

# Annual Report & Accounts

**For the year to  
31 March 2022**



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# Part A Performance report

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

## A view from Keith Redpath, Chair

**The challenges facing NHS National Services Scotland (NSS) over the past 12 months have not diminished – and the response of NSS staff has been no less extraordinary.**

In my role as Chair, I wish to begin by thanking everyone within our organisation for their continued contributions that have meant NSS was able to meet its objectives for 2021/2022.

Their skill and dedication has allowed NSS to adapt and deliver our key responsibilities – and the continuing COVID-19 response enabled the recovery, remobilisation and redesign of health and care system across Scotland.

Organisational performance was once again excellent in very difficult circumstances and NSS' strengths in service delivery were demonstrated in large-scale programmes, including the largest and swiftest vaccination programme in history.

We have made progress in the areas of innovation, partnership and digital technology that hold the key to improving healthcare and achieving a future-ready and financially sustainable NHS.

As ever, our NHS faces huge challenges, but the vital response work across the NHS and beyond has shown how digital solutions and improved use and sharing of data can progress healthcare outcomes at great pace and scale.

The Board has every confidence that our Chief Executive, her Executive team and our whole staff group will, working in partnership, continue to make NSS a great place to work.

Our experience, commitment and values were demonstrated across our organisation in 2021/2022 – and that is the best possible foundation to meet the challenges that lie ahead.



**Keith Redpath,**  
Chair, NHS National Services Scotland

**“ We have made progress in the areas of innovation, partnership and digital technology that hold the key to improving healthcare and achieving a future-ready and financially sustainable NHS. ”**



# Chief Executive's statement

**Throughout the past year, NHS National Services Scotland (NSS) continued to underpin our national response to COVID-19 while achieving our service commitments and delivery objectives. We worked closely with all health boards, recognising ongoing challenges as the NHS in Scotland remained on an emergency footing for a second year.**

As well as reflecting the continued contributions NSS colleagues made to the pandemic response, the annual accounts 2021/2022 detail our remobilisation across NHSScotland. The report highlights how we achieved our purpose of “providing national solutions to improve the health and wellbeing of the people of Scotland”.

**We continued to evolve as an organisation and grow our capabilities to support the recovery and redesign of NHSScotland at a strategic level.** From digital enabling to underpinning front-line services, we built upon innovations as part of Scotland's successful national response to COVID-19 and will continue to do so to support the vital work of teams across NHSScotland.

**We are working hard to embed these advances across NSS.** Moving forward they will assist us to support the stabilisation, reform and transformation of the NHS in Scotland. This annual report demonstrates how NSS has successfully delivered against national initiatives and the solutions focussed approach, for which we are renowned.

**We are improving our use of data,** and by using data more effectively we continue to evolve our capability to be transparent, robust and reliable. We share improved data appropriately with health and social care partners, enabling them to improve their services.



**Mary Morgan,**  
Chief Executive  
NHS National Services Scotland

**By harnessing clinical innovation and digital technology, we are enabling the redesign of urgent care, reducing health inequalities and making services more efficient.** Innovations such as ‘Near Me’ video consultations are empowering citizens, increasing service resilience and supporting our ‘net zero’ ambitions.

**These innovations reflect our determination to place sustainability and value at the heart of everything we do.** We recognise that environmental sustainability, financial sustainability and workforce sustainability are interlinked. NSS has already made good progress and will continue to work hard to achieve our ambitious targets.



**“ I wish to thank everyone within our organisation, and across the wider NHS and social care family, for their skills and exceptional commitment that allowed us to continue the provision of effective, person-centred care across Scotland. ”**

**Our people are essential to delivering everything we do.** We recognise the scale of their efforts over these past two years, and their wellbeing will inform all stages of our workforce strategic intent and planning. We will continue to support the wellbeing of all our staff in line with our NHS and NSS values.

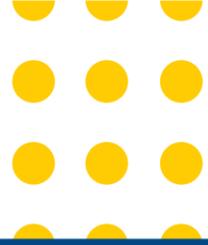
**A key focus for NSS is building effective partnerships across sectors** to allow us to share best practice to develop long-term sustainable solutions together. We also recognise our responsibility to citizens, to help them participate in shaping the services that protect their health, their families and their communities.

**NSS has a responsibility and opportunity to reduce inequality and drive positive change.** For example: we are proud to have implemented the recommendations of the FAIR report, so that more citizens can donate blood on a safe, fair and equal basis.

**These achievements serve to highlight** that the landscape in which we operate has changed immensely. The NSS of today is a more digitally focused, flexible and ‘future ready’ organisation.

**We continue to align our services** to the ambitions of the Digital Health and Social Care Strategy developed by the Scottish Government and COSLA and are primed to play a key role in the positive transformation of public services, including the launch of a National Care Service.

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



## 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

<b>Budget:</b>	<b>£1,351.9million</b>
<b>Workforce:</b>	<b>3,622 (WTE)</b>
<b>Sites:</b>	<b>23</b>
<b>Supporting the NHS:</b>	<p><b>NHSScotland Assure provides a multi-disciplinary approach supporting quality in the design, build and maintenance of major healthcare developments.</b></p> <p><b>The National Contact Centre handled over three million calls and booked over one million COVID-19 vaccination appointments.</b></p> <p><b>Robot-Assisted Surgery Systems were procured as part of a £20million investment to improve cancer treatment.</b></p>
<b>Resource efficiency:</b>	<p><b>£17.4million delivered in cash-release efficiency savings.</b></p> <p><b>NSS secured savings on behalf of NHSScotland of £38.4million through National Procurement contracts.</b></p> <p><b>99.5% accuracy achieved of all primary care contractor payments.</b></p> <p><b>Protected £1.87million of NHSScotland resources through prevention, detection and investigation of fraud.</b></p>



# Our NSS Strategy



**1. Enabling health and care transformation with new services**

Harnessing NSS wide-ranging skills and expertise to deliver national innovative solutions and services.

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

**2. Underpinning NHSScotland with excellent services**

Providing national solutions which are integral to the delivery of health and care services in Scotland.

Connecting a range of partners and stakeholders to ensure our services support the wider health and care system.

**3. Assisting other organisations involved in health and care**

# Our priorities for 2021/22

Given the complexity of planning during the COVID-19 pandemic, we were required to produce a one-year remobilisation plan covering the period April 2021 to March 2022 with a focus on living with COVID-19 and delivering essential services. Our approach was guided by the Scottish Government COVID-19 Framework for Decision Making - Remobilise, Recover, Redesign – The Framework for the NHS in Scotland.

We were also asked to consider how we support priority services, embed innovation, and optimise outcomes for health boards while considering opportunities for additional contributions or extending our role.

**As a result, we prioritised three key areas for 2021/2022:**

- 1 Living with COVID-19**
- 2 Delivering Essential NHSScotland Services**
- 3 Future Opportunities**

The NSS Remobilisation Plan was endorsed by the NSS Board at its Finance, Procurement and Performance Committee in February 2021 ahead of its submission to the Scottish Government. Formal sign-off was confirmed by the Scottish Government in June 2021.

The full plan and the Scottish Government's sign-off letter can be found [on our website](#).

To ensure continuity of service delivery, we closely monitored the impact of COVID-19 on NSS services throughout the year. This allowed us to respond quickly in support of the national response when we were asked to pause all non-essential activity as a result of the Omicron variant.

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



## Primary care support

We supported 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.



## Legal

We provide 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 counselled on wider policy issues.



## Specialist healthcare commissioning

We commissioned a range of specialist and rare condition treatments supporting NHSScotland to ensure equitable and affordable access to these when needed. We also co-ordinated a range of cancer, pregnancy and new-born screening programmes.

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



## 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. Operating within NHSScotland Assure, we provided evidence-based guidance and expert advice on infection prevention and control to reduce healthcare-associated infection (HAI).



## Programme management

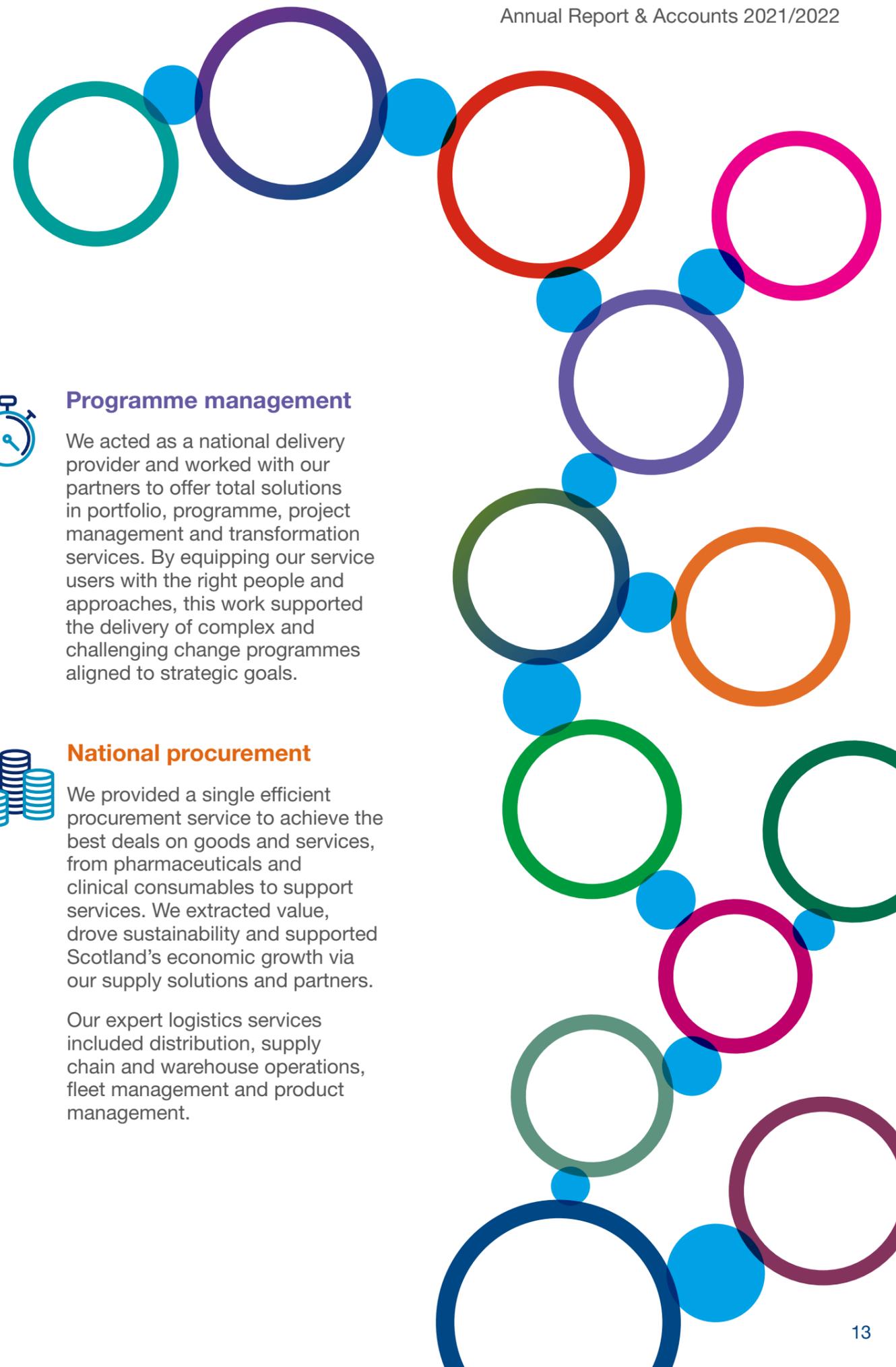
We acted as a national delivery provider and worked with our partners to offer total solutions in portfolio, programme, project management and transformation services. By equipping our service users with the right people and approaches, this work supported the delivery of complex and challenging change programmes aligned to 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 Scotland's economic growth via our supply solutions and partners.

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





### Fraud prevention

We worked in partnership with NHSScotland 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 NHSScotland patient charges and collecting payments for incorrectly claimed exemptions.



### Blood, tissues and cells

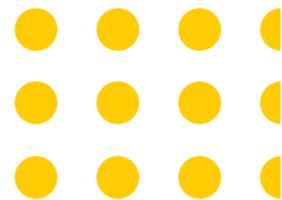
The Scottish National Blood Transfusion Service provided blood, tissues and cells to NHSScotland, ensuring they were available countrywide, 24 hours a day, every day of the year. We provided specialist treatment and therapeutic solutions to Scotland's patients, and specialist testing and diagnostic services to ensure all Scottish patients received the most appropriate products for their needs.



### NHSScotland Assure

We worked 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; and capital planning, facilities and catering, decontamination and sustainability.

We support a range of specialist and technical services from engineering advice to equipment provision to improve quality and reduce associated risk. We also worked to ensure NHSScotland estates and facilities were effective, efficient, sustainable and as safe as possible.



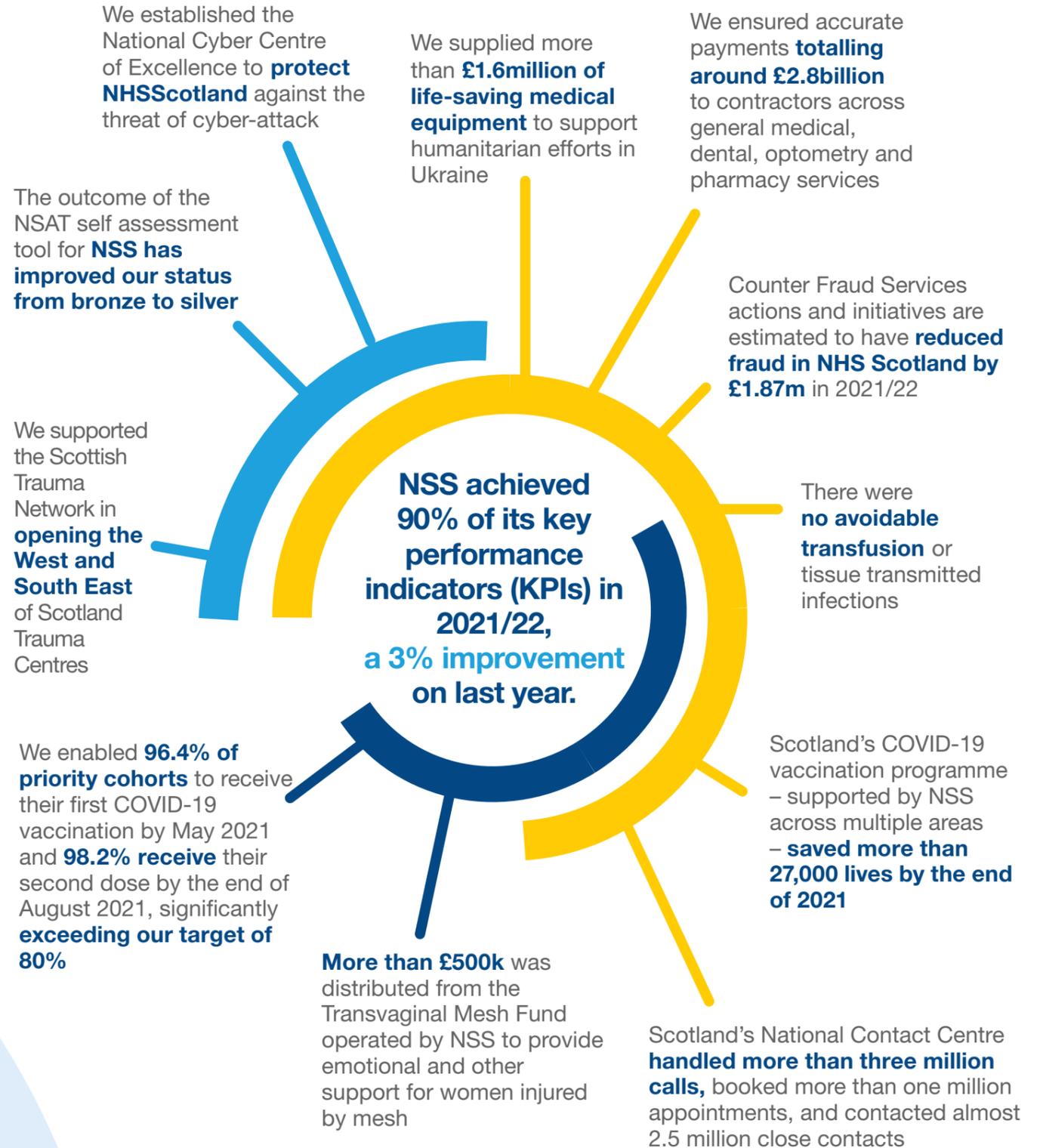
### Corporate services



For a number of years, NSS has provided corporate services to other health boards. We now provide a corporate shared services offering bringing together five vital services: Digital and Security, Facilities, Finance, HR and Procurement. Since 2020, we provided these services to Public Health Scotland and are ready to bring the benefits of this holistic approach to a wide range of partners.

