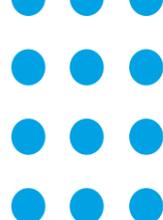


Annual Report and Accounts



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Part A

Performance report

The Performance Report provides sufficient information to understand the NHS National Services Scotland (NSS) purpose, the key risks to the achievement of our objectives and how we have performed during the year. Further detailed information is provided in the rest of the Performance Report, the Accountability Report and the Financial Statements. You can also find more information about our services on our website www.nss.nhs.scot

Foreword from our Chair

In my role as Chair of the Board, I am pleased to present this annual report. It details how NHS National Services Scotland (NSS) has delivered against its original objectives while rising to the extraordinary challenge of COVID-19.



Keith Redpath
Chair

I wish to thank everyone within our organisation – and across the wider NHS and Social Care family – for the skill and commitment they have shown in the most difficult circumstances.

The pandemic has touched the lives of everyone. I am grateful not only as Chair of NSS but also as a citizen whose own family and community have depended on our NHS.

Our role remains central to the continuing national response to COVID-19. Collaboration is the cornerstone of NSS and we have worked in partnership to deliver and support national programmes at unprecedented pace.

This re-focusing of resource necessarily means that our performance against our original non-COVID objectives was impacted. However, this report demonstrates that our performance over the past 12 months has been robust.

The ability of NSS to deliver and adapt under enormous pressure reflects its strong foundations and values. Colin Sinclair, who left his role as our Chief Executive on 31 March, deserves great credit for his work and his leadership.

It is also a tribute to his successor as Chief Executive, Mary Morgan, who has enabled a seamless and effective transition at a time of continuing challenge.

“ The past year has highlighted how NSS can be depended upon to deliver, whatever the challenges. The work of our colleagues has been extraordinary and should be celebrated.

Now we look forward together to the next 12 months, prepared to meet the challenges ahead and committed to supporting our national remobilisation and recovery.



Chief Executive's statement



Mary Morgan
Chief Executive

This has been an extraordinary year. The COVID-19 pandemic has presented the biggest challenge that we have faced in the 21st Century. I wish to extend condolences, personally and on behalf of NSS, to everyone who has experienced bereavement, loss and hardship during the past year.

It has also presented the biggest challenge that the NHS has faced in its history, impacting all of our staff and every aspect of our service delivery.

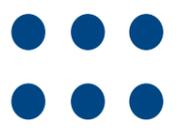
This 2020/2021 annual report reflects the major contributions that NSS colleagues and teams have made to our national response. I wish to thank and commend them all for their commitment, dedication and extraordinary efforts.

They have enabled safe and effective care to be provided to patients and, more widely, to the citizens of Scotland.

The annual report shows that NSS has responded proactively and comprehensively to the many issues that have arisen. It also demonstrates the effective planning and deployment of resources, swift action and solutions-focused approach for which we are renowned.

Overall performance against planned operational delivery objectives agreed with Scottish Government was robust. Achieving 87% against the backdrop of the pandemic is testament to the core strength of our organisation.

“ This 2020/2021 annual report reflects the major contributions that NSS colleagues and teams have made to our national response. I wish to thank and commend them all for their commitment, dedication and extraordinary efforts.



Chief Executive's statement continued

Throughout the past 12 months, NSS has supported critical programmes of work supporting our national response to COVID-19. These include:

- Ensuring Scotland never ran out of critical personal protective equipment (PPE)**
 National Procurement worked in partnership with Scottish Government to meet an unprecedented and urgent demand for PPE. More than one billion items of PPE were sourced and supplied.
- Providing strategic leadership for the national testing programme**
 Our strategic leadership role within the National COVID-19 Testing Programme saw NSS work in partnership with stakeholders including Scottish Government, HM Armed Forces, NHS boards and local authorities. Since the beginning of the pandemic, they established more than 90 testing sites, enabling nearly 2 million people to be tested by 31 March 2021.
- Creating and mobilising national contact centres**
 NSS mobilised two national contact centres to strengthen Scotland's COVID-19 response – supporting Test and Protect and the National Vaccination Programme. These NHS-led contact centres continue to play a key role in Scotland's COVID-19 response and have handled more than a million calls.
- Partnering to create a temporary hospital**
 Teams from across NSS played a crucial role in the establishment of the NHS Louisa Jordan temporary hospital in Glasgow. Health Facilities Scotland provided capital planning, construction and engineering advice. National Procurement, the Scottish National Blood Transfusion Service, HR, clinical colleagues and communications also provided services and support.
- Enabling citizens to be vaccinated safely and swiftly**
 We supported Scottish Government, UK Government, NHS Scotland and other partners to ensure the people of Scotland were vaccinated quickly and safely. All priority cohorts were vaccinated ahead of the target date. Our Digital and Security teams created the scheduling system that enabled this target to be achieved.
- Improving and innovating to support practitioners**
 Practitioner Services rapidly scaled up existing services and created new capabilities during COVID-19. The new NHS Pharmacy First Scotland service enabled patients to be seen at Community Pharmacies instead of GP practices. Almost 10 million prescriptions were processed in May 2020 – a record monthly high.

Maintaining essential services and wider COVID-19 activity

Antimicrobial Resistance and Healthcare Associated Infection (ARHAI) Scotland worked in partnership with Scotland's Chief Nursing Officer, and with infection prevention and control (IPC) colleagues across the four nations, on COVID-19 guidance for health and social services.

The Scottish National Blood Transfusion Service (SNBTS) provided critical data-sets and developed a new T-cell therapy for patients with COVID-19. They also provided vaccine storage and distribution for NHS Scotland as well as ensuring blood components were tested, safe and ready for transfusion to meet demand, while making significant changes in processes to comply with pandemic restrictions.

National screening programmes across Scotland were halted at the end of March 2020. Our National Services Directorate screening teams managed this sudden pause and the safe restart of these services from summer 2020.

Prepared for future challenges and delivering as 'one NSS'

These achievements serve to highlight that the landscape in which we operate has changed immensely. There are many lessons we can apply to future service design as the NHS in Scotland recovers, remobilises and considers the impacts of COVID-19 on finance and performance.

Meeting these challenges will require our organisation to think, act and deliver as 'one NSS'. Only by working collaboratively and with common purpose can we effectively meet our responsibilities, build new partnerships and fulfil the potential of our organisation and our people.

I am confident we will rise to that challenge, based on the skills and commitment of all of my colleagues. They have lived up to our NSS values over the past year.

Together we will continue to deliver for NSS, for our NHS and for the people of Scotland.

Mary Morgan
 Chief Executive



“ Together we will continue to deliver for NSS, for our NHS and for the people of Scotland. ”



Our NSS Strategy

NSS aims to be integral to a world-leading health and care service. We set ourselves three priorities for achieving this vision.



1. Enabling health and care transformation with new services

Our focus is on harnessing the wide-ranging skills and expertise NSS has to deliver national infrastructure solutions and services that create better health, better care and better value for Scotland.

NSS provides national infrastructure solutions which are integral to the delivery of health and care services in Scotland – locally, regionally and nationally.

2. Underpinning NHS Scotland with excellent services

NSS was then asked by Scottish Government to prepare a remobilisation plan for August 2020 through to March 2021. Our approach was guided by the Scottish Government COVID-19 Framework for Decision Making – Remobilise, Recover, Redesign – The Framework for the NHS in Scotland, which was published in May 2020.

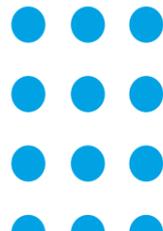
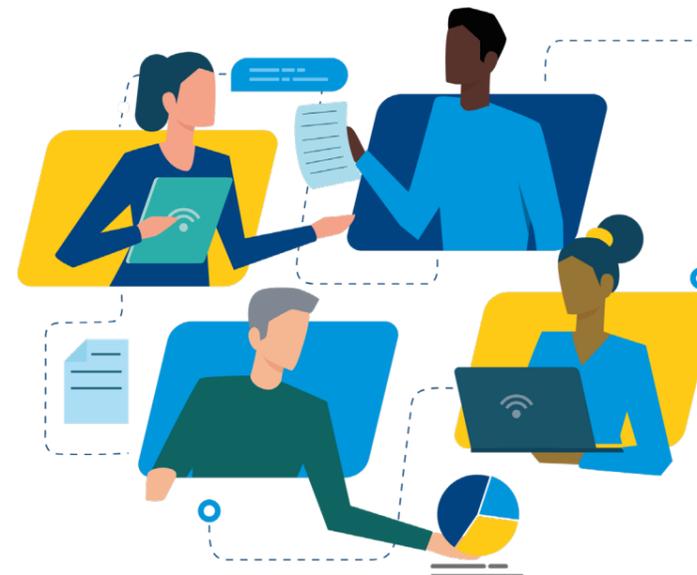
The framework set out how health boards will safely and incrementally prioritise the resumption of services, while maintaining COVID-19 capacity and resilience. In preparing our plan, Scottish Government asked us to consider how we would support the delivery of priority services, embed innovation and optimise outcomes for health boards. Furthermore, we were asked to consider opportunities for making additional contributions or extending our role. As a consequence of these requests, we identified four key priorities that were the focus of our delivery for the remaining eight months of the financial year.

- 1 Providing ongoing support to Scotland's COVID-19 response.**
- 2 Enabling and supporting NHS Scotland remobilisation.**
- 3 Remobilising NSS services.**
- 4 Developing future opportunities for assisting NHS Scotland renewal.**

Although the NSS strategy has not been the focal point for delivery in 2020/21, it has proved to be a very effective framework for guiding and shaping our approach for enabling Scotland's pandemic response, underpinning essential services and broadening our assistance to other areas of health and social care.

3. Assisting other organisations involved in health and care

NSS is connecting with a range of partners and stakeholders to ensure our services are supporting the wider health and care system.



Purpose and activities of NSS

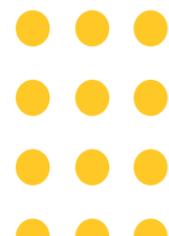
NSS is a Non Departmental Public Body (NDPB), accountable to Scottish Ministers. NSS was established as the Common Services Agency in 1974 under The National Health Service (Functions of the Common Services Agency) (Scotland) Order 1974, with a mandate to provide national strategic support services and expert advice to Scotland’s health sector whilst maximising health impacts and cost savings.

In 2013, the Public Services Reform (Functions of the Common Services Agency for the Scottish Health Service) (Scotland) Order 2013 extended the remit of NSS enabling the provision of services to other bodies, including local authorities and government departments.

More recently, the Public Bodies (Joint Working) Scotland Act 2014 reinforced this requirement to maximise health, financial and environmental impacts by engaging with, and offering services to, the wider public sector in Scotland.

Key facts

Total Expenditure:	£1,352.9 million
Workforce:	3,927
Sites:	24
Supporting the NHS:	<p>More than 1 billion items of PPE provided to health and social care</p> <p>Microsoft Teams rolled out across NHS Scotland</p> <p>Three COVID-19 regional hub laboratories established</p>
Resource efficiency:	<p>£18.6m in cash-release efficiency savings</p> <p>99.9% accuracy of all primary care contractor payments</p> <p>Protected £764,000 of NHS Scotland resources through prevention, detection and investigation of fraud.</p>



Underpinning NHSScotland with excellent services

We continued to provide all of our essential services throughout the pandemic.

Digital and security



Our expertise in digital innovation and person-centred scalable technology was called upon across the health and care environment as well as the wider public sector.

We delivered local and national digital solutions, providing clinical informatics and cyber and information governance.

Specialist healthcare commissioning



Our National Services Directorate commissioned a range of specialist and rare condition treatments supporting NHS Scotland to ensure equitable and affordable access to these when needed.

We also co-ordinated a range of cancer, pregnancy and newborn screening programmes.

We managed the growing development of national clinical networks and hosted the national planning function. This looked at how NHS Scotland will deliver its services in the future, building upon lessons learned during the pandemic.

Legal



NSS Central Legal Office provided specialist legal advice and assistance in every area of law relevant to the public sector.

With many years of experience, we advised clients across many aspects of the law, and with close links to the Scottish Government, we also advised on wider policy issues.

Primary care support



We provided services on behalf of health boards to support general practitioners, dentists, opticians, community pharmacies and dispensing contractors delivering primary care across Scotland.

This included payment, maintaining an up-to-date patient registration database, medical record transfers and clinical governance for dental services.

Health facilities



Health Facilities Scotland provided a range of specialist and technical services supporting NHS Scotland’s built environment.

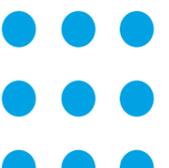
From capital projects and engineering advice to equipment provision and facilities management, we worked to ensure NHS Scotland estates and facilities were as effective, efficient, sustainable and safe as possible.

Programme management



Programme Management Services is a national delivery provider of programme assurance, portfolio management, programme and project delivery and transformation support services.

We supported the delivery of complex and challenging change programmes designed to deliver strategic goals.



National procurement



We provided a single efficient procurement service to achieve the best deals on goods and services, from pharmaceuticals and clinical consumables to support services. We extracted value, drove sustainability and supported economic growth via our supply solutions and partners.

Our expert logistics services included distribution, supply chain and warehouse operations, fleet management and ward product management.

Fraud prevention



We worked in partnership with NHS Scotland and across the Scottish public sector to provide a comprehensive service to reduce the risk of fraud and corruption.

We were also responsible for checking patient exemptions in respect of NHS Scotland patient charges and collecting payments for incorrectly claimed exemptions.

Corporate shared services



For a number of years, NSS has been providing corporate services to other health boards but up until last year these were not provided as a single offering.

From April 2020, we have provided a full corporate shared services offering to Public Health Scotland that brings five vital services together: HR; Digital and Security; Facilities; Procurement and Finance.

We are reviewing the service in 2021/22 and exploring opportunities to provide the offering to others.

ARHAI Scotland



Antimicrobial Resistance and Healthcare Associated Infection (ARHAI) Scotland is responsible for the coordination of national surveillance and reporting of healthcare associated infections and the monitoring of antimicrobial resistance and antimicrobial prescribing.

We provided evidence-based guidance and expert advice on infection prevention and control to reduce healthcare-associated infection (HAI).

Blood, tissues and cells



The Scottish National Blood Transfusion Service provided blood, tissues and cells to NHS Scotland, ensuring they were available countrywide, 24 hours a day, every day of the year.

We also provided specialist treatment and therapeutic solutions to Scotland's patients, as well as specialist testing and diagnostic services to ensure that all Scottish patients receive the most appropriate products for their needs.

NHS Scotland Assure



Commissioned by Scottish Government in 2019 and launched on 1 June 2021. We will work with health boards and partners to ensure healthcare buildings are designed to be safe, improve patient safety and support a once for Scotland approach.

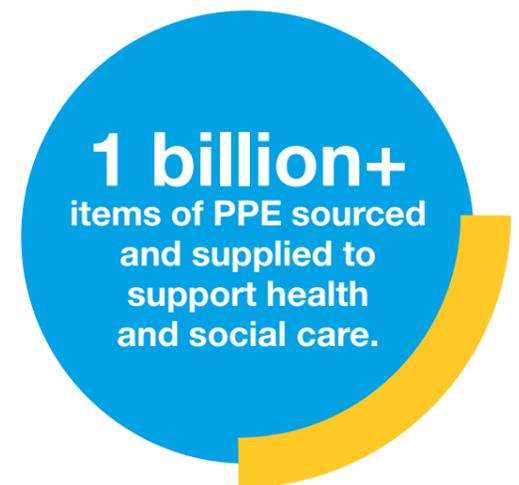
The service unites professionals from different backgrounds including infection, prevention and control; construction; healthcare science; engineering; fire safety and estates management to reduce risk and improve quality in Scotland's healthcare buildings and estates.

Our performance

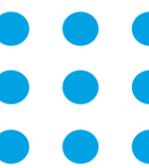
NSS achieved 87% of its key performance indicators (KPIs) in 2020/21.



Central Legal Office achieved **98%** customer satisfaction.



Established 94 testing centres in partnership, including drive-through, mobile and walk-through.





Our performance against key non-financial targets

Our performance was measured against the 119 KPIs originally set out in our annual operating plan for 2020-21 and updated in the NSS Remobilisation Plan – August 2020 to March 2021 (RMP).

As a result of a second COVID-19 wave in Scotland, 32 targets (27%) were impacted. These have been removed from the overall results as these activities were either delayed or put on hold so that NSS and NHS Scotland could refocus on COVID-19 response priorities.

At various times in 2020/21, public sector organisations, including NSS, were required to mobilise their services in support of Scotland’s COVID-19 response. This resulted in a number of NSS services stopping or reducing service provision to respond to that critical need. Many partner organisations had to re-prioritise their activities too.

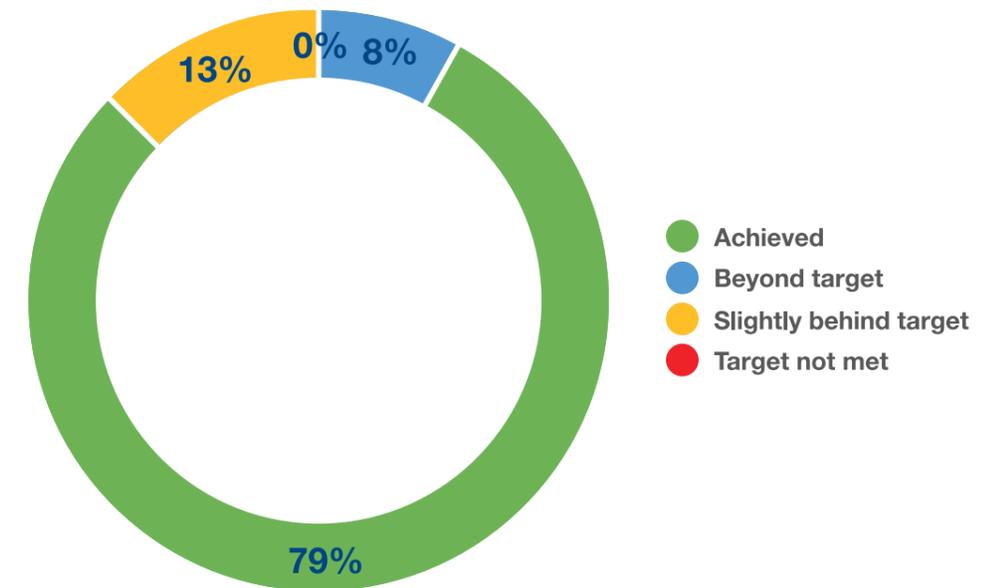
No NSS services were fully stopped, however, a number of activities and programmes covered by our performance targets were impacted.

