



Annual Report and Accounts

Year ended 31st March 2020

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ANNUAL REPORT

SECTION A: THE PERFORMANCE REPORT

Lothian NHS Board provides healthcare for the residents of the local authority areas of East Lothian, Edinburgh, Midlothian and West Lothian, as well as a wide range of specialist services for people from across Scotland. The Board prepares and agrees an Annual Operational Plan with the Scottish Government, and this details our approach to improving outcomes for the people we serve. The organisation is generally known as NHS Lothian. NHS Lothian takes forward its role by working with integration joint boards, community planning partnerships, other NHS bodies, and other organisations in the public sector.

Within Lothian there is also an integration joint board (IJB) for each local authority area. The IJBs are responsible for their delegated “integration functions”, which are essentially adult social care, all adult community health care and some hospital services for adults. The NHS Board also delegated to IJBs the responsibility for some services to people who are under 18 years of age.

This Performance Report summarises information about NHS Lothian, its key issues, and how it has performed during 2019/20. You can find out more about how NHS Lothian operates by looking at its website:

<https://org.nhslothian.scot/Pages/default.aspx>

A Statement from our Chief Executive, Tim Davison

I would like to start with a big thank you. I will be retiring in August 2020. I would like to thank my board, my leadership team and the wider staff body in NHS Lothian for their unfailing support in what many recognise is a pretty demanding and often unforgiving role. These annual accounts give a flavour of what the whole organisation does, its achievements, and the issues and challenges which we are taking forward together. However the accounts are just a snapshot, and could never adequately capture the impact our staff have on people’s lives through the provision of care and services. I wish them all success and happiness.

I would also like to specifically thank Brian Houston, who stood down as the Board Chair at the end of January. He has been a fantastic chairman, highly visible in his role and bringing to us a wealth of useful and relevant insight and experience from his previous, highly successful career. Over the last seven years he has led the board with intelligent curiosity, rigour and vision, championing an innovation and quality agenda and supporting a kinder, values-based culture

2019/20 has been another very busy year. We have made progress on a number of key areas such as:

- Leadership development
- Organisational culture and values.
- Quality management
- Data-driven innovation
- Creation of a data loch
- Experimenting with using robotics and artificial intelligence
- Improving sustainability within primary care.

Two key issues dominated most of 2019/20. One issue was the delay of the move to the new facility for the Royal Hospital for Children & Young People, Department of Clinical Neuroscience, and Child and Adolescent Mental Health Services. The other was that the Scottish Government required the Board to develop a whole system recovery plan.

However from the beginning of 2020 coronavirus (‘COVID 19’) spread throughout the world, eventually becoming a pandemic. NHS Lothian confirmed the first coronavirus death in Scotland on 13 March 2020. By 26 April 2020, 370 coronavirus deaths had been registered in Lothian (source: [National Records of Scotland](#)). The pandemic and the subsequent measures to control it have had a dramatic impact on society, and NHS Lothian has of course had to re-prioritise its activities to effectively respond to it.

Royal Hospital for Children & Young People, the Department of Clinical Neurosciences and Child and Adolescent Mental Health Services

Following the late identification of a problem with ventilation in the critical care area, the Cabinet Secretary announced on 4 July 2019 that there would be a delay the opening of the new hospital. The Cabinet Secretary was not satisfied that the issues could be resolved within a short timescale, and for this reason the planned move was halted on the grounds of patient safety. The Cabinet Secretary commissioned NHS National Services Scotland to carry out a detailed assessment of all building systems in the new hospital which could have an impact on the safety of patients and staff. Additionally the Cabinet Secretary commissioned KPMG to carry out an independent audit of the governance of the project to identify the factors which led to the delay.

The Director-General for Health wrote to me on 12 July 2019 to advise that the NHS Board had been placed on Level 3 of the Scottish Government's Performance Escalation Framework due to the general challenges it faced on performance. The Director-General acknowledged that while there had been evidence of improvement, the cumulative impact of challenging areas, together with the work required to attend to the issues for the new hospital, placed significant pressure on the leadership capacity of the organisation. I was responsible for the development and delivery of a single comprehensive recovery plan. The Director-General asked me to identify what support the Scottish Government could provide.

The Cabinet Secretary issued a letter to NHS Lothian staff on 11 September together with the reports from the reviews. The letter stated that in light of the required remedial work, children's services would remain at the current Royal Hospital for Sick Children until Autumn 2020. While the issues within critical care do not affect the Department of Clinical Neurosciences, the additional work on the site will be phased so that the Department of Clinical Neurosciences may move in Spring 2020.

The Director-General for Health wrote to me (and the Board Chair) on 13 September to advise that having considered the above reports, he had decided to place the NHS Board on Level 4 of the Scottish Government's Performance Escalation Framework for the specific project. The consequence of that is that the Scottish Government appointed a Senior Programme Director to take overall responsibility for the completion of the works and the opening of the hospital. The Senior Programme Director reports directly to the Scottish Government, and took up the position on 16 September. The Scottish Government also established an Oversight Board for the project, and that Oversight Board reports to the Cabinet Secretary.

The Scottish Government subsequently announced on 17 September that there will be a public inquiry into the project and also the Queen Elizabeth University Hospital in Glasgow.

I am deeply sorry that this delay happened. I truly appreciate how difficult it was for staff and patients, as the decision to delay was made just a few days before services were to move. Despite the considerable frustration and disappointment which the delay caused, the staff's response to the delay and the public's understanding was truly exceptional. Our staff's hard work and dedication has ensured that we have been able to continue to provide services in the current facilities in Sciennes, the Western General Hospital, and the Royal Edinburgh Hospital.

We fully accepted the findings of the KPMG report, and developed a detailed action plan to respond to the issues which NSS raised. We have since continued to constructively work with the Scottish Government to progress towards opening the new facility as soon as possible.

The Board has received a report on the new hospital at every meeting, and assigned responsibility for detailed oversight of the associated corporate risk to the Finance & Resources Committee and the Healthcare Governance Committee. The Board's Finance & Resources Committee and Audit & Risk Committee commissioned the Board's Chief Internal Auditor to carry out a review of the project. The aim of that review was to establish a detailed understanding of the timeline of what happened and when, and the respective role of the Board and the various parties involved. The lessons from this review will be used to develop the Board's systems of governance and internal control.

On 22 April 2020 we announced that the enhancement work on the new Department of Clinical Neurosciences was complete. The department will house state-of-the-art facilities for diagnostics and studies of the brain. From 11 May 2020 we will start a phased move of outpatient services, including neurophysiology and diagnostic radiology, together with some administrative support staff.

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Our critical care teams are supporting the response to COVID 19 at the Western General Hospital. So we have paused the move of inpatient services and interventional neuroradiology to the new facility. We will revisit the timescale for these moves with the clinical teams, taking into account the COVID 19 situation.

Whole System Recovery Plan

I presented a report to the Board on 7 August 2019 to advise it of the escalation to Level 3. This set out the initial thoughts of my corporate team on the challenges the Board faces, and the development of a whole system recovery plan.

My corporate management team has throughout 2019 taken part in an externally-facilitated team development process. This builds on the work we have undertaken to develop organisational leadership which I have discussed in previous statements in the annual accounts. The aim of this has been to develop whole system team working, and strengthening personal and collective leadership. A whole system recovery plan requires the NHS Board, the four integration joint boards, the four health & social care partnerships and the four local authorities to work collaboratively to achieve success.

The Board added a new risk to the corporate risk register for the recovery plan, and elected to retain direct oversight of the risk. Given the risks, the Board also agree to increase the frequency of Board and Finance & Resources Committee meetings so that they meet monthly in 2020. The Board expects a report on the new hospital and the recovery plan at every meeting.

I appointed a Director of Improvement to provide a dedicated focus to developing and taking forward the recovery plan for the next two years. Four whole system programmes, each led by a member of my corporate management team, underpin the recovery plan. This whole system programme structure set out the short, medium and long-term actions to be taken for sustainable improvement.

I submitted a draft system-wide recovery plan to the Scottish Government at the end of November 2019. The plan set out an integrated approach to improving performance across a range of performance indicators. The team met with the Scottish Government on the 23 January 2020 to provide an update on progress in the delivery of the Recovery Plan. At the meeting the Scottish Government indicated they would make a decision on the potential for de-escalation in March 2020 as part of the review of the Annual Operating Plan (AOP). The programme recovery team continuously worked with colleagues throughout the health & social care system to manage and monitor system performance. The Board had put in place a recovery programme and arrangements to implement and oversee it.

However COVID-19 changed everything. The NHS Scotland Chief Executive wrote to me on 1 April 2020. The letter recognised that now the key focus of NHS Lothian is responding to the COVID 19 pandemic and enacting the Board's local mobilisation plan. While performance issues will continue to be addressed through the National Performance Framework, and the Board remains on Level 3, the Scottish Government's approach will adapt in light of the current priorities. The NHS Scotland Chief Executive did not expect the recovery programme to continue in its current form. The Board is aware that all of these factors will have a longer term impact on the quality of care, general organisational performance, and the financial position of the Board.

Developing the Board's System of Governance

In my statement within the 2018/19 annual accounts I summarised the steps taken to develop a governance action plan. That action plan included the following headings:

- Identifying Priorities and Developing Plans;
- Implementation and Delivery of Outcomes;
- Improving Safety Culture; and
- Leadership.

There is a wide range of specific actions being taken forward (or have been completed) to progress these themes. During 2019/20 we developed [Our Priorities for Continuous Improvement](#). This is a single page document which set out the Board's priorities. It replaced our previous approach of publishing corporate objectives which were lengthier and more detailed.

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We have developed 'Our Priorities for Continuous Improvement' so that:

- Staff can quickly and easily understand what the Board's priorities are.
- Staff can link what they do to at least one of the priorities, and potentially identify how they may contribute to other priorities.

Our Aims

Our Vision is that everyone is able to live longer healthier lives at home or in a homely setting and, that we will have a healthcare system where:

- We have integrated health and social care
- There is a focus on prevention, anticipation and supported self-management
- When hospital treatment is required, and cannot be provided in a community setting, day case treatment will be the norm
- Whatever the setting, care will be provided to the highest standards of quality and safety, with the person at the centre of all decisions supported through House of Care and Realistic Healthcare approaches

There will be a focus on ensuring that people get back into their home or community environment as soon as appropriate, with minimal risk of re-admission.

Our Values underpin how we behave and carry out our activities, to the benefit of everyone working in the organisation, and most importantly to benefit our patients. Our Values are Care and Compassion, Dignity and Respect, Quality, Teamwork, and Openness, Honesty and Responsibility.

NHS Lothian carries out its role through its own strategies, implementing Scottish Government strategies and policies, as well as any directions which the integration joint boards may issue. The [NHS Lothian website](#) includes the detailed strategies as well as [other material such as the Annual Operational Plan](#).

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

During 2019/20 we completed the introduction of a revised format of the corporate risk register. Each risk on the corporate risk register now includes:

- Links to other key risks
- Associated strategic plans
- Controls in place
- Key measures to assist the process of monitoring the impact of the risk.

The Board reviewed its Corporate Risk Register on 8 April 2020. Table 1 below summarises the risk on the Corporate Risk Register following that review.

Table 1: Corporate Risk Register as at 8 April 2020

Title	Risk Score	Title	Risk Score
GP workforce sustainability	Very High	COVID 19: - Health of the population and the impact on NHS Lothian services.	Very High
Timely discharge of inpatients	Very High	The scale or quality of the Board's services is reduced in the future due to failure to respond to the financial challenge.	Very High
Access to treatment – patient (clinical risk)	Very High	Access to treatment – organisation risk	Very High
There is a risk to patient safety and outcome of care due to unreliable, timely triage/assessment and treatment, and overcrowding leading to increased likelihood of patient harm at the Royal Infirmary of Edinburgh.	Very High	Delay in providing clinical care for RHCYP and DCN patients in the new facility.	Very High

Title	Risk Score	Title	Risk Score
Unscheduled Care: 4 hour performance – organisation risk	Very High	Medical workforce sustainability	High
Delivery of Level 3 recovery plans	High	Uplift and disposal of special waste	High
Bed Capacity in Acute Mental Health Services	High	Learning from Complaints	High
Facilities fit for purpose	High	Violence and Aggression	High
Roadways/ Traffic Management			High
Healthcare Associated Infection	Medium	Nursing workforce – safe staffing levels	Medium

COVID 19 had an immediate impact on how NHS Lothian operated, what services were provided, and how members of the public engaged with services. This in turn had a dramatic impact on the performance of the organisation at the end of the year. The Board and its management will continue to oversee risk, and analyse and respond to the impact of COVID 19 on all of the Board's functions and services over the short, medium and long term. At this point in time it is too early to assess what the true impact will be.

Summary of Performance

The Board monitors its performance against a range of quality and performance measures, some of which are set nationally. The Board also routinely submits performance information to the Scottish Government and other bodies throughout the year. This facilitates regular publication of performance information on various aspects of the health service. You can find up-to-date information at the following websites:

<https://www.isdscotland.org/>

<https://www.nhsperforms.scot/>

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

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

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

<https://www.parliament.scot/parliamentarybusiness/research.aspx>

The performance measures in this section use national and local data sources to present the Board's 2019/20 performance. Please note that some of the operational (non-financial) information is taken from live systems and accordingly it may be revised at a future date. This is why the information in these accounts may be slightly different from that which ISD Scotland subsequently publishes.

Integration Joint Boards ('IJB')

There is an IJB in each of the four local authority areas in Lothian. The IJBs are distinct legal entities which are responsible for their delegated "integration functions" for their local authority area. The law requires "integration functions" to include certain functions, essentially adult social care, and all adult community health care and specific adult hospital services. The hospital services mainly relate to unscheduled care. The NHS Board elected to delegate further functions, such as the provision of the following services to people who are under 18 years of age: Primary Medical Services and General Medical Services (including GP Pharmaceutical services); General Dental Services, Public Dental Services and the Edinburgh Dental Institute; General Ophthalmic Services; General Pharmaceutical Services; Out of Hours Primary Medical Services, and Learning Disabilities.

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

Edinburgh IJB Strategic Plan 2019-22
<https://www.edinburghhsc.scot/the-ijb/>

East Lothian IJB Strategic Plan 2019 - 2022
https://www.eastlothian.gov.uk/downloads/file/28278/east_lothian_ijb_strategic_plan_2019-22

Midlothian HSCP Strategic Plan 2019-2022
https://www.midlothian.gov.uk/info/1347/health_and_social_care/200/health_and_social_care_integration

West Lothian Integration Joint Board Strategic Plan 2019-2023
<https://westlothianhsc.org.uk/article/43932/West-Lothian-IJB-Strategic-Plan-2019-23>

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

Primary Care Services

As described above, the IJBs are responsible for the planning and performance of primary care services, and their strategic plans and performance reports provide information on primary care. However the NHS Board is still responsible for primary care contracting, premises, capital, information technology, and the employment of staff.

Within Lothian there is a General Medical Services Contract Oversight Group which reports equally into three channels as follows:

Chief Officers of the integration joint boards.	For assurance on the delivery of: <ul style="list-style-type: none">• The areas of work which are agreed to be delivered on behalf of more than one health and social care partnership,• IJB directions to NHS Lothian.
Chair of Lothian GP Sub-Committee	For assurance on the delivery of: <ul style="list-style-type: none">• The implementation of the GMS contract by NHS Lothian, and• Improvement work which is the responsibility of NHS Lothian and not within the scope of integration functions.
NHS Lothian Director of Primary Care Transformation	To facilitate the Director of Primary Care Transformation providing assurance to the NHS Board and its committees on the sustainability and improvement of general medical services.

The following items were progressed during 2019/20:

- A Vision for Primary Care Services was completed in July 2019.
- A re-freshed Primary Care Premises Programme.
- Implementation of sustainable vaccination delivery models to maintain delivery and improve uptake.
- Further recruitment of pharmacotherapy support for general practice.
- Various eHealth projects such as; GP IT system, IT support for Community Treatment and Care Services (CTACS) implementation, electronic prescribing, and GP to GP data transfer.
- For Out-of- Hours services, the implementation of a programme of change through the Urgent Care Resource Hub Board.
- Primary Care Improvement Plans. The four health & social care partnerships updated their 2018-21 plans in April 2019, and began to provide progress reports from June 2019.

Quality Improvement and Collaborative Work

During 2019-20 there have been quality improvement programme work in the following areas; Mental Health Programme, Primary Care Network, Orthopaedic Services, Stroke Care Service, Endoscopy Service, Pharmacy, Human Resources and Organisational Development, Allied Health Professionals Leadership Programme, Redeployment, and the Scottish Patient Safety Programme.