# Our performance

## Here are some of our performance highlights



# Our performance against key non-financial targets

**In this financial year, we improved our performance by 3% and achieved 90% of the commitments we made to the Scottish Government in our Remobilisation Plan.**

We measured our performance against 63 commitments and tracked it through our NSS Remobilisation Plan updates, including RMP4 in September 2021 and our quarterly reports for Q3 and Q4.

NHSScotland remained on an emergency footing throughout 2022/2023. On 10 December 2021, all non-essential services were paused following a Scottish Government ask outlining its strategic intent in response to the Omicron Variant.

Despite the continued focus on the COVID-19 response, we maintained delivery of our services and suspended only one measure as a direct result of the pandemic.

We will work closely with the Scottish Government and Scottish Enterprise to help develop resilience in our supply chains, by reducing imports and increasing the procurement of locally produced products.

This measure is scheduled to be completed in 2022/2023.

## Our RMP Performance 2021/22

When we submitted RMP4 it originally comprised 51 commitments to the Scottish Government with performance tracked through 71 Key Performance Indicators (KPIs). Throughout the year, we completed activity on a number of KPIs and added new ones to reflect our response to the evolving circumstances. By year-end, we had made 63 commitments to the Scottish Government and were tracking these against 66 KPIs.

## Completed measures

Despite non-critical services being paused as of 10 December 2021, NSS performed well against targets. In 2022/2023, we reported 37 commitments as being complete, including:

- Consolidating infrastructure to support pandemic resilience stocks through the addition of two new warehouses
- Scanning 60,000 patient records to improve efficiency and ease of access to GP practice registrations
- Exceeding targets in COVID-19 vaccinations by achieving 96.4% and 98.2% of first and second doses respectively against a target of 80%.



## On target performance

A further 17 commitments are on track at the 31 March 2022. These measures span financial years and are due to be completed in 2023.

Notable achievements include:

- The continued support of all COVID-19 activities including 100% delivery of Test and Protect digital requests
- Nationally commissioned screening laboratories operating at the same level or above pre-pandemic rates
- The launch of the Community Benefits Gateway introducing community benefits into 100% of National Procurement contracts over £1million.

## Performance within 10% of target

Six measures are showing as amber. This is a reduction of five amber measures on the end of year position in 2021/2022.

- Five digital and security measures showing as amber. Two of the measures expect minimum viable product and migration by the end of 2022. The legacy replacement roadmap is at pilot stage and delayed innovation work have plans in place to recover the position. Following the pandemic, a Scottish Government review of CHI/Child Health is underway to allow improved ways of working to be considered.
- A new target date of December 2023 has been set for the review of the Property and Asset Management Strategy. We are working on collaborative solutions with national boards to achieve this target.

## Performance missed by more than 10% of target

Once COVID-19 impacted indicators were removed, there were no red indicators. This is unchanged from the position at year end 2021.



# 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 £000	Actual Outturn £000	Variance (over)/under £000
Core Revenue Resource Limit (RRL)	840,727	840,455	272
Non-core Revenue Resource Limit (RRL)	(7,406)	(7,406)	0
<b>Total Revenue Resource Limit (RRL)</b>	<b>833,321</b>	<b>833,049</b>	<b>272</b>
Capital Resource Limit (CRL)	23,110	22,847	263
Cash Requirement	845,925	845,925	0

Memorandum for in-year outturn	£000
Core Revenue Resource Variance/Surplus in 2021-22	272
Underlying/Surplus against Core Revenue Resource Limit	0
Financial flexibility funding banked with /(provided by) Scottish Government	272
<b>Percentage</b>	<b>100%</b>

## Revenue

A total revenue resource of £833.3m (2020/21 £849.7m) was provided by SGHSC. Operating income of £551.2m (2020/21 £502.9m) has been credited to the Statement of Comprehensive Net Expenditure for the year ended 31 March 2022.

Total revenue expenditure in the year was £1,384.2m (2020/21 £1,351.9m), giving rise to a saving against the RRL set by SGHSC in the year of £0.3m as shown on the Summary of Resource Outturn (note 2a page 109).

Total revenue expenditure increased by £32.3m in 2021/22 and is primarily attributable to our crucial role in the response to the pandemic. Our main areas of expenditure in our COVID-19 response are:

	2021/22 £000	2020/21 £000
<b>COVID-19 Expenditure</b>	<b>£000</b>	<b>£000</b>
Personal Protective Equipment	161,420	201,372
Testing kits for the general public	146,800	71,750
Screening and testing for virus	61,751	59,742
Louisa Jordan costs	9,967	63,984
Equipment and Sundries	3,078	12,982
Contact Tracing Costs	37,297	27,099
Immunisation Costs	52,922	16,133
Additional Freight and Transport	2,100	16,016
Private Healthcare	6,438	30,826
Digital, IT and Telephony costs *	350	3,729
Estates and Facilities (warehousing)	8,580	3,928
Flu programme delivery costs**	20,332	3,754
Additional hospital drug spend	35	1,807
Clinical waste (NSS)	2,800	3,171
Other – Mail costs P&CFS shielding letters	1,286	1,923
Additional staffing and support	4,232	4,092
Other	4,301	485
<b>Total</b>	<b>523,689</b>	<b>522,793</b>

\* Digital costs included in relevant Test, Protect and Vaccinate costs

\*\*Flu vaccine delivery costs have increased in year as a result of the change to Scottish Government policy which increased the eligibility criteria for flu vaccines to people over the age 50 and children up to age of 15.



## 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 a breakdown of the costs.

PPE	2021/22 £000	2020/21 £000
NHS Boards	59,534	114,900
Social Care	18,997	57,855
<b>Total</b>	<b>78,531</b>	<b>172,755</b>
Testing Kits	£000	£000
NHS Boards	5,900	5,691
Social Care & The Public	201,800	76,189
<b>Total</b>	<b>207,700</b>	<b>81,880</b>

The income and expenditure for PPE and testing kits provided to NHS Boards is included in note 3 page 112 and note 4 page 113, under Non Clinical Services for Procurement, Commissioning and Facilities.

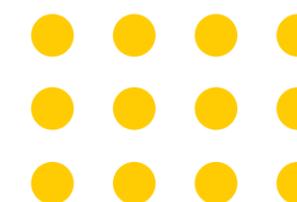
The PPE and testing kits delivered to social care partnerships and the testing kits for the public are funded through the core revenue resource limit provided by Scottish Government as detailed in note 2a page 92 and the associated expenditure is included in note 3 page 112 under Non-Clinical Services 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 NHSScotland.

## Donations

A number of outgoing donations of PPE and medical equipment were made in the year, with Scottish Government approval, to charitable organisations and also to support the people of Ukraine. These transactions are reflected in Note 3 on page 112. Below is a breakdown of the value of donations made during the year.

Recipients	Type of Donation			Total
	PPE Donations £'000	Medical/ICU Equipment £'000	Louisa Jordan £'000	
KIDS OR for Africa	4,275	525	0	4,800
India	0	237	0	237
Ukraine	0	1,623	0	1,623
Charities: Reuse	0	275	1,671	1,947
<b>Total</b>	<b>4,275</b>	<b>2,660</b>	<b>1,671</b>	<b>8,606</b>



## Services provided by NSS to NHSScotland

NSS provide services to NHSScotland for which the income and expenditure for 2021/22 of £3,075.5m is recognised in the accounts of the NHS Boards. These are:

### 1. Payments to Primary Care Contractors

Payments made during the year to Primary Care contractors on behalf of NHS Boards in Scotland were £2,838.2m (2020/21: £2,876.3m) from funds drawn from the SGHSC totalling £2,838.2m (2020/21: £2,876.3m). NSS administer the payments to primary care practitioners on behalf of NHSScotland.

### 2. Pharmacy Rebates

NSS administer the receipt of rebates from pharmaceutical suppliers on behalf of NHSScotland. The total income received from suppliers was £133.1m (2020/21: £80.2m).

### 3. NHS Board Maintenance payments

NSS administer the procurement and central payment of maintenance invoices for high-value imaging and associated equipment. This year the total income received of £4.2m (2020/21: £5.9m)

## 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 (page 131). 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 (page 131) and the Remuneration Report (page 62). The accounting policy note for pensions is provided in Note 1 (page 91).

## Non-Current Assets

During the year NSS invested £22.9m (2020/21 £29.7m) in capital projects.

NSS continued its investment in Health and Social Care testing facilities with work concluding on our laboratories in Aberdeen, Edinburgh and Glasgow, plus additional sequencing equipment.

The other areas of spend were £5.3m on property upgrades across the estate, £6.5m on plant and equipment, £2.0m on IT equipment, £7.9m on software licence and developments, £0.9m on medical equipment and £0.3m on vehicles.

## Assets held for Sale

In 2020/21 we recognised the land at Ellens Glen Road as an asset held for sale with a value of £7.3million. The sale was delayed due to the pandemic, and it is expected the sale will be completed in 2022/2023.

## Cash and Cash Equivalents

The cash and cash equivalents balance at the 31 March 2022 was £5.4m. This is a decrease of £1.2m compared with 2020/21.

## Prior Year Adjustments

A prior year adjustment of £5.9m has been made in the financial statements this year to recognise that NSS acts as an agent in the maintenance of equipment held at NHS Boards.

## Provisions

During the year, the value of provisions held in the accounts has decreased by £16.1m to £22.8m (2020/21: £39m). The decrease is a result of decommissioning the Louisa Jordan Hospital of £12.2m and the reduction in future costs of backlog maintenance of £3.8m. There is a further net reduction relating to legal claims and organisational restructure of £0.1m.

## Contingent liabilities

Contingent liabilities not provided for in the accounts total £0.9m (£1.0m in 2020/21). These relate to clinical and medical compensation payments and employer liability payments as a result of accidents at work and are disclosed in Note 13 (page 128).

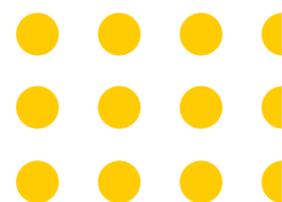
## PFI/PPP Scheme

The value of the contract for the Jack Copland Centre on the Statement of Financial Position is £33.1m. The contract commenced in August 2017 and will end 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 2021/22 the average period of credit taken from all suppliers was 10.0 days (2020/21: 10.0 days).
- In 2021/22 NSS paid 67.8% (2020/21: 68.9%) of all invoices by value and 83.1% (2020/21 83.6%) of all invoices by volume, within 10 days.
- In 2021/22 NSS paid 86.0% (2020/21: 84.1%) of all invoices by value and 93.7% (2020/21: 93.7%) of all invoices by volume, within 30 days.



# Highlights of the year

## April 2021

**The new 'Check In Scotland' app was launched** as NSS digital and contact tracing teams continued to play a crucial role in national response. The First Minister also announced free lateral flow test kits would be made available across the country, in person from testing sites or by ordering online.

## May 2021

**Staff across NSS continued to support the COVID-19 vaccination programme**, the largest and swiftest in NHSScotland history. By 14 May, more than three million people - two thirds of the eligible population - had received their first vaccination.

Digital colleagues worked with NHSScotland partners to launch a vaccination status scheme on 19 May. This allowed people travelling abroad to provide proof of vaccination status. Initially available as a downloadable certificate, this proof would be made available within an NHSScotland app later in the year.

NSS worked with Scottish and UK Government to supply life-saving oxygen and ventilation equipment to India in response to an emergency appeal.

## June 2021

**NHSScotland Assure was established as part of NSS on 1 June.**

The new multi-disciplinary approach supports quality improvement in the design, construction and maintenance of major healthcare infrastructure.

NSS procured Robot-Assisted Surgery Systems as part of a £20million investment to improve cancer treatment.

NSS implemented new rules for blood donation to mark World Blood Donor Day on 14 June. Based on clinical research by specialist research group For Assessment of Individualised Risk (FAIR), the change enables men who have sex with men to donate life-saving blood on an equal and safe basis for the first time.

## July 2021

**Following a tender process, NSS identified two preferred providers of mesh removal surgery** to progress to contract under the NHS Scotland Suppliers Framework. We also operate a £500k+ Transvaginal Mesh Fund, providing financial support of up to £1,000 to help meet costs for emotional or psychological support.

NSS worked with the Scottish Government and a leading international charity to enable vital oxygen concentrators to be sent to communities in need in Malawi, Zambia and Rwanda.

On 18 July the vaccination programme, underpinned by NSS, achieved a major milestone. First doses were completed for all over 18s who attended their scheduled appointments. The news was a timely boost as NHSScotland battled the fast-rising Delta variant.

NSS became the first tenant at the Cyber Quarter Research and Development Hub at Dundee's Abertay University.

## August 2021

**Children and young people aged between 12 and 17 or with certain health conditions were offered the vaccine**, as were all 16-17 year olds.

Also on August 9, a consultation on the new National Care Service was launched, with NSS expecting to have a key role supporting the new service.

NSS and Scottish Fire and Rescue Service agree collaborative working through a formal Memorandum of Understanding to achieve shared goals, that will help improve the safety, health and wellbeing of the people of Scotland.

## September 2021

**The COVID-19 booster vaccination programme began in Scotland**, with residents in care homes for older people being the first to receive them. More than 10 million COVID-19 PCR tests had now been carried out in Scotland's regional hubs, Lighthouse and partner laboratories, and testing sites over the 19 months since testing began.





## October 2021

**The NHSScotland COVID-19 app, developed by NSS and digital partners,** launched to support citizens in proving their vaccination status when attending events and high risk venues. By the end of October, the EU welcomed the app into its Digital COVID-19 Certificate (DCC) Scheme, easing travel for those going abroad.

Audit Scotland released a report into the awarding of PPE contracts by NSS during the pandemic. The report confirmed that NSS “acted fairly and appropriately” and stated that National Procurement teams “did a good job of managing the risks of awarding contracts under emergency arrangements to ensure PPE was secured for front-line staff.”