- Our Assist programme, which was exploring partnership opportunities with integration authorities, local authorities, emergency services and the third and independent sectors was paused.
- Programmes relating to eye care and oral health, together with digital and procurement programmes relating to business as usual improvements, were delayed or reprioritised.
- The South East payroll programme was delayed with NSS and health board resources deployed to support the COVID-19 response.
- The National Laboratories programme refocused its efforts in support of Test and Protect.

Of the 32 targets impacted by COVID-19, 11 were placed on hold, 12 were subject to delay, five experienced issues with staffing and resources, and four encountered difficulties due to reduced stakeholder and partner availability. All of these targets will be revisited and reinstated once we are in a position to commit to them fully.

Overall, NSS achieved 87% of its remaining RMP targets after the 32 COVID-19 impacted priorities are excluded. Although this is a decrease on the 92% achieved in 2019/20, 76 targets were achieved. This is 21 more than the previous year.

Chart 1: NSS RMP Performance 2020/21



Above target performance (blue)

Despite a difficult operating climate some NSS measures performed well against targets, with seven KPIs achieving a blue rating and exceeding their targets. This is an increase of 1 on 2019/20. Examples include:

- **Sickness absence rates have reduced significantly in year to 3% compared with 4.5% in 2019/20 and is below the 4% national target.**
- **The value of procurement awards to applicable Scottish companies rose. The target has been exceeded with over £100 million worth of contracts awarded to Scottish firms.**
- **The National Laboratories Programme implemented the regional hub model for COVID-19 testing, delivered the antibody testing roll-out plan and ensured IT connectivity ahead of target.**

On target performance (green)

The number of green KPIs, at 69, increased from the 2019/20 figure of 49. Notable achievements for this year included:

- **National Screening Oversight was established and became fully functional.**
- **Baseline performance targets for corporate shared services were agreed with Public Health Scotland.**
- **Antimicrobial Resistance and Healthcare Associated Infections (ARHAI) tranche two activities were all completed. These included interim assurance reports for NHS Golden Jubilee, NHS Fife, NHS Orkney and NHS Dumfries & Galloway; Interim Assurance Reports and formal approval of the NHS Scotland Assure target operating model and blueprint by Scottish Government.**
- **Three days' blood supply was maintained and there were no avoidable transfusion or tissue transmitted infections.**
- **Despite the requirement to implement emergency payment measures, a full range of primary care payment services to GPs, Pharmacists, Dentists and Opticians continued promptly and accurately.**
- **Growth in Technology partnering.**
- **All Central Legal Office targets were met and their annual customer satisfaction survey – measured in September 2020 – achieved an industry-leading 98% rating.**
- **A number of COVID-19 focused objectives were successfully delivered as part of our RMP, including:**
 - **Launching the National Contact Tracing Centre - now known as the National Contact Centre.**
 - **Negotiating additional sampling capacity through all available channels in the UK Government Pillar 2 testing programme.**
 - **Management of handover of mobile test unit operational responsibility to Scottish Ambulance Service from HM Armed Forces.**
 - **Service Now being leveraged to support regional Contact Centre 360 helpdesks.**

Performance within 10% of target (amber)

- **Excluding COVID-19 impacted targets, there were 11 amber measures. This is an increase of eight on last year.**
- **Eight digital and security measures reported amber due to a variety of factors, including the knock-on effects of workload reprioritisation, and departmental organisational change being put on hold.**
- **Three National Laboratories Programme measures were amber, primarily due to contractual and IT issues.**

Performance missed by more than 10% of target (red)

Once COVID-19 impacted measures were removed, there were no red indicators. This compares against two red measures at year end in 2020.

Performance analysis

Financial performance

The Scottish Government sets three financial targets for NSS on an annual basis. These are:

- Revenue Resource Limit (RRL): a resource budget for ongoing operations;
- Capital Resource Limit (CRL): a resource budget for new capital investment; and
- Cash Requirement: a financing requirement to fund the cash consequences of the ongoing operations and new capital investment.

NSS is expected to stay within these limits and the performance against these limits in the current year is set out below.

	Limit as set by SGHSC	Actual Outturn	Variance (over)/under
	£000	£000	£000
Core Revenue Resource Limit (RRL)	802,838	802,096	742
Non-core Revenue Resource Limit (RRL)	46,887	46,878	9
Total	849,725	848,974	751
Core Capital Resource (CRL)	29,750	29,721	29
Cash Requirement	844,092	844,092	0

Memorandum for in-year outturn

£000

Core Revenue Resource Variance/Surplus in 2020-21			742
Underlying/Surplus against Core Revenue Resource Limit			742
Percentage			100%

Revenue

A total revenue resource of £849.7m (2019/20 £510.3m) was provided by SGHSC. Operating income of £503.9m (2019/20 £287.5m) has been credited to the Statement of Comprehensive Net Expenditure for the year ended 31 March 2021. When combined with funding from SGHSC, this gives a total income for 2020/21 of £1343.6m (2019/20 £797.8m).

Total revenue expenditure in the year was £1352.9m (2019/20 £797.7m), giving rise to a saving against the RRL set by SGHSC in the year of £0.7m as shown on the Summary of Resource Outturn (note 2a pg. 96).

Total revenue expenditure increased by £555.2m in 2020/21 and is primarily attributable to our crucial role in the response to the pandemic. Our main areas of expenditure in our COVID response are:

	2020/21
Covid-19 Expenditure	£000
Personal protective equipment	201,372
Testing kits for the general public	71,750
COVID-19 screening and testing for virus	59,742
Louisa Jordan Costs	63,984
Equipment & Sundries	12,982
Contact Tracing Costs	27,099
Immunisation Costs (COVID-19)	16,133
Additional Freight and Transport	16,016
Private healthcare	30,826
Digital, IT & Telephony Costs	3,729
Estates & Facilities cost	3,928
Flu Programme Delivery Costs	3,754
Additional hospital drug spend	1,807
Clinical Waste (NSS)	3,171
Other: Mail Costs – P&CFS Shielding Letters	1,923
Additional staffing	4,092
Other	485
Total	522,793

PPE and Testing kits

This financial year NSS procured and delivered PPE and testing kits to organisations across the public sector in Scotland and testing kits to the Scottish public. Below is breakdown of the costs:

PPE	£000
NHS Boards	114,900
Social Care	57,855
Testing Kits	£000
NHS Boards	5,691
Social Care	4,439
The Public	71,750

The income and expenditure for PPE and testing kits provided to NHS Boards is included in note 3 pg. 99 and note 4 pg. 100 under Non Clinical Services for Procurement, Commissioning and Facilities.

The PPE and testing kits delivered to social care partnerships and the testing kits for the public are funded through the core revenue resource limit provided by SG as detailed in note 2a pg. 96 and the associated expenditure is included in note 3 pg. 99 under Non Clinical Services for Procurement, Commissioning and Facilities.

During this time, we continued to deliver our services as set out earlier in our purpose and activities to support NHS Scotland. Additional funding within Digital and Security strategic business unit in relation to National IT Programmes including, Office 365 £20.9m, GP/IT replacement £8m and CHI £3m. NSD were also funded for New Ultra Orphan Drug Pathways £7.4m and HPV Screening Services £4m.

Services provided by NSS to NHSScotland

NSS provides services to NHSScotland on an agency basis. The cash transactions are not recorded in the NSS Accounts. All income and expenditure is recorded in the NHS Boards accounts.

Payments to primary care contractors

Payments made during the year to primary care contractors on behalf of NHS Boards in Scotland were £2,876.3m (2019/20 £2,662.2m) from funds drawn from the SGHSC totalling £2,876.3m (2019/20 £2,662.2m). NSS administers the payments to primary care practitioners on behalf of NHS Scotland.

Pharmacy rebates

NSS administers the receipt of rebates from pharmaceutical suppliers on behalf of NHSScotland. This year the total income received was £80.2m (2019/2020 £86.3m).

Public Health and Intelligence

The majority of services provided by the Public Health and Intelligence strategic business unit transferred to Public Health Scotland on 1 April 2020. This resulted in a transfer of funding, assets and liabilities as follows:

Funding	£m
Revenue	27.1
Capital	0.4
Assets and Liabilities	
Non Current Assets	2.7
Non Current Liabilities	0.2
Current Liabilities	0.4

Pensions and pension liabilities

Sums charged to the revenue account during the year in respect of deferred pensions, and the balance of the remaining liability for such costs, is shown in Note 18 (see page 121). During this accounting period, the charge to the Statement of Comprehensive Net Expenditure for pensions is based on the actual contributions level set by the Government Actuary. The costs associated with pension liabilities are shown in Note 18 (see page 121) and the Remuneration Report (see page 50). The accounting policy note for pensions is provided in Note 1 (see page 79).

Non current assets

During the year NSS invested £29.7m (2019/20 £10.9m) in capital projects.

NSS built increased capacity for Health and Social Care testing by investing £18.3m on the construction and equipment of our laboratories in Aberdeen, Edinburgh and Glasgow. This allowed NSS to transition 57,000 tests per week from the UK lighthouse laboratories to our own regional testing facilities.

The other areas of spend were £1.2m on property upgrades across the estate, £2.1m on plant and equipment, £0.5m on IT Equipment, £7.4m on software licence and developments and £0.2m on vehicles.

Cash and cash equivalents

The cash and cash equivalents balance at the 31 March 2021 was £6.6m, a decrease of £20.4m compared with 2019/20. The significant cash balance available at 31 March 2020 was for the payment of a high value invoice for Personal Protective Equipment which was expected to be paid on the last day of the financial year. The balance was fully utilised in the first week in April and the cash requirement has been closely managed throughout the year.

Prior year adjustments

A prior year adjustment of £10.215m has been made in the financial statements this year to recognise the pivotal role NSS has in the procuring and issuing of pandemic stock including Personal Protective Equipment and Medical Equipment. This was previously held by Scottish Government.

A further adjustment has been made to the cash flow statement to remove the Family Health Service (FHS) draw down and payments made as these are recorded in the NHS Boards accounts.

Provisions

During the year the value of provision held in the accounts have increased by £35.1m to £39.0m (2019/20 £3.9m). A new provision has been created in year for the backlog maintenance and dilapidations of NSS properties including the Louisa Jordan Hospital £35.7m. Other provisions arising in year are for injury benefits (£0.2m) and organisational restructuring (£0.2m). This is offset by provision utilised in year of £0.4m and reversed unutilised of £0.5m.

Contingent liabilities

Contingent liabilities not provided for in the accounts total £1.0m (£1.0m in 2019/20). These relate to clinical and medical compensation payments and employer liability and are disclosed in Note 13 (see page 117).

PFI/PPP scheme

The value of the contract for the Jack Copland Centre on the Statement of Financial Position is £30.9m. The contract term is 25 years which commenced in August 2017 and will terminate in November 2041.

Payment policy

The Scottish Government is committed to supporting business in the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies.

- In 2020/21 the average period of credit taken from all suppliers was 10.0 days (2019/20 7.0 days).
- In 2020/21 NSS paid 68.9% (2019/20 87.8%) of all invoices by value and 83.6% (2019/20 89.5%) of all invoices by volume, within 10 days.
- In 2020/21 NSS paid 84.1% (2019/20 96.3%) of all invoices by value and 93.7% (2019/20 96.8%) of all invoices by volume, within 30 days.



Our role in the national COVID-19 response

NSS has played a critical role in delivering services that have supported Scotland's health and social care throughout the COVID-19 response. Many of the services delivered in the last year were new or expanded upon our existing remit which has inevitably caused us to rethink how we review our performance in 2020-21.

While there have been changes to our priorities, we continued to deliver against our targets. There were, however, additional requirements as part of the COVID-19 response which didn't appear in our plans so we have accounted for these separately.

National COVID-19 Testing Programme

NSS played a large part in operationalising the UK government's Testing Programme as strategic leadership partner with Scottish Government.

By April 2021 we had established:

- **Eight drive through regional testing centres**
- **42 mobile testing units, run by the Scottish Ambulance Service**
- **44 local walk through testing sites (as at April 21, source: NSS Testing Programme).**

This enabled nearly **1.9 million** people in Scotland to be tested at least once.

Over 2.5 million tests have been carried out in NHS Scotland laboratories and **over 3.1 million tests** through UK government labs.

Our Digital and Security teams coordinated the intelligence around the test results, using our Seer platform to bring the results in. They also provided management information for Scottish Government and other partners to allow management decision making based on analysis of the data.



Contact tracing

We supported our partners at Public Health Scotland by establishing and managing a National Contact Centre (NCC - formerly the National Contact Tracing Centre) on their behalf. **More than 1,200 staff** have been trained to work directly within the NCC. NSS helped train a further **2,000 staff** across health boards, local authorities and commercial partners.

The NCC has managed more than **150,000** positive cases and given isolation advice and support to more than **425,000 traced** close contacts. As well as supporting Scotland's citizens, the NCC also contacted more than **35,000** international travellers.

Our digital teams provided security assurance and management expertise in the development of the Protect Scotland app. They also developed a secure 'check in' app for public venues. This integrates with the Case Management System developed by NSS. That system enables rapid identification of local COVID-19 outbreaks and helps to reduce community transmission.

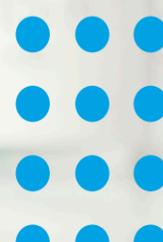
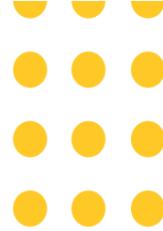
In the financial year, 80% of all index cases were traced within the first 24 hours.

National vaccination programme

We worked in collaboration with Scottish Government, UK Government, partners across NHS Scotland and other stakeholders to plan and deliver the most complex and challenging vaccination programme in NHS history.

Our National Procurement Pharmacy teams and vaccination supply partners worked tirelessly. As of 31 March, **2.5 million people** had received the first dose of a COVID-19 vaccination (**45.7% of the population**) and just over **350,000 people** had received their second dose (6% of the population).

Our Digital and Security teams developed and managed the national appointment scheduling system. This flexible digital solution enables appointments to be prioritised and scheduled efficiently at pace.





NHS Louisa Jordan

Construction of the NHS Louisa Jordan hospital in Glasgow was a collaborative effort. Colleagues across our organisation worked with NHS Scotland colleagues, other partners and suppliers to ensure the emergency COVID-19 hospital was fully operational within a few weeks of being commissioned.

While our HR team supported the site's rapid and evolving HR and recruitment needs, Health Facilities Scotland, supported by National Procurement and the Scottish National Blood Transfusion Service, worked in partnership to build and equip the site, ensuring safety, readiness, and operational excellence. Health Facilities Scotland led for NSS, supported by National Procurement and Scottish National Blood Transfusion Service. Our collaborative expertise supported external partners including fellow health boards and NHS Scotland COVID-19 Testing Laboratories.

NSS enabled the repurposing of NHS Louisa Jordan as a mass vaccination centre. More than 160,000 people had attended the site up to the end of March 2021.

Patient support

More than 1.9 million letters were issued by Practitioner Services to add, remove and update patients in preparation for the roll-out of the NHS Pharmacy First Scotland service in July 2021. These enabled patients to be seen at community pharmacies instead of GP practices.

Patient registration, demographics updates and electronic records movement continued throughout the pandemic. This was vital in ensuring the correct data was available throughout the NHS to support patient care.

PPE and critical supplies

We sourced and supplied more than 1 billion items of PPE between March 2020 and the end of March 2021 through our National Procurement service. This was achieved despite unprecedented global demand and supply shortages.

This PPE has supported Scotland's health and social care sector throughout the pandemic. In addition to the public health benefits, teams within National Procurement worked in partnership with Scottish Government and partners to enable new suppliers, many based in Scotland, to be safely and swiftly on-boarded.

Rapid upscaling created warehouse capacity to support the increased level of medical consumables required.

NSS clinicians continued to coordinate and support the Clinical/Consumer Advisory Panels (CAP) to vet new PPE products.

Blood, tissues and cells

The Scottish National Blood Transfusion Service (SNBTS) made significant changes to processes in order to comply with pandemic restrictions so that they could continue to provide blood tissues and cells to meet demand.

SNBTS introduced the collection of convalescent plasma from people who have recovered from COVID-19. Collecting this plasma was part of the initiative to identify potential new treatments for clinical trials, compassionate use and standard of care. Clinical trials have now come to an end.

Legal services

Our Central Legal Office has been heavily involved in our COVID-19 effort across a range of critical activities.

These include providing licences and leases for buildings such as the Scottish Event Campus; delivering data protection support and advice on information sharing; providing guidance around contractual arrangements for hiring of additional staff; and assisting health boards in managing their claims when the staff who would normally be doing this have other priorities.



Highlights of the year

April

PPE flights deliver a lifeline and NHS Louisa Jordan opens

National Procurement partners with Scottish Government to secure more than 100 million items of PPE. This equipment arrives on a series of flights from China. The masks and other items protect NHS colleagues battling to save lives as confirmed cases and deaths increase.

NHS Louisa Jordan opens in Glasgow. We worked tirelessly to enable the 1,000-capacity emergency hospital to be commissioned and fully operational in just a few weeks. Health Facilities Scotland led for NSS, with teams from SNBTS, National Procurement, Programme Management Services and clinical colleagues from across NSS also playing vital roles.

Practitioner and Counter Fraud Services (P&CFS) successfully manage the largest prescription processing load ever. Their teams also provide support for shielding and the soon-to-be-launched Test and Protect programme, providing patient information and Community Health Index (CHI) data.

May

Clinical expertise supports response and Test and Protect begins

Our clinical colleagues across NSS continue their work to help shape the multi-disciplinary response to COVID-19, providing leadership and guidance around PPE clinical requirements, assurance, safety and optimum use for dental, primary and secondary care. ARHAI Scotland teams work in partnership

with infection prevention and control colleagues across four nations to develop guidance for health and care settings.

We are at the heart of Scotland's newly launched Test and Protect programme, designed to help control the spread of COVID-19 through effective contact tracing. NSS effectively manages demand and develops laboratory partnerships across our NHS and beyond to maximise capacity.

Blood testing data held by SNBTS becomes one of a number of critical datasets to aid Public Health Scotland's important surveillance work in understanding the prevalence of COVID-19 in Scotland's communities.

The National Screening Oversight Board is formed and meets for the first time, providing further assurance around the safe and careful resumption of screening services paused in March.

June

Supporting Test and Protect and resumption of screening

Alongside their continued support to the NHS Louisa Jordan, our HR team enables fast-track recruitment for the new National Contract Tracing Centre. In addition, our Digital and Security colleagues secure, set up and supply laptops to 2,500 contact tracers enabling the swiftest possible start to Scotland's critical contact tracing programme.