You can find more information on this work at: <https://gilothian.scot.nhs.uk/>

Healthcare Associated Infection

In 2019/20 the Board has met the required performance standard for both Staphylococcus aureus Bacteraemia ('SaB') and Clostridioides difficile infection ('CDI'). Unfortunately the Board has not met the performance standard for Escherichia coli Bacteraemia ('ECB'):

	Target Rate per 100,000 bed days	Actual Rate per 100,000 bed days
SaB	13.2 or less (less than 133 episodes)	12.4 (123 episodes)
CDI	12.3 or less (less than 125 episodes)	11.9 (118 episodes)
ECB	32.5 or less (less than 330 episodes)	34.8 (345 episodes)

Whole System Recovery Plan

The Recovery Plan has core performance measures and the Board has been monitoring them. Set out below is a summary of the performance during 2019/20.

While the following summary sets out the performance of the whole system of health in Lothian, each IJB is responsible for the performance of their integration functions, and this has an impact on:

- Delayed discharges
- 4-hour Emergency Access Standard
- Treatment time guarantee for inpatients and day cases for services that are part of the integration functions, such as general medicine and geriatric medicine.
- Some outpatient services.
- Mental health services.
- Primary and community services (as described above).

Delayed Discharges

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

The NHS Board and the four local authorities have delegated the responsibility for the health & social care functions which relate to delayed discharges to the four integration joint boards.

From April 2019 to February 2020, the numbers of delayed discharges (at the monthly census date) in Lothian hospitals has ranged from 228 to 291, with the numbers rising in January and February 2020. (Source: [NHS Performs](#)) The Recovery Plan has a target of 200 standard delayed discharges, and at March 2020 there were 165 standard delays.

NHS Lothian has an Unscheduled Care Board, which is taking a collaborative approach across the whole health & social care system in Lothian to deliver the Lothian Home First approach. The work is being taken forward with the IJB Chief Officers, supported by an infrastructure of delivery and oversight groups. Each health & social care partnership is establishing Home First teams.

Throughout 2019/20 there has been a reduction in delayed discharges and the associated occupied bed days, when compared to 2018/19. This is shown in the table below.

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Delays	2018/19	2019/20	Difference	Occupied Bed Days	2018/19	2019/20	Difference
East Lothian	156	108	-30.77%	East Lothian	6931	4248	-38.71%
Edinburgh	2519	1956	-22.35%	Edinburgh	71997	52926	-26.49%
Midlothian	377	309	-18.04%	Midlothian	12138	8864	-26.97%
West Lothian	532	483	-9.21%	West Lothian	19703	13520	-31.38%
NHS Lothian	3584	2856	-20.31%	NHS Lothian	110769	79558	-28.18%

*Delayed Discharges (incl. Code 9s excl. Code 100s)

(-) indicates a reduction

The number of current (standard and complex) delayed discharges at the census date in March 2020 was 20.1% less than the March 2019 number. This is because the response to COVID 19 included an increase in the number of community beds, together with a focus on Home First.

Delays	March 2019	March 20	Occupied Bed Days	March 2019	March 2020
East Lothian	10	10	East Lothian	503	277
Edinburgh	146	135	Edinburgh	4,488	4,322
Midlothian	43	14	Midlothian	1,237	439
West Lothian	30	24	West Lothian	1,187	1,330
NHS Lothian	229	183	NHS Lothian	7,415	6,368

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 A&E treatment. NHS Boards are to work towards 98%.

Throughout 2019/20 there had been a sustained high level of weekly emergency attendances. The lowest weekly attendance was 3,986, and the highest 5,039. The levels of attendance, the pattern of arrival times to emergency departments, an increased acuity of patients, delayed discharges, and the high levels of occupancy in the hospitals all contributed to a deteriorating performance against the standard.

COVID 19 led to a significant decline in attendances at the end of March 2020 (e.g. in week ending 22 March there were 2,990, followed by further falls), and a decline in delayed discharges. The emergency access standard performance in subsequent weeks was over 94%. More details can be found at [ISD Scotland](#). The March 2020 decline in attendances did lower what would have otherwise been a larger annual growth in the volume emergency of department attendances.

	2018/19	2019/20	Difference
Royal Infirmary of Edinburgh	121,516	126,665	4.24%
Western General Hospital	48,710	46,716	-4.09%
St Johns Hospital	58,547	58,924	0.64%
Royal Hospital for Sick Children	50,405	49,349	-2.10%
NHS Lothian	279,178	281,654	0.89%

The overall performance on the emergency access standard for March 2020 was 86.9%, continuing a trend of improvement in the latter part of the year.

WAITING TIMES – General Remarks

The Board had previously put in place arrangements to implement the national Waiting Times Improvement Plan. Waiting times are a key feature of the Board's Annual Operational Plan, as well as the Recovery Plan. These plans include trajectories for target performance levels at future dates.

As at the second week in March 2020, management were forecasting that the Board would achieve its predicted level of performance for inpatients, day cases and outpatients. However from mid-March 2020 in response to COVID 19, NHS Lothian cancelled 22,900 outpatient appointments and 1,223 inpatient and day case episodes in the month

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of March. In April 2020 there were 1,297 cancelled inpatients and 31,781 cancelled outpatient appointments. The cancellations have increased the length of the waits for the affected individuals. NHS Lothian will have to manage the impact of these cancellations in 2020/21 and beyond.

Generally the level and complexity of unscheduled care (emergency department attendances, emergency / unplanned hospital admissions) has an impact on the capacity within hospitals. This in turn affects performance on the various waiting time measures for scheduled care. COVID 19 has amplified this inherent risk, and measures to avoid infection will inform how NHS Lothian delivers services.

Treatment Time Guarantee – Inpatients and Day Cases

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

During 2019/20, NHS Lothian treated 44,248 patients who were eligible for the treatment time guarantee. 33,430 (75.6%) were treated within 12 weeks.

The table below summarises by month how the Board has performed against the treatment time guarantee and its trajectory in the Annual Operational Plan ('AOP') for the number of people waiting longer than the maximum 12-week waiting time.

	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
% of eligible patients seen within guarantee	78.4	75.3	74.7	76.6	75.2	74.2	73.5	76.1	77.3	72.9	74.2	80.2
Annual Operational plan	2,586	2,658	2,839	3,055	3,198	3,190	3,011	2,947	2,922	2,699	2,758	3,100
Actual waiting over 12 weeks	2,597	2,642	2,622	2,526	2,727	2,788	2,563	2,527	2,753	2,888	3,033	3,404

The March 2020 Annual Operational Plan projection was formally revised. The original in the Annual Operational Plan was 2,472.

Outpatients

The waiting time standard is that no patient should wait longer than 12 weeks for a new outpatient appointment at a consultant-led clinic. The specialties of mental health, obstetrics, and homeopathy are excluded.

During 2019/20, NHS Lothian saw 770,886 new outpatients in a consultant-led clinic. Throughout the year there has been a steady decline in the number of people currently waiting more than 12 weeks for a new outpatient appointment at a consultant-led clinic.

	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
AOP	24,933	26,552	25,269	25,964	25,760	25,051	23,500	22,293	20,393	18,048	17,332	18,100
Actual	24,775	24,425	24,307	24,502	25,851	25,529	24,201	23,243	23,274	22,632	21,817	20,855

The March 2020 Annual Operational Plan projection was formally revised. The original projection in the Annual Operational Plan was 16,151.

Cancer Services

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

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

- Patients urgently referred with a suspicion of cancer by a primary care clinician
- Screened positive patients referred through a national cancer screening programme
- Direct referral to hospital (for example, self-referral to A&E)
- 31-day target from decision to treat to start of treatment for newly diagnosed primary cancers (whatever their route of referral).

The performance against both standards has improved throughout 2019/20.

NHS Lothian achieved 96.2% compliance with the 31 day target in February and March 2020.

NHS Lothian achieved 83% compliance with the 62 day target in March 2020. This standard is part of the Recovery Plan. There has been demonstrable improvement (in May 2019 the performance was 70.6%); however the performance level is short of the performance trajectory for March 2020 (88.3%).

The Board has given priority to cancer patients and patients requiring surgery within four weeks, as part of the process of managing clinical activity while addressing COVID 19. A high proportion of these patients require access to a critical care bed, and this activity is being balanced with the COVID 19 demand for critical care beds and the availability of theatre capacity.

It should be noted that the delivery of relevant aspects of the treatment of cancer patients is also subject to the treatment time guarantee for inpatients and day cases, and the waiting time standard for new outpatient appointments at a consultant-led clinic.

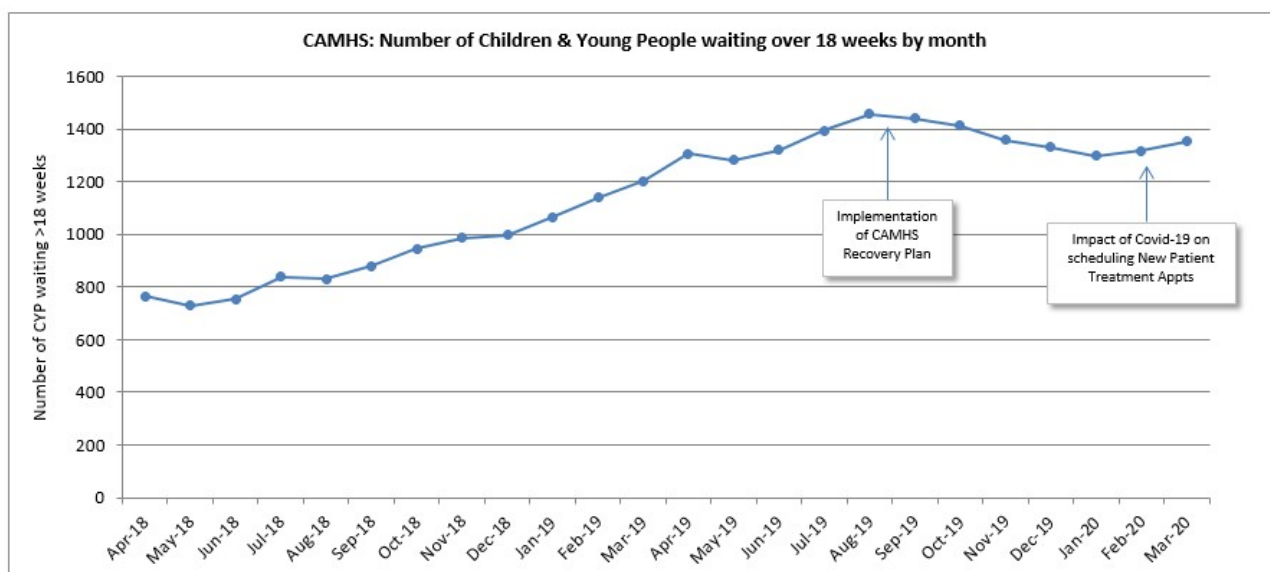
Child & Adolescent Mental Health Services

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

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

NHS Lothian carried out analysis, which showed that the service did not have the capacity to meet this standard. So in 2019/20, NHS Lothian committed £3 million for additional clinical staff to address the waiting times challenges for children and young people within this service. The investment added 40.80 whole time equivalent clinicians to the workforce. The Board's Annual Operational Plan set out a range of additional actions, which were to be taken.

A recovery plan was put in place in August 2019, and as part of it, the outpatients' teams used this additional capacity to see those who had been waiting more than 52 weeks. This led to a sustained reduction in the number of people waiting over 18 weeks until the outbreak of COVID 19.



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In March 2020, 53.9% of young people had started treatment within 18 weeks of referral.

The service has adapted to the current pandemic by introducing different treatment delivery methods, such as Near Me videoconferencing. The service expects that this will deliver significant improvements going forward.

Psychological Services

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

This standard relates to 'adult mental services'. This is an umbrella term in NHS Lothian, made up of multidisciplinary, high volume services, which deliver evidence-based psychological therapies within General Adult Mental Health Services and Specialist Adult Mental Health Services.

The Board's Annual Operational Plan recognised that approximately 90% of waiting time breaches are within General Adult Mental Health Services, due to a lack of operational capacity. There are several adult mental health psychology teams across Lothian, and their priority is to reduce waiting times. Each team has a range of detailed actions.

NHS Lothian has agreed to invest £2.5m over 18 months to recruit psychologists, psychological therapists and supporting administrative staff (in total, 26 whole time equivalent staff). By the end of April 2020 11.4 whole time equivalent staff had been recruited and ready to work. However COVID 19 led to changes in service provision, and this has limited the ability to have an impact on waiting lists.

During the year the service has seen new patients. The service has prioritised those patients who have been assessed as high risk, and seen others waiting in chronological order. About a third of all new patients have preferred to delay the start of treatment in order to wait for face to face contact, as opposed to telephone consultations. The implementation of Near Me Video conferencing across outpatient mental health and psychology services may enable a higher proportion of patients to start psychological treatment.

In March 2020, 79.2% of patients were seen within 18 weeks of referral.

Inpatient Paediatric Services at St John's Hospital

The Recovery Plan reiterated NHS Lothian's commitment to consolidating the success of the four day week full inpatient paediatric service at St John's Hospital by increasing the resilience of existing rotas, and building towards a full seven day 24/7 service subject to further recruitment.

The Royal College of Paediatrics and Child Health carried out a further review of the service in mid-February 2020. This will inform NHS Lothian's decision on full opening and next steps. NHS Lothian will receive the report from the review in early 2020/21, and this will inform further decisions and actions.

2019/20 Financial Performance

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

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

The first two limits have been split between core and non-core elements. This has been done to recognise how the Board is funded. In simple terms the Board's day-to-day running costs are covered by 'core' funding. The Board also has to 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 2019/20 as summarised below:

	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (Over)/Under £'000
1 Core Revenue Resource Limit	1,684,908	1,684,289	619
Non-Core Revenue Resource Limit	87,032	87,032	0
Total Revenue Resource Limit	1,771,940	1,771,321	619
2 Core Capital Resource Limit	42,108	42,108	0
Non-Core Capital Resource Limit	10,033	10,033	0
Total Capital Resource Limit	52,141	52,141	0
3 Cash Requirement	1,906,359	1,906,359	0

Memorandum of In Year Outturn

Core revenue resource variance (deficit)/ surplus in 2019/20	619
Financial flexibility: Funding banked with / (provided by) the Scottish Government	0
Underlying (deficit)/ surplus against the Core Revenue Resource Limit	619
Percentage of the Core Revenue Resource Limit	0.04%

NHS Lothian submitted a three-year financial plan to the Scottish Government on 28 March 2019. The Scottish Government approved the plan on 17 June 2019. The underspend is within the one per cent flexibility afforded by the three-year financial planning and performance cycle, and will be managed within an overall breakeven position in 2021/22.

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

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

Performance Against the Contractual 30 day payment policy

	2019/20	2018/19
Total Number of Invoices	282,034	295,416
Total Number of Invoices Paid within 30 days	266,259	274,148
Percentage by volume of invoices paid within 30 days	94.41%	92.80%
Percentage of invoices paid within 30 days by value	93.51%	92.63%
Average number of credit days taken	9	11

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

	2019/20	2018/19
Total Number of Invoices	282,034	295,416
Total Number of Invoices Paid within 10 days	246,398	254,408
Percentage by volume of invoices paid within 10 days	87.36%	86.12%
Percentage by value of invoices paid within 10 days	86.10%	86.44%

Other Financial Disclosures

The Board has a provision for bad debts of £4.938m at 31 March 2020 (31 March 2019 £4.992m). Further information is available at Note 9 to these accounts.

The Board has a provision for clinical and medical negligence claims of £116m at 31 March 2020 (31 March 2019 £104m). 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.

The East Lothian Community Hospital facility is now fully operational with a handover date of 28 October 2019. The project includes all services previously provided in Roodlands and Herdmanflat Hospitals. The Estimated contract value is £172m and the end date of the contract is 30 August 2044.

Pension Liabilities

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

Sustainability and Environmental Reporting

The Climate Change (Scotland) Act 2009 set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. In 2015, an Order was introduced requiring all designated Major

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Players (of which Lothian NHS Board is one) to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

Further information on the Scottish Government's approach can be found in the Climate Change Plan 2018-2032 while national reports can be found at the following resource: <https://sustainablesotlandnetwork.org/reports>

24 June 2020  Chief Executive and Accountable Officer

SECTION B: THE ACCOUNTABILITY REPORT

Corporate Governance Report

(A) The Directors' Report

Date of Issue

The Board presents this report and the audited accounts for the year ended 31 March 2020. The Board approved these accounts on 24th June 2020 for submission to the Scottish Government.

Appointment of the Board's External Auditors

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

Remuneration for Non-Audit Work

The remuneration of the auditors is disclosed in note 3 to the accounts. During 2019/20 the Board's external auditors received fees amounting to £7,200 (including VAT) in relation to non-audit work. This non-audit work was the audit of the abstract of receipts and payments of patients' private funds.

