



**Annual Report and Accounts**

**Year ended 31<sup>st</sup> March 2024**

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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: [nhsl.nhs.uk](https://www.nhsl.nhs.uk)

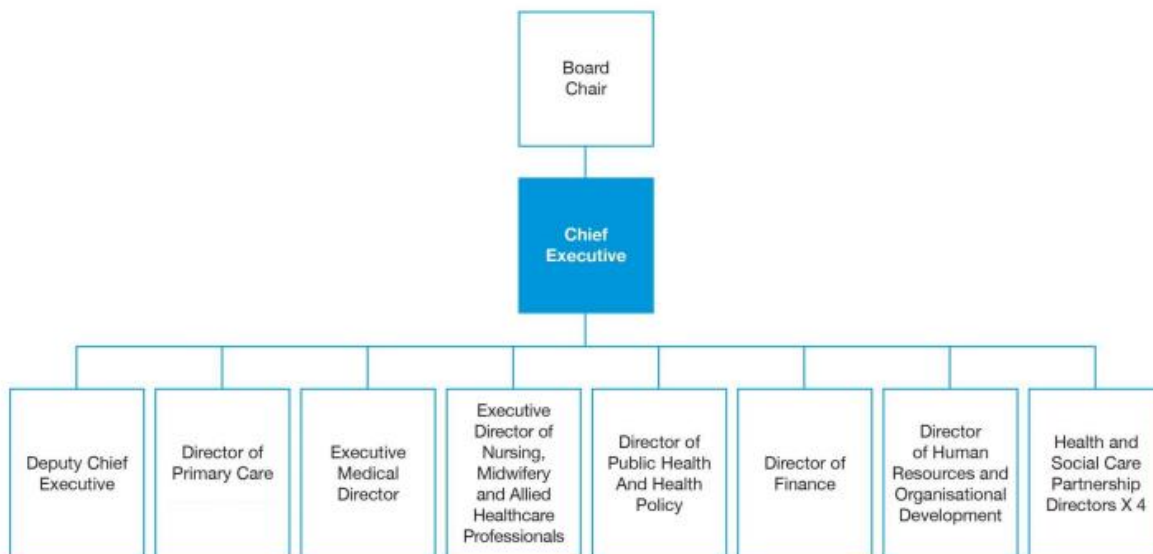
Lothian NHS Board (“NHSL”) has a statutory duty to plan, commission, and deliver, healthcare for the residents of the local authority areas of East Lothian, Edinburgh, Midlothian, and West Lothian. NHSL also provides a wide range of specialist services for people from across Scotland, which are in turn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

Within Lothian there is also an integration joint board (‘IJB’) for each local authority area. These IJBs carry a statutory duty to strategically plan and commission a range of services. This responsibility is delegated to them by NHSL, and by the relevant local authority. The services under the auspices of our four IJB partners include adult social care, adult community health care (including general practice, community nursing, pharmacy, and community optometry, 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 continued to develop the Lothian Strategic Development Framework (“LSDF”), which brings together the strategies of the four IJBs and NHSL into one framework and outlines plans to deliver on our vision and performance aspirations.

### Organisational Chart



## **NHS Lothian**

### **ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

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

This Performance Report summarises information about NHS Lothian, its key issues, and how it has performed during 2023/24.

## **Statement from our Interim Chief Executive**

The 1978 National Health Service (Scotland) Act lays down the statutory responsibilities of Health Boards, which are to promote health and wellbeing, plan, and commission healthcare services, and to do so within the resources allocated to it by Ministers. It is within this context that our performance in 2023-24 should be considered.

The Lothians are projected to see, between 2008 and 2033, a population growth of circa 23%. It appears that the area has already seen a growth of 15%, which is roughly three-quarters of all growth in Scotland over that period. This means that we are already running to catch up, and that our public sector partners are similarly in difficult positions where there are simply not enough resources to go around.

With this in mind, it is important to remember that NHSL performance for most areas was at least the median level for Scotland, and on areas such as Cancer Waiting Times, was better than the Scotland-wide position. The Board continues to push for improvement in all areas, noting that performance against the 4-hour emergency access standard was below average for Scotland. This has been achieved within an environment where delivery of financial balance will have been delivered by a minority of territorial Boards in 2023-24.

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 own 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 close on £150m 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 and a care deficit.

NHS Lothian simply does not have the operational capacity to meet the demand for and performance standards for its services. This is increasing in urgency as we see the annual incremental growth in population size. We are hugely disappointed that the capital funding for demography-driven capital projects such as the Edinburgh Cancer Centre (ECC), National Treatment Centre for Lothian (NTC-L) and Princess Alexandra Eye Pavilion (PAEP), 27 Primary Care Facilities and the Royal Edinburgh Hospital (REH) redevelopment will not be forthcoming and note that the pressure on the Lothians and the South-East of Scotland will continue to grow. Of particular note, standing down the re-provision of the Hospital Sterilisation and Decontamination Unit (HSDU) without an alternative in Scotland, results in both NHSL and NHS Scotland tolerating risks relating to the resilience of these services without having significant assurance that deployable mitigating action plans are in place. This assurance is required to ensure the protection of scheduled care delivery across Scotland for a prolonged period in the event of a failure. The impact of restricted capital also extends to our four Rolling programmes including Backlog Maintenance, Medical Equipment Replacement and Digital. 84% of Scotland's growth in the next ten years is projected to be in the Lothians. Delays in reaching NRAC parity, and allocating appropriate capital, will exacerbate this situation every year.

We have, however, undertaken significant work to progress our strategic planning for the future, with the development of the Lothian Strategic Development Framework, 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.

## **NHS Lothian**

### **ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

This work is presented at [Lothian Strategic Development Framework 2022-2027](#). We intend to engage our communities in this work throughout the year.

As noted above, the major systemic risk for us is the mismatch between resources allocated and resources required to keep pace with population growth. This will lead to longer waits in all areas of our operations, and buildings and equipment which cannot accommodate the demands on them. We also note that the physical condition of our current buildings will continue to deteriorate as a result of limitations on capital for backlog maintenance.

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

The corporate risk profile of NHS Lothian has undergone significant changes in the last three years. In 2022, only one risk on the corporate risk register was rated as very high with a score of 25. Currently, there are six risks rated as very high with a score of 25, indicating extreme impact and an almost certain likelihood. An overview table which highlights the change in gradings in the corporate risk register over the past three calendar years, is detailed in table 1 below.

Although the grading of many of the risks remained unchanged during 2023/24, the risks and their accompanying mitigating action plans are proactively reviewed and refreshed as part of the risk oversight process within the Board. For example, the Finance corporate risk (3600) score remained very high through the end of the financial year due to the challenges with the delivery of efficiency savings and the ongoing impact of inflation, however due to the mitigating action plan developed and deployed, the Board was able to move the risk from a no assurance level to moderate assurance in terms of the ability to break even in 2023/24.

The effects of the risks identified in the NHS Lothian corporate risk register have a significant impact on the organisations ability to achieve its objectives. These risks can be categorised into four main themes: Strategic, Financial, Operational, and Compliance. Below are examples of risks falling under these four categories.

**Strategic:** the inability to implement key components of the Lothian Strategic Development Framework (LSDF) is a significant risk. This is evidenced through a number of corporate risks, including the Sustainability of General Practice which is outlined in the Primary Care Pillar of the LSDF.

**Financial:** there is a significant risk that the NHS Lothian is unable to respond to core existing service requirements as well as those arising from the population growth in all age groups across Lothian, whilst maintaining an aging estate. This is because of a combination of the greatly restricted level of capital and revenue resource available for 2024-25, together with the uncertainty around future resources. This will result in an inability to plan for and deliver not only core services but also develop the additional capacity and infrastructure required.

**Operational:** a number of corporate risks impact the day-to-day running of services within NHS Lothian. The impact of this is especially clear in the risk associated with the Hospital Sterilisation and Decontamination Unit (HSDU). This unit is experiencing regular failures and has been graded as very high 20 in terms of risk, with a major impact and an almost certain likelihood.

**Compliance:** there is a realised risk for most of the Acute Sites that NHS Lothian has and will continue to fail to deliver compliance with the 4-hour emergency access standard. This risk is due to the volume and complexity of patients, challenges in managing flow through the department, availability of beds, leading to a delay in first assessment, diagnosis and subsequent treatment for patients and therefore increased likelihood of patient harm and poor experience of care. Most of our outpatient services continue to exceed planned activity levels, providing more people with access to the care they are waiting for. However, NHSL will continue to fall short of delivering the access standards for scheduled care without additional future infrastructure and funding reflective of the growth required.

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

Table 1 – Summary of the Corporate Risk Register Gradings April 2022- April 2024

Risk Title	Board Meetings in 2022/2023/2024												
	Apr-22	Jun-22	Aug-22	Oct-22	Dec-22	Feb-23	Apr-23	Jun-23	Aug-23	Oct-23	Dec-23	Feb-24	Apr-24
3600 - Finance	20	20	20	25	25	25	25	25	25	25	25	25	25
5186 - 4 Hours Emergency Access Target	20	20	16	20	20	20	25	25	25	25	25	25	25
3726 - Hospital Bed Occupancy	20	20	15	20	20	20	25	25	25	25	25	25	25
5185 - Access to Treatment	20	20	20	20	20	20	25	25	25	25	25	25	25
5510 - REH Bed Occupancy						25	25	25	25	25	25	25	25
5687 - Inappropriate and Inadequate Accommodation in the Secure Estate										25	25	25	25
5388 - HSDU Capacity			20	20	20	20	20	20	20	20	20	20	20
3828 - Nursing Workforce	20	20	20	20	20	20	20	20	20	20	20	20	20
5737 - Royal Infirmary of Edinburgh Fire Safety											20	20	20
1076 - Healthcare Acquired Infection	16	16	16	16	16	16	16	16	16	16	16	16	16
5189 - RIE Facilities	15	15	15	15	15	15	15	15	15	15	15	15	15
3455 - Violence & Aggression	15	15	15	15	15	15	15	15	15	15	15	15	15
3328 - Roadways/Traffic Management	12	12	12	12	12	12	12	12	12	12	12	12	12
5020 - Water Safety and Quality	12	12	12	12	12	12	12	12	12	12	12	12	12
5322 - Cyber Security	12	12	12	12	12	12	12	12	12	12	12	12	12
3829 - Sustainability of General Practice	20	12	12	12	12	12	12	12	12	12	12	12	12

## 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](#)

Public Health Scotland (PHS) 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: [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: [www.gov.scot/publications](#); [www.gov.scot/coronavirus-covid-19](#); [www.digitalpublications.parliament.scot/ResearchBriefings](#)

The performance measures in this section use national and local data sources to present the Board's 2023/24 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 why the information in these accounts may be slightly different from that which Public Health Scotland subsequently publishes. Furthermore, the NHS Lothian Integration Joint Board (IJB) also produce their own annual accounts and an [Annual Performance Reports – Integration Joint Boards](#)

NHS Lothian had no areas subject to escalation at Stage 3 or above on the national framework, which would have required more intensive support and oversight from Scottish Government.

NHS Lothian is required to submit an Annual Delivery Plan (ADP) for each financial year. This plan sets out our operational priorities and key actions. It provides a shared understanding between us and the Scottish Government on our deliverables. NHS Lothian is anticipating feedback from the Scottish Government on the 2024/25 submission imminently.

The outlook for 2024/25 remains challenging. Many of the priorities for 2024/25 reflect the reality of the multi-year process of recovering from the impact of the pandemic, whilst improving services for patients through efficiency and productivity measures. These plans are within the context of the increased cost of providing services, costs relating to managing the estate and facilities and a lack of capital funding and NRAC parity in 2024/25 for NHS Lothian. In 2024/25, NHS Lothian is committed to focusing on improvement, minimising delays, and assessing the services and pathways NHS Lothian provides, so that we can meet our statutory requirements, providing quality care for patients and value for money for taxpayers within the resource allocated to the Board.

This Performance Analysis includes some further detail on how the Board has performed in 2023/24.

#### 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 at an average of 62.58%, and below the national average of 68.98% throughout 2023/24. 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, a reduction in available privately and publicly funded care home beds, and a high volume of delayed discharges. There continues to be a lasting impact on patient flow from the pandemic, leading to challenges in discharging patients to the community, and in October there was an average of 262 delayed discharges across the Lothian sites against a target trajectory of 173 by March 2024.

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 ED's 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 causing reduced flow

through the hospital, patients who required to be admitted as an inpatient remained within the ED for longer out of clinical necessity. 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.

Following a review of the ED at the Royal Infirmary of Edinburgh (RIE), by Healthcare Improvement Scotland (HIS) in January 2023, an External Review Team was commissioned by NHS Lothian to identify improvement opportunities. This team consisted of subject matter experts from the North of England Care System Support (NECS) and NHS England and included managerial, clinical, and administrative colleagues. The review team made 29 recommendations which were accepted in full by NHS Lothian's Board and it should be noted that this position cannot be changed without Board review and endorsement. These recommendations, including partial re-design of the department, are currently being embedded and seek to improve throughput in the ED.

NHS Lothian ED staff have met with peers across the UK to seek improvements and to build upon the learning from previous years in its 'Redesign of Urgent Care' plans, and by embedding senior Advance Nurse Practitioner support in the Flow Centre, to help reduce the number of patients reaching the ED front door.

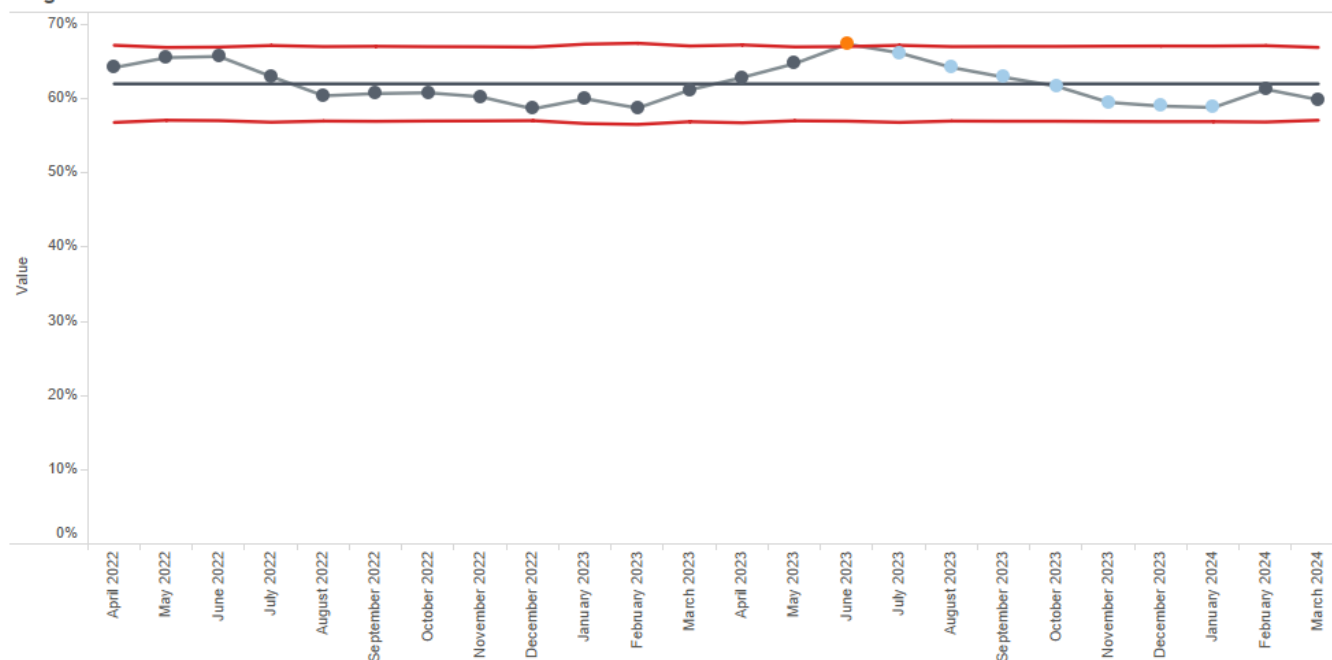
In 2023/24 there continues to be a focus on working with the Health and Social Care Partnerships (HSCP's) to improve the Discharge without Delay Programme. There has been little change in performance across the HSCP's delayed discharge position.

Finally, as previously referenced, both the 4-Hour Emergency Access Target (5186) and Hospital Bed Occupancy (3726) corporate risks have been maintained at Extreme (25) due to the sustained deterioration in performance this financial year.

Signals In Range Outlier Trend

**A&E Performance**

Target: 95% - Aim: Increase



2023/24	April	May	June	July	August	September	October	November	December	January	February	March
	%	%	%	%	%	%	%	%	%	%	%	%
NHS Lothian	63.10	64.90	67.50	66.40	64.40	63.10	61.90	59.70	59.20	58.80	61.70	60.20
NHS Scotland	69.30	70.80	72.60	72.70	71.30	70.00	68.30	67.10	65.90	65.40	67.00	67.40

[A&E - Unscheduled Care - Public Health Scotland](#)

**Delayed Discharges**

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

Delayed discharge performance is an IJB responsibility, however, has been 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 both 2022/23 and 2023/24.

As in previous years the size of the workforce in the care sector has 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, where there is a reduction in available beds, experienced major challenges throughout the year. 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 access.

As in previous years the numbers are variable throughout the year; at a pan Lothian scale the monthly Delayed Discharge (DD) cases has remained within the statistically expected range.

NHS Lothian accounted for only 13.4% of Scotland's Delayed Discharges in 2023/24; NHS Lothian population size accounts for circa 16.7% of Scotland.

Variation exists across the four Health and Social Care Partnership footprints; however, it should be noted that East Lothian had the best Delayed Discharge performance across Scotland for their delayed discharge bed rates.

<i>Delayed Discharges at census point - all reasons</i>												
2023/24	April	May	June	July	August	September	October	November	December	January	February	March
NHS Scotland	1730	1748	1738	1897	1808	1835	1815	1910	1813	1860	1914	1910
NHS Lothian	252	232	234	251	247	257	253	219	211	239	275	276

[Delayed discharges in NHSScotland monthly - Figures for March 2024 - Delayed discharges in NHSScotland monthly - Publications - Public Health Scotland](#)

**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.*

Whilst not meeting the national standard, NHS Lothian has provided an average of 45% of patients with a first outpatient appointment within the first 12 weeks in 2023/24. It is expected, that as a result of the ongoing financial challenge, NHSL outpatient waiting lists will increase in size and performance against this standard will deteriorate over 2024/25 across most specialties. The Scottish Government target to have no outpatients waiting over 52 weeks by March 2023 remains unmet, with 7,934 waiting over 52 weeks at March 2024.

The Board continues with its commitment to working through the challenges and over the reporting period has seen benefit of the digital pilot of validating the outpatient waiting list, which was agreed for further roll-out from March 2024.

The outpatient redesign programme continues to make improvements to booking processes and waiting list management with an expected completion date of August 2025. This includes patient focused booking, text reminders and online booking. Current data shows that patient focused booking and text reminders have supported a reduction in new outpatient DNAs from 8.7% in December 2022 to 6.8% in December 2023, demonstrating the ongoing ambition to maximize utilisation of capacity available.

This programme has also continued to tackle key areas such as Ophthalmology, Dermatology and Urology with additional Scheduled Care funding allocated for further activity in these specialties.

2023/24	31-Dec-21	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-23	30-Jun-23	30-Sep-23	31-Dec-23	31-Mar-24
NHS Lothian - Waits over 12 weeks	38197	35059	37764	43282	44362	39297	39526	42199	46513	47527
NHS Lothian – waits within 12 weeks %	47.0	51.3	50.2	46.7	44.1	48.7	48.3	46.1	42.6	44.7
NHS Lothian – Waiting list size	72131	72039	75882	81213	79429	76587	76459	78329	81083	86015

[Outpatient Waiting List 1 April to 31 March 2024 - Public Health Scotland](#)

**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 has slightly improved during the financial year. Efforts continue to be made to reach the 95% standard through improvement actions and remobilisation plans. During the reporting period, the Cancer Recovery Board have been working towards the implementation of the Framework for Effective Cancer Management (FECM).

According to Public Health Scotland, NHS Lothian achieved 79.0% performance against the 62-day standard in the third quarter of the year, against a national figure of 71.1%. This standard was only met by one NHS Health Board in this quarter.