National Services Directorate teams support the safe and effective resumption of the national Cervical Screening Programme. At

the end of March, screening programmes were paused; however, GPs are able to schedule appointments again from 29 June. Appointment reminders and letters start landing on doorsteps from the middle of July.

July

Mobile testing units support COVID-19 testing and new service for mesh-injured women

Scottish Government confirms that the Scottish Ambulance Service will run Scotland's mobile testing units (MTUs) from the start of September. Our teams who worked closely with HM Armed Forces continue to play a vital logistical role following the transition. Our role in coordinating the deployment of MTUs has been crucial to their success.

National Services Directorate is commissioned to operate a new complex mesh removal surgical service for women experiencing complications following vaginal mesh implants. The new service is supported by £1.3 million in Scottish Government funding. NSS works in partnership with a multi-disciplinary team located within NHS Greater Glasgow & Clyde to deliver the service, which launched in August 2020.

August

PPE milestone, Scottish jobs boost and bolstered screening services

National Procurement supplies its 100 millionth item of PPE for the social care sector. These direct deliveries to 48 local social care hubs allow essential PPE to be delivered quickly and efficiently. By August, more than 1,000 GP surgeries and dental practices also receive PPE via direct delivery pathways created by National Procurement in partnership with stakeholders and Scottish Government.

A £53 million local economy-boosting deal is struck for Dumfriesshire-based Alpha Solway

to manufacture more than 230 million surgical face masks, six million FFP3 respirators and two million visors. This investment meets urgent demand as National Procurement continues to build new supply chains in partnership with Scottish Enterprise, Scottish Government and stakeholders, to increase Scottish supply resilience, boost jobs in Scotland and speed our journey to self-sufficiency in vital PPE.

Our Digital and Security teams – in partnership with the Scottish Government – launch Scotland's Test and Protect App. The app uses Bluetooth technology to anonymously alert users if they have been in close proximity to someone who has tested positive for COVID-19.



September

'Near Me' GP consultations help thousands and milestone for Public Health Scotland support

More than 17,000 patients are accessing 'Near Me' virtual consultations each week. This new online service allows patients to access medical consultations safely from their homes during the pandemic. Working alongside the Scottish Government, multiple areas across NSS made this possible, including National Procurement and Digital and Security.

Our provision of shared services to support Scotland's new public health body, Public Health Scotland, reaches a six-month landmark at the end of September.

October

New regional laboratories boost testing capacity and bowel screening returns



NSS works collaboratively with health boards and other partners to create three new regional laboratory hubs, to further boost COVID-19 testing capacity with an initial focus on care home staff testing.

The national Bowel Screening Programme resumes in the middle of the month following a pause in March. This means all national screening programmes have resumed.

November

Veterans Care Network launches and ScotCap innovation is rolled out

Our National Services Directorate launches the Scottish Veterans Care Network, in partnership with Scottish Government. The new network enables patients, clinicians, carers, families and voluntary groups to come together and improve specialist care and provide support for more than 200,000 former Armed Forces personnel across Scotland.

The Scottish Capsule Programme (ScotCap) is launched, using a tiny video camera contained in a pill to provide a painless alternative to traditional colonoscopy for patients. NSS worked with Scottish Government and innovation partners to accelerate the programme in response to COVID-19 and support its roll-out across Scotland's health boards.

The 'sponge on a string' Cytosponge diagnosis solution is also rolled out during November, providing a simple low-cost alternative to undergoing an endoscopy in hospital.

December

First vaccinations are delivered and SNBTS welcomes FAIR decision

Our PgMS teams work as part of a cross-NHS Scotland effort to oversee and manage the commencement of the COVID-19 vaccination programme, which is rolled out from 8 December following approval of the first vaccine for use.

Later in December, SNBTS agrees the provision of vaccine storage capacity to support health boards following approval of the AstraZeneca vaccine. The Jack Copland Centre is one of only a few facilities across Scotland capable of storing COVID-19 vaccines at the required temperature. As a result, NHS boards, including the Scottish Ambulance Service, are able to protect their front-line staff as swiftly as possible.

Scotland's blood service also welcomes the decision that FAIR Risk Assessment (For the Assessment of Individual Risk) recommendations would be implemented. This means men who have sex with men will soon be able to donate blood fairly and safely on the basis of individual risk assessment.

National Procurement roll out lateral flow tests to NHS boards, ensuring supplies to support regular testing for every patient-facing health care worker across Scotland.

NSS announces its new Chief Executive – Mary Morgan will take up post from 1 April, 2021.



January

NSS launches Scotland's new COVID-19 vaccination call centre, as national scheduling gets underway

NSS ramps up the National Contact Centre (formerly the National Contact Tracing Centre) service to launch the new COVID-19 vaccination helpline for Scotland. Its aim is to protect the resources of health boards and GPs by answering general vaccination enquiries.

More than 1,000 GP practices and community centres are also administering vaccine doses across Scotland. National Procurement teams are maximising speed of supply while working closely with health boards to ensure effective distribution.

Our Health Facilities Scotland teams complete the design, build and roll-out of three regional testing hubs – Aberdeen, Glasgow, and Edinburgh – helping to further increase NHS Scotland's COVID-19 testing capacity to 30,000 tests a day and supporting continued care home testing capability.

Our SNBTS Research and Development teams publish their data in the world-leading immunology journal 'Frontiers in Immunology' – T-cell therapy for patients with COVID-19 who have suppressed immune systems. The data was originally published online in August 2020, making SNBTS one of the first in the world to publish data describing this new therapy.

February

Mass vaccination centres open as NSS works with health boards to ensure swift supply

Mass COVID-19 vaccination centres are announced for Edinburgh and Aberdeen, with a combined weekly capacity of 27,000. They join the NHS Louisa Jordan which had commenced hosting mass vaccinations of up to 5,000 of Scotland's population per day

in January. Our Procurement teams continue huge efforts to ensure continued vaccination supply to all of Scotland's health boards.

The UK's Safety of Blood, Tissues and Organs advisory committee (SaBTO) announces that, following a review on plasma, the UK is once again able to use plasma sourced within the UK to treat patients with auto-immune conditions following a comprehensive review of risk.

Our Scottish National Blood Transfusion Service immediately begins work, alongside four nations partners, to look at a future service model sourcing and sustaining plasma supply within Scotland.

Our Digital and Security teams begin providing a digital scheduling solution that is enabling the pace of vaccination to increase across Scotland.

March

Opt out change brings hope for organ patients and more than two million get COVID-19 vaccination

Organ and tissue 'opt out' change is introduced in Scotland. By making donation the default, thousands more patients will have an increased chance of life-saving operations.

The vaccination programme, with NSS at its heart, reaches more than 2 million people, by the middle of the month. That represents almost half of Scotland's eligible population.



Key risks and issues

EU Exit

The UK's exit from the European Union will have an impact on a number of services across NSS, from the continued delivery of supplies and medicines, to the ongoing relationships with professional institutions and organisations to understand how NSS will work with them in the future.

In April, the European Data Protection Board (EDPB) recommended to the European Commission that data protection adequacy decisions be implemented between the EU and UK for an initial period of four years.

Scottish Government has advised us that there is optimism that the decisions will now conclude successfully. However, until we hear of a successful conclusion, they advise that any risks in relation to the transfer of personal data from the EU to UK are monitored and managed appropriately.

Strategic business units are informed of the current situation and the need for continued risk management. NSS has assessed the potential impact on staff recruitment and retention issues, and the EU Settlement Scheme arrangements have been regularly communicated to staff, ahead of its closing date on 30 June 2021.

UK Infected Blood and Scottish Hospitals Inquiries

These Inquiries could lead to additional costs and have an adverse reputational impact for NSS. A detailed risk assessment of NSS involvement in both the Queen Elizabeth University Hospital and the Royal Hospital for Children and Young People is underway. NSS is working with both Inquiries and is actively engaged in responding to requests.

Information governance legislation

There is a risk that NSS breaches relevant information governance legislation due to incomplete preparation for new laws and lower levels of staff awareness and understanding of the laws and their responsibilities.

Work continues to complete and embed the actions on the General Data Protection Regulation (GDPR) plan. A communications plan is in place to raise awareness with staff and an Information Governance e-Learning module has been implemented to support staff training.

Unstructured and unclassified data

Due to the amount of unstructured and unclassified data held on the NSS corporate storage areas, including Microsoft shared server environment, there is a risk that NSS will become non-compliant with governance and security legislation.

A review is underway to identify all unstructured and unclassified data with information asset owners, including completing data cleansing and refiling orphan records into appropriate records classification within the filing structure. Following completion, the effectiveness of this will be reviewed and monitoring carried out by software solutions.

Financial sustainability in the medium to long term

There is a risk that NSS is unable to deliver financially sustainable services in the longer term due to an increased cost base, reduced funding in line with the economic position and cessation of COVID-19 funding after 2021/22.

NSS will develop and refine its Financial Sustainability Plan which focuses on transforming our services to ensure we continue to meet our statutory financial targets and address the deficit in later years of the financial plan.

Coronavirus

There is a risk that the COVID-19 outbreak could have an impact on resourcing across NSS. This could potentially increase work pressures on staff and limit our ability to deliver a full range of services, particularly within areas where most support is being provided to help manage the outbreak in Scotland.

Staff have undertaken additional training to support them and continue to be monitored for sickness trends. A staff wellbeing hub has been set up to provide additional support. For staff providing most support to manage the outbreak, robust planning is in place to help mitigate against conflicting priorities.



Sustainability

NSS continues to play a key leadership role on climate change and sustainability.

In 2020/21, we focused our efforts on developing guidance to support NHSScotland to embed the six climate change commitments made in 2019/20. The commitments, which NSS helped shape, are designed to enable NHSScotland to become a net-zero service by 2045.

NHSScotland's Climate Change Commitments

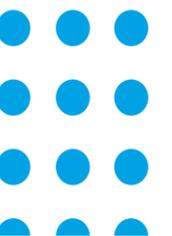
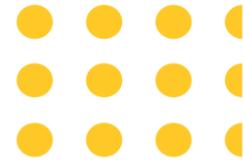


Sustainability Action

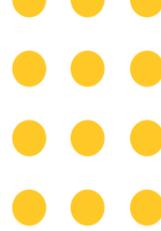


What we achieved in 2020/21

- We developed the NHSScotland Sustainable Design and Construction Guide (SHTN 02-01) to support our commitment on zero-carbon new buildings.
- We developed the NHSScotland Electric Vehicle (EV) Charging Infrastructure Guidance (SHTN 02-02) to support our commitment on decarbonisation of our fleet.
- As one of the four members of the Green Exercise Partnership we have enabled greenspace feasibility studies and projects to support the health and wellbeing of NHS staff and patients. For more information, please go to nhssustainabilityaction.co.uk/areas-of-focus/greenspace.
- We commissioned the first Net-Zero Routemaps for NHSScotland, working with 3 pilot Boards to establish possible ways in which they can meet the NHSScotland net-zero target by 2045.
- We recorded a 3.6% reduction in energy consumption across our estate compared to the previous year. Whilst encouraging, we recognise that part of this reduction is due to a lower utilisation of our office accommodation due to the COVID-19 pandemic.
- Further information on our sustainability work can be found at nhssustainabilityaction.co.uk.



Social matters



Public participation

NSS has an agreed approach and process for public participation in place, which ensures we follow the necessary legal requirements and standards as set out by the Scottish Government and Healthcare Improvement Scotland.

The introduction of the National Contact Centre has increased our direct relationship with the public, requiring us to handle a substantial number of enquiries related to contact tracing, the vaccination scheduling tool and vaccination helpline.

In response to these increased responsibilities we have implemented a new complaints handling system so the public can provide feedback to help improve our services and started a review of our public participation strategy.

Equality and diversity

Equality and diversity is a key consideration for any new service or service improvement. We have therefore ensured all new COVID-19 support services have undertaken equality impact assessments. NSS also provided the equality lead for the Test and Protect Design Authority.

Volunteering

Volunteering has an important role to play in NSS, but the COVID-19 pandemic has impacted our ability to benefit at the levels we would normally encourage.

Scottish Government is producing a roadmap that will enable the safe return of volunteering and we will adopt the guidance and recommendations due in early 2021/22.

Whistleblowing

NSS has a Whistleblowing Policy that reassures anyone raising a concern that it is safe and acceptable to speak up, and to enable them to raise any concern which they may have at an early stage and in the right way.

Encouraging people to raise concerns as early as possible helps to drive improvement. We also redesigned our processes to align with the new National Whistleblowing Standards that were introduced on 1 April 2021.

Fraud prevention

NSS is committed to running the organisation in the best way possible and we have zero tolerance on bribery or any kind of fraud. This year we launched the fraud management policy which sets out the responsibilities for all staff on prevention, detection and reporting of any potential fraud. We have focussed on fraud awareness at all levels of the organisation, with tailored sessions for on key areas such as Procurement and Anti-Bribery and Corruption. We have robust controls in place to help deter, detect and deal with it. These are reviewed annually, as are our Standing Financial Instructions.

The Audit and Risk Committee considered regular reports from the Fraud Liaison Officer which included Counter Fraud updates, the annual Counter Fraud report and work plan.

Mary C Morgan

Mary Morgan, Chief Executive.

30 August 2021

Accountability report

Corporate governance report

Directors' report

Date of issue

The Accountable Officer authorised these financial statements for issue on 30 August 2021.

Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Carole Grant, Audit Director, Audit Scotland to undertake the audit of NSS. The general duties of auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Board membership

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

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

The Board Members who held office during the year are as follows:

Non-Executive Directors	Title	Appointed	Term Ended	Unexpired Term as at 31 March 2021
Keith Redpath	Chair	01/08/19		2 yrs 4 mths
Ms Kate Dunlop*	Vice Chair	01/07/15	28/02/21	
Ms Julie Burgess*	Vice Chair	01/12/15		2 yrs 8 mths
Mr Ian Cant	Employee Director	01/08/13		0 yrs 4 mths
Mr Mark McDavid**		01/09/14		1 yr 5 mths
Mr John Deffenbaugh		01/02/16		2 yrs 10 mths
Ms Alison Rooney***		26/06/17		4 yrs 3 mths
Ms Lisa Blackett		19/10/20		3yrs 7mths
Mr Gordon Greenhill		19/10/20		3yrs 7mths
Prof Arturo Langa		19/10/20		3yrs 7mths
Executive Directors				
Mr Colin Sinclair	Chief Executive	01/08/16	31/03/21	
Ms Carolyn Low	Director of Finance	01/09/14		
Dr Lorna Ramsay	Medical Director	31/10/18		

*Ms Kate Dunlop was vice chair until 30 June 2020. Ms Julie Burgess became vice chair 1 July 2020

**Mr Mark McDavid's second term of office was extended by 2 years to 31 August 2022

***Ms Alison Rooney second term of office will run from 26 June 2021 to 26 June 2025

Appointment of new Chief Executive

Ms Mary Morgan was appointed as Chief Executive of NSS on 1 April 2021.

The Board Members' responsibilities in relation to the Accounts are set out in a statement following this report.

Statement of Board Members' responsibilities

Under the National Health Service (Scotland) Act 1978, NHS National Services Scotland (NSS) 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 NSS as at 31 March 2021 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

Board Members' and Senior Managers' interests

Details of any interests of Board Members, Senior Managers and other senior staff in contracts or potential contractors with NSS, as required by IAS 24, are disclosed in note 21 (see page 127). The Register of Interests for all Board Members can be found on the NSS website at nss.nhs.scot/publications/register-of-interests/

Directors' third party indemnity provisions

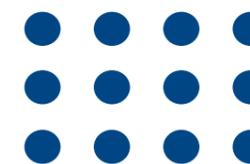
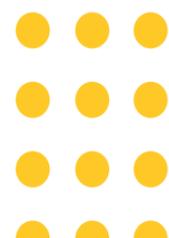
There have been no third party indemnity provisions in place during the financial year.

Remuneration for non audit work

Audit Scotland did not undertake any non audit work during 2020/21 and received no additional remuneration from NSS.

Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose duties on the Scottish Government and listed public bodies to publish information on expenditure and certain other matters as soon as is reasonably practicable after the end of each financial year.



In accordance with the Public Services Reform (Scotland) Act 2010, NSS publishes the full information as required by the act on the NSS website following the approval of the Directors Report and Accounts. The report for 2020/21 will be available from August 2021 at www.nss.nhs.scot/

Personal data related incidents reported to the Information Commissioner

NSS had no data related incidents during 2020/21 which were reported to the Information Commissioner's Office (ICO).

Disclosure of information to auditors

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



Statement of Accountable Officer's responsibilities

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 NHS National Services Scotland (NSS).

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 NSS disposal.
- safeguarding the assets of the Board.

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

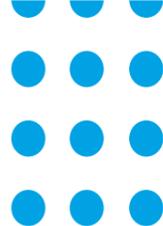
- observe the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis.
- make judgements and estimates on a reasonable basis.
- state whether applicable accounting standards as set out in the government Financial Reporting Manual have been followed and disclose and explain any material departures.
- prepare the accounts on a going concern basis.

I confirm that the Annual Report and Accounts as a whole are fair, balanced and reasonable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles, and in the format, directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officer's letter to me on the 1 April 2021.



Governance statement



Scope of responsibility

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control that supports compliance with NHS National Services Scotland's (NSS) policies and promotes achievement of the organisation's aims and objectives, including those set by Scottish Ministers. Also, I am responsible for safeguarding the public funds and assets assigned to NSS.

I confirm that NSS is compliant with the aspects of the Scottish Public Finance Manual (SPFM) which are set out within the guidance issued to Chief Executives and more generally to all Board members by the Scottish Government Health Directorates as being applicable to NHS Boards.

In terms of enabling me to discharge my responsibilities as Accountable Officer, the following arrangements and processes have been in place throughout the financial year to manage risk within the organisation:

- A Board which meets regularly to consider the plans and strategic direction of the organisation and approve decisions in line with the Scheme of Delegation. The Board comprises the Executive members of the organisation and Non-Executive members. The Board meetings this year have been held in private to protect public health. The Board minutes are publicly available at www.nss.nhs.scot/
- A single system of governance and risk management arrangements with clear supporting lines of accountability and agreed Scheme of Delegation, Standing Financial Instructions and Standing Orders.
- The consideration by the Board of periodic reports from the Chairs of the Finance, Procurement and Performance, Staff Governance, Clinical Governance, Information Governance, Remuneration and Succession Planning and Audit and Risk Committees, concerning any significant matters on governance, risk and internal controls.
- Prioritisation of risks and allocation of responsibility for mitigating action to named senior officers.
- A focus on Best Value and a commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements.

Purpose of the system of internal control

The system of internal control is based on an ongoing process designed to identify and prioritise the principal risks facing NSS. The system aims to evaluate the nature and extent of risks and manage risks efficiently, effectively and economically.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's aims and objectives. As such, it can only provide reasonable and not absolute assurance.

