work continued on addressing previously recognised vulnerabilities in the data warehouse arrangements and improving the quality of data. However, these risks remained extant during the year.

There remains a previously identified risk within inpatient psychiatric units at the Royal Edinburgh Hospital building, due to a lack of availability of anti-ligature doors suitable for ensuite bathrooms. There is ongoing engagement with the supplier to design a suitable solution and a business case for any required investment will follow.

Changes in executive portfolios and re-prioritisation of support team responsibilities during the Covid-19 pandemic led to there being a period of time during which the specific executive and managerial responsibilities for overseeing compliance with the Public Records (Scotland) Act 2011 were not fully assigned. Work is underway to ensure that key responsibilities are re-assigned, in line with the requirements of the Act, and the Board will engage proactively with National Records of Scotland during 2023/24 to update its published Records Management Plan.

Disclosures

During the 2022/23 financial year, no other significant control weaknesses or issues have arisen, in the expected standards for good governance, risk management and control.

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 national 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.

REMUNERATION REPORT (AUDITED)

2(a) Board Members' and Senior Employees' Remuneration – 2022/23

	Gross Salary (Bands of £5,000)	Benefits in kind (£'000)	Total Earnings in Year (Bands of £5,000)	Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
Remuneration of Executive Members					
Mr Calum Campbell, Chief Executive	190-195	-	190-195	-	190-195
Mrs Susan Goldsmith, Director of Finance (to 31/05/2022) ^{Note 1}	25-30	-	25-30	-	25-30
Mr Craig Marriott, Director of Finance (from 01/06/2022) ^{Note 2}	105-110	-	105-110	49.2	155-160
Miss Tracey Gillies, Medical Director	200-205	-	200-205	-	200-205
Mr Pat Wynne, Interim Nurse Director (to 03/04/2022) ^{Note 3}	0-5	-	0-5	-	0-5
Mrs Gillian McAuley, Interim Nurse Director (from 04/04/2022 to 03/07/2022) ^{Note 4}	25-30	-	25-30	13.7	40-45
Ms Alison MacDonald, Nurse Director (from 20/06/2022), Chief Officer, East Lothian IJB (to 19/06/2022) ^{Note 5}	105-110	-	105-110	33	140-145
Ms Dona Milne, Director of Public Health and Health Policy	110-115	-	110-115	-	110-115
Non-Executive Members					
Professor John Connaghan, Chair	55-60	-	55-60	-	55-60
Mr Peter Murray, Vice Chair and Lead Member of East Lothian IJB ^{Note 6}	25-30	-	25-30	-	25-30
Cllr Derek Milligan, (to 30/04/2022), re-appointed (from 09/06/2022) ^{Note 7}	5-10	-	5-10	-	5-10
Cllr John McGinty (to 30/04/2022) ^{Note 7}	0-5	-	0-5	-	0-5
Dr Richard Williams (to 31/07/2022) ^{Note 7}	0-5	-	0-5	-	0-5
Ms Carolyn Hirst, Chair Midlothian IJB (to 31/08/2022) ^{Note 8}	5-10	-	5-10	-	5-10
Ms Fiona Ireland Chair of Area Clinical Forum ^{Note 9}	5-10	-	5-10	-	5-10
Mr Martin Connor, Chair of Audit and Risk Committee ^{Note 10}	15-20	-	15-20	-	15-20
Mr Angus McCann, Vice Chair of Edinburgh IJB, Chair of Finance and Resource Committee ^{Note 11}	25-30	-	25-30	-	25-30
Mr Bill McQueen, Chair of Staff Governance Committee and Lead Member of West Lothian IJB ^{Note 12}	25-30	-	25-30	-	25-30
Dr Patricia Donald (to 31/07/2022) ^{Note 7}	0-5	-	0-5	-	0-5
Mr George Gordon (to 04/05/2022), re-appointed (from 16/05/2022), Chair of Pharmacy Practices Committee ^{Note 13}	15-20	-	15-20	-	15-20
Ms Katharina Kasper Whistleblowing Champion ^{Note 14}	25-30	-	25-30	-	25-30
Professor Siddharthan Chandran ^{Note 15}	10-15	-	10-15	-	10-15
Mr Jock Encombe Chair of Organ Donation Sub Group (to 31/01/23) ^{Note 16}	10-15	-	10-15	-	10-15
Cllr Shamin Akhtar (to 30/04/2022) re-appointed (from 30/05/2022) ^{Note 7}	5-10	-	5-10	-	5-10
Ms Tracy Miller, Employee Director	50-55	2.7	55-60	-	55-60
Mr Andrew Fleming (from 11/04/2022) ^{Note 7}	5-10	-	5-10	-	5-10
Mrs Elizabeth Gordon (from 01/04/2022)	5-10	-	5-10	-	5-10
Ms Nadin Akta (from 01/04/2022)	5-10	-	5-10	-	5-10
Mr Peter Knight (from 01/04/2022)	5-10	-	5-10	-	5-10
Mr Philip Allenby (from 01/04/2022)	5-10	-	5-10	-	5-10
Mrs Val de Souza (from 01/04/2022)	5-10	-	5-10	-	5-10
Cllr Stephen Jenkinson (from 09/06/2022) ^{Note 7}	5-10	-	5-10	-	5-10
Cllr Harry Cartmill (from 31/05/2022) ^{Note 7}	5-10	-	5-10	-	5-10
Other Senior Employees					
Mr Jim Crombie, Deputy Chief Executive	170-175	4.6	175-180	-	175-180
Dr Jenny Long, Director of Primary Care	85-90	-	85-90	17.3	105-110
Ms Alison White, Chief Officer, West Lothian IJB ^{Note 17}	60-65	-	60-65	-	60-65
Ms Fiona Wilson, Chief Officer, East Lothian IJB ^{Note 18}	45-50	-	45-50	19.1	65-70
Mrs Janis Butler, Director of HR & Organisational Development	125-130	-	125-130	-	125-130
Mrs Judith Proctor, Chief Officer, Edinburgh IJB ^{Note 19}	85-90	-	85-90	-	85-90
Ms Morag Barrow, Chief Officer, Midlothian IJB ^{Note 20}	50-55	3.8	55-60	-	55-60
Ms Tracey McKigen, Services Director (Royal Edinburgh & Associated Services)	95-100	-	95-100	-	95-100
		<u>11.1</u>		<u>132.3</u>	

There were no performance related bonuses payable for 2022/23

Notes to Remuneration Table 2(a)

- 1 The annualised salary for Susan Goldsmith would be 155-160.
- 2 The annualised salary for Craig Marriott would be 125-130.
- 3 The annualised salary for Pat Wynne would be 90-95 which includes an annualised amount of 90-95 in respect of Non board Duties.
- 4 The annualised salary for Gillian McAuley would be 105-110 which includes an annualised amount of 75-80 in respect of Non Board duties.
- 5 The annualised salary for Alison McDonald would be 120-125. 50% of the costs are charged to East Lothian Council in relation to her role as Chief Officer of the IJB and is disclosed in the IJB accounts.
- 6 The salary for Peter Murray includes an annualised amounts of 5-10 as Vice Chair plus 5-10 as Lead Member of East Lothian IJB.
- 7 The annualised salary for Non Executive Members would be 5-10.
- 8 The annualised salary for Carolyn Hirst would be 15-20 which includes an annualised amount of 5-10 as Chair of Mid Lothian IJB.
- 9 The total salary for Fiona Ireland would be 110-115 includes 100-105 in respect of non board duties.
- 10 The salary for Martin Connor includes an annualised amount of 5-10 as Chair of Audit and Risk Committee.
- 11 The salary for Angus McCann includes annualised amounts of 5-10 as Vice Chair of Edinburgh IJB plus 5-10 as Chair of Finance and Resource Committee.
- 12 The salary for Bill McQueen includes annualised amounts of 5-10 as Chair of Staff Governance Committee plus 5-10 Lead Member of West Lothian IJB.
- 13 The annualised salary for George Gordon would be 15-20 which includes an annualised amount of 5-10 in respect of additional non-executive duties undertaken throughout the year.
- 14 The salary for Katharina Kasper includes an annualised amount of 5-10 as Whistleblowing Champion.
- 15 Siddarthan Chandran is an employee of the University of Edinburgh and his Non Executive Allowance is charged to NHS Lothian.
- 16 The annualised salary for Jock Encombe would be 15-20 which includes an annualised amount of 5-10 as Chair of Organ Donation Sub Group.
- 17 Alison White is an employee of West Lothian Council (50% of the costs of charged to NHS Lothian 85-90 in 2022-23).
- 18 The annualised salary for Fiona Wilson would be 95-100. 50% of the costs are charged to East Lothian Council in relation to her role as Chief Officer of the IJB and is disclosed in the IJB accounts.
- 19 Judith Proctor is an employee of The City of Edinburgh Council (50% of the costs of charged to NHS Lothian 115-120 in 2022-23).
- 20 The annualised salary for Morag Barrow would be 105-110. 50% of the costs are charged to Midlothian Council in relation to her role as Chief Officer of the IJB and is disclosed in the IJB accounts.

Notes to Remuneration Tables 2(b)

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

NHS Lothian

Annual Report and Accounts for the Year ended 31st March 2023

2(c) Cash Equivalent Transfer Value (CETV) of deferred pension rights 2022/23

	Total accrued pension at pensionable age as at 31 March 2023 (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 2023 (Bands of £5,000)	Real increase in lump sum at pensionable age (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2022 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2023 £'000	Real increase in CETV in year £'000
Pension Values: Executive Members							
Mr Calum Campbell, Chief Executive ^{Note 1}	-	-	-	-	-	-	-
Mrs Susan Goldsmith, Director of Finance ^{Note 2}	-	-	-	-	-	-	-
Mr Craig Marriott, Director of Finance (from 01/06/2022)	45-50	2.5-5	130-135	0-2.5	860	925	65
Miss Tracey Gillies, Medical Director	35-40	-	105-110	-	1,688	836	-
Mr Pat Wynne, Interim Nurse Director (to 03/04/2022)	40-45	-	110-115	-	916	844	-
Mrs Gillian McAuley, Interim Nurse Director (from 04/04/2022 to 03/07/2022)	35-40	0-2.5	110-115	-	765	796	31
Mrs Alison MacDonald, Nurse Director (from 20/06/2022), Chief Officer, East Lothian IJB (to 19/06/2022)	20-25	0-2.5	5-10	-	326	368	42
Ms Dona Milne, Director of Public Health and Health Policy	30-35	0-2.5	85-90	-	637	652	15
Pension Values: Non-executive Members							
Ms Fiona Ireland Chair of Area Clinical Forum	45-50	-	130-135	-	1,145	1,080	-
Ms Tracy Anne Miller Employee Director	10-15	0-2.5	40-45	-	325	330	5
Pension Values: Other Senior Employees							
Mr Jim Crombie, Deputy Chief Executive ^{Note 3}	-	-	-	-	-	-	-
Dr Jenny Long, Director of Primary Care	10-15	0-2.5	-	-	134	149	16
Ms Fiona Wilson, Chief Officer, East Lothian IJB	30-35	0-2.5	85-90	-	509	537	27
Mrs Janis Butler, Director of HR & Organisational Development	55-60	-	155-160	-	1,137	1,120	-
Ms Morag Barrow, Chief Officer, Midlothian IJB ^{Note 4}	15-20	-	55-60	-	451	419	-
Ms Tracey McKigen, Services Director (Royal Edinburgh & Associated Services)	25-30	0-2.5	70-75	-	541	550	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 Calum Campbell exited the NHS Pension Scheme in 2021/22, so no employee or employer contributions were paid in the period
- 2 Susan Goldsmith exited the NHS Pension Scheme in 2017/18, so no employee or employer contributions were paid in the period
- 3 Jim Crombie exited the NHS Pension Scheme in 2017/18, so no employee or employer contributions were paid in the period
- 4 Morag Barrow has exited the NHS Pension Scheme this year, so no employee or employer contributions were paid in the period.