For the 31-day standard at quarter three, NHS Lothian average performance was 94.6% (0.5% above the national position). This is an improved position from Q3 2022/2023 where performance was 4.4% below the national position. The 31-day standard was met by 8 of the 15 NHS Boards.

Of note, NHS Lothian has provided mutual aid to other Health boards cancer services during 2023/24. This has included Lower GI and Prostate services for NHS Highland and continued support for Colorectal in NHS Greater Glasgow & Clyde. In addition, NHSL established joint posts with NHS Tayside hosted by Lothian to support NHS Tayside with Breast and Renal Systemic Anti-Cancer Therapy (SACT).

Cancer pathways continue to be impacted by increased Urgent Suspicion of Cancer demand, staffing pressures across Outpatient, diagnostic, theatre, and bed pressures.

In order to address these issues, the following actions agreed by the Cancer Recovery Board.

- Funding agreed In August 2023 to support reduction of Urology surgical backlog.
- Additional allocation of funding to Urology to expand core workforce in order to meet demand.
- Development of cancer specific capacity and demand modelling
- Creation of cancer waiting times governance documentation
- Primary Care audits throughout 2023/24
- Review of all tumour group Multi-Disciplinary Teams in 2023/24.

**31-day performance (%)**

2023/24	NHS Lothian	NHS Scotland
Q1	93.8	95.2
Q2	92.5	94.9
Q3	94.6	94.1
Q4	92.2	93.7

62-day performance (%)		
2023/24	NHS Lothian	NHS Scotland
Q1	77.3	73.7
Q2	77.0	71.9
Q3	79.0	71.1
Q4	72.2	69.1

[Cancer waiting times - 1 October to 31 December 2023 - Public Health Scotland](#)

<b>Treatment Time Guarantee</b>												
<i>The guarantee (100% compliance) gives a right to all inpatients and Daycase 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.</i>												
23/24	31-Dec-21	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-23	30-Jun-23	30-Sep-23	31-Oct-23	30-Nov-23	31-Dec-23	31-Mar-24
NHS Lothian - Waits over 12 weeks	14019	16116	17972	19353	20236	19844	19636	19746	19411	19202	19427	18374
NHS Lothian - waits within 12 weeks %	34.2	30.9	30.1	28.2	27.9	29.5	30.4	29.8	30.0	30.4	27.9	29.7
NHS Lothian - Waiting list size	21313	23331	25695	26948	28048	28167	28212	28117	27720	27601	26950	26139

NHS Lothian and the other NHS Scotland boards 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. However, the upward trend in number of patients waiting over 12 weeks plateaued over Q4 in 2023/24.

For Inpatient and Daycase procedures, the recovery of our Treatment Time Guarantee (TTG) performance has been more challenging than for outpatients, with activity remaining below pre-pandemic levels. Throughout 2023/24 the percentage of patients being seen within the 12-week period has been around 29%.

There has been continued focus of our limited capacity on our most clinically urgent patients this year, in addition to considering the longest waiting cohort of patients. Initiatives including ring fencing of Orthopaedic capacity at the Royal Infirmary of Edinburgh were introduced and are on track to deliver the intended sessions.

The Scottish Government target to have no TTG patients waiting over 104 weeks by September 2022 remains unmet, with 498 patients waiting at the end of March 2024, although there continues to be an improving trend with the end of March 2023 position being 951 patients. At the end of March 2024, NHS Lothian had a waiting list proportion of 1.9% of inpatients and day cases waiting over 104 weeks, lower than the Scotland average of 4.6%.

It is expected, as a result of the ongoing financial challenge, that TTG waiting lists will increase and performance will deteriorate over 2024/25, across most specialties.

[TTG Waiting Times 1 April to 31 March 2024](#)

**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*

Like most Boards throughout NHS Scotland, NHS Lothian has historically not met this performance standard. For the month ending December 2023, the NHS Lothian performance showed that 77% of children and young people were seen within 18 weeks of referral, a significant improvement from the December 2022 position of 51.7%.

It is acknowledged that the pace of anticipated improvement has been impacted by the challenges around recruitment and staff retention. Furthermore, in line with national trends, there has been a significant increase in meeting the demands of Neurodevelopmental diagnosis and treatment.

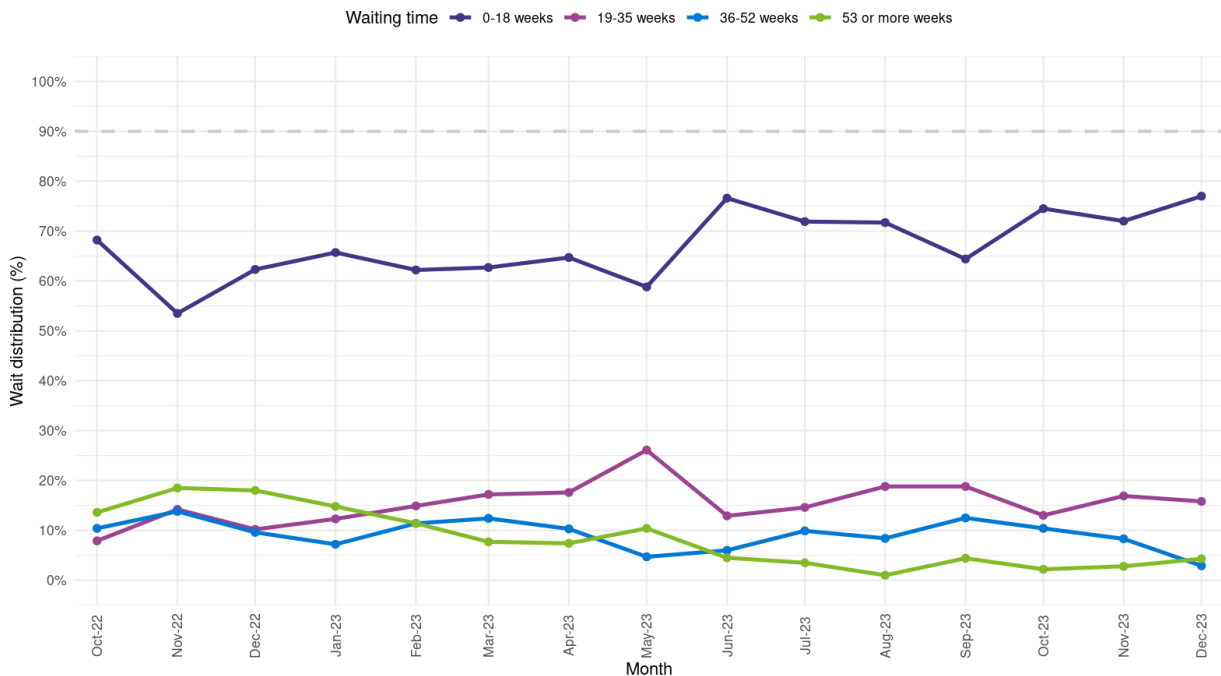
The number of patients waiting over 18 weeks has seen an increase since May 2023, however efforts by the service has seen the actual new CAMHS appointments activity has been exceeding the planned appointments on average since April 2023 (an average of 89 planned vs 91 appointments per month).

Whilst the CAMHS Tier 3 trajectory model demonstrated progress in the CAMHS waiting list position over 2022/23, there has been an upward trend over 2023/24 due to the service not being able to recruit to the staffing model required to meet the demand.

August and September 2023 were particularly challenging months, with staff turnover rates contributing, however, this slowed down over October and November. Staff feedback over this period found that implementation of CAPA model was challenging.

Recruitment and retention continue to be a priority for CAMHS and there have been successful recruitment to posts that have either already commenced or are due to begin in the next few months. There will be a continued focus on restructuring job plans to increase capacity as well as looking at length of treatments in a bid to combat these challenges. Delivery of this plan will be contingent on receiving ongoing funding allocations from Scottish Government.

**NHS Lothian waiting time distribution Oct 2022 – Dec 2023**



2023/24	April	May	June	July	August	September	October	November	December	January	February	March
NHS Lothian – % seen within 18 Weeks.	64.70	58.80	76.60	71.90	71.70	64.40	74.50	72.00	77.00	78.0	70.1	-
NHS Scotland - % seen within 18 weeks	71.70	72.40	77.00	71.90	75.70	79.00	82.70	83.40	86	86.4	84.8	-

Estimate performance: latest quarter not validated/published.

[CAMHS waiting times - 1 April to 31 December 2023 - Public Health Scotland](#)

### Psychological Therapies

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

Like most Boards throughout NHS Scotland, NHS Lothian has historically not met this performance standard. For the quarter ending December 2023, the NHS Scotland average performance showed that 79.7% of people started their treatment within 18 weeks of referral, a reduction in the same period of 2022/23, whilst NHS Lothian performance at the end of December 2023 was 80.7%; an increase in the same period of 2022/23 and higher than the average Scottish performance of 79% (April-Dec 2023).

Current trajectories also forecast the percentage of patients seen for their 1<sup>st</sup> appointment has remained stable around a median of 82%. The percentage of patients waiting >18 weeks for treatment has remained around a median of 25%. The percentage of patients waiting >52 weeks for treatment has been on a decline with a median of 3%.

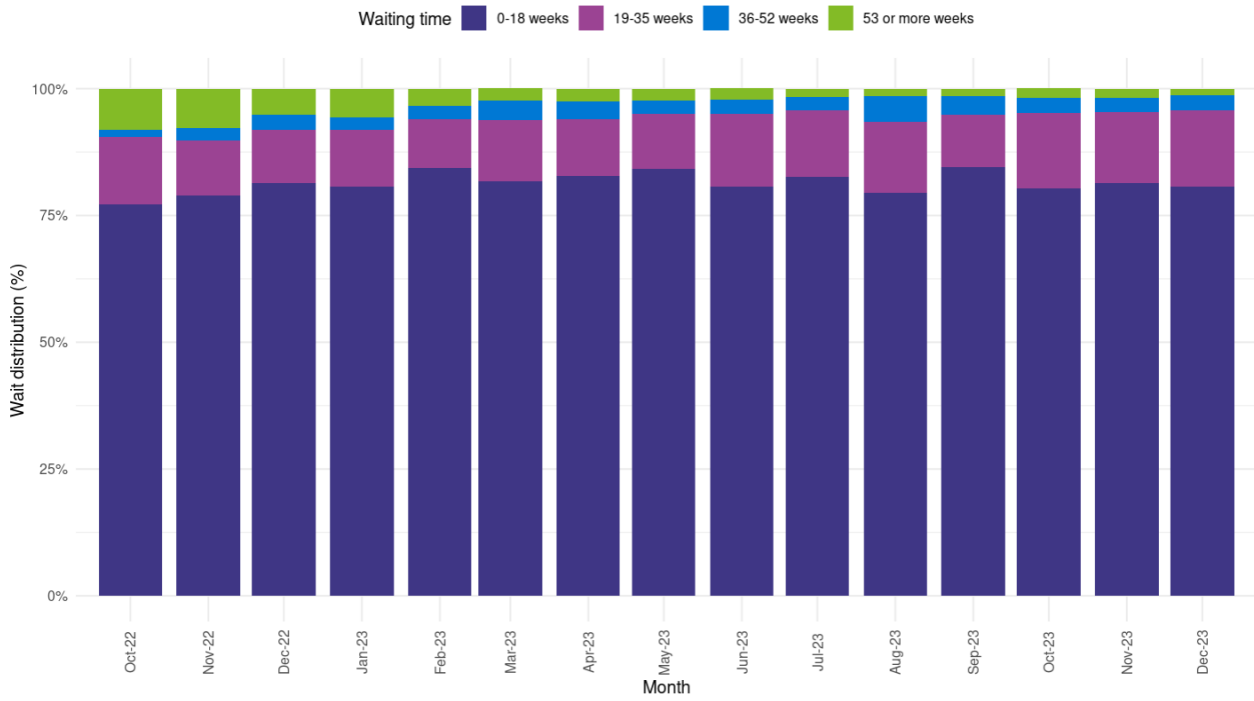
As with CAMHS, recruitment and retention of staff remained challenging throughout 2023/24. It is recognised this has an impact on the ability to meet waiting times targets and Local Delivery Plans. Staffing levels have increased during September, October and January as recruited posts were filled. At the end of December 2023, the WTE vacancies was 19.0 WTE across the AMH service teams, which is a decrease from 34.4 WTE at the end of October 2023. Measures to support staff and to promote wellbeing for all teams are in place to balance performance expectations.

In NHS Lothian, there has been a consistent improvement in the waiting lists for all psychology services. The average performance for the Local Delivery Plan (LDP) standard (Apr-Feb24) stands at 81.25%. The treatment waiting list has seen a significant reduction of 68%, decreasing from a high of 4,655 in August 2020. General Adult Services remain the primary area with prolonged waits, accounting for 61% of all treatment waits.

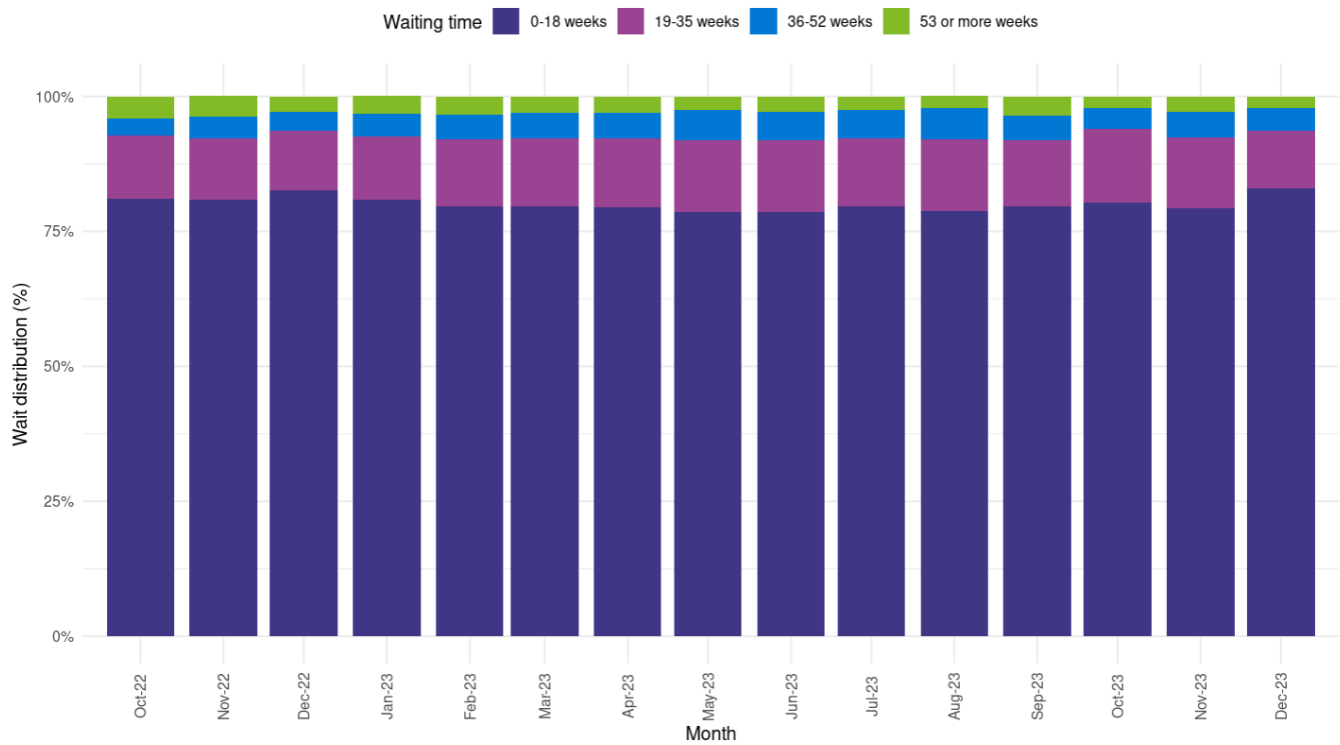
At the latest available timepoint, 9% of patients have been waiting for psychological treatment for more than 52 weeks. This is a decrease from February 2021 when the figure was at its peak of 27%. Compared to other Boards in Scotland as shown in the charts, Lothian continues to make strides in reducing waiting times for assessment and treatment with half of the % distribution of waits over 53 weeks vs the Scotland average in Q3 2023/24. The Scottish Government removed NHS Lothian from escalation for waiting times for psychological treatment due to confidence in the implementation of the improvement plan.

However, recent advancements in reducing waiting times in General Adult Mental Health Teams have slowed due to staff attrition. Despite this, a net benefit is expected to be reviewed each month. The retention of staff to maintain capacity is a critical factor for ongoing performance in meeting the LDP standard. Measures are in place to support staff and promote wellbeing across all teams, ensuring a balance between performance expectations and employee welfare. Alike CAMHS, the delivery of this plan will be contingent on receiving ongoing funding allocations from Scottish Government.

Wait distribution (%) of patients who started treatment for Psychological Therapies (PT) in NHS Lothian by month



Wait distribution (%) of patients who started treatment for Psychological Therapies (PT) in NHS Scotland by month



**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

2023/24	April	May	June	July	August	September	October	November	December	January	February	March
NHS Lothian – % seen within 18 Weeks.	82.8	84.1	80.6	82.6	79.5	84.6	80.4	81.3	80.7	78.8	78.4	-
NHS Scotland - % seen within 18 weeks	79.4	78.5	78.5	79.7	78.8	79.7	80.4	79.3	82.9	79.3	77.7	-

*Estimate performance: latest quarter not validated/published.*

[Public Health Scotland Psychological Therapy Waiting Times NHS Scotland](#)

## 2023/24 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 2023/24 as summarised below:

	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (Deficit)/Surplus £'000	
1	Core Revenue Resource Limit	2,160,504	2,159,176	1,328
	Non-Core Revenue Resource Limit	101,879	101,879	0
	<b>Total Revenue Resource Limit (RRL)</b>	<b>2,262,383</b>	<b>2,261,055</b>	<b>1,328</b>
2	Core Capital Resource Limit	31,526	31,526	0
	Non-Core Capital Resource Limit	638	638	0
	<b>Total Capital Resource Limit</b>	<b>32,164</b>	<b>32,164</b>	<b>0</b>
3	Cash Requirement	2,460,039	2,460,039	0

### Memorandum of In Year Outturn

Core revenue resource variance (deficit)/ surplus in 2023/24	1,328
Financial flexibility: Funding banked with / (provided by) the Scottish Government	33,536
Underlying (deficit)/ surplus against the Core Revenue Resource Limit	<b>34,864</b>
Percentage of the Core Revenue Resource Limit	<b>2%</b>

A 3 year financial plan was submitted to Scottish Government by NHS Lothian on 16th March 2023.

Excluding provision of financial flexibility provided by the Scottish Government, the Board's outturn would have been an underspend on RRL of £34.864m. This includes an element of regional funding which has historically been allocated to NHS Lothian to manage on behalf of health boards within the region and is not part of NHS Lothian's baseline funding. This regional element of flexibility totals just over £3m. As the remaining balance is within the one per cent flexibility afforded by three-year financial planning, this will be managed within an overall breakeven position in the period to 2025-26.

### Payment policy disclosure

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**

	<b>2023/24</b>	<b>2022/23</b>
Total Number of Invoices	341,312	321,073
Total Number of Invoices Paid within 30 days	324,119	302,443
Percentage by volume of invoices paid within 30 days	94.96%	94.20%
Percentage of invoices paid within 30 days by value	86.44%	90.87%
Average number of credit days taken	9	9

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

	<b>2023/24</b>	<b>2022/23</b>
Total Number of Invoices	341,312	321,073
Total Number of Invoices Paid within 10 days	304,078	281,885
Percentage by volume of invoices paid within 10 days	89.09%	87.79%
Percentage by value of invoices paid within 10 days	77.33%	76.68%

**Other Financial Disclosures**

The Board has a provision for bad debts of £6.019m at 31 March 2024 (31 March 2023 £5.012m). Further information is available at Note 9 to these accounts.

The Board has a provision for clinical and medical negligence claims of £138m at 31 March 2024 (31 March 2023 £129m). 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](#)
- 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

We publish an annual report on the progress we're making to uphold human rights, eliminate discrimination and advance equality and good relations on our website. The report for 2023-2024 is available [here](#).