Disclosure of Information to Auditors

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

Board Membership

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

As at 31 March 2020 the Board had five executive Board members and nineteen non-executive Board members. The Board's non-executive members include nominees from key stakeholders, and lay members who have applied through a public appointment process. Members are selected on the basis of their position as stakeholders or the particular expertise which enables them to contribute to the decision making process at a strategic level. You can find out more about the public appointment process at: <http://www.appointed-for-scotland.org/>

Table 1 below sets out who held the position of Board members at any time during 2019/20.

Table 1: Individuals who were Board Members at any time during the period from 1 April 2019 to 31 March 2020

Name	Position
Brian Houston	Non-executive, Chair (until 31 January 2020)
Esther Robertson	Non-executive, Chair (from 10 February 2020)
Tim Davison	Chief Executive
Professor Alex McMahon	Director of Nursing, Midwifery & Allied Health Professionals
Susan Goldsmith	Director of Finance
Professor Alison McCallum	Director of Public Health & Health Policy
Dr Tracey Gillies	Medical Director
Michael Ash	Non-executive
Cllr Fiona O'Donnell	Non-executive (East Lothian Council)

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Name	Position
Cllr George Gordon	Non-executive (City of Edinburgh Council)
Professor Moira Whyte	Non-executive (University of Edinburgh)
Cllr Derek Milligan	Non-executive (Midlothian Council)
Alex Joyce	Non-executive (Employee Director)
Peter Murray	Non-executive
Fiona Ireland	Non-executive (Area Clinical Forum)
Alison Mitchell	Non-executive
Martin Hill	Non-executive, vice-Chair
Cllr John McGinty	Non-executive (West Lothian Council)
Dr Richard Williams	Non-executive
Dr Patricia Donald	Non-executive
Carolyn Hirst	Non-executive
Angus McCann	Non-executive
Professor Tracy Humphrey	Non-executive (until 31 January 2020)
Martin Connor	Non-executive
Bill McQueen CBE	Non-executive
Katharina Kasper	Non-executive (from 1 February 2020)

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2020 and of its operating costs for the year then ended. In preparing these accounts the directors are required to:

- Apply on a consistent basis the accounting policies and standards approved for the NHS Scotland by Scottish Ministers.
- Make judgements and estimates that are reasonable and prudent.
- State where applicable accounting standards, as set out in the Financial Reporting Manual (FRoM), have not been followed where the effect of the departure is material.

Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

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

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

Board Members' and Senior Managers' Interests

All Board members are subject to the Ethical Standards in Public Life (Scotland) Act 2002. The members are required to maintain their entry on the Board's Register of Interests, and this can be found on the Board's website at: <http://www.nhsllothian.scot.nhs.uk/OurOrganisation/BoardCommittees/LothianNHSBoard/BoardMembers>

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: <http://www.nhsllothian.scot.nhs.uk/OurOrganisation/LothianNHSBoard/BoardMembersHandbook>

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

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

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

Board Members' Third Party Indemnity Provisions

During 2019/20 the Board was not required to pay for directors & officer's liability insurance for its members as it is now included under the NHS Clinical Negligence and Other Risks Insurance Scheme (CNORIS).

Personal data related incidents reported to the Information Commissioner

During 2019/20, the Board reported seven incidents to the Information Commissioner's Office for review. The Information Commissioner's Office has ruled that the Board has acted appropriately in relation to all of these incidents. In addition the four incidents brought forward from 2018/19 for the Information Commissioner to consider have also been closed with recommendations made for two of these incidents.

Public Services Reform (Scotland) Act 2010

Section 31 of this Act requires the Board to publish specified information on expenditure and payments as soon as is reasonably practicable after the end of each financial year. The Board publishes this information on its website at:

[NHS Lothian > Our Organisation> Key Documents > Financial](#)

Section 32 of the Act requires the Board to publish at the end of each financial year two statements to provide information as to how it exercises its functions. These statements are set out below.

Statement of steps taken to promote and increase sustainable economic growth

The Board continues to be the largest employer in the Lothian's. The Remuneration and Staff Report provides detailed information on our employees and the associated expenditure. The development of the knowledge, skills & experience of our employees is beneficial to our organisation, and the wider economy.

The Directorate of Human Resources & Organisational Development leads staff development, and it organises and delivers a range of programmes to develop staff. This includes:-

- Modern Apprenticeships currently with an 80% success; 68 modern apprentices completed. The programme is highly regarded in the community with 80 - 100 applicants per post advertised.
- Graduate Apprenticeships, a fully funded degree for current employees, and currently 14 staff access it
- Flexible workforce, an annual fund which Lothian Health Board has been using since 2018. This programme is designed to enhance digital skills. Over 30 staff have accessed this course, and the current cohort is 13.
- Project Search a 12 month programme for young people with disabilities. The programme provides accredited education and job coaching.
- Princes Trust a national programme that Lothian Health Board participates in to deliver to young people further from the job market a six week programme of employability skills training. 25 participants over the last year with 7 offered a post.
- School Engagement. An important part of strategically sustaining our workforce by offering work experience 562 offers up to COVID-19 forced 88 cancellations. Delivering 4 week pilots for S4 pupils across 4 professions. 127 students attended career insight sessions.
- Participating in region wide events such as Jobs Kingdom Live, Skills Scotland and Jobs Road shows.
- A partnership with NHS Grampian to pilot a resource for primary school children tackling issues such as gender bias in nursing roles.

The Board has a Sustainable Development Management Group ('SDMG') which has been working on sustainability for several years. The Board had a development session on climate change and sustainability in May 2019. In June 2019, amongst other things, the Board assigned the responsibility for scrutiny and assurance on the subject to its

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Finance & Resources Committee. The SDMG also produces the annual report Climate Change Report (CCR) as required by the Climate Change (Scotland) Act 2009 on behalf of the Board.

The Climate Change Report 2018/19 demonstrated a 28.7% reduction in carbon emissions 2007/08 – 2018/19. An improved understanding of emission types; being Scopes 1, 2 and 3. The current linkage to Capital Investment Groups. A process to identify and target energy hot spots.

In May 2020 the Finances and Resources Committee received another paper, *Sustainability and Climate Change Update Carbon Emissions Report 2019/20*. It reported that only 20-30% of Scottish Health Service carbon footprint is currently reported on. That Lothian Health Board carbon emissions have increased in the 2019/20. That Lothian remains on track to achieve a 70% reduction in carbon emission by 2030.

In February 2020 the Board approved '[Our Priorities for Continuous Improvement](#)'. This affirmed the Board's role in delivering sustainable and equitable outcomes with regard to its impact on the environment and its stakeholders, and the equitable use of resources.

Statement of steps taken to improve efficiency, effectiveness, and economy

During 2019/20 the operational areas within NHS Lothian achieved £33.7m worth of efficiency & productivity savings.

With regard to procurement, the Board's approach ensures that regulated procurement exercises are advertised to the market in a transparent and consistent manner through the Public Contracts Scotland website. This, combined with the publishing of a Procurement Strategy, Annual Procurement Report and a Contract Register creates a business friendly and transparent approach to promoting sustainable economic growth and efficiency. When possible the procurement team will also attend Meet the Buyer events to engage with business and support them in bidding for public contracts. A fleet of electric cars with charging points has been acquired

During 2019/20, NHS Lothian continued to be part of the South East Payroll Services Consortium which aims to ensure the development and delivery of a sustainable, efficient and cost-effective payroll service across the South East.

NHS Lothian Facilities is leading a South East Regional Group in the development of a business case to promote a regional catering production and service strategy including NHS Borders, Fife and Tayside. This is ground-breaking piece of work within Scotland and aims to achieve a step change in the quality and nutritional value of hospital meals as well as ensuring a sustainable financial framework for the service into the future. The Initial Agreement for this has been approved by the NHS Lothian Board, and other Health Boards. Discussions are underway with the Scottish Government on prioritising this scheme.

The Scottish Government publishes guidance on the definition of efficiencies as part of the Efficient Government Programme. It also publishes Efficiency Delivery Plans which explain how various public bodies intend to deliver efficiencies together with an annual outturn report which sets out the extent to which that has been achieved. All of these documents can be found at:

<http://www.scotland.gov.uk/Topics/Government/PublicServiceReform/efficientgovernment>

NHS Lothian in partnership with NHS Tayside continue to jointly fund an Associate Director of Procurement to lead both procurement teams, thus supporting the standardisation of process and maximising economies of scale. Two further senior procurement roles are being shared. Senior management support is also provided to NHS Fife through a fixed term service level agreement.

As per the strategy set out in the NHS Scotland Health and Social Care Delivery Plan as well as national Procurement Transformation Programme, a number of boards in the East and North of Scotland are currently engaged on a case for change and proposals to change the way procurement services are delivered. Such change will be taken forward by the East and North Procurement Project Board through a developed business case detailing an options appraisal, outcomes and benefits. Implementing a Regional Operating Model shall deliver greater resilience, sustainability, economies of scale, financial savings, increased pooling and sharing of knowledge, reduction of duplication and standardisation of product supply, as well as more efficient use of fixed operational resources.

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The Board has been running a generic recruitment model for nursing and midwifery for a number of years. This does assist with improving the productivity and efficiency of the service, and managing the need to engage agency staff.

The Board has also improved the system of administration and contractual arrangements for directly engaging medical locum staff.

A group of nine projects led by the Sustainability and Value Team are addressing a range of issues, all of which are intended to achieve efficiencies across prescribing, day surgery and staff rostering are in progress.

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

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

This designation carries with it responsibility for:

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

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

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

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

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

(C) The Governance Statement

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

Purpose of System of Internal Control

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

Governance Framework and the Process to Review its Adequacy & Effectiveness

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

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

Committees have responsibility for oversight of specific categories of risk which relate to their remit. The Performance Report sets out the Board's key issues and risks, and how the system of risk management has been developed throughout 2019/20.

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

Throughout 2019/20 the Board has continued to develop its system of corporate governance, which has included:

- The Board has revised its Standing Orders by adopting the national model Standing Orders which the Scottish Government published in December 2019. The Board has also reviewed its Scheme of Delegation, and the terms of reference for its Staff Governance Committee and Remuneration Committee.
- The Board has revised its approach to approving committee minutes, and has new sections on its website to publish final Board and committee minutes.
- The Board has approved Our Priorities for Continuous Improvement. This was an action from its Governance Action Plan, to improve how the Board identifies and communicates its priorities.
- The opening of the new Royal Hospital for Children & Young People and Department of Clinical Neurosciences ('RHCYP/DCN') was postponed in July 2019. The Scottish Government subsequently placed the Board on two levels of its Performance Escalation Framework: Level 4 for the RHSCYP/DCN' and Level 3 for general performance issues. The Board has put a formal recovery plan in place, and has added both of these issues to its corporate risk register. The Board has retained direct oversight of the corporate risk relating to the recovery plan. For 2020 the Board increased the frequency of meetings of both the Board and its Finance & Resources Committee. The Chief Executive has appointed a Director of Improvement to provide a dedicated focus on the recovery plan over the next two years. Management have developed the infrastructure to progress the recovery plan, by putting in place three programme boards, each led by a programme director. The Board has increased its focus on climate change and sustainability issues, with the Finance & Resources Committee taking a lead role in overseeing this subject. The Board has revised the format of its corporate risk register, so that there is a more evident link to strategic plans and outcomes. A new process has been introduced to ensure that decisions made at committee level are reflected in the corporate risk register in a timely manner. Board reports on risk management will also now include information on emerging risks.
- Throughout 2019/20 there has been a range of measures taken to develop leadership at every level of the organisation, as part of the 'NHS Lothian Staff Engagement and Experience Development Plan 2018-20'.

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- The Board appointed its first Speak-Up Ambassadors in March 2019, who report to the Chief Executive. Their role is to support staff in speaking up when they have any concerns, and to ensure any organisational barriers are dealt with. There are sixteen Speak Up Advocates who provide a contact point for staff when they believe that they cannot raise their concerns with their line manager or anyone else. In February 2020, the Scottish Government appointed an additional non-executive to the Board who is the Board's Whistleblowing Champion. The Speak Up Ambassadors will work with the Whistleblowing Champion and the Director of Human Resources & Organisational Development to implement and further develop the systems that are in place.
- The Board has held development sessions during 2019/20. At one of the sessions the members received a progress update on the Governance Action Plan. The Board also provided a 6-monthly update to the Cabinet Secretary on the action plan.

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

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

The Accountability report includes statements prepared under the Public Services (Reform) Scotland Act 2010, relating to efficiency, effectiveness and economy, and sustainable economic growth.

The increasing financial challenge in future years is driven by a number of factors, particularly the impact of demographic growth which is expected to compound the current care deficit over the next decade. Addressing this challenge will go beyond quality improvement, requiring true transformation which will demand a more strategic approach to planning future healthcare services. Maximising the benefit from additional investment in primary care will provide some opportunity to shift the balance of care, through a more effective use of resources.

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

Stakeholder engagement was included in the Board's Governance Action Plan, and internal audit carried out a review of 'communications – public engagement arrangements' during 2019/20. A process to increase engagement has been established, informed by the recommendations from the audit report. The front page of the Board's website includes a section "Get Involved" which provides links to many aspects of engagement, from submitting comments on policy consultations, volunteering, donating and third sector work.

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

The Chief Internal Auditor has provided the following audit opinion in her 2019/20 annual report:

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

While we did identify a number of high-risk findings as part of our reviews, we do not consider these, either collectively or on an individual basis, as being fundamental to the achievement of the NHS Lothian strategic objectives. Those findings do not warrant specific inclusion in the Governance Statement. All actions were agreed and NHS Lothian has demonstrated good progress in implementing internal audit recommendations, and a number of the high risks identified during the year have been closed off.

At the time of writing this the work on the RHCYP project (internal control and governance) was yet to be concluded. Therefore, the opinion does not take into account this review. Recommendations arising will be captured and reflected in the 2020/21 internal audit opinion.

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

The Audit & Risk Committee received the 2019/20 service audit reports on 22 June 2020. The Committee accepted those reports from the service auditor as a source of significant assurance that there are adequate and effective systems of internal control relating to the National Single Instance financial ledger, and a source of moderate assurance with respect to Practitioner and Counter Fraud Services and National IT Services. The Committee was also informed that the national directors of finance group has discussed the service audit reports, and was satisfied that the NHS National Services Scotland Director of Finance will take the necessary actions to address the issues in the report.

Assessment of the Risk Management Arrangements

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

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

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

The system of risk management was in place throughout 2019/20. The Board regularly receives a report on the corporate risk register. The Audit & Risk Committee oversees the system of risk management and receives a report on it at every meeting. The Performance Report sets out the key issues and risks currently facing the Board, and summarises how the corporate risk register was developed during 2019/20.

The Audit & Risk Committee has received the 2019/20 annual report on risk management. The Committee agreed to accept that it has moderate assurance on the systems in place to manage risk across NHS Lothian, as they are subject to the emergent risk systems across health & social care partnerships and integration joint boards, and as such controls continue to be developmental in nature. The Committee also noted that during the year the Healthcare Governance Committee had agreed that it had moderate assurance concerning the systems in place for the management and learning from adverse events across NHS Lothian, including the Duty of Candour.

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

Disclosures

Information Governance

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

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

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

NHS Lothian has implemented its systems to meet the General Data Protection Directive. The Information Governance Sub-Committee reviews an action plan of ongoing tasks to improve compliance. This includes the organisation resourcing personnel to define and deliver compliance auditing in the next financial year.

Healthcare Governance

The Chief Nursing Officer for Scotland issued the local delivery plan standards in October 2019. The *Staphylococcus aureus* bacteraemia (SAB) and *Clostridioides difficile* infection (CDI) standard is to achieve a reduction of 10% in the national rate of healthcare associated SAB & CDI from 2019 to 2022, with 2018/19 used as the baseline.

Based on this standard NHS Lothian set an interim target for 2019/20 of 13.2 healthcare associated episodes (or less) per 100,000 bed days (<133 episodes approx). The incidence reported for year ending 31st March is 12.4 (n=123). The *Clostridioides difficile* infection (CDI) standard is to achieve a reduction of 10% in the national rate of healthcare associated CDI from 2019 to 2022, with 2018/19 used as the baseline. The 2019/20 interim standard set but NHS Lothian for CDI was an incidence of 12.3 healthcare associated episodes (or less) per 100,000 bed days (<125 episodes approx). The Incidence for the year ending 31 March 2020 as per HPS surveillance programme reporting criteria is 11.9 (n=118). Both Interim standards have been met.

The Healthcare Governance Committee received reports through 2019/20 about infection control. The committee took moderate assurance from the latest report, in May 2020 that progress is being made against all of the infections and the Infection Control teams are identifying and reporting as infections occur.