NHS Lothian

Annual Report and Accounts for the Year ended 31st March 2023

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

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

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

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

Notes to Pension Table 2(d)

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

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.

	2022/23	2021/22	Change
	£'000	£'000	%
Range of Staff Remuneration	5-10 to 205-210	5-10 to 220-225	
Highest Earning Director's Remuneration	200-205	195-200	2.53
Median (total pay & benefits)	36,513	33,600	8.67
Median (salary only)	36,510	33,599	8.66
Ratio	5.55	5.88	(5.61)
25th Percentile (total pay & benefits)	28,310	25,845	9.54
25th Percentile (salary only)	28,310	25,845	9.54
Ratio	7.15	7.64	(6.41)
75th Percentile Pay (total pay & benefits)	46,784	43,620	7.25
75th Percentile Pay (salary only)	46,761	43,584	7.29
Ratio	4.33	4.53	(4.42)

The table above shows the Ratio and the % change of the highest paid director to the median, 25th percentile and 75th percentile of the workforce. The % change of the highest pay director, shows an increase of just over 2.5% in comparison to an average increase of 8.67% for the rest of the workforce.

The % change across years within each percentile category reflects a combination of pay increases and changes due to the workforce profile. Workforce profiles change when long serving employees (who would be at the higher end of the pay scale) leave and new employees start at the lower end of the pay scale. For example, although an overall average uplift of 7.5% for the Agenda for Change (AFC) staff in 2022/23, an increase of 8.67% is reported within the overall workforce profile.

The table shows the % increase across years between each percentile category and shows a broadly consistent increase in line with the AFC pay award for 2022/23, which varied depending on bandings and resulted in an increase of 11.32% for the lowest paid, to 2% for the highest paid.

3. Remuneration Committee

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

Committee Membership:

Peter Murray, Chair
 Cllr Derek Milligan (to 30 April 2022 and then from 22 June 2022)
 Ms Tracy Anne Miller
 Nadin Akta (from 6 April 2022)
 Katharina Kasper
 Dr Richard Williams (to 31 July 2022)

During 2022/23 the Remuneration Committee met four times – 13 April, 26 July, 10 October 2022 and 13 February 2023.

Senior Managers' Remuneration

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

STAFF REPORT

1(a) HIGHER PAID EMPLOYEES' REMUNERATION

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

			Clinical Staff		Other Staff	
			2022/23	2021/22	2022/23	2021/22
			Number	Number	Number	Number
				(restated)		
£70,001	to	£80,000	311	284	34	38
£80,001	to	£90,000	198	180	29	15
£90,001	to	£100,000	159	165	19	15
£100,001	to	£110,000	168	158	6	8
£110,001	to	£120,000	163	162	9	8
£120,001	to	£130,000	132	136	1	1
£130,001	to	£140,000	132	114	0	0
£140,001	to	£150,000	99	94	1	1
£150,001	to	£160,000	85	72	1	0
£160,001	to	£170,000	69	51	0	0
£170,001	to	£180,000	46	38	1	1
£180,001	to	£190,000	29	14	0	0
£190,001	to	£200,000	17	11	0	0
£200,001	and above		13	10	0	0

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

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2023

1(b) STAFF NUMBERS AND COSTS (Audited)

	Executive Board Members £'000	Non-executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees £'000	2023 Total £'000	2022 Total £'000
STAFF COSTS								
Salaries and Wages	783	383	1,050,333			(2,079)	1,049,420	989,929
Social security costs	108	26	115,343				115,477	102,966
NHS scheme employers' costs	96	9	193,377				193,482	181,198
Inward Secondees				853			853	1,150
Agency Staff					46,200		46,200	31,553
	987	418	1,359,053	853	46,200	(2,079)	1,405,432	1,306,796
Compensation for loss of office			75				75	0
TOTAL	987	418	1,359,128	853	46,200	(2,079)	1,405,507	1,306,796

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

STAFF NUMBERS

Whole time equivalent (WTE)	7	6	23,309	24	692	(56)	23,982	23,844
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Included in the total staff above were disabled staff of: 635 591¹

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

Included in the total staff numbers above were Special Advisers of: 0 0

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

Reconciliation to income and expenditure

	£'000
Total employee expenditure as above	1,405,507
Add: employee income included in note 4	2,079
Less: staff engaged directly on capital projects, charged to capital expenditure	0
Total employee expenditure disclosed in note 3	<u>1,407,586</u>

¹ Figure has been restated due to information received in 2022/23

1(c) Staff Composition

	2022/23				2021/22			
	Male	Female	Prefer not to say	Total	Male	Female	Prefer not to say	Total
Executive Directors	2	3	0	5	1	4	0	5
Non-Executive Directors and Employee Director	11	8	0	19	10	6	0	16
Senior Employees	876	846	0	1,722	847	729	0	1,576
Other	6,709	29,280	0	35,989	6,127	25,346	0	31,473
Total Headcount	7,598	30,137	0	37,735	6,985	26,085	0	33,070

1(d) Sickness Absence

	2022/23	2021/22
Sickness Absence Rate	5.8%	5.1%

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, race, religion or belief, sex, sexual orientation, marriage or civil partnership, pregnancy and maternity, socio-economic background, care experienced or anything else that can be used to differentiate people from one another.

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 candidates with a disability 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. NHS Lothian also now has in place since March 2023, Reasonable Adjustments Guidance which provides helpful advice and guidance to support individuals throughout the employment relationship, from recruitment to the retention of staff who become disabled or whose individual circumstances related to their disability changes. It also raises awareness of the manager's responsibilities on behalf of NHS Lothian to support staff with a disability in a positive and constructive manner.

An Annual Report is prepared for the Staff Governance Committee by protected characteristic and the trends and any actions required are highlighted. We have a Disabled Employee Network 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 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 now been established for LGBT+, BME, Youth, Women and Carers.

1(f) Other Employee Matters

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

We deliver several pre-employment programmes through Project Search, Career Ready and the national partnership with Princes Trust and offer extensive work experience opportunity. We actively engage with 'Developing The Young Workforce' campaigns and support large scale regional activity in schools (some of this work experience and school based activity has been affected by C-19 with plans to restart suspended activity in 2023).

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 (Audited)

Exit Packages – Current Year			2022/23
Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0
£10,000 - £25,000	0	0	0
£25,000 - £50,000	0	0	0
£50,000 - £100,000	0	0	0
Total number of exit packages	0	0	0
Total Resource Cost (£'000)	0	0	0

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

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 2022/23.

However, it should be noted that the majority of the costing information in this report for 2022/23 relates to those trade union representatives who have dedicated time each week for trade union activities and does not include the number of others who are given time for trade union activities on an ad hoc basis but where costs are not available.

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

Relevant Union Officials

Number of employees who were relevant union officials during the period 1 April 2021 to 31 March 2022	Full-time equivalent employee number
120 – adhoc time 48 – dedicated time Total – 158	38.89 (relates to those with dedicated time only)

Percentage of time spent on facility time

Percentage of time	Number of representatives
0%	
1 - 50%	120 on ad hoc time and 11 with dedicated time
51 – 99%	1 with dedicated time
100%	36 with dedicated time

Percentage of pay bill spent on facility time

Total cost of facility time	£1,858,405 (relates to those with dedicated time only)
Total pay bill	£1,407,586,000
Percentage of the total pay bill spent on facility time	0.13%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	<p>Information is not currently collected in terms of the differential between facility time (trade union duties) and trade union activity. However, it is likely that trade union activities will take up approximately a day a week per representative and therefore this would equate to 15,169 hours.</p> <p>The time spent on Trade Union Activities as a percentage of total paid facility time hours is therefore $15,169/74,845 \times 100\% = 20\%$</p>
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*Includes time spent on partnership duties as well as traditional trade union duties

PARLIAMENTARY ACCOUNTABILITY REPORT

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

Guidance on the content of the Parliamentary Accountability Report, while not fully applicable to entities financed by the Scottish Parliament, is set out at paragraph 6.5.54 of the FReM. The SPFM sets out the minimum mandatory accountability disclosures required to be included within the annual report namely losses and special payments; fees and charges; and remote contingent liabilities.

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

Regularity of expenditure

Losses and Special Payments

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

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

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

	No. of cases	£000
Losses	331	10,254

In the year to 31 March 2023, there were no balances in excess of £300,000 written off.

In 2022/23, the Board was required to pay out £4,108k in respect of 5 claims individually greater than £300,000 settled under the CNORIS scheme (2021/22: £18,198k, 10 claims). Further details on the scheme can be found in Note 1 (accounting policies) of the annual accounts.

The Board is also required to provide for CNORIS claims notified to it and which will be settled at a future date; details of these provisions can be found in Note 13.

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.

Fees and Charges

The board had no commercial trading activity during 2022/23 where the full annual cost exceeded £1 million.

23 June 2023

Calum Campbell

..... Chief Executive and Accountable Officer

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

I have audited the financial statements in the annual report and accounts of NHS Lothian and its group for the year ended 31 March 2023 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated 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 accounts, including accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the affairs of the board and its group as at 31 March 2023 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 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

I conducted my 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. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 16 May 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the board and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the board and its group. However, I report on the board's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my separate Annual Audit Report the most significant assessed risks of material misstatement that I identified and my 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 there is an intention to discontinue the board's operations.

Auditor's responsibilities for the audit of the financial statements

My 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 my 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 decisions of users taken on the basis of these financial statements.