In 2023, the NHS Lothian Board agreed to take action after research revealed the Royal Infirmary of Edinburgh's historical links to slavery. Two years earlier NHS Lothian Charity funded a joint project to look into the links the hospital had with Transatlantic slavery. Archives held by Lothian Health Services Archive were used to create a [public research report](#). This report is a step towards acknowledging and reckoning with the fact that the Royal Infirmary, a place of humanity, charity, and healing, was in part sustained by the exploitation of enslaved people of African descent. It describes the actions we will take now because of what we have learned.

At the [NHS Lothian Equality and Diversity Conference](#) on 28 February 2024, NHS Lothian Chairman, Professor John Connaghan CBE made a public acknowledgement and apology about the Royal Infirmary of Edinburgh's historical connections with transatlantic slavery and the legacies of racism that remain today. The full apology, the official report and recommendations and a short video with some reflections from Professor John Connaghan, Irene Mosota, Calum Campbell and Professor Sir Geoff Palmer are available on the NHS Lothian [website](#).

The public acknowledgement and apology are part of an organisationally wide programme of work NHS Lothian is driving forward to deliver its commitment to become an anti-racist organisation. This includes our anti-racism campaign, which was launched at the conference.

#### Employment

An Employability and Education Programme Board was established in 2023/24. This group reports into the Anchors Programme Board and Workforce Planning Programme Board to collectively progress all workforce supply routes, developing the 'Employability Strategy 2024 – 2027'.

The main workstreams have been:

- Staff Networks - Active promotion of staff networks continue.
- Work Experience & Placements – there have been 130 placements since August 2023 and a further 100 people attending a 'Step into Healthcare' week.
- Community Partnerships and In-Reach – a regional approach with third sector, schools, social enterprise and 'Developing the Young Workforce' (DYW) continues.
- Young Volunteering - Step into Volunteering offers a 12-week programme for people with barriers to volunteering, in addition the 2023 summer volunteering programme resulted in 24 young people taking part with some confirming they have secured employment or educational opportunities relating to health and social care following this.
- Employability & Widening Access – collaboration with organisations outside of NHS Lothian offer an opportunity to boost skills via pathways including the 'Prince's Trust Get into Healthcare Programme' and the 'Edinburgh Project SEARCH (EPS)' which provides employment and learning opportunities for young people with a disability.
- Apprenticeships and Career Development – there have been over 69 Modern Apprenticeships since March 2023 offering the opportunity of earning whilst learning, and further Graduate Apprenticeships for staff looking to advance in their career path.

#### **Sustainability and Environmental Reporting**

NHS Lothian's Sustainable Development Framework and Action Plan is available at [Sustainable Development Framework and Action Plan](#)

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 2040<sup>1</sup>
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.

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<sup>1</sup> NHS Lothian revised the target from 2045 to 2040 in line with NHS Scotland Climate Emergency and Sustainability Strategy 2022.

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 4 elements:

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

The first 3 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 NHSL SDF and Action Plan are taken to every Finance and Resources Committee (FRC). The FRC meet around every 6 weeks.

The NHSL 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 2023-2024 NHS Lothian had a single corporate objective in relation to Climate Change and Sustainability reflecting the inclusion of Environmental Sustainability as a core parameter of NHS Lothian's overall Strategic Framework. Priorities for delivery in 2023-2024 were agreed at NHS Lothian Corporate Management Team. These were:

- Green Theatres (ADP Priority 10.3 and 10.4)
- Net Zero Pathways (ADP Priority 10.5)
- Pharmaceuticals (including implementation of Scottish Quality Respiratory Prescribing Guide ADP 10.6)
- Scope 3 Emissions
- Greenspace and Biodiversity
- Primary Care

NHS Lothian prepare an annual Climate Emergency and Sustainability Report which fulfils the requirements of The Climate Change (Emissions Reductions Targets) (Scotland) Act 2019 and is submitted to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act and the Amendment order. This

report also complies with the requirements of NHS Scotland in relation to Climate Emergency and Sustainability Reporting.

NHS Lothian releases an overview of the report in draft as soon as data is available and usually within 3 months of the end of the reporting year. The draft report for 2022-2023 was available in June 2023 and covered in a Live Webinar open to all NHS Lothian Staff and as a recording to the public. [Webinars & Events – Sustainability](#).

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.

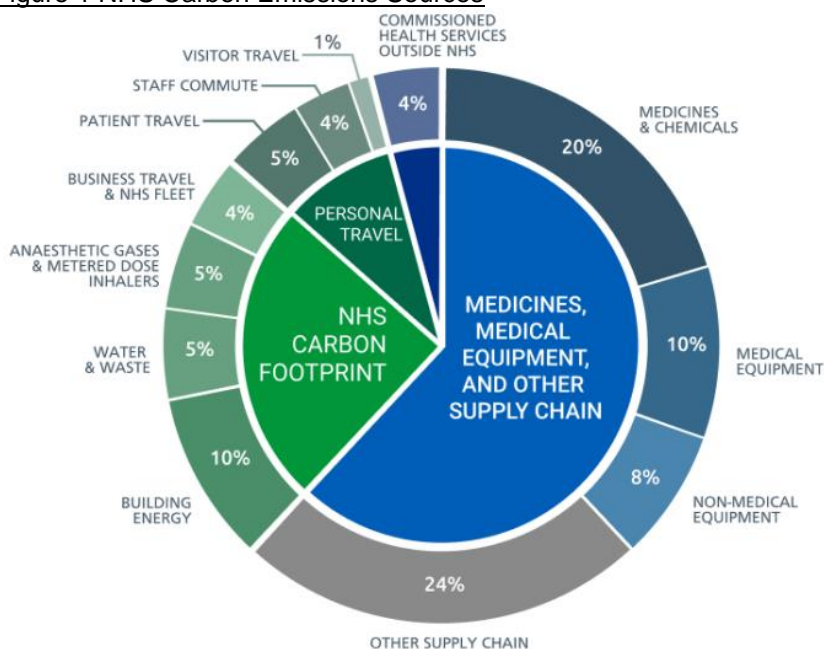
The final Climate Emergency and Sustainability Report 2022-2023 was signed off by the NHS Board on 24<sup>th</sup> April and available on-line at [NHS-Lothian-Board-Papers-24.04.2024-final.pdf](#) or on the NHS Lothian Sustainability pages [Key Documents & Publications – Sustainability](#).

For the first time, included this reporting year is the requirement under the Nature Conservation (Scotland) Act 2004 for Public Bodies to report publicly on their activities to meet this Duty through an available report.

Key issues to note from the Climate Emergency and Sustainability Report (2022-2023) are:

- A reminder that the report focuses on emissions that we currently measure, predominantly within Scope 1 and Scope 2 and together these account for less than a quarter of the overall carbon footprint (figure 1).

Figure 1 NHS Carbon Emissions Sources



- Year on year we are seeking to increase the scope of carbon emissions reported to extend across the whole of the NHS carbon footprint, this year including a report on emissions from inhalers which fall under Scope 3 of Greenhouse Gas Protocol (indirect emissions that occur in an organisations value chain).
- The report shows an overall reduction in carbon emissions of 8.30% (5,491 TCO<sub>2</sub>), and a reduction of 9.4% (5,447 TCO<sub>2</sub>) from the built environment, an **increase of 8.9% (237 TCO<sub>2</sub>)** in relation to transport, a **reduction of 1.1% (11 TCO<sub>2</sub>)** in emissions from waste and a **5.2 % (236 TCO<sub>2</sub>) reduction** from anaesthetic gases.

The main factors underpinning performance 2022-2023 and actions underway for 2023-2024 are:

- Overall reductions in energy consumption as a consequence of a combination of contraction of the estate, grid decarbonisation and commencement of further programme of investment of £2M including solar panel installation, LED Lighting, Gas CHP, and Air Handling Unit upgrades.
- Excellent work in Anaesthetics and Pharmacy on reducing waste from medical gases. As noted in the 2021-2022 report, the full impact of the work would be evident in the data for 2022-2023. Further reductions in 2023-2024 are expected from nitrous oxide mitigation and decommissioning of manifolds.

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

- Improvements in our waste data now give us confidence in reporting on amounts of waste we are producing and can inform plans to reduce waste and waste disposal costs in 2023-2024. Expectations of staff in relation to reducing waste, increasing recycling and effective management of waste segregation remain high.
- Good progress was made in relation to fleet decarbonisation in 2022-2023, and further funded plans will progress in 2023-2024. Further analysis of data is required to underpin a sustainable transport and access strategy.
- The dashboard on prescribed inhalers was consolidated in preparation for the release of Quality Respiratory Prescribing Guidelines in 2023-2024. Emissions from inhalers (Scope 3) in NHS Lothian were estimated at 6,881 tonnes of CO<sub>2</sub>. Only the category of buildings produced more CO<sub>2</sub> at 52,155 tonnes, with transport accounting for 2,821 tonnes CO<sub>2</sub> and anaesthetic gases 4,343 CO<sub>2</sub> tonnes.
- Work is underway to undertake a wider analysis of Scope 3 emissions and spend across NHS Lothian.
- The Greenspace and Health Programme continues to grow in scope and reach including an assessment of the asset and ecosystem value of our greenspace, maximisation of green health activities for patients and staff well-being, engagement with communities and research.

In 2023-2024 delivery the following programme areas has been reported as at risk: Circular Economy and Waste Management, Primary Care and Adaptation.

In March/April 2024, risks in relation to ADP 10.5 Set out approach to develop and begin implementation of a building energy transition programme to deliver energy efficiency improvements, increase on-site generation of renewable electricity and decarbonise heat sources and Corporate Objective/LSDF Step 23/24 ADP 10.5 Net Zero Strategy (including energy strategy) was also designated at risk. The context for this was as follows.

Overall performance, development, grip, and control in relation to energy management remains strong within the resources available.

The reasons for this reassessment were:

- lack of project management capacity;
- and the potential impact on developing future projects and funding applications.
- the projected energy cost increases over 2024-2025 and 2025-2026 (see below) and
- the opportunities identified in the Net Zero (Energy Strategy) that need to be fully explored and progressed to achieve Net Zero and financial targets in the context of limited capital availability.

Annual Climate Emergency and Sustainability Report 2023-2024 – Draft Available June 2024

Areas for development in the forthcoming report are: Sustainable Care, Scope 3 Emissions, improving the update reporting on the overall NHS Lothian Sustainable Development Framework and Action Plan/Annual Delivery Plan Priorities.

The draft Annual Climate Emergency and Sustainability Report for 2023-2024 will be available in June 2024.

The corporate objective in relation to environmental sustainability for 2024-2025 has been revised to emphasise the importance of the triple bottom line: *“Maximise the opportunities of carbon and financial savings through delivery of NHS Lothian Sustainable Development Framework and Action Plan.”*

**Events after the end of the reporting period**

Calum Campbell, the Chief Executive and Accountable Officer during the accounting period, retired on 31 May 2024. Jim Crombie was appointed as Interim Chief Executive and Accountable Officer from 1 June to 31 July 2024, pending the arrival of a new permanent Chief Executive. Mr Crombie therefore undertook the approval and signing of relevant parts of the Board’s Annual Accounts.

27 June 2024 .....  ..... Interim 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 2024. The annual report and accounts were approved by the Board and authorised for issue by the Accountable Officer on 27 June 2024.

##### 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.

##### 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:

[Nhs Lothian - standing-orders](#)

As at 31 March 2024, the Board had five executive board members and twenty-two non-executive board members, with one vacancy in the role of the non-executive stakeholder member who represents the University of Edinburgh's Medical School. This vacancy was subsequently filled in April 2024. 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: [www.appointed-for-scotland.org](http://www.appointed-for-scotland.org).

Table 1 below sets out who held the position of a Board member at any time during 2023/24.

<b>Table 1: Individuals who were members of the Lothian NHS Board at any time during the period from 1 April 2023 to 31 March 2024</b>	
<b><i>Non-executive members (via public appointment process)</i></b>	
Professor John Connaghan CBE	Non-executive, Chair
Mr Andrew Fleming	Non-executive (and Vice Chair from 01/02/2024)
Mrs Katharina Kasper	Non-executive, Whistleblowing Champion
Mr Martin Connor	Non-executive
Mr Angus McCann	Non-executive
Mrs Val De Souza	Non-executive
Mrs Nadin Akta	Non-executive
Mr Peter Knight	Non-executive
Mrs Elizabeth Gordon	Non-executive
Mr Philip Allenby	Non-executive
Mr George Gordon	Non-executive
Mr Peter Murray	Non-executive, Vice Chair (until 31/01/2024)
Mr Bill McQueen CBE	Non-executive (until 31/01/2024)

Mr Andrew Cogan	Non-executive (from 01/04/2023)
Professor John Innes	Non-executive (from 01/04/2023)
Dr Patrica Cantley	Non-executive (from 01/02/2024)
Dr Amjad Kahn	Non-executive (from 01/02/2024)
Mr Jonathan Blazeby	Non-executive (from 01/02/2024)
<b>Non-executive members (nominated by stakeholders)</b>	
Ms TracyAnne Miller	Non-executive, Employee Director
Mrs Fiona Ireland	Non-executive, Chair of Area Clinical Forum
Professor Siddharthan Chandran	Non-executive, University of Edinburgh Medical School (until 29/02/2024)
Councillor Harry Cartmill	Non-executive, West Lothian Council
Councillor Derek Milligan	Non-executive, Midlothian Council
Councillor Stephen Jenkinson	Non-executive, City of Edinburgh Council
Councillor Shamin Akhtar	Non-executive, East Lothian Council
<b>Executive members</b>	
Mr Calum Campbell	Chief Executive
Miss Tracey Gillies	Medical Director
Mr Craig Marriott	Director of Finance
Ms Dona Milne	Director of Public Health & Health Policy
Ms Alison MacDonald	Director of Nursing, Midwifery and Allied Health Professionals

**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 2024 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 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: [www.org.nhslothian.scot/lothiannhsboard/board-members](http://www.org.nhslothian.scot/lothiannhsboard/board-members)

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: [www.org.nhslothian.scot/board-members-handbook](http://www.org.nhslothian.scot/board-members-handbook)

The Board is the corporate trustee of the Lothian NHS Board endowment funds held by [NHS Lothian Charity](http://www.org.nhslothian.scot/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 26 details how these consolidated Financial Statements have been calculated.

Details of any interests of Board members, senior managers and other senior staff in contracts or potential contractors with the Health Board as required by IAS 24 are disclosed in Note 24 (Related Party Transactions).

**Directors' third-party indemnity provisions**

During 2023/24 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).

**Remuneration for non-audit work**

Details of any remuneration paid to auditors in respect of any non-audit work carried out on behalf of the Board is disclosed in Note 3.

**Public Services Reform (Scotland) Act 2010**

Sections 31 and 32 of the Public Services Reform (Scotland) Act impose 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: [www.nhslothian.scot/keydocuments/financial](http://www.nhslothian.scot/keydocuments/financial)

**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.

**Personal data related incidents reported to the Information Commissioner**

During 2023/24, the Board reported eight 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, two of these incidents remain open. In addition, the Board was reported to the ICO on four occasions in relation to patients' concerns over the processing of their personal data. All four incidents concerned the processing of a subject access request. The ICO ruled that the Board acted appropriately in relation to all incidents, and they were subsequently closed.

**(B) The Statement of the Interim 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 22/05/2024.

**(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: [Nhs Lothian - board-members-handbook](#)

The main governance and assurance committees of the Board are listed below, and the 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
<b>Healthcare Governance</b>	To seek and provide assurance to the Board that: <ul style="list-style-type: none"> <li>• The quality of all aspects of care in NHS Lothian are person-centred, safe, effective, equitable and maintained to a high standard.</li> <li>• 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.</li> </ul>
<b>Audit and Risk</b>	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.
<b>Finance and Resources</b>	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.
<b>Staff Governance</b>	To seek and provide assurance to the Board on adherence to all aspects of the Scottish Government’s Staff Governance Standard and on the development and delivery of national and local workforce strategies.
<b>Remuneration</b> <i>(a sub-committee of Staff Governance)</i>	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 between four and 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 in June 2023, 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 kept under review the terms of reference of its committees, its Standing Financial Instructions, and its Scheme of Delegation. Updated versions of these latter documents approved by the Board in June 2023, following scrutiny by the Audit and Risk Committee.

All main 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 each 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 (November 2023 and March 2024), focusing respectively on Integrated Governance and on the requirements of the Blueprint for Good Governance. The latter development session was informed by the results of the Board's self-assessment against the functions and enablers contained within the Blueprint. A key outcome of this session included a high-level Governance Development Plan, which was shared with the Scottish Government and will be delivered during 2024/25.

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 Scottish Government Health and Social Care Directorate (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. This approach became particularly relevant during 2023/24, following the Scottish Government's announcement of the 2024/25 budget allocations in December 2024. Following this, the Board has approved and put in place a more focused Financial Recovery Programme.

The Board has continued to hold its meetings in person, whilst the committees largely meet virtually using the technology available. This blended approach continues to offer a good mix between efficiency and effectiveness.

### **Integration Joint Boards**

The planning and commissioning 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 ensure the delivery of those plans by issuing formal directions to 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 strategic planning of the delegated services is the primary role of each IJB, which will then issue formal and binding directions to either or both of the NHS Board and the relevant Local Authority. These directions will detail the actions the IJB considers necessary to deliver its strategic plan. The Board's Strategy, Planning and Performance Committee has delegated responsibility for receiving, scrutinising, and endorsing each IJB's strategic plan, ensuring alignment with the Board's overall strategic ambitions. The subsequent directions issued by each IJB are received, analysed, and allocated for action by the Board's Corporate Management Team. This latter process was the subject of a specific review by the Internal Audit Team during 2023/24, with results reported to the Audit & Risk Committee in February 2024. The Audit Report identified eight recommendations which have been accepted and will be fully addressed early in 2024/25 to deliver improvements in this area.

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

The Health and Social Care Partnership (HSCPs) submit annual reports to the Board, via the Healthcare Governance Committee, providing appropriate assurance on the safe, effective, and person-centred delivery of delegated and hosted healthcare services (and thereby completing the assurance loop on the delivery of IJB directions related to delegated healthcare services).

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 last renewed and approved during the previous financial year (2022/23), bringing 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.

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- 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)
  - Payroll Services (NHS National Services Scotland)

The Audit & Risk Committee received the 2023/24 National Service audit reports on 17 June 2024. The Committee accepted those reports as a source of significant assurance that, overall, there were adequate and effective systems of control relating to the National Single Instance Financial Ledger, Practitioner and Counter Fraud Services and the National IT Services contract. The Committee noted two exceptions highlighted by the auditors in regard to the effective operation of specific controls within Practitioner and Counter Fraud Services and National IT Services, therefore leading to qualified reports. The exceptions were not considered to be significant, and engagement has confirmed that both have been addressed by management actions. The external auditors confirmed that, having considered mitigating controls, there was no impact on the overall control environment.

The Audit and Risk Committee received a further 2023/24 National Service audit report on 17 June 2024, relating to payroll services. This report confirmed that the controls were suitably designed to provide reasonable assurance. From 2024/25, the service auditor will provide assurances on payroll services in line with other areas provided by National Services Scotland.

The Head of Internal Audit provided the following audit opinion in their 2023/24 Annual Report:

*“My overall opinion for the period 1 April 2023 to 31 March 2024 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 and control.”*

The Internal Audit service completed 20 audit reviews during 2023/24, compared to 13 in the previous year. Consequently, the number of recommendations also increased, from 53 to 134. Excluding “Advisory” reviews there were 17 high risk recommendations made across seven audit reports, relating to Complaints Handling (3), Consultant Job Planning (1), Critical Infrastructure Systems (4), IJB Directions (4), Medicines Management (1), Patient Funds (1), and Public Protection and Patient Safety (3). The Head of Internal Audit’s Annual Report confirmed that appropriate management actions had been agreed to address all recommendations made and that adequate progress reporting in the delivery of these had been provided to the Audit & Risk Committee.

**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](#) and collectively detail how relevant risks and adverse events are identified, evaluated, and escalated within NHS Lothian. The Risk Management Operational Procedure makes clear that every service and department, must have in place an explicit process for managing and reviewing risks within their own area. This requirement also applies to Health and Social Care Partnerships (HSCPs) which must have protocols in place to reflect and manage risks, including risks that may be shared between NHS Lothian and the relevant Integration Joint Board (IJB).