The Paediatric Ward at St John's continued to take short stay assessments seven days a week (08.00-20.00) and overnight admissions, four nights a week. Work continues to reinstate a 24 hour service. This issue continues to be a priority within the Board's "Our Priorities for Continuous Improvement".

The Iodine Ablation laboratory requires structural changes. The Health & Safety Executive approved an extension to required structural works until 1st June 2020. A short life working group is presently considering the options.

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

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

The Healthcare Governance Committee has received two reports and presentations on children's services during 2019/20. The committee acknowledged that there had been significant progress to date, however, accepted limited assurance as it was agreed that there was no clear governance oversight for children's services. It was acknowledged that this is complex given the variation in management arrangements for different parts of the service. A further report will be brought to the Committee in 2020/21 with a focus on Children and Families and risk, to give time for the Programme Board to become established and clarify its purpose.

The Healthcare Governance Committee has received reports on dental services during 2019/2020. There were no concerns regarding the delivery of dental services, however, the committee accepted limited assurance due to lack of data to measure improvement. It was noted that national indicators for community dental practice reporting were in development and were due to be finalised in February 2020 for reporting in dental practices to be implemented in April 2020. Once reporting had been established, data will be reported to the committee.

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The Healthcare Governance Committee reviewed GP sustainability in January 2020. The committee was invited to agree limited assurance on GP sustainability. The committee recognises that the organisation is in a transitional stage and there is a need to pause to consider that the work to date is taking the organisation in the right direction. It is recognised that good progress is being made in relation to implementation of the new GMS contract and there is evidence of improving access to services in hours; however, risks remain regarding stability of out of-hours provision.

The Healthcare Governance Committee has received moderate assurance on the timely discharge of inpatients (delayed discharges), with greater oversight of delayed discharges and enhanced joint working, including winter planning. However, there was limited assurance regarding plans in place which would lead to sustaining improvements. Plans have been presented at regular intervals to the committee. The current status raises concerns for the committee in respect to the negative impact on patient experience and outcome of care. Monitoring continues through the Quality and Performance Improvement (report, and through specific papers and presentations at the committee. It is recognised that there is a close relationship between this risk and that of the risk relating to patient safety and experience in front door areas, and the challenges of occupancy on acute sites and how this impacts on front door areas.

The Healthcare Governance Committee has received several reports on presentation on access to child & adolescent mental health services, adult mental health services, and access to psychological services for children and adults. The committee has limited assurance due to the lack of objective evidence of how risks were being managed and the impact on patient safety and quality of care. The Committee will continue to oversee this subject in 2020/21.

The 2018/19 Governance statement acknowledged that there was a national programme in place to review and reform public health in Scotland, which included amongst other things, the establishment of a new public body, Public Health Scotland. Public Health Scotland was established on 1st April 2020.

The 2018/19 Governance statement acknowledged that the Healthcare Governance Committee agreed it had limited assurance with respect to evidence of timely progression of actions set out in the Edinburgh Older People's Inspection Action Plan. The Committee asked management for an update in July 2019, and it received a report and improvement plan at that meeting.

The Healthcare Governance Committee has overseen the clinical risks of the delay to the RHCYP/DCN. The complex construction situation was further compounded by the COVID-19 pandemic.

Monitoring processes and systems of controls around the provision of safe water in line with Health & Safety Executive requirements for legionella control, and Health Protection Scotland requirements for augmented care areas, have been subject to improvements. The improvements had not been completed at the point that Covid-19 led to the suspension of normal management activity. This work has been re-started and the Health & Safety Committee oversees it.

The impact of and the ability to respond to COVID-19 could have a material impact on our ability to deliver safe and effective care. Management have been and continue to address issues relating to infection prevention control, and the access to and use of personal protective equipment as appropriate. There are systems and processes in place to address any issues of compliance, including a daily system-wide huddle to review all issues relating to personal protective equipment. The Director of Nursing will report any issues to the COVID-19 Strategic Management Group.

Financial Governance and Overall Performance

NHS Scotland Counter Fraud Services have concluded their investigation of a major case involving a former employee, that covered offences carried out in previous years. NHS Scotland Counter Fraud Services have now handed over this case to the Crown Office and the Procurator Fiscal Service, who are currently considering it.

The Board is currently dealing with COVID-19, which has significant implications for how the organisation functions, aspects of its operational performance, and its finances (both capital and revenue). There was a significant impact on scheduled care, which in turn directly impacted on the Board's Annual Operational Plan. This affected the trajectories for performance recovery, including the treatment time guarantee for non-emergency inpatients and day cases.

The Finance & Resources Committee is aware that management are actively working through these issues, however there is considerable uncertainty for 2020/21 and beyond. The Finance & Resources Committee has limited

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assurance on the delivery of the Property and Asset Management Improvement Programme from 2020/21 onwards. The Committee has limited assurance that the Board will operate within its financial budget in 2020/21, and will monitor this issue throughout the year.

The Finance & Resources Committee is continuing to oversee the RHCYPDCN project, and this will be a key issue for 2020/21. The delay to the move of services has also affected the Board's performance. The Committee will consider the findings from internal audit (and any other reviews) on this subject, and seek assurance that opportunities for the Board to learn lessons and improve its systems of governance and internal control on capital projects are taken.

Part of the development of system of internal control on capital projects includes having assurance that all projects operate in line with all relevant legal and technical requirements. This will be progressed during 2020/21, taking into account any national arrangements which may be developed for this purpose.

The Board is also on Level 3 of the Scottish Government's Performance Escalation Framework in relation to performance. The Board had put in place a recovery programme and arrangements to implement and oversee it. The NHS Scotland Chief Executive wrote to the Board's Chief Executive on 1 April 2020. The letter recognised that the key focus of NHS Lothian at this time is responding to the COVID 19 pandemic and enacting the Board's local mobilisation plan. While performance issues will continue to be addressed through the National Performance Framework, and the Board remains on Level 3, the Scottish Government's approach will adapt in light of the current priorities. The NHS Scotland Chief Executive does not expect the recovery programme to continue in its current form. The Committee is aware that all of these factors will have a longer term impact on the quality of care, general organisational performance, and the financial position of the Board.

REMUNERATION AND STAFF REPORT

1. Board Members' and Senior Employees' Remuneration

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

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

All senior manager posts have been evaluated using the HAY methodology through the National Evaluation Committee. NHS Lothian Executive Board Members are appointed and graded within the new Executive Cohort in accordance with HDL (2006)23. Other senior managers, other than those in transitional grades 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. Managers within transitional grades have been re-evaluated to grades within Agenda for Change pay-scales.

In accordance with the Financial Reporting Manual (FReM) 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 – 2019/20

	Gross Salary (Bands of £5,000)	Benefits in kind (£'000)	Total Earnings in Year (Bands of £5,000)	Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
Remuneration of Executive Members					
Mr Tim Davison, Chief Executive	180-185	-	180-185	-	180-185
Mrs Susan Goldsmith, Director of Finance	140-145	-	140-145	-	140-145
Miss Tracey Gillies, Medical Director	190-195	-	190-195	-	190-195
Professor Alison McCallum, Director of Public Health and Health Policy	135-140	-	135-140	29	165-170
Professor Alex McMahon, Nurse Director	115-120	-	115-120	57.5	175-180
Non Executive Members					
Mr Brian Houston, Chair (to 31/01/2020) ^{Note 1}	40-45	-	40-45	-	40-45
Mrs Esther Robertson, Interim Chair (from 10/02/2020) ^{Note 2}	5-10	-	5-10	-	5-10
Cllr Derek Milligan	5-10	-	5-10	-	5-10
Cllr John McGinty	5-10	-	5-10	-	5-10
Cllr Fiona O'Donnell	5-10	-	5-10	-	5-10
Professor Tracy Humphrey, Chair of Healthcare Governance (to 31/01/2020) ^{Note 3}	10-15	-	10-15	-	10-15
Dr Richard Williams, Chair of Acute Hospitals Committee (to 31/01/2020) ^{Note 4}	15-20	-	15-20	-	15-20
Mr Michael Ash, Chair of Audit & Risk Committee	15-20	-	15-20	-	15-20
Mrs Alison Mitchell, Chair of Staff Governance & Acute Hospitals Committee	15-20	-	15-20	-	15-20
Mr Peter Murray, Vice Chair of East Lothian IJB ^{Note 5}	15-20	-	15-20	-	15-20
Mr Martin Hill, Chair of West Lothian IJB (to 31/10/2019) and Finance & Resource Committee ^{Note 6}	20-25	-	20-25	-	20-25
Ms Carolyn Hirst, Vice Chair of Midlothian IJB ^{Note 7}	15-20	-	15-20	-	15-20
Professor Moira Whyte, The University of Edinburgh and Chair of Health Governance Committee (From 01/02/2020) ^{Note 8}	10-15	-	10-15	-	10-15
Ms Fiona Ireland ^{Note 9}	95-100	-	95-100	-	95-100
Mr Alex Joyce, Employee Director ^{Note 10}	50-55	-	50-55	14.7	65-70
Mr Martin Connor	10-15	-	10-15	-	10-15
Mr Angus McCann, Chair of Edinburgh IJB ^{Note 11}	15-20	-	15-20	-	15-20
Mr Bill McQueen, Lead Member, West Lothian IJB (From 21/09/2019) ^{Note 12}	10-15	-	10-15	-	10-15
Cllr George Gordon	5-10	-	5-10	-	5-10
Dr Patricia Donald	5-10	-	5-10	-	5-10
Ms Katharina Kasper (from 01/02/2020) ^{Note 13}	0-5	-	0-5	-	0-5
Other Senior Employees					
Mr Jim Crombie, Deputy Chief Executive	155-160	15.5	170-175	-	170-175
Mr James Forrest, Chief Officer, West Lothian IJB (to 13/09/2019) ^{Note 14}	15-20	-	15-20	15.4	30-35
Mr David Small, Director of Primary Care & Transformation	105-110	-	105-110	-	105-110
Mrs Alison MacDonald, Chief Officer, East Lothian IJB ^{Note 15}	45-50	-	45-50	27.8	75-80
Mr Allister Short, Chief Officer, Midlothian IJB (to 30/09/2019) and Chief Officer, West Lothian IJB (From 01/10/2019) ^{Note 16}	45-50	-	45-50	28.5	70-75
Mr Simon Watson, Chief Quality Officer	150-155	-	150-155	68.3	220-225
Mrs Janis Butler, Director of HR & Organisational Development	110-115	-	110-115	71.6	180-185
Mrs Judith Proctor Chief Officer, Edinburgh IJB ^{Note 17}	75-80	-	75-80	-	75-80
Ms Morag Barrow, Chief Officer, Midlothian IJB (From 01/10/2019) ^{Note 18}	90-95	8.3	95-100	-	95-100
		<u>23.8</u>		<u>312.8</u>	

There were no Performance related bonuses payable for 2019/20

Notes to Remuneration Table 2(a)

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

REMUNERATION REPORT

2(b) Board Members' and Senior Employees' Remuneration – 2018/19

	Gross Salary (Bands of £5,000)	Benefits in kind (£'000)	Total Earnings in Year (Bands of £5,000)	Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
Remuneration of: Executive Members					
Mr Tim Davison, Chief Executive	180-185	-	180-185	-	180-185
Mrs Susan Goldsmith, Director of Finance	140-145	-	140-145	9.8	150-155
Miss Tracey Gillies, Medical Director	160-165	-	160-165	17	180-185
Professor Alison McCallum, Director of Public Health and Health Policy	130-135	-	130-135	8.1	140-145
Professor Alex McMahon, Nurse Director	110-115	-	110-115	33.3	145-150
Non Executive Members					
Mr Brian Houston, Chair	45-50	-	45-50	-	45-50
Cllr Ricky Henderson, City of Edinburgh Council(Until 19/04/18) ^{Note 1}	0-5	-	0-5	-	0-5
Cllr Derek Milligan ^{note 2}	5-10	-	5-10	-	5-10
Cllr John McGinty ^{note 3}	5-10	-	5-10	-	5-10
Cllr Fiona O'Donnell ^{note 4}	5-10	-	5-10	-	5-10
Professor Tracy Humphrey, Chair of Healthcare Governance ^{note 5}	15-20	-	15-20	-	15-20
Dr Richard Williams, Chair of Acute Hospitals Committee(From 01/08/18) ^{note 6}	30-35	-	30-35	-	30-35
Mr Michael Ash ^{Note 7}	15-20	-	15-20	-	15-20
Mrs Alison Mitchell, Chair of Staff Governance & Acute Hospitals Committee (Extension from 01/08/18) ^{Note 8}	15-20	-	15-20	-	15-20
Mr Peter Murray, Chair of EL IJB ^{note 9}	15-20	-	15-20	-	15-20
Mr Martin Hill, Chair of WL IJB and Finance & Resource Committee ^{note 10}	30-35	-	30-35	-	30-35
Ms Carolyn Hirst, Vice Chair of Edinburgh IJB ^{note 11}	15-20	-	15-20	-	15-20
Professor Moira Whyte, The University of Edinburgh ^{note 12}	5-10	-	5-10	-	5-10
Ms Fiona Ireland ^{note 25}	100-105	-	100-105	222.2	325-330
Mr Alex Joyce, Employee Director ^{note 13}	50-55	-	50-55	11.3	60-65
Mr Martin Connor ^{note 14}	10-15	-	10-15	-	10-15
Mr Angus McCann ^{note 15}	15-20	-	15-20	-	15-20
Mr Bill McQueen ^{note 16}	5-10	-	5-10	-	5-10
Mr Ian Campbell (From 01/08/18 to 19/02/19) ^{Note 17}	5-10	-	5-10	-	5-10
Cllr George Gordon (From 20/02/19) ^{Note 24}	0-5	-	0-5	-	0-5
Dr Patricia Donald (From 01/08/18) ^{Note 18}	5-10	-	5-10	-	5-10
Other Senior Employees					
Mr Jim Crombie, Chief Operating Officer	150-155	14.9	165-170	31.8	210-215
Mr James Forrest, Chief Officer, West Lothian Integration Joint Board ^{note 19}	50-55	-	50-55	43.8	95-100
Mr David Small, Chief Officer for EL IJB (To 01/07/18) & Director of Primary Care & Transformation (From 02/07/18) ^{note 20}	95-100	-	95-100	47.2	140-145
Mrs Alison MacDonald, Acting Chief Officer, East Lothian Integration Joint Board (From 02/07/18) ^{Note 21}	30-35	-	30-35	42.3	75-80
Mr Allister Short, Chief Officer, Midlothian Integration Joint Board (employed by NHSL) ^{Note 22}	40-45	-	40-45	39.5	80-85
Mr Simon Watson, Chief Quality Officer	145-150	-	145-150	25.1	170-175
Mrs Janis Butler, Director of HR & Organisational Development	105-110	-	105-110	43.3	150-155
Mrs Judith Proctor Chief Officer, Edinburgh Integration Joint Board ^{Note 23}	65-70*	-	65-70*	-	65-70*
		14.9		574.7	

There were no Performance related bonuses payable for 2018/19

Notes to Remuneration Tables 2(b)

1. The annualised salary figure for Ricky Henderson would be £8416.
2. The annualised salary figure for Derek Milligan would be £8416.
3. The annualised salary figure for John McGinty would be £8416.
4. The annualised salary figure for Fiona O'Donnell would be £8416.
5. The annualised salary figure for Tracy Humphrey would be £8416.
6. The annualised salary figure for Richard Williams would be £8416. The salary also includes clinical duties until 30/09/2018 £20,217.
7. The annualised salary figure for Michael Ash would be £8416.
8. The annualised salary figure for Alison Mitchell would be £8416.
9. Peter Murray's remuneration includes £8416 as Vice Chair of East Lothian IJB.
10. Martin Hill's remuneration includes £8416 as Vice Chair of West Lothian IJB.
11. Carolyn Hirst's remuneration includes £8416 as Vice chair of Edinburgh IJB.
12. Moira Whyte is an employee of The University of Edinburgh and her Non Executive Allowance is charged to NHS Lothian
13. The salary figure for Alex Joyce includes £43471 for non board duties.
14. The annualised salary figure for Martin Connor would be £8416.
15. The annualised salary figure for Angus McCann would be £8416.
16. The annualised salary figure for Bill McQueen would be £8416.
17. The annualised salary figure for Ian Campbell would be £8416.
18. The annualised salary figure for Patricia Donald would be £8416.
19. 50% of the costs for James Forrest are charged to West Lothian Council. This salary is in relation to his role as Chief Officer of the IJB and is disclosed in the IJB accounts.
20. 50% of the costs for David Small Chief Officer post charged to East Lothian Council until 1/7/18. This salary is in relation to his role as Chief Officer of the IJB and is disclosed in the IJB accounts.
21. 50% of Alison MacDonald's costs are charged to East Lothian Council from 02/07/2018. This salary is in relation to her role as Acting Chief Officer of the IJB and is disclosed in the IJB accounts.
22. 50% of the costs for Allister Short's Chief Officer role are charged to Midlothian Council. Mr Short's full salary includes £42,529.50 for his substantive role. This salary is in relation to his role as Chief Officer of the IJB and is disclosed in the IJB accounts.
23. Judith Proctor is an employee of The City of Edinburgh Council (50% costs charged to NHS Lothian - £96,407* in 2018/19). *This figure has been updated for comparability of presentation in 2019/20.
24. The annualised salary figure for George Gordon would be £8416.
25. The total earnings for Fiona Ireland includes £18,967 backdated salary relating to a four year period, this has resulted in an increase in the pension benefit for 18/19.