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

- using my understanding of the health sector to identify that the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers are significant in the context of the board;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the board;
- inquiring of the Accountable Officer concerning the board's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on 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 my 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of my auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In my 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 my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am 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 the audited parts of the Remuneration and Staff Report

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

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

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

My opinion on the financial statements does not cover the other information and I 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 the Performance Report and Governance Statement

In my 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 I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my 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 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Carole Grant, CPFA
Audit Director
Audit Scotland
8 Nelson Mandela Place
Glasgow
G2 1BT

23 June 2023

Statement of Consolidated Comprehensive Net Expenditure for the Year ended 31 March 2023

2022 £'000		Note	2023 £'000
1,308,708	Employee expenditure	3a	1,407,586
	Other operating expenditure:	3b	
279,312	Independent Primary Care Services		295,470
441,370	Drugs and medical supplies		441,368
<u>1,820,922</u>	Other health care expenditure		<u>1,640,007</u>
3,850,312	Gross expenditure for the year		3,784,431
(1,548,630)	Less: operating income	4	(1,593,577)
<u>(49,361)</u>	Associates and joint ventures accounted for on an equity basis		<u>48,717</u>
2,252,321	Net expenditure for the year		2,239,571
OTHER COMPREHENSIVE NET EXPENDITURE			
(29,729)	Net gain on revaluation of Property Plant and Equipment	SOCTE	(44,978)
<u>2,222,592</u>	Total Comprehensive Expenditure		<u>2,194,593</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 2023

Consolidated 2022 £'000	Board 2022 £'000		Note	Consolidated 2023 £'000	Board 2023 £'000
Non-current assets:					
1,095,916	1,095,916	Property, plant, and equipment	7c	1,146,972	1,146,972
1,104	1,104	Intangible assets	6a	1,066	1,066
		Right of Use assets	17a	45,793	45,793
Financial assets:					
90,636	2,210	Investments	10	84,260	2,751
78,020	0	Investments in associates and joint ventures	25b	29,303	0
87,116	87,116	Trade and other receivables	9	84,723	84,723
1,352,792	1,186,346	Total non-current assets		1,392,117	1,281,305
Current Assets:					
22,810	22,810	Inventories	8	22,507	22,507
70,061	69,747	Trade and other receivables	9	151,985	151,767
16,195	11,823	Cash and cash equivalents	11	23,234	17,088
0	0	Investments	10	0	0
0	0	Assets classified as held for sale	7b	0	0
109,066	104,380	Total current assets		197,726	191,362
1,461,858	1,290,726	Total assets		1,589,843	1,472,667
Current liabilities					
(45,341)	(45,341)	Provisions	13a	(81,687)	(81,687)
Financial liabilities:					
(473,121)	(470,596)	Trade and other payables	12	(440,367)	(438,178)
(518,462)	(515,937)	Total current liabilities		(522,054)	(519,865)
943,396	774,789	Non-current assets plus/(less) net current assets/(liabilities)		1,067,789	952,802
Non-current liabilities					
(204,313)	(204,313)	Provisions	13a	(211,488)	(211,488)
Financial liabilities:					
(357,340)	(357,340)	Trade and other payables	12	(381,229)	(381,229)
(561,653)	(561,653)	Total non-current liabilities		(592,717)	(592,717)
381,743	213,136	Assets less liabilities		475,072	360,085
Taxpayers' Equity					
(31,174)	(31,174)	General fund	SOCTE	83,699	83,699
244,310	244,310	Revaluation reserve	SOCTE	276,386	276,386
78,020	0	Joint Venture reserves	SOCTE	29,303	
90,587	0	Fund held on Trust	SOCTE	85,684	0
381,743	213,136	Total taxpayers' equity		475,072	360,085

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:



Director of Finance

23 June 2023



Chief Executive

23 June 2023

STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31 MARCH 2023

2022 £'000		Note	2023 £'000	2023 £'000
Cash flows from operating activities				
(2,252,321)	Net expenditure	SOCTE	(2,239,571)	
(26,894)	Adjustments for non-cash transactions	2b	94,068	
42,705	Add back: interest payable recognised in net operating cost	2b	42,621	
(199)	Deduct: interest receivable recognised in net operating cost	4	(117)	
(1,866)	Investment income		(2,002)	
108,816	Movement in working capital	2b	(69,318)	
(2,129,759)	Net cash outflow from operating activities	25c		(2,174,319)
Cash flows from investing activities				
(35,824)	Purchase of property, plant, and equipment		(46,958)	
(614)	Purchase of intangible assets		(615)	
(24,196)	Investment Additions	10	(11,925)	
17,336	Proceeds of disposal of property, plant, and equipment		126	
36,952	Receipts from sale of investments		13,502	
2,065	Interest received		2,119	
(4,281)	Net cash outflow from investing activities	25c		(43,751)
Cash flows from financing activities				
2,191,175	Funding	SOCTE	2,286,996	
(5,448)	Movement in general fund working capital	SOCTE	5,265	
2,185,727	Cash drawn down		2,292,261	
(14,790)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2b	(17,296)	
	IFRS 16 - 2022-23 cash lease payment		(7,235)	
21	Interest paid		(27)	
(42,726)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(42,594)	
2,128,232	Net Financing	25c		2,225,109
(5,808)	Net Increase / (decrease) in cash and cash equivalents in the period			7,039
22,003	Cash and cash equivalents at the beginning of the period			16,195
16,195	Cash and cash equivalents at the end of the period			23,234
Reconciliation of net cash flow to movement in net debt/cash				
(5,808)	Increase/(decrease) in cash in year	11		7,039
22,003	Net debt/cash at 1 April			16,195
16,195	Net debt/cash at 31 March			23,234

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

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY FOR YEAR ENDED 31 MARCH 2023

	Note	General Fund £'000	Revaluation Reserve £'000	Joint Venture Reserves £'000	Funds held in Trust £'000	Total Reserves £'000
Balance at 31 March 2022		(31,174)	244,310	78,020	90,587	381,743
Balance at 1 April 2022		(31,174)	244,310	78,020	90,587	381,743
Changes in taxpayers' equity for 2022/23						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a		61,762			61,762
Net gain / (loss) on revaluation of Right-of-Use assets						
Impairment of property, plant, and equipment			(253)			(253)
Revaluation & impairments taken to operating costs	2b		(16,531)			(16,531)
Transfers between reserves		12,902	(12,902)			0
Adjustments	2b	926				926
Net operating cost for the year	CFS	(2,185,951)		(48,717)	(4,903)	(2,239,571)
Total recognised income and expense for 2022/23		(2,172,123)	32,076	(48,717)	(4,903)	(2,193,667)
Funding:						
Drawn down	CFS	2,292,261				2,292,261
Movement in General Fund (Creditor) / Debtor	CFS	(5,265)				(5,265)
Balance at 31 March 2023	SoFP	83,699	276,386	29,303	85,684	475,072
Balance at 31 March 2021		59,907	222,836	28,659	99,917	411,319
Balance at 1 April 2021		59,907	222,836	28,659	99,917	411,319
Changes in taxpayers' equity for 2021/22						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a		27,999			27,999
Impairment of property, plant, and equipment			9,351			9,351
Revaluation & impairments taken to operating costs	2b		(7,621)			(7,621)
Transfers between reserves		8,255	(8,255)			0
Adjustments	2b	1,841				1,841
Net operating cost for the year	CFS	(2,292,352)		49,361	(9,330)	(2,252,321)
Total recognised income and expense for 2021/22		(2,282,256)	21,474	49,361	(9,330)	(2,220,751)
Funding:						
Drawn down	CFS	2,185,727				2,185,727
Movement in General Fund (Creditor) / Debtor	CFS	5,448				5,448
Balance at 31 March 2022	SoFP	(31,174)	244,310	78,020	90,587	381,743

NOTES TO THE ACCOUNTS

FOR YEAR ENDED 31 MARCH 2023

NOTE 1 ACCOUNTING POLICIES

1. Authority

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

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

Note: Where a new international accounting standard/amendment/interpretation has been issued but not yet implemented, Boards are required to disclose in their financial statements the nature of the standard, and if possible, an estimate of its likely effect on future financial statements. HM Treasury issue a paper that sets out standards issued not yet adopted. Boards should refer to this paper when preparing their disclosure.

(a) Standards, amendments and interpretations effective in 2022/23

IFRS16 is the new standard which has been adopted for the year 2022/23

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

There are no new standards, amendments or interpretations early adopted in the 2022/23 financial year.

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

The table below summarises recent standards, amendments and interpretations issued but not adopted in the 2022/23 financial year.

Standard	Current Status
IFRS 14 Regulatory Deferral Accounts	Effective for accounting periods starting on or after 1 January 2016. Not applicable to NHS Scotland bodies.
IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2021. However this Standard is not yet adopted by the FReM. Expected adoption by the FReM from April 2025.

2. Basis of Consolidation

Consolidation

In accordance with IFRS 10 – Consolidated Financial Statements, the Financial Statements consolidate the Lothian Health Board Endowment Fund operating under the name of NHS Lothian Charity (formerly 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.

NHS Lothian Charity 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 line with statutory guidance issued by the Integrated Resources Advisory Group (IRAG) IJBs are deemed to be joint ventures. In accordance with IFRS 11 Joint Arrangements, the primary financial statements have been amended for the additional disclosure required to accurately reflect the Board's interest in IJBs using the equity method of accounting.

Note 25 provides further details on the consolidation of the Endowment Fund and IJBs within the Financial Statements.

3. Going Concern

The accounts are prepared on the going concern basis, which provides that the NHS Board will continue in operational existence for the foreseeable future, unless informed by Scottish Ministers of the intention for dissolution without transfer of services or functions to another entity.

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 as determined by the relevant accounting standards and the FReM.

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 (RRL). Cash drawn down to fund expenditure within this approved RRL 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 Family Health Services (comprised of General Pharmaceutical Services, General Medical Services, General Dental Services and General Ophthalmic services as designated 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 (including VAT where this is not recoverable), or where they are part of the initial costs of equipping a new development and total over £20,000 (including VAT where this is not recoverable).

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.

Thereafter, valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and are 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 (Red Book) insofar as these terms are consistent with the agreed requirements of the Scottish Government.

In general, operational assets which are in use delivering front line services or back-office functions are valued at current market value in existing use. However, to meet the underlying objectives established by the Scottish Government the following accepted variations of the RICS Appraisal and Valuation Manual are adopted:

- Specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only.
- Non-specialised equipment, installations and fittings are valued at fair value, using the most appropriate valuation methodology available. A depreciated historical cost basis is considered an appropriate proxy for fair value in respect of assets which have short useful lives or low values (or both).

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 agreed by the District Valuer.
- Non-specialised land and buildings, such as offices, are stated at fair value.

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 plan to bring the asset back into future use as an operational asset.

Assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

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

Permanent decreases in asset values and impairments arising from a reduction in service potential or consumption of economic benefit are charged 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 arising from a change in market price are charged to the revaluation reserve where there is an available balance for the asset concerned, and thereafter are charged to 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-Statement of Financial Position 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.
- Leased Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life. Unless there is reasonable certainty the Board will obtain ownership of the asset by the end of the lease term in which case it is depreciated over its useful life.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
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) Energy Efficiency Scheme gives rise to an asset for purchased allowances held and a liability for the obligation to deliver allowances to the CRC registry equal to emissions made.

Intangible Assets, such as CRC Emission Allowances which are intended to be held for use on a continuing basis whether allocated by government or purchased are classified as intangible assets and are initially measured at cost, with subsequent revaluation at fair value. Until there is evidence of an active market, CRC scheme assets shall be measured at cost as a proxy for 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 Statement of Financial Position 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 market value in existing use. Where no active market exists, the intangible asset is revalued, using indices or an alternative 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.

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'
 - 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/amortisation 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. Donated assets are revalued, depreciated/amortised and subject to impairment in the same way as other non-current assets in accordance with 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

Accounting Policies

IFRS 16 Leases became effective for periods beginning on or after 1 January 2019, however the FReM deferred adoption until 2021. The cumulative catch-up method has been mandated by the FReM. Consequently, the comparatives for 2021-22 reflect the requirements of IAS 17 Leases.

Leases

Scope and classification

Leases are contracts, or parts of a contract that convey the right to use an asset in exchange for consideration. The FReM expands the scope of IFRS 16 to include arrangements with nil consideration. The standard is also applied to accommodation sharing arrangements with other government departments.

Contracts or parts of contract that are leases in substance are determined by evaluating whether they convey the right to control the use of an identified asset, as represented by rights both to obtain substantially all the economic benefits from that asset and to direct its use.

The following are excluded:

- Contracts for low-value items, defined as items costing less than £5,000 when new, provided they are not highly dependent on or integrated with other items; and
- contracts with a term shorter than twelve months (comprising the non-cancellable period plus any extension options that are reasonably certain to be exercised and any termination options that are reasonably certain not to be exercised).

Initial recognition

At the commencement of a lease (or the IFRS 16 transition date, if later), a right-of-use asset and a lease liability are recognised. The lease liability is measured at the present value of the payments for the remaining lease term (as defined above), net of irrecoverable value added tax, discounted either by the rate implicit in the lease, or, where this cannot be determined, the rate advised by HM Treasury for that calendar year. The liability includes payments that are fixed or in-substance fixed, excluding, for example, changes arising from future rent reviews or changes in an index. The right-of-use asset is measured at the value of the liability, adjusted for any payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, for peppercorn or nil consideration leases, the asset is measured at its existing use value.

Subsequent measurement

The asset is subsequently measured using the fair value model. The cost model is considered to be a reasonable proxy except for leases of land and property without regular rent reviews. For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration have been valued using market prices or rentals for equivalent land and properties. The liability is adjusted for the accrual of interest, repayments, and reassessments and modifications. These are measured by re-discounting the revised cash flows.

Lease expenditure

Expenditure includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rental payments for leases of low-value items or shorter than twelve months are expensed.

Board as a lessor

For these arrangements, the Board assesses whether the leases are finance or operating leases. For finance leases, it derecognises the asset and recognises a receivable. Interest is accrued throughout the financial year and recognised in income. For operating leases, rental income is recognised on a systematic basis, usually straight-line, over the lease term.

Transitional arrangements

The following determinations have been made:

- To adopt IFRS 16 retrospectively, without restatement of comparative balances. Consequently, the Statement of Comprehensive Net Expenditure and the Statement of Financial Position for 2021-2 reflect the requirements of IAS 17
- Not to reassess the classification of contracts previously classified as leases or service contracts under IAS 17 and IFRIC 4. However, new contracts entered into from 1 April 2022 have been classified using the IFRS 16 criteria;
- For leases previously treated as operating leases:
 - To measure the liability at the present value of the remaining payments, discounted by the discount rate issued by HM Treasury
 - To measure the asset at an amount equal to the liability, adjusted for any prepayment or accrual balances previously recognised for that lease
 - To exclude leases whose term ends within twelve months of first adoption
 - To use hindsight in assessing remaining lease terms
 - For leases previously identified as onerous and provided for, to use the practical expedient of adjusting the right-of-use asset by the amount of that provision
- For leases previously treated as finance leases:
 - To use the carrying amount of the lease asset and liability measured immediately before first adoption under IAS 17 as the carrying value of the right-of-use asset and lease liability as at first adoption
- The 2023-24 FReM has been amended to require reporting entities to record indexation linked payments in PPP liabilities in accordance with IFRS 16 from 2023-24. The 2022-23 FReM has not been amended to clarify that this specific aspect of IFRS 16 has been deferred until 2023-24 and therefore does not apply in 2022-23. Where entities have in the past applied the principles of IAS 17 to account for the impact of changes in the relevant indices (e.g. CPI or RPI) in respect of on-balance sheet PPP/PFI contracts with index-linked payments, the application of IFRS 16 requirements is deferred to 1 April 2023.

Estimates and judgements

The Board determines the amounts to be recognised as the right-of-use asset and lease liability for embedded leases based on the stand-alone price of the lease and non-lease component or components. This determination reflects prices for leases of the underlying asset, where these are observable; otherwise, it maximises the use of other observable data, including the fair values of similar assets, or prices of contracts for similar non-lease components. In some circumstances, where stand-alone prices are not readily observable, the entire contracts are treated as a lease as a practical expedient. The FReM requires right-of-use assets held under “peppercorn” leases to be measured at existing use value.

Accounting for leases under IAS 17 (2021-22)

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 this valuation 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.

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 becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the Statement of Financial Position 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 Note 5 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 Statement of Financial Position. Where the Government Banking Service is using the National Westminster Bank 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 NHS Lothian Charity. The Charity 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.

Significant estimates

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 properties were subject to a desktop valuation on the basis of local market related indices at 31 March 2023, and the impact of any impairment in value on operating costs agreed. Such indices, including zero indexation factors, were applied following consultation and advice from the Board's Property Advisor.

Leases: For all relevant agreements prior to 1 April 2022, 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. All relevant agreements entered into on or after 1 April 2022 are subject to evaluation under the requirements of IFRS 16.

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2023

2a. SUMMARY OF CORE REVENUE RESOURCE OUTTURN

	2023	2023
	£'000	£'000
Net Expenditure	SoCNE	2,239,571
Total Non-Core Expenditure (see below)		(65,537)
Family Health Services non-discretionary allocation		(119,214)
Endowment net expenditure		(4,903)
Associates and joint ventures accounted for on an equity basis		(48,717)
Total core expenditure		2,001,200
Core Revenue Resource Limit		2,002,184
Saving/(excess) against Core Revenue Resource Limit		984

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Capital Grants to / (from) Other Bodies	8,613	
Depreciation / Amortisation	43,626	
Annually Managed Expenditure – Impairments	(11,840)	
Annually Managed Expenditure - Creation of Provisions	8,107	
Annually Managed Expenditure – Depreciation of Donated Assets	957	
Annually Managed Expenditure - fair value adjustments	647	
Additional Scottish Government non-core funding	253	
Donated assets income	(342)	
IFRS PFI Expenditure	6,765	
Right of Use (RoU) Asset Depreciation	8,639	
Right of Use (RoU) Peppercorn Leases Depreciation	112	
Total Non-Core Expenditure		65,537
Non Core Revenue Resource Limit		65,537
Saving/(excess) against Non-Core Revenue Resource Limit		0

SUMMARY RESOURCE OUTTURN

	Resource	Expenditure	Saving /
	£'000	£'000	(Excess)
			£'000
Core	2,002,184	2,001,200	984
Non-Core	65,537	65,537	0
Total	2,067,721	2,066,737	984

2b. NOTES TO THE CASH FLOW STATEMENT

Consolidated adjustments for the non-cash transactions

2022		2023
£'000	Expenditure Not Paid In Cash	£'000
	Note	
46,284	Depreciation on Purchased Assets	47,174
454	Amortisation	653
735	Depreciation on Donated Assets	957
	Depreciation of Right of Use (RoU) Assets	8,751
	Right of Use (RoU) Remeasurement (gain)/loss	0
13,094	Impairments on PPE charged to SOCNE	253
1,730	Net revaluation on PPE charged to SOCNE	(16,784)
(22,445)	Reversal of impairments on PPE charged to SoCNE	0
(14,075)	Loss/(Profit) on disposal of property, plant, and equipment	8
485	Funding of Donated assets	(342)
(49,361)	IJB joint venture share	48,717
169	GP Loans fair value adjustment	647
258	Other non-cash transactions DOH assets	0
(4,222)	Other non-cash transactions (profit) / loss on investments	4,034
(26,894)	Total Expenditure Not Paid In Cash	94,068

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2023

Interest Payable			
42,726	PFI Finance Lease charges allocated in year	18b	42,160
	Lease interest	17b	434
<u>(21)</u>	Unwinding of Discount		<u>27</u>
42,705	Net interest payable	CFS	42,621

Consolidated movement in working capital

2022			Opening Balances	Closing Balances	Net Movement
£'000		Note	£'000	£'000	£'000
INVENTORIES					
<u>(426)</u>	Balance Sheet	8	<u>22,810</u>	<u>22,507</u>	
(426)	Net Decrease/(Increase)				303
TRADE AND OTHER RECEIVABLES					
21,177	Due within one year	9	70,061	151,985	
<u>11,011</u>	Due after more than one year	9	<u>87,116</u>	<u>84,723</u>	
32,188			157,177	236,708	
0	Less: Property, Plant & equipment included in above		0	0	
			<u>157,177</u>	<u>236,708</u>	
32,188	Net Decrease/(Increase)				(79,531)
TRADE AND OTHER PAYABLES					
85,423	Due within one year	12	473,121	440,367	
<u>(16,340)</u>	Due after more than one year	12	<u>357,340</u>	<u>381,229</u>	
8,469	Less: Property, Plant & Equipment (Capital) included in above		(23,338)	(19,320)	
5,448	Less: General Fund Creditor included in above	12	(11,823)	(17,088)	
<u>14,790</u>	Less: Lease and PFI Creditors included in above	12	<u>(373,680)</u>	<u>(397,179)</u>	
			421,620	388,009	
97,790	Net (Decrease)/Increase				(33,611)
PROVISIONS					
<u>(20,736)</u>	Statement of Financial Position	13a	<u>249,654</u>	<u>293,175</u>	
(20,736)	Net (Decrease)/Increase				43,521
108,816	NET MOVEMENT Decrease/(Increase)	CFS			(69,318)