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 2023/24. The Board regularly considered reports on the Corporate Risk Register, which contains the strategic risks which may compromise the delivery of NHS Lothian objectives in addition to operational risks which cannot be managed effectively 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 previous financial year (2022/23) when a new Risk Appetite Statement was adopted to meet the requirements of the NHS Scotland Blueprint for Good Governance (Second Edition). This continued to be in effect during 2023/24 and is expressed 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).”*

The Board’s system of risk management remained subject to continuous review and development during 2023/24. For example, an Internal Audit was undertaken on the Risk Management system, focusing on a number of specific key risks associated with the interface between NHS Lothian and the HSCPs. The report allowed the Audit & Risk Committee to accept Moderate Assurance in relation to these risks.

Risk Management training is available to all staff and particularly those with the responsibility for formally recording and managing risks. Following the above-mentioned Internal Audit, the Board’s staff Intranet pages were reviewed and updated to ensure that training resources were prominent and accessible. Further management action in response to the Internal Audit included the responsibility and availability of training being explicitly highlighted to managers.

Following a period of review and consultation, updated versions of the Board’s Adverse Event Management Policy and Procedure were approved and published in September 2023. This was the subject of discussion by the Healthcare Governance Committee in May 2023, which continued to receive bi-annual assurance reports on adverse events.

The Audit & Risk Committee received the 2023/24 Risk Management Annual Report at its meeting of 15 April, accepting Moderate assurance that there are effective systems in place to manage risk across NHS Lothian based on the continued implementation during 2023/24 of a revised Risk Management Policy and Procedure.

This report also confirmed to the Audit & Risk Committee that, during the 2023/24 year, 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 with the national notification process.
- Accepted Moderate assurance concerning progress with system improvements for the management of significant adverse events (SAEs) and in addressing a backlog.
- Accepted Moderate assurance on the process for safety alerts; and
- Received and approved the NHS Lothian Duty of Candour Annual Report, prior to its publication, in line with national requirements.

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.

### **Information Governance**

The Healthcare Governance Committee continued to lead in receiving and scrutinising information on those Information Governance related matters for which the Board is required to take assurance. The Committee received and considered the Information Governance Annual Report in March 2024, taking Moderate Assurance on the Board’s level of compliance with its statutory duties for data protection and information security. This Report also provided assurance that the annual audit and review process mandated by the National Information Security Regulation (NISR) had been conducted. This process indicated relatively high levels of compliance and concluded that NHS Lothian was a strongly performing Board with effective leadership, complemented by well-defined security policies and procedures.

A follow-up Internal Audit on Information Security was conducted and reported to the Audit and Risk Committee in February 2024. This evaluated progress in implementing the agreed recommendations from an earlier audit undertaken in 2022/23 and assessing the supporting evidence to confirm their implementation. This resulted in an updated and improved finding of Significant Assurance, in response to the progress achieved in implementing the recommendations.

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

### Whistleblowing and Complaints

NHS Lothian has implemented the National Whistleblowing Standards which form the National Whistleblowing Policy for NHS Scotland, and the Board has had a dedicated Non-Executive Whistleblowing Champion in place for a number of years. Together, the Whistleblowing Champion, and the Board's Staff Governance Committee support the oversight, assurance, and reporting requirements of the Board in relation to monitoring how effectively the National Whistleblowing Standards are being adhered to. The Staff Governance Committee scrutinises Quarterly and Annual Performance Reports on Whistleblowing, prior to these Reports being presented at public Board meetings. At the same time, the Staff Governance Committee receives information on training and internal communication activity designed to increase awareness and responsiveness as well as how reports are being used to further learning and service improvement. Whistleblowing Performance Reports are published on the [Board's website](#).

There is a well-established feedback and complaints system in place whereby members of the public can make a formal complaint to the Board regarding care or treatment provided by or through the NHS, or how services in their local area are organised if this has affected care or treatment. Information on our complaints procedures is available on the [Board's website](#). Within NHS Lothian, the Healthcare Governance Committee seeks and receives regular assurance, on behalf of the Board, that complaints and patient feedback are handled in accordance with national standards/guidance and lessons learned from their investigation and resolution. This includes relevant issues raised via reports from the Scottish Public Sector Ombudsman and Mental Welfare Commission. The Committee also ensures that relevant data on complaints and feedback is explicitly considered and reflected within annual service reports, when monitoring the delivery of safe, effective, and person-centred care.

### Significant Issues

#### Healthcare Governance

The Healthcare Governance Committee highlighted the following three areas in 2023/24 for specific inclusion in the Governance Statement. These areas were considered to have significant control weaknesses and/or limited assurance during the year. Members were assured that the issues had been identified and that steps were being taken to address them. However, it was unclear at the time of discussion whether resulting plans would be sufficient to increase levels of assurance from limited to moderate. Therefore, these areas will continue to be monitored through the 2024/25 Healthcare Governance Committee work plan.

1. Limited Assurance (January 2024) that there is a dedicated Pressure Ulcer Prevention and Improvement Programme in place, as part of the wider Patient Safety Programme.
2. Limited Assurance (November 2023), for some areas of Women's Services, that there are sufficiently robust arrangements in place to consistently ensure that systems and processes are supporting safe care and safe clinical outcomes. Prior to the finalisation of the Annual Accounts, the Committee was able to accept an increased rating from Limited to Moderate Assurance at its meeting in May 2024.
3. Limited Assurance (January 2024) that there are effective plans in place within the Edinburgh Health and Social Care Partnership (HSCP) to mitigate the impacts of delayed discharges on outcomes for patients. This relates directly to the Board's identified Corporate Risk on Hospital Bed Occupancy (Risk No. 3726) and is a risk that was also highlighted within the 2022/23 Annual Accounts.

#### ***The following paragraphs summarise the outcome from follow-up of healthcare governance issues raised in the previous year's governance statements:***

Several corporate risks that were specifically highlighted by the Healthcare Governance Committee in the 2022/23 Annual Accounts remained on the Board's Corporate Risk Register and the relevant risk mitigation plans and actions continued to be reviewed regularly throughout 2023/24. Although these risks continued to have only limited assurance ratings, they each had robust plans in place and were regularly reported via the Healthcare Governance Committee, the Strategy, Planning & Performance Committee (for performance aspects) and to the Board itself. These risks were:

- Hospital Bed Occupancy Risk Mitigation Plan (Acute Services) (Corporate Risk 3726)
- 4-Hour Emergency Access Risk Mitigation Plan (Corporate Risk 5186)
- Access to treatment Risk Mitigation Plan (Corporate Risk 5185)
- GP sustainability Risk Mitigation Plan (Corporate Risk 3829)

### ***Financial Governance and Sustainability***

The Board's Corporate Risk Register continues to reflect the "Very High" risk that the Board will be unable to respond to the service requirements arising from the projected population growth across NHS Lothian. A combination of the reduced level of resource currently available for both capital and revenue and the uncertainty around future resource have significantly hindered the Board's ability to plan for and deliver the additional capacity required to address ongoing system pressures and to adequately serve the fastest growing population in Scotland. 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.

Based on assurance information received throughout the 2023/24 financial year, the Finance and Resource's Committee was eventually able to accept significant assurance that a breakeven financial position would be reached. This outcome had been by no means certain until late in the financial year and represented a major achievement. During the year, the Committee also welcomed the continuation and further refinement of a robust planning process to prioritise and clearly express the Board's most pressing capital investment needs. The introduction of Post Project Reviews (PPRs) provided additional assurances that any lessons on efficiency of capital project delivery would be captured and adopted in future.

Following the Scottish Government's Budget Statement in December 2023 and the subsequently announced two-year moratorium on major capital investments, the Committee acknowledged significantly increased levels of risk in relation to both the Board's future financial sustainability and its continued ability to deliver a full range of services and functions for the population of Lothian. This risk is particularly heightened by the fragility of existing key infrastructure assets and the inability to fully mitigate the risks associated with these through planned capital investments.

Based on its scrutiny of key matters during 2023/24, the Finance and Resources Committee highlighted the following areas of identified risk as having significant control weaknesses and/or limited assurance:

1. An absence of any reliable assurance, at the time of writing, on the Board's ability to deliver its full range of services and functions in 2024/25 within the resources available to it.
2. Limited assurance that achieving Scottish Government efficiency targets in 2024/25, in addition to making the other financial savings required to close the funding gap, will be fully achievable.
3. The fragility of some key infrastructure assets, including the Board's Hospital Sterilisation and Decontamination Unit (HSDU), and the increased risks of failure (and subsequent service impacts) due to worse than anticipated financial allocations for 2024/25 and the two-year moratorium on capital investment.
4. The commercial and financial risks arising from the ongoing management of the Royal Infirmary of Edinburgh PFI contract, as well as the consequent potential impacts arising from not delivering the required levels of lifecycle maintenance on site.

In response to the final area listed above, the Board has received assurance that there was an effective programme of executive oversight and improvement action in place throughout 2023/24 and that the associated risk on the Corporate Risk Register continues to be managed through a specific mitigation plan, overseen, and monitored by the Finance and Resources Committee. The Board has received expert external advice in this area throughout the year to inform its oversight and decision-making requirements.

### ***Staff Governance***

The Staff Governance Committee continued to oversee an extensive programme of work during 2023/24, 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; Nursing Workforce (safe staffing levels), and Water Safety and Quality.

During 2023/24, an additional risk was included within the Corporate Risk Register, relating to the Fire Safety Risk at the Royal Infirmary of Edinburgh. It was agreed that the Staff Governance Committee would undertake the required scrutiny of assurance and risk mitigation plans in relation to this risk, determining the appropriate level to which assurance could be accepted. As of May 2024, the Committee noted that the fire safety arrangements being implemented had demonstrated improvements, but it was able to accept only Limited Assurance, at that stage, that the Risk Mitigation Plan would achieve full compliance with the Board's specific duties.

### ***Strategy, Planning and Performance***

The Strategy, Planning and Performance Committee's (SPPC) primary function is described earlier in this Governance Statement.

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During the course of 2023/24 the SPPC took limited assurance in relation to the following areas:

1. 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 the Board would deliver the performance improvements required.
2. The impact and implementation of plans to address unscheduled care performance.
3. Hospital Bed Occupancy Risk Mitigation Plan (*performance delivery aspects*)
4. 4-Hour Emergency Access Risk Mitigation Plan (*performance delivery aspects*)
5. Access to treatment Risk Mitigation Plan (*performance delivery aspects*)

***The following text 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:***

- Significant workforce pressures and recruitment challenges remain and are now impacting upon the Board's ability to deliver safe and effective patient care and to achieve its objectives.
- Increased demand and capacity issues in unscheduled care, coupled with delayed discharges, are impacting on the Board's ability to deliver scheduled care performance.
- There are significant ongoing and projected impacts arising from capital resource and planning constraints, including: the specific impacts on Acute Services from the imminent closure of the Regional Infectious Diseases Unit; and the increased pressures to maintain the usability, safety, and compliance of the existing estate within significantly reduced maintenance budgets.
- There is continued vulnerability relating to the data warehouse arrangements and potential risks to data quality.
- There are risks arising from or associated with the PFI contract at the Royal Infirmary of Edinburgh, including fire safety risks, SFRS enforcement action, and ongoing lifecycle maintenance issues.
- There is continued variation between drug expenditure and budget at the Western General Hospital, creating a known and significant additional financial pressure for the organisation.

**Disclosures**

During 2023/24 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.

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**REMUNERATION REPORT (AUDITED)**

**2(a) Board Members' and Senior Employees' Remuneration – 2023/24**

	<b>Gross Salary (Bands of £5,000)</b>	<b>Benefits in kind (£'000)</b>	<b>Total Earnings in Year (Bands of £5,000)</b>	<b>Pension Benefits (£'000)</b>	<b>Total Remuneration (Bands of £5,000)</b>
<b>Remuneration of Executive Members</b>					
Mr Calum Campbell, Chief Executive	195-200	-	195-200	40.6	235-240
Mr Craig Marriott, Director of Finance	135-140	-	135-140	36.6	170-175
Miss Tracey Gillies, Medical Director	200-205	-	200-205	59.7	260-265
Ms Alison MacDonald, Nurse Director	130-135	-	130-135	35	165-170
Ms Dona Milne, Director of Public Health, and Health Policy	115-120	-	115-120	20.5	140-145
<b>Non-Executive Members</b>					
Professor John Connaghan, Chair	40-45	-	40-45	-	40-45
Mr Peter Murray, Vice Chair to 31/01/2024 <sup>Note 1</sup>	20-25	-	20-25	-	20-25
Cllr Derek Milligan	5-10	-	5-10	-	5-10
Ms Fiona Ireland <sup>Note 2</sup>	5-10	-	5-10	-	5-10
Mr Martin Connor <sup>Note 3</sup>	15-20	-	15-20	-	15-20
Mr Angus McCann <sup>Note 4</sup>	20-25	-	20-25	-	20-25
Mr Bill McQueen, to 31/01/2024 <sup>Note 5</sup>	20-25	-	20-25	-	20-25
Mr George Gordon <sup>Note 6</sup>	15-20	-	15-20	-	15-20
Ms Katharina Kasper <sup>Note 7</sup>	30-35	-	30-35	-	30-35
Professor Siddharthan Chandran, to 29/02/2024 <sup>Note 8</sup>	5-10	-	5-10	-	5-10
Cllr Shamin Akhtar	5-10	-	5-10	-	5-10
Ms Tracy Miller, Employee Director	55-60	2.8	55-60	15.5	70-75
Mr Andrew Fleming, Vice Chair from 01/02/2024 <sup>Note 9</sup>	15-20	-	15-20	-	15-20
Mrs Elizabeth Gordon <sup>Note 10</sup>	10-15	-	10-15	-	10-15
Ms Nadin Akta	5-10	-	5-10	-	5-10
Mr Peter Knight	5-10	-	5-10	-	5-10
Mr Philip Allenby	5-10	-	5-10	-	5-10
Mrs Val de Souza <sup>Note 11</sup>	5-10	-	5-10	-	5-10
Cllr Stephen Jenkinson	5-10	-	5-10	-	5-10
Cllr Harry Cartmill	5-10	-	5-10	-	5-10
Professor John Innes, from 01/04/2023	5-10	-	5-10	-	5-10
Mr Andrew Cogan, from 01/04/2023 <sup>Note 12</sup>	5-10	-	5-10	-	5-10
Professor Amjad Khan, from 01/02/2024 <sup>Note 13</sup>	0-5	-	0-5	-	0-5
Dr Patricia Cantley, from 01/02/2024 <sup>Note 13</sup>	0-5	-	0-5	-	0-5
Mr Jonathan Blazeby, from 01/02/2024 <sup>Note 13</sup>	0-5	-	0-5	-	0-5
<b>Other Senior Employees</b>					
Mr Jim Crombie, Deputy Chief Executive	175-180	4.9	180-185	-	180-185
Dr Jenny Long, Director of Primary Care	95-100	-	95-100	28.9	125-130
Ms Alison White <sup>Note 14</sup>	70-75	-	70-75	-	70-75
Ms Fiona Wilson <sup>Note 15</sup>	50-55	-	50-55	35.3	85-90
Mrs Janis Butler, Director of HR & Organisational Development	130-135	-	130-135	6.2	135-140
Mrs Judith Proctor <sup>Note 16</sup>	55-60	-	55-60	-	55-60
Mr Mike Massaro-Mallinson <sup>Note 17</sup>	25-30	-	25-30	44.2	70-75
Mr Pat Togher <sup>Note 18</sup>	35-40	-	35-40	-	35-40
Ms Morag Barrow <sup>Note 19</sup>	55-60	-	55-60	-	55-60
Ms Tracey McKigen, Services Director (Royal Edinburgh & Associated Services)	105-110	-	105-110	23.4	125-130
		<u>7.7</u>		<u>345.9</u>	

There were no performance related bonuses payable for 2023/24

**Notes to Remuneration Table 2(a)**

1. The annualised salary for Peter Murray would be 30-35 which includes an annualised amount of 15-20 in respect of additional non-executive duties.
2. The total salary for Fiona Ireland, Chair of Area Clinical Forum, would be 110-115 which includes 100-105 in respect of non-board duties.
3. The salary for Martin Connor includes an annualised amount of 5-10 in respect of additional non-executive duties.
4. The annualised salary for Angus McCann would be 25-30 which includes an annualised amount of 15-20 in respect of additional non-executive duties.
5. The annualised salary for Bill McQueen would be 25-30 which includes an annualised amount of 15-20 in respect of additional non-executive duties.
6. The salary for George Gordon includes an annualised amount of 5-10 in respect of additional non-executive duties.
7. The salary for Katharina Kasper includes an annualised amount of 10-15 in respect of additional non-executive duties.
8. Siddarthan Chandran is an employee of the University of Edinburgh, and his Non Executive Allowance is charged to NHS Lothian
9. The annualised salary for Andrew Fleming would be 25-30 which includes an annualised amount of 15-20 in respect of additional non-executive duties.
10. The salary for Elizabeth Gordon includes an annualised amount of 0-5 in respect of additional non-executive duties.
11. The annualised salary for Val De Souza would be 10-15 which includes an annualised amount of 0-5 in respect of additional non-executive duties.
12. The annualised salary for Andrew Cogan would be 10-15 which includes an annualised amount of 0-5 in respect of additional non-executive duties.
13. The annualised salary for Non-Executive Members would be 5-10.
14. Alison White, Chief Officer of West Lothian IJB, is an employee of West Lothian Council (50% of the costs of charged to NHS Lothian 95-100 in 2023-24)
15. The annualised salary for Fiona Wilson 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.
16. Judith Proctor, Chief Officer of Edinburgh IJB to 19/05/2023, was an employee of The City of Edinburgh Council. (50% of the costs charged to NHS Lothian include payments in lieu of holidays and loss of office)
17. The annualised salary for Mike Massaro Mallinson would be 105-110 which includes 50-55 in respect of non-board duties. 50% of the remaining costs are charged to Edinburgh IJB in relation to his role as Interim Chief Officer from 20/05/2023 to 05/11/2023.
18. Pat Togher, Chief Officer of Edinburgh IJB from 06/11/2023 is an employee of The City of Edinburgh Council (50% of the costs charged to NHS Lothian 95-100 in 2023-24)
19. The annualised salary for Morag Barrow would be 110-115. 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.

REMUNERATION REPORT

2(b) 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)
<b>Remuneration of Executive Members</b>					
Mr Calum Campbell, Chief Executive	190-195	-	190-195	-	190-195
Mrs Susan Goldsmith, Director of Finance (to 31/05/2022) <sup>Note 1</sup>	25-30	-	25-30	-	25-30
Mr Craig Marriott, Director of Finance (from 01/06/2022) <sup>Note 2</sup>	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) <sup>Note 3</sup>	0-5	-	0-5	-	0-5
Mrs Gillian McAuley, Interim Nurse Director (from 04/04/2022 to 03/07/2022) <sup>Note 4</sup>	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) <sup>Note 5</sup>	105-110	-	105-110	33	140-145
Ms Dona Milne, Director of Public Health, and Health Policy	110-115	-	110-115	-	110-115
<b>Non-Executive Members</b>					
Professor John Connaghan, Chair	55-60	-	55-60	-	55-60
Mr Peter Murray, Vice Chair and Lead Member of East Lothian IJB <sup>Note 6</sup>	25-30	-	25-30	-	25-30
Cllr Derek Milligan, (to 30/04/2022), re-appointed (from 09/06/2022) <sup>Note 7</sup>	5-10	-	5-10	-	5-10
Cllr John McGinty (to 30/04/2022) <sup>Note 7</sup>	0-5	-	0-5	-	0-5
Dr Richard Williams (to 31/07/2022) <sup>Note 7</sup>	0-5	-	0-5	-	0-5
Ms Carolyn Hirst, Chair Midlothian IJB (to 31/08/2022) <sup>Note 8</sup>	5-10	-	5-10	-	5-10
Ms Fiona Ireland Chair of Area Clinical Forum <sup>Note 9</sup>	5-10	-	5-10	-	5-10
Mr Martin Connor, Chair of Audit and Risk Committee <sup>Note 10</sup>	15-20	-	15-20	-	15-20
Mr Angus McCann, Vice Chair of Edinburgh IJB, Chair of Finance and Resource Committee <sup>Note 11</sup>	25-30	-	25-30	-	25-30
Mr Bill McQueen, Chair of Staff Governance Committee and Lead Member of West Lothian IJB <sup>Note 12</sup>	25-30	-	25-30	-	25-30
Dr Patricia Donald (to 31/07/2022) <sup>Note 7</sup>	0-5	-	0-5	-	0-5
Mr George Gordon (to 04/05/2022), re-appointed (from 16/05/2022), Chair of Pharmacy Practices Committee <sup>Note 13</sup>	15-20	-	15-20	-	15-20
Ms Katharina Kasper Whistleblowing Champion <sup>Note 14</sup>	25-30	-	25-30	-	25-30
Professor Siddharthan Chandran <sup>Note 15</sup>	10-15	-	10-15	-	10-15
Mr Jock Encombe Chair of Organ Donation Sub Group (to 31/01/23) <sup>Note 16</sup>	10-15	-	10-15	-	10-15
Cllr Shamin Akhtar (to 30/04/2022) re-appointed (from 30/05/2022) <sup>Note 7</sup>	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) <sup>Note 7</sup>	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) <sup>Note 7</sup>	5-10	-	5-10	-	5-10
Cllr Harry Cartmill (from 31/05/2022) <sup>Note 7</sup>	5-10	-	5-10	-	5-10
<b>Other Senior Employees</b>					
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 <sup>Note 17</sup>	60-65	-	60-65	-	60-65
Ms Fiona Wilson, Chief Officer, East Lothian IJB <sup>Note 18</sup>	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 <sup>Note 19</sup>	85-90	-	85-90	-	85-90
Ms Morag Barrow, Chief Officer, Midlothian IJB <sup>Note 20</sup>	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 Tables 2(b)**

- 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.