## November 2021

**Following the success of the pioneering SCOTCAP and Cytosponge pilot programmes led by NSS,** the Scottish Government announced a £70million Endoscopy and Urology Diagnostic Recovery and Renewal Plan. The Plan will harness innovative technologies including SCOTCAP and Cytosponge to speed service recovery.

## December 2021

**Data from the World Health Organisation showed more than 27,000 lives were saved in Scotland** as the result of a successful vaccination programme that has been supported by multiple teams across NSS. The figures were released exactly one year after the first vaccination in Scotland.

## January 2022

**Legislation was passed to allow women who have paid for private surgery to remove transvaginal mesh to have their costs refunded.**

The Transvaginal Mesh Removal (Cost Reimbursement) (Scotland) Bill established a scheme administered by NSS and which has, since the spring of 2022, enabled women injured by mesh to be treated at either Scotland’s National Centre or by alternative providers in England and the USA.

## February 2022

**NSS’s work was again highlighted with the announcement that more than 15 million PCR tests** had now been carried out in Scotland since testing began. We also implemented second booster vaccinations for those aged 75 or over and those at highest risk of severe COVID-19 disease.

## March 2022

**NSS identified and supplied millions of pounds worth of medical supplies** to help the people of Ukraine at the onset of war with Russia.

The Scottish Trauma Network, part of NSS, was the focus of a popular Channel 4 documentary series called Extreme Medics. The series highlighted the life-saving work of teams across the NHS in Scotland.

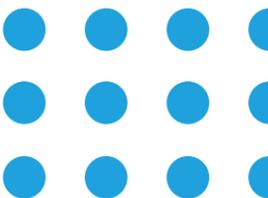
NSS and ALLIANCE formally agree a collaborative, working relationship to support improving health and care outcomes, through local, regional and national initiatives.



## Recognising NSS's work

**We celebrate our colleagues' outstanding achievements and are proud when the efforts of NSS are recognised across the wider health and social care sector. Here are some of our highlights from 2021/22:**

- This year, we received 107 nomination submissions for the NSS Recognising Excellence Awards
- Two NSS staff members won Scottish Health Awards. Nabeel Arshad was the winner of the Unsung Hero Award and Lisa Walker won the Young Achiever Award. The NSS COVID-19 Testing Operations Team was shortlisted in the Unsung Hero category, and the National Notification Service Team was a finalist in the Innovation category
- The Scottish Capsule Programme (SCOTCAP) won the Award for Multiparty Collaboration at the Knowledge Exchange Awards, recognising the work of NSS and its 12 partners in this key innovation
- NSS was a key partner in the Scotland Digital Dermatology Assessment programme, which won the Digitising Patient Services Initiative award at the Health Service Journal
- The COVID-19 Response Award at the Holyrood Connects Digital Health and Care Awards was awarded to NSS for the rapid deployment of the National Vaccination Programme for COVID.



## Living with COVID-19

### Scotland's National Contact Centre

The National Contact Centre (NCC) provided a wide range of activities and support over the past 12 months, including border monitoring, contact tracing, and operating the vaccine status and COVID-19 status helplines. At the end of 2021/2022, the NCC created a new helpline to welcome Scotland Ukrainian nationals displaced by the conflict with Russia, setting up the helpline in less than one week.

In June 2021, the NCC celebrated its first anniversary, receiving thanks from across our NHS and Scottish Government. "From me and the entire Scottish Government, thank you for all your incredible efforts in response to the COVID-19 pandemic," said Humza Yousaf, Cabinet Secretary for Health and Social Care.

### Key achievements

- Handling over three million calls, and booking over one million appointments
- 627,000 calls answered on the COVID-19 status helpline
- Managing nearly 80,000 queries and support calls for vaccine passports, including those people who have moved to and from Scotland throughout 2021
- Building capacity to manage vaccine data from 90 different countries
- Working with fellow NHS boards to manage almost two million positive COVID-19 cases
- Receiving a total of 480,120 incoming contact tracing calls
- Contacting almost 2.5 million close contacts
- Completing more than 83,000 calls to people who had travelled internationally to Scotland

### National Procurement

The past 12 months saw NSS make its biggest increase to NHSScotland's warehousing capabilities since the opening of our National Distribution Centre in 2006. Two new facilities at Eurocentral in North Lanarkshire supported the COVID-19 emergency response by ensuring essential supplies of PPE, critical care equipment, consumables and lateral flow tests were securely held and ready for distribution across Scotland as required.

The new facilities - fully funded by the Scottish Government - brought new jobs to an area of multiple deprivation as well as providing service resilience for our NHS.

NSS enabled the vaccine programme by ensuring new vaccines were swiftly secured on a national basis. These were stored and distributed efficiently to the wide range of vaccination centres, established at short notice as new variants emerged.

In March 2022, NSS National Procurement teams mobilised quickly to supply £3m of medical supplies to the people of Ukraine as part of humanitarian relief efforts.

# Delivering essential services

## Clinical innovation and transformation

Clinical expertise is at the heart of our organisation, with around 30% of our NSS colleagues being clinical professionals. This community played a crucial role in ensuring NSS met its objectives and will be central to the continued recovery and redesign of NHSScotland.

**“Over the past 12 months, NSS has led initiatives which are transforming how crucial NHSScotland services are delivered, supporting NHS recovery from the pandemic. Connecting different parts of NSS and collaborating with partners has allowed us to deliver innovation, making a difference for patients and practitioners.”**

### These initiatives include:

- Expanded roll-out of national programmes such as SCOTCAP and Cytosponge
- Establishment of the Accelerated National Innovation Adoption (ANIA) Collaborative
- Service transformation through the Digital Prescribing and Dispensing Pathways (DPDP) programme. In partnership with NHS Education for Scotland, this programme is revolutionising prescribing and dispensing processes to improve patient experience, efficiency, and climate sustainability
- Working collaboratively with colleagues in National Procurement to secure new and improved bowel screening faecal immunochemical test (FIT) kits and reagents for NHSScotland
- Collaboration between the National Breast Screening programme and NSS Finance colleagues enabled all six breast screening centres in Scotland to install Tomosynthesis technology
- Expanded cardiac view ultrasound scans now widely available within foetal anomaly screening to help clinicians with diagnosis
- Successful implementation of new anti-hepatitis B core and Haemoglobin testing within the Scottish National Blood Transfusion Service (SNBTS), helping to ensure the safety of blood across Scotland

around  
**30%**  
of our NSS  
colleagues  
are clinical  
professionals

**Clinical networks continued to provide significant support for NHS remobilisation while also shaping future improvements.**

### Key achievements include:

- the Scottish Microbiology and Virology Network (SMVN) won Team of the Year at the inaugural Chief Healthcare Scientist Officer Awards
- The Scottish Mental Health Action Plan, published by NSS and the Scottish Government, enabling better care and support for Scotland’s veterans’ community and their families
- New networks supporting genomics, the identification and treatment of Long COVID-19 and victims of rape and sexual assault were launched
- The work of the Scottish Trauma Network featured in the Channel 4 Rescue: Extreme Medics documentary UK national series
- Contract agreements to increase the range of independent providers who can support women injured by transvaginal mesh procedures, and the distribution of more than £500,000 in individual payments to these women on behalf of the Scottish Government from a Mesh Fund
- The approval of new national services for paediatric renal dialysis and for the removal of gall bladder tumours.

Looking forward, NSS is working with partners and clinical colleagues to transform Specialist National Services and Networks. This will improve the commissioning of services and their governance, reduce duplication of effort and resources and encourage effective knowledge sharing while enabling consistent, excellent service and transparent reporting.



## NHSScotland Assure demonstrates value in its first year

Launched in June 2021, NHSScotland Assure unites experts including microbiologists, infection prevention and control nurses, architects, planners, engineers and others to improve the quality of the healthcare built environment and reduce risks.

Last financial year saw the decommissioning of NHS Louisa Jordan, the timely delivery of research project outputs relating to healthcare drainage and water systems, the development of a structured bespoke cleaning specification for adult care homes and the ongoing development of epidemiological intelligence and evidence-based guidance to inform and support front-line teams in their COVID-19 response.

NHSScotland Assure teams have also supported the successful equipping of Badenoch & Strathspey Community Hospital, Clydebank Health Centre and the Skye, Lochalsh & South Wester Ross Community Hospital over the last financial year.

Partnering and collaborating is a focus for NHSScotland Assure, and our main achievements in the last year include appointing Edinburgh Napier University as a research commissioning partner, and the roll-out of the NHSScotland Assure Learning Network, enabling colleagues from all health boards to share knowledge and collaborate.

**“We’re working with colleagues across all health boards. Together, we will embed an integrated approach to protect patients, staff and visitors from avoidable risk within the healthcare built environment.”**



## Supporting Scotland's practitioners

### **NSS achieved its targets in support of doctors, dentists, optometrists and pharmacists during the past 12 months.**

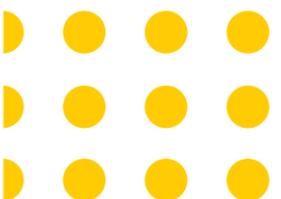
Payments totalling around £2.8billion were made to contractors across general medical, dental, optometry and pharmacy services. Our teams also completed the payment of the £500 COVID-19 bonus of £18.7million to 45,000 primary care contractors and locums as well as an additional £10million of Scottish Infected Blood Support Scheme Parity Payments.

Improved patient care was supported through the timely and accurate transfer of patient medical records. More than 60,000 records were intercepted and digitally scanned to ensure that GP practices that had already digitised their records received new patient data, without the burden of scanning.

NSS supported the building and maintenance of national digital infrastructure that enables seamless flow of data for Pharmacy, Medical, Dental and Ophthalmology payments and information processes.

Our organisation's experience in delivering high-quality, high-volume services also supported COVID-19 activity through its Hybrid mail system. This facilitated the distribution of 3.5million letters to patients at high risk of COVID-19, as well as 1.7m vaccination reminder letters to specific age groups and cohorts.

The Counter Fraud Service continued to protect vital NHSScotland resources in the successful investigation and prosecution of three cases, with a further nine cases reported for prosecution and a total of 14 cases at the Procurator Fiscal being considered.



# Future Opportunities

## Developing a Future Ready NSS

**NSS's Future Ready programme was established in March 2021 to plan how the NSS workforce would deliver services in a post-pandemic world and is a vital driver to the successful shift to our hybrid working model.**

Through engaging with staff at all levels, our goal is to enable a digital first approach and diverse, skilled workforce in an environment which is flexible to support our employees and organisational needs for the future. Taking this approach allows us to focus on workforce and financial sustainability and supports our aims to be a Great Place to Work.

Working in this way also means we can tap into talent across Scotland, helping people to remain in their local communities and gives colleagues the opportunity to show their work via outcomes and support personal requirements such as caring responsibilities.

Ultimately, NSS Future Ready brings together the best bits of office and remote working to balance multiple needs.

Our Future Ready programme enables financial sustainability through a reduction in spend and the unlocking of significant savings for reinvestment – particularly in areas such as estates and facilities, process automation and digital transformation and transformation.

In addition, working from home during the pandemic showcased new ways of working that significantly reduced our carbon footprint by cutting down on the need for travel, decreasing face to face meetings and a reduction in paper based processes. From this we are introducing hybrid working to allow our staff to continue to work in these more sustainable practices, all supporting NSS's environmental sustainability goals.



**NSS Future Ready brings together office and remote working to balance multiple needs**

## Sustainability – helping our NHS change for the better

**NSS played an active role at the COP26 Summit in Glasgow in November 2021, sharing our experience of driving sustainability within NHSScotland. The past 12 months saw further positive progress as we continued to support NHSScotland's climate change commitments. These commitments, which NSS helped to shape, are designed to enable NHSScotland to become a net-zero health service by 2040.**

NSS has made strong progress towards sustainability targets this year:

- The outcome of the NSAT self assessment tool for NSS has improved our status from bronze to silver. An audit will be carried out on this in 2022/2023
- Implementing a new joint sustainability and infrastructure governance structure including every area of the business
- Completing our climate change risk assessment and adaptation plan and embedded this into business-as-usual processes
- Drafting a 'net zero' route map report
- Significantly reducing business travel through the effective use of technology
- Implementing and starting to populate an environmental management system
- Evaluating carbon emissions in our supply transport chain, so we can identify measures to reduce these
- Progressing well with the Scottish Government targets on waste which are to be achieved by 2025.

NSS recognises that meeting these ambitious targets and achieving the goals of the Climate Change Emergency and Sustainability Strategy requires sustainability to be embedded

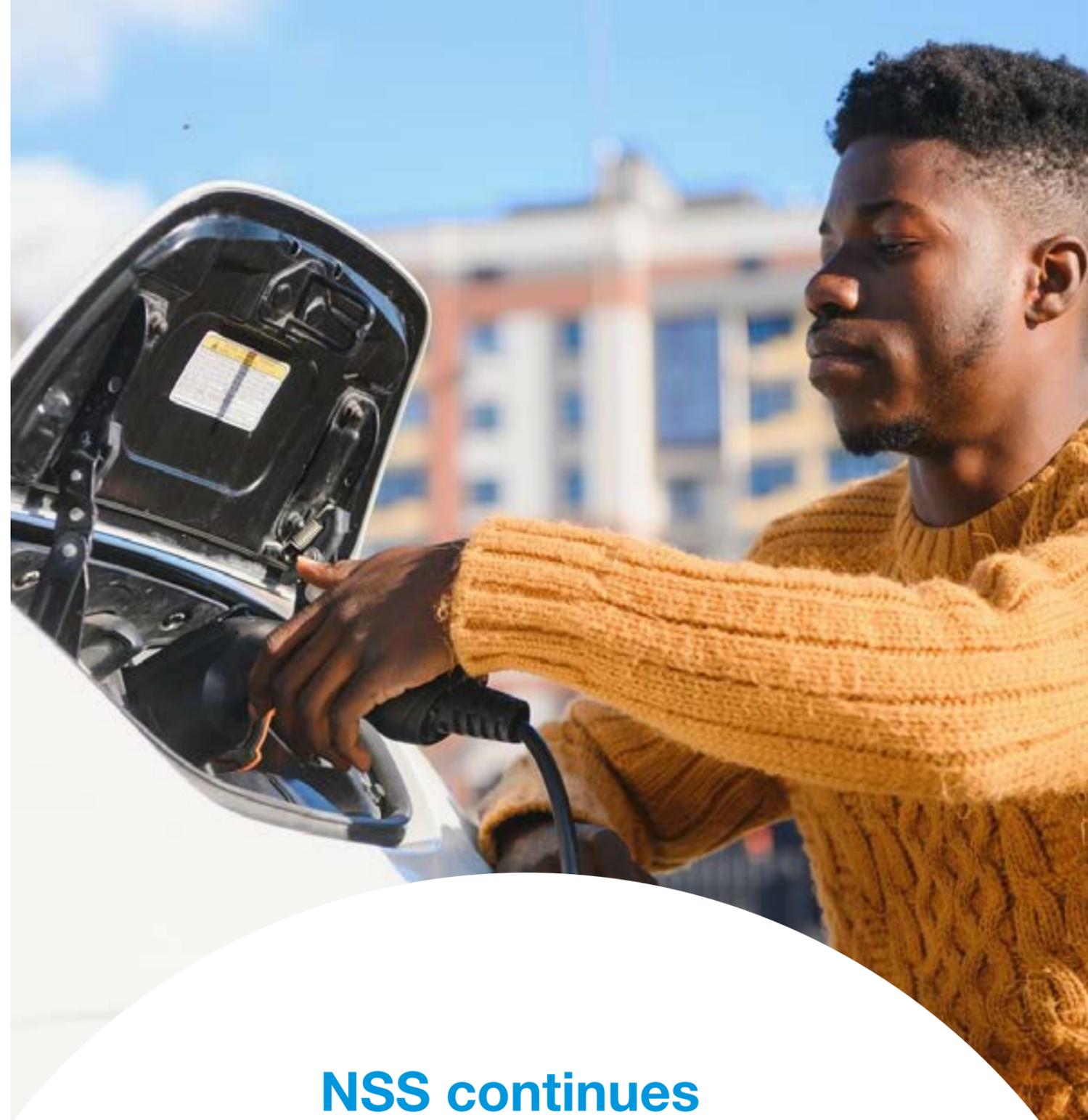
throughout our organisation. NSS has placed sustainability at the heart of decision-making.