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2023

3. EXPENDITURE

3a. Staff Costs

2022		Board	Consolidated
£'000		2023	2023
		£'000	£'000
332,030	Medical and Dental	347,414	347,414
528,283	Nursing	574,469	574,469
448,395	Other Staff	485,703	485,703
<u>1,308,708</u>	Total	<u>1,407,586</u>	<u>1,407,586</u>

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

3b. Other operating expenditure

Independent Primary Care Services:

2022		Board	Consolidated
£'000		2023	2023
		£'000	£'000
155,534	General Medical Services	159,807	159,807
41,993	Pharmaceutical Services	45,086	45,086
64,285	General Dental Services	73,057	73,057
17,500	General Ophthalmic Services	17,520	17,520
<u>279,312</u>	Total	<u>295,470</u>	<u>295,470</u>

Drugs and Medical Supplies:

£'000		£'000	£'000
155,973	Prescribed drugs Primary Care	175,315	175,315
154,482	Prescribed drugs Secondary Care	151,449	151,449
24,379	PPE and testing kits	2,878	2,878
106,536	Medical Supplies	111,726	111,726
<u>441,370</u>	Total	<u>441,368</u>	<u>441,368</u>

Other health care expenditure:

2022		2023	2023
£'000		£'000	£'000
1,209,211	Contribution to Integration Joints Boards	1,061,468	1,061,468
18,180	Other NHS Scotland Bodies	16,962	16,962
1,268	Health Bodies outside Scotland	871	871
4,969	Private sector	5,590	5,590
16,549	Goods and services from voluntary organisations	19,270	19,270
149,733	Resource Transfer	126,687	126,687
164	Loss on disposal of assets	15	15
405,657	Other operating expenses	401,907	401,907
287	Statutory audit fee	339	339
14,904	Endowment Fund expenditure		6,898
<u>1,820,922</u>	Total	<u>1,633,109</u>	<u>1,640,007</u>
<u>2,541,604</u>	Total Other Operating Expenditure	<u>2,369,947</u>	<u>2,376,845</u>

Other operating expenses includes property related costs £57m, PFI unitary charge payments £81m, depreciation and amortisation £57m, Clinical negligence and CNORIS (note 13) £69m, E-health costs £24m and equipment related (including maintenance) £29m.

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4. INCOME

2022			Board	Consolidated
£'000	NHS Scotland Bodies	Note	2023	2023
			£'000	£'000
1,529	Income from Scottish Government		1,458	1,458
252,464	Income from other NHS Scotland bodies		309,563	309,563
3,920	Income from NHS non-Scottish bodies		3,816	3,816
1,063	Income from private patients		771	771
1,129,816	Income for services commissioned by Integration Joint Board		1,140,456	1,140,456
8,192	Patient charges for primary care		11,251	11,251
13,919	Donations		775	775
14,239	Profit on disposal of assets		7	7
2,759	Contributions in respect of clinical and medical negligence claims		41,954	41,954
199	Interest received	CFS	117	117
Non NHS:				
188	Overseas patients		457	457
5,574	Endowment Fund Income			1,995
114,768	Other		80,957	80,957
1,548,630	Total Income	SOCNE	1,591,582	1,593,577

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	East Lothian IJB	Edinburgh IJB	Midlothian IJB	West Lothian IJB	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net operating cost 2022/23	945,963	466,781	773,207	4,903	5,083	29,063	5,178	9,393	2,239,571
Net operating cost 2021/22	894,822	637,803	759,727	9,330	(5,341)	(28,374)	(5,260)	(10,386)	2,252,321

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2023

6. INTANGIBLE ASSETS

	Note	Software Licences £'000	Total £'000
Cost or Valuation:			
As at 1 April 2022		20,425	20,425
Additions		615	615
Disposals		(14,966)	(14,966)
As at 31 March 2023		6,074	6,074
Amortisation			
As at 1 April 2022		19,321	19,321
Provided during the year		653	653
Disposals		(14,966)	(14,966)
At 31 March 2023		5,008	5,008
Net Book Value at 1 April 2022		1,104	1,104
Net Book Value at 31 March 2023	SoFP	1,066	1,066

PRIOR YEAR – CONSOLIDATED

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

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2023

7a) PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED

	Note	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation										
At 1 April 2022		61,210	901,737	1,025	92	198,368	40,513	185	67,296	1,270,426
Additions - Purchased		825	0	0	0	0	0	0	42,115	42,940
Additions – Donated		0	0	0	0	0	0	0	342	342
Completions		0	19,399	0	40	19,211	6,718	64	(45,432)	0
Transfers between asset categories ¹		0	(9,662)	0	0	0	0	0	0	(9,662)
Revaluations		877	47,568	150	0	0	0	0	0	48,595
Impairment Charges		0	0	0	0	0	0	0	(253)	(253)
Disposals – Purchased		0	0	0	0	(2,904)	(7,041)	0	0	(9,945)
Disposals – Donated		0	0	0	0	(46)	(6)	0	0	(52)
At 31 March 2023		62,912	959,042	1,175	132	214,629	40,184	249	64,068	1,342,391
Depreciation										
At 1 April 2022		0	34,628	102	69	115,421	24,108	182	0	174,510
Provided during the year – purchased		0	26,288	47	7	15,865	4,964	3	0	47,174
Provided during the year – donated		0	582	0	3	363	9	0	0	957
Transfers between asset categories ¹		0	(4,073)	0	0	0	0	0	0	(4,073)
Revaluations		0	(13,041)	(126)	0	0	0	0	0	(13,167)
Disposals – Purchased		0	0	0	0	(2,889)	(7,041)	0	0	(9,930)
Disposals – Donated		0	0	0	0	(46)	(6)	0	0	(52)
At 31 March 2023		0	44,384	23	79	128,714	22,034	185	0	195,419
Net book value at 1 April 2022		61,210	867,109	923	23	82,947	16,405	3	67,296	1,095,916
Net book value at 31 March 2023	SoFP	62,912	914,658	1,152	53	85,915	18,150	64	64,068	1,146,972
Open Market Value of Land, buildings and Dwellings Included Above		9,750								
Asset financing:										
Owned – purchased		62,912	399,218	1,152	52	84,994	18,096	64	63,466	629,954
Owned – donated		0	17,171	0	1	921	54	0	602	18,749
On-balance sheet PFI contracts		0	498,269	0	0	0	0	0	0	498,269
Net Book Value at 31 March 2023	SoFP	62,912	914,658	1,152	53	85,915	18,150	64	64,068	1,146,972

¹Transfer between asset categories represents transfer of Finance leases to the Right Of Use Assets in Note 17a due to the introduction of IFRS16

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2023

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

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

7b) NON CURRENT ASSETS HELD FOR SALE– CONSOLIDATED

No property assets are currently classified in the Balance Sheet as held for sale.

7c) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES - CONSOLIDATED

2022		2023
£'000	Net book value of Property, plant, and equipment at 31 March	£'000
1,077,589	Purchased	1,128,223
18,327	Donated	18,749
1,095,916	Total	1,146,972
9,750	Net book value related to land valued at open market value at 31 March	9,750
	Net book value related to buildings valued at the open market value at 31 March	
	Total value of assets held under:	
3,532	Finance Leases	
436,973	PFI and PPP Contracts	498,269
440,505		498,269
	Total depreciation charged in respect of assets held under:	
294	Finance leases	0
11,485	PFI and PPP contracts	11,761
11,779		11,761

In line with the Board's revaluation policy a sample was revalued by an independent valuer, Avison Young, as at 31/03/2023 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 £61.762m (2021-22: an increase of £27.999m) which was credited to the revaluation reserve. Impairment reversal of £16.531m (2021-22 £7.621m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource.

7d) ANALYSIS OF CAPITAL EXPENDITURE

2022		2023
£'000	EXPENDITURE	£'000
614	Acquisition of Intangible Assets	615
27,355	Acquisition of Property, plant, and equipment	42,940
(485)	Donated Asset Additions	342
	GP Loans advances	1,307
	Right of Use (RoU) Additions	8,767
	Right of Use (RoU) Dilapidations	
27,484	Gross Capital Expenditure	53,971
	INCOME	
987	Net book value of disposal of Property, plant, and equipment	15
280	Net book value of disposal of Donated Assets	0
1,955	Value of disposal of non-current assets held for sale	0
	Right of Use Disposals	0
39	HUB – repayment of investment	119
3,261	Capital Income	134
24,223	Net Capital Expenditure	53,837

2022 SUMMARY OF CAPITAL RESOURCE OUTTURN

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

2022		2023		
	Core	Non Core	Total	
24,223	Net capital expenditure as above	52,188	1,649	53,837
24,223	Capital Resource Limit	52,188	1,649	53,837
0	Saving/(excess) against Capital Resource Limit	0	0	0

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8. INVENTORY

2022		2023
£'000		£'000
22,810	Raw Materials and Consumables	22,507
22,810	Total Inventories	22,507

Note	£'000
	22,507
SoFP	22,507

9. TRADE AND OTHER RECEIVABLES

Consolidated	Board		Consolidated	Board
2022	2022		2023	2023
£'000	£'000		£'000	£'000
		Receivables due within one year		
		NHS Scotland		
		Scottish Government Health & Social Care		
745	745	Directorate	625	625
22,241	22,241	Boards	51,555	51,555
22,986	22,986	Total NHS Scotland Receivables	52,180	52,180
1,896	1,896	NHS Non-Scottish Bodies	4,430	4,430
2,845	2,844	VAT recoverable	3,209	3,209
13,725	13,725	Prepayments	17,318	17,318
13,606	13,606	Accrued income	14,581	14,581
2,211	1,898	Other Receivables	5,179	4,961
12,018	12,018	Reimbursement of provisions	50,039	50,039
774	774	Other Public Sector Bodies	5,049	5,049
70,061	69,747	Total Receivables due within one year	151,985	151,767
		Receivables due after more than one year		
619	619	Prepayments	834	834
3	3	Other Receivables	3	3
86,494	86,494	Reimbursement of Provisions	83,886	83,886
87,116	87,116	Total Receivables due after more than one year	84,723	84,723
157,177	156,863	TOTAL RECEIVABLES	236,708	236,490
4,895	4,895	The total receivables figure above includes a provision for bad debts of :	5,012	5,012

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

Consolidated	Board		Consolidated	Board
2022	2022		2023	2023
£'000	£'000		£'000	£'000
5,231	5,231	At 1 April	4,895	4,895
4,607	4,607	Provision for receivables impairment	4,919	4,919
(107)	(107)	Receivables written off during the year as uncollectable	(116)	(116)
(4,836)	(4,836)	Unused amounts reversed	(4,686)	(4,686)
4,895	4,895	At 31 March	5,012	5,012

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10. INVESTMENTS

Consolidated 2022 £'000	Board 2022 £'000		Note	Consolidated 2023 £'000	Board 2023 £'000
36,616	0	UK equities & investment trusts		36,959	0
41,326	0	Non UK equities & investment trusts		36,463	0
6,470	0	Fixed Interest securities		5,225	0
6,224	2,210	Other		5,613	2,751
90,636	2,210	TOTAL	SoFP	84,260	2,751
99,543	2,090	At 1 April		90,636	2,210
23,868	0	Additions	CFS	10,618	0
328	328	GP Loans advances		1,307	1,307
(37,156)	(39)	Disposals		(13,622)	(119)
(169)	(169)	GP Loans Fair Value Adjustment Revaluation (deficit)/surplus transferred to equity	2a	(647)	(647)
4,222	0	At 31 March		(4,032)	0
90,636	2,210			84,260	2,751
		Current	SoFP		
90,636	2,210	Non-current	SoFP	84,260	2,751
90,636	2,210	At 31 March		84,260	2,751
		Other Financial Assets available for sale comprise:			
	33	Loans to Hub South East Scotland Limited			33
	33				33

The NHS Lothian Charity 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 NHS Lothian Charity share of the investments is recorded within the Charity Financial Statements and is included within the consolidated Board statements. At year end 2022/23 there were investments of £79,837k and cash awaiting investment £457k. The NHS Lanarkshire share was 5.82% of the total portfolio managed by Casenove (Schroders). The NHS Lothian Charity also holds investment properties of £1,215k these are solely owned by the Charity.