**NHS Lothian**

**Annual Report and Accounts for the Year ended 31<sup>st</sup> March 2024**

**2(c) Cash Equivalent Transfer Value (CETV) of deferred pension rights 2023/24**

	Total accrued pension at pensionable age as at 31 March 2024 (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 2024 (Bands of £5,000)	Real increase in lump sum at pensionable age (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2023 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2024 £'000	Real increase in CETV in year £'000
<b>Pension Values: Executive Members</b>							
Mr Calum Campbell, Chief Executive <sup>Note 1</sup>	75-80	2.5-5	220-225	0-2.5	1,722	1,917	61
Mr Craig Marriott, Director of Finance	50-55	2.5-5	135-140	0-2.5	1,032	1,160	40
Miss Tracey Gillies, Medical Director	45-50	2.5-5	120-125	0-2.5	955	1,105	58
Mrs Alison MacDonald, Nurse Director	25-30	2.5-5	5-10	-0-2.5	385	457	30
Ms Dona Milne, Director of Public Health, and Health Policy	35-40	0-2.5	90-95	-0-2.5	724	807	19
<b>Pension Values: Non-executive Members</b>							
Ms Fiona Ireland,	50-55	0-2.5	135-140	-2.5-5	1,156	1,250	3
Ms Tracy Anne Miller, Employee Director	20-25	0-2.5	20-25	0-2.5	332	376	17
<b>Pension Values: Other Senior Employees</b>							
Dr Jenny Long, Director of Primary Care	15-20	0-2.5	Nil	Nil	150	187	13
Ms Fiona Wilson	35-40	0-2.5	90-95	0-2.5	624	710	30
Mrs Janis Butler, Director of HR & Organisational Development	60-65	0-2.5	165-170	-2.5-5	1,250	1,365	13
Mr Mike Massaro-Malinson, Interim Chief Officer, Edinburgh IJB	25-30	2.5-5	70-75	0-2.5	524	614	40
Ms Tracey McKigen, Services Director	30-35	0-2.5	75-80	-0-2.5	610	687	22

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.

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

**Notes to Pension Table 2(c)**

1. Calum Campbell rejoined the NHS Pension Scheme in 2023-24

# NHS Lothian

## Annual Report and Accounts for the Year ended 31<sup>st</sup> March 2024

### 2(d) Cash Equivalent Transfer Value (CETV) of deferred pension rights 2022/23 (Restated)\*

	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
<b>Pension Values: Executive Members</b>							
Mr Calum Campbell, Chief Executive <sup>Note 1</sup>	-	-	-	-	-	-	-
Mrs Susan Goldsmith, Director of Finance <sup>Note 2</sup>	-	-	-	-	-	-	-
Mr Craig Marriott, Director of Finance (from 01/06/2022)	45-50	2.5-5	130-135	0-2.5	781	925	48
Miss Tracey Gillies, Medical Director	35-40	-37.5-40	105-110	-122.5-125	1,533	836	-865 <sup>1</sup>
Mr Pat Wynne, Interim Nurse Director (to 03/04/2022)	40-45	-2.5-5	110-115	-15-17.5	832	844	-84 <sup>1</sup>
Mrs Gillian McAuley, Interim Nurse Director (from 04/04/2022 to 03/07/2022) Mrs Alison MacDonald, Nurse Director (from 20/06/2022), Chief Officer East Lothian IJB (to 19/06/2022)	35-40 20-25	0-2.5 0-2.5	110-115 5-10	-0-2.5 -0-2.5	695 296	796 368	17 26
Ms Dona Milne, Director of Public Health, and Health Policy	30-35	0-2.5	85-90	-2.5-5	579	652	0
<b>Pension Values: Non-executive Members</b>							
Ms Fiona Ireland	45-50	-2.5-5	130-135	-15-17.5	1,040	1,080	-79 <sup>1</sup>
Ms Tracy Anne Miller Employee Director	10-15	0-2.5	40-45	-0-2.5	296	330	0
<b>Pension Values: Other Senior Employees</b>							
Mr Jim Crombie, Deputy Chief Executive <sup>Note 3</sup>	-	-	-	-	-	-	-
Dr Jenny Long, Director of Primary Care	10-15	0-2.5	-	-	121	149	4
Ms Fiona Wilson, Chief Officer, East Lothian IJB	30-35	0-2.5	85-90	-0-2.5	462	537	14
Mrs Janis Butler, Director of HR & Organisational Development	55-60	-0-2.5	155-160	-10-12.5	1,033	1,120	-35 <sup>1</sup>
Ms Morag Barrow, Chief Officer, Midlothian IJB <sup>Note 4</sup>	15-20	-0-2.5	55-60	-5-7.5	409	419	-32 <sup>1</sup>
Ms Tracey McKigen, Services Director (Royal Edinburgh & Associated Services)	25-30	0-2.5	70-75	-2.5-5	491	550	-5

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.

\* Due to information discovered in 2023-24 some of the figures in this table have been restated.

<sup>1</sup> Taking account of inflation, the CETV funded by the employer has decreased in real terms.

**Notes to Pension Table 2(d)**

- 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.

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

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

	<b>2023/24</b>	<b>2022/23</b>	<b>Change</b>
	<b>£’000</b>	<b>£’000</b>	<b>%</b>
Range of Staff Remuneration	5-10 to 200-205	5-10 to 205-210	
Highest Earning Director’s Remuneration	200-205	200-205	0

Median (total pay & benefits)	39,138	36,513	7.19
Median (salary only)	39,135	36,510	7.19
Ratio	5.17	5.55	(6.85)
25th Percentile (total pay & benefits)	30,539	28,310	7.88
25th Percentile (salary only)	30,529	28,310	7.84
Ratio	6.63	7.15	(7.27)
75th Percentile Pay (total pay & benefits)	49,994	46,784	6.86
75th Percentile Pay (salary only)	49,924	46,761	6.77
Ratio	4.06	4.33	(6.24)

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 highest paid director has not changed year on year, in comparison to an average increase of 7.19% 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 at least 6.5% for the Agenda for Change (AFC) staff up to Band 8a in 2023/24, an increase of 7.19% 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 2023/24, which varied depending on bandings and resulted in an increase of 7.14% for the lowest paid, to 3.33% 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 (until 31<sup>st</sup> January 2024)
- Andrew Flemming, Chair (from 1<sup>st</sup> February 2024)
- Cllr Derek Milligan
- Ms Tracy Anne Miller
- Nadin Akta
- Katharina Kasper

During 2023/24 the Remuneration Committee met four times – 25<sup>th</sup> July 2023, 9<sup>th</sup> October 2023, 11<sup>th</sup> December 2023, and 26<sup>th</sup> February 2024.

## **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. Appraisals of Executive Directors are carried out by the Chief Executive. Appraisal of the Chief Executive is carried out by the Chairman. All performance assessments for Executive and Senior Managers are robustly reviewed and approved by the Remuneration Committee. Reports are then submitted to the National Performance Management Committee by the end of July each year with provisional performance ratings for approval. The annual pay circular for Executive and Senior Managers which is issued on annual basis outlines the pay award due to Executive and Senior Managers. All staff (unless performance is rated as unacceptable) will receive the annual pay increase agreed. In addition to this uplift, Executive and Senior Managers who are not at the maximum of their pay range also qualify for performance based pay progression based on their performance in the previous year, as approved by the Remuneration Committee and the National Performance Management Committee, unless their performance has been rated as unacceptable.

All Directors including the Chief Executive are appointed to permanent contracts so there is no end date to the contract. All Directors including the Chief Executive are required to give a minimum of six months' notice. In the event that the Board terminates a Director or Chief Executive's contract of employment (other than dismissal), the individual would be entitled to receive six months' notice in writing. This would not prevent the individual or Board waiving the right to notice or for the Board making a payment in lieu of notice. If employment is terminated by reason of redundancy or organisational change, the UK Staff Council Arrangements for Redundancy Payment and Compensation Benefits on Premature Retirement would apply.

**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:

			<b>Clinical Staff</b>		<b>Other Staff</b>	
			<b>2023/24</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2022/23</b>
			<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
£70,001	to	£80,000	371	311	48	34
£80,001	to	£90,000	279	198	39	29
£90,001	to	£100,000	194	159	23	19
£100,001	to	£110,000	161	168	9	6
£110,001	to	£120,000	172	163	8	9
£120,001	to	£130,000	146	132	4	1
£130,001	to	£140,000	147	132	1	0
£140,001	to	£150,000	119	99	1	1
£150,001	to	£160,000	111	85	1	1
£160,001	to	£170,000	87	69	0	0
£170,001	to	£180,000	55	46	0	1
£180,001	to	£190,000	40	29	1	0
£190,001	to	£200,000	22	17	0	0
£200,001	and above		21	13	0	0

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

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024

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	2023/24 Total £'000	2022/23 Total £'000
<b>STAFF COSTS</b>								
Salaries and Wages	792	384	1,163,913			(4,090)	1,160,999	1,049,420
Social security costs	103	24	123,664				123,791	115,477
NHS scheme employers' costs	149	10	212,345				212,504	193,482
Inward Secondees				1,391			1,391	853
Agency Staff					40,523		40,523	46,200
	1,044	418	1,499,922	1,391	40,523	(4,090)	1,539,208	1,405,432
Compensation for loss of office			5				5	75
<b>TOTAL</b>	<b>1,044</b>	<b>418</b>	<b>1,499,927</b>	<b>1,391</b>	<b>40,523</b>	<b>(4,090)</b>	<b>1,539,213</b>	<b>1,405,507</b>

Included in the total staff costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of: 297 0

**STAFF NUMBERS**

Whole time equivalent (WTE)	5	5	23,913	27	557	(53)	24,454	23,982
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Included in the total staff above were disabled staff of: 675 635

Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of: 9 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**

	<b>£'000</b>
Total employee expenditure as above	1,539,213
Add: employee income included in note 4	4,090
Less: staff engaged directly on capital projects, charged to capital expenditure	(297)
<b>Total employee expenditure disclosed in note 3</b>	<b>1,543,006</b>

**1(c) Staff Composition**

	2023/24				2022/23			
	Male	Female	Prefer not to say	Total	Male	Female	Prefer not to say	Total
Executive Directors	2	3	0	5	2	3	0	5
Non-Executive Directors and Employee Director	14	9	0	23	11	8	0	19
Senior Employees	991	1,069	0	2,060	876	846	0	1,722
Other	6,345	26,516	0	32,861	6,709	29,280	0	35,989
<b>Total Headcount</b>	<b>7,352</b>	<b>27,597</b>	<b>0</b>	<b>34,949</b>	<b>7,598</b>	<b>30,137</b>	<b>0</b>	<b>37,735</b>

**1(d) Sickness Absence**

	2023/24	2022/23
Sickness Absence Rate	5.7%	5.8%

**1(e) Staff Policies**

Under the Equality Act 2010 it is unlawful to discriminate, harass or victimise people in certain circumstances, including employment, in relation to relevant protected characteristics. The Equality Act 2010 includes nine protected characteristics - age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation. NHS Lothian also has statutory duties under the Fairer Scotland Duty to consider how it can reduce inequalities of outcome caused by socio-economic disadvantage, and the Children and Young People (Scotland) Act 2014 to promote the interests of care experienced children and young people and to try to provide them with opportunities to support their wellbeing.

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. In December 2023, we also introduced a Disability and a Carer’s passport which staff can carry with throughout their time in the organisation and supports them with any adjustments that they require to enable them to carry out their role and prevents them having to go through the same discussion each time they changes roles in the organisation.

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. Many of our employment policies are now Once for Scotland policies. 18 policies have been developed and implemented to date with further policies due to be launched later this year.

We deliver several pre-employment programmes through Project Search, Career Ready and the national partnership with Princes Trust and offer extensive work experience opportunity. We actively engage with ‘Developing The Young Workforce’ campaigns and support large scale regional activity in schools with work experience and school based activity restarted this year following a pause during COVID.

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**

The Board had no exit packages in 2023-24

**Exit Packages – Prior Year**

The Board had no exit packages in 2022-23

**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 2023/24.

However, it should be noted that the costing information in this report for 2023/24 relates to those trade union representatives who have dedicated time each week for trade union activities and does not include those 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.

a) **TU representative** – the total number of employees who were TU representatives during the relevant period.

<i>Number of employees who were relevant union officials during the relevant period</i>	<i>FTE employee number</i>
120 – adhoc time	33.85 (relates to those with dedicated time only)
62 – dedicated time	
Total - 182	

b) Percentage of time spent on facility time – How many employees who were TU representatives’ officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time.

<i>Percentage of time</i>	<i>Number of representatives</i>
0%	1 with dedicated time
1-50%	120 on ad hoc time and 24 with dedicated time
51-99%	19 with dedicated time
100%	18 with dedicated time

c) Percentage of pay bill spent on facility time – percentage of the total pay bill spent on paying employees who were TU representatives for facility time during the relevant period.

<i>Total cost of facility time</i>	£1,924,964 ( relates to those with dedicated time only)
<i>Total pay bill</i>	£1,543,006,000
<i>Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷total pay bill) x 100</i>	0.12%

d) Paid TU activities – As a percentage of total paid facility time hours, how many hours were spent by employees who were TU representatives during the relevant period on paid TU activities.

<p><i>Time spent on paid TU activities as a percentage of total paid facility time hours calculated as:</i></p> <p><i>(total hours spent on paid TU activities by TU representatives during the relevant period ÷ total paid facility time hours) x 100</i></p>	<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 13,238 hours.</p> <p>The time spent on Trade Union Activities as a percentage of total paid facility time hours is therefore 13,238/66,187 x 100% = 20% for those with dedicated facility time</p>
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**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
<b>Losses</b>	345	8,018

In the year to 31 March 2024, there were no balances in excess of £300,000 written off.

In 2023/24, the Board was required to pay out £1,400k in respect of 2 claims individually greater than £300,000 settled under the CNORIS scheme (2022/23: £4,108k, 5 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

As required in the fees and charges guidance in the Scottish Public Finance Manual, NHS Lothian charges for services provided on a full costs basis, wherever applicable.

	2023/24			2022/23		
	£'000			£'000		
Service	Income	Full cost	Surplus/Deficit	Income	Full cost	Surplus/Deficit
Neqas molgen	1,745	1,621	124	1,745	1,742	3

27 June 2024

*Jim Crombie*

Interim 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 2024 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 material accounting policy information. 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 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

In my opinion the accompanying financial statements:

- give a true and fair of the state of the affairs of the board and its group as at 31 March 2024 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 2023/24 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 [www.frc.org.uk/auditors-responsibilities](http://www.frc.org.uk/auditors-responsibilities). 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  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

27 June 2024

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2024

2023 £'000		Note	2024 £'000
1,407,586	Employee expenditure	3a	1,543,006
	Other operating expenditure:	3b	
295,470	Independent Primary Care Services		300,677
441,368	Drugs and medical supplies		470,125
<u>1,640,007</u>	Other health care expenditure		<u>1,716,452</u>
3,784,431	Gross expenditure for the year		4,030,260
(1,593,577)	Less: operating income	4	(1,649,794)
<u>48,717</u>	Associates and joint ventures accounted for on an equity basis		<u>18,317</u>
<b>2,239,571</b>	<b>Net expenditure for the year</b>		<b>2,398,783</b>
<b>OTHER COMPREHENSIVE NET EXPENDITURE</b>			
(44,978)	Net gain on revaluation of Property Plant and Equipment		(38,573)
<u><b>2,194,593</b></u>	<b>Total Comprehensive Expenditure</b>		<u><b>2,360,210</b></u>

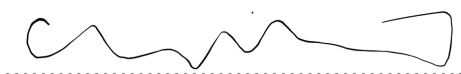
The Notes of the Accounts, numbered 1 to 25, form an integral part of these Accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2024

Consolidated 2023 £'000	Board 2023 £'000		Note	Consolidated 2024 £'000	Board 2024 £'000
<b>Non-current assets:</b>					
1,146,972	1,146,972	Property, plant, and equipment	7c	1,160,276	1,160,276
1,066	1,066	Intangible assets	6a	6,304	6,304
45,793	45,793	Right of Use assets	17a	42,354	42,354
Financial assets:					
84,260	2,751	Investments	10	91,870	2,657
29,303	0	Investments in associates and joint ventures	25b	10,986	0
84,723	84,723	Trade and other receivables	9	89,979	89,979
<b>1,392,117</b>	<b>1,281,305</b>	<b>Total non-current assets</b>		<b>1,401,769</b>	<b>1,301,570</b>
<b>Current Assets:</b>					
22,507	22,507	Inventories	8	24,408	24,408
151,985	151,767	Trade and other receivables	9	125,247	125,072
23,234	17,088	Cash and cash equivalents	11	45,768	42,645
0	0	Investments	10	0	0
0	0	Assets classified as held for sale	7b	0	0
<b>197,726</b>	<b>191,362</b>	<b>Total current assets</b>		<b>195,423</b>	<b>192,125</b>
<b>1,589,843</b>	<b>1,472,667</b>	<b>Total assets</b>		<b>1,597,192</b>	<b>1,493,695</b>
<b>Current liabilities</b>					
(81,687)	(81,687)	Provisions	13a	(91,989)	(91,989)
Financial liabilities:					
(440,367)	(438,178)	Trade and other payables	12	(394,782)	(391,857)
<b>(522,054)</b>	<b>(519,865)</b>	<b>Total current liabilities</b>		<b>(486,771)</b>	<b>(483,846)</b>
<b>1,067,789</b>	<b>952,802</b>	<b>Non-current assets plus/(less) net current assets/(liabilities)</b>		<b>1,110,421</b>	<b>1,009,849</b>
<b>Non-current liabilities</b>					
(211,488)	(211,488)	Provisions	13a	(214,117)	(214,117)
Financial liabilities:					
(381,229)	(381,229)	Trade and other payables	12	(455,051)	(455,051)
<b>(592,717)</b>	<b>(592,717)</b>	<b>Total non-current liabilities</b>		<b>(669,168)</b>	<b>(669,168)</b>
<b>475,072</b>	<b>360,085</b>	<b>Assets less liabilities</b>		<b>441,253</b>	<b>340,681</b>
<b>Taxpayers' Equity</b>					
83,699	83,699	General fund	SOCTE	35,280	35,280
276,386	276,386	Revaluation reserve	SOCTE	305,401	305,401
29,303		Joint Venture reserves	SOCTE	10,986	0
85,684	0	Fund held on Trust	SOCTE	89,586	0
<b>475,072</b>	<b>360,085</b>	<b>Total taxpayers' equity</b>		<b>441,253</b>	<b>340,681</b>

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

The Accountable Officer authorised these financial statements for issue on 27 June 2024.