This process within NSS accords with the guidance from Scottish Ministers in the SPFM and supplementary NHS guidance and has been in place for the year up to the date of approval of the Annual Report and Accounts.

The SPFM is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

Governance framework

NSS Board

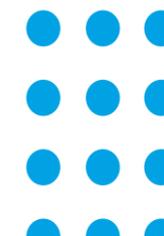
The Board met formally seven times during the year to progress the business of NSS, and was supported in its work by the Committees listed below. It also met informally with Strategic Business Unit Directors and other Senior Members of the Management Team to consider strategic and other ad-hoc issues.

In March 2020 the Board agreed a revised approach to governance while the organisation dealt with the COVID-19 pandemic. The board met once per month and all committee meetings, with the exception of the Audit and Risk Committee were suspended. The full committee programme resumed in August 2020. The following includes the standing Committees that exist in NSS and the number of times the Committees have met during the year:

Committee	Number of meetings 2021	Number of meetings 2020
Audit and Risk Committee	6	5
Finance Procurement and Performance Committee	3	4
Clinical Governance Committee	3	4
Staff Governance Committee	3	4
Remuneration and Succession Planning Committee	3	3
Total	18	20

Audit and Risk Committee

The Audit and Risk Committee was chaired by Mr Mark McDavid (to 31 May 2020) and Ms Julie Burgess (from 1 June 2020). During the year its membership comprised Mrs Kate Dunlop (to 28 Feb 2021), Ms Alison Rooney, Mr John Deffenbaugh, Mr Gordon Greenhill (from 21 December 2020) and Professor Arturo Langa (from 21 December 2020). The Chief Executive, Director of Finance, Director of Strategy Performance and Service Transformation, Chief Internal Auditor, External Auditors and Service Auditors are also usually in attendance at the meetings along with other members of NSS staff as required. The Committee met six times during the year.



The Committee assists the Board in delivering its responsibilities by providing assurance that an appropriate system of internal control has been implemented and is operating effectively to address areas of risk for the organisation. It is the role of the Committee to review the Annual Report and Accounts and the Annual Audit Report on behalf of the NSS Board.

The Committee's remit has been extended this year to include Information Governance. The Committee will also consider and scrutinise NSS's compliance with relevant legislation, duties under Common Law and performance against national standards with regards to information governance. This covers Caldicott Guardianship and Confidentiality, Data Protection, Information Security, Freedom of Information and Records Management.

Finance, Procurement and Performance Committee

The Finance, Procurement and Performance Committee was chaired by Ms Kate Dunlop (to 31 July 2020) and Mr Mark McDavid (from 1 August 2020). During the year its membership comprised Ms Julie Burgess, Mr Ian Cant, Mr Keith Redpath, Ms Lisa Blackett (from 21 December 2020) and Mr Gordon Greenhill (from 21 December 2020). The Chief Executive, Director of Finance and Director of Strategy Performance and Service Transformation are usually in attendance along with other members of NSS staff as required. The Committee met three times during the year.

The Committee reviews the financial position of NSS and procurement activity to ensure that suitable arrangements are in place to secure economy, efficiency and effectiveness in the use of all resources, and that the arrangements are working effectively.



Clinical Governance and Quality Improvement Committee

The Clinical Governance and Quality Improvement Committee was chaired by Ms Julie Burgess (to 31 May 2020) and Ms Alison Rooney (from 1 June 2020), and comprised Mr Mark McDavid, Mr Keith Redpath, Ms Lisa Blackett (from 21 December 2020), Professor Arturo Langa (from 21 December 2020) and Mr Gordon Greenhill (from 21 December 2020). The Chief Executive, Medical Director and the Director of Nursing are usually in attendance along with other members of NSS staff as required. The Committee met three times during the year.

The committee provides overarching governance for all clinical matters. The committee review and challenge performance in delivering health outcomes and related quality improvement activities. The committee also review major clinical programmes and ensure NSS provide safe clinical services.

Staff Governance Committee

The Staff Governance Committee was chaired by Mr John Deffenbaugh. During the year its membership comprised Mr Ian Cant, Mr Mark McDavid, Mr Keith Redpath, Ms Lisa Blackett (from 21 December 2020) and Mr Arturo Langa (from 21 December 2020) with Mr Gerry McAteer, Mr Tam Hiddleston, Ms Susan Cook and Ms Suzanne Milliken as Trade Union representatives. The Chief Executive and Director of HR and Workforce Development are usually in attendance, along with other members of NSS staff as required. The Committee met three times during the year.

The Committee supports and maintains a culture within NSS where the delivery of the highest possible standard of staff management is understood to be the responsibility of every employee and is built upon partnership working and collaboration. The committee oversees the development of frameworks which ensure delivery of the Staff Governance Standards, the development of organisation policy related to workforce ensuring compliance with National Workforce Policies and ensuring that the NSS values are embedded within structures and processes.

Remuneration and Succession Planning Committee

The Remuneration and Succession Planning Committee was chaired by Mr John Deffenbaugh (to 20 December 2020) and Mr Ian Cant (from 21 December 2020). During the year the membership comprised Mr Ian Cant (to 20 December 2020), Ms Alison Rooney, Ms Julie Burgess and Mr Keith Redpath. The Chief Executive and the Director of HR and Workforce Development are usually in attendance at the meetings. The committee met three times during the year.

Further detail on the Remuneration and Succession Planning Committee is provided in the Remuneration Report (see page 50).

Ethics Committee

NSS does not have a standalone ethics committee. Ethics are considered at each governance committee.



Operation of the Board



NSS governance and management structures support the SPFM by embedding it in their strategic reviews and day to day activities as follows:

- NSS's vision for the future is to support Scotland, in particular through providing shared services that improve the quality, efficiency and resilience of services provided to people in Scotland. Supporting Scotland's health will continue to be at the core of what we do. However, the Public Sector Reform Order and subsequent Joint Working Bill have allowed NSS to broaden its service as we support our Health and Local Authority partners in the delivery of effective Health and Social Care Integration, and look to provide services more widely to the Public Sector.
- The NSS Board reviews, on an annual basis, the Standing Orders which include the Code of Conduct that the Board Members must comply with, the Standing Financial Instructions and the scheme of delegation. These documents are the focus of the Board's annual review of governance arrangements.
- The NSS Committees – Audit and Risk, Finance, Procurement and Performance, Clinical Governance, Remuneration and Succession Planning and Staff Governance – met at least three times during the year to review and challenge activities and practices across NSS. The committees report their findings to the NSS Board on a quarterly basis.
- The Board receives monitoring reports from the Director of Finance at its monthly meetings on budgetary control and performance measured against the Board's approved Financial Plan. The robust processes which we have in place for setting budgets and monitoring performance ensure that our resources are used efficiently and effectively. The budget also includes a Cash Releasing Efficiency Savings target which was achieved during the year.
- The Board receives monthly reports from the Director of Human Resources and Workforce Planning relating to staffing matters, and other directors on matters relevant to their areas of responsibility.
- NSS exercises governance over its IT matters in a co-ordinated and effective manner. The Director of Digital and Security (DaS) reports to the Chief Executive. The DaS SBU publishes a monthly electronic update on all its activities to a wide range of NSS staff; submits an update report to each Executive Management Team meeting highlighting achievements, challenges and upcoming activity; and conducts regular reviews with its key external suppliers on their service delivery and development performance.
- Digital and Security is also fully integrated into NSS Business Continuity Planning. Digital and Security Business Partners are aligned to each of the other SBUs to ensure effective and transparent relationships and service delivery.
- NSS holds informal Board meetings where the development needs of the Board are addressed. There is a clear process in place for the review of NSS Board performance for both Executive and Non-Executive Directors. In line with NHS Chairs group and Scottish Government guidance, "Corporate Governance: Being effective – what NHS Non-Executive Directors need to know", the Non-Executive Directors have an annual performance review with the Chair of the NSS Board. A full induction programme is available for Non-Executive Directors. A leadership development framework is in place to offer a range of development activities to meet identified needs. Access to external and national programmes in line with the development plan and career objectives are also in place.

- NSS is committed to partnership working with staff and the wider public sector. There are monthly partnership meetings which review the policies and processes of NSS. We also engage with staff through a number of methods of communications including Stay Connected our staff newsletter, management briefs, team and Strategic Business Unit updates and staff surveys.
- In addition to the Code of Conduct for members, NSS has in place a code of conduct for staff. This contains information for staff on how to deal with the disclosure, either internally or externally of malpractice, as well as illegal acts or omissions at work – commonly known as "whistleblowing". Employees are encouraged to raise concerns regarding the organisation's activities. The Freedom of Speech policy and the Fraud Management Policy are highlighted as part of the induction programme. These documents are also available on the NSS intranet.
- NSS also has a well-established complaints system, whereby members of the public can make a formal complaint to the Board. Information on our complaints procedures is available on the NSS website.
- The NSS Finance, Procurement and Performance Committee agreed to delay the self-assessment review of performance against the Scottish Government's Best Value Guidance for Accountable Officers in 2020/21 as we focus on our COVID-19 response. The Best Value Guidance ensures organisations secure continuous improvement in performance whilst maintaining appropriate balance between quality and cost. Its structure focuses on five themes: Vision and Leadership, Effective Partnerships, Governance and Accountability, Use of Resources and Performance Management. There are two cross cutting themes of Equality and Sustainability. These performance targets have remained a focus NSS this financial year. The formal self-assessment will be carried out in the next financial year.
- The Change Oversight Board (COG) supports compliance with the NSS Organisational Change Policies and provides overview of NSS ongoing modernisation and growth enablement to support the Scottish Government Public Sector Reform legislation. The Portfolio Management Group (PMG) provides governance and support for national programmes. Both groups membership consists of EMT members and senior professionals from across the organisation. The groups provide regular progress reports to the NSS Board.

Risk and internal control framework

All NHS Bodies are subject to the requirements of the Scottish Public Finance Manual (SPFM) and must operate a risk management strategy in accordance with the relevant guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

Risk assessment

NSS governance and management structures support risk management by embedding risk identification and assessment into their strategic reviews and day to day activities as follows:

The risk management approach sets out the importance of risk management to the delivery of our objectives, our risk appetite statement, the responsibilities of staff across NSS, the supporting organisational arrangements for the identification, assessment and reporting of risks and the steps to be taken to develop and implement mitigating actions.

Strategic Business Units (SBUs) identify and assess risks through their planning and performance processes, reviews of significant changes in NSS service or the environment in which it operates, following a resilience incident, adverse event or near miss, data protection impact assessments, information security risk assessments, testing controls in place around NSS day to day activities, horizon scanning future events, stakeholder engagement, programme and project risk assessments, and through the internal controls assurance checklists. Monthly risk reviews are undertaken by SBUs.

The Executive Management Team reviews the risk profile for the organisation, across all categories of risk and challenges key organisational risks and issues monthly. It also considers corporate and strategic risks at its Development Sessions throughout the year.

Risks are assessed for the likelihood of an event occurring and the impact of the event. They are categorised under four headings: Business, Staff, Clinical and Reputational. Management Groups review these risks by category for their areas of responsibility and challenge the actions being taken to address them. Information Governance risks across all of the categories are also reviewed by the Information Governance Group.

The NSS Committees – Finance, Procurement and Performance, Staff Governance, Clinical Governance and Audit and Risk – meet at least three times during the year and review and challenge Business, Staff, Clinical and Reputational risks respectively across NSS. This provides a comprehensive review of risks by risk category across the organisation. The Committees also review respective strategic risks at least three times each year.

The Audit and Risk Committee receives quarterly reports on risk management across NSS, detailing the improvements being made to our processes and procedures and key risks for the organisation. This provides the Committee with the assurance that risk management is operating effectively and that there is integration between organisational risks and audit activity. The Committee also reviews the NSS risk appetite statement on an annual basis.

Risks associated with information that we hold and are responsible for are subject to regular review and independent audit as part of our overall governance and risk management arrangements. The Audit and Risk Committee provides a focus for the five Information Governance disciplines: Caldicott and Confidentiality, Data Protection, Information and Cyber Security, Records Management and Freedom of Information. The Committee reports directly to the NSS Board.

The Board receives risk update reports every six months. The reports include details of risk management improvements, the risk profile for the organisation and the key risks being addressed (see page 25). This gives the Board the opportunity to review and challenge risk management processes and the key risks we face. The Board reviews and approves NSS's appetite to risk annually. NSS has a flexible approach to its risk appetite in pursuit of its four principal objectives: Customers at the Heart of Everything We Do; Increase our Service impact; Improving the Way We Do Things and Be a Great Place to Work. Where risks to new and on-going activities are identified, NSS will always attempt to mitigate the likelihood or impact of the risk to a level judged to be acceptable in the prevailing conditions. This is in line with the NSS Integrated Risk Management Approach (IRMA). Board reports are available on our website at: www.nss.nhs.scot/how-nss-works/governance/board-meetings/

The key risks facing NSS are discussed in the performance report (page 30).

Internal audit

NSS's Internal Auditors submit regular reports to the Audit and Risk Committee. Each year the Head of Internal Audit also submits an independent opinion on the adequacy and effectiveness of NSS's system of internal control, together with recommendations for any improvements. In accordance with the Internal Audit Plan for 2020-21, agreed by the Audit and Risk Committee, the Internal Auditors carried out a review of the systems in place to provide assurances about the internal controls operating within NSS.

Internal audit opinion

“Significant with minor improvements assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control”

Overall the review found that the assurance framework is founded on a systematic risk management process and does provide appropriate assurance to the Board.

The assurance framework does reflect the organisation's key objectives and risks and is reviewed by the NSS board on a regular basis.

There were two high risk recommendations identified by the Internal Auditors as part of their overall review. These recommendations have agreed action plans in place to be completed by August 2021. Similarly, the medium and low risk findings reported also have action plans in place. Management will provide regular updates on actions plans to the Audit and Risk Committee.



Service audits

Service Audits were undertaken for the year to 31 March 2021 in accordance with the International Standard on Assurance Engagements (ISAE) 3402 - Assurance Reports on Controls at a Service Organisation - issued by the International Auditing and Assurance Standards Board.

ISAE 3402 allows us to disclose our control activities and processes in a uniform reporting format which describes the control objectives, the key controls and processes implemented by NSS and the results of the testing undertaken by the Service Auditor. It also provides positive assurance over the controls in place and clearly identifies areas of control weakness.

The areas covered by Service Audit are:

- Payment of Primary Care Contractors;
- National IT Services; and
- Payroll Services.

The Service Auditors have provided unqualified audit opinions for the National IT and Payroll Services. The auditors have provided a qualified audit opinion for the Payment of Primary Care Contractors. Full reports have been made available to all relevant NHS Boards. Audit Scotland, in its letters to external auditors of other NHS Scotland Boards, concluded that they were able to place reliance on the work of the service auditor in respect of Payment of Primary Care Contractors.

NSS instructed the Internal Auditors to carry out additional testing on the financial transactions for the Payment of Primary Care Contractors to provide further assurance to NHS Boards. This review concluded there were no significant issues in regards to the calculation and processing of payments. The report raised four low risk recommendations which have action plans in place to address this during 2021/22.

NSS and KPMG held a meeting with Directors of Finance from NHS Boards and their auditors in June 2021 to discuss the findings in the reports and provide further assurance. Action plans are in place to address the exceptions highlighted in the reports. The Director of Finance has also commissioned an independent review of the Practitioner Services processes which is due to report in July 2021.

NSS received an unqualified audit opinion for the Financial Ledger Services. This national service is provided by NHS Ayrshire and Arran to all NHS Boards.

External audit

Audit Scotland submitted regular reports to the Audit and Risk Committee. I have received these reports and have ensured that we have acted on any matters raised.

Review of adequacy and effectiveness

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

- the Executive Directors within NSS who have responsibility for the development and maintenance of the internal control framework. To this end I have requested and received a positive certificate of assurance from all SBU Directors on the standard of internal control within NSS;
- the work of the Internal Auditors who submit reports to the NSS Audit and Risk Committee which include their independent and objective opinion on the adequacy and effectiveness of the NSS systems of internal control together with recommendations for improvement;
- comments made by the External Auditors in their management letters and other reports; and
- the work of our Service Auditors who submit reports to the NSS Audit and Risk Committee which includes their independent opinion on the controls in place around the services we provide to customer NHS Boards.

I have been advised on the implications of my review of the system of internal control by the Board and the Audit and Risk Committee and plan to ensure continuous improvement by addressing areas where controls can be improved.

As a public body NHS National Services Scotland is committed to achieving Best Value in the delivery of our services.

Disclosures

As set out above, a comprehensive programme of work has been undertaken by Internal Audit, External Audit and Service Audit.

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

Remuneration Report and Staff Report



Determination of Senior Employees' remuneration

The remuneration of the members of the NSS Executive and Senior Management Cohort (Executive Management Team) is determined by the Scottish Government Health and Social Care Directorates (SGHSC) under Ministerial Direction and in accordance with HDL(2006)23, HDL (2006)59, CEL(2007)4, CEL(2007)22, CEL(2008)52, CEL(2010)6, CEL(2011)7 and subsequent circulars PCS(ESM)2012/1 and PCS(ESM)2013/1. All Director and Senior Management posts are subject to evaluation by the National Evaluation Committee, an independent panel that reports to the SGHSC. Salary on appointment is authorised by the NSS Remuneration and Succession Planning Committee. Performance appraisal for managers in the Executive Cohort is monitored by the National Performance Management Committee (NPMC). The performance management of staff within the Senior Management Cohort is the responsibility of the SBU Directors and NSS Remuneration and Succession Planning Committee in line with HDL (2007)15. Assessment of performance must be systematic, evidence based and properly recorded.

Business interests

NSS Executive and Non-Executive Directors are required to declare any business interests on a Register of Interests and this is amended when any new interests are declared. This is published on the NSS website www.nss.nhs.scot and in the Annual Report. All Executive Directors and Senior Managers are also governed by the NSS Code of Conduct as part of the Standing Orders and Standing Financial Instructions.

Remuneration and Succession Planning Committee

The Remuneration and Succession Planning Committee was chaired by Mr John Deffenbaugh (to 20 December 2020) and Mr Ian Cant (from 21 December 2020). Its membership shall consist of no less than three Non-Executive members of the Board and the Chair. The Committee met three times during the year.

The remit of the committee is to:

- Conduct a regular review of the NSS policy for the remuneration and performance management for the members of the Executive and Senior Management Cohorts;
- Agree all terms and conditions of employment of the Executive Cohort;
- Agree objectives for members of the Executive Cohort in line with guidance from the SGHSC and NPMC;
- Ensure effective measures are in place for the performance management of the Senior Management Cohort; and
- Review and approve annually the discretionary points awarded by the NSS Committee on Consultants' discretionary points.