Our digital teams adopted cloud solutions, not only enable better service, but also to reduce the reliance on paper. More than 95% of invoices are now processed digitally, and cheques eliminated entirely. We've introduced a national Common Data Environment, the NHSScotland Assure Information Management System (AIMS), to host data on asset management throughout the life cycle of a building.

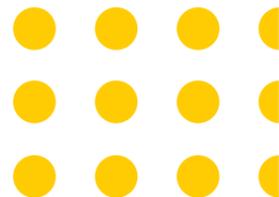
When developing the NHSScotland estate, sustainability is central to planning and decision-making. We developed a Sustainable Design and Construction Guide for NHSScotland – ensuring climate change, net-zero carbon, wellbeing and the circular economy are factored in. Sustainability is important for national procurement, ensuring ethical sourcing supports those who are committed to actions that support positive change and circular economy aims, and create 'green' jobs.

Our teams are enabling the decarbonisation of the NHSScotland fleet by utilising alternative non fossil fuel sources that are significantly reduced or free from emissions. Our car fleet is now 33% electric and 66% hybrid.

NSS will trial the use of hydro treated vegetable oil (HVO) in several fleet vehicles this year. The use of HVO has an estimated 90% CO2 reduction compared with diesel vehicles. If successful HVO will be rolled out across our wider fleet, reducing annual carbon emissions from around 1,300 tonnes to 83 tonnes, with further use under review.



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



# Living our values

## Public participation

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

The work of our National Contact Centre increased our direct relationship with the public by handling a substantial number of enquiries relating to contact tracing and vaccinations. We also introduced a helpline to support Ukrainian nationals displaced by the conflict with Russia.

In response to these increased responsibilities, we continued with improvements to our complaints handling system which has enabled the public to provide feedback to help improve our services and the user experience. In addition, we have reviewed our Customer Experience strategy to include public participation and equality and diversity.

## Equality and diversity

We support Scotland's health by being responsive to the principles of equality and diversity. We aim to meet the needs of our service users, donors, customers, the public and our stakeholders who represent the diverse communities of Scotland. Equality and diversity is about the recognition of difference in its widest sense. In 2021 we published our Equal Pay gap report and our Mainstreaming Equality Report, which sets out the outcomes intended to improve access to our services and employment opportunities.

Equality and diversity is built into the start of any new service design, with the equality and fairer duty Scotland impact assessment informing and shaping the design of our services. In 2021, we implemented the Fair assessment for blood donors, expanding the eligibility criteria for blood donation in Scotland. NSS also routinely engages with patient representatives through our managed clinical networks and public participation activity.

## Volunteering

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

To relieve pressure on our teams at blood donation sessions and support our COVID-19 response, we worked alongside St John Scotland. Their volunteers triaged blood donors to ensure donors were free from COVID-19 symptoms and were able to donate.

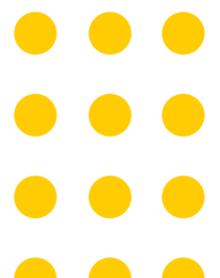
## Whistleblowing

NSS has a Whistleblowing Policy to reassure anyone raising a concern that it is safe and acceptable to speak up, and enable them to raise any concern at an early stage and in the right way. Encouraging people to raise concerns early helps drive improvement, and having redesigned our processes to align with the new National Whistleblowing Standards, introduced on 1 April 2021, our staff across NSS completed mandatory whistleblowing training. The Confidential Contact service was introduced in early 2022 to provide extra support and a safe space for staff to speak up.

## 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 our staff participated in our newly developed procurement fraud eLearning module to raise fraud awareness. In addition, we participated in a pilot to help create a service model for the NHSScotland Counter Fraud Standard.

This enables us to assess compliance against a range of criteria and inform our end of year Fraud State, contributing to our governance and assurance. We have robust controls in place to help deter, detect and deal with fraud and these are reviewed annually, as are our Standing Financial Instructions.



# Key risks and issues

## Update on risks identified in NSS Annual Report and Accounts 2020-21

### EU Exit

The UK's exit from the European Union had the potential to impact on NSS staff who came from the EU. A risk was opened on 28 August 2018 because there was a lack of understanding about the potential workforce impact that could result from EU Exit. The settlement scheme for the right to remain in the UK closed on 30th June 2021 and this risk remained live into 2021/22 to allow time for employees to raise concerns or issues in relation to their circumstances. No issues were raised with NSS in relation to that process, and as a result this risk was closed in February 2022.

### Infected Blood Inquiry

This risk was opened on 17 July 2018 to capture the risk that the Infected Blood Inquiry could lead to additional costs and an adverse reputational impact for NSS and, more specifically, for SNBTS. All SNBTS testimony in the inquiry has concluded and the risk to NSS remains low, but we will continue to monitor this risk in 2022/23.

### Unstructured and unclassified data

This risk was opened on 9 September 2020 to capture the risk that NSS will become non-compliant with governance and security legislation due to the amount of unstructured and unclassified data held on corporate storage areas, including the Microsoft shared server environment.

Data cleansing is underway with records management leads working within their business areas to reduce the risk. In the second half of 2021/22, we have significantly reduced the amount of unstructured and unclassified data. This risk will continue into 2022/23 and we will continue to monitor the effectiveness of data cleansing work until the risk is mitigated.

## Financial Sustainability in the medium to long term

This risk was raised on 27 November 2020 in response to the risk that NSS may be 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 post 2021/22. In January 2022, our Executive Management Team undertook a deep-dive of our financial position and agreed a Financial Sustainability Action Plan to reduce this risk. The risk will remain open in 2022/23, but with a renewed focus under the new strategic objective Financial Sustainability.

### COVID-19

This risk was raised on 5 March 2020 to reflect the risk that the COVID-19 outbreak could have an impact on resourcing across NSS, increasing work pressures on staff and limiting our ability to deliver a full range of services.

Future variants are still a risk to resourcing so we have developed hybrid working protocols to enable staff to work more flexibly. We continue to focus on the need for robust infection, prevention and control measures and will retain this risk in 2022/23.



## Newly identified risks

### Skills Gaps

This risk was opened on 15 September 2021 and continues into 2022/23. It recognises that unidentified skills gaps in the organisation and workforce planning processes could impact service delivery or our ability to meet our strategic objectives.

To mitigate the risk we are developing a Skills Matrix Framework in 2022/23 across NSS. In addition to this, we met our 2021/22 target of 90% compliance on appraisals, objectives and PDPs.

We continue to drive training and development for managers on workforce planning as well as introducing more regular reviews of workforce plans with colleagues across NSS.

### Properties and Estates Operational Requirements

This risk was opened on 2 March 2022 in response to the risk that the NSS estate does not meet the strategic and operational requirements of the service resulting in a reduction in efficiency and associated property costs.

NSS is reviewing its Property Strategy with the Executive Management Team and NSS Partnership Forum to develop a strategy and business case for each property. NSS will ensure best value in line with service requirements from the estate and will continue to monitor this risk in 2022/23.



### Level of scrutiny and litigation

There is a risk the level of scrutiny required could affect NSS's ability to fulfil its strategic objectives due to an increase in the workload of a number of teams in NSS, including CLO, SNBTS, Assure, ARHAI and NSD, which will need to comply with the legal requirements of inquiries. NSS is reviewing its resilience plans and exploring the potential for additional funding to help meet the resourcing demand of the inquiries.

### Supply chain resilience

This risk was opened on 12 March 2022 in response to the risk that if the conflict between Russia and Ukraine extends into other areas of Europe, health manufacturing and supply chains may be impacted. Global supply chains are already severely stretched and this additional pressure could reduce transport routes and drive up costs.

This is an emerging risk and NSS is working closely with the Department of Health and Social Care to co-ordinate activity across the Four Nations. National Procurement is reviewing the lessons learned from EU Exit and the risk that posed to the supply chain, to prepare for potential future disruption.

### Budgetary Pressures

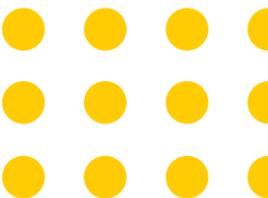
This risk was opened on 13 January 2022 and carries forward into 2022/23. It recognises planned projected NSS and Practitioner Services efficiencies of £1m resulting from the move from paper to digital prescribing are unlikely to be achieved during 2023/24 as previously anticipated.

We are recalculating financial forecasts to understand the actual budgetary pressure associated with this risk. Once we understand the position, resulting actions will be managed by the Senior Management Team.

*Mary C Morgan*

**Mary Morgan**  
Chief Executive

01 August 2022



# Accountability report

## Corporate governance report

### Directors' report

#### Date of issue

The Accountable Officer authorised these financial statements for issue on 29 July 2022.

#### 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 2022
Mr Keith Redpath	Chair	01/08/19		1yr 4 mths
Ms Julie Burgess	Vice Chair	01/12/15		1 yr 8 mths
Mr Ian Cant*	Employee Director	01/08/13		3yrs 4 mths
Mr Mark McDavid		01/09/14		0yr 5 mths
Mr John Deffenbaugh		01/02/16		1yr 10 mths
Ms Alison Rooney		26/06/17		3yrs 3 mths

Non-Executive Directors	Title	Appointed	Term Ended	Unexpired Term as at 31 March 2022
Ms Lisa Blackett		19/10/20		2yrs 7mths
Mr Gordon Greenhill		19/10/20		2yrs 7mths
Prof Arturo Langa		19/10/20		2yrs 7mths
Executive Directors				
Ms Mary Morgan	Chief Executive	01/04/21		
Ms Carolyn Low	Director of Finance	01/09/14		
Dr Lorna Ramsay	Medical Director	31/10/18		

\*Mr I Cant, Employee Director, third term of office from 01/08/2021

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

## 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 2022 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 NHSScotland 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 (page 137). The latest Register of Interests for all Board Members can be found on the [NSS website](#).

## 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 2021/22 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 publish the full information as required by the act on the NSS website following the approval of the Directors Report and Accounts. The report for 2021/22 will be available from September 2022 at [www.nss.nhs.scot](http://www.nss.nhs.scot)

## Personal data related incidents reported to the Information Commissioner

NSS had seven data related incidents during 2021/22 which were reported to the Information Commissioner's Office (ICO). There are two incidents are still under investigation by the ICO at the 31st March 2022.

NSS and Scottish Government were reprimanded by the ICO, in relation to the use of personal data during the roll out of the vaccine passport. Further security measures were implemented to ensure this did not happen again.

## 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:

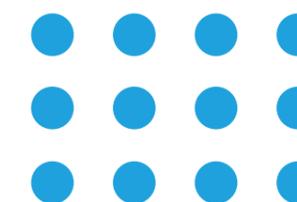
- the propriety and regularity of financial transactions under my control;
- the economical, efficient and effective use of resources placed at NSS disposal; and
- safeguarding the assets of the Board.

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

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

I confirm 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 the Accounts are prepared under the principles, and in the format, directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers letter to me 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 minutes are publicly available on the [NSS website](#).
- 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 and Quality Improvement, 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; and
- 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.

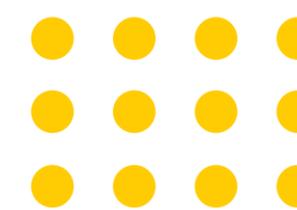
# Governance Framework

## NSS Board

The Board met formally five 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 develop the NSS strategy and priorities, whilst also considering our strategic finance and workforce plans and other emerging issues.

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 2021/22	Number of meetings 2020/21
<b>Audit and Risk Committee</b>	6	6
<b>Finance Procurement and Performance Committee</b>	4	3
<b>Clinical Governance and Quality Improvement Committee</b>	4	3
<b>Staff Governance Committee</b>	4	3
<b>Remuneration and Succession Planning Committee</b>	3	3
<b>Total</b>	<b>21</b>	<b>18</b>



## Audit and Risk Committee

The Audit and Risk Committee was chaired by Ms Julie Burgess. During the year its membership comprised Ms Alison Rooney, Mr John Deffenbaugh, Mr Gordon Greenhill and Professor Arturo Langa. 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 also considers and scrutinises 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 Mr Mark McDavid. During the year its membership comprised Ms Julie Burgess, Mr Ian Cant, Mr Keith Redpath, Ms Lisa Blackett and Mr Gordon Greenhill. 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 four times during the year.

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

## Clinical Governance and Quality Improvement Committee

The Clinical Governance and Quality Improvement Committee was chaired by Ms Alison Rooney and comprised Mr Mark McDavid, Mr Keith Redpath, Ms Lisa Blackett, Professor Arturo Langa and Mr Gordon Greenhill. 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 four times during the year.

The Committee's remit is to provide an overarching governance of all clinical matters within NSS including complaints, clinical risk, and quality of clinical service. It must also satisfy itself that each NSS Strategic Business Unit has processes in place to monitor and report clinical governance issues, and to link clinical governance with risk management as prescribed by NHS Healthcare Improvement Scotland (HIS).



## 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, Ms Lisa Blackett, Professor Arturo Langa and Mr Keith Redpath 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 four 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.

## Remuneration and Succession Planning Committee

The Remuneration and Succession Planning Committee was chaired by Mr Ian Cant. During the year the membership comprised Ms Alison Rooney, Ms Julie Burgess, Mr John Deffenbaugh 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 (pg 62).

## 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 Scottish Public Finance Manual (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.
- As discussed in the Performance Report (see page 3), NSS Remobilisation Plan (RMP) for the financial year was agreed with the Scottish Government at the beginning of 2021-22. The RMP required NSS to deliver on 51 commitments. Progress against these commitments is monitored and reported to the NSS Board at the mid year and the end of the financial year.
- 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 formally during the year to review and challenge activities and practices across NSS. All committees also hold informal development sessions. The committees provide minutes of their meetings to the NSS Board on a quarterly basis.
- The Board receives monitoring reports from the Director of Finance at each meeting 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 regular 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.