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

	Total accrued pension at age 60 at 31 March (Bands of £5,000)	Real increase in pension at age 60 (Bands of £2,500)	Total accrued lump sum at age 60 at 31 March (Bands of £5,000)	Real increase in lump sum at age 60 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2019 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2020 £'000	Real increase in CETV in year £'000
Pension Values: Executive Members							
Mr Tim Davison, Chief Executive ^{note 1}	65-70	-	200-205	-	1,578	1,590	12
Mrs Susan Goldsmith, Director of Finance ^{note 2}	40-45	-	125-130	-	1,047	1,030	-
Miss Tracey Gillies, Medical Director	50-55	-	105-110	-	1,160	947	-
Professor Alison McCallum, Director of Public Health and Health policy	50-55	0-2.5	160-165	5-7.5	1,273	1,324	31
Alex McMahon, Nurse Director	25-30	2.5-5	60-65	0-2.5	461	513	52
Pension Values: Non Executive Members							
Ms Fiona Ireland	30-35	-	90-95	-	677	664	-
Mr Alex Joyce	20-25	0-2.5	60-65	0-2.5	466	496	26
Pension Values: Other Senior Employees							
Jim Crombie, Deputy Chief Executive ^{Note 3}	45-50	-	140-145	-	1,076	1,081	4
James Forrest, Chief Officer, West Lothian IJB (to 27/09/2019)	60-65	0-2.5	180-185	2.5-5	1,383	1,449	63
David Small, Director of Primary Care & Transformation	45-50	-	140-145	-	1,106	1,130	9
Alison MacDonald, Chief Officer, East Lothian IJB	20-25	2.5-5	35-40	0-2.5	337	388	50
Allister Short, Chief Officer, Midlothian IJB (to 30/09/2019) & Chief Officer, West Lothian IJB (From 01/10/2019)	20-25	2.5-5	35-40	2.5-5	300	345	45
Simon Watson, Chief Quality Officer	40-45	2.5-5	90-95	0-2.5	657	713	55
Janis Butler, Director of HR & Organisational Development	45-50	2.5-5	110-115	2.5-5	772	837	65
Morag Barrow, Chief Officer Midlothian IJB (From 01/10/2019)	15-20	-	40-45	-	301	304	3

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

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

Notes to Pension Table 2(c)

1. Tim Davison has exited the NHS Pension scheme so no employee or employer contributions were paid in the period
2. Susan Goldsmith has exited the NHS Pension scheme so no employee or employer contributions were paid in the period.
3. James Crombie has exited the NHS Pension scheme so no employee or employer contributions were paid in the period.
4. Morag Barrow has exited the NHS Pension scheme so no employee or employer contributions were paid in the period.

NHS Lothian

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2(d) Cash Equivalent Transfer Value (CETV) of deferred pension rights 2018/19 (Restated)

	Total accrued pension at age 60 at 31 March (Bands of £5,000)	Real increase in pension at age 60 (Bands of £2,500)	Total accrued lump sum at age 60 at 31 March (Bands of £5,000)	Real increase in lump sum at age 60 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2018 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2019 £'000	Real increase in CETV in year £'000
Pension Values: Executive Members							
Mr Tim Davison, Chief Executive <small>Notes 1 & 4</small>	65-70	-	200-205	-	1,553	1,552	-
Mrs Susan Goldsmith, Director of Finance <small>Notes 2 & 4</small>	40-45	-	125-130	-	1,031	1,030	-
Miss Tracey Gillies, Medical Director	60-65	0-2.5	140-145	0-2.5	1,097	1,141	44
Professor Alison McCallum, Director of Public Health and Health policy	50-55	0-2.5	155-160	2.5-5	1,194	1,251	37
Alex McMahon, Nurse Director	20-25	0-2.5	55-60	0-2.5	411	454	42
Pension Values: Non Executive Members							
Dr Richard Williams	55-60	0-2.5	150-155	-	1,435	1,368	-
Ms Fiona Ireland	40-45	10-12.5	120-125	30-32.5	633	866	221
Mr Alex Joyce	20-25	0-2.5	65-70	0-2.5	506	534	24
Pension Values: Other Senior Employees							
Jim Crombie, Deputy Chief Executive <small>Notes 3 & 4</small>	45-50	-	140-145	-	1,059	1,058	-
James Forrest, Chief Officer, West Lothian integration Joint board	55-60	0-2.5	175-180	5-7.5	1,307	1,391	70
David Small, Director of Primary Care & Transformation	45-50	2.5-5	140-145	7.5-10	1,004	1,088	69
Alison MacDonald, Acting Chief Officer, East Lothian IJB	15-20	0-2.5	30-35	0-2.5	292	333	41
Allister Short, Chief Officer, Midlothian Integration Joint Board	15-20	0-2.5	35-40	0-2.5	262	296	34
Simon Watson, Chief Quality Officer	35-40	0-2.5	90-95	0-2.5	610	647	37
Janis Butler, Director of HR & Organisational Development	40-45	2.5-5	105-110	0-2.5	708	760	52

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

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

Notes to Pension Table 2(d)

1. Tim Davison has exited the NHS Pension scheme so no employee or employer contributions were paid in the period.
2. Susan Goldsmith has exited the NHS Pension scheme so no employee or employer contributions were paid in the period.
3. James Crombie has exited the NHS Pension scheme so no employee or employer contributions were paid in the period.
4. These figures were restated due to information that came to light during 2019-20.

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.

	2019/20	2018/19
Range of Staff Remuneration (Bands of £5,000)	5-10 to 250-255	5-10 to 225-230
Highest Earning Director Total Remuneration Band (£5,000)	190-195	180-185
Median Total Remuneration (£)	29,562	26,942
Ratio of Highest Earning Board Member to Median	6.51	6.77

3. Remuneration Committee

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

Committee Membership:

Mr Brian Houston (Chair to 31 January 2020)
 Mr Michael Ash
 Mr Alex Joyce
 Mr Derek Milligan
 Ms Alison Mitchell

During 2019/20 the Remuneration Committee met 3 times – 23 May, 17 July and 17 December. There was also a meeting arranged for 18 February 2020 but this was subsequently cancelled.

4. Senior Managers' Remuneration

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

STAFF REPORT

1(a) HIGHER PAID EMPLOYEES' REMUNERATION

Other employees, not being directors or senior employees, whose remuneration fell within the following ranges:

			Clinical Staff		Other Staff	
			2020	2019	2020	2019
			Number	Number	Number	Number
£70,001	to	£80,000	237	193	30	23
£80,001	to	£90,000	146	126	17	13
£90,001	to	£100,000	145	136	10	7
£100,001	to	£110,000	148	152	7	9
£110,001	to	£120,000	145	141	2	2
£120,001	to	£130,000	119	104	0	1
£130,001	to	£140,000	106	100	1	0
£140,001	to	£150,000	70	74	0	0
£150,001	to	£160,000	54	50	0	0
£160,001	to	£170,000	47	43	0	0
£170,001	to	£180,000	18	18	0	0
£180,001	to	£190,000	12	15	0	0
£190,001	to	£200,000	5	6	0	0
£200,001	and above		7	5	0	0

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

NHS Lothian

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1(b) STAFF NUMBERS AND COSTS

	Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2020 Total	2019 Total
	£'000	£'000	£'000	£'000	£'000	£'000		£'000
STAFF COSTS								
Salaries & Wages	773	425	837,435	0	0	(2,076)	836,557	792,321
Social security costs	101	35	85,842	0	0	0	85,978	81,287
NHS scheme employers' costs	79	28	153,997	0	0	0	154,104	104,238
Inward Secondees	0	0	0	670	0	0	670	1,324
Agency & recharged Univ. Staff	0	0	0	0	28,248	0	28,248	24,225
	953	488	1,077,274	670	28,248	(2,076)	1,105,557	1,003,395
Compensation for loss of office	0	0	97	0	0	0	97	63
TOTAL	953	488	1,077,371	670	28,428	(2,076)	1,105,654	1,003,458

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

STAFF NUMBERS

Whole time equivalent (WTE)	5	7	21,743	21	369	46	21,921	21,556
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Included in the total staff above were disabled staff of: 502 489

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

1(c) Staff Composition

	2019/20				2018/19			
	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	11	7	0	18	11	7	0	18
Senior Employees	38	32	0	70	45	34	0	79
Other	6,424	24,161	0	30,585	6,349	23,739	0	30,088
Total Headcount	6,475	24,203	0	30,678	6,407	23,783	0	30,190

1(d) Sickness Absence

	2019/20	2018/19
Sickness Absence Rate	4.9%	4.97%

1(e) Staff Policies

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

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

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

1(f) Other Employee Matters

Other employee matters including equality and diversity, employee relations, organisational change and redeployment, management of leave entitlements, health and safety at work, partnership working and facilities for trade union representatives are set out in our range of employment policies. During 2019/20 a number of the core employment policies were produced as Once for Scotland Workforce Policies and now apply across all NHS Boards. Further Once for Scotland Workforce Policies will be developed during 2020/21.

A number of employability schemes are in place where we work with other organisations to provide opportunities to individuals who are currently unemployed and/or experiencing barriers to employment. In addition, we offer work experience and placement opportunities to individuals who want to update their skills and gain relevant experience. The range of employability schemes includes Modern Apprenticeships and Healthcare Academies. Our Employability and Work Placement Team also facilitates placements for existing staff that are temporarily unable to work in their substantive post but fit to undertake suitable alternative work in other areas in the short term.

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

2(a) Exit Packages

Exit Packages - Current Year			
			2020
Exit Package cost band	Number of Compulsory	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	0	0	0
£10,000 - £25,000	0	0	0
£25,000 - £50,000	0	1	1
£50,000 - £100,000	0	1	1
Total number of exit Packages	0	2	2
Total Resource Cost (£'000)	0	97	97

Exit Packages –Prior Year			
			2019
Exit Package cost band	Number of Compulsory	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	0	4	4
£10,000 - £25,000	0	0	0
£25,000 - £50,000	0	1	1
Total number of exit Packages	0	5	5
Total Resource Cost (£'000)	0	63	63

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 are required to be published by 31 July each year. Detailed below is the relevant information for NHS Lothian for the period 2019/20.

However, it should be noted that the majority of the costing information in this report for 2019/20 relates to those trade union representatives who have dedicated time each week for trade union activities and does not include the number of others who are given time for trade union activities on an ad hoc basis but where costs are not available.

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

Relevant Union Officials

Number of employees who were relevant union officials during the period 1 April 2019 to 31 March 2020	Full-time equivalent employee number
120 – adhoc time 26 – dedicated time Total – 146	23.12 (relates to those with dedicated time only)

Percentage of time spent on facility time

Percentage of time	Number of representatives
0%	
1 - 50%	120
51 – 99%	
100%	26*

Percentage of pay bill spent on facility time

Total cost of facility time	£1,143,287 (relates to those with dedicated time only)*
Total pay bill	£1,107,730,000
Percentage of the total pay bill spent on facility time	0.10%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	100% - all time spent on trade union activity is paid for any trade union representative
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*Includes time spent on partnership duties as well as traditional trade union duties

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2020

3 PARLIAMENTARY ACCOUNTABILITY REPORT

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

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

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

Regularity of expenditure**Losses and Special Payments**

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

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

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

	No. of cases	£000
Losses	351	8,961

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

In 2019/20, the Board was required to pay out £4,205k in respect of 7 claims individually greater than £250,000 settled under the CNORIS scheme (2018/19: £2,333k, 4 claims). Further details on the scheme can be found in Note 1 (accounting policies) of the annual accounts.

Remote Contingent Liabilities

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

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

24 June 2020



Chief Executive and Accountable Officer

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of NHS Lothian and its group for the year ended 31 March 2020 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2020 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is 4 years. We are independent of the board and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Property valuations

We draw attention to Note 1 Accounting policies, 29. 'Key sources of judgement and estimation uncertainty' of the financial statements, which describes the effects of a material uncertainty, caused by Covid-19, on the valuation report. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions 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

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2020

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2020

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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



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

Date... 29 JUNE 2020

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2020

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2020

2019			2020
£'000		Note	£'000
1,006,463	Staff costs	3a	1,107,730
	Other operating expenditure:	3b	
238,269	Independent Primary Care Services		249,583
377,879	Drugs and medical supplies		392,042
1,343,083	Other health care expenditure		1,436,010
2,965,694	Gross expenditure for the year		3,185,365
(1,252,071)	Less: operating income	4	(1,314,156)
(3,291)	Associates and joint ventures accounted for on an equity basis		2,793
1,710,332	Net expenditure for the year		1,874,002
OTHER COMPREHENSIVE NET EXPENDITURE			
(16,504)	Net gain on revaluation of Property Plant and Equipment	SOCTE	(20,298)
1,693,828	Total Comprehensive Expenditure		1,853,704

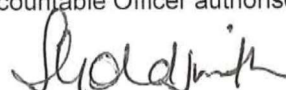

The Notes of the Accounts, numbered 1 to 25, form an integral part of these Accounts.

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2019

Consolidated 2019 £'000	Board 2019 £'000		Note	Consolidated 2020 £'000	Board 2020 £'000
		Non-current assets:			
1,040,775	1,040,775	Property, plant and equipment	7c	1,064,655	1,064,655
944	944	Intangible assets	6a	629	629
		Financial assets:			
81,710	2,102	Available for sale financial assets	10	84,566	2,096
7,917	0	NHS Share of Joint Venture		5,124	0
91,050	91,050	Trade and other receivables	9	98,512	98,512
1,222,396	1,134,871	Total non-current assets		1,253,486	1,165,892
		Current Assets:			
18,768	18,768	Inventories	8	21,762	21,762
84,208	74,417	Trade and other receivables	9	77,578	76,076
6,387	1,028	Cash and cash equivalents	11	53,896	49,425
2,018	0	Investments	10	2,035	0
111,381	94,213	Total current assets		155,271	147,263
1,333,777	1,229,084	Total assets		1,408,757	1,313,155
		Current liabilities			
(34,121)	(34,121)	Provisions	13a	(47,979)	(47,979)
		Financial liabilities:			
(249,871)	(246,807)	Trade and other payables	12	(306,484)	(303,926)
(283,992)	(280,928)	Total current liabilities		(354,463)	(351,905)
1,049,785	948,156	Non-current assets plus/(less) net current assets/(liabilities)		1,054,294	961,250
		Non-current liabilities			
(204,296)	(204,296)	Provisions	13a	(221,608)	(221,608)
		Financial liabilities:			
(405,531)	(405,531)	Trade and other payables	12	(388,470)	(388,470)
(609,827)	(609,827)	Total non-current liabilities		(610,078)	(610,078)
439,958	338,329	Assets less liabilities		444,216	351,172
		Taxpayers' Equity			
129,552	129,552	General fund	SOCTE	133,377	133,377
208,777	208,777	Revaluation reserve	SOCTE	217,795	217,795
7,917	0	Joint Venture reserves	SOCTE	5,124	0
93,712	0	Fund held on Trust	SOCTE	87,920	0
439,958	338,329	Total taxpayers' equity		444,216	351,172

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 24th June 2020


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Director of Finance 24 June 2020

Chief Executive 24 June 2020

STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31 MARCH 2020

2019 £'000		Note	£'000	£'000
Cash flows from operating activities				
(1,710,332)	Net expenditure	SOCTE	(1,874,002)	
57,437	Adjustments for non-cash transactions	2b	56,937	
32,827	Add back: interest payable recognised in net operating cost	2b	42,748	
(164)	Deduct: interest receivable recognised in net operating cost	4	(82)	
(2,094)	Investment income		(2,201)	
(122,088)	Movement in working capital	2b	(5,721)	
(1,744,414)	Net cash outflow from operating activities	25c		(1,782,321)
Cash flows from investing activities				
(81,412)	Purchase of property, plant and equipment		(53,940)	
(932)	Purchase of intangible assets		0	
6,896	Proceeds of disposal of property, plant and equipment		2,494	
(12,307)	Investment Additions	10	(22,885)	
12,552	Receipts from sale of investments		16,337	
2,258	Interest received		2,283	
(72,945)	Net cash outflow from investing activities	25c		(55,711)
Cash flows from financing activities				
1,728,008	Funding	SOCTE	1,857,962	
(4,000)	Movement in general fund working capital	SOCTE	48,397	
1,724,008	Cash drawn down	SOCTE	1,906,359	
122,911	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2b	21,930	
244	Interest paid		8	
(33,071)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(42,756)	
1,814,092	Net Financing	25c		1,885,541
(3,267)	Net Increase / (decrease) in cash and cash equivalents in the period			47,509
9,654	Cash and cash equivalents at the beginning of the period			6,387
6,387	Cash and cash equivalents at the end of the period			53,896
Reconciliation of net cash flow to movement in net debt/cash				
(3,267)	Increase/(decrease) in cash in year	11		47,509
9,654	Net debt/cash at 1 April			6,387
6,387	Net debt/cash at 31 March			53,896