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

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

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

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11. CASH AND CASH EQUIVALENTS

	Note	At 01/04/22 £'000	Cash Flow £'000	At 31/03/23 £'000
Government Banking Service account balance		11,737	(8,564)	3,173
Cash at bank and in hand		86	13,829	13,915
Endowments		4,372	1,774	6,146
Total cash – balance sheet	SoFP	16,195	7,039	23,234
Prior Year		At 01/04/21 £'000	Cash Flow £'000	At 31/03/22 £'000
Government Banking Service account balance		17,202	(5,465)	11,737
Cash at bank and in hand		69	17	86
Endowment cash		4,732	(360)	4,372
Total cash – balance sheet	SoFP	22,003	(5,808)	16,195

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 2022 £'000	Board 2022 £'000		Note	Consolidated 2023 £'000	Board 2023 £'000
Payables due within one year					
NHS Scotland					
		Scottish Government Health & Social Care Directorate		0	0
4,644	4,644	Boards		10,463	10,463
4,644	4,644	Total NHS Scotland Payables		10,463	10,463
645	645	NHS Non-Scottish Bodies		709	709
11,823	11,823	General Fund Payable		17,088	17,088
29,043	29,043	FHS Practitioners		31,822	31,822
5,730	5,723	Trade Payables		6,394	6,394
163,989	161,471	Accruals		165,893	163,704
22,034	22,034	Deferred Income		25,947	25,947
		Net obligations under leases	17b	8,025	8,025
16,493	16,493	Net obligations under PPP/PFI Contracts	18b	18,273	18,273
26,919	26,919	Income tax and social security		29,627	29,627
21,579	21,579	Superannuation		22,498	22,498
119,225	119,225	Other Public Sector Bodies		40,153	40,153
1,764	1,764	Other payables		17,961	17,961
33,509	33,509	Employee Benefits		37,740	37,740
1,787	1,787	Pay and Conditions Accrual		1,787	1,787
13,937	13,937	Capital Accruals		5,987	5,987
473,121	470,596	Total Payables due within one year	SoFP	440,367	438,178
Payables due after more than one year					
		Net obligations under leases due within 2 years	17b	6,694	6,694
		Net obligations under leases due after 2 years but within 5 years	17b	13,676	13,676
		Net obligations under leases due after 5 years	17b	12,400	12,400
18,414	18,414	Net obligations under PPP/PFI Contracts due within 1-2 years	18b	20,434	20,434
68,811	68,811	Net obligations under PPP/PFI Contracts due after 2 years but within 5 years	18b	73,658	73,658
269,962	269,962	Net obligations under PPP/PFI Contracts due after 5 years	18b	244,019	244,019
		Deferred Income		5,018	5,018
153	153	Capital retentions		5,330	5,330
357,340	357,340	Total Payables due after more than one year	SoFP	381,229	381,229
830,461	827,936	TOTAL PAYABLES		821,596	819,407

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12. TRADE AND OTHER PAYABLES (continued)

Consolidated 2022 £'000	Board 2022 £'000		Consolidated 2023 £'000	Board 2023 £'000
		Borrowings included above comprise:		
0	0	Leases	40,795	40,795
373,680	373,680	PFI Contracts	356,384	356,384
373,680	373,680		397,179	397,179
		The carrying amount and fair value of the non-current borrowings are as follows:		
		Carrying amount		
0	0	Leases	32,770	32,770
357,187	357,187	PFI Contracts	338,111	338,111
357,187	357,187		370,881	370,881
		Fair value		
0	0	Leases	32,770	32,770
357,187	357,187	PFI Contracts	338,111	338,111
357,187	357,187		370,881	370,881

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

13a. PROVISIONS – CONSOLIDATED

2022 £'000		Pensions & similar obligations £'000	Clinical & Medical Negligence £'000	Participation in CNORIS £'000	Other £'000	Total £'000
270,390	At 1 April 2022	23,457	94,682	127,508	4,007	249,654
36,324	Arising during the year	(4,073)	56,759	23,630	3,799	80,115
(26,851)	Utilised during the year	(1,601)	(6,005)	(10,392)	(1,455)	(19,453)
(21)	Unwinding of discount	27				27
(30,188)	Reversed unutilised	(215)	(16,675)		(278)	(17,168)
249,654	At 31 March 2023	17,595	128,761	140,746	6,073	293,175

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 £6,073k for non-medical CNORIS.

Analysis of expected timing of discounted cash flows:

2022 £'000		Pensions & similar obligations £'000	Clinical & Medical Negligence £'000	Participation in CNORIS £'000	Other £'000	Total £'000
45,341	Payable within one year	1,574	43,929	35,138	1,046	81,687
139,246	Payable between 2 -5 years		69,967	85,607	5,027	160,601
9,863	Payable between 6 – 10 years		2,991	7,283	0	10,274
55,204	Thereafter	16,021	11,874	12,718	0	40,613
249,654	At 31 March 2023	17,595	128,761	140,746	6,073	293,175

Pensions and similar obligations

The board meets the additional cost of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the expected share of payments over the remaining lives of the former employees, discounted by the Treasury discount rate of 1.70% (2021/22: (1.30%)). 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)

2022 £'000		Note	2023 £'000
98,689	Provision recognising individual claims against the NHS Board as at 31 March	13a	134,834
(98,512)	Associated CNORIS receivable at 31 March	9	(133,925)
127,508	Provision recognising the NHS Board' liability from participating in the scheme at 31 March	13a	140,746
127,685	Net Total Provision relating to CNORIS at 31 March		141,655

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: [CNORIS - Central Legal Office \(scot.nhs.uk\)](https://scot.nhs.uk/cnoris)

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14. Contingent Liabilities

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

2022		2023
£'000		£'000
146,473	Clinical and medical compensation payments	115,117
<u>649</u>	Other	<u>422</u>
147,122		115,539

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

2022		2023
£'000		£'000
(145,315)	Clinical and medical negligence contingent assets	(113,770)
	Employer's liability	(87)

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

Other non-quantifiable contingent liabilities

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

15. Events After the Reporting Period

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

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16. COMMITMENTS – CONSOLIDATED

(a) Capital Commitments

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

2022	2023
£'000	£'000
Contracted	
1,320 Medical Equipment	400
1,722 Gynae Ambulatory Care	0
422 Lauriston Pharmacy	1
1,053 Fire Alarm Compliance	0
35 Paep Re provision	202
408 Facilities Asset Replacement	34
195 SJH Bodystore	0
0 NTC Development	145
0 Radiotherapy Replace Programme	3,620
0 Energy and Carbon Reduction	1,331
0 EV Charging Infrastructure	659
0 ICU Clinical Info System	654
0 Laboratory Information Management System	248
262 Other Commitments	241
5,417	7,535
Authorised but not Contracted	
1,221 Cockenzie	0
3,163 Esmac - St Kats	0
1,259 HEPMA - Electronic Prescribing	0
428 Hsdu Trak And Traceability	397
600 Anti-Ligature Works	600
450 West Edin Primary Care Provision	244
10,657 Oncology Enabling Projects	3,901
3,000 Additional Linacc	0
2,160 ICU Clinical Info System	2,167
1,199 Energy Infrastructure Phase 2	7,832
895 Meadows Primary Care Provision	0
3,181 Radiotherapy Replace Programme	0
877 Gynae Ambulatory Care	0
988 Lauriston Pharmacy	1,015
0 EV Charging Infrastructure	64
0 Laboratory Information Management System	2,228
0 SJH Critical Care	582
0 Drumbrae	827
0 Other Schemes	289
30,078	20,146
Total	20,146

(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.

17. RIGHT OF USE ASSETS (ROU)

As explained in Note 1, the Board has adopted IFRS 16 ‘Leases’ from 1 April 2022. As mandated by the FReM, the Board has implemented it using the cumulative catch-up method, without restating prior year figures. Most leases recognised as operating leases until 31 March 2022 (as shown in Note 17c) are now recognised as right-of-use lease assets and liabilities in Notes 17a and 17b, with the associated costs being recognised in Notes 17b.

The Board’s lease contracts comprise leases of operational buildings, plant and machinery and motor vehicles. Most are individually insignificant.