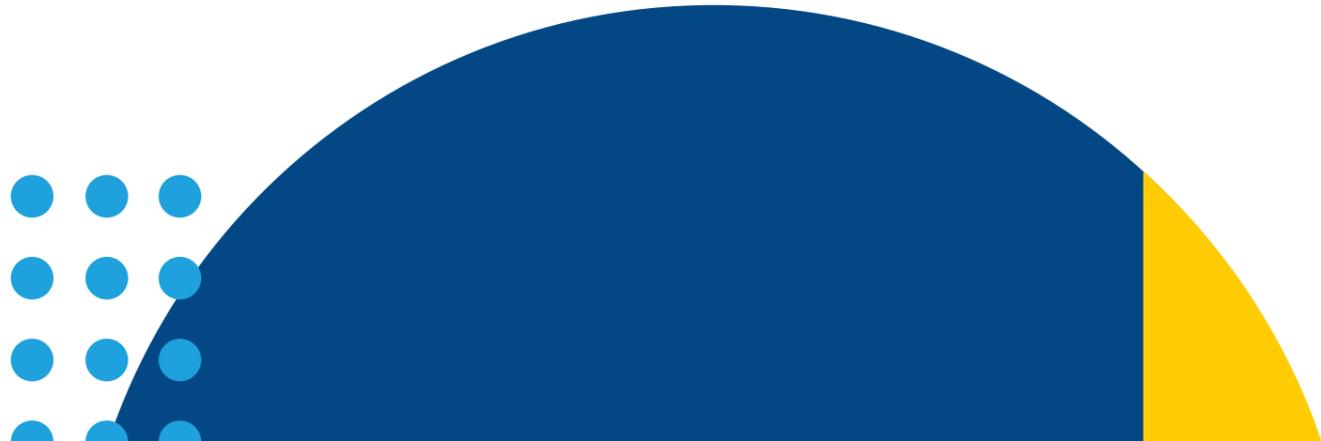
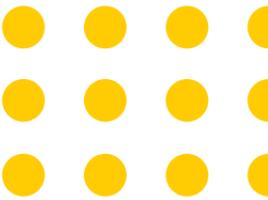
- NSS holds informal Board meetings where the development needs of the Board are addressed. There is a clear process in place for the review of NSS Board performance for both Executive and Non-Executive Directors. In line with NHS Chairs group and Scottish Government guidance – “Corporate Governance: 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 Staff 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 as part of NSS’ whistleblowing policy (as set out in page 43). 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 reviewed performance against the Scottish Government’s Best Value Guidance for Accountable Officers in line with the biennial requirement to do so in October 2016. The Best Value Guidance seeks to ensure 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. The NSS performance reported against the guidance criteria highlighted that all five themes remained as on target performance, as did the theme of Equality. It was noted that there have been improvements to the theme of Sustainability with the development of a Sustainability Strategy, establishment of a Sustainability Governance Group and associated work programme.

- The Change Oversight Board (COG) supports compliance with the NSS Organisational Change Polices 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.



## 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 2021-22, 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 was one high risk recommendation identified by the Internal Auditors as part of their overall review. This recommendation has an agreed action plan in place to be completed by June 2022. Similarly, the medium and low risk findings reported also have actions 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 2022 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 clean audit opinions for the Payment of Primary Care Contractors, National IT and Payroll Services. Full reports have been made available to all relevant NHS Boards. Audit Scotland, in its letters to external auditors of other NHSScotland Boards, concluded that it was able to place reliance on the work in respect of Payments to Primary Care Contractors.

NSS receive a service audit report for the national finance system. The service auditors are appointed by NHS Ayrshire and Arran who provide this service to all NHS Scotland Boards. The service audit for 2021/22 was a clean audit with no exceptions noted.

## 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 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 <https://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 I Cant. 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. The 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 1st October 2005 and supersede contracts prior to that date.

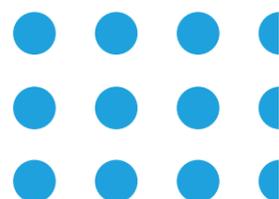
The duration of contracts must be approved by the NSS Remuneration and Succession Planning Committee and, in line with legislation and best practice, the use of fixed term appointments is restricted. If the contract of employment is terminated by NSS for any reason other than gross misconduct, such termination 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(REDD)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 6 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 2022 (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
<b>Executive Members</b>					
<b>Chief Executive Ms M Morgan (from 1 April 2021)</b>	125 – 130	125 – 130	23	0	145 – 150
<b>Director of Finance &amp; Interim Director of Digital and Security: (from 1 February 2022) Ms C Low</b>	110 – 115	110 – 115	33	0	145 – 150
<b>Medical Director: Dr L Ramsay</b>	135 – 140	135 – 140	40	0	175 – 180
<b>Non-Executive Members</b>					
<b>Mr K Redpath</b>	25 – 30	25 – 30	0	0	25 – 30
<b>Mr M McDavid</b>	5 – 10	5 – 10	0	0	5 – 10
<b>Ms J Burgess</b>	5 – 10	5 – 10	0	0	5 – 10
<b>Mr J Deffenbaugh</b>	5 – 10	5 – 10	0	0	5 – 10
<b>Ms A Rooney</b>	5 – 10	5 – 10	0	0	5 – 10
<b>Ms L Blackett</b>	5 – 10	5 – 10	0	0	5 – 10
<b>Mr G Greenhill</b>	5 – 10	5 – 10	0	0	5 – 10
<b>Prof A Langa</b>	5 – 10	5 – 10	0	0	5 – 10
<b>Employee Director; Mr I Cant</b>	50 – 55	50 – 55	18	0	65 – 70

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)
<b>Senior Employees</b>					
Director of Central Legal Office Ms N Shippin	110 – 115	110 – 115	26	5.80	145 – 150
Director of Digital and Security Mr D Mitchelson	120 – 125	120 – 125	31	0	150 – 155
Director of Practitioner & Counter Fraud Services Mr M Bell	90 – 95	90 – 95	28	0	120 – 125
Director of Procurement, Commissioning and Facilities Mr G James (from 1 April 2021 to 17 January 2022)	85 – 90	85 – 90	59	0	145 – 150
Director of National Procurement Mr G Beattie (from 18 January 2022)	20 – 25	20 – 25	35	0	55 – 60
Director of National Specialist Services & Screening Ms S Buchanan (from 18 January 2022)	20 – 25	20 – 25	0	0	20 – 25
Director of NHSScotland Assure Ms J Critchley (from 18 January 2022)	25 – 30	25 – 30	14	0	40 – 45
Director of Scottish National Blood Transfusion Service Mr C Spalding (to 23 January 2022)	90 – 95	90 – 95	25	3.42	120 – 125

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)
Director of Scottish Blood Transfusion Service Prof M Turner (from 1 February 2022)	35 – 40	35 – 40	27	0	90 – 95
Director of HR and Workforce Development Ms J Jones	105 – 110	105 – 110	36	0	140 – 145
Director of Strategy, Performance and Service Transformation Mr L Neary (from 1 June 2021)	90 – 95	90 – 95	23	0	115 – 120
Nurse Director Prof J Reilly	110 – 115	110 – 115	35	0	145 – 150
<b>Total</b>			<b>453</b>	<b>9.22</b>	

**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:  
Mr L Neary 110 - 115, Mr D Mitchelson 145-150, Mr G James 115 – 120, Mr G Beattie 95-100, Mrs S Buchanan 90 -95, Ms J Critchley 95-100, Mr C Spalding 105 - 110 and Prof M Turner 195 - 200.
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 2021-22.
6. Benefits in kind relate to the leased car scheme

# Board Members and Senior Employees' remuneration

for the year ended 31 March 2022 (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 2021	Cash Equivalent Transfer value (CETV) at 31 March 2022	Real increase in CETV in year
Remuneration of:	£'000	£'000	£'000	£'000	£'000
<b>Executive Members</b>					
Chief Executive Ms M Morgan (from 1 April 2021)	20 – 25	0 – 2.5	384	416	32
Director of Finance: & Interim Director of Digital and Security (from 1 February 2022) Mrs C Low	15 – 20	0 – 2.5	168	202	34
Medical Director: Dr L Ramsay	35 – 40	2.5 – 5.0	621	674	53
<b>Non-Executive Members</b>					
Employee Director: Mr I Cant	10 – 15	0 – 2.5	161	178	17
<b>Senior Employees</b>					
Director of Strategy, Performance and Service Transformation Mr L Neary (from 1 June 2021)	0 – 5	0 – 2.5	0	20	20
Director of Central Legal Office Ms N Shippin	50 – 55	0 – 2.5	1,235	1,279	44
Director of Digital and Security Mr D Mitchelson (to 31 January 2022)	5 – 10	0 – 2.5	74	105	31
Director of Practitioner & Counter Fraud Services Mr M Bell	10 – 15	0 – 2.5	158	188	30

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 2021	Cash Equivalent Transfer value (CETV) at 31 March 2022	Real increase in CETV in year
Director of National Procurement Mr G Beattie (from 18 January 2022)	25 – 30	0 – 2.5	498	546	48
Director of NHSScotland Assure Ms J Critchley (from 18 January 2022)	0 – 5	0 – 2.5	0	13	13
Director of Scottish National Blood Transfusion Service Mr C Spalding (to 23 January 2022)	5 – 10	0 – 2.5	35	54	19
Director of Scottish National Blood Transfusion Service Prof M Turner (from 1 February 2022)	30 – 35	0 – 2.5	482	533	51
Director of HR and Workforce Development Ms J Jones	20 – 25	2.5 – 5.0	322	370	48
Nurse Director Prof J Reilly	50 – 55	2.5 – 5.0	899	952	53
<b>Total</b>			<b>5,037</b>	<b>5,530</b>	<b>492</b>

## Note

- 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" can be different from the "CETV at end of the period reported in 2020/21.
- The table excludes Non-Executive and Senior Employees who are not members of the pension scheme.

# 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
<b>Executive Members</b>					
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
<b>Non-Executive Members</b>					
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 Blackett (from 19 October 2020)	0 – 5	0 – 5	0	0	0 – 5
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
<b>Senior Employees</b>					
Director of Strategy, Performance and Service Transformation Ms M Morgan	115 – 120	115 – 120	111	0	225 – 230

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)
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 (to 31 January 2022 )	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
<b>Total</b>			<b>741</b>	<b>16.3</b>	

## Note

- Remuneration excludes Employer Pension and Employer NI contributions
- Proportion of Employee Director total remuneration for non Board duties for Mr I Cant is Band 40 - 45.
- 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.
- 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.
- The total earnings in year column show the remuneration relating to actual earnings payable in 2020-21.
- 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
<b>Executive Members</b>					
<b>Chief Executive Mr C Sinclair</b>	20 – 25 70 – 75 lump sum	2.5 – 5.0 7.5 – 10 lump sum	517	582	65
<b>Director of Finance: Mrs C Low</b>	10 – 15	0 – 2.5	133	167	34
<b>Medical Director: Dr L Ramsay</b>	45 – 50 145 – 150 lump sum	5.0 – 7.5 17.5 – 20.0 lump sum	860	1000	140
<b>Non-Executive Members</b>					
<b>Employee Director; Mr I Cant</b>	10 – 15 40 – 45 lump sum	0 – 2.5 5.0 – 7.5 lump sum	227	264	37
<b>Senior Employees</b>					
<b>Director of Strategy, Performance and Service Transformation Mrs M Morgan</b>	55 – 60 170 – 175 lump sum	5.0 – 7.5 15.0 – 17.5 lump sum	1133	1282	149
<b>Director of Central Legal Office Ms N Shippin</b>	45 – 50 135 – 140 lump sum	2.5 – 5.0 10 – 12.5 lump sum	1036	1116	80
<b>Director of Digital and Security Mr D Mitchelson</b>	5 – 10	0 – 2.5	42	72	30

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
<b>Director of Practitioner &amp; Counter Fraud Services Mr M Bell</b>	10 – 15	0 – 2.5	134	164	30
<b>Director of Procurement, Commissioning and Facilities Mr J Miller</b>	20 – 25 70 – 75 lump sum	5.0 – 7.5 15 – 17.5 lump sum	408	543	135
<b>Director of Scottish National Blood Transfusion Service Mr C Spalding</b>	0 – 5	0 – 2.5	11	35	24
<b>Director of HR and Workforce Development Ms J Jones</b>	15 – 20	2.5 – 5.0	260	315	55
<b>Nurse Director Prof J Reilly</b>	45 – 50 140 – 145 lump sum	5.0 – 7.5 15 – 17.5 lump sum	819	946	127
<b>Total</b>			<b>5,580</b>	<b>6,486</b>	<b>906</b>

## Note

- 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 2020-21 can be different from the "CETV at end of period"
- The table excludes Non- Executive and Senior Employees who are not members of the pension scheme.

## Fair pay disclosure

	2022	2021	% change
Range of Staff remuneration (£'000's)	0 - 260	0 - 260	0
Band of Highest Paid Director's Total Remuneration (£'000s)	135-140	145-150	-6.80%
Median Total Remuneration (£)	35	34	2.00%
Median Salary only	33	32	4.00%
Ratio	4.0	3.4	-8.72%
25th Percentile (total pay & benefits)	27	26	3.02%
25th Percentile (salary only)	24	23	4.47%
Ratio	5.05	5.58	-9.5%
75th Percentile (total pay & benefits)	48	47	3.76%
75th Percentile (salary only)	48	46	4.00%
Ratio	2.84	3.16	-10.13%

### Commentary

Total remuneration includes salary and benefits in kind. It does not include severance payments, employer pension contributions and the CETV of pensions.

The highest paid director's total remuneration has reduced in year with the appointment of the new Chief Executive from 1 April 2022. The highest paid director in 2021/22 is the Medical Director. The pay award for 2021/22 has resulted in an increase in the median salary this financial year. These two factors have resulted in an overall decrease in the ratios year on year.

## Staff report

### Staff numbers and costs

	Executive Team Members	Non Executive Members	Permanent staff	Inward/ (Outward) secondees	Other staff	Total 2021 /22	Total 2020 /21
<b>Staff costs</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Salaries and wages	376	103	132,949	(2,381)	0	131,047	115,357
Social security costs	48	3	14,114	0	0	14,165	12,117
NHS pension scheme employer's costs*	59	0	25,680	0	0	25,739	21,508
Inward secondees	0	0	0	3,010	0	3,010	1,763
Agency staff	0	0	0	0	16,713	16,713	13,055
<b>Total</b>	<b>483</b>	<b>106</b>	<b>172,743</b>	<b>629</b>	<b>16,713</b>	<b>190,674</b>	<b>163,800</b>
<b>Staff numbers</b>							
Whole time equivalent (WTE)	3	10	3,272	28	309	3,622	3,097

Included in the total staff numbers above the disabled staff of: 153 113

\* Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are in Note 18 (page 131).

## Higher paid employees' remuneration

Employees whose remuneration fell within the following ranges:

	2021/22		2020/21	
	Number Clinicians	Number Other	Number Clinicians	Number Other
£70,001 to £80,000	15	74	17	66
£80,001 to £90,000	17	21	10	22
£90,001 to £100,000	7	24	5	25
£100,001 to £110,000	3	2	7	5
£110,001 to £120,000	4	5	2	5
£120,001 to £130,000	5	3	3	2
£130,001 to £140,000	4	1	4	1
£140,001 to £150,000	2	0	1	1
£150,001 to £160,000	0	1	2	1
£160,001 to £170,000	2	0	1	0
£170,001 to £180,000	1	0	0	0
£180,001 to £190,000	0	0	1	0
£190,001 to £200,000	2	0	1	0
£200,001 and above	1	0	1	0

## Staff composition

	2021/22			2020/2021		
	Male	Female	Total	Male	Female	Total
Non-Executive Directors and Employee Director	6	4	10	6	4	10
Executive Director	0	3	3	1	2	3
Senior Employees	271	234	505	265	211	476
Other	1,573	3,082	4,655	1,191	2,247	3,438
<b>Total Headcount</b>	<b>1,850</b>	<b>3,323</b>	<b>5,173</b>	<b>1,463</b>	<b>2,464</b>	<b>3,927</b>

For this section of the report the definition of senior employee is anyone earning over £70k in 2021/22.

## Sickness absence

	2022	2021
Sickness absence rate	4.5%	3%

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 ensure equity of access.