Remuneration of Senior Managers

Remuneration for NSS Executive Management for current and future financial years is subject to Ministerial Direction and circulars published by the SGHSC. NSS' Remuneration and Succession Planning Committee will approve all appointment salaries where the lower half of the salary scale would not secure the appointment. The Committee will also approve all performance ratings for end of year payments for staff within the Executive and Senior Management Cohorts

Assessment of performance conditions

Annual performance objective setting and appraisal is conducted as part of a normal appraisal cycle. Appraisals for members of the NSS Executive and Senior Management cohorts are in line with the recommendation set out in HDL(2006)54, HDL(2007)15, subsequent circulars and Good Practice Guide. Performance management and appraisal arrangements follow the nationally prescribed format and are directly linked to the improved performance of NSS in the delivery of its objectives and Local Delivery Plan.

Performance ratings are based on a scoring matrix as set out in the defining SGHSC circulars. All ratings must be fully evidenced.

The Remuneration and Succession Planning Committee has oversight of the performance management outcomes for Senior Management Cohort and approves the performance rating for the Chief Executive. The Chair and Chief Executive approve the performance ratings for staff within the Senior Management Cohort. Performance ratings for staff in the Executive Cohort are considered by the National Performance Management Committee to provide assurances to Ministers.

Performance appraisal and connections to the remuneration package

Executive and Senior Managers' progression through the pay range is subject to the fully acceptable performance of the individual. Performance Related Pay is subject to Ministerial Direction and any payments will be made in accordance with SGHSC circulars. All payments to Executive and Senior Managers are approved by the Remuneration and Succession Planning Committee and the SGHSC (where appropriate).

Contractual arrangements for Senior Management

Senior Managers contracts are determined by the SGHSC as laid out in HDL (2006)23, HDL (2006)59 and subsequent publications. These govern the terms and conditions and remunerations of Senior Managers. These terms and conditions and contracts came into effect from 1 October 2005 and supersede contracts prior to that date.

The duration of contracts must be approved by the NSS Remuneration and Succession Planning Committee and, in line with legislation and best practice, the use of fixed term appointments is restricted. If the contract of employment is terminated by NSS for any reason other than gross misconduct, such termination shall be with notice or payment in lieu of notice if appropriate, typically three months for Senior Managers. In the event of termination of contract by reason of redundancy, the termination shall be in accordance with PCS(RED)2006/1 and PCS(DD)2007/1 and associated Addendums which state that redundancy will be based on one month's salary for each year of reckonable service up to twenty four years' service. All Senior Managers have a notice period of three months, with the exception of the Chief Executive who has a notice period of six months.

Amounts payable to third parties for services of a Senior Manager

There have been no payments to third parties for the services of an Executive or Senior Management staff. This excludes arrangements with other NHS Boards and SGHSC for staff secondments.

Significant awards made to Senior Managers

There is no provision for non-consolidated performance payments. This is in line with the guidance contained in the SG circulars PCS(ESM)2012/1 and PCS(ESM)2013/2.

Board Members and Senior Employees' remuneration

for the year ended 31 March 2021 (Audited)

Remuneration Table	Gross Salary (Bands of £5,000)	Total Earnings in Year (bands of £5,000)	Pension Benefits	Benefits in Kind	Total Remuneration (bands of £5,000)
Remuneration of:	£'000	£'000	£'000	£'000	£'000
Executive Members					
Chief Executive Mr C Sinclair	145 – 150	145 – 150	41	5.1	190 – 195
Director of Finance: Ms C Low	105 – 110	105 – 110	29	0	135 – 140
Medical Director: Dr L Ramsay	130 – 135	130 – 135	116	0	245 – 250
Non-Executive Members					
Mr K Redpath	25 – 30	25 – 30	0	0	25 – 30
Ms K Dunlop (to 28 February 2021)	5 – 10	5 – 10	0	0	5 – 10
Mr M McDavid	5 – 10	5 – 10	0	0	5 – 10
Ms J Burgess	5 – 10	5 – 10	0	0	5 – 10
Mr J Deffenbaugh	5 – 10	5 – 10	0	0	5 – 10
Ms A Rooney	5 – 10	5 – 10	0	0	5 – 10
Ms L Blakett (from 19 October 2020)	0 – 5	0 – 5	0	0	0 – 5

Remuneration Table	Gross Salary (Bands of £5,000)	Total Earnings in Year (bands of £5,000)	Pension Benefits	Benefits in Kind	Total Remuneration (bands of £5,000)
Mr G Greenhill (from 19 October 2020)	0 – 5	0 – 5	0	0	0 – 5
Prof A Langa (from 19 October 2020)	0 – 5	0 – 5	0	0	0 – 5
Employee Director; Mr I Cant	50 – 55	50 – 55	37	0	85 – 90
Senior Employees					
Director of Strategy, Performance and Service Transformation Ms M Morgan	115 – 120	115 – 120	111	0	225 – 230
Director of Central Legal Office Ms N Shippin	110 – 115	110 – 115	62	5.7	180 – 185
Director of Digital and Security Mr D Mitchelson	120 – 125	120 – 125	26	0	145 – 150
Director of Practitioner & Counter Fraud Services Mr M Bell	85 – 90	85 – 90	26	0	110 – 115
Director of Procurement, Commissioning and Facilities Mr J Miller	130 – 135	130 – 135	112	0	245 – 250
Director of Scottish National Blood Transfusion Service Mr C Spalding	105 – 110	105 – 110	27	5.5	135 – 140
Director of HR and Workforce Development Ms J Jones	100 – 105	100 – 105	44	0	145 – 150
Nurse Director Prof J Reilly	115 – 120	115 – 120	110	0	225 – 230
Total			741	16.3	

Note

1. Remuneration excludes Employer Pension and Employer NI contributions
2. Proportion of Employee Director total remuneration for non Board duties for Mr I Cant is Band 40 - 45.
3. The annualised remuneration (in bands of £5,000) for members who have joined or left during the year is as follows: Ms K Dunlop 5 - 10, Ms L Blackett 5 - 10, Mr G Greenhill 5 - 10 and Prof A Langa 5 - 10.
4. The calculation of the pension benefits 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.
5. The total earnings in year column show the remuneration relating to actual earnings payable in 2020-21.
6. Benefits in kind relate to the leased car scheme

Board Members and Senior Employees' remuneration

for the year ended 31 March 2021 (Audited)

Pension Values Table	Total accrued pension at 31 March 2021 (Bands of £5,000)	Real increase in pension (Bands of £2,500)	Cash Equivalent Transfer value (CETV) at 31 March 2020	Cash Equivalent Transfer value (CETV) at 31 March 2021	Real increase in CETV in year
Remuneration of:	£'000	£'000	£'000	£'000	£'000
Executive Members					
Chief Executive Mr C Sinclair	20 – 25 70 – 75 lump sum	2.5 – 5.0 7.5 – 10 lump sum	517	582	65
Director of Finance: Mrs C Low	10 – 15	0 – 2.5	133	167	34
Medical Director: Dr L Ramsay	45 – 50 145 -150 lump sum	5.0 – 7.5 17.5 - 20.0 lump sum	860	1000	140
Non-Executive Members					
Mr K Redpath	0 – 0	0 – 0	0	0	0
Mrs K Dunlop (to 28 February 2021)	0 – 0	0 – 0	0	0	0
Mr M McDavid	0 – 0	0 – 0	0	0	0
Ms J Burgess	0 – 0	0 – 0	0	0	0
Mr J Deffenbaugh	0 – 0	0 – 0	0	0	0
Ms A Rooney	0 – 0	0 – 0	0	0	0
Ms L Blackett (from 19 October 2020)	0 – 0	0 – 0	0	0	0

Pension Values Table	Total accrued pension at 31 March 2021 (Bands of £5,000)	Real increase in pension (Bands of £2,500)	Cash Equivalent Transfer value (CETV) at 31 March 2020	Cash Equivalent Transfer value (CETV) at 31 March 2021	Real increase in CETV in year
Mr G Greenhill (from 19 October 2020)	0 – 0	0 – 0	0	0	0
Prof A Langa (from 19 October 2020)	0 - 0	0 - 0	0	0	0
Employee Director; Mr I Cant	10 – 15 40 – 45 lump sum	0 – 2.5 5.0 – 7.5 lump sum	227	264	37
Senior Employees					
Director of Strategy, Performance and Service Transformation Mrs M Morgan	55 – 60 170 – 175 lump sum	5.0 – 7.5 15.0 – 17.5 lump sum	1133	1282	149
Director of Central Legal Office Ms N Shippin	45 – 50 135 – 140 lump sum	2.5 – 5.0 10 – 12.5 lump sum	1036	1116	80
Director of Digital and Security Mr D Mitchelson	5 – 10	0 – 2.5	42	72	30
Director of Practitioner & Counter Fraud Services Mr M Bell	10 – 15	0 – 2.5	134	164	30
Director of Procurement, Commissioning and Facilities Mr J Miller	20 – 25 70 – 75 lump sum	5.0 – 7.5 15 – 17.5 lump sum	408	543	135
Director of Scottish National Blood Transfusion Service Mr C Spalding	0 – 5	0 – 2.5	11	35	24
Director of HR and Workforce Development Ms J Jones	15 – 20	2.5 – 5.0	260	315	55
Nurse Director Prof J Reilly	45 – 50 140 – 145 lump sum	5.0 – 7.5 15 – 17.5 lump sum	819	946	127
Total			5,580	6,486	906

Note

1) The CETV calculator is obtained from the Civil Service Pensions and is updated for the NHS Pension scheme factors advised by the Government Actuary's Department (GAD). As the factors supplied by GAD have changed, the "CETV at start of the period" for 2020-2021 can be different from the "CETV at end of period" reported in 2019 - 2020.

Board Members and Senior Employees' remuneration

for the year ended 31 March 2020 (Audited)

Remuneration Table	Gross Salary (Bands of £5,000)	Total Earnings in Year (bands of £5,000)	Pension Benefits	Benefit in Kind	Total Remuneration (bands of £5,000)
Remuneration of:	£'000	£'000	£'000	£'000	£'000
Executive Members					
Chief Executive Mr C Sinclair	140 – 145	140 – 145	31	4.9	175 - 180
Director of Finance Ms C Low	100 – 105	100 – 105	24	0	125 – 130
Medical Director Dr L Ramsay	115 – 120	115 – 120	0	0	115 - 120
Non-Executive Members					
Prof. E Ireland (to 31 July 2019)	5 – 10	5 – 10	0	0	5 – 10
Mr K Redpath (from 1 August 2019)	15 - 20	15 – 20	0	0	15 - 20
Mrs K Dunlop	5 – 10	5 - 10	0	0	5 – 10
Mr M McDavid	5 – 10	5 – 10	0	0	5 – 10
Ms J Burgess	5 – 10	5 – 10	0	0	5 – 10
Mr J Deffenbaugh	5 – 10	5 – 10	0	0	5 – 10
Ms A Rooney	5 – 10	5 – 10	0	0	5 – 10
Employee Director; Mr I Cant	45 – 50	45 – 50	32	0	75 - 80
Senior Employees					
Director of Strategy, Performance and Service Transformation: Ms M Morgan	105 – 110	105 – 110	100	4.7	210 – 215

Remuneration Table	Gross Salary (Bands of £5,000)	Total Earnings in Year (bands of £5,000)	Pension Benefits	Benefit in Kind	Total Remuneration (bands of £5,000)
Director of Central Legal Office Ms N Shippin	105 – 110	105 – 110	30	5.4	140 - 145
Director of Information Technology Mr D Mitchelson	115 – 120	115 – 120	33	0	145 - 150
Director of Practitioner & Counter Fraud Services Mr M Bell	80 - 85	80 - 85	33	0	115 - 120
Director of Procurement, Commissioning and Facilities Mr J Miller	105 – 110	105 – 110	27	11.5	145 - 150
Director of Public Health and Intelligence Mr P Couser	105 – 110	105–110	21	0	125 – 130
Interim Director of Scottish National Blood Transfusion Service (to 16 June 2019) Ms H Thomson	85 – 90	85 – 90	15	0	100 – 105
Director of Scottish National Blood Transfusion Service Mr C Spalding (from 17 June 2019)	75 – 80	75 – 80	10	0	85 – 90
Director of HR and Workforce Development Ms J Jones	90 – 95	90 - 95	19	0	110 - 115
Nurse Director Prof J Reilly	105 – 110	105 – 110	14	0	120 - 125
Total			389	26.5	

Note

1. Remuneration excludes Employer Pension and Employer NI contributions
2. Proportion of Employee Director total remuneration for non Board duties for Mr I Cant is Band 35 - 40.
3. Ms H Thomson was a Senior employee to 16 June 2019, the proportion of her total earnings for this role is 15 – 20.
4. The annualised remuneration (in bands of £5,000) for members who have joined or left during the year is as follows: Prof. E Ireland 25 – 30, Mr K Redpath 25 – 30 and Mr C Spalding 100 – 105.
5. Ms M Morgan was appointed by Scottish Government as Senior Programme Director working with NHS Lothian on the delivery of the Royal Hospital for Children and Young People (RHCYP) from 16 September 2019 to 31 March 2020. The proportion of her total earnings relating to this post is 50 – 55.
6. The calculation of the pension benefits 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.

7. The total earnings in year column show the remuneration relating to actual earnings payable in 2019-20.

8. Benefits in kind relate to the leased car scheme.

9. The prior year figures have been updated to correct arithmetical errors in the 2019/20 Accounts.

Board members and Senior Employees' remuneration

for the year ended 31 March 2020 (Audited)

Pension Values Table	Total accrued pension at 31 March 2020 (Bands of £5,000)	Real increase in pension (Bands of £2,500)	Cash Equivalent Transfer value (CETV) at 31 March 2019	Cash Equivalent Transfer value (CETV) at 31 March 2020	Real increase in CETV in year
Remuneration of:	£'000	£'000	£'000	£'000	£'000
Executive Members					
Chief Executive Mr C Sinclair	20 -25 60 -65 lump sum	0 - 2.5 5 - 7.5 lump sum	460	514	54
Director of Finance and Business Services: Mrs C Low	5 - 10	0 - 2.5	104	133	29
Medical Director: Dr L Ramsay	40 - 45 125- 130 lump sum	0 0 lump sum	838	856	0
Non-Executive Members					
Prof. E Ireland (to 31 July 2019)	0 - 0	0 - 0	0	0	0
Mr K Redpath (from 01 August 2019)	0 - 0	0 - 0	0	0	0
Mrs K Dunlop	0 - 0	0 - 0	0	0	0
Mr M McDavid	0 - 0	0 - 0	0	0	0
Ms J Burgess	0 - 0	0 - 0	0	0	0
Mr J Deffenbaugh	0 - 0	0 - 0	0	0	0
Ms A Rooney	0 - 0	0 - 0	0	0	0
Employee Director; Mr I Cant	10 - 15 35 - 40 lump sum	0 - 2.5 2.5 - 5.0 lump sum	194	226	31

Pension Values Table	Total accrued pension at 31 March 2020 (Bands of £5,000)	Real increase in pension (Bands of £2,500)	Cash Equivalent Transfer value (CETV) at 31 March 2019	Cash Equivalent Transfer value (CETV) at 31 March 2020	Real increase in CETV in year
Senior Employees					
Director of Strategy, Performance and Service Transformation: Ms M Morgan	50 - 55 150 -155 lump sum	2.5 - 5.0 12.5 - 15 lump sum	995	1127	132
Director of Central Legal Office Ms N Shippin	40 - 45 125 -130 lump sum	0 - 2.5 5.0 - 7.5 lump sum	983	1030	47
Director of Information Technology Mr D Mitchelson	0 - 5	0 - 2.5	9	42	33
Director of Practitioner & Counter Fraud Services Mr M Bell	5 - 10	0 - 2.5	107	133	27
Director of Procurement, Commissioning and Facilities Mr J Miller	15 -20 55 - 60 lump sum	0 - 2.5 5.0 - 7.5 lump sum	357	406	49
Director of Public Health and Intelligence Mr P Couser	10 - 15	0 - 2.5	157	188	31
Interim Director of Scottish National Blood Transfusion Service (to 16 June 2019) Ms H Thomson	30 - 35 100 -105 lump sum	0 - 2.5 2.5 - 5.0 lump sum	682	722	40
Director of Scottish National Blood Transfusion Service: Mr C Spalding (from 17 June 2019)	0 - 5	0 - 2.5	0	11	11
Director of HR and Workforce Development Ms J Jones	15 - 20	0 - 2.5	228	259	31

Pension Values Table	Total accrued pension at 31 March 2020 (Bands of £5,000)	Real increase in pension (Bands of £2,500)	Cash Equivalent Transfer value (CETV) at 31 March 2019	Cash Equivalent Transfer value (CETV) at 31 March 2020	Real increase in CETV in year
Senior Employees					
Nurse Director Prof J Reilly	40 – 45 120 -125 lump sum	0 – 2.5 2.5 – 5.0 lump sum	772	814	42
Total			5,886	6,461	557

Note

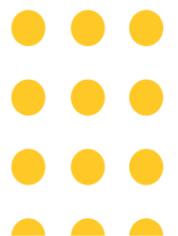
- 1) The prior year figures have been updated to correct arithmetical errors in the 2019/20 Accounts.
- 2) The table includes the pension values for the Director of Digital and Security. This was omitted from 2019/20 Accounts.

Fair pay disclosures (Audited)

2020 -21	£'000	2019-20	£'000
Range of staff remuneration	0 - 260	Range of staff remuneration	0 - 240
Highest earning Director's total remuneration (£000s)	145-150	Highest earning Director's total remuneration (£000s)	140-145
Median total remuneration	£31,494	Median total remuneration	£30,742
Ratio	4.7		4.6

Note

The increase in the median salary reflects the change in the Agenda for Change job scales, incremental increases and mix of grades to salary levels in year.