17a RIGHT OF USE ASSETS (ROU) – CONSOLIDATED

	Note	Buildings (excluding dwellings) £’000	Transport Equipment £’000	Plant & Machinery £’000	Total £’000
Cost or valuation					
At 1 April 2022		35,290	2,882	2,016	40,188
Additions (include new dilapidation provisions)		2,459	149	6,159	8,767
Transfers between asset categories ¹		9,662	0	0	9,662
At 31 March 2023		47,411	3,031	8,175	58,617
Depreciation					
At 1 April 2022		0	0	0	0
Provided during the year - (include new dilapidation provisions)		5,447	1,282	1,910	8,639
Provided during the year - peppercorn leases		112	0	0	112
Transfers between asset categories ¹		4,073	0	0	4,073
At 31 March 2023		9,632	1,282	1,910	12,824
Net book value at 1 April 2022		35,290	2,882	2,016	40,188
Net book value at 31 March 2023	SoFP	37,779	1,749	6,265	45,793

¹Transfer between asset categories represents transfer of Finance leases to the Right Of Use Assets from Note 7a due to the introduction of IFRS16

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17b LEASE LIABILITIES

	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Total
Amounts falling due	£'000	£'000	£'000	£'000
Not later than one year	5,281	969	1,775	8,025
Later than one year, not later than 2 years	5,131	559	1,004	6,694
Later than two year, not later than five years	11,020	228	2,428	13,676
Later than five years	11,191	0	1,209	12,400
Less: Unaccrued interest	0	0	0	0
Balance at 31 March 2023	32,623	1,756	6,416	40,795

Amounts recognised in the Statement of Comprehensive Net Expenditure

	Consolidated	Board
	£'000	£'000
Depreciation	8,751	8,751
Interest Expense	434	434
Non Recoverable VAT on lease payments	1,465	1,465
Low value and short term leases	1,844	1,844
Remeasurement of ROU assets - (gain)/loss charged to SOCNE	0	0
Total	12,494	12,494

Amounts recognised in the Statement of Cash Flows

	Consolidated	Board
	£'000	£'000
Interest Expense	434	434
Repayments of Principal of leases	8,175	8,175
Total	8,609	8,609

Reconciliation from the IAS 17 operating lease commitment on 31 March 2022 (Note 17c) to the IFRS 16 opening lease liability on 1 April 2022

The table below reconciles the amount of the Board's operating lease commitments as at 31 March 2022, shown in Note 17c to the lease liabilities as at 1 April 2022, immediately following adoption of IFRS 16. The operating lease commitments figure has been restated for arrangements not previously identified as leases. Thereafter, the material reconciling items are: adjustments for the impact of discounting, the value of arrangements not previously identified as leases, the impact of lease re-assessments and lease transfers.

Operating leases disclosed at 31 March 2022		41,558
Adjustments from IAS 17 to IFRS 16		
Irrecoverable VAT	(9)	
Impact of discounting	(282)	
Low value and short-term lease commitments	(85)	
Arrangements not previously identified as leases	554	
Impact of lease re-assessments	(3,520)	
Leases transferred	1,046	
Sub-total, reconciling items		(2,296)
IFRS 16 opening balance lease liabilities		39,262

17c PRIOR YEAR LEASES – CONSOLIDATED

Total future minimum lease payments under operating and finance leases are given in the table below.

2022	
£'000	Operating Leases
	Buildings
5,147	Not later than one year
5,040	Later than one year but not later than two years
12,039	Later than two but not later than five years
13,508	Later than five years
	Other
1,904	Not later than one year
962	Later than one year but no later than two years
2,958	Between two and five years (inclusive)
41,558	
	Amounts charged to Operating Costs in year were:
6,663	Hire of equipment (including vehicles)
5,980	Other operating leases
12,643	

18. PFI Contracts – Consolidated

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

Name	Description of Scheme	Start Date	End Date	Estimated capital value £'000
Royal Hospital for Children and Young People Edinburgh & Department for Clinical Neurosciences	This facility is a new hospital for children and young people, integrating the department of clinical neurosciences into the same new build.	23/02/19	31/07/42	£136,826
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	£6,677
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	£8,826
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	£11,959
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	£58,368
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	£52,398
Royal Infirmary of Edinburgh	Acute teaching hospital facilities	01/11/01	30/05/53	£196,963
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	£19,898
Ellens Glen	This service provides 60 bedded facility for frail elderly and dementia patients.	01/10/96	29/11/29	£1,128
Findlay House	This service provides 60 bedded facility for frail elderly and dementia patients in the grounds of the Eastern General Hospital	01/11/99	12/06/33	£3,329
Tippethill	This service provides 60 bedded facility for frail elderly and dementia patients at Whitburn	13/06/03	05/09/25	£1,897

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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Primary Care Facilities include Tippethill, Findlay House and Ellens Glen House. Bathgate Primary Care Centre is no longer included within PFI's as classed as a lease.

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:

2022 TOTAL	Gross Minimum Lease Payments	Primary Care facilities	Midlothian Community Hospital	RIE Little France	P1 Royal Edinburgh	Allermuir Health Centre	Blackburn Partnership Centre	Pennywell All Care Centre	ELCH	RHCYP & DCN	2023 TOTAL
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
57,818	Rentals due within 1 year	2,004	1,623	32,896	3,162	568	443	813	4,511	12,471	58,491
57,818	Due within 1 to 2 years	2,004	1,623	32,896	3,162	568	443	813	4,511	12,471	58,491
172,523	Due within 2 to 5 years	4,467	4,868	95,325	9,487	1,704	1,329	2,438	13,532	37,414	170,564
559,928	Due after 5 years	4,555	20,513	163,820	43,209	8,277	6,474	11,837	74,045	178,769	511,499
848,087	Total	13,030	28,627	324,937	59,020	11,117	8,689	15,901	96,599	241,125	799,045

2022 TOTAL	Less Interest Element	Primary Care facilities	Midlothian Community Hospital	RIE Little France	P1 Royal Edinburgh	Allermuir Health Centre	Blackburn Partnership Centre	Pennywell All Care Centre	ELCH	RHCYP & DCN	2023 TOTAL
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
(41,325)	Rentals due within 1 year	(1,517)	(1,099)	(21,291)	(2,197)	(402)	(190)	(496)	(3,420)	(9,606)	(40,218)
(39,404)	Due within 1 to 2 years	(1,457)	(1,079)	(19,608)	(2,133)	(392)	(184)	(480)	(3,345)	(9,379)	(38,057)
(103,712)	Due within 2 to 5 years	(3,357)	(3,110)	(45,386)	(5,977)	(1,103)	(506)	(1,339)	(9,534)	(26,594)	(96,906)
(289,966)	Due after 5 years	(3,029)	(10,296)	(126,757)	(15,256)	(3,024)	(1,265)	(3,529)	(30,377)	(73,947)	(267,480)
(474,407)	Total	(9,360)	(15,584)	(213,042)	(25,563)	(4,921)	(2,145)	(5,844)	(46,676)	(119,526)	(442,661)

2022 TOTAL	Present value of minimum lease payments	Note	Primary Care facilities	Midlothian Community Hospital	RIE Little France	P1 Royal Edinburgh	Allermuir Health Centre	Blackburn Partnership Centre	Pennywell All Care Centre	ELCH	RHCYP & DCN	2023 TOTAL
£000			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
16,493	Rentals due within 1 year	12	487	524	11,605	965	166	253	317	1,091	2,865	18,273
18,414	Due within 1 to 2 years	12	547	544	13,288	1,029	176	259	333	1,166	3,092	20,434
68,811	Due within 2 to 5 years	12	1,110	1,758	49,939	3,510	601	823	1,099	3,998	10,820	73,658
269,962	Due after 5 years	12	1,526	10,217	37,063	27,953	5,253	5,209	8,308	43,668	104,822	244,019
373,680	Total		3,670	13,043	111,895	33,457	6,196	6,544	10,057	49,923	121,599	356,384
373,680	Total commitments		3,670	13,043	111,895	33,457	6,196	6,544	10,057	49,923	121,599	356,384

2022		2023
£'000	Imputed finance lease obligation under on-balance-sheet PFI/PPP contracts comprises:	£'000
57,818	Rentals due within 1 year	58,491
57,818	Rentals due within 1 to 2 years	58,491
172,523	Rentals due within 2 to 5 years	170,564
559,928	Rentals due thereafter	511,499
848,087		799,045
(474,407)	Less interest element	(442,661)
373,680	Total	356,384

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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:

2022 £'000		2023 £'000
25,419	Service charges	26,289
42,726	Interest charges on finance lease debt	42,160
14,790	Principal repayment	16,358
82,935	Total	84,807

Contingent rents included within the interest charges were £8,397k (2021/22: £7,411k)

19. PENSION COSTS

2022 £'000		2023 £'000
181,198	Pension cost charge for the year	193,482
23,457	Provisions/Liabilities/Pre-payments included in the Statement of Financial Position	17,595

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

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

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

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

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

The employer contribution of £193.5m were payable to SPPA (2021/22 £181.2m) at the rate of 20.9% of pensionable pay for the period from 1 April 2023 (2021/22 20.9%). The employee rate applied is variable and is anticipated to provide an actuarial yield of 9.4% 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 14.32% based on the proportion of employer contributions paid in 2021/22.

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: [Scottish Public Pensions Agency home page | SPPA](#).

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 £50,270, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

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

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

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

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

20. RETROSPECTIVE RETSTATEMENTS

There were no Prior year adjustments

21. FINANCIAL INSTRUMENTS - CONSOLIDATED

2022	AT 31 MARCH 2023		Financial assets at fair value through OCI	Financial assets at fair value through profit / loss	Total
£'000		Note	£'000	£'000	£'000
Assets per Statement of Financial Position					
90,636	Investments	10		84,260	84,260
18,490	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	29,242		29,242
16,195	Cash and cash equivalents	11	23,234		23,234
125,321			52,476	84,260	136,736
Financial liabilities at amortised cost					
Total	Liabilities per Statement of Financial Position	Note		£'000	Total
0	Lease liabilities	12		40,795	40,795
373,680	PFI Liabilities	12		356,384	356,384
381,605	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12		330,864	330,864
755,285				728,043	728,043

FINANCIAL INSTRUMENTS – Board

2022	AT 31 MARCH 2023		Financial assets at fair value through OCI	Financial assets at fair value through profit / loss	Total
£'000		Note	£'000	£'000	£'000
Assets per Statement of Financial Position					
2,210	Investments	10		2,751	2,751
18,177	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	29,024		29,024
11,823	Cash and cash equivalents	11	17,088		17,088
32,210			46,112	2,751	48,863
Financial liabilities at amortised cost					
Total	Liabilities per Statement of Financial Position	Note		£'000	Total
0	Lease liabilities	12		40,795	40,795
373,680	PFI Liabilities	12		356,384	356,384
379,080	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12		328,675	328,675
752,760				725,854	725,854

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 or foreign exchange rates.

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

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

i) Credit Risk

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

ii) Liquidity Risk

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	TOTAL
PFI Liabilities	18,273	20,434	73,658	244,019	356,384
Lease liabilities	8,025	6,694	13,676	12,400	40,795
Trade and other payables excluding statutory liabilities	330,979				330,979
At 31 March 2023 (£'000)	357,277	27,128	87,334	256,419	728,158
At 31 March 2022 (£'000)	395,573	18,414	68,811	269,962	752,760

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

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22. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 March 2023 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 2023.