The NSS (dis)Ability Group continues to support all staff with a disability and the LGBTi 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

Exit package cost band	2021/2022	
	Number of compulsory redundancies	Number of other departures agreed
£10,000 - £25,000	0	2
£25,000 - £50,000	0	2
<b>Total number of exit packages</b>	<b>0</b>	<b>4</b>
<b>Total cost of exit packages (£000)</b>		<b>117</b>

Exit package cost band	2020/2021	
	Number of compulsory redundancies	Number of other departures agreed
£10,000 - £25,000	0	1
£25,000 - £50,000	0	1
£50,000 - £100,000	0	2
£100,000- £150,000	0	1
£150,000- £200,000	0	1
<b>Total number of exit packages</b>	<b>0</b>	<b>6</b>
<b>Total cost of exit packages (£000)</b>		<b>499</b>

## Trade union facility time

Number of employees who were relevant during the period 1 April 2021 to 31 March 2022	Full-time equivalent employee number
32	31.27
Percentage of time spent on facility time	
Percentage of time	Number of representatives
0%	1
1 - 50%	29
51-99%	0
100%	2
Percentage of pay bill spent on facility time	
	£000s
Total cost of facility time	180
Total pay bill	138,507
Percentage of the total pay bill spent on facility time	0.13%
Paid trade union activities	
Time spent on paid trade union activities as a percentage of total paid facility time hours	100%

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



# Parliamentary Accountability Report

## Losses and special payments

	2022		2021	
	Number of cases	£'000	Number of cases	£'000
Losses	14	2,399	5	2,347

In the year to 31 March 2021 NSS did not have any balances in excess of £300,000 which were written off.

## Fees and Charges

NSS provides a variety of services as detailed under Purpose and Activities of NSS (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 NHSScotland, the wider public sector and third party suppliers. The expenditure and income relating to these services can be found in note 3 operating expenses (page 112) and note 4 operating income (page 113) of the accounts.

## Remote Contingent Liabilities

NSS has reported all contingent liabilities known to the organisation in Note 14 (page 128).

*Mary C Morgan*

**Mary Morgan**  
Chief Executive

01 August 2022

## 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 2022 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 Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 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 2022 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

#### Basis of opinion

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 uninterrupted appointment is two years. 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.

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

## Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

## Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of 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 there is an intention to discontinue the board's operations.

## Auditor's responsibilities for the audit of the financial statements

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

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

- 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on regularity of expenditure and income

### Opinion on regularity

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

### Responsibilities for regularity

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

## Reporting on other requirements

### Opinion prescribed by the Auditor General for Scotland on the audited 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.

## Other information

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

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

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

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

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

## Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited 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**

01 August 2022

## PART B

# Statement of Comprehensive Net Expenditure

For the year ended 31 March 2022

RESTATED 2020/21			2021/22
£000		Note	£000
165,458	Employee expenditure	3a	193,055
	<b>Other operating expenditure</b>	3b	
134,749	Drugs and Medical Supplies		215,091
271,028	Clinical Services		277,346
780,442	Non Clinical Services		698,530
196	Other health care expenditure		195
<b>1,351,873</b>	<b>Gross expenditure for the year</b>		<b>1,384,217</b>
(502,899)	Less: operating income	4	(551,168)
<b>848,974</b>	<b>Net expenditure for the year</b>		<b>833,049</b>

The primary statements and notes to the accounts, numbered 1 to 21 on the following pages, form an integral part of these accounts.

## Statement of Financial Position

As at 31 March 2022

RESTATED 2020/21				2021/22
£000		Note	£000	£000
84,507	Property, plant and equipment	7a	92,450	
14,474	Intangible assets	6	17,625	
<b>98,981</b>	<b>Total non-current assets</b>			<b>110,075</b>
	<b>Current Assets:</b>			
139,266	Inventories	8	99,940	
	Financial assets:			
56,241	Trade and other receivables	9	60,930	
6,571	Cash and cash equivalents	10	5,361	
7,250	Assets classified as held for sale	7b	7,250	
<b>209,328</b>	<b>Total current assets</b>			<b>173,481</b>
<b>308,309</b>	<b>Total assets</b>			<b>283,556</b>
	<b>Current liabilities</b>			
(17,741)	Provisions	12	(5,679)	
	Financial liabilities:			
(171,944)	Trade and other payables	11	(146,066)	
<b>(189,685)</b>	<b>Total current liabilities</b>			<b>(151,745)</b>
<b>118,624</b>	<b>Non-current assets plus / less net current assets / liabilities</b>			<b>131,811</b>
	<b>Non-current liabilities</b>			
(21,252)	Provisions	12	(17,166)	
	Financial liabilities:			
(33,362)	Trade and other payables	11	(32,743)	
<b>(54,614)</b>	<b>Total non-current liabilities</b>			<b>(49,909)</b>
<b>64,010</b>	<b>Total assets less liabilities</b>			<b>81,902</b>
	<b>Taxpayers' equity</b>			
51,690	General fund	SoCTE		68,980
12,320	Revaluation reserve	SoCTE		12,922
<b>64,010</b>	<b>Total taxpayers' equity</b>			<b>81,902</b>

Authorised and approved by the Board on 29 July 2022.



Ms C Low

Director of Finance

01 August 2022



Ms M Morgan

Chief Executive

01 August 2022

The primary statements and notes to the accounts, numbered 1 to 21 on the following pages, form an integral part of these accounts.

## Statement of Cash Flows

### For the year ended 31 March 2022

RESTATED 2020/21				2021/22
£000		Note	£000	£000
	<b>Cash flows from operating activities</b>			
(848,974)	Net expenditure	SoCNE	(833,049)	
9,847	Adjustments for non-cash transactions	2	13,130	
2,031	Add back: interest payable recognised in net operating expenditure		1,985	
12,925	Movements in working capital	2	(4,879)	
<b>(824,171)</b>	<b>Net cash outflow from operating activities</b>			<b>(822,813)</b>
	<b>Cash flows from investing activities</b>			
(21,856)	Purchase of property, plant & equipment (PP&E)	7	(17,010)	
(8,136)	Purchase of intangible assets	6	(7,029)	
(7,562)	Transfer of assets from NHS Scotland bodies		2,390	
4	Proceeds from disposal of PP&E		74	
<b>(37,550)</b>	<b>Net cash outflow from investing activities</b>			<b>(21,575)</b>
	<b>Cash flows from financing activities</b>			
864,579	Funding	SoCTE	847,135	
(20,487)	Movement in general fund working capital	SoCTE	(1,210)	
844,092	Cash drawn down		845,925	
(715)	Capital element of payments in respect of on-balance sheet PFI		(762)	
(2,031)	Interest element of on-balance sheet PFI		(1,985)	
<b>841,346</b>	<b>Net Financing</b>			<b>843,178</b>
(20,375)	<b>Net decrease in cash/cash equivalents in period</b>			(1,210)
26,946	<b>Cash and cash equivalents at the beginning of period</b>			6,571
<b>6,571</b>	<b>Cash and cash equivalents at the end of period</b>			<b>5,361</b>
	<b>Reconciliation of net cash flow to movement in net debt/cash</b>			
(20,375)	Decrease in cash in year			(1,210)
26,946	Net cash at 1 April	10		6,571
<b>6,571</b>	<b>Net cash at 31 March</b>	<b>10</b>		<b>5,361</b>

The primary statements and notes to the accounts, numbered 1 to 21 on the following pages, form an integral part of these accounts.

# Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2022

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
<b>Balance at 31 March 2021</b>		<b>51,656</b>	<b>12,320</b>	<b>63,976</b>
Retrospective restatements for changes in accounting policy and material errors		34	0	34
<b>At 1 April 2021</b>		<b>51,690</b>	<b>12,320</b>	<b>64,010</b>
Changes in taxpayers' equity for 2021/22			1,411	1,411
Net gain on revaluation of PP&E			300	300
Impairment of PP&E			(2,032)	(2,032)
Impairment of Intangible Assets			1,732	1,732
Revaluation and impairments taken to operating costs		809	(809)	0
Transfers between reserves				
Transfer of assets		2,395	0	2,395
Net operating cost for the year		(833,049)	0	(833,049)
<b>Total recognised income and expense for 2021/22</b>		<b>(829,845)</b>	<b>602</b>	<b>(829,243)</b>
<b>Funding:</b>				
Drawn down	SOCF	845,925	0	845,925
Movement in General Fund	SOCF	1,210	0	1,210
<b>Balance at 31 March 2022</b>	<b>SOFP</b>	<b>68,980</b>	<b>12,922</b>	<b>81,902</b>

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
<b>Balance at 31 March 2020</b>		<b>37,851</b>	<b>12,840</b>	<b>50,691</b>
Retrospective restatements for changes in accounting policy and material errors		10,215	0	10,215
<b>At 1 April 2020</b>		<b>48,066</b>	<b>12,840</b>	<b>60,906</b>
Changes in taxpayers' equity for 2010/21		0	(412)	(412)
Net gain on revaluation of PP&E		0	(2,707)	(2,707)
Impairment of PP&E		0	2,707	2,707
Revaluation and impairments taken to operating costs		(10,215)	0	(10,215)
Release of reserves to the statement of comprehensive net expenditure		108	(108)	0
Transfers between reserves		(1,908)	0	(1,908)
Transfer of assets				
Net operating cost for the year		(848,974)	0	(848,974)
<b>Total recognised income and expense for 2020/21</b>		<b>(860,989)</b>	<b>(520)</b>	<b>(861,509)</b>
<b>Funding:</b>				
Drawn down	SOCF	844,092	0	844,092
Movement in general fund	SOCF	20,487	0	20,487
<b>Balance at 31 March 2021</b>	<b>SOFP</b>	<b>51,656</b>	<b>12,320</b>	<b>63,976</b>

The primary statements and notes to the accounts, numbered 1 to 21 on the following pages, 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 (FReM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

#### (a) Standards, amendments and interpretations effective in the current year

In the current year, NSS has applied a number of amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to IAS39, IFRS4, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform (Phase 2);
- Amendment to IFRS 4: Insurance contracts – deferral of IFRS 9; and
- COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS16)

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

There are no new standards, amendments or interpretations early adopted in 2021/22.

#### (c) Standards, amendments and interpretation issued but not adopted this year

At the date of authorisation of these financial statements, NSS has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 16: Leases. HM Treasury have agreed to defer implementation until 1 April 2022;
- IFRS 17: Insurance Contracts. Applicable for periods beginning on or after 1 January 2023;
- Amendment to IAS 1: Classification of Liabilities as Current or Non-Current. Applicable for periods beginning on or after 1 January 2023;
- Amendment to IAS 1: Disclosure of Accounting Policies. Applicable for periods beginning on or after 1 January 2023;

- Amendment to IAS 8: Definition of Accounting Estimates. Applicable for periods beginning on or after 1 January 2023;
- Amendments to IAS 16: Property, Plant and Equipment proceeds before intended use. Applicable for periods beginning on or after 1 January 2022;.
- Amendments to IAS 37: Onerous Contracts, cost of fulfilling a contract. Applicable for periods beginning on or after 1 January 2022; and
- Annual Improvements to IFRS Standards 2018-2020 Cycle. Applicable for periods beginning on or after 1 January 2022.

NSS does not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods, except as noted below.

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2022. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities, and provides enhanced disclosures to improve 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, NHSScotland has 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 FReM 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 2022.

The standard is expected to increase total expenditure in 2022-23 by £4.5million. Right-to-use assets totalling £67.4million will be brought onto the Statement of Financial Position, with an associated lease liability of £49.8million repayments will also be recognised in the Statement of Cash Flows, as required by IAS 7.

## 2. Basis of Consolidation

In accordance with IAS 27 – Consolidated and Separate Financial Statements, NSS has 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 (page 137) to the financial statements.

### 3. Retrospective Adjustments

A retrospective adjustment has been made this year to reflect our role as agent in supporting NHSScotland with the management of the contract for maintenance of equipment. A further adjustment has been made to show the gross income and expenditure for the Central Legal Office. The details of the adjustment can be found in note 19 of the accounts (pg 134).

### 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 five-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 five 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 values 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:

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

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category	Component	Useful Life
<b>Buildings</b>	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
<b>Transport Equipment</b>		From 3 to 15 years
<b>Machinery and Equipment</b>		From 2 to 25 years
<b>Furniture and Fittings</b>		From 2 to 25 years
<b>IT Equipment</b>		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 e.g. The presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset.
- Adequate financial, technical and other resources are available to the NSS to complete the development and sell or use the asset.
- 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 for example an operating system is capitalised as part of the relevant property, plant and equipment. Software which is not integral to the operation of hardware for example 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:

- Internally generated intangible assets. Amortised on a systematic basis over the period expected to benefit from the project.
- Software. Amortised over their expected useful life.
- Software licences. Amortised over the shorter term of the licence and their useful economic lives.
- Other intangible assets. Amortised over their expected useful life.
- Intangible assets which have been reclassified as “Held for Sale” 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”.
  - 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 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 for example maintenance and contingent rental) are apportioned between the repayment of the outstanding liability and a finance charge. The annual finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability using either the implicit interest rate or another relevant basis of estimation such as the sum of the digits method. Finance charges are recorded as interest payable in the Statement of Comprehensive Net Expenditure. Contingent rental and operating costs are charged as expenses in the periods in which they are incurred.

#### Operating leases

Other leases are regarded as operating leases and the rentals are charged to expenditure on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to 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 for 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. Impairments 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 an unfunded statutory pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and those current employees who are members of the scheme and paying contributions at progressively 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 a defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents 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 that in the respect of 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 NSS's respective share of the total liability of NHSScotland 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 (pg 137) in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3 (page 112).

## 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 (page 128) where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 13 (page 128), 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:

- i. the financial asset is held within a business model where the objective is to collect contractual cash flows
- ii. 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:

- i. the financial asset is held within a business model where the objective is to collect contractual cash flows and sell the asset
- ii. 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 a measured at amortised cost, unless:

- i. these are measured at fair value on a portfolio basis in accordance documented risk management or investment strategy
- ii. they contain embedded derivatives, and/or
- iii. 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.

Operating segments are not directly related to the analysis of expenditure shown in Note 3 (page 112).

## 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
- 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 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.

## Judgements

**PFI:** When considering the application of IFRIC 12 for the Jack Copland Centre judgements were made regards the Interpretation of IFRIC 12 that gives guidance on the accounting by operators for public-to-private service concession arrangements. It is the Board’s view that they control and regulate what services the operator must provide with the infrastructure, to whom it must provide them, and at what price, and hence the application of IFRIC 12 is appropriate.

**Clinical and Medical Negligence:** The Scottish Government provides Risk Levels via Central Legal Office returns on a quarterly basis for all clinical and medical negligence claims lodged against NSS. All Risk Level 3 and 50% of Risk Level 2 claims are Provided for within Note 12 of the accounts, and all Level 1 and the remaining 50% of Level 2 claims are presented as Contingent Liabilities within Note 13 of the accounts.

## Estimates

**Pensions:** Future Pension payments are estimated using a discount rate provided by HM Treasury and life tables provided by the Office for National Statistics (ONS). Any future significant changes to the discount rate or the life tables could have a material impact on the level of provision required.