Staff report

Staff numbers and costs (Audited)

	Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	TOTAL 2021	TOTAL 2020	
Employee expenditure	£000	£000	£000	£000	£000	£000	£000	£000	
Salaries and wages	388	133	116,494	0	0	(1,658)	115,357	121,419	
Taxation & social security costs	50	8	12,059	0	0	0	12,117	12,278	
NHS scheme employers' costs	81	9	21,418	0	0	0	21,508	24,074	
Inward secondees	0	0	0	1,763	0	0	1,763	2,531	
Agency and other directly engaged staff	0	0	0	0	13,055	0	13,055	7,983	
Total	519	150	149,971	1,763	13,055	(1,658)	163,800	168,285	
Included in the total employee expenditure above were costs of staff engaged directly on capital projects, charged to capital expenditure of:							0	832	
Staff numbers									
Whole time equivalent (WTE)	3	8	2,856	33	217	(20)	3,097	3,605	
Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:							0	9	
Included in the total staff numbers above were disabled staff of:							113	91	

Higher paid employees' remuneration (Audited)

	Clinical		Non Clinical	
Employees whose remuneration fell within the following ranges:	2021	2020	2021	2020
£ 70,001 to £ 80,000	37	25	128	52
£ 80,001 to £ 90,000	23	23	62	98
£ 90,001 to £100,000	7	11	39	50
£100,001 to £110,000	13	16	47	15
£110,001 to £120,000	10	6	19	20
£120,001 to £130,000	5	7	19	5
£130,001 to £140,000	3	2	4	2
£140,001 to £150,000	2	4	4	5
£150,001 to £160,000	4	2	4	2
£160,001 to £170,000	3	4	2	0
£170,001 to £180,000	2	1	1	0
£180,001 to £190,000	2	2	0	0
£190,001 to £200,000	0	1	1	1
£200,001 and above	5	5	1	0

Note

1) The increase in higher paid employees remuneration relates to the additional hours worked to support the NSS response to COVID-19.

Staff composition

Staff composition — an analysis of the number of persons of each sex who were directors and employees.

	2021			2020		
	Male	Female	Total	Male	Female	Total
Executive Directors	1	2	3	1	2	3
Non-Executive Directors and Employee Director	6	4	10	4	4	8
Senior Employees	265	211	476	191	157	348
Other	1,191	2,247	3,438	1,255	2,144	3,399
Total Headcount	1,463	2,464	3,927	1,451	2,307	3,758
Percentage Headcount	37%	63%	100%	39%	61%	100%

For this section of the report the definition of senior employee is anyone earning over £70k in 2020/21.

Sickness absence

	2021	2020
Sickness absence rate	3.0%	4.5%

The HEAT standard for sickness absence for NHSScotland is 4.0%

Workforce policies

NSS ensures that NHS Once for Scotland Workforce Policies and PIN Policies are in place to support our requirement in accordance with the Staff Governance Standard, this includes the Recruitment and Selection Policy.

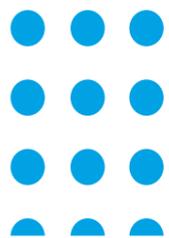
In addition, the organisational goals and strategy has been developed with specific reference to a positive staff experience, within a sustainable workforce via the NSS Great Place to Work plan.

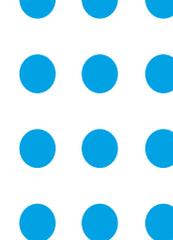
The plan has specific targets for the organisation to deliver relating to the NSS Corporate Responsibility, which includes increase in (i) youth employment and (ii) increased employment of people with disabilities.

Progress against these targets is monitored by the NSS Board, the NSS Staff Governance Committee and the Executive Management Team (EMT) and is reported through the NSS Partnership Forum.

The NSS Workforce Strategy includes our Organisational Learning and Development Strategy with an operation plan of delivery in place. The Learning and Development Plan is available to all NSS staff and ensures equity of access.

The NSS (dis)Ability Group continues to support all staff with a disability and the LGBTQ+ Group also support staff as appropriate across the wider organisation to share best practice, influence outcomes and provide support. These Groups are both self-organised and have an EMT member as a sponsor to promote our approach to inclusion throughout NSS.





Exit packages (Audited)

Exit package cost band	2021			Cost of exit packages (£000)
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	
£10,000 - £25,000	0	1	1	22
£50,000 - £100,000	0	2	2	173
£100,000- £150,000	0	1	1	129
£150,000- £200,000	0	1	1	175
Total number of exit packages by type	0	5	5	
Total resource cost (£000)		499		499

EXIT PACKAGES - PRIOR YEAR

Exit package cost band	2020			Cost of exit packages (£000)
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	
<£10,000	0	1	1	8
£10,000 - £25,000	0	1	1	19
£25,000 - £50,000	0	1	1	32
£50,000 - £100,000	0	1	1	58
Total number of exit packages by type	0	4	4	
Total resource cost (£000)		117		117

Trade union facility time

Relevant Union Officials

Number of employees who were relevant union officials during the period 1 April 2020 to 31 March 2021	Full-time equivalent employee number
34	31.9
Percentage of time spent on facility time	
Percentage of time	Number of representatives
0%	5
1 - 50%	27
51-99%	0
100%	2
Percentage of pay bill spent on facility time	
	£000s
Total cost of facility time	168
Total pay bill	163800
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	10%

A reasonable estimate of hours has been made where the information was not available.

Parliamentary Accountability Report

Losses and special payments

	2021		2020	
	Number of cases	£'000	Number of cases	£'000
Losses	5	2,347	12	167

In the year to 31 March 2021 NSS did not have any balances in excess of £250,000 which were written off.

Fees and charges

NSS provides a variety of services as detailed under Purpose and Activities of NSS (see page 10). These services include the provision of legal services, the supply of blood and blood products, management of national IT infrastructure, procurement, healthcare commissioning, facilities management and provision of data and analytics. Services are provided to NHS Scotland, the wider public sector and third party suppliers. The expenditure and income relating to these services can be found in note 3 operating expenses (see page 99) and note 4 operating income (see page 100) of the accounts.

Remote contingent liabilities

NSS has reported all contingent liabilities known to the organisation in note 13 (see page 117).

Mary C Morgan

Mary Morgan, Chief Executive.

30 August 2021

Independent auditor's report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of NHS National Services Scotland for the year ended 31 March 2021 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cashflows, the 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 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In my 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 board's affairs as at 31 March 2021 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 20 January 2021. The period of total appointment is one year. I am independent of the board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's

ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the board's ability 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

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

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

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

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities to detect material misstatements in the financial statements in respect of irregularities, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

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

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

Statutory other information

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

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

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

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

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been

prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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



Carole Grant CPFA
Audit Director

Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

30 August 2021

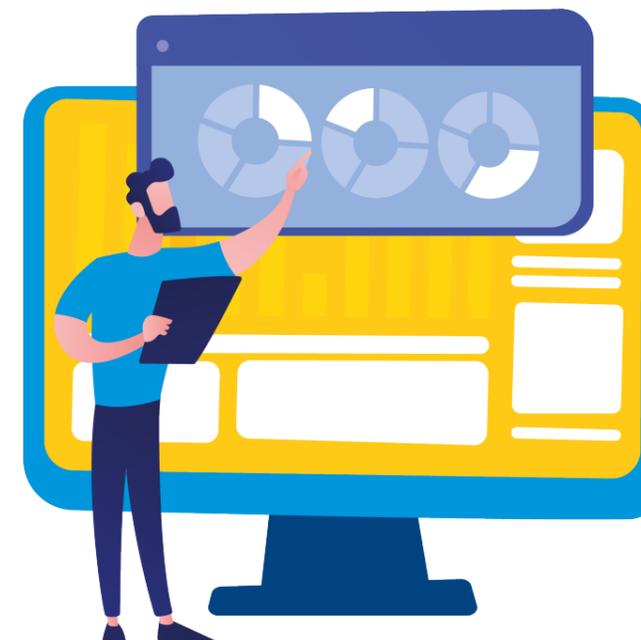
PART B

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2021

2020			2021
£000		Note	£000
169,197	Employee expenditure	3a	165,458
	Other operating expenditure	3b	
261,147	Clinical Services		271,028
367,146	Non Clinical Services		916,186
186	Other health care expenditure		192
797,676	Gross expenditure for the year		1,352,864
(287,463)	Less: operating income	4	(503,890)
510,213	Net expenditure for the year		848,974

The Notes to the Accounts, numbered 1 to 21, form an integral part of these Accounts.



Statement of Financial Position

As at 31 March 2021

RESTATED

2020			2021
£000		Note	£000
80,422	Property, plant and equipment	7c	84,507
10,912	Intangible assets	6a	14,474
91,334	Total non-current assets		98,981
	Current Assets:		
40,008	Inventories	8	139,266
	Financial assets:		
42,741	Trade and other receivables	9	56,241
26,946	Cash and cash equivalents	10	6,571
0	Assets classified as held for sale	7b	7,250
109,695	Total current assets		209,328
201,029	Total assets		308,309
	Current liabilities		
(1,493)	Provisions	12a	(17,741)
	Financial liabilities:		
(102,128)	Trade and other payables	11	(171,978)
(103,621)	Total current liabilities		(189,719)
97,408	Non-current assets plus / less net current assets / liabilities		118,590
	Non-current liabilities		
(2,380)	Provisions	12a	(21,252)
	Financial liabilities:		
(34,122)	Trade and other payables	11	(33,362)
(36,502)	Total non-current liabilities		(54,614)
60,906	Assets less liabilities		63,976
	Taxpayers' equity		
48,066	General fund	SoCTE	51,656
12,840	Revaluation reserve	SoCTE	12,320
60,906	Total taxpayers' equity		63,976

The Notes to the Accounts, numbered 1 to 21, form an integral part of these Accounts.

The financial statements on pages 73 to 127 were approved by the Board on 30 August 2021 and signed on their behalf by

Director of Finance *Carol W*
30 August 2021

Chief Executive *Mary C Morgan*
30 August 2021

Statement of Cashflows

For the year ended 31 March 2021

RESTATED

2020			2021	2021
£000		Note	£000	£000
	Cash flows from operating activities			
(510,213)	Net expenditure	SoCNE	(848,974)	
7,439	Adjustments for non-cash transactions	2b	11,754	
2,074	Add back: interest payable recognised in net operating expenditure	2b	2,031	
(10,401)	Movements in working capital	2b	7866	
(511,101)	Net cash outflow from operating activities			(827,323)
	Cash flows from investing activities			
(4,753)	Purchase of property, plant and equipment		(19,153)	
(5,043)	Purchase of intangible assets		(7,687)	
0	Proceeds of disposal of property, plant and equipment		4	
0	Transfer of assets to / (from) other NHS Scotland bodies		(7,562)	
(9,796)	Net cash outflow from investing activities			(34,398)
	Cash flows from financing activities			
523,540	Funding	SoCTE	864,579	
26,065	Movement in general fund working capital	SoCTE	(20,487)	
549,605	Cash drawn down		844,092	
(673)	Capital element of payments in respect of finance leases and on-balance sheet PFI and Hub contracts	2b	(715)	
(2,074)	Interest element of finance leases and on-balance sheet PFI / PPP and Hub contracts	2b	(2,031)	
546,858	Net Financing			841,346
25,961	Net Increase / (decrease) in cash and cash equivalents in the period			(20,375)
985	Cash and cash equivalents at the beginning of the period			26,946
26,946	Cash and cash equivalents at the end of the period			6,571
	Reconciliation of net cash flow to movement in net debt/cash			
25,961	Increase / (decrease) in cash in year	11		(20,375)
985	Net debt / cash at 1 April			26,946
26,946	Net debt / cash at 31 March			6,571

The Notes to the Accounts, numbered 1 to 21, form an integral part of these Accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2021

Statement of Changes in Taxpayers' Equity	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
Balance at 31 March 2020		37,851	12,840	50,691
Retrospective restatements for changes in accounting policy and material errors		10,215	0	10,215
Restated balance at 1 April 2020		48,066	12,840	60,906
Changes in taxpayers' equity for 2020-21				
Net gain / (loss) on revaluation / indexation of property, plant and equipment	7a	0	(412)	(412)
Impairment on Property Plant and Equipment		0	(2,707)	(2,707)
Revaluation and impairments taken to operating costs	2b	0	2,707	2,707
Release of reserves to the statement of comprehensive net expenditure		(10,215)	0	(10,215)
Transfers between reserves		108	(108)	0
Transfer of Assets creation of PHS		(2,101)	0	(2,101)
Transfer of Assets from Department of Health		193	0	193
Net operating cost for the year	CFS	(848,974)	0	(848,974)
Total recognised income and expense for 2020-21		(860,989)	(520)	(861,509)
Funding:				
Drawn down	CFS	844,092	0	844,092
Movement in General Fund (creditor) / debtor	CFS	20,487	0	20,487
Balance at 31 March 2021	SoFP	51,656	12,320	63,976

SOCTE (PRIOR YEAR)				
		General Fund	Revaluation Reserve	Total Reserves
	Note	£000	£000	£000
At 31 March 2019		24,338	6,296	30,634
Retrospective restatements for changes in accounting policy and material errors		0	0	0
		General Fund	Revaluation Reserve	Total Reserves
	Note	£000	£000	£000
At 1 April 2019		24,338	6,296	30,634
Changes in taxpayers' equity for 2019-20				
Net gain / (loss) on revaluation / indexation of property, plant and equipment	7a	0	6,662	6,662
Impairment on Property Plant and Equipment		0	455	455
Revaluation and impairments taken to operating costs	2b	0	(387)	(387)
Transfers between reserves		186	(186)	0
Net operating cost for the year	CFS	(510,213)	0	(510,213)
Total recognised income and expense for 2019-20		(510,027)	6,544	(503,483)
Funding:				
Drawn down	CFS	549,605	0	549,605
Movement in General Fund (creditor) / debtor	CFS	(26,065)	0	(26,065)
Balance at 31 March 2020	SoFP	37,851	12,840	50,691

The Notes to the Accounts, numbered 1 to 21, form an integral part of these Accounts

Notes to the Accounts

Note 1. Accounting policies

1. Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FRm) issued by HM Treasury, which follows International Financial Reporting Standards 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 the current year

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

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

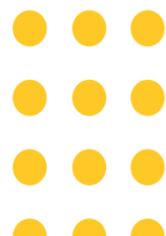
There are no new standards, amendments or interpretations early adopted in 2020/21.

(c) Standards, amendments and interpretation 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 (FRm) from 1 April 2022. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities, and provides enhanced disclosures to improve the 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 have elected to utilise the capitalisation threshold of £5,000 to determine the assets disclosed. NSS expects that its existing finance leases will continue to be classified as leases. All operating leases will fall within the scope of IFRS 16 under the "grandfathering" rules mandated in the FRm for the initial transition to IFRS 16. In future years 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 NSS's right to use the underlying 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

NSS has assessed the impact that the application of IFRS 16 will have on the Comprehensive Net Expenditure for the financial year ending 31 March 2023 and on the Statement of Financial Position at that date. The figures below represent existing leases as at 31 March 2021. The standard is expected to increase total expenditure in 2022-23 by £4.1million. Right-to-use assets totalling £70.2million will be brought onto the Statement of Financial Position, with an associated lease liability of £56.8million

2. Basis of consolidation

In accordance with IAS 27 – Consolidated and Separate Financial Statements, NSS have considered the requirement to consolidate the financial statements of the Trinity Park Foundation. It has been agreed that the value of income and expenditure of the Trinity Park Foundation is not sufficiently material to require consolidation.

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 NSS. The Board members (who are also Trustees) are appointed by Scottish Ministers.

The Trinity Park 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.

Transactions between NSS and the Trinity Park Foundation are disclosed as related party transactions, where appropriate, in note 21 (see page 127) to the financial statements.

3. Retrospective adjustments

A retrospective adjustment has been made this year to reflect the pivotal role NSS has played in procuring and issuing pandemic supplies including Personal, Protective Equipment (PPE) on behalf of NHS Scotland. These transactions were previously recognised by Scottish Government. The details of the adjustment can be found in note 19 of the accounts page 123.

4. 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.

5. Accounting convention

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

6. Funding

Most of the expenditure of NSS is met from funds advanced from 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 NSS that is not classified 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.

Funding for the acquisition of capital assets received from the SGHSC is credited to the general fund when the 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.

7. Property, plant and equipment

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

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

7.1 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 NSS; 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:

1. 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.
2. In cases where a new facility would face an exceptional write off of items of equipment costing individually less than £5,000, NSS has the option to capitalise initial revenue equipment costs with a standard life of 10 years.
3. Assets of a 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.

7.2 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 proxy 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 programme consists of a desktop valuation on an annual basis with a full site visit valuation for each NSS property over the 5-year period. 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. NSS value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis is used 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 valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

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

- Specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only;
- Operational assets which are in use delivering front line services or back office functions, or back office functions and surplus assets with restrictions on their disposal, are valued at current value in existing use. Assets assessed as surplus, where there is no clear plan to bring the asset back into use, as an operational asset, are valued at fair value.

Subsequent expenditure

Subsequent expenditure is capitalised into an assets carrying value when it is probable the future economic benefits associated with the item will flow to NSS 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 derecognised, 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 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 recognised in the revaluation reserve are reported in the Statement of Comprehensive Expenditure.

Temporary decreases in asset value

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.

7.3 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 in each main class of tangible asset as follows:

1. Freehold land is considered to have an infinite life and is not depreciated.
2. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to NSS, respectively.
3. Property, Plant and Equipment which has been reclassified as “Held for Sale” ceases to be depreciated upon the reclassification.
4. 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.
5. Equipment is depreciated over the estimated life of the asset.
6. 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
Buildings	Structure	Up to 93 years based on valuations
	Engineering	Up to 49 years based on valuations
	External Plant	Up to 49 years based on valuations
Transport Equipment		From 3 to 15 years
Machinery & Equipment		From 2 to 25 years
Furniture and Fittings		From 2 to 25 years
IT Equipment		From 3 to 10 years

8. Intangible assets

8.1 Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of NSS 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 NSS, 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 NSS 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.
- NSS intends to complete the asset and sell or use it.
- NSS has the ability to sell or use the asset.
- How the intangible asset will generate probable future economic or service delivery benefits, eg 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 NSS to complete the development and sell or use the asset; and
- NSS can measure reliably the expenses attributable to the asset during development.

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

Software

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

Software licences

Purchased computer software licences are capitalised as intangible fixed 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 account is charged with the same proportion of the amount of the revaluation, which the amount of the grant bears to the acquisition cost of the asset.

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

Websites

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

8.2 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, the 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 impairments previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised in operating 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 plan to bring the asset back into future use as an operational asset.

8.3 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:

- 1) Internally generated intangible assets. Amortised on a systematic basis over the period expected to benefit from the project.
- 2) Software. Amortised over their expected useful life.
- 3) Software licences. Amortised over the shorter term of the licence and their useful economic lives.
- 4) Other intangible assets. Amortised over their expected useful life.
- 5) Intangible assets which have been reclassified as “Held for Sale” cease to be amortised upon reclassification.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category	Useful Life
Software Licences	From 3 - 15 years
Software	From 2 - 11 years

9. Non-current assets held for sale

Non-current assets intended for disposal and 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; and
- 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 assets

useful economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

10. 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.

11. 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 in the value of fixed 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.