Director of Finance

27 June 2024



Interim Chief Executive

27 June 2024

Statement of Consolidated Cash Flow for the Year ended 31 March 2024

2023 £'000	Note	2024 £'000	2024 £'000
<b>Cash flows from operating activities</b>			
(2,239,571)	Net expenditure	SOCTE	(2,398,783)
94,068	Adjustments for non-cash transactions	2b	73,420
42,621	Add back: interest payable recognised in net operating cost	2b	30,341
(117)	Deduct: interest receivable recognised in net operating cost	4	(8)
(2,002)	Investment income		(2,283)
(69,318)	Movement in working capital	2b	(44,155)
<b>(2,174,319)</b>	<b>Net cash outflow from operating activities</b>	25c	<b>(2,341,468)</b>
<b>Cash flows from investing activities</b>			
(46,958)	Purchase of property, plant, and equipment		(31,422)
(615)	Purchase of intangible assets		(6,013)
(11,925)	Investment Additions	10	(10,489)
	Transfer of assets to / (from) other NHS Scotland Bodies		(3,071)
126	Proceeds of disposal of property, plant, and equipment		310
13,502	Receipts from sale of investments		8,968
2,119	Interest received		2,291
<b>(43,751)</b>	<b>Net cash outflow from investing activities</b>	25c	<b>(39,426)</b>
<b>Cash flows from financing activities</b>			
2,286,996	Funding	SOCTE	2,434,482
5,265	Movement in general fund working capital	SOCTE	25,557
2,292,261	Cash drawn down		2,460,039
(17,296)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2b	(26,270)
(7,235)	IFRS 16 - 2022-23 cash lease payment		0
(27)	Interest paid		42
(42,594)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(30,383)
<b>2,225,109</b>	<b>Net Financing</b>	25c	<b>2,403,428</b>
7,039	<b>Net Increase / (decrease) in cash and cash equivalents in the period</b>		22,534
16,195	<b>Cash and cash equivalents at the beginning of the period</b>		23,234
<b>23,234</b>	<b>Cash and cash equivalents at the end of the period</b>		<b>45,768</b>
<b>Reconciliation of net cash flow to movement in net debt/cash</b>			
7,039	Increase/(decrease) in cash in year	11	22,534
16,195	Net debt/cash at 1 April		23,234
<b>23,234</b>	<b>Net debt/cash at 31 March</b>		<b>45,768</b>

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 2024

	Note	General Fund £'000	Revaluation Reserve £'000	Joint Venture Reserves £'000	Funds held in Trust £'000	Total Reserves £'000
<b>Balance at 31 March 2023</b>		<b>83,699</b>	<b>276,386</b>	<b>29,303</b>	<b>85,684</b>	<b>475,072</b>
<b>Balance at 1 April 2023</b>		<b>83,699</b>	<b>276,386</b>	<b>29,303</b>	<b>85,684</b>	<b>475,072</b>
<b>Changes in taxpayers' equity for 2023/24</b>						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a	0	51,524	0	0	51,524
Net gain / (loss) on revaluation of Right-of-Use assets	17a	0	54	0	0	54
Impairment of property, plant, and equipment		0	(9,182)	0	0	(9,182)
Revaluation & impairments taken to operating costs	2b	0	(3,769)	0	0	(3,769)
Transfers between reserves		9,612	(9,612)	0	0	0
Adjustments	2b	(108,145)	0	0	0	(108,145)
Net operating cost for the year	CFS	(2,384,368)	0	(18,317)	3,902	(2,398,783)
<b>Total recognised income and expense for 2023/24</b>		<b>(2,482,901)</b>	<b>29,015</b>	<b>(18,317)</b>	<b>3,902</b>	<b>(2,468,301)</b>
Funding:						
Drawn down	CFS	2,460,039	0	0	0	2,460,039
Movement in General Fund (Creditor) / Debtor	CFS	(25,557)	0	0	0	(25,557)
<b>Balance at 31 March 2024</b>	SoFP	<b>35,280</b>	<b>305,401</b>	<b>10,986</b>	<b>89,586</b>	<b>441,253</b>
<b>Balance at 31 March 2022</b>		<b>(31,174)</b>	<b>244,310</b>	<b>78,020</b>	<b>90,587</b>	<b>381,743</b>
<b>Balance at 1 April 2022</b>		<b>(31,174)</b>	<b>244,310</b>	<b>78,020</b>	<b>90,587</b>	<b>381,743</b>
<b>Changes in taxpayers' equity for 2022/23</b>						
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)
<b>Total recognised income and expense for 2022/23</b>		<b>(2,172,123)</b>	<b>32,076</b>	<b>(48,717)</b>	<b>(4,903)</b>	<b>(2,193,667)</b>
Funding:						
Drawn down	CFS	2,292,261				2,292,261
Movement in General Fund (Creditor) / Debtor	CFS	(5,265)				(5,265)
<b>Balance at 31 March 2023</b>	SoFP	<b>83,699</b>	<b>276,386</b>	<b>29,303</b>	<b>85,684</b>	<b>475,072</b>

## NOTES TO THE ACCOUNTS

### FOR YEAR ENDED 31 MARCH 2024

#### 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 (FRm) 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 2023/24

There are no new standards, amendments, or interpretations effective in the year 2023-2024. However 23/24 FReM mandates reporting indexation linked payments in PPP liabilities in accordance with IFRS 16 from 2023-24.

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

There are no new standards, amendments or interpretations early adopted in the 2023/24 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 2023/24 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 2023. 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:

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

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

**7. Intangible Assets**

**7.1 Recognition**

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets:

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

Expenditure on research is not capitalised.

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

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use.

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

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

Software:

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

Software licences:

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

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'; and
  - The actions needed to complete the plan indicate it is unlikely that the plan will be dropped, or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation/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**

**Scope and classification**

Leases are contracts, or parts of a contract that convey the right to use an asset in exchange for consideration. The FRoM 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.

### **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.

## **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 IFRS16. 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 total unitary payment is then divided into three: the service charge element, repayment of the capital element of the contract obligation and the interest expense on it (using the interest rate implicit in the contract).

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

An IFRS 16 approach requires the liability to be remeasured if there is a change in future lease payments resulting from a change in an index/rate used to determine those payments. The liability does not include estimated future indexation linked increases. There are two elements required:

#### Initial remeasurement

The future PPP liability were remeasured at 1 April 2023 to include the indexation linked changes to payments for the capital/infrastructure element which have taken effect in the cash flows since the PPP arrangement commenced. FReM mandated a cumulative catch-up approach, where the cumulative effect is recognised as an adjustment to the opening balance of General Fund. Comparative information is not restated.

#### Subsequent measurement

The timing of any subsequent remeasurement of the PPP liability for indexation linked changes will be whenever there is a change in the cash flows i.e., when the adjustment to lease payments takes effect.

### 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**

The Board makes subjective and complex judgements in applying its accounting policies and relies on a range of estimation techniques and assumptions concerning uncertain future events. It is recognised that sources of estimation uncertainty are likely to vary from year to year and the resulting accounting estimates will, by definition, seldom equal the related actual results. As such, key judgements and estimates are continually reviewed, based on historical experience and other factors, including changes to past assumptions and expectations of future events that are believed to be reasonable under the circumstances.

The key judgements exercised in the application of the Board's accounting policies which have the most significant effect on the carrying amounts in the financial statements are summarised below:

### Significant Estimates

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

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

**Fair Value of Property, Plant & Equipment:** Approximately 20% of property assets were fully revalued and all remaining property assets were subject to a desktop valuation on the basis of local market related indices at 31 March 2024, 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:** 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 IFRS 16 in situations when NHS Lothian acts as a lessor.

Judgements

PPP/PFI contracts are regarded as service concession arrangements.

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

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

	2024 £'000	2024 £'000
<b>Net Expenditure</b>	<b>SoCNE</b>	<b>2,398,783</b>
Total Non-Core Expenditure (see below)		(101,879)
Family Health Services non-discretionary allocation		(123,313)
Endowment net expenditure		3,902
Associates and joint ventures accounted for on an equity basis		(18,317)
<b>Total core expenditure</b>		<b>2,159,176</b>
Core Revenue Resource Limit		2,160,504
<b>Saving/(excess) against Core Revenue Resource Limit</b>		<b>1,328</b>

**SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN**

Capital Grants to / (from) Other Bodies	94	
Depreciation / Amortisation	39,595	
Annually Managed Expenditure – Impairments	(9,230)	
Annually Managed Expenditure - Creation of Provisions	4,929	
Annually Managed Expenditure – Depreciation of Donated Assets	957	
Annually Managed Expenditure - fair value adjustments	25	
Additional Scottish Government non-core funding	11,268	
Donated assets income	(476)	
IFRS PFI Expenditure	45,105	
Right of Use (RoU) Asset Depreciation	9,500	
Right of Use (RoU) Peppercorn Leases Depreciation	112	
<b>Total Non-Core Expenditure</b>		<b>101,879</b>
Non Core Revenue Resource Limit		101,879
<b>Saving/(excess) against Non-Core Revenue Resource Limit</b>		<b>0</b>

**SUMMARY RESOURCE OUTTURN**

	Resource £'000	Expenditure £'000	Saving / (Excess) £'000
Core	2,160,504	2,159,176	1,328
Non-Core	101,879	101,879	0
<b>Total</b>	<b>2,262,383</b>	<b>2,261,055</b>	<b>1,328</b>

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

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

2023 £'000	Expenditure Not Paid In Cash	Note	2024 £'000
47,174	Depreciation on Purchased Assets	7a	51,252
653	Amortisation	6	775
957	Depreciation on Donated Assets	7a	957
8,751	Depreciation of Right of Use (RoU) Assets	17b	9,612
0	Right of Use (RoU) Remeasurement (gain)/loss	17b	0
253	Impairments on PPE charged to SOCNE		9,182
(16,784)	Net revaluation on PPE charged to SOCNE		(12,951)
8	Loss/(Profit) on disposal of property, plant, and equipment		0
(342)	Funding of Donated assets	7a	(476)
48,717	IJB joint venture share	SoCNE	18,317
647	GP Loans fair value adjustment	10	25
0	Other non-cash transactions DOH assets		3,073
4,034	Other non-cash transactions (profit) / loss on investments		(6,346)
<b>94,068</b>	<b>Total Expenditure Not Paid In Cash</b>	<b>CFS</b>	<b>73,420</b>

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

<b>Interest Payable</b>			
42,160	PFI Finance Lease charges allocated in year	18b	29,920
434	Lease interest	17b	463
27	Unwinding of Discount		(42)
<b>42,621</b>	<b>Net interest payable</b>	CFS	<b>30,341</b>

**Consolidated movement in working capital**

<b>2023</b>			<b>Opening Balances</b>	<b>Closing Balances</b>	<b>Net Movement</b>
<b>£'000</b>		<b>Note</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>INVENTORIES</b>					
303	Balance Sheet	8	22,507	24,408	
<b>303</b>	<b>Net Decrease/(Increase)</b>				<b>(1,901)</b>
<b>TRADE AND OTHER RECEIVABLES</b>					
(81,924)	Due within one year	9	151,985	125,247	
(2,393)	Due after more than one year	9	84,723	89,979	
(79,531)			236,708	215,226	
0	Less: Property, Plant & equipment included in above		0	0	
			236,708	215,226	
<b>(79,531)</b>	<b>Net Decrease/(Increase)</b>				<b>21,482</b>
<b>TRADE AND OTHER PAYABLES</b>					
(32,754)	Due within one year	12	440,367	394,782	
23,889	Due after more than one year	12	381,229	455,051	
4,018	Less: Property, Plant & Equipment (Capital) included in above		(19,320)	(7,601)	
(5,265)	Less: General Fund Creditor included in above	12	(17,088)	(42,645)	
(23,499)	Less: Lease and PFI Creditors included in above	12	(397,179)	(488,245)	
			388,009	311,342	
<b>(33,611)</b>	<b>Net (Decrease)/Increase</b>				<b>(76,667)</b>
<b>PROVISIONS</b>					
43,521	Statement of Financial Position	13a	293,175	306,106	
			293,175	306,106	
<b>43,521</b>	<b>Net (Decrease)/Increase</b>				<b>12,931</b>
<b>(69,318)</b>	<b>NET MOVEMENT Decrease/(Increase)</b>	CFS			<b>(44,155)</b>

# NHS Lothian

## Annual Report and Accounts for the Year ended 31<sup>st</sup> March 2024

### 3. EXPENDITURE

#### 3a. Staff Costs

Consolidated 2023 £'000		Board 2024 £'000	Consolidated 2024 £'000
347,414	Medical and Dental	380,330	380,330
574,469	Nursing	615,087	615,087
485,703	Other Staff	547,589	547,589
<u>1,407,586</u>	<b>Total</b>	<u>1,543,006</u>	<u>1,543,006</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:

Consolidated 2023 £'000		Board 2024 £'000	Consolidated 2024 £'000
159,807	General Medical Services	163,240	163,240
45,086	Pharmaceutical Services	45,012	45,012
73,057	General Dental Services	72,702	72,702
17,520	General Ophthalmic Services	19,723	19,723
<u>295,470</u>	<b>Total</b>	<u>300,677</u>	<u>300,677</u>

##### Drugs and Medical Supplies:

Consolidated 2023 £'000		Board 2024 £'000	Consolidated 2024 £'000
175,315	Prescribed drugs Primary Care	186,003	186,003
151,449	Prescribed drugs Secondary Care	163,292	163,292
2,878	PPE and testing kits	1,497	1,497
111,726	Medical Supplies	119,333	119,333
<u>441,368</u>	<b>Total</b>	<u>470,125</u>	<u>470,125</u>

##### Other health care expenditure:

Consolidated 2023 £'000		Board 2024 £'000	Consolidated 2024 £'000
1,061,468	Contribution to Integration Joints Boards	1,192,777	1,192,777
16,962	Other NHS Scotland Bodies	20,785	20,785
871	Health Bodies outside Scotland	2,583	2,583
5,590	Private sector	5,018	5,018
19,270	Goods and services from voluntary organisations	18,636	18,636
126,687	Resource Transfer	125,362	125,362
15	Loss on disposal of assets	79	79
401,907	Other operating expenses	347,229	347,229
339	Statutory audit fee	360	360
6,898	Endowment Fund expenditure		3,623
<u>1,640,007</u>	<b>Total</b>	<u>1,712,829</u>	<u>1,716,452</u>
<u>2,376,845</u>	<b>Total Other Operating Expenditure</b>	<u>2,483,631</u>	<u>2,487,254</u>

Other operating expenses includes property related costs £66m, PFI unitary charge payments £87m, depreciation and amortisation £60m, Clinical negligence and CNORIS (note 13) £29m, E-health costs £24m and equipment related (including maintenance) £27m.

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

**4. INCOME**

Consolidated			Board	Consolidated
2023			2024	2024
£'000	NHS Scotland Bodies	Note	£'000	£'000
1,458	Income from Scottish Government		4,077	4,077
309,563	Income from other NHS Scotland bodies		335,565	335,565
3,816	Income from NHS non-Scottish bodies		4,445	4,445
771	Income from private patients		875	875
1,140,456	Income for services commissioned by Integration Joint Board		1,215,043	1,215,043
11,251	Patient charges for primary care		11,323	11,323
775	Donations		638	638
7	Profit on disposal of assets		22	22
41,954	Contributions in respect of clinical and medical negligence claims		12,735	12,735
117	Interest received	CFS	8	8
<b>Non NHS:</b>				
457	Overseas patients		765	765
1,995	Endowment Fund Income			7,525
80,957	Other		56,773	56,773
<b>1,593,577</b>	<b>Total Income</b>	SOCNE	<b>1,642,269</b>	<b>1,649,794</b>

**5. SEGMENTAL**

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

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

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

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

	University Hospitals Support Services	Partnership Business Units	Corporate	Endowments	East Lothian IJB	Edinburgh IJB	Midlothian IJB	West Lothian IJB	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net operating cost 2023/24</b>	1,026,821	557,683	799,864	(3,902)	2,889	8,006	6,179	1,243	<b>2,398,783</b>
<b>Net operating cost 2022/23</b>	945,963	466,781	773,207	4,903	5,083	29,063	5,178	9,393	<b>2,239,571</b>

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

**6. INTANGIBLE ASSETS**

	Note	Software Licences £'000	IT – Software £'000	Total £'000
<b>Cost or Valuation:</b>				
As at 1 April 2023		6,074	0	6,074
Additions		2,170	3,843	6,013
Disposals		0	0	0
<b>As at 31 March 2024</b>		<b>8,244</b>	<b>3,843</b>	<b>12,087</b>
<b>Amortisation</b>				
As at 1 April 2023		5,008	0	5,008
Provided during the year		695	80	775
Disposals		0	0	0
<b>At 31 March 2024</b>		<b>5,703</b>	<b>80</b>	<b>5,783</b>
<b>Net Book Value at 1 April 2023</b>		<b>1,066</b>	<b>0</b>	<b>1,066</b>
<b>Net Book Value at 31 March 2024</b>	SoFP	<b>2,541</b>	<b>3,763</b>	<b>6,304</b>

**PRIOR YEAR – CONSOLIDATED**

	Note	Software Licences £'000	IT – Software £'000	Total £'000
<b>Cost or Valuation:</b>				
As at 1 April 2022		20,425	0	20,425
Additions		615		615
Disposals		(14,966)		(14,966)
<b>As at 31 March 2023</b>		<b>6,074</b>	<b>0</b>	<b>6,074</b>
<b>Amortisation</b>				
As at 1 April 2022		19,321	0	19,321
Provided during the year		653		653
Disposals		(14,966)		(14,966)
<b>At 31 March 2023</b>		<b>5,008</b>	<b>0</b>	<b>5,008</b>
<b>Net Book Value at 1 April 2022</b>		<b>1,104</b>	<b>0</b>	<b>1,104</b>
<b>Net Book Value at 31 March 2023</b>	SoFP	<b>1,066</b>	<b>0</b>	<b>1,066</b>

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024

7a) PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED

	Note	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
<b>Cost or valuation</b>										
At 1 April 2023		62,912	959,042	1,175	132	214,629	40,184	249	64,068	1,342,391
Additions - Purchased		0	0	0	0	0	0	0	19,703	19,703
Additions – Donated		0	0	0	0	0	0	0	476	476
Completions		0	10,553	0	0	21,342	2,143	74	(34,112)	0
Asset Transfers (to)/from other SG Consolidation Entries		0	1,869	0	0	2,893	0	0	0	4,762
Revaluations		357	36,726	0	0	(927)	0	0	0	36,156
Impairment Charges		0	0	0	0	0	0	0	(9,182)	(9,182)
Disposals – Purchased		0	0	0	0	(2,680)	0	0	0	(2,680)
Disposals – Donated		0	0	0	0	(174)	0	0	0	(174)
<b>At 31 March 2024</b>		<b>63,269</b>	<b>1,008,190</b>	<b>1,175</b>	<b>132</b>	<b>235,083</b>	<b>42,327</b>	<b>323</b>	<b>40,953</b>	<b>1,391,452</b>
<b>Depreciation</b>										
At 1 April 2023		0	44,384	23	79	128,714	22,034	185	0	195,419
Provided during the year – purchased		0	28,363	56	8	17,068	5,746	11	0	51,252
Provided during the year – donated		0	591	0	0	343	23	0	0	957
Asset Transfers (to)/from other SG Consolidation Entries		0	34	0	0	1,657	0	0	0	1,691
Revaluations		0	(14,924)	0	0	(444)	0	0	0	(15,368)
Disposals – Purchased		0	0	0	0	(2,601)	0	0	0	(2,601)
Disposals – Donated		0	0	0	0	(174)	0	0	0	(174)
<b>At 31 March 2024</b>		<b>0</b>	<b>58,448</b>	<b>79</b>	<b>87</b>	<b>144,563</b>	<b>27,803</b>	<b>196</b>	<b>0</b>	<b>231,176</b>
<b>Net book value at 1 April 2023</b>		62,912	914,658	1,152	53	85,915	18,150	64	64,068	1,146,972
<b>Net book value at 31 March 2024</b>	SoFP	<b>63,269</b>	<b>949,742</b>	<b>1,096</b>	<b>45</b>	<b>90,520</b>	<b>14,524</b>	<b>127</b>	<b>40,953</b>	<b>1,160,276</b>
<b>Open Market Value of Land, buildings and Dwellings Included Above</b>		<b>10,550</b>		<b>0</b>						
<b>Asset financing:</b>										
Owned – purchased		63,269	423,854	1,096	44	89,687	14,401	127	40,221	632,700
Owned – donated		0	17,314	0	1	832	123	0	731	19,002
On-balance sheet PFI contracts		0	508,574	0	0	0	0	0	1	508,574
<b>Net Book Value at 31 March 2024</b>	SoFP	<b>63,269</b>	<b>949,742</b>	<b>1,096</b>	<b>45</b>	<b>90,520</b>	<b>14,524</b>	<b>127</b>	<b>40,953</b>	<b>1,160,276</b>

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

	Note	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
<b>Cost or valuation</b>										
At 1 April 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 <sup>1</sup>		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)
<b>At 31 March 2023</b>		<b>62,912</b>	<b>959,042</b>	<b>1,175</b>	<b>132</b>	<b>214,629</b>	<b>40,184</b>	<b>249</b>	<b>64,068</b>	<b>1,342,391</b>
<b>Depreciation</b>										
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 <sup>1</sup>		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)
<b>At 31 March 2023</b>		<b>0</b>	<b>44,384</b>	<b>23</b>	<b>79</b>	<b>128,714</b>	<b>22,034</b>	<b>185</b>	<b>0</b>	<b>195,419</b>
<b>Net book value at 1 April 2022</b>		61,210	867,109	923	23	82,947	16,405	3	67,296	1,095,916
<b>Net book value at 31 March 2023</b>	SoFP	<b>62,912</b>	<b>914,658</b>	<b>1,152</b>	<b>53</b>	<b>85,915</b>	<b>18,150</b>	<b>64</b>	<b>64,068</b>	<b>1,146,972</b>
<b>Open Market Value of Land, buildings and Dwellings Included Above</b>		<b>9,750</b>		<b>0</b>						
<b>Asset financing:</b>										
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
<b>Net Book Value at 31 March 2023</b>	SoFP	<b>62,912</b>	<b>914,658</b>	<b>1,152</b>	<b>53</b>	<b>85,915</b>	<b>18,150</b>	<b>64</b>	<b>64,068</b>	<b>1,146,972</b>

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

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

2023			2024
£'000	Net book value of Property, plant, and equipment at 31 March	Note	£'000
1,128,223	Purchased		1,141,274
18,749	Donated		19,002
<b>1,146,972</b>	<b>Total</b>	SoFP	<b>1,160,276</b>
9,750	Net book value related to land valued at open market value at 31 March		9,950
	Net book value related to buildings valued at the open market value at 31 March		600
	<b>Total value of assets held under:</b>		
	Finance Leases		0
498,269	PFI and PPP Contracts		508,575
<b>498,269</b>			<b>508,575</b>
	<b>Total depreciation charged in respect of assets held under:</b>		
0	Finance leases		0
11,761	PFI and PPP contracts		12,432
<b>11,761</b>			<b>12,432</b>

In line with the Board's revaluation policy a sample was revalued by an independent valuer, Avison Young, as at 31/03/2024 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 £51.524m (2022/23: an increase of £61.762m) which was credited to the revaluation reserve. Impairment reversal of £3.769m (2022/23 £16.531m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource.