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

NHS Lothian

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STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY FOR YEAR ENDED 31 MARCH 2020

	Note	General Fund £'000	Revaluation Reserve £'000	Joint Venture Reserves £'000	Funds held in Trust £'000	Total Reserves £'000
Balance at 31 March 2019		129,552	208,777	7,917	93,712	439,958
Balance at 1 April 2019		129,552	208,777	7,917	93,712	439,958
Changes in taxpayers' equity for 2019/20						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a		3,965	0	0	3,965
Impairment of property, plant and equipment			6,264	0	0	6,264
Revaluation & impairments taken to operating costs	2b		10,069	0	0	10,069
Transfers between reserves		11,280	(11,280)	0	0	0
Net operating cost for the year	CFS	(1,865,417)	0	(2,793)	(5,792)	(1,874,002)
Total recognised income and expense for 2019/20		(1,854,137)	9,018	(2,793)	(5,792)	(1,853,704)
Funding:						
Drawn down	CFS	1,906,359				1,906,359
Movement in General Fund (Creditor) / Debtor	CFS	(48,397)				(48,397)
Balance at 31 March 2020	SoFP	133,377	217,795	5,124	87,920	444,216
Balance at 31 March 2018		114,270	199,125	4,626	87,757	405,778
Balance at 1 April 2018		114,270	199,125	4,626	87,757	405,778
Changes in taxpayers' equity for 2018/19						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a	0	(17,889)	0	0	(17,889)
Impairment of property, plant and equipment		0	1,774	0	0	1,774
Revaluation & impairments taken to operating costs	2a	0	32,619	0	0	32,619
Transfers between reserves		6,852	(6,852)	0	0	0
Net operating cost for the year	CFS	(1,719,578)	0	3,291	5,955	(1,710,332)
Total recognised income and expense for 2018/19		(1,712,726)	9,652	3,291	5,955	(1,693,828)
Funding:						
Drawn down	CFS	1,724,008				1,724,008
Movement in General Fund (Creditor) / Debtor	CFS	4,000				4,000
Balance at 31 March 2019	SoFP	129,552	208,777	7,917	93,712	439,958

NOTES TO THE ACCOUNTS

FOR YEAR ENDED 31 MARCH 2020

NOTE 1 ACCOUNTING POLICIES

1. Authority

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in section 30 below.

(a) Standards, amendments and interpretations effective in 2019/20

There are no new standards, amendments or interpretations effective in 2019/20.

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

There are no new standards, amendments or interpretations early adopted in 2019/20.

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

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2021. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities, and provides enhanced disclosures to improve transparency of reporting on capital employed.

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

Impact of the new standard

The Board has assessed the impact that the application of IFRS 16 will have on the comprehensive net expenditure for the financial year ending 31 March 2021 and on the Statement of Financial Position at that date. The figures below represent existing leases as at 31 March 2020.

The standard is expected to increase total expenditure by £0.5 million. Right-of-use assets totalling £52 million will be brought onto the Statement of Financial Position, with an associated lease liability of £52 million.

Basis of Consolidation

2. Consolidation

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

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

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

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

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

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

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

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

3. Going Concern

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

4. Accounting Convention

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

5. Funding

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

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

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

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

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

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

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

6. Property, plant and equipment

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

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

6.1 Recognition

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

All assets falling into the following categories are capitalised:

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

6.2 Measurement

Valuation:

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

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

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

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

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

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

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

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

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

Subsequent expenditure:

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

Revaluations and Impairment:

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

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

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

6.3 Depreciation

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

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

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

Depreciation is charged on a straight line basis.

The following asset lives have been used:

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

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

7. Intangible Assets

7.1 Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets:

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

Expenditure on research is not capitalised.

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

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

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

Software:

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

Software licences:

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

Carbon Emissions (Intangible Assets):

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

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

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

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

Websites:

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

7.2 Measurement

Valuation

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

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

Revaluation and impairment

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

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

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

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

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

7.3 Amortisation

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

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

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

Amortisation is charged on a straight line basis.

The following asset lives have been used:

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

8. Non-current assets held for sale

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

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

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

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

9. Donated Assets

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

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

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

11. Leasing

Finance leases

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

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

Operating leases

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

Leases of land and buildings

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

12. Impairment of non-financial assets

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

13. General Fund Receivables and Payables

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

14. Inventories

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

15. Losses and Special Payments

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

16. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

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

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

17. Clinical and Medical Negligence Costs

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

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

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

18. Related Party Transactions

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

19. Value Added Tax

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

20. PFI/HUB/NPD Schemes

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

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

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

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

21. Provisions

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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

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2020

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

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

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

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

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

(b) Amortised costs

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

25. Segmental reporting

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

26. Cash and cash equivalents

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

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

27. Foreign exchange

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

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

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

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

28. Third party assets

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

29. Key sources of judgement and estimation uncertainty

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

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

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

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

Fair Value of Property, Plant & Equipment: The Board commissioned a valuation as at 31 March 2020 which was performed in February and March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material valuation uncertainty has been declared in the valuation report. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as '*where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.*' The range of uncertainty has not been identified, therefore we were unable to quantify this in the accounts.

The valuation report has been used to inform the measurement of assets in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to NHS Lothian as at 31 March 2020 and can be relied upon.

Of the £892.123m net book value of land and buildings subject to valuation, £832.717 (93%) relates to specialised assets valued on a depreciated replacement cost basis. Here the valuer bases their assessment on the cost to NHS Lothian of replacing the service potential of the assets; the uncertainty relates to the estimated costs of, rather than the extent of, service potential to be replaced.

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

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ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2020

2a. SUMMARY OF CORE REVENUE RESOURCE OUTTURN

		2020 £'000	2020 £'000
Net Expenditure	SoCNE		1,874,002
Total Non-Core Expenditure (see below)			(87,032)
FHS Non Discretionary Allocation			(97,371)
Donated Assets Income	2b		3,275
Endowment Net Operating Costs			(5,792)
Joint Ventures accounted for on an equity basis			(2,793)
Total Core Expenditure			1,684,289
Core Revenue Resource Limit			1,684,908
Saving/(excess) against Core Revenue Resource Limit			619

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Capital Grants to / (from) Other Bodies		7,003	
Depreciation/Amortisation		37,760	
Annually Managed Expenditure – Impairments		(4,968)	
Annually Managed Expenditure - Creation of Provisions		17,409	
Annually Managed Expenditure – Depreciation of Donated Assets	2b	856	
Additional SGHSCD non-core funding		17,658	
IFRS PFI Expenditure		11,314	
Total Non-Core Expenditure			87,032
Non Core Revenue Resource Limit			87,032
Saving/(excess) against Non-Core Revenue Resource Limit			0

SUMMARY RESOURCE OUTTURN

	Resource £'000	Expenditure £'000	Saving / (Excess) £'000
Core	1,684,908	1,684,289	619
Non-Core	87,032	87,032	0
Total	1,771,940	1,771,321	619

2b. NOTES TO THE CASH FLOW STATEMENT

Consolidated adjustments for the non-cash transactions

2019 £'000	Expenditure Not Paid In Cash	Note	2020 £'000
37,476	Depreciation on Purchased Assets	7a	40,909
522	Amortisation	6	315
890	Depreciation on Donated Assets	7a	856
1,488	Impairments on PPE charged to SOCNE		269
34,393	Net revaluation on PPE charged to SOCNE		16,333
(3,262)	Reversal of impairments on PPE charged to SoCNE		(6,533)
(5,203)	Loss/(Profit) on disposal of property, plant and equipment		1,601
(1,057)	Funding of Donated assets	7a	(3,275)
(3,291)	IJB joint venture share	SoCNE	2,793
(4,519)	Other non cash transactions (losses) on investments		3,669
57,437	Total Expenditure Not Paid In Cash		56,937
	Interest Payable		
33,071	PFI Finance Lease charges allocated in year	18	42,756
(244)	Unwinding of Discount		(8)
32,827	Net interest payable	CFS	42,748

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Consolidated movement in working capital

2019			Opening Balances	Closing Balances	Net Movement
£'000	Note		£'000	£'000	£'000
INVENTORIES					
(1,135)	8	Balance Sheet	18,768	21,762	
(1,135)		Net Decrease/(Increase)			(2,994)
TRADE AND OTHER RECEIVABLES					
534	9	Due within one year	84,208	77,578	
(9,163)	9	Due after more than one year	91,050	98,512	
(8,629)			175,258	176,090	
0		Less: Property, Plant & equipment included in above	0	0	
			175,258	176,090	
(8,629)		Net Decrease/(Increase)			(832)
TRADE AND OTHER PAYABLES					
7,719	12	Due within one year	249,871	306,484	
4,403	12	Due after more than one year	405,531	388,470	
(8875)		Less: Property, Plant & Equipment (Capital) included in above	(26,866)	(29,156)	
4,000	12	Less: General Fund Creditor included in above	(1,028)	(49,425)	
(122,911)	12	Less: Lease and PFI Creditors included in above	(379,533)	(401,463)	
			247,975	214,910	
(115,664)		Net (Decrease)/Increase			(33,065)
PROVISIONS					
3,340	13a	Due within one year	238,417	269,587	
			238,417	269,587	
3,340		Net (Decrease)/Increase			31,170
(122,088)	CFS	NET MOVEMENT Decrease/(Increase)			(5,721)

3. EXPENDITURE

3a. Staff Costs

2019		Board 2020	Consolidated 2020
£'000		£'000	£'000
269,388	Medical and Dental	292,680	292,680
418,147	Nursing	453,515	453,515
318,928	Other Staff	361,535	361,535
1,006,463	Total	1,107,730	1,107,730

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

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2020

3b. Other operating expenditure

Independent Primary Care Services:

2019 £'000		Board 2020 £'000	Consolidated 2020 £'000
129,700	General Medical Services	137,043	137,043
30,356	Pharmaceutical Services	31,887	31,887
61,633	General Dental Services	63,543	63,543
16,580	General Ophthalmic Services	17,110	17,110
<u>238,269</u>	Total	<u>249,583</u>	<u>249,583</u>

Drugs and Medical Supplies:

£'000		£'000	£'000
158,703	Prescribed drugs Primary Care	161,511	161,511
120,466	Prescribed drugs Secondary Care	128,226	128,226
98,710	Medical Supplies	102,305	102,305
<u>377,879</u>	Total	<u>392,042</u>	<u>392,042</u>

Other health care expenditure:

£'000		£'000	£'000
925,139	Contribution to Integration Joints Boards	974,097	974,097
12,226	Other NHS Scotland Bodies	14,496	14,496
2,482	Health Bodies outside Scotland	1,791	1,791
6,420	Private sector	5,515	5,515
15,702	Goods and services from voluntary organisations	20,316	20,316
105,620	Resource Transfer	111,767	111,767
139	Loss on disposal of assets	1,719	1,719
272,439	Other operating expenses	303,022	303,022
262	Statutory audit fee	273	273
2,654	Endowment Fund expenditure	0	3,014
<u>1,343,083</u>	Total	<u>1,432,996</u>	<u>1,436,010</u>
<u>1,959,231</u>	Total Other Operating Expenditure	<u>2,074,621</u>	<u>2,077,635</u>

During 2019/20 the Board's external auditors received £7,200 in relation to non audit work. This non audit work was the audit of the Private Patient Funds. Included within Endowment fund expenditure is £18,999.48 in relation to the External Audit of the Endowment Fund.

Other operating expenses includes property related costs £47m, PFI unitary charge payments £74m, depreciation and amortisation £42m, Clinical negligence and CNORIS (note 13) £21m, E-health costs £15m and equipment related (including maintenance) £21m.

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2020

4. INCOME

2019			Board	Consolidated
£'000	NHS Scotland Bodies	Note	2020 £'000	2020 £'000
1,306	SGHSCD		1,637	1,637
236,402	Boards		250,529	250,529
5,585	NHS Non-Scottish Bodies		4,689	4,689
1,283	Private Patients		1,103	1,103
921,350	Income for services commissioned by Integration Joint Board		972,614	972,614
14,173	Patient charges for primary care		14,162	14,162
1,057	Donations		3,275	3,275
5,342	Profit on disposal of assets		118	118
11,200	Contributions in respect of clinical and medical negligence claims		20,831	20,831
164	Interest received	CFS	82	82
	Non NHS:			
811	Overseas patients		646	646
8,609	Endowment Fund Income			(2,778)
44,789	Other		47,248	47,248
1,252,071	Total Income	SOCNE	1,316,934	1,314,156

5. SEGMENTAL

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

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

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

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

	University Hospitals Support Services	Partnership Business Units	Corporate	Endowments	Edinburgh IJB	Midlothian IJB	East Lothian IJB	West Lothian IJB	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net operating cost 2019/20	771,889	489,578	603,951	5,792	3,264	(372)	(308)	209	1,874,003
Net operating cost 2018/19	707,471	478,732	533,375	(5,955)	(671)	(1,489)	(891)	(240)	1,710,332

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2020

6. INTANGIBLE ASSETS

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

PRIOR YEAR – CONSOLIDATED

	Note	Software Licences £'000	Total £'000
Cost or Valuation:			
As at 1 April 2018		19,268	19,268
Additions		932	932
As at 31 March 2019		20,200	20,200
Amortisation			
As at 1 April 2018		18,734	18,734
Provided during the year		522	522
At 31 March 2019		19,256	19,256
Net Book Value at 1 April 2018		534	534
Net Book Value at 31 March 2019	SoFP	944	944

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ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2020

7a) PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED

	Note	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation										
At 1 April 2019		57,707	831,389	875	100	141,862	32,077	1,255	138,139	1,203,404
Additions - Purchased		0	0	0	0	0	0	0	56,230	56,230
Additions – Donated		0	0	0	0	0	0	0	3,275	3,275
Completions		0	64,867	0	0	6,177	4,750	0	(75,794)	0
Transfers between asset categories		0	0	0	0	0	0	0	0	0
Revaluations		1,394	(15,055)	0	0	0	0	0	0	(13,661)
Impairment Charges		0	(808)	0	0	0	0	0	0	(808)
Impairment Reversals		0	4,351	0	0	0	0	0	0	4,351
Disposals – Purchased		(3,046)	(1,403)	0	0	0	0	0	0	(4,449)
Disposals – Donated		0	0	0	0	0	0	0	0	0
At 31 March 2020		56,055	883,341	875	100	148,039	36,827	1,255	121,850	1,248,342
Depreciation										
At 1 April 2019		0	42,853	55	66	90,201	28,443	1,011	0	162,629
Provided during the year – purchased		0	25,412	39	0	12,476	2,857	125	0	40,909
Provided during the year – donated		0	496	0	10	350	0	0	0	856
Revaluations		0	0	0	0	0	0	0	0	0
Impairment Charges		0	(17,626)	0	0	0	0	0	0	(17,626)
Impairment reversals		0	(539)	0	0	0	0	0	0	(539)
Disposals – Purchased		0	(2,182)	0	0	0	0	0	0	(2,182)
Disposals – Donated		0	(360)	0	0	0	0	0	0	(360)
At 31 March 2020		0	48,054	94	76	103,027	31,300	1,136	0	183,687
Net book value at 1 April 2019		57,707	788,536	820	34	51,661	3,634	244	138,139	1,040,775
Net book value at 31 March 2020	SoFP	56,055	835,287	781	24	45,012	5,527	119	121,850	1,064,655
Open Market Value of Land, buildings and Dwellings Included Above		6,850		0						
Asset financing:										
Owned – purchased		56,055	362,707	781	0	44,162	5,527	119	112,974	582,325
Owned – donated		0	4,057	0	24	850	0	0	8,876	13,807
Finance leased		0	4,121	0	0	0	0	0	0	4,121
On-balance sheet PFI contracts		0	464,402	0	0	0	0	0	0	464,402
Net Book Value at 31 March 2020	SoFP	56,055	835,287	781	24	45,012	5,527	119	121,850	1,064,655