12. Leasing

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by NSS, 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 derecognised when the liability is discharged, cancelled or expires. The minimum lease payments (annual rental less operating costs eg 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 operating 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 the operating 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 the title to the land is expected to transfer.

13. 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 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.

14. General fund receivables and payables

Where NSS has 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 NSS 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.

15. Inventories

Inventories are valued at current cost. 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

16. 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.

17. 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

NSS participates in the NHS Superannuation Scheme (Scotland). This scheme is 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 high marginal rates based on pensionable pay as specified in the regulations. NSS 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 defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents

NSS 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 the 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 NSS commits itself to the retirement, regardless of the method of payment.

18. 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 employing authorities from a central fund held as part of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) by the Scottish Government.

NSS provides 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 will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and amounts disclosed as contingent liabilities are disclosed as contingent assets.

NSS 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.

19. Related party transactions

Material related party transactions are disclosed in Note 21 (see page 127) in line with the requirements of IAS 24.

20. Value Added Tax

Most of the activities of NSS are outside the scope of VAT and in general, input tax is not recoverable. However, the business activities of NSS are subject to output tax and input tax relating to these activities is recoverable. In addition, VAT charged to NHS organisations on the purchase of contracted-out services is refundable at the direction of HM Treasury under section 41(3) of the Value Added Tax Act 1994. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

21. PFI/HUB/NPD schemes

Transactions financed as revenue transactions through the Private Finance Initiative or alternative initiatives such as HUB or 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.

Schemes which do not fall within the application of IFRIC 12 are deemed to be off-Statement of Financial Position. Where NSS has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Statement of Comprehensive Net Expenditure. Where, at the end of the PFI contract, a property reverts to NSS, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up on the Statement of Financial Position over the life of the contract by capitalising part of the unitary charge each year.

Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as "on-Statement of Financial Position" by NSS. 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 the 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.

22. Provisions

NSS 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.

23. 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 NSS's control) are not recognised as assets, but are disclosed in note 13 (see page 117) where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 13 (see page 117), 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.

24. 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.

25. Financial instruments

Financial assets

Business model

NSS'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 NSS first recognises a financial asset, it classifies it based on its business model for managing the asset and the asset's contractual flow characteristics. NSS 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:

1. The financial asset is held within a business model where the objective is to collect contractual cash flows; and
2. 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:

1. The financial asset is held within a business model where the objective is to collect contractual cash flows and sell the asset; and
2. 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. NSS 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 Financial position.

Lifetime expected credit losses are recognised and applied to financial assets by NSS where there has been a significant increase credit risk since the assets initial recognition. Where NSS does not hold reasonable and supportable information to measure the 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 NSS 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 NSS 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 and 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

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

1. these are measured at fair value on a portfolio basis in accordance with documented risk management or investment strategy;
2. they contain embedded derivatives; and/or
3. it eliminates or reduces 'accounting mismatch' that would otherwise arise from measurement or recognition on an amortised cost 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. NSS 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. NSS's financial liabilities held at amortised cost comprise trade and other payables in the Statement of Financial Position.

Recognition and measurement

Financial liabilities are recognised when NSS becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.

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

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

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

(b) Amortised cost

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

26. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. This has been identified as the senior management of NSS Board.

Operating segments are not directly related to the analysis of expenditure shown in Note 3.

27. Cash and cash equivalents

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



28. Foreign exchange

The functional and presentational currency of NSS is 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 NSS 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 historic 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 the settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense 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.

29. Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since NSS has no beneficial interest in them.

30. 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.

NSS makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. NSS make 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.

Provisions disclosed in the Accounts include the backlog maintenance for NSS properties, decommissioning of the Louisa Jordan Hospital, organisational restructure, the participation in the Clinical Negligence Other Risk and Indemnity Scheme (CNORIS) and the cost of compensation for loss of earnings made to employees as a result of an injury sustained during the course of their employment. NSS management estimate the level of provision based on the best information available at the Statement of Financial Position date. It is expected that the uncertainty regarding the level and cost of these provisions will be resolved before the end of March 2022.

Accruals relating to NSS operating activities are estimated on the basis of existing contractual obligations and goods and services received during the financial year.

Non-current assets are reviewed for impairment on an annual basis. The impairment review is based on professional valuations for property and for all other assets the valuation is based on management expertise and information available at the Statement of Financial Position date.

Leases for all relevant agreements, NSS 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.

The inventories have been reviewed for impairment at the end of the financial year. Due to the global demand for Personal Protective Equipment and Medical Equipment at the beginning of the pandemic, costs were considerably higher. The inventories at the Statement of Financial Position date have been revalued to reflect the current cost.



Notes to the Accounts

For the year ended 31 March 2021

2a. SUMMARY OF CORE REVENUE RESOURCE OUTTURN

	Note	2021 £000	2021 £000
Net expenditure	SoCNE		848,974
Total non core expenditure (see below)			(46,878)
Total core expenditure			802,096
Core Revenue Resource Limit			802,838
Saving/(excess) against Core Revenue Resource Limit			742
SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN			
Depreciation / amortisation		9,051	
Annually Managed Expenditure - impairments		2,707	
Annually Managed Expenditure - creation of provisions		35,120	
Total Non Core Expenditure			46,878
Non Core Revenue Resource Limit			46,887
Saving / (excess) against Non Core Revenue Resource Limit			9
SUMMARY RESOURCE OUTTURN			
	Resource	Expenditure	Saving / (Excess)
	£000	£000	£000
Core	802,838	802,096	742
Non Core	46,887	46,878	9
Total	849,725	848,974	751

The Notes to the Accounts, numbered 1 to 21, form an integral part of these Accounts.

2b. NOTES TO THE CASH FLOW STATEMENT

Consolidated adjustments for non-cash transactions			
2020 £000		Note	2021 £000
	Expenditure not paid in cash		
4,881	Depreciation	7a	5,896
2,944	Amortisation	6	3,155
1,454	Impairments on PPE charged to SoCNE		2,818
(1,841)	Reversal of impairments on PPE charged to SoCNE		(111)
1	Loss / (profit) on disposal of property, plant and equipment		(4)
7,439	Total expenditure not paid in cash	CFS	11,754
Interest payable recognised in operating expenditure			
2020 £000			2021 £000
	Interest payable		
2,074	PFI Finance lease charges allocated in the year	17	2,031
2,074	Net interest payable	CFS	2,031

2b. NOTES TO THE CASH FLOW STATEMENT

Consolidated movements in working capital					
2020					2021
Net		Note	Opening	Closing	Net
movement			balances	balances	movement
£000			£000	£000	£000
	INVENTORIES				
(950)	Balance Sheet	8	40,008	139,266	
(950)	Net decrease / (increase)				(99,258)
(21,366)	Due within one year	9	42,741	56,241	
267	Due after more than one year	9	0	0	
(21,099)			42,741	56,241	
(21,099)	Net decrease / (increase)				(13,500)
	TRADE AND OTHER PAYABLES				
39,301	Due within one year	11	102,128	171,978	
(1,163)	Due after more than one year	11	34,122	33,362	
(991)	Less: property, plant & equipment (capital) included in above		0	(2,881)	
(143)	Less: intangible assets (capital) included in above		0	0	
(26,065)	Less: General Fund creditor included in above	11	(27,058)	(6,571)	
673	Less: lease and PFI creditors included in above	11	(31,622)	(30,907)	
			77,570	164,981	
11,612	Net decrease / (increase)				87,411
	PROVISIONS				
36	Statement of Financial Position	12a	3,873	38,993	35,120
	GENERAL FUND				
0	Transfer to Other Boards		0	(1,907)	(1,907)
36	Net decrease / (increase)				33,213
(10,401)	Net movement (decrease) / increase	CFS			7,866

For the year ended 31 March 2021

3. OPERATING EXPENSES

3a. Employee expenditure

2020			2021
Total			Board
£000			£000
8,641	Medical, Dental & Pharmacy		6,511
11,176	Nursing and Health Promotion		11,888
19,932	Life Sciences		20,953
3,139	Board Members and Senior Managers		2,682
11,560	Support Services		12,786
114,749	Administrative Services		110,638
169,197	Total	SoCNE	165,458

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

3b. Other operating expenditure

2020			2021
Total		Note	Board
£000			£000
	CLINICAL SERVICES		
246,614	Procurement, Commissioning and Facilities		256,179
14,533	Scottish National Blood Transfusion Service		14,849
261,147	Total		271,028
	NON CLINICAL SERVICES		
1,141	Central Legal Office		637
71,733	Digital and Security		105,263
19,275	Practitioner and Counter Fraud Services		22,275
242,522	Procurement, Commissioning and Facilities		697,883
4,465	Public Health and Intelligence		0
8,507	Corporate Services		20,677
19,503	Property Services		69,451
367,146	Total		916,186

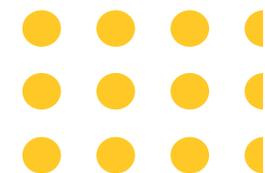
	Other health care expenditure		
2020			2021
Total			Board
£000		Note	£000
186	External auditor's remuneration - statutory audit fee		192
186	Total		192
628,479	Total Other Operating Expenditure		1,187,406

NSS did not purchase any non-audit services from Audit Scotland during the financial year 2020/21.

For the year ended 31 March 2021

4. OPERATING INCOME

2020			2021
£000		Note	£000
	CLINICAL SERVICES		
112	Procurement, Commissioning and Facilities		546
7,882	Scottish National Blood Transfusion Service		7,758
7,994			8,304
	CLINICAL SERVICES		
7,493	Central Legal Office		8,008
24,802	Digital and Security		56,240
854	Practitioner and Counter Fraud Services		394
229,063	Procurement, Commissioning and Facilities		416,017
7,191	Public Health and Intelligence		0
7,099	Corporate Services		9,549
2,967	Property Services		5,378
279,469			495,586
287,463	TOTAL INCOME		503,890
	Income Summary		
2,388	Income from Scottish Government		2,591
275,375	Income from other NHS Scotland bodies		422,169
1,652	Income from NHS non-Scottish bodies		2,126
0	Income from UK Government		71,750
8,048	Income from non NHS		5,254
287,463	Total Income	SoCNE	503,890



For the year ended 31 March 2021

5. SEGMENTAL INFORMATION

Segmental information as required under IFRS has been reported for each strategic objective

	Central Legal Office	Digital and Security	Practitioner and Counter Fraud Services	Procurement, Commissioning and Facilities	Public Health and Intelligence	Scottish National Blood Transfusion Service	Corporate Services	2021
	£000	£000	£000	£000	£000	£000	£000	£000
Net operating cost	549	77,882	39,498	639,170	0	46,438	45,437	848,974
PRIOR YEAR								
Segmental information as required under IFRS has been reported for each strategic objective								
	Central Legal Office	Digital and Security	Practitioner and Counter Fraud Services	Procurement, Commissioning and Facilities	Public Health and Intelligence	Scottish National Blood Transfusion Service	Corporate Services	2020
	£000	£000	£000	£000	£000	£000	£000	£000
Net operating cost	788	70,981	35,344	305,991	33,112	42,928	21,069	510,213

For the year ended 31 March 2021

6. INTANGIBLE ASSETS

6a. INTANGIBLE ASSETS (NON-CURRENT)

	Software Licences	IT - software	Assets Under Development	Total
	£000	£000	£000	£000
Cost or Valuation:				
At 1 April 2020	90,270	62,562	6,906	159,738
Additions	50	0	7,637	7,687
Completions	3,875	564	(4,439)	0
Asset Transfers (to) / from other SG Consolidation Entities	(14)	(10,060)	(1,356)	(11,430)
Transfers between asset categories	0	0	1,684	1,684
Disposals	(17)	(44)	0	(61)
At 31 March 2021	94,164	53,022	10,432	157,618
Amortisation				
At 1 April 2020	87,762	61,064	0	148,826
Provided during the year	3,013	142	0	3,155
Asset Transfers (to) / from other SG Consolidation Entities	(14)	(8,762)	0	(8,776)
Disposals	(17)	(44)	0	(61)
At 31 March 2021	90,744	52,400	0	143,144
Net book value at 1 April 2020	2,508	1,498	6,906	10,912
Net book value at 31 March 2021	3,420	622	10,432	14,474
				Net Book Value
Classification of Assets under development				£000
Information technology - software				10,432
				10,432

For the year ended 31 March 2021

6a. INTANGIBLE ASSETS (NON-CURRENT), continued - BOARD PRIOR YEAR

	Software Licences	IT - software	Assets Under Development	Total
	£000	£000	£000	£000
Cost or Valuation:				
At 1 April 2019	90,170	62,817	2,063	155,050
Additions		29	5,157	5,186
Completions		264	(264)	0
Transfers between asset categories	100	(100)	(50)	(50)
Disposals		(448)		(448)
At 31 March 2020	90,270	62,562	6,906	159,738
Amortisation				
At 1 April 2019	85,370	60,960	0	146,330
Provided during the year	2,390	554	0	2,944
Transfers between asset categories	2	(2)	0	0
Disposals		(448)	0	(448)
At 31 March 2020	87,762	61,064	0	148,826
Net book value at 1 April 2019	4,800	1,857	2,063	8,720
Net book value at 31 March 2020	2,508	1,498	6,906	10,912
				Net Book Value
Classification of Assets under development				£000
Information technology - software				6,906
				6,906

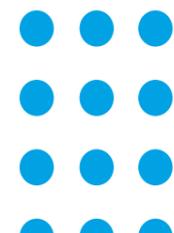
For the year ended 31 March 2021

7a. PROPERTY, PLANT AND EQUIPMENT

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2020	9,350	48,580	0	5,369	17,549	16,515	28,386	7,121	132,870
Additions - purchased	0	6,461	0	0	11,521	875	0	3,177	22,034
Completions	0	0	0	0	412	1,849	1,845	(4,106)	0
Asset Transfers (to) / from other SG Consolidation Entities	0	0	0	0	(33)	(88)	0	0	(121)
Transfers between asset categories	0	0	0	0	0	0	0	(1,684)	(1,684)
Transfers (to) / from non-current assets held for sale	(7,250)	0	0	0	0	0	0	0	(7,250)
Revaluations	0	(572)	0	0	0	0	0	0	(572)

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
Impairment charges	0	(3,264)	0	0	0	0	0	8	(3,256)
Impairment reversals	0	95	0	0	0	0	0	0	95
Disposals - purchased	0	0	0	(108)	(244)	0	(18)	0	(370)
At 31 March 2021	2,100	51,300	0	5,261	29,205	19,151	30,213	4,516	141,746
Depreciation									
At 1 April 2020	0	0	0	3,602	11,790	15,314	21,742	0	52,448
Provided during the year - purchased	0	614	0	517	2,061	1,190	1,514	0	5,896
Asset Transfers (to) / from other SG Consolidation Entities	0	0	0	0	(33)	(88)	0	0	(121)
Revaluations	0	(160)	0	0	0	0	0	0	(160)
Impairment charges	0	(438)	0	0	0	0	0	0	(438)
Impairment reversals	0	(16)	0	0	0	0	0	0	(16)

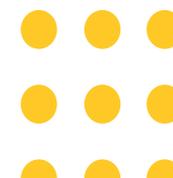
		Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
Disposals - purchased		0	0	0	(108)	(244)	0	(18)	0	(370)
At 31 March 2021		0	0	0	4,011	13,574	16,416	23,238	0	57,239
Net book value at 1 April 2020		9,350	48,580	0	1,767	5,759	1,201	6,644	7,121	80,422
Net book value at 31 March 2021	SoFP	2,100	51,300	0	1,250	15,631	2,735	6,975	4,516	84,507
Asset financing:										
Owned - purchased		2,100	19,648	0	1,250	15,631	2,735	6,975	4,516	52,855
On-balance sheet PFI contracts		0	31,652	0	0	0	0	0	0	31,652
Net book value at 31 March 2021	SoFP	2,100	51,300	0	1,250	15,631	2,735	6,975	4,516	84,507



7a. PROPERTY, PLANT AND EQUIPMENT - PRIOR YEAR

		Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2019		2,621	48,842	0	6,159	17,224	16,509	27,665	3,523	122,543
Additions - purchased		0	0	0	306	617	18	721	4,082	5,744
Completions		0	0	0	152	382	0	0	(534)	0
Transfers between asset categories		0	0	0	0	12	(12)	0	50	50
Revaluations		6,583	(90)	0	0	0	0	0	0	6,493
Impairment charges		0	(1,562)	0	0	0	0	0	0	(1,562)
Impairment reversals		146	1,390	0	0	0	0	0	0	1,536
Disposals - purchased		0	0	0	(1,248)	(686)	0	0	0	(1,934)
At 31 March 2020		9,350	48,580	0	5,369	17,549	16,515	28,386	7,121	132,870
Depreciation										
At 1 April 2019		0	0	0	4,300	10,767	14,705	20,378	0	50,150
Provided during the year - purchased		0	650	0	549	1,709	609	1,364	0	4,881
Revaluations		0	(169)	0	0	0	0	0	0	(169)

		Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
Impairment charges		0	(108)	0	0	0	0	0	0	(108)
Impairment reversals		0	(373)	0	0	0	0	0	0	(373)
Disposals - purchased		0	0	0	(1,247)	(686)	0	0	0	(1,933)
At 31 March 2020		0	0	0	3,602	11,790	15,314	21,742	0	52,448
Net book value at 1 April 2019		2,621	48,842	0	1,859	6,457	1,804	7,287	3,523	72,393
Net book value at 31 March 2020	SoFP	9,350	48,580	0	1,767	5,759	1,201	6,644	7,121	80,422
Asset financing:										
Owned - purchased		9,350	15,604	0	1,767	5,759	1,201	6,644	7,121	47,446
On-balance sheet PFI contracts		0	32,976	0	0	0	0	0	0	32,976
Net book value at 31 March 2020	SoFP	9,350	48,580	0	1,767	5,759	1,201	6,644	7,121	80,422



7b. ASSETS HELD FOR SALE

This asset is part of a combined development site at Liberton, Edinburgh, which includes two adjacent sites of which National Services Scotland owns circa 47%. Under an agreement made with two the two other landowners the total proceeds will be apportioned by site area. The site was previously used by the Scottish National Blood Transfusion Service but has been replaced by a new blood processing facility at the Jack Copland Centre. It is anticipated that the site will be sold in October 2021 and be used by the proposed purchaser for social housing. There has been no gain or loss on transfer to Assets Held for Sale.