7d) ANALYSIS OF CAPITAL EXPENDITURE

2023			2024
£'000	EXPENDITURE	Note	£'000
615	Acquisition of Intangible Assets	6	6,013
42,940	Acquisition of Property, plant, and equipment	7a	19,703
342	Donated Asset Additions	7a	476
1,307	GP Loans advances	10	162
8,767	Right of Use (RoU) Additions	17a	6,120
	Right of Use (RoU) Dilapidations		0
<b>53,971</b>	<b>Gross Capital Expenditure</b>		<b>32,474</b>
	<b>INCOME</b>		
15	Net book value of disposal of Property, plant, and equipment	7a	79
0	Net book value of disposal of Donated Assets	7a	0
0	Value of disposal of non-current assets held for sale	7b	0
0	Right of Use Disposals		0
119	HUB – repayment of investment		231
<b>134</b>	<b>Capital Income</b>		<b>310</b>
<b>53,837</b>	<b>Net Capital Expenditure</b>		<b>32,164</b>

2023 SUMMARY OF CAPITAL RESOURCE OUTTURN

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

2023		Core	Non Core	2024
				Total
53,837	Net capital expenditure as above	31,526	638	32,164
53,837	Capital Resource Limit	31,526	638	32,164
<b>0</b>	<b>Saving/(excess) against Capital Resource Limit</b>	<b>0</b>	<b>0</b>	<b>0</b>

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

**8. INVENTORY**

2023 £'000		Note	2024 £'000
22,507	Raw Materials and Consumables		24,408
<b>22,507</b>	<b>Total Inventories</b>	SoFP	<b>24,408</b>

**9. TRADE AND OTHER RECEIVABLES**

Consolidated 2023 £'000	Board 2023 £'000		Note	Consolidated 2024 £'000	Board 2024 £'000
		<b>Receivables due within one year</b>			
		<b>NHS Scotland</b>			
		Scottish Government Health & Social Care			
625	625	Directorate		586	586
51,555	51,555	Boards		20,820	20,820
<b>52,180</b>	<b>52,180</b>	<b>Total NHS Scotland Receivables</b>		<b>21,406</b>	<b>21,406</b>
4,430	4,430	NHS Non-Scottish Bodies		2,522	2,522
3,209	3,209	VAT recoverable		1,389	1,389
17,318	17,318	Prepayments		27,059	27,059
14,581	14,581	Accrued income		11,151	11,151
5,179	4,961	Other Receivables		5,994	5,819
50,039	50,039	Reimbursement of provisions		52,996	52,996
5,049	5,049	Other Public Sector Bodies		2,730	2,730
<b>151,985</b>	<b>151,767</b>	<b>Total Receivables due within one year</b>	SoFP	<b>125,247</b>	<b>125,072</b>
		<b>Receivables due after more than one year</b>			
834	834	Prepayments		1,044	1,044
3	3	Other Receivables		3	3
83,886	83,886	Reimbursement of Provisions		88,932	88,932
<b>84,723</b>	<b>84,723</b>	<b>Total Receivables due after more than one year</b>	SoFP	<b>89,979</b>	<b>89,979</b>
<b>236,708</b>	<b>236,490</b>	<b>TOTAL RECEIVABLES</b>		<b>215,226</b>	<b>215,051</b>
5,012	5,012	The total receivables figure above includes a provision for bad debts of :		6,019	6,019

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

Consolidated 2023 £'000	Board 2023 £'000		Consolidated 2024 £'000	Board 2024 £'000
4,895	4,895	At 1 April	5,012	5,012
4,919	4,919	Provision for receivables impairment	6,132	6,132
(116)	(116)	Receivables written off during the year as uncollectable	(179)	(179)
(4,686)	(4,686)	Unused amounts reversed	(4,946)	(4,946)
<b>5,012</b>	<b>5,012</b>	At 31 March	<b>6,019</b>	<b>6,019</b>

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**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

**10. INVESTMENTS**

Consolidated 2023 £'000	Board 2023 £'000		Note	Consolidated 2024 £'000	Board 2024 £'000
36,959	0	UK equities & investment trusts		36,881	0
36,463	0	Non UK equities & investment trusts		43,794	0
5,225	0	Fixed Interest securities		7,115	0
5,613	2,751	Other		4,079	2,657
<b>84,260</b>	<b>2,751</b>	<b>TOTAL</b>	SoFP	<b>91,870</b>	<b>2,657</b>
90,636	2,210	At 1 April		84,260	2,751
10,618	0	Additions	CFS	10,327	0
1,307	1,307	GP Loans advances		162	162
(13,622)	(119)	Disposals		(9,200)	(231)
(647)	(647)	GP Loans Fair Value Adjustment		(25)	(25)
(4,032)	0	Revaluation (deficit)/surplus transferred to equity	2a	6,346	0
<b>84,260</b>	<b>2,751</b>	At 31 March		<b>91,870</b>	<b>2,657</b>
84,260	2,751	Current	SoFP	91,870	2,657
<b>84,260</b>	<b>2,751</b>	Non-current	SoFP	<b>91,870</b>	<b>2,657</b>
		At 31 March		<b>91,870</b>	<b>2,657</b>
		Other Financial Assets available for sale comprise:			
	<b>33</b>	Loans to Hub South East Scotland Limited			<b>33</b>
	<b>33</b>				<b>33</b>

The 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 2023/24 there were investments of £87,791k and cash awaiting investment £207k. The NHS Lanarkshire share was 5.29% 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.

# NHS Lothian

## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024

### 11. CASH AND CASH EQUIVALENTS

	Note	At 01/04/23 £'000	Cash Flow £'000	At 31/03/24 £'000
Government Banking Service account balance		3,173	39,395	42,568
Cash at bank and in hand		13,915	(13,838)	77
Endowments		6,146	(3,023)	3,123
<b>Total cash – balance sheet</b>	SoFP	<b>23,234</b>	<b>22,534</b>	<b>45,768</b>
<b>Prior Year</b>		<b>At 01/04/22 £'000</b>	<b>Cash Flow £'000</b>	<b>At 31/03/23 £'000</b>
Government Banking Service account balance		11,737	(8,564)	3,173
Cash at bank and in hand		86	13,829	13,915
Endowment cash		4,372	1,774	6,146
<b>Total cash – balance sheet</b>	SoFP	<b>16,195</b>	<b>7,039</b>	<b>23,234</b>

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

### 12. TRADE AND OTHER PAYABLES

Consolidated 2023 £'000	Board 2023 £'000		Note	Consolidated 2024 £'000	Board 2024 £'000
<b>Payables due within one year</b>					
<b>NHS Scotland</b>					
0	0	Scottish Government Health & Social Care Directorate		0	0
10,463	10,463	Boards		4,367	4,367
<b>10,463</b>	<b>10,463</b>	<b>Total NHS Scotland Payables</b>		<b>4,367</b>	<b>4,367</b>
709	709	NHS Non-Scottish Bodies		1,244	1,244
17,088	17,088	General Fund Payable		42,645	42,645
31,822	31,822	FHS Practitioners		31,007	31,007
6,394	6,394	Trade Payables		4,541	4,541
165,893	163,704	Accruals		121,398	118,473
25,947	25,947	Deferred Income		34,805	34,805
8,025	8,025	Net obligations under leases	17b	8,808	8,808
18,273	18,273	Net obligations under PPP/PFI Contracts	18b	32,263	32,263
29,627	29,627	Income tax and social security		32,031	32,031
22,498	22,498	Superannuation		26,713	26,713
40,153	40,153	Other Public Sector Bodies		17,915	17,915
17,961	17,961	Other payables		6,033	6,033
37,740	37,740	Employee Benefits		21,624	21,624
1,787	1,787	Pay and Conditions Accrual		1,787	1,787
5,987	5,987	Capital Accruals		7,601	7,601
<b>440,367</b>	<b>438,178</b>	<b>Total Payables due within one year</b>	SoFP	<b>394,782</b>	<b>391,857</b>
<b>Payables due after more than one year</b>					
6,694	6,694	Net obligations under leases due within 2 years	17b	6,944	6,944
13,676	13,676	Net obligations under leases due after 2 years but within 5 years	17b	11,816	11,816
12,400	12,400	Net obligations under leases due after 5 years	17b	10,199	10,199
20,434	20,434	Net obligations under PPP/PFI Contracts due within 1-2 years	18b	33,671	33,671
		Net obligations under PPP/PFI Contracts due after 2 years but within 5 years	18b	82,090	82,090
73,658	73,658	Net obligations under PPP/PFI Contracts due after 5 years	18b	302,454	302,454
244,019	244,019	Deferred Income		0	0
5,018	5,018	Capital retentions		7,877	7,877
5,330	5,330				
<b>381,229</b>	<b>381,229</b>	<b>Total Payables due after more than one year</b>	SoFP	<b>455,051</b>	<b>455,051</b>
<b>821,596</b>	<b>819,407</b>	<b>TOTAL PAYABLES</b>		<b>849,833</b>	<b>846,908</b>

12. TRADE AND OTHER PAYABLES (continued)

Consolidated 2023 £'000	Board 2023 £'000		Consolidated 2024 £'000	Board 2024 £'000
		Borrowings included above comprise:		
40,795	40,795	Leases	37,767	37,767
356,384	356,384	PFI Contracts	450,478	450,478
<b>397,179</b>	<b>397,179</b>		<b>488,245</b>	<b>488,245</b>
		The carrying amount and fair value of the non-current borrowings are as follows:		
		<b>Carrying amount</b>		
32,770	32,770	Leases	28,959	28,959
338,111	338,111	PFI Contracts	418,215	418,215
<b>370,881</b>	<b>370,881</b>		<b>447,174</b>	<b>447,174</b>
		<b>Fair value</b>		
32,770	32,770	Leases	28,959	28,959
338,111	338,111	PFI Contracts	418,215	418,215
<b>370,881</b>	<b>370,881</b>		<b>447,174</b>	<b>447,174</b>

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

13a. PROVISIONS – CONSOLIDATED

2023 £'000		Pensions & similar obligations £'000	Clinical & Medical Negligence £'000	Participation in CNORIS £'000	Other £'000	2024 Total £'000
249,654	At 1 April 2023	17,595	128,761	140,746	6,073	293,175
80,115	Arising during the year	2,139	28,137	11,767	1,024	43,067
(19,453)	Utilised during the year	(1,680)	(3,679)	(8,119)	(445)	(13,923)
27	Unwinding of discount	(42)	0	0	0	(42)
(17,168)	Reversed unutilised	(225)	(15,240)	0	(706)	(16,171)
<b>293,175</b>	<b>At 31 March 2024</b>	<b>17,787</b>	<b>137,979</b>	<b>144,394</b>	<b>5,946</b>	<b>306,106</b>

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

Other provisions include an amount of £5,946k for non-medical CNORIS.

Analysis of expected timing of discounted cash flows:

2023 £'000		Pensions & similar obligations £'000	Clinical & Medical Negligence £'000	Participation in CNORIS £'000	Other £'000	2024 Total £'000
81,687	Payable within one year	1,722	48,273	36,098	5,896	91,989
160,601	Payable between 2 -5 years	0	77,481	87,791	50	165,322
10,274	Payable between 6 – 10 years	0	3,062	7,508	0	10,570
40,613	Thereafter	16,065	9,163	12,997	0	38,225
<b>293,175</b>	<b>At 31 March 2024</b>	<b>17,787</b>	<b>137,979</b>	<b>144,394</b>	<b>5,946</b>	<b>306,106</b>

**Pensions and similar obligations**

The board meets the additional cost of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the expected share of payments over the remaining lives of the former employees, discounted by the Treasury discount rate of 2.45% (2022/23: 1.70%). 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)**

2023 £'000		Note	2024 £'000
134,834	Provision recognising individual claims against the NHS Board as at 31 March	13a	143,925
(133,925)	Associated CNORIS receivable at 31 March	9	(141,928)
140,746	Provision recognising the NHS Board' liability from participating in the scheme at 31 March	13a	144,394
<b>141,655</b>	<b>Net Total Provision relating to CNORIS at 31 March</b>		<b>146,391</b>

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

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

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

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

Further information on the scheme can be found at: [CNORIS - Central Legal Office](#)

**14. CONTINGENT LIABILITIES**

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

<b>2023</b>		<b>2024</b>
<b>£'000</b>		<b>£'000</b>
115,117	Clinical and medical compensation payments	110,926
<u>422</u>	Other	<u>852</u>
115,539		111,778

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

<b>2023</b>		<b>2024</b>
<b>£'000</b>		<b>£'000</b>
(113,770)	Clinical and medical negligence contingent assets	(109,830)
(87)	Employer's liability	0

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.

As part of the 2023/24 Agenda for Change pay award it was agreed to conduct a review of Band 5 nursing roles. Within this review, Band 5 nurses will be able to apply for a review of their role from 1 April 2023 (earliest date from which the change can be applied) if they believe they meet the criteria and are operating consistently at a Band 6. As we are awaiting confirmation on the national process for undertaking this review, a reliable estimate of additional costs for 2023/24 cannot be made.

**Other non-quantifiable contingent liabilities**

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

**15. EVENTS AFTER THE REPORTING PERIOD**

Post balance sheet date NHS Lothian disposed of Marchhall. The asset was sold in a single transaction on 9th May 2024 for £2m to a private entity.

16. COMMITMENTS – CONSOLIDATED

(a) Capital Commitments

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

2023	2024
£'000	£'000
<b>Contracted</b>	
400 Medical Equipment	285
1 Lauriston Pharmacy	69
202 Paep Reprovision	4
34 Facilities Asset Replacement	0
145 NTC Development	6
3,620 Radiotherapy Replace Programme	0
1,331 Energy and Carbon Reduction	0
659 EV Charging Infrastructure	0
654 ICU Clinical Info System	0
248 Laboratory Information Management System	0
241 Other Commitments	262
0 Backlog Maintenance	188
0 Capital Steering Group Projects	3
0 Hsdu Trak and Traceability	277
<b>7,535</b>	<b>1,094</b>
<b>Authorised but not Contracted</b>	
397 Hsdu Trak And Traceability	0
600 Anti-Ligature Works	583
244 West Edin Primary Care Provision	243
3,901 Oncology Enabling Projects	247
2,167 ICU Clinical Info System	1,363
7,832 Energy Infrastructure Phase 2	2,678
1,015 Lauriston Pharmacy	1,066
64 EV Charging Infrastructure	403
2,228 Laboratory Information Management System	2,285
582 SJH Critical Care	0
827 Drumbrae	0
289 Other Schemes	1,763
0 Backlog Maintenance	7,000
0 Capital Steering Group Projects	1,000
0 Radiotherapy Replace Programme	4,076
0 Balfour Pavillion	213
0 Energy and Carbon Reduction	2,053
0 Simulation Suite	1,653
0 Digital Strategic Priorities	5,000
0 Shared Use Pathway	1,700
0 Medical Equipment	7,000
<b>20,146</b>	<b>40,326</b>
<b>Total</b>	<b>Total</b>

(b) Other financial commitments

The Board has no other financial commitments.