**Revaluation of Land and Buildings:** The Board commissioned a full revaluation of the NSS estate as at 31st March 2022. Judgements are made about the status of property which affects the valuation methodology based on Royal Institute of Chartered Surveyors (RICS) guidance, International Financial Reporting Standards (IFRS) as interpreted, and also guidance contained within the HM Treasury Financial Reporting Manual (FREM). The carrying value of Land and Buildings at 31st March 2022 as per Note 7(a) to the accounts was £55.1m. The pandemic and the measures taken to tackle COVID-19 continued to affect economies and real estate markets globally during 2021/22. Nevertheless, as at the valuation date of 31st March 2022 some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

**Useful Life of Property, Plant & Equipment (PPE):** as shown in note 7(a), property plant and equipment (PPE) is material to these consolidated accounts. At section 7.3 of this note we disclose, for each category of PPE, the lowest minimum and the highest maximum in the ranges of useful lives used by NSS. Useful lives are the period over which assets are depreciated.

# Notes to the Accounts

## 2. Notes to the cash flow statement

### 2a. Summary of core revenue resource outturn

		2021/22	
	Note	£000	
<b>Net expenditure</b>	SoCNE	833,049	
Total non core expenditure (see below)		7,406	
<b>Total core expenditure</b>		<b>840,455</b>	
Core Revenue Resource Limit		840,727	
<b>Saving against Core Revenue Resource Limit</b>		<b>272</b>	
<b>Summary of non core revenue resource outturn</b>			
Depreciation / Amortisation		9,042	
Annually Managed Expenditure - impairments		(300)	
Annually Managed Expenditure - provisions		(16,148)	
<b>Total Non-Core Expenditure</b>		<b>(7,406)</b>	
Non-Core Revenue Resource Limit		(7,406)	
<b>Saving against Non Core Revenue Resource Limit</b>		<b>0</b>	
<b>Summary resource outturn</b>			
	Resource	Expenditure	Saving / (Excess)
	£000	£000	£000
Core	840,727	840,455	272
Non Core	(7,406)	(7,406)	0
<b>Total</b>	<b>833,321</b>	<b>833,049</b>	<b>272</b>

### 2b. Adjustments for non-cash transactions

2020/21		2021/22
£000	Note	£000
	<b>Expenditure not paid in cash</b>	
5,896	Depreciation	7,196
3,155	Amortisation	1,846
2,818	Impairments on PPE charged to SoCNE	1,542
(111)	Reversal of impairments on PPE charged to SoCNE	(1,842)
0	Impairments of intangible assets charged to SoCNE	2,302
(4)	Profit on disposal of PPE	(39)
(1,907)	Transfer of assets	2,395
<b>9,847</b>	<b>Total expenditure not paid in cash</b>	<b>13,130</b>
	<b>SOCF</b>	
Interest payable recognised in operating expenditure		
2020/21		2021/22
£000		£000
	<b>Interest payable</b>	
2,031	PFI Finance lease charges allocated in year	1,985
<b>2,031</b>	<b>Net interest payable</b>	<b>1,985</b>
	<b>SOCF</b>	

## 2c. Movement on working capital balances

### Consolidated movements in working capital

2020/21					2021/22
Net movement		Note	Opening balances	Closing balances	Net movement
£000			£000	£000	£000
<b>INVENTORIES</b>					
(99,258)	Balance Sheet	8	139,266	99,940	39,326
<b>(99,258)</b>	<b>Net decrease / (increase)</b>				<b>39,326</b>
<b>TRADE AND OTHER RECEIVABLES</b>					
(13,500)	Due within one year	9	56,241	60,930	
<b>(13,500)</b>	<b>Net decrease / (increase)</b>				<b>(4,689)</b>
<b>TRADE AND OTHER PAYABLES</b>					
69,850	Due within one year	11	171,944	146,066	
(760)	Due after more than one year	11	33,362	32,743	
(178)	Less: PPE (capital) included above		(2,881)	(1,724)	
449	Less: intangible assets (capital) included above		0	0	
20,487	Less: general fund creditor included in above	11	(6,571)	(5,361)	
715	Less: lease and PFI creditors included in above		(30,907)	(30,145)	
<b>90,563</b>	<b>Net decrease / (increase)</b>				<b>(23,368)</b>
<b>PROVISIONS</b>					
35,120	Statement of Financial Position	12	38,993	22,845	
<b>35,120</b>	<b>Net decrease/(increase)</b>				<b>(16,148)</b>
<b>12,925</b>	<b>Net movement (decrease)/increase</b>	<b>SOCF</b>			<b>(4,879)</b>

## Notes to the Accounts

### 3. Expenditure

#### 3a. Employee expenditure

2020/21				2021/22
£000				£000
6,511	Medical, Dental & Pharmacy			7,029
11,888	Nursing and Health Promotion			12,828
20,953	Life Sciences			21,923
2,682	Board Members and Senior Managers			2,467
12,786	Support Services			12,726
110,638	Administrative Services			136,082
<b>165,458</b>	<b>Total</b>		<b>SoCNE</b>	<b>193,055</b>

Further detail and analysis of employee expenditure can be found in the Remuneration and Staff report, forming part of the Accountability Report (pages 18-24).

#### 3b. Other operating expenditure

RESTATED 2020/21			2021/22
£000		Note	£000
<b>DRUGS AND MEDICAL SUPPLIES</b>			
134,749	PPE and testing kits		215,091
<b>134,749</b>	<b>Total</b>		<b>215,091</b>
<b>CLINICAL SERVICES</b>			
256,179	Procurement, Commissioning and Facilities		261,268
14,849	Scottish National Blood Transfusion Service		16,078
<b>271,028</b>	<b>Total</b>		<b>277,346</b>
<b>NON CLINICAL SERVICES</b>			
5,571	Central Legal Office		8,813
105,263	Digital and Security		119,487
22,275	Practitioner and Counter Fraud Services		36,084
557,205	Procurement, Commissioning and Facilities		399,608
20,677	Corporate Services		115,484
69,451	Property Services		19,054
<b>780,442</b>	<b>Total</b>		<b>698,530</b>

OTHER HEALTH CARE EXPENDITURE			
4	Loss on disposal of assets		0
192	External auditor's remuneration and expenses		195
<b>1,186,415</b>	<b>Total Other Operating Expenditure</b>	<b>SoCNE</b>	<b>1,191,162</b>

The prior year figures for Non Clinical Services – Central Legal Office, Procurement, Commissioning and Facilities have been restated to reflect the adjustments shown in note 19 under the Statement on Comprehensive Net Expenditure.

## 4. Operating income

RESTATED 2020/21		Note	2021/22
£000			£000
<b>CLINICAL SERVICES</b>			
546	Procurement, Commissioning and Facilities		277
7,758	Scottish National Blood Transfusion Service		8,355
<b>8,304</b>	<b>Total Clinical Services Income</b>		<b>8,632</b>
<b>Non-clinical Services</b>			
12,942	Central Legal Office		17,145
56,240	Digital and Security		66,842
394	Practitioner and Counter Fraud Services		325
410,092	Procurement, Commissioning and Facilities		271,990
9,549	Corporate Services		180,827
5,378	Property Services		5,407
<b>494,595</b>	<b>Total Non-Clinical Services Income</b>		<b>542,536</b>
<b>502,899</b>	<b>TOTAL INCOME</b>		<b>551,168</b>
<b>Income Summary</b>			
2,591	Income from Scottish Government		5,036
421,178	Income from other NHS Scotland bodies		382,607
2,126	Income from NHS non-Scottish bodies		2,229
71,750	Income from UK Government		153,518
5,254	Income from non NHS		7,778
<b>502,899</b>	<b>Total Income</b>	<b>SoCNE</b>	<b>551,168</b>

The prior year figures for Non Clinical Services – Central Legal Office, Procurement, Commissioning and Facilities have been restated to reflect the adjustments shown in note 19 under the Statement on Comprehensive Net Expenditure.

# Notes to the Accounts

## 5. Segmented reporting

Segmental information as required under IFRS has been reported by strategic business unit.

2020/21		2021/22
549	Central Legal Office	6
77,882	Digital and Security	83,976
39,498	Practitioner and Counter Fraud Services	54,380
639,170	Procurement, Commissioning and Facilities	634,886
46,438	Scottish Blood Transfusion Service	50,246
45,437	National Corporate Services	9,555
<b>848,974</b>	<b>Total</b>	<b>833,049</b>

## 6. Intangible assets

	Software Licences	IT - software	Assets Under Development	Total
CURRENT YEAR	£000	£000	£000	£000
<b>Cost or Valuation:</b>				
Aa 1 April 2021	94,164	53,022	10,432	157,618
Additions	0	0	7,029	7,029
Completions	4,578	0	(4,578)	0
Impairment Charges	0	0	(2,032)	(2,032)
Disposals	(100)	(168)	0	(268)
<b>As at 31 March 2022</b>	<b>98,642</b>	<b>52,854</b>	<b>10,851</b>	<b>162,347</b>
<b>Amortisation</b>				
Aa 1 April 2021	90,744	52,400	0	143,144
Provided during the year	1,707	139	0	1,846
Disposals	(100)	(168)	0	(268)
<b>At 31 March 2022</b>	<b>92,351</b>	<b>52,371</b>	<b>0</b>	<b>144,722</b>

Net book value at 1 April 2021		3,420	622	10,432	14,474
Net book value at 31 March 2022	SoFP	6,291	483	10,851	17,625

		Software Licences	IT - software	Assets Under Development	Total
PREVIOUS YEAR		£000	£000	£000	£000
<b>Cost or Valuation:</b>					
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)
<b>At 31 March 2021</b>		<b>94,164</b>	<b>53,022</b>	<b>10,432</b>	<b>157,618</b>
<b>Amortisation</b>					
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)
<b>At 31 March 2021</b>		<b>90,744</b>	<b>52,400</b>	<b>0</b>	<b>143,144</b>
Net book value at 1 April 2020		2,508	1,498	6,906	10,912
Net book value at 31 March 2021	SoFP	3,420	622	10,432	14,474

## Notes to the Accounts

### 7a. Property, plant and equipment - current year

	Land	Buildings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2021	2,100	51,300	5,261	29,205	19,151	30,213	4,516	141,746
Additions	0	1,237	152	2,155	0	0	12,309	15,853
Completions	0	0	138	5,001	442	131	(5,712)	0
Asset transfers to other SG entities	0	(1,114)	0	0	0	0	(1,285)	(2,399)
Revaluations	0	1,246	0	0	0	0	0	1,246
Impairment charges	0	(1,157)	0	0	0	0	0	(1,157)
Impairment reversals	0	1,465	0	0	0	0	0	1,465
Disposals	0	0	(799)	(173)	(4,855)	(1,735)	0	(7,562)
<b>At 31 March 2022</b>	<b>2,100</b>	<b>52,977</b>	<b>4,752</b>	<b>36,188</b>	<b>14,738</b>	<b>28,609</b>	<b>9,828</b>	<b>149,192</b>
<b>Depreciation</b>								
At 1 April 2021	0	0	4,011	13,574	16,416	23,238	0	57,239
Provided during the year	0	651	456	3,551	1,039	1,499	0	7,196
Asset transfers to other SG entities	0	(9)	0	0	0	0	0	(9)
Revaluations	0	(165)	0	0	0	0	0	(165)

Impairment charges	0	(100)	0	485	0	0	0	385
Impairment reversals	0	(377)	0	0	0	0	0	(377)
Disposals	0	0	(799)	(173)	(4,823)	(1,732)	0	(7,527)
<b>At 31 March 2022</b>	<b>0</b>	<b>0</b>	<b>3,668</b>	<b>17,437</b>	<b>12,632</b>	<b>23,005</b>	<b>0</b>	<b>56,742</b>
<b>Net book value at 1 April 2021</b>	<b>2,100</b>	<b>51,300</b>	<b>1,250</b>	<b>15,631</b>	<b>2,735</b>	<b>6,975</b>	<b>4,516</b>	<b>84,507</b>
<b>Net book value at 31 March 2022</b>	<b>2,100</b>	<b>52,977</b>	<b>1,084</b>	<b>18,751</b>	<b>2,106</b>	<b>5,604</b>	<b>9,828</b>	<b>92,450</b>
Asset Financing								
Owned	2,100	19,887	1,084	18,751	2,106	5,604	9,828	59,360
On-balance sheet PFI contracts	0	33,090	0	0	0	0	0	33,090
<b>Net book value 31 March 2022</b>	<b>2,100</b>	<b>52,977</b>	<b>1,084</b>	<b>18,751</b>	<b>2,106</b>	<b>5,604</b>	<b>9,828</b>	<b>92,450</b>

## 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 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)
<b>At 31 March 2021</b>	<b>2,100</b>	<b>51,300</b>	<b>0</b>	<b>5,261</b>	<b>29,205</b>	<b>19,151</b>	<b>30,213</b>	<b>4,516</b>	<b>141,746</b>

#### 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)
<b>At 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,011</b>	<b>13,574</b>	<b>16,416</b>	<b>23,238</b>	<b>0</b>	<b>57,239</b>
<b>Net book value at 1 April 2020</b>	<b>9,350</b>	<b>48,580</b>	<b>0</b>	<b>1,767</b>	<b>5,759</b>	<b>1,201</b>	<b>6,644</b>	<b>7,121</b>	<b>80,422</b>
<b>Net book value at 31 March 2021</b>	<b>2,100</b>	<b>51,300</b>	<b>0</b>	<b>1,250</b>	<b>15,631</b>	<b>2,735</b>	<b>6,975</b>	<b>4,516</b>	<b>84,507</b>
<b>Asset financing:</b>									
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
<b>Net book value at 31 March 2021</b>	<b>2,100</b>	<b>51,300</b>	<b>0</b>	<b>1,250</b>	<b>15,631</b>	<b>2,735</b>	<b>6,975</b>	<b>4,516</b>	<b>84,507</b>

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## 7b. Assets held for sale

	Property, Plant & Equipment
	£000
<b>At 1 April 2021</b>	<b>7,250</b>
Transfers from property, plant and equipment	0
<b>At 31 March 2021</b>	<b>7,250</b>
<b>At 1 April 2020</b>	<b>0</b>
Transfers from property, plant and equipment	7,250
<b>At 31 March 2021</b>	<b>7,250</b>

There has been a delay to the sale of the property plant and equipment disclosed as held for sale due to the pandemic. It is expected that the sale will be completed in 2022/23.

## 7c. Property, plant and equipment disclosures

2020/21	Expenditure	Note	2021/22
£000			£000
84,507	Purchased		92,450
<b>84,507</b>	<b>Total</b>	<b>SOFP</b>	<b>92,450</b>
<b>Total value of assets held under:</b>			
31,652	PFI Contracts		34,835
<b>31,652</b>	<b>Total</b>		<b>34,835</b>
<b>Total depreciation charged in respect of assets held under:</b>			
377	PFI Contracts		366
<b>377</b>	<b>Total</b>		<b>366</b>

All land and 100% of buildings were revalued by an independent valuer, the Valuation Office Agency, as at 31/03/2022 on the basis of fair value (market value of depreciated replacement costs where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was an increase of £2.196m (2020/21 a decrease of £3.127m), £1.411m (2020-21 a charge of £0.412m) of which was credited to the revaluation reserve. A reverse impairment of £0.785m (2020-21 an impairment of £2.715m) was credited to the Statement of Comprehensive Net Expenditure and summary of Resource Outturn as a reverse impairment.