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 2022	Gross Inflows	Gross Outflows	At 31 March 2023
	£'000	£'000	£'000	£'000
Bank balances and monies on deposit	970	904	(865)	1,009
Total Monetary Assets	970	904	(865)	1,009

24. RELATED PARTY TRANSACTIONS

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

- a) On 1 April 2015 a new Integration Joint Board (IJB) was established in each of the four local authority areas within the NHS Lothian boundary. These are distinct legal entities consisting of the NHS Lothian and the relevant local authority. Each IJB is responsible for planning and overseeing the delivery of a full range of community health and social work / social services, including those for older people, adults, children, and families. In the year 2022/23 the following financial transactions were made to each of the NHS Lothian IJB's relating to integrated and social care functions

	East Lothian Integration Joint Board		Edinburgh Integration Joint Board		Midlothian Integration Joint Board		West Lothian Integration Joint Board	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contribution made to IJB from NHS Lothian	142,908	156,160	583,510	677,164	116,218	127,824	218,832	248,063
Commissioning Income received from IJB	(153,357)	(146,427)	(636,630)	(629,045)	(122,661)	(121,552)	(227,808)	(232,792)
IJB balance due (to)/from NHS Lothian in year	(10,449)	9,733	(53,120)	48,119	(6,443)	6,272	(8,976)	15,271
Overall Reserve Balance held by NHSL for IJBs	8,333	18,782	17,704	70,823	5,455	11,899	8,661	17,638

- b) NHS Lothian Charity (formerly known as Lothian Health Board Endowment Fund) is overseen by Trustees who are also Non-Executive Directors of the Board (as disclosed in the Remuneration Report on page 33) and is therefore a related party. NHS Lothian Charity is a registered Scottish Charity which expends donations for any NHS purpose and in accordance with the donor of the funds. During 22/23 the fund spent a total of £4.92m (2021/22: £14.96m), in support and in addition to, NHS funded supplies and services, including projects. NHS Lothian had a trading balance due from the Charity of £235,175 at 31 March 2023 (31 March 2022: £178,950).

Spouse of Mr McQueen who is a non-executive member of NHS Lothian Charity is a Trustee of a charity Music in Hospitals and Care. In 2022/23 NHS Lothian Charity made payments to Music in Hospitals and Care that amounted to £46,380 (2021/22: £nil). There is no outstanding balance due to / from Music in Hospital and Care from NHS Lothian Charity at 31 March 2023.

- c) The Board enters into transactions with other Scottish Government and United Kingdom Government agencies and publicly funded bodies (such as Councils and educational institutions) in the ordinary course of its operations.

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These transactions take place at arm's length. Scottish Ministers issue instructions and guidance on special transactions between publicly funded bodies in areas such as property transfers and joint venture investments.

- d) By nature of the position of significant influence they hold, all Board Members are regarded as related parties of NHS Lothian, a full list of Board Members and their employee benefits is shown in the remuneration report on page 33.
- e) Spouse of Mr McCann who is a non-executive member of NHS Lothian is a Trustee / Director of a charity Move On. In 2022/23 NHS Lothian made payments to Move On in relation to a Capacity to Collaborate Grant Award that amounted to £18,750 (2021/22: £nil). There is no outstanding balance due to / from Move On from NHS Lothian at 31 March 2023.
- f) Mr George Gordon who is a non-executive member of NHS Lothian and is a Trustee of the charity The Spartans Community Football Academy. In 2022/23 NHS Lothian made payments to Spartans Community Football Academy in relation to a Capacity to Collaborate Grant Award that amounted to £18,875 (2021/22: £nil). There is no outstanding balance due to / from Spartans Community Football Academy from NHS Lothian at 31 March 2023.
- g) Mr George Gordon is a non-executive member of NHS Lothian (as notified in the remuneration report) and was Chair of the Edinburgh International Conference Centre until May 2022. In 2022/23 NHS Lothian made payments to Edinburgh International Conference Centre in respect of the remaining Covid Vaccination Centre costs. Payments in 2022/23 amounted to £260,453 (2021/22: £3,065,294). There is no outstanding balance due to / from EICC from NHS Lothian at 31 March 2023.

Website links to the Integration Joint Boards, NHS Lothian Charity and Members Declarations of Interest can be found in the Accountability Report on page 21.

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25. CONSOLIDATED STATEMENTS

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE

(a) Consolidated SOCNE		Integrated Joint Board (Joint venture)							
Consolidated	Note	Board	Endowment	Intra Group adjustment	East	Edinburgh	Mid	West	Consolidated
2022		2023	2023	2023	2023	2023	2023	2023	2023
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total income and expenditure									
1,308,708	Staff costs	3	1,407,586						1,407,586
	Other operating expenditure								
279,312	Independent Primary Care Services	3	295,470						295,470
441,370	Drugs and medical supplies		441,368						441,368
1,820,922	Other health care expenditure		1,633,109	8,920	(2,022)				1,640,007
3,850,312	Gross expenditure for the year		3,777,533	8,920	(2,022)				3,784,431
(1,548,630)	Less: operating income	4	(1,591,582)	(4,017)	2,022				(1,593,577)
(49,361)	Joint venture accounted for on an equity basis					5,083	29,063	5,178	9,393
2,252,321	Net Expenditure		2,185,951	4,903	0	5,083	29,063	5,178	9,393
									2,239,571

The intercompany adjustments relate to removal of intercompany rental income to endowments from NHS Lothian £30k, and removal of grants to NHS Lothian £1,992k. Losses from Charity investments of £3,907k have been recognised in the endowment 'Other health care expenditure' line above.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(b) Consolidated Statement of Financial Position

Consolidated		Note	Integrated Joint Board (Joint Venture)							Consolidated
			Board	Endowments	Intra Group adjustment	East	Edinburgh	Mid	West	
2022			2023	2023	2023	2023	2023	2023	2023	2023
£'000			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets:										
1,095,916	Property, plant, and equipment	SoFP	1,146,972							1,146,972
1,104	Intangible assets	SoFP	1,066							1,066
	Right of Use assets	SoFP	45,793							45,793
Financial assets:										
90,636	Investments	SoFP	2,751	81,509						84,260
78,020	Investments in Joint Ventures	25a	0		5,061	12,017	6,578	5,647		29,303
87,116	Trade and other receivables	SoFP	84,723							84,723
1,352,792	Total non-current assets		1,281,305	81,509	0	5,061	12,017	6,578	5,647	1,392,117
Current Assets:										
22,810	Inventories	SoFP	22,507							22,507
Financial assets:										
70,061	Trade and other receivables	SoFP	151,767	218						151,985
16,195	Cash and cash equivalents	SoFP	17,088	6,146						23,234
0	Investments	SoFP								
0	Assets classified as held for sale	SoFP								
109,066	Total current assets		191,362	6,364	0	0	0	0	0	197,726
1,461,858	Total assets		1,472,667	87,873	0	5,061	12,017	6,578	5,647	1,589,843
Current liabilities										
(45,341)	Provisions	SoFP	(81,687)							(81,687)
Financial liabilities:										
(473,121)	Trade and other payables	SoFP	(438,178)	(2,189)						(440,367)
(518,462)	Total current liabilities		(519,865)	(2,189)	0	0	0	0	0	(522,054)
943,396	Non-current assets plus/(less) net current assets/(liabilities)		952,802	85,684	0	5,061	12,017	6,578	5,647	1,067,789

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	Non-current liabilities									
(204,313)	Provisions	SoFP	(211,488)	0					(211,488)	
	Financial liabilities:									
(357,340)	Trade and other payables	SoFP	(381,229)	0					(381,229)	
(561,653)	Total non-current liabilities		(592,717)	0	0	0	0	0	(592,717)	
381,743	Assets less liabilities		360,085	85,684	0	5,061	12,017	6,578	5,647	475,072
	Taxpayers' Equity									
(31,174)	General fund	SoFP	83,699						83,699	
244,310	Revaluation reserve	SoFP	276,386						276,386	
78,020	Joint venture reserves	SoFP	0		5,061	12,017	6,578	5,647	29,303	
90,587	Funds held on Trust	SoFP	0	85,684					85,684	
381,743	Total taxpayers' equity		360,085	85,684	0	5,061	12,017	6,578	5,647	475,072

CONSOLIDATED STATEMENT OF CASHFLOWS

(c) Consolidated Cashflows

Consolidated	Cash flows from operating activities	Board	Endowment	Integration joint board	Consolidated
2022		2023	2023	2023	2023
£'000		£'000	£'000	£'000	£'000
(2,252,321)	Net operating cost	(2,185,951)	(4,903)	(48,717)	(2,239,571)
(26,894)	Adjustments for non-cash transactions	41,319	4,032	48,717	94,068
42,705	Add back: interest payable recognised in net operating cost	42,621	0	0	42,621
(199)	Deduct: interest receivable recognised in net operating cost	(117)	0	0	(117)
(1,866)	Investment income	0	(2,002)	0	(2,002)
108,816	Movement in working capital	(69,079)	(239)	0	(69,318)
(2,129,759)	Net cash outflow from operating activities	(2,171,207)	(3,112)	0	(2,174,319)
	Cash flows from investing activities				
(35,824)	Purchase of property, plant, and equipment	(46,958)	0	0	(46,958)
(614)	Purchase of intangible assets	(615)	0	0	(615)
(24,196)	Investment Additions	(1,307)	(10,618)	0	(11,925)
17,336	Proceeds of disposal of property, plant, and equipment	126	0	0	126
36,952	Receipts from sale of investment		13,502	0	13,502
2,065	Interest and dividends received	117	2,002	0	2,119
(4,281)	Net cash outflow from investing activities	(48,637)	4,886	0	(43,751)
	Cash flows from financing activities				
2,191,175	Funding	2,286,996	0	0	2,286,996
(5,448)	Movement in general fund working capital	5,265	0	0	5,265
2,185,727	Cash drawn down	2,292,261	0	0	2,292,261
(14,790)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(17,296)	0	0	(17,296)
	IFRS16 – 2022-23 cash lease payment	(7,235)	0	0	(7,235)
21	Interest paid	(27)	0	0	(27)
(42,726)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(42,594)	0	0	(42,594)
2,128,232	Net Financing	2,225,109	0	0	2,225,109
(5,808)	Net Increase / (decrease) in cash and cash equivalents in the period	5,265	1,774	0	7,039
22,003	Cash and cash equivalents at the beginning of the period	11,823	4,372	0	16,195
16,195	Cash and cash equivalents at the end of the period	17,088	6,146	0	23,234
	Reconciliation of net cash flow to movement in net debt/cash				
(5,808)	Increase/(decrease) in cash in year	5,265	1,774	0	7,039
22,003	Net debt/cash at 1 April	11,823	4,372	0	16,195
16,195	Net debt/cash at 31 March	17,088	6,146	0	23,234

DIRECTIONS BY THE SCOTTISH MINISTERS

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

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

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

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

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

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

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

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

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

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

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



Signed by the authority of the Scottish Ministers

Dated 22 March 2022