(c) Financial Guarantees, Indemnities and Letters of Comfort

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

17. RIGHT OF USE ASSETS (ROU)

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
<b>Cost or valuation</b>					
At 1 April 2023		47,411	3,031	8,175	58,617
Additions (include new dilapidation provisions)		652	4,056	1,412	6,120
Revaluations – Peppercorn leases		(50)	0	0	(50)
<b>At 31 March 2024</b>		<b>48,013</b>	<b>7,087</b>	<b>9,587</b>	<b>64,687</b>
<b>Depreciation</b>					
At 1 April 2023		9,632	1,282	1,910	12,824
Provided during the year - (include new dilapidation provisions)		5,840	1,991	1,670	9,501
Provided during the year - peppercorn leases		112	0	0	112
Revaluations		(104)	0	0	(104)
<b>At 31 March 2024</b>		<b>15,480</b>	<b>3,273</b>	<b>3,580</b>	<b>22,333</b>
<b>Net book value at 1 April 2023</b>		<b>37,779</b>	<b>1,749</b>	<b>6,265</b>	<b>45,793</b>
<b>Net book value at 31 March 2024</b>	SoFP	<b>32,533</b>	<b>3,814</b>	<b>6,007</b>	<b>42,354</b>

17b LEASE LIABILITIES

	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Total
Amounts falling due	£'000	£'000	£'000	£'000
Not later than one year	5,256	1,797	1,755	8,808
Later than one year, not later than 2 years	4,109	1,341	1,494	6,944
Later than two year, not later than five years	9,313	722	1,781	11,816
Later than five years	9,177	0	1,022	10,199
Less: Unaccrued interest	0	0	0	0
<b>Balance at 31 March 2024</b>	<b>27,855</b>	<b>3,860</b>	<b>6,052</b>	<b>37,767</b>

Amounts recognised in the Statement of Comprehensive Net Expenditure

	Consolidated	Board
	£'000	£'000
Depreciation	9,612	9,612
Interest Expense	463	463
Non Recoverable VAT on lease payments	1,818	1,818
Low value and short term leases	1,657	1,657
Remeasurement of ROU assets - (gain)/loss charged to SOCNE	0	0
<b>Total</b>	<b>13,550</b>	<b>13,550</b>

Amounts recognised in the Statement of Cash Flows

	Consolidated	Board
	£'000	£'000
Interest Expense	463	463
Repayments of Principal of leases	9,648	9,648
<b>Total</b>	<b>10,111</b>	<b>10,111</b>

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	£140,991
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	£6,884
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	£9,094
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	£12,334
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	£60,133
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	£54,014
Royal Infirmary of Edinburgh	Acute teaching hospital facilities	01/11/01	30/05/53	£200,953
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	£20,388
Ellens Glen	This service provides 60 bedded facility for frail elderly and dementia patients.	01/10/96	29/11/29	£1,007
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	£1,603
Tippethill	This service provides 60 bedded facility for frail elderly and dementia patients at Whitburn	13/06/03	05/09/25	£1,175

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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## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024

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:

2023 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	2024 TOTAL	
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
58,491	payments due within 1 year	2,008	1,730	34,111	3,198	575	446	821	4,561	12,915	60,365	
58,491	Due within 1 to 2 years	1,499	1,730	34,111	3,198	575	446	821	4,562	12,915	59,857	
170,564	Due within 2 to 5 years	4,496	5,190	71,634	9,595	1,725	1,337	2,463	13,685	38,744	148,869	
511,499	Due after 5 years	2,966	19,894	162,881	40,560	7,707	6,029	11,150	70,327	172,209	493,723	
799,045	<b>Total</b>	10,969	28,544	302,737	56,551	10,582	8,258	15,255	93,135	236,783	762,814	
2023 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	2024 TOTAL	
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
(40,218)	payments due within 1 year	(916)	(815)	(9,908)	(2,173)	(401)	(188)	(490)	(3,388)	(9,823)	(28,102)	
(38,057)	Due within 1 to 2 years	(789)	(779)	(8,596)	(2,104)	(390)	(180)	(473)	(3,306)	(9,569)	(26,186)	
(96,906)	Due within 2 to 5 years	(1,690)	(2,101)	(17,918)	(5,849)	(1,089)	(491)	(1,310)	(9,370)	(26,961)	(66,779)	
(267,480)	Due after 5 years	(783)	(4,037)	(70,909)	(13,427)	(2,675)	(1,108)	(3,136)	(27,308)	(67,886)	(191,269)	
(442,661)	<b>Total</b>	(4,178)	(7,732)	(107,331)	(23,553)	(4,555)	(1,967)	(5,409)	(43,372)	(114,239)	(312,336)	
2023 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	2024 TOTAL
£000			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
18,273	payments due within 1 year	12	1,092	915	24,203	1,025	174	258	331	1,173	3,092	32,263
20,434	Due within 1 to 2 years	12	710	951	25,515	1,094	185	266	348	1,256	3,346	33,671
73,658	Due within 2 to 5 years	12	2,806	3,089	53,716	3,746	636	846	1,153	4,315	11,783	82,090
244,019	Due after 5 years	12	2,183	15,857	91,972	27,133	5,032	4,921	8,014	43,019	104,323	302,454
356,384	<b>Total</b>		6,791	20,812	195,406	32,998	6,027	6,291	9,846	49,763	122,544	450,478
2023 TOTAL	Service elements due in future periods		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	2024 TOTAL
£000			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
0	payments due within 1 year		0	0	0	1,317	205	171	298	1,786	4,197	7,974
0	Due within 1 to 2 years		0	0	0	1,317	205	171	298	1,786	4,197	7,974
0	Due within 2 to 5 years		0	0	0	3,951	614	512	895	5,359	12,590	23,921
0	Due after 5 years		0	0	0	16,702	2,742	2,254	4,048	27,539	55,961	109,246
0	<b>Total</b>		0	0	0	23,287	3,766	3,108	5,539	36,470	76,945	149,115
356,384	<b>Total commitments</b>		6,791	20,812	195,406	56,285	9,793	9,399	15,385	86,233	199,489	599,593

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.

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024

2023		2024
£'000		£'000
	<b>Imputed finance lease obligation under on-balance-sheet PFI/PPP contracts</b>	
	<b>comprises:</b>	
58,491	Rentals due within 1 year	60,365
58,491	Rentals due within 1 to 2 years	59,857
170,564	Rentals due within 2 to 5 years	148,869
511,499	Rentals due thereafter	493,723
799,045		762,814
(442,661)	<b>Less interest element</b>	(312,336)
<b>356,384</b>	<b>Total</b>	<b>450,478</b>

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

2023		2024
£'000		£'000
26,289	Service charges	28,007
42,160	Interest charges on finance lease debt	29,920
16,358	Principal repayment	30,448
<b>84,807</b>	<b>Total</b>	<b>88,375</b>

Following IFRS16 transition for PFIs in 23/24 variable lease payments dependent on an index or rate are incorporated into the PFI liability as opposed to being expensed as contingent rent. Contingent rent is therefore no longer reported separately under IFRS 16 in 23/24. For 22/23 contingent rent was £8,397k.

**19. PENSION COSTS**

2023		2024
£'000		£'000
193,482	Pension cost charge for the year	212,504
17,595	Provisions/Liabilities/Pre-payments included in the Statement of Financial Position	17,787

The NHS Board participates in the NHS Pension 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 2020 and confirmed that an increase in the employer contribution rate from 14.9% to 20.9% was required from 1 April 2019 to 31 March 2023. The UK Government has confirmed that these rates will remain in place until 31 March 2024. Member pension contributions have continued at the same rates within a range of 5.2% to 14.7% and are anticipated to deliver a yield of 9.6%.

The NHS board has no liability for other employers' 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 £212.5m were payable to SPPA (2022/23 £193.5m) at the rate of 20.9% of pensionable pay for the period from 1 April 2023 (2022/23 20.9%). The employee rate applied is variable and is anticipated to provide an actuarial yield of 9.6% of pensionable pay.

While a valuation was carried out as at 31 March 2016, work on the cost cap valuation was suspended by the UK Government following the decision by the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that the transitional protections provided as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the

discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report’s findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

The NHS board level of participation in the scheme is 14.67% based on the proportion of employer contributions paid in 2022/23.

**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 2023-24 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 | 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.

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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

2023	AT 31 MARCH 2024		Financial assets at fair value through OCI	Financial assets at fair value through profit / loss	Total
£'000		Note	£'000	£'000	£'000
<b>Assets per Statement of Financial Position</b>					
84,260	Investments	10	0	91,870	91,870
29,242	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	22,400	0	22,400
23,234	Cash and cash equivalents	11	45,768	0	45,768
<b>136,736</b>			<b>68,168</b>	<b>91,870</b>	<b>160,038</b>
<b>Financial liabilities at amortised cost</b>					
<b>Total</b>	<b>Liabilities per Statement of Financial Position</b>	<b>Note</b>		<b>£'000</b>	<b>Total £'000</b>
40,795	Lease liabilities	12		37,767	37,767
356,384	PFI Liabilities	12		450,478	450,478
330,864	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12		263,672	263,672
<b>728,043</b>				<b>751,917</b>	<b>751,917</b>

Financial Instruments – Board

2023	AT 31 MARCH 2024		Financial assets at fair value through OCI	Financial assets at fair value through profit / loss	Total
£'000		Note	£'000	£'000	£'000
<b>Assets per Statement of Financial Position</b>					
2,751	Investments	10	0	2,657	2,657
29,024	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	22,225	0	22,225
17,088	Cash and cash equivalents	11	42,645	0	42,645
<b>48,863</b>			<b>64,870</b>	<b>2,657</b>	<b>67,527</b>
<b>Financial liabilities at amortised cost</b>					
<b>Total</b>	<b>Liabilities per Statement of Financial Position</b>	<b>Note</b>		<b>£'000</b>	<b>Total £'000</b>
40,795	Lease liabilities	12		37,767	37,767
356,384	PFI Liabilities	12		450,478	450,478
328,675	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12		260,747	260,747
<b>725,854</b>				<b>748,992</b>	<b>748,992</b>

Financial Risk Factors

Exposure to Risk

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

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

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.

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>TOTAL</b>
PFI Liabilities	32,266	33,671	82,091	302,454	450,482
Lease liabilities	5,256	4,109	9,313	9,177	27,855
Trade and other payables excluding statutory liabilities	209,010			5,330	214,340
<b>At 31 March 2024 (£'000)</b>	<b>246,532</b>	<b>37,780</b>	<b>91,404</b>	<b>316,961</b>	<b>692,677</b>
<b>At 31 March 2023 (£'000)</b>	<b>357,277</b>	<b>27,128</b>	<b>87,334</b>	<b>256,419</b>	<b>728,158</b>

**iii) Market Risk**

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

**Cash flow and fair value interest risk**

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

**Foreign Currency Risk**

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

**Price risk**

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

**Fair Value Estimation**

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

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

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

**22. DERIVATIVE FINANCIAL INSTRUMENTS**

At 31 March 2024 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 2024.

**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 2023 £'000	Gross Inflows £'000	Gross Outflows £'000	At 31 March 2024 £'000
Bank balances and monies on deposit	1,009	870	(1,020)	860
Total Monetary Assets	<b>1,009</b>	<b>870</b>	<b>(1,020)</b>	<b>860</b>

**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 2023/24 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	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contribution made to IJB from NHS Lothian	157,812	142,908	659,729	583,510	129,168	116,218	246,005	218,832
Commissioning Income received from IJB	(161,940)	(153,357)	(671,246)	(636,630)	(134,242)	(122,661)	(247,615)	(227,808)
IJB balance due (to)/from NHS Lothian in year	(4,128)	(10,449)	(11,454)	(53,120)	(5,074)	(6,443)	(1,610)	(8,976)
Overall Reserve Balance held by NHSL for IJBs	4,205	8,333	6,249	17,704	381	5,455	7,051	8,661

- 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 35) 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 23/24 the fund spent a total of £5.85m (2022/23: £4.92m), in support and in addition to, NHS funded supplies and services, including projects. In addition, NHS Lothian made payments to NHS Lothian Charity of £30k relating to property rents. NHS Lothian had a trading balance due from the Charity of £379,082 on 31 March 2024 (31 March 2023: £235,175).

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 2023/24 NHS Lothian Charity made payments to Music in Hospitals and Care that amounted to £30,720 (2022/23: £46,380). There is no outstanding balance due to / from Music in Hospital and Care and NHS Lothian Charity on 31 March 2024.

- c) The Board enters into transactions with other Scottish Government and United Kingdom Government agencies and publicly funded bodies (such as Councils and educational institutions) in the ordinary course of its operations. These transactions take place at arm's length. Scottish Ministers issue instructions and 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 35.

e) Spouse of Mr McCann who is a non-executive member of NHS Lothian is a Trustee / Director of the charity Move On. In 2023/24 NHS Lothian made payments to Move On in relation to a Capacity to Collaborate Grant Award that amounted to £18,875 (2022/23: £18,750). There is no outstanding balance due to / from Move On and NHS Lothian on 31 March 2024. This is year 2 of a 3-year funding commitment, with year 3 in 2024/25.

Spouse of Mr McCann is also a Trustee with the charity Circle. In 2023/24 NHS Lothian made payments to Circle of £42,000 (2022/23 £nil). This payment relates to an SLA for the period March 2024 to February 2025, therefore only £3567 relates to 23/24 There is no outstanding balance due to / from Circle and NHS Lothian on 31 March 2024. This is a one-year agreement.

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 2023/24 NHS Lothian made payments to Spartans Community Football Academy in relation to a Capacity to Collaborate Grant Award that amounted to £18,875 (2022/23 £18,875). There is no outstanding balance due to / from Spartans Community Football Academy and NHS Lothian on 31 March 2024. This is year 2 of a 3-year funding commitment, with year 3 in 2024/25.

Website links to the Integration Joint Boards, NHS Lothian Charity and Members Declarations of Interest can be found in the Accountability Report on page 23.

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

**25. CONSOLIDATED STATEMENTS**

**STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE**

**(a) Consolidated SOCNE**

Consolidated		Note	Integrated Joint Board (Joint venture)							
			Board	Endowment	Intra Group adjustment	East	Edinburgh	Mid	West	Consolidated
2023			2024	2024	2024	2024	2024	2024	2024	2024
£'000			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Total income and expenditure</b>										
1,407,586	Staff costs	3	1,543,006	0	0	0	0	0	0	1,543,006
Other operating expenditure										
295,470	Independent Primary Care Services	3	300,677	0	0	0	0	0	0	300,677
441,368	Drugs and medical supplies		470,125	0	0	0	0	0	0	470,125
1,640,007	Other health care expenditure		1,712,829	6,923	(3,300)	0	0	0	0	1,716,452
3,784,431	Gross expenditure for the year		4,026,637	6,923	(3,300)	0	0	0	0	4,030,260
(1,593,577)	Less: operating income	4	(1,642,269)	(10,825)	3,300	0	0	0	0	(1,649,794)
48,717	Joint venture accounted for on an equity basis		0	0	0	2,889	8,006	6,179	1,243	18,317
<b>2,239,571</b>	<b>Net Expenditure</b>		<b>2,384,368</b>	<b>(3,902)</b>	<b>0</b>	<b>2,889</b>	<b>8,006</b>	<b>6,179</b>	<b>1,243</b>	<b>2,398,783</b>

The intercompany adjustments relate to removal of intercompany rental income to endowments from NHS Lothian £30k, and removal of grants to NHS Lothian £3,269k. Gains from Charity investments of £6,244k have been recognised in the endowment 'Operating income' line above.

NHS Lothian

Annual Report and Accounts for the Year ended 31<sup>st</sup> March 2024

Consolidated Statement of Financial Position

(b) Consolidated Statement of Financial Position

Consolidated 2023 £'000	Note	Integrated Joint Board (Joint Venture)								
		Board 2024 £'000	Endowments 2024 £'000	Intra Group adjustment 2024 £'000	East 2024 £'000	Edinburgh 2024 £'000	Mid 2024 £'000	West 2024 £'000	Consolidated 2024 £'000	
<b>Non-current assets:</b>										
1,146,972	Property, plant, and equipment	SoFP	1,160,276	0	0	0	0	0	0	1,160,276
1,066	Intangible assets	SoFP	6,304	0	0	0	0	0	0	6,304
45,793	Right of Use assets	SoFP	42,354	0	0	0	0	0	0	42,354
Financial assets:										
84,260	Investments	SoFP	2,657	89,213	0	0	0	0	0	91,870
29,303	Investments in Joint Ventures	25a	0	0	0	2,172	4,010	400	4,404	10,986
84,723	Trade and other receivables	SoFP	89,979	0	0	0	0	0	0	89,979
<b>1,392,117</b>	<b>Total non-current assets</b>		<b>1,301,570</b>	<b>89,213</b>	<b>0</b>	<b>2,172</b>	<b>4,010</b>	<b>400</b>	<b>4,404</b>	<b>1,401,769</b>
<b>Current Assets:</b>										
22,507	Inventories	SoFP	24,408	0	0	0	0	0	0	24,408
Financial assets:										
151,985	Trade and other receivables	SoFP	125,072	175	0	0	0	0	0	125,247
23,234	Cash and cash equivalents	SoFP	42,645	3,123	0	0	0	0	0	45,768
	Investments	SoFP	0	0	0	0	0	0	0	0
	Assets classified as held for sale	SoFP	0	0	0	0	0	0	0	0
<b>197,726</b>	<b>Total current assets</b>		<b>192,126</b>	<b>3,298</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>195,423</b>
<b>1,589,843</b>	<b>Total assets</b>		<b>1,493,695</b>	<b>92,511</b>	<b>0</b>	<b>2,172</b>	<b>4,010</b>	<b>400</b>	<b>4,404</b>	<b>1,597,192</b>
<b>Current liabilities</b>										
(81,687)	Provisions	SoFP	(91,989)	0	0	0	0	0	0	(91,989)
Financial liabilities:										
(440,367)	Trade and other payables	SoFP	(391,857)	(2,925)	0	0	0	0	0	(394,782)
<b>(522,054)</b>	<b>Total current liabilities</b>		<b>(483,846)</b>	<b>(2,925)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(486,771)</b>
<b>1,067,789</b>	<b>Non-current assets plus/(less) net current assets/(liabilities)</b>		<b>1,009,849</b>	<b>89,586</b>	<b>0</b>	<b>2,172</b>	<b>4,010</b>	<b>400</b>	<b>4,404</b>	<b>1,110,421</b>

**NHS Lothian**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**

	<b>Non-current liabilities</b>								
(211,488)	Provisions	SoFP	(214,117)	0	0	0	0	0	(214,117)
	Financial liabilities:								
(381,229)	Trade and other payables	SoFP	(455,051)	0	0	0	0	0	(455,051)
<b>(592,717)</b>	<b>Total non-current liabilities</b>		<b>(669,168)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(669,168)</b>
<b>475,072</b>	<b>Assets less liabilities</b>		<b>340,681</b>	<b>89,586</b>	<b>0</b>	<b>2,172</b>	<b>4,010</b>	<b>400</b>	<b>441,253</b>
	<b>Taxpayers' Equity</b>								
83,699	General fund	SoFP	35,280	0	0	0	0	0	35,280
276,386	Revaluation reserve	SoFP	305,401	0	0	0	0	0	305,401
29,303	Joint venture reserves	SoFP	0	0	0	2,172	4,010	400	10,986
85,684	Funds held on Trust	SoFP	0	89,586	0	0	0	0	89,586
<b>475,072</b>	<b>Total taxpayers' equity</b>		<b>340,681</b>	<b>89,586</b>	<b>0</b>	<b>2,172</b>	<b>4,010</b>	<b>400</b>	<b>441,253</b>

CONSOLIDATED STATEMENT OF CASHFLOWS

(c) Consolidated Cashflows

Consolidated 2023 £'000	Cash flows from operating activities	Board 2024 £'000	Endowment 2024 £'000	Integration joint board 2024 £'000	Consolidated 2024 £'000
(2,239,571)	Net operating cost	(2,384,368)	3,902	(18,317)	(2,398,783)
94,068	Adjustments for non-cash transactions	61,449	(6,346)	18,317	73,420
42,621	Add back: interest payable recognised in net operating cost	30,341	0	0	30,341
(117)	Deduct: interest receivable recognised in net operating cost	(8)	0	0	(8)
(2,002)	Investment income	0	(2,283)	0	(2,283)
(69,318)	Movement in working capital	(44,935)	780	0	(44,155)
<b>(2,174,319)</b>	<b>Net cash outflow from operating activities</b>	<b>(2,337,521)</b>	<b>(3,947)</b>	<b>0</b>	<b>(2,341,468)</b>
	<b>Cash flows from investing activities</b>				
(46,958)	Purchase of property, plant, and equipment	(31,422)	0	0	(31,422)
(615)	Purchase of intangible assets	(6,013)	0	0	(6,013)
(11,925)	Investment Additions	(162)	(10,327)	0	(10,489)
0	Transfer of assets to/(from) other NHS Bodies	(3,071)	0	0	(3,071)
126	Proceeds of disposal of property, plant, and equipment	310	0	0	310
13,502	Receipts from sale of investment	0	8,968	0	8,968
2,119	Interest and dividends received	8	2,283	0	2,291
<b>(43,751)</b>	<b>Net cash outflow from investing activities</b>	<b>(40,350)</b>	<b>924</b>	<b>0</b>	<b>(39,426)</b>
	<b>Cash flows from financing activities</b>				
2,286,996	Funding	2,434,482	0	0	2,434,482
5,265	Movement in general fund working capital	25,557	0	0	25,557
2,292,261	Cash drawn down	2,460,039	0	0	2,460,039
(17,296)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(26,270)	0	0	(26,270)
(7,235)	IFRS16 – 2022-23 cash lease payment	0	0	0	0
(27)	Interest paid	42	0	0	42
(42,594)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(30,383)	0	0	(30,383)
<b>2,225,109</b>	<b>Net Financing</b>	<b>2,403,428</b>	<b>0</b>	<b>0</b>	<b>2,403,428</b>
7,039	<b>Net Increase / (decrease) in cash and cash equivalents in the period</b>	25,557	(3,023)	0	22,534
16,195	<b>Cash and cash equivalents at the beginning of the period</b>	17,088	6,146	0	23,234
<b>23,234</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>42,645</b>	<b>3,123</b>	<b>0</b>	<b>45,768</b>
	<b>Reconciliation of net cash flow to movement in net debt/cash</b>				
7,039	Increase/(decrease) in cash in year	25,557	(3,023)	0	22,534
16,195	Net debt/cash at 1 April	17,088	6,146	0	23,234
<b>23,234</b>	<b>Net debt/cash at 31 March</b>	<b>42,645</b>	<b>3,123</b>	<b>0</b>	<b>45,768</b>

## DIRECTIONS BY THE SCOTTISH MINISTERS

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

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

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

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

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

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

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

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

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

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

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

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

Signed by the authority of the Scottish Ministers

Dated 22 March 2022