NHS Lothian

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2020

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

	Note	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation										
At 1 April 2018		58,155	687,580	1,078	100	134,806	31,084	1,273	235,800	1,149,876
Additions - Purchased		0	0	0	0	2,667	592	0	87,028	90,287
Additions – Donated		0	0	0	0	38	0	0	1,019	1,057
Completions		0	174,739	0	0	10,568	401	0	(185,708)	0
Transfers between asset categories		193	(193)	0	0	0	0	0	0	0
Revaluations		469	(31,418)	(203)	0	0	0	0	0	(31,152)
Impairment Charges		0	(2,126)	0	0	0	0	0	0	(2,126)
Impairment Reversals		0	3,459	0	0	0	0	0	0	3,459
Disposals – Purchased		(1,110)	(652)	0	0	(6,192)	0	(18)	0	(7,972)
Disposals – Donated		0	0	0	0	(25)	0	0	0	(25)
At 31 March 2019		57,707	831,389	875	100	141,862	32,077	1,255	138,139	1,203,404
Depreciation										
At 1 April 2018		0	34,034	16	56	82,828	26,440	904	0	144,278
Provided during the year - purchased		0	22,261	39	0	13,048	2,003	125	0	37,476
Provided during the year – donated		0	482	0	10	398	0	0	0	890
Revaluations		0	(13,263)	0	0	0	0	0	0	(13,263)
Impairment Charges		0	(638)	0	0	0	0	0	0	(638)
Impairment reversals		0	197	0	0	0	0	0	0	197
Disposals – Purchased		0	(220)	0	0	(6,050)	0	(18)	0	(6,288)
Disposals – Donated		0	0	0	0	(23)	0	0	0	(23)
At 31 March 2019		0	42,853	55	66	90,201	28,443	1,011	0	162,629
Net book value at 1 April 2018		58,155	653,546	1,062	44	51,978	4,644	369	235,800	1,005,598
Net book value at 31 March 2019	SoFP	57,707	788,536	820	34	51,661	3,634	244	138,139	1,040,775
Open Market Value of Land, buildings and Dwellings Included Above		9,910		0						
Asset financing:										
Owned – purchased		57,707	369,007	820	0	50,461	3,634	244	80,306	562,179
Owned – donated		0	4,473	0	34	1,200	0	0	5,601	11,308
Finance leased		0	4,329	0	0	0	0	0	0	4,329
On-balance sheet PFI contracts		0	410,727	0	0	0	0	0	52,232	462,959
Net Book Value at 31 March 2019	SoFP	57,707	788,536	820	34	51,661	3,634	244	138,139	1,040,775

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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

2019			2020
£'000	Net book value of Property, plant and equipment at 31 March	Note	£'000
1,029,467	Purchased		1,050,848
11,308	Donated		13,807
1,040,775	Total	SoFP	1,064,655
9,910	Net book value related to land valued at open market value at 31 March		6,850
1,390	Net book value related to buildings valued at the open market value at 31 March		0
	Total value of assets held under:		
4,329	Finance Leases		4,121
462,959	PFI and PPP Contracts		464,402
467,288			468,523
	Total depreciation charged in respect of assets held under:		
280	Finance leases		289
7,556	PFI and PPP contracts		8,075
7,836			8,364

In line with the Board's revaluation policy a sample was revalued by an independent valuer, Avison Young at 31 March 2020 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 £20.298m (2019-20: an increase of £16.504m) which was credited to the revaluation reserve. Impairment of 10.068m (2019-20 £32.619m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn

7d) ANALYSIS OF CAPITAL EXPENDITURE

2019			2020
£'000	EXPENDITURE	Note	£'000
932	Acquisition of Intangible Assets	6	0
90,287	Acquisition of Property, plant and equipment	7a	56,230
1,057	Donated Asset Additions	7a	3,275
92,276	Gross Capital Expenditure		59,505
	INCOME		
1,684	Net book value of disposal of Property, plant and equipment	7a	4,089
2	Net book value of disposal of Donated Assets	7a	0
7	HUB – repayment of investment		6
1,057	Donated Asset Capital income		3,275
2,750	Capital Income		7,370
89,526	Net Capital Expenditure		52,135

SUMMARY OF CAPITAL RESOURCE OUTTURN

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

	Core	Non Core	Total
89,526 Net capital expenditure as above	42,108	10,033	52,141
89,526 Capital Resource Limit	42,108	10,033	52,141
0 Saving/(excess) against Capital Resource Limit	0	0	0

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8. INVENTORY

2019 £'000		Note	2020 £'000
18,768	Raw Materials and Consumables		21,762
18,768	Total Inventories	SoFP	21,762

9. TRADE AND OTHER RECEIVABLES

Consolidated 2019 £'000	Board 2019 £'000		Note	Consolidated 2020 £'000	Board 2020 £'000
Receivables due within one year					
NHS Scotland					
0	0	SGHSCD		0	0
18,010	18,010	Boards		16,417	16,417
18,010	18,010	Total NHS Scotland Receivables		16,417	16,417
1,425	1,425	NHS Non-Scottish Bodies		1,082	1,082
3,330	3,285	VAT recoverable		2,901	2,881
21,330	21,330	Prepayments		16,481	16,481
23,877	14,131	Accrued income		20,804	19,322
3,023	3,023	Other Receivables		2,073	2,073
11,816	11,816	Reimbursement of provisions		16,922	16,922
1,397	1,397	Other Public Sector Bodies		898	898
84,208	74,417	Total Receivables due within one year	SoFP	77,578	76,076
Receivables due after more than one year					
1,301	1,301	Prepayments		107	107
3	3	Other Receivables		3	3
89,746	89,746	Reimbursement of Provisions		98,402	98,402
91,050	91,050	Total Receivables due after more than one year	SoFP	98,512	98,512
175,258	165,467	TOTAL RECEIVABLES		176,090	174,588
4,992	4,992	The total receivables figure above includes a provision for bad debts of :		4,938	4,938

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

Consolidated 2019 £'000	Board 2019 £'000		Consolidated 2020 £'000	Board 2020 £'000
3,615	3,615	At 1 April	4,992	4,992
5,092	5,092	Provision for receivables impairment	4,843	4,843
(198)	(198)	Receivables written off during the year as uncollectable	(73)	(73)
(3,517)	(3,517)	Unused amounts reversed	(4,824)	(4,824)
4,992	4,992	At 31 March	4,938	4,938

NHS Lothian

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10. INVESTMENTS

Consolidated 2019 £'000	Board 2019 £'000		Note	Consolidated 2020 £'000	Board 2020 £'000
22,920	0	UK equities & investment trusts		22,502	
34,150	0	Non UK equities & investment trusts		30,775	
11,291	0	Fixed Interest securities		10,564	
15,367	2,102	Other		22,760	2,096
83,728	2,102	TOTAL	SoFP	86,601	2,096
79,461	2,109	At 1 April		83,728	2,102
12,307	0	Additions	CFS	22,885	0
(12,559)	(7)	Disposals		(16,343)	(6)
4,519	0	Revaluation (deficit)/surplus transferred to equity	2a	(3,669)	0
83,728	2,102	At 31 March		86,601	2,096
2,018	0	Current	SoFP	2,035	0
81,710	2,102	Non-current	SoFP	84,566	2,096
83,728	2,102	At 31 March		86,601	2,096
		Other Financial Assets available for sale comprise:			
		Loans to Hub South East Scotland Limited			
	33				33
	33				33

The Edinburgh & Lothian Health Foundation (ELHF) has a pooled investment portfolio with NHS Lanarkshire which is managed by independent investment managers, Schroders. These investments are categorised as level 1 in accordance with IFRS13. Only the ELHF share of the investments is recorded within the Foundations' Financial Statements and is included within the consolidated Board statements. At year end 2019/20 there were investments of £73,026 and cash awaiting investment £174k. The NHS Lanarkshire share was 6.5% of the total portfolio managed by Casenove (Schroders). ELHF also holds investment properties of £11,305 these are solely owned by ELHF.

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

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

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

11. CASH AND CASH EQUIVALENTS

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

		At 01/04/18 £'000	Cash Flow £'000	At 31/03/19 £'000
Government Banking Service account balance		4,902	(3,953)	949
Cash at bank and in hand		126	(47)	79
Endowment cash		4,626	733	5,359
Total cash – balance sheet		9,654	(3,267)	6,387

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 2019 £'000	Board 2019 £'000		Note	Consolidated 2020 £'000	Board 2020 £'000
		Payables due within one year			
		NHS Scotland			
0	0	SGHSCD		0	0
3,972	3,972	Boards		5,223	5,223
3,972	3,972	Total NHS Scotland Payables		5,223	5,223
1,187	1,187	NHS Non-Scottish Bodies		1,026	1,026
1,028	1,028	General Fund Payable		49,425	49,425
30,924	30,924	FHS Practitioners		34,811	34,811
3,347	3,321	Trade Payables		1,135	1,135
88,469	88,469	Accruals		90,710	88,152
24,694	21,656	Deferred Income		18,873	18,873
12,058	12,058	Net obligations under PPP/PFI Contracts	18b	12,993	12,993
21,392	21,392	Income tax and social security		22,575	22,575
14,339	14,339	Superannuation		18,383	18,383
1	1	Other Public Sector Bodies		(14)	(14)
3,837	3,837	Other payables		3,377	3,377
15,970	15,970	Employee Benefits		17,024	17,024
1,787	1,787	Pay and Conditions Accrual		1,787	1,787
26,866	26,866	Capital Accruals		29,156	29,156
249,871	246,807	Total Payables due within one year	SoFP	306,484	303,926
		Payables due after more than one year			
13,109	13,109	Net obligations under PPP/PFI Contracts due within 1-2 years	18b	14,790	14,790
48,904	48,904	Net obligations under PPP/PFI Contracts due after 2 years but within 5 years	18b	55,491	55,491
305,462	305,462	Net obligations under PPP/PFI Contracts due after 5 years	18b	318,189	318,189
38,056	38,056	NPDs		0	0
405,531	405,531	Total Payables due after more than one year	SoFP	388,470	388,470
655,402	652,338	TOTAL PAYABLES		694,954	692,396

12. TRADE AND OTHER PAYABLES (continued)

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Consolidated 2019 £'000	Board 2019 £'000		Consolidated 2020 £'000	Board 2020 £'000
		Borrowings included above comprise:		
379,533	379,533	PFI Contracts	401,463	401,463
379,533	379,533		401,463	401,463
		The carrying amount and fair value of the non-current borrowings are as follows:		
		Carrying amount		
367,475	367,475	PFI Contracts	388,470	388,470
367,475	367,475		388,470	388,470
		Fair value		
38,056	38,056	Finance Leases	0	
367,475	367,475	PFI Contracts	388,470	388,470
405,531	405,531		388,470	388,470

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

13a. PROVISIONS – CONSOLIDATED

2019 £'000		Pensions & similar obligations £'000	Clinical & Medical Negligence £'000	Participation in CNORIS £'000	Other £'000	Total £'000
235,077	At 1 April 2019	21,267	104,090	112,270	790	238,417
40,251	Arising during the year	7,046	33,416	14,194	1,725	56,381
(10,824)	Utilised during the year	(1,710)	(5,900)	(754)	(420)	(8,784)
(244)	Unwinding of discount	(8)	0	0	0	(8)
(25,843)	Reversed unutilised	(326)	(15,779)	0	(314)	(16,419)
238,417	At 31 March 2020	26,269	115,827	125,710	1,781	269,587

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

Other provisions include an amount of £1,781k for non-medical CNORIS.

Analysis of expected timing of discounted cash flows:

2019 £'000		Pensions & similar obligations £'000	Clinical & Medical Negligence £'000	Participation in CNORIS £'000	Other £'000	Total £'000
34,121	Payable within one year	1,718	24,134	21,371	756	47,979
136,747	Payable between 2 -5 years	0	76,854	75,426	1,025	153,305
6,953	Payable between 6 – 10 years	0	2,022	6,285	0	8,307
60,596	Thereafter	24,551	12,817	22,628	0	59,996
238,417	At 31 March 2020	26,269	115,827	125,710	1,781	269,587

Pensions and similar obligations

The board meets the additional cost of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the expected share of payments over the remaining lives of the former employees, discounted by the Treasury discount rate of -0.5% (2018/19: 0.29%). 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)

2019 £'000		Note	2020 £'000
104,880	Provision recognising individual claims against the NHS Board as at 31 March	13a	117,608
(101,562)	Associated CNORIS receivable at 31 March	9	(115,324)
112,270	Provision recognising the NHS Board' liability from participating in the scheme at 31 March	13a	125,710
115,588	Net Total Provision relating to CNORIS at 31 March		127,994

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

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

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

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

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

14. CONTINGENT LIABILITIES

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

2019		2020
£'000		£'000
172,634	Clinical and medical compensation payments	123,685
<u>814</u>	Other	<u>690</u>
173,448		124,375

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

2019		2020
£'000		£'000
(171,540)	Clinical and medical negligence contingent assets	(122,453)

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

Other non-quantifiable contingent liabilities

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

15. EVENTS AFTER THE REPORTING PERIOD

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

16. COMMITMENTS – CONSOLIDATED**(a) Capital Commitments**

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

2019		2020
£'000	Contracted	£'000
0	Radiotherapy Replace Programme	1,612
0	Hsdu Trak and Traceability	497
0	Haematology	887
682	Medical Equipment	1,060
486	BLM	0
330	ELCH Equipment	0
474	Anti-Ligature	0
263	Jardine Clinic Reh	0
305	Sjh Elective Centre	0
209	Reprov Of Eye Pavilion Services	0
222	HEPMA - Electronic Prescribing	0
188	Other Commitments	118
3,159		4,174
	Authorised but not Contracted	
0	Royal Hospital for Sick Children and DCN Reprovision	6,545
0	Cockenzie	2,862
0	Ihs Panmure	2,917
0	Esmac – St Kats	210
1,164	ELCH Equipment	0
0	Renal WGH	5,212
306	Body Storage Equipment	7
1,182	Jardine Clinic Reh	0
3,209	HEPMA - Electronic Prescribing	4,701
0	Energy Infrastructure Phase 1	8,539
0	Haematology	9,846
	Hsdu Trak and Traceability	994
0	Other Schemes	9
5,861	Total	41,842

(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. LEASES – CONSOLIDATED

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

2019		2020
£'000	Operating Leases	£'000
	Buildings	
6,236	Not later than one year	5,283
6,223	Later than one year but not later than two years	5,275
18,342	Later than two but not later than five years	15,238
27,046	Later than five years	20,572
	Other	
1,537	Not later than one year	1,681
1,148	Later than one year but no later than two years	1,090
560	Between two and five years (inclusive)	680
	Amounts charged to Operating Costs in year were:	
6,655	Hire of equipment (including vehicles)	6,627
4,999	Other operating leases	6,704
11,654		13,331

18. PFI CONTRACTS – CONSOLIDATED

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

Name	Description of Scheme	Start Date	End Date	Estimated capital value £'000
Royal Hospital for Children and Young People Edinburgh & Department for Clinical Neurosciences	This facility is a new hospital for children and young people, integrating the department of clinical neurosciences into the same new build.	23/02/19	31/07/42	129,115
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	6,150
Blackburn Partnership Centre	This facility includes health and social care services as well as community services for local residents	22/09/17	21/09/42	8,022
Pennywell All Care Centre	A joint development between NHS Lothian and the City of Edinburgh Council, providing health and social care services for the local community	23/10/17	22/10/42	11,067
East Lothian Community Hospital Phases 1 & 2	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	53,976
Royal Edinburgh Hospital Phase 1	This service provides 185 beds for both mental health services and a national acquired brain injury service	05/12/16	04/12/41	39,576
Royal Infirmary of Edinburgh	Acute teaching hospital facilities	01/11/01	30/06/53	176,665
Midlothian Community Hospital	This hospital 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	13,547
Ellens Glen	This service provides a 60 bedded facility for frail elderly and dementia patients	01/10/96	01/10/21	3,280
Findlay House	This service provides a 60 bedded facility for frail elderly and dementia patients in the grounds of the Eastern General Hospital	01/11/99	01/11/29	3,680
Tippethill	This service provides a 60 bedded facility for frail elderly and dementia patients at Whitburn	13/06/03	12/06/33	1,995
Bathgate Primary Care Centre	This service provides a Primary Care Centre which accommodates 3 GP Practices and the CHP's community activities in the locality	06/09/00	05/09/25	2,047