ASSETS HELD FOR SALE

		Property, Plant & Equipment	Total
		£000	£000
At 1 April 2020		0	0
Transfers from property, plant and equipment		7,250	7,250
At 31 March 2021	SoFP	7,250	7,250

7c. PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

2020			2021
£000		Note	£000
	Net book value of property, plant and equipment at 31 March		
80,422	Purchased		84,507
80,422	Total	SoFP	84,507
0	Net book value related to land valued at open market value at 31 March		0
	Total value of assets held under:		
32,976	PFI and PPP Contracts		31,652
32,976	Total		31,652
	Total depreciation charged in respect of assets held under:		
358	PFI and PPP contracts		377
358	Total		377

All land and buildings were revalued by an independent valuer, the Valuation Office Agency, as at 31/03/2021 on the basis of fair value (market value or depreciated replacement costs where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was a decrease of £3.127m (2019-20: an increase of £7.117m) of which £0.412m (2019-20: credit of £6.662m) was charged to the revaluation reserve. An impairment of £2.715m (2019-20: credit of £0.387m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

7d. ANALYSIS OF CAPITAL EXPENDITURE

2020			2021
£000		Note	£000
	Expenditure		
5,186	Acquisition of intangible assets	6	7,687
5,744	Acquisition of property, plant and equipment	7a	22,034
10,930	Gross Capital Expenditure		29,721
	Income		
1	Net book value of disposal of property, plant and equipment	7a	0
1	Capital Income		0
10,929	Net Capital Expenditure		29,721
	SUMMARY OF CAPITAL RESOURCE OUTTURN		
10,929	Core capital expenditure included above		29,721
11,008	Core Capital Resource Limit		29,750
79	Saving / (excess) against Core Capital Resource Limit		29
0	Saving / (excess) against Non Core Capital Resource Limit		0
10,929	Total capital expenditure		29,721
11,008	Total Capital Resource Limit		29,750
79	Saving / (excess) against Total Capital Resource Limit		29

8. INVENTORIES

RESTATED

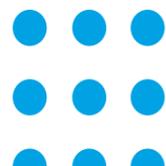
2020			2021
£000		Note	£000
40,008	Raw materials and consumables		139,266
40,008	Total inventories	SoFP	139,266

The prior year figure has been restated to include the balance for pandemic stock, further information can be found in Note 19 pg 123.

9. TRADE AND OTHER RECEIVABLES

2020			2021
£000		Note	£000
	Receivables due within one year		
	NHSScotland		
1,581	Scottish Government Health & Social Care Directorate		1,965
10,677	Boards		11,418
12,258	Total NHSScotland Receivables		13,383
99	NHS non-Scottish bodies		5,270
2,914	VAT recoverable		4,108
20,822	Prepayments		30,637
4,181	Accrued income		1,887
1,658	Other receivables		866
809	Other public sector bodies		90
42,741	Total Receivables due within one year	SoFP	56,241
0	Receivables due after more than one year		0
42,741	TOTAL RECEIVABLES		56,241
	There is no provision for impairment of debt in the total receivables figure above.		
	WGA Classification		
10,677	NHS Scotland		11,418
4,495	Central Government bodies		6,073
809	Whole of Government bodies		90
99	Balances with NHS bodies in England and Wales		5,270
26,661	Balances with bodies external to Government		33,390
42,741	Total		56,241

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2021, receivables with a carrying value of £3.2 million (2019-20: £1.9 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:



2020		2021
£000		£000
1,420	Up to 3 months past due	1,991
299	3 to 6 months past due	1,188
209	Over 6 months past due	0
1,928		3,179

The receivables assessed as past due but not impaired were mainly NHS Scotland Health Boards, Local Authorities and Universities and there is no history of default from these customers recently.

Concentration of credit risk is limited due to customer base being large and unrelated / government bodies. Due to this, management believe that there is no future credit risk provision required in excess of the normal provision for doubtful receivables.

Receivables that are neither past due nor impaired are shown by their credit risk below:

2020		2021
£000		£000
6,102	Counterparties with external credit ratings	7,206
6,102	Counterparties with no external credit rating:	7,206
6,102	Total neither past due or impaired	7,206

The maximum exposure to credit risk is the fair value of each class of receivable. The NHS Board does not hold any collateral as security.

2020		2021
£000		£000
42,741	The carrying amount of receivables are denominated in the following currencies:	56,241
42,741	Pounds	56,241
42,741		56,241

For the year ended 31 March 2021

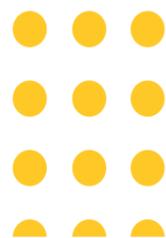
10. CASH AND CASH EQUIVALENTS

		2021	2020
	Note	£000	£000
Balance at 1 April		26,946	985
Net change in cash and cash equivalent balances	CFS	(20,375)	25,961
Balance at 31 March	SoFP	6,571	26,946
Total Cash - Cash Flow Statement		6,571	26,946
The following balances at 31 March were held at:			
Government Banking Service		6,529	26,918
Commercial banks and cash in hand		42	28
Balance at 31 March		6,571	26,946

For the year ended 31 March 2021

11. TRADE AND OTHER PAYABLES

2020		2021
£000	Note	£000
	Payables due within one year	
	NHSScotland	
3,453	Boards	8,806
3,453	Total NHSScotland Payables	8,806
13,787	NHS Non-Scottish bodies	10,825
27,058	Amounts payable to General Fund	6,571
796	Trade payables	992
45,396	Accruals	131,267
1,103	Deferred income	803
716	Net obligations under PPP / PFI Contracts	17
3,265	Income tax and social security	3,390
2,990	Superannuation	2,896
664	Holiday pay accrual	1,443
129	Other public sector bodies	261
2,771	Other payables	3,962



102,128	Total Payables due within one year	SoFP	171,978
	Payables due after more than one year		
762	Net obligations under PPP / PFI contracts due within 2 years	17	811
2,591	Net obligations under PPP / PFI contracts due after 2 years but within 5 years	17	2,758
27,553	Net obligations under PPP / PFI contracts due after 5 years	17	26,576
3,216	Deferred income		3,217
34,122	Total Payables due after more than one year	SoFP	33,362
136,250	TOTAL PAYABLES		205,340
	WGA Classification		
3,453	NHS Scotland		8,806
3,320	Central Government bodies		3,390
207	Whole of Government bodies		261
13,787	Balances with NHS bodies in England and Wales		10,825
115,483	Balances with bodies external to Government		182,058
136,250	Total		205,340
	Borrowings included above comprise:		
31,622	PFI contracts		30,907
31,622			30,907
	The carrying amount and fair value of the non-current borrowings are as follows		
	Carrying amount		
30,906	PFI contracts		30,145
30,906			30,145
	The carrying amount of short term payables approximates their fair value.		
2020			2021
£000	The carrying amount of payables are denominated in the following currencies:		£000
136,250	Pounds		205,340
136,250			205,340

For the year ended 31 March 2021

12a. PROVISIONS

	Pensions and similar obligations	Participation in CNORIS	Other (non-endowment)	2021 TOTAL
	£000	£000	£000	£000
At 1 April 2020	2,432	117	1,324	3,873
Arising during the year	219	0	35,781	36,000
Utilised during the year	(150)	0	(278)	(428)
Reversed unutilised	0	(1)	(451)	(452)
At 31 March 2021	2,501	116	36,376	38,993
The amounts shown above in relation to Clinical & Medical Legal Claims against NSS are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 9.				
Analysis of expected timing of discounted flows to 31 March 2021				
	Pensions and similar obligations	Participation in CNORIS	Other (non-endowment)	2021 TOTAL
	£000	£000	£000	£000
Payable in one year	150	29	17,562	17,741
Payable between 2 - 5 years	624	70	18,814	19,508
Payable between 6 - 10 years	681	6	0	687
Thereafter	1,046	11	0	1,057
At 31 March 2021	2,501	116	36,376	38,993
PRIOR YEAR				
	Pensions and similar obligations	Participation in CNORIS	Other (non-endowment)	2020 TOTAL
	£000	£000	£000	£000
At 1 April 2019	2,325	111	1,401	3,837
Arising during the year	256	6	724	986
Utilised during the year	(149)	0	(439)	(588)
Reversed unutilised	0	0	(362)	(362)
At 31 March 2020	2,432	117	1,324	3,873

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

Analysis of expected timing of discounted flows to 31 March 2020

	Pensions and similar obligations	Participation in CNORIS	Other (non-endowment)	2020 TOTAL
	£000	£000	£000	£000
Payable in one year	149	20	1,324	1,493
Payable between 2 - 5 years	602	70	0	672
Payable between 6 - 10 years	914	5	0	919
Thereafter	767	22	0	789
At 31 March 2020	2,432	117	1,324	3,873

Pensions and similar obligations

NHS NSS meets the cost of compensation for the loss of earnings made to employees as a result of injury sustained in the course of their employment by paying the required amounts annually to the Scottish Public Pensions Agency. NHS NSS provides for this in full when the award is made by establishing a provision for the estimated payments discounted by the Treasury discount rate of 0.1% in real terms. NHS NSS expects expenditure to be charged to this provision for the period of up to 38 years.

Participation in Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

NHS NSS have a provision relating to the participation in the CNORIS scheme. Note 12b provides further information on the scheme.

Other (non-endowment)

NHS NSS have provisions relating to backlog maintenance for NSS owned and leased properties, decommissioning of the Louisa Jordan Hospital, organisation restructure and for employee injury claims.

12b. CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)

2020		Note	2021
£000			£000
0	Provision recognising individual claims against the NHS Board as at 31 March	12a	0
0	Associated CNORIS receivable at 31 March	9	0
117	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	12a	116
117	Net Total Provision relating to CNORIS at 31 March		116

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, eg 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 NSS, the board will assess whether a provision or contingent liability for that legal claim is required. There are no provisions recognised for individual claims this year.

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 NHSScotland has been made and this is reflected in third line above.

The provision required as a result of participation in the scheme is shown in the note above to aid the reader's understanding of CNORIS.

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

For the year ended 31 March 2021

13. CONTINGENT LIABILITIES

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

2020		2021
£000	Nature	£000
925	Clinical and medical compensation payments	825
49	Employer's liability	153
974	TOTAL CONTINGENT LIABILITIES	978

NSS has not entered into any unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort.

14. EVENTS AFTER THE END OF THE REPORTING YEAR

There were no events after the end of the reporting period that had a material effect on the accounts.

15. COMMITMENTS

Capital Commitments

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

2020		Property, plant and equipment	2021
£000		£000	£000
	Contracted		
1,000	Software Development	0	0
0	IT Equipment	1,857	1,857
1,000	Total	1,857	1,857
	Authorised but not Contracted		
0	Property	5,948	5,948
470	Medical Equipment	945	945
300	Transport	300	300
550	IT Infrastructure	0	0
1,067	Software Development	0	0
2,387	Total	7,193	7,193

Other Financial Commitments

NSS has not entered into non-cancellable contracts (which are not leases or PFI contracts).

16. COMMITMENTS UNDER LEASES

Operating Leases

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

Obligations under operating leases comprise:		
2020		2021
£000		£000
	Land	
153	Not later than one year	109
106	Later than one year, not later than 2 years	100
	Obligations under operating leases comprise:	
212	Later than two year, not later than five years	147
309	Later than five years	501
	Buildings	
7,373	Not later than one year	9,038
7,337	Later than one year, not later than 2 years	9,021
18,118	Later than two year, not later than five years	21,175
21,579	Later than five years	25,281
	Other	
459	Not later than one year	436
319	Later than one year, not later than 2 years	265
214	Later than two year, not later than five years	48
	Amounts charged to Operating Costs in the year were:	
793	Hire of equipment (including vehicles)	913
7,142	Other operating leases	7,208
7,935	Total	8,121
	Aggregate Rentals Receivable in the year	
1,952	Total of finance & operating leases	4,504

17. COMMITMENTS UNDER PFI CONTRACTS - On Balance Sheet

NSS has entered into the following on-balance sheet PFI projects.

Jack Copland Centre, 52 Research Park North, Heriot Watt University Research Park, Edinburgh, EH14 4BE.

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

charges and service charges. The imputed finance lease obligation is as follows:

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

2020			2021 TOTAL
£000	Gross Minimum Lease Payments		£000
2,747	Rentals due within 1 year		2,747
2,747	Due within 1 to 2 years		2,747
8,241	Due within 2 to 5 years		8,241
45,630	Due after 5 years		42,883
59,365	Total		56,618
	Less Interest Element		
(2,031)	Rentals due within 1 year		(1,985)
(1,985)	Due within 1 to 2 years		(1,936)
(5,650)	Due within 2 to 5 years		(5,483)
(18,077)	Due after 5 years		(16,307)
(27,743)	Total		(25,711)
	Present value of minimum lease payments	Note	
716	Rentals due within 1 year	11	762
762	Due within 1 to 2 years	11	811
2,591	Due within 2 to 5 years	11	2,758
27,553	Due after 5 years	11	26,576
31,622	Total		30,907
	Service elements due in future periods		
1,019	Rentals due within 1 year		1,019
1,019	Due within 1 to 2 years		1,019
3,056	Due within 2 to 5 years		3,056
17,319	Due after 5 years		16,300
22,413	Total		21,394
54,035	Total commitments		52,301
2,074	Interest charges	2	2031
994	Service charges		994
673	Principal repayment		716
3,741	Total		3,741

18. PENSION COSTS

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 2020/21 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland)

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

All other members automatically joined the NHS 2015 scheme on 1 April 2015. Further information is available on the Scottish Public Pensions Agency (SPPA) web site at www.sppa.gov.uk.

National Employment Savings Trust (NEST)

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

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £6,136 up to £50,000 in the tax year 2020/21, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

Date	Employee Contribution	Employer Contribution	Total Contribution
1st 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.

	2021	2020
	£000	£000
Pension cost charge for the year	21,508	24,074
Additional costs arising from early retirement	221	275
Provisions / liabilities / prepayments included in the Statement of Financial Position	2,501	2,432



19. RESTATED PRIMARY STATEMENTS

RESTATED STATEMENT OF FINANCIAL POSITION

	Previous Accounts	Pandemic Stock	These Accounts
	£000	£000	£000
Non-current assets			
Property, plant and equipment	80,422	0	80,422
Intangible assets	10,912	0	10,912
	91,334	0	91,334
CURRENT ASSETS			
Inventories	29,793	10,215	40,008
Financial assets:			
Trade and other receivables	42,741	0	42,741
Cash and cash equivalents	26,946	0	26,946
	99,480	10,215	109,695
TOTAL ASSETS	190,814	10,215	201,029
CURRENT LIABILITIES			
Provisions	(1,493)	0	(1,493)
Financial liabilities:			
Trade and other payables	(102,128)	0	(102,128)
TOTAL CURRENT LIABILITIES	(103,621)	0	(103,621)
LIABILITIES	87,193	10,215	97,408
Non-current liabilities			
Provisions	(2,380)	0	(2,380)
Financial liabilities:			
Trade and other payables	(34,122)	0	(34,122)
Total non-current liabilities	(36,502)	0	(36,502)
Assets less liabilities	50,691	10,215	60,906
TAXPAYERS' EQUITY			
General Fund	37,851	10,215	48,066
Revaluation Reserve	12,840	0	12,840
Total taxpayers' equity	50,691	10,215	60,906

The balance held for inventories in 2019/20 accounts has been restated to include the value of Pandemic stock previously held by the Scottish Government. This restatement has been made to reflect the role played by NSS in the supply of PPE for Scotland. It is now determined that NSS is acting as principal in this regard and therefore is recognised in our Accounts.

RESTATED STATEMENTS OF CASHFLOWS	Previous Accounts	Pandemic Stock	These Accounts
	£000	£000	£000
FHS Payments on Behalf			
Funds drawn down	2,662,227	(2,662,227)	0
Payments made	(2,662,227)	2,662,227	0
	0	0	0

The cash transactions recognised in 2019/20 accounts for Family Health Services (FHS) provided by NSS on behalf of NHSScotland have been removed from the statement of cashflows. NSS act as agent in this regard and therefore the transactions are recognised in the NHS Boards Accounts.

20. FINANCIAL INSTRUMENTS

20a. FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets

		Financial assets at fair value through OCI	Total
	Note	£000	£000
AS AT 31 MARCH 2021			
Assets per Statement of Financial Position			
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	8,113	8,113
Cash and cash equivalents	10	6,571	6,571
		14,684	14,684
Prior Year			
	Note	£000	£000
At 31 March 2020			
Assets per Statement of Financial Position			
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	6,747	6,747
Cash and cash equivalents	10	26,946	26,946
		33,693	33,693

		Financial assets at fair value through OCI	Total
	Note	£000	£000
AS AT 31 MARCH 2021			
Liabilities per Statement of Financial Position			
PFI Liabilities	11	30,907	30,907
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	11	164,127	164,127
		195,034	195,034
Prior Year			
	Note	£000	£000
At 31 March 2020			
Liabilities per Statement of Financial Position			
PFI Liabilities	11	31,622	31,622
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	11	90,601	90,601
		122,223	122,223

20. FINANCIAL INSTRUMENTS, cont.

20b. FINANCIAL RISK FACTORS

Exposure to Risk

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

Credit risk - the possibility that other parties might fail to pay amounts due.

Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments.

Market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.

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

a) 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.

b) 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. NSS 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
AS AT 31 MARCH 2021	£000	£000	£000	£000
PFI Liabilities	762	811	2,758	26,576
Trade and other payables excluding statutory liabilities	160,909	14	1,094	2,110
Total	161,671	825	3,852	28,686
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2020	£000	£000	£000	£000
PFI Liabilities	716	762	2,591	27,553
Trade and other payables excluding statutory liabilities	87,385	702	1,885	629
Total	88,101	1,464	4,476	28,182

c) Market Risk

NSS 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 NSS in undertaking its activities.

i) Cash flow and fair value interest rate risk

NSS 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.

ii) Foreign Currency Risk

NSS is not exposed to foreign currency risk.

iii) Price risk

NSS 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 (for example, over the counter derivatives) is determined using valuation techniques.

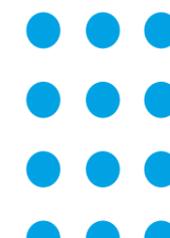
The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

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.

21. RELATED PARTY TRANSACTIONS

NHS NSS had various material transactions with other Scottish Government departments and other UK Central Government bodies.

NHS NSS Board members have cross directorships with Heck Foods Ltd, Queen Margaret University, Potential in Me, Puzzle Fit Consulting and Wale King Associates. There have been no transactions with these bodies in this financial year.



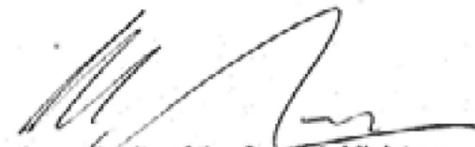
Direction by the Scottish Ministers



Common Services Agency

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

Find out more
about NSS at:

nss.nhs.scot
 [@NHSNSS](https://twitter.com/NHSNSS)