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

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

Total obligations under on-balance sheet PFI / PPP / Hub contracts for the following periods comprises:												
2019	Gross Minimum Lease Payments	Primary Care facilities	Midlothian Community	RIE Little France	P1 Royal Edinburgh	Allermuir Health Centre	Blackburn Partnership	Pennywell All Care Centre	ELCH	RHCYP & DCN	2020 TOTAL	
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
52,715	Rentals due within 1 year	1,722	1,314	31,690	3,162	568	443	813	4,511	12,471	56,694	56,694
52,461	Due within 1 to 2 years	1,723	1,314	31,690	3,162	568	443	813	4,511	12,471	56,695	56,695
157,378	Due within 2 to 5 years	5,167	3,943	95,069	9,487	1,704	1,329	2,438	13,532	37,414	170,083	170,083
637,916	Due after 5 years	6,676	20,446	249,644	52,697	9,982	7,804	14,275	87,577	216,183	665,284	665,284
900,470	Total	15,288	27,017	408,093	68,508	12,822	10,019	18,339	110,131	278,539	948,756	948,756
2019	Less Interest Element	Primary Care facilities	Midlothian Community	RIE Little France	P1 Royal Edinburgh	Allermuir Health Centre	Blackburn Partnership	Pennywell All Care Centre	ELCH	RHCYP & DCN	2020 TOTAL	
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
(40,657)	Rentals due within 1 year	(1,259)	(846)	(23,959)	(2,364)	(431)	(212)	(538)	(3,902)	(10,190)	(43,701)	(43,701)
(39,352)	Due within 1 to 2 years	(1,209)	(829)	(22,836)	(2,312)	(422)	(205)	(525)	(3,556)	(10,009)	(41,905)	(41,905)
(108,474)	Due within 2 to 5 years	(3,270)	(2,372)	(60,041)	(6,587)	(1,206)	(574)	(1,487)	(10,254)	(28,801)	(114,592)	(114,592)
(332,454)	Due after 5 years	(3,530)	(8,471)	(162,642)	(21,233)	(4,127)	(1,772)	(4,868)	(39,911)	(100,541)	(347,095)	(347,095)
(520,937)	Total	(9,268)	(12,518)	(269,480)	(32,496)	(6,186)	(2,763)	(7,418)	(57,623)	(149,541)	(547,293)	(547,293)
2019	Present value of minimum lease payments	Note	Primary Care facilities	Midlothian Community	RIE Little France	P1 Royal Edinburgh	Allermuir Health Centre	Blackburn Partnership	Pennywell All Care Centre	ELCH	RHCYP & DCN	2020 TOTAL
£000			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
12,058	Rentals due within 1 year	12	463	468	7,731	798	137	231	275	609	2,281	12,993
13,109	Due within 1 to 2 years	12	514	485	8,852	850	146	238	288	955	2,462	14,790
48,904	Due within 2 to 5 years	12	1,897	1,571	35,028	2,900	498	755	951	3,278	8,613	55,491
305,462	Due after 5 years	12	3,146	11,975	87,002	31,464	5,855	6,032	9,407	47,666	115,642	318,189
379,533	Total		6,020	14,499	138,613	36,012	6,636	7,256	10,921	52,508	128,998	401,463
379,533	Total commitments		6,020	14,499	138,613	36,012	6,636	7,256	10,921	52,508	128,998	401,463

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

2019	Imputed finance lease obligation under on-balance-sheet	2020
£'000	PFI/PPP contracts comprises:	£'000
52,715	Rentals due within 1 year	56,694
52,461	Rentals due within 1 to 2 years	56,695
157,378	Rentals due within 2 to 5 years	170,083
637,916	Rentals due thereafter	665,284
900,470		948,756
(520,937)	Less interest element	(547,293)
379,533	Total	401,463

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

2019		2020
£'000		£'000
17,881	Service charges	21,480
33,071	Interest charges on finance lease debt	42,756
8,415	Principle repayment	12,222
59,367	Total	76,458

Contingent rents included within the interest charges were £6,226k (2018/19: £6,057k)

19. PENSION COSTS

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

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

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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 £154.1m were payable to SPPA (2018/19 £104.2m) at the rate of 20.9% of pensionable pay for the period from 1 April 2019 (2018/19 14.9%). 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, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Fire fighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the NHS Pension Scheme (Scotland) is known and its impact fully assessed in relation to any additional costs to the scheme.

The NHS board level of participation in the scheme is 13.2% based on the proportion of employer contributions paid in 2019/20.

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 2019-20 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland)

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

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

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

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 £5,876 up to £45,000, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

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

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

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

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

2019 £'000		2020 £'000
104,235	Pension cost charge for the year	154,104
21,267	Provisions/Liabilities/Pre-payments included in the Balance Sheet	26,269

20. RETROSPECTIVE RESTATEMENTS

There were no Prior year adjustments

21. FINANCIAL INSTRUMENTS - CONSOLIDATED

2019 £'000	AT 31 MARCH 2020	Note	Loans and Receivables £'000	Available for sale £'000	Total £'000
Assets per balance sheet					
83,728	Investments	10	0	86,601	86,601
29,725	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	24,860	0	24,860
6,387	Cash and cash equivalents	11	53,896	0	53,896
119,840			78,756	86,601	165,357

2019 £'000	Liabilities per balance sheet	Note	Other Financial Liabilities £'000	Total £'000
0	Finance lease liabilities	12	0	0
379,533	PFI Liabilities	12	401,463	401,463
173,416	Trade and other payables excluding statutory liabilities (VAT and income tax and social security)	12	228,437	228,437
552,949			629,900	629,900

FINANCIAL INSTRUMENTS – Board

2019 £'000	AT 31 MARCH 2020	Note	Loans and Receivables £'000	Available for sale £'000	Total £'000
Assets per balance sheet					
2,102	Investments	10	0	2,096	2,096
19,979	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	23,378	0	23,378
1,028	Cash and cash equivalents	11	49,425	0	49,425
23,109			72,803	2,096	74,899

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2019 £'000	Liabilities per balance sheet	Note	Other Financial Liabilities £'000	Total £'000
0	Finance lease liabilities	12	0	0
379,533	PFI Liabilities	12	401,463	401,463
173,390	Trade and other payables excluding statutory liabilities (VAT and income tax and social security)	12	225,879	225,879
552,923			627,342	627,342

Financial Risk Factors**Exposure to Risk**

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

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

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

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

i) Credit Risk

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

ii) Liquidity Risk

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	TOTAL
PFI Liabilities	12,993	14,790	55,491	318,189	401,463
Trade and other payables excluding statutory liabilities	228,437				228,437
At 31 March 2020 (£'000)	241,430	14,790	55,491	318,189	629,900
At 31 March 2019 (£'000)	20,506	13,109	48,904	305,462	387,981

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 and Forward Currency Exchange Contracts

At 31 March 2019 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 2020.

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 2019 £'000	Gross Inflows £'000	Gross Outflows £'000	At 31 March 2020 £'000
Bank balances and monies on deposit	891	1,037	(1,022)	906
Total Monetary Assets	891	1,037	(1,022)	906

24. RELATED PARTY TRANSACTIONS

a) By virtue of their membership of the Board, executive and non-executive members are Trustees of the Lothian NHS Endowment Fund, which is a registered Scottish Charity and which expends donations for any NHS purpose and in accordance with the donor of the funds. During 19/20 the funds spent a total of £4.4m (2018/19: £5.68m), in support and in addition to, NHS funded supplies and services, including projects. NHS Lothian had a trading balance due from the Lothian NHS Endowment Fund of £61,171 as at 31 March 2020 (31 March 2019: £55).

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- b) Mr Martin Fennelly Hill is a non-executive member of NHS Lothian and is a non-executive member of Scottish Environmental Protection Agency. In 2019/20 NHS Lothian made payments to Scottish Environmental Protection Agency in relation to health service provision that amounted to £51,945 (2018/19: £46,043).
- c) Mr Brian Houston was a non executive member of NHS Lothian (resigned 31/1/2020) and is a director of Hibernian Football Club. In 2019/20 NHS Lothian made payments to Hibernian Football Club in relation to health service provision that amounted to £25,030 (2018/19: £8,460).
- d) 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.
- e) During 2015/16 a new integration joint board (IJB) was established in each of the four local authority areas within the NHS Lothian boundary, under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014. The IJBs are distinct legal entities the NHS Board and the relevant local authority. The NHS Board and the relevant local authority have delegated some of their functions to these IJBs, and each IJB is wholly responsible for carrying out those functions. The new arrangements for health and social care came fully into effect on 1 April 2016.
- City of Edinburgh Integration Joint Board. The Health Board has incurred costs of £543,312 (2018/19: £517,922) for its contribution to the IJB. The draft, unaudited, Accounts of Edinburgh IJB indicate that resource transfer has been presented differently and shown as Social Care expenditure in the IJB accounts. This presentation difference has no impact on the Board's out-turn. This treatment by Edinburgh IJB is different from how the other 3 IJBs have reported.
 - Mid Lothian Integration Joint Board. The Health Board has incurred costs of £107,282 (2018/19: £102,317) for its contribution to the IJB.
 - East Lothian Integration Joint Board. The Health Board has incurred costs of £124,533 (2018/19: £116,531) for its contribution to the IJB.
 - West Lothian Integration Joint Board. The Health Board has incurred costs of £198,970 (2018/19: £188,368) for its contribution to the IJB.

25. GROUP STATEMENTS

LINKED STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE

(a) Group SOCNE		Integrated Joint Board (Joint venture)							
Group 2019	Note	Board	Endowments	Intra Group adjustment	Edinburgh	West	East	Mid	Consolidated
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Total income and expenditure								
1,006,463	Staff costs	3	1,107,730	0	0	0	0	0	1,107,730
	Other operating expenditure								
238,269	Independent Primary Care Services	3	249,583	0	0	0	0	0	249,583
377,879	Drugs and medical supplies		392,042	0	0	0	0	0	392,042
1,343,083	Other health care expenditure		1,432,996	6,399	(3,385)	0	0	0	1,436,010
2,965,694	Gross expenditure for the year		3,182,351	6,399	(3,385)	0	0	0	3,185,365
(1,252,071)	Less: operating income	4	(1,316,934)	(607)	3,385	0	0	0	(1,314,156)
(3,291)	Joint venture accounted for on an equity basis				3,264	209	(308)	(372)	2,793
1,710,332	Net Expenditure		1,865,417	5,792	0	3,264	209	(308)	1,874,002

The intercompany adjustments relate to removal of intercompany rental income to endowments from NHS Lothian £305k, and removal of grants to NHS Lothian £3,080k. Losses from Foundation investments of £3,776k have been recognised in the Endowment 'Operating income' line above.

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LINKED CONSOLIDATED GROUP STATEMENT OF FINANCIAL POSITION

(b) Group Statement of Financial Position

		Integrated Joint Board (Joint Venture)								
Group 2019 £'000		Note	Board £'000	Endowments £'000	Intra Group adjustment £'000	Edinburg h £'000	West £'000	East £'000	Mid £'000	Group £'000
	Non-current assets:									
1,040,775	Property, plant and equipment	SoFP	1,064,655	0	0	0	0	0	0	1,064,655
944	Intangible assets	SoFP	629	0	0	0	0	0	0	629
	Financial assets:									
81,710	Available for sale financial assets	SoFP	2,096	82,470	0	0	0	0	0	84,566
7,917	Investments in Joint Ventures	25a	0	0	0	1,583	32	1,199	2,310	5,124
91,050	Trade and other receivables	SoFP	98,512	0	0	0	0	0	0	98,512
1,222,396	Total non-current assets		1,165,892	82,470	0	1,583	32	1,199	2,310	1,253,486
	Current Assets:									
18,768	Inventories	SoFP	21,762	0	0	0	0	0	0	21,762
	Financial assets:									
84,208	Trade and other receivables	SoFP	76,076	1,502	0	0	0	0	0	77,578
6,387	Cash and cash equivalents	SoFP	49,425	4,471	0	0	0	0	0	53,896
2,018	Investments	SoFP	0	2,035	0	0	0	0	0	2,035
0	Assets classified as held for sale	SoFP	0	0	0	0	0	0	0	0
111,381	Total current assets		147,263	8,008	0	0	0	0	0	155,271
1,333,777	Total assets		1,313,155	90,478	0	1,583	32	1,199	2,310	1,408,757
	Current liabilities									
(34,121)	Provisions	SoFP	(47,979)	0	0	0	0	0	0	(47,979)
	Financial liabilities:									
(249,871)	Trade and other payables	SoFP	(303,926)	(3,407)	849	0	0	0	0	(306,484)
(283,992)	Total current liabilities		(351,905)	(3,407)	849	0	0	0	0	(354,463)
1,049,785	Non-current assets plus/(less) net current assets/(liabilities)		961,250	87,071	849	1,583	32	1,199	2,310	1,054,294

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Non-current liabilities										
(204,296)	Provisions	SoFP	(221,608)	0	0	0	0	0	0	(221,608)
	Financial liabilities:									
(405,531)	Trade and other payables	SoFP	(388,470)	(11,451)	11,451	0	0	0	0	(388,470)
(609,827)	Total non-current liabilities		(610,078)	(11,451)	11,451	0	0	0	0	(610,078)
439,958	Assets less liabilities		351,172	75,620	12,300	1,583	32	1,199	2,310	444,216
Taxpayers' Equity										
129,552	General fund	SoFP	133,377	0	0	0	0	0	0	133,377
208,777	Revaluation reserve	SoFP	217,795	0	0	0	0	0	0	217,795
7,917	Joint venture reserves	SoFP	0	0	0	1,583	32	1,199	2,310	5,124
93,712	Funds held on Trust	SoFP	0	75,620	12,300	0	0	0	0	87,920
439,958	Total taxpayers' equity		351,172	75,620	12,300	1,583	32	1,199	2,310	444,216

LINKED CONSOLIDATED GROUP CASHFLOWS

(c) Group Cashflows

2019 Board £'000	2019 Endowment £'000	2019 Integration joint board £'000	2019 Group £'000		2020 Board £'000	2020 Endowment £'000	2020 Integration joint board £'000	2020 Group £'000
(1,719,578)	5,955	3,291	(1,710,332)	Cash flows from operating activities	(1,865,417)	(5,792)	(2,793)	(1,874,002)
66,547	(5,819)	(3,291)	57,437	Net operating cost	50,475	3,669	2,793	56,937
32,827	0	0	32,827	Adjustments for non-cash transactions	42,748	0	0	42,748
(164)	0	0	(164)	Add back: interest payable recognised in net operating cost	(82)	0	0	(82)
0	(2,094)	0	(2,094)	Deduct: interest receivable recognised in net operating cost	0	(2,201)	0	(2,201)
(122,440)	352	0	(122,088)	Investment income	(13,505)	7,784	0	(5,721)
(1,742,808)	(1,606)	0	(1,744,414)	Movement in working capital	(1,785,781)	3,460	0	(1,782,321)
				Net cash outflow from operating activities				
				Cash flows from investing activities				
(81,412)	0	0	(81,412)	Purchase of property, plant and equipment	(53,940)	0	0	(53,940)
(932)	0	0	(932)	Purchase of intangible assets	0	0	0	0
0	(12,307)	0	(12,307)	Investment Additions	0	(22,885)	0	(22,885)
6,896	0	0	6,896	Proceeds of disposal of property, plant and equipment	2,494	0	0	2,494
0	12,552	0	12,552	Receipts from sale of investment	0	16,337	0	16,337
164	2,094	0	2,258	Interest and dividends received	82	2,201	0	2,283
(75,284)	2,339	0	(72,945)	Net cash outflow from investing activities	(51,364)	(4,347)	0	(55,711)
				Cash flows from financing activities				
1,728,008	0	0	1,728,008	Funding	1,857,962	0	0	1,857,962
(4,000)	0	0	(4,000)	Movement in general fund working capital	48,397	0	0	48,397
1,724,008	0	0	1,724,008	Cash drawn down	1,906,359	0	0	1,906,359
122,911	0	0	122,911	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	21,930	0	0	21,930
244	0	0	244	Interest paid	8	0	0	8
(33,071)	0	0	(33,071)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(42,756)	0	0	(42,756)
1,814,092	0	0	1,814,092	Net Financing	1,885,541	0	0	1,885,541
(4,000)	733	0	(3,267)	Net Increase / (decrease) in cash and cash equivalents in the period	48,396	(887)	0	47,509
5,028	4,626	0	9,654	Cash and cash equivalents at the beginning of the period	1,028	5,359	0	6,387
1,028	5,359	0	6,387	Cash and cash equivalents at the end of the period	49,424	4,472	0	53,896
				Reconciliation of net cash flow to movement in net debt/cash				
(4,000)	733	0	(3,267)	Increase/(decrease) in cash in year	48,396	(887)	0	47,509
5,028	4,626	0	9,654	Net debt/cash at 1 April	1,028	5,359	0	6,387
1,028	5,359	0	6,387	Net debt/cash at 31 March	49,424	4,472	0	53,896



Lothian Health Board

DIRECTION BY THE SCOTTISH MINISTERS

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

Signed by the authority of the Scottish Ministers

Dated 10/2/2006