# Notes to the Accounts

## 7d. Analysis of capital expenditure

2020/21			2021/22
£000		Note	£000
	<b>EXPENDITURE</b>		
7,687	Acquisition of intangible assets	6	7,029
22,034	Acquisition of property, plant and equipment	7a	15,853
<b>29,721</b>	<b>Gross Capital Expenditure</b>		<b>22,882</b>
	<b>Income</b>		
0	Net book value of disposal of property, plant and equipment		35
<b>29,721</b>	<b>Net Capital Expenditure</b>		<b>22,847</b>
	<b>SUMMARY OF CAPITAL RESOURCE OUTTURN</b>		
29,721	Core capital expenditure		22,847
29,750	Core Capital Resource Limit		23,110
<b>29</b>	<b>Savings against Core Capital Resource Limit</b>		<b>263</b>

## 8. Inventories

2020/21			2021/22
£000		Note	£000
139,266	Raw materials and consumables		99,940
<b>139,266</b>	<b>Total inventories</b>	<b>SoFP</b>	<b>99,940</b>

## 9. Trade and other receivables

2020/21			2021/22
£000		Note	£000
	<b>Receivables due within one year</b>		
	<b>NHSScotland</b>		
1,965	Scottish Government Health & Social Care Directorate		4,015
11,418	Boards		15,214
<b>13,383</b>	<b>Total NHS Scotland Receivables</b>		<b>19,229</b>

5,270	NHS non-Scottish bodies		489
4,108	VAT recoverable		4,114
30,637	Prepayments		31,409
1,887	Accrued income		3,889
866	Other receivables		957
90	Other public sector bodies		843
<b>56,241</b>	<b>Total Receivables due within one year</b>		<b>60,930</b>
<b>56,241</b>	<b>TOTAL RECEIVABLES</b>	<b>SoFP</b>	<b>60,930</b>
<b>Whole of Government Accounts classification</b>			
11,418	NHS Scotland		15,214
6,073	Central Government bodies		8,129
90	Whole of Government bodies		844
5,270	Balances with NHS bodies in England and Wales		5,289
33,390	Balances with bodies external to Government		31,454
<b>56,241</b>	<b>Total</b>		<b>60,930</b>

Receivables that are less than three months past due are not considered impaired. As at 31 March 2022, receivables with a carrying value of £3.6m were past their due date but not impaired. The aging of receivables past their due date but not impaired is as follows:

2020/21		2021/22
£000		£000
1,991	Up to 3 months past due	1,131
1,188	3 to 6 months past due	2,484
<b>3,179</b>	<b>Total</b>	<b>3,615</b>

Concentration of credit risk is limited due to customer bases being large unrelated / government bodies. Due to this, management believe that there is no future credit risk provision required.

The credit quality of receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available. Where no external credit rating is available, historical information about counterparty default rates is used.

2020/21		2021/22
£000		£000
7,206	Existing customers with no defaults in the past	9,640
<b>7,206</b>	<b>Total</b>	<b>9,640</b>

The carrying amount of receivables are denominated in the following currencies:

2020/21		2021/22
£000		£000
56,241	Pounds	60,930
<b>56,241</b>	<b>Total</b>	<b>60,930</b>

The carrying value of short term receivables approximates their fair value.

## 10. Cash and cash equivalents

		2022	2021
	Note	£000	£000
Balance at 1 April		6,571	26,946
Net change in cash and cash equivalent balances		(1,210)	(20,375)
<b>Balance at 31 March</b>	<b>SOFP, SOCF</b>	<b>5,361</b>	<b>6,571</b>

The following balances at 31 March were held at:

Government Banking Service account		5,198	6,529
Cash at bank and in hand		163	42
<b>Total cash and cash equivalents</b>	<b>SOFP, SOCF</b>	<b>5,361</b>	<b>6,571</b>

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

## 11. Trade and other payables

RESTATED 2020/21			2021/22
£000		Note	£000
	<b>Payables due within one year</b>		
8,806	Boards		7,269
<b>8,806</b>	<b>Total NHSScotland Payables</b>		<b>7,269</b>
10,825	NHS Non-Scottish bodies		17,624
6,571	Amounts payable to General Fund		5,361
992	Trade payables		13,083

131,233	Accruals		79,647	
803	Deferred income		2,504	
762	Net obligations under PPP / PFI Contracts		811	
3,390	Income tax and social security		3,714	
2,896	Superannuation		3,140	
1,443	Holiday pay accrual		1,514	
261	Other public sector bodies		13	
3,962	Other payables		11,386	
<b>171,944</b>	<b>Total Payables due within one year</b>			<b>146,066</b>
<b>Payables due after more than one year</b>				
811	Net obligations under PPP / PFI contracts due within 2 years		863	
2,758	Net obligations under PPP / PFI contracts due after 2 years but within 5 years		2,935	
26,576	Net obligations under PPP / PFI contracts due after 5 years		25,536	
3,217	Deferred income		<b>3,409</b>	
<b>33,362</b>	<b>Total Payables due after more than one year</b>			<b>32,743</b>
<b>205,306</b>	<b>TOTAL PAYABLES</b>		<b>SoFP</b>	<b>178,809</b>
<b>Whole of Government Accounts classification</b>				
8,806	NHS Scotland			7,269
3,390	Central Government bodies			3,839
261	Whole of Government bodies			3,153
10,825	Balances with NHS bodies in England and Wales			22,868
182,024	Balances with bodies external to Government			141,680
<b>205,306</b>	<b>Total</b>			<b>178,809</b>
Borrowings included above comprise:				
30,907	PFI Contracts			30,145
<b>30,907</b>	<b>Total</b>			<b>30,145</b>
The carrying amount and fair value of the non-current borrowings are as follows:				
30,145	PFI Contracts			29,334
<b>30,145</b>	<b>Total</b>			<b>29,334</b>
The carrying amount of payables are denominated in the following currencies:				
205,306	<b>Pounds</b>			178,809
<b>205,306</b>	<b>Total</b>			<b>178,809</b>

The carrying amount of short term payables approximates their fair value.

## 12a. Provisions

	Pensions and similar obligations	Participation in CNORIS	Other	2021/22
	£000	£000	£000	£000
At 1 April 2021	2,501	116	36,376	38,993
Arising during the year	120	44	137	301
Utilised during the year	(149)	(28)	(15,976)	(16,153)
Reversed unutilised	(37)	0	(259)	(296)
<b>At 31 March 2022</b>	<b>2,435</b>	<b>132</b>	<b>20,278</b>	<b>22,845</b>
Payable in one year	145	33	5,501	5,679
Payable between 2 - 5 years	607	80	14,777	15,464
Payable between 6 - 10 years	696	7	0	703
Thereafter	987	12	0	999
<b>At 31 March 2022</b>	<b>2,435</b>	<b>132</b>	<b>20,278</b>	<b>22,845</b>
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)
Unwinding of discount	0	(1)	0	(1)
Reversed unutilised	0	0	(451)	(451)
<b>At 31 March 2021</b>	<b>2,501</b>	<b>116</b>	<b>36,376</b>	<b>38,993</b>
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
<b>At 31 March 2021</b>	<b>2,501</b>	<b>116</b>	<b>36,376</b>	<b>38,993</b>

### Pensions and similar obligations

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. NSS provides for this 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. 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)

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

### Other (non-endowment)

NSS has provisions relating to backlog maintenance for owned and leased properties, organisational restructure and for employee injury claims.

## 12b. Clinical negligence and other risk indemnity scheme (CNORIS)

2020		Note	2021
£000			£000
116	Provision recognising the NHS Boards liability from participating in the scheme 31 March	12a	132
<b>116</b>	<b>Net Total Provision relating to CNORIS at 31 March</b>		<b>132</b>

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

When a legal claim is made against 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 the 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](http://www.clo.scot.nhs.uk/our-services/cnoris.aspx)

# Notes to the Accounts

## 13. Contingent liabilities

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

2020		2021
£000	Nature	£000
825	Clinical and medical compensation payments	800
153	Employer's liability	95
<b>978</b>	<b>Total Contingent Liabilities</b>	<b>895</b>

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 have been no events after the end of the reporting period, which have a material effect on these accounts.

## 15. Capital commitments

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

2020/21	Contracted	Property, Plant and Equipment	Intangible Assets	2021/22
£000			£000	£000
1,857	IT Equipment	3,344	0	3,344
0	IT Infrastructure	127	0	127
0	Medical Equipment	765	0	765
0	Property	1,806	0	1,806
0	Software Development	0	87	87
0	Transport	105	0	105
<b>1,857</b>	<b>Total</b>	<b>6,146</b>	<b>87</b>	<b>6,233</b>

2020/21	Authorised but not contracted	Property, Plant and Equipment	Intangible Assets	2021/22
£000			£000	£000
945	Medical Equipment	1,250	0	1,250
300	Transport	0	0	0
0	IT Infrastructure	200	0	200
5,948	Property	0	0	0
<b>7,193</b>	<b>Total</b>	<b>1,450</b>	<b>0</b>	<b>1,450</b>

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

## 16. Commitments under leases

Operating leases		
Total future minimum lease payments under operating leases are given in the table below for each of the following periods.		
2020/21	Obligations under operating leases comprise:	2021/22
£000		£000
<b>Land</b>		
109	Not later than one year	186
100	Later than one year, not later than two years	183
147	Later than two years, not later than five years	223
501	Later than five years	485
<b>Buildings</b>		
9,038	Not later than one year	9,717
9,021	Later than one year, not later than 2 years	8,591
21,175	Later than two years, not later than five years	21,726
25,281	Later than five years	20,767
<b>Other</b>		
436	Not later than one year	298
265	Later than one year, not later than 2 years	64
48	Later than two years, not later than five years	12
0	Later than five years	2
<b>Amounts charged to Operating Costs in the year were:</b>		
913	Hire of equipment (including vehicles)	1,024
7,208	Other operating leases	9,234
<b>8,121</b>	<b>Total</b>	<b>10,258</b>
Aggregate Rentals Receivable in the year:		
<b>4,504</b>	<b>Total of finance &amp; operating leases</b>	<b>4,522</b>

## Notes to the Accounts

### 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 contracts for the following periods comprises:

2021	Gross Minimum Lease Payments	2022
£000		£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
42,883	Due after 5 years	40,136
<b>56,618</b>	<b>Total</b>	<b>53,871</b>
<b>Less Interest Element</b>		
(1,985)	Rentals due within 1 year	(1,936)
(1,936)	Due within 1 to 2 years	(1,884)
(5,483)	Due within 2 to 5 years	(5,306)
(16,307)	Due after 5 years	(14,600)
<b>(25,711)</b>	<b>Total</b>	<b>(23,726)</b>
<b>Present value of minimum lease payments</b>		
762	Rentals due within 1 year	811
811	Due within 1 to 2 years	863
2,758	Due within 2 to 5 years	2,935
26,576	Due after 5 years	25,536
<b>30,907</b>	<b>Total</b>	<b>30,145</b>

**Service elements due in future periods**

1,019	Rentals due within 1 year		1,141
1,019	Due within 1 to 2 years		1,141
3,056	Due within 2 to 5 years		3,423
16,300	Due after 5 years		17,116
<b>21,394</b>	<b>Total</b>		<b>22,821</b>
<b>52,301</b>	<b>Total commitments</b>		<b>52,966</b>
2031	Interest charges	2	1,985
994	Service charges		1,141
716	Principal repayment		762
<b>3,741</b>	<b>Total</b>		<b>3,888</b>

**18. Pension costs**

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

NSS has no liability for other employers' obligations to the multi-employer scheme.

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

- (i) The scheme is an unfunded multi-employer defined benefit scheme.
- (ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the NSS is unable to identify its share of the underlying assets and liabilities of the scheme.
- (iii) The employer contribution rate for the period from 1 April 2021 will be 20.9% of pensionable pay. The employee rate applied is a variable and is anticipated to provide a yield of 9.6% of pensionable pay.
- (iv) While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme) / Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

(v) NSS's level of participation in the scheme is 2.03% based on the proportion of employer contributions paid in 2020-21.

**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 Automatic Enrolment. Contributions are taken from qualifying earnings, which are currently from £6,136 up to £50,000 in the tax year 2021/22, 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 out 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.

	2022	2021
	£'000	£'000
Pension cost charge for the year	25,739	21,508
Additional costs arising from early retirement	111	221
Provisions / liabilities / prepayments included in the Statement of Financial Position	2,435	2,501

## 19 Restated primary statements

### 19a. Restated statement of comprehensive net expenditure

	Previous Accounts	Equipment Maintenance	Non Clinical	These Accounts
	£'000	£'000	£'000	£'000
<b>Total income and expenditure</b>				
Non Clinical Services	781,433	(5,925)	4,934	780,442
Less: operating income	(503,890)	5,925	(4,934)	(502,899)

The adjustment of £5.9m to income and expenditure relates to the removal of maintenance costs which are recognised in the accounts of the NHS Boards. This is discussed further in page 22 of the performance report

A further adjustment of £4.9m has been made to show the gross income and expenditure for the Central Legal Office.

### 19b. Restated statement of financial position

	Previous Accounts	Equipment Maintenance		These Accounts
	£000	£000		£000
<b>Financial liabilities</b>			0	
Trade and other payables	(171,978)	34	0	(171,944)
<b>Taxpayers' equity</b>				
General Fund	51,656	34	0	51,690

The adjustment to the statement of Financial position, relates to the removal of maintenance costs which are recognised in the accounts of the NHS Boards. This is discussed further in page 22 of the performance report.

## 20. Financial instruments

### a) Financial instruments by category

Financial assets			
At 31 March 2022	Note	Financial Assets at fair value through OCI	Total
		£000	£000
<b>Assets per Statement of Financial Position</b>			
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	6,178	6,178
Cash and cash equivalents	10	5,361	5,361
<b>Total</b>		<b>11,539</b>	<b>11,539</b>
Financial assets			
At 31 March 2021	Note	Financial Assets at fair value through OCI	Total
	Note	£000	£000
<b>Assets per Statement of Financial Position</b>			
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
<b>Total</b>		<b>14,684</b>	<b>14,684</b>
Financial liabilities			
At 31 March 2022	Note	Financial Liabilities at amortised cost	Total
		£000	£000
<b>Liabilities per Statement of Financial Position</b>			
PFI Liabilities			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income, superannuation and amounts due to other boards	11	30,145	30,145
<b>Total</b>		<b>158,773</b>	<b>158,773</b>

<b>Financial liabilities</b>			
<b>At 31 March 2021</b>	<b>Note</b>	<b>Financial Liabilities at amortised cost</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>
<b>Liabilities per Statement of Financial Position</b>	10	30,907	30,907
PFI Liabilities			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income, superannuation and amounts due to other boards	10	155,287	155,287
<b>Total</b>		<b>186,194</b>	<b>186,194</b>

## (b) Financial risk factors

### Exposure to risk

The activities of NSS 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 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 board is not exposed to the degree of financial risk faced by business entities.

### Credit risk

Credit risk arises from cash and cash equivalents and 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 and parameters set by the 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.

### Liquidity risk

The Scottish Parliament makes provision for the use of resources by NSS 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.

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
<b>As 31 March 2022</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
PFI Liabilities	811	863	2,935	25,536
Trade and other payables excluding statutory liabilities	143,882	191	1,108	2,110
<b>Total</b>	<b>144,693</b>	<b>1,054</b>	<b>4,043</b>	<b>27,646</b>

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
<b>At 31 March 2021</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
PFI Liabilities	762	811	2,758	26,576
Trade and other payables excluding statutory liabilities	152,069	14	1,094	2,110
<b>Total</b>	<b>152,831</b>	<b>825</b>	<b>3,852</b>	<b>28,686</b>

## 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 board in undertaking its activities.

- **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.
- **Foreign currency risk**  
NSS is not exposed to foreign exchange rates.
- **Price risk**  
NSS is not exposed to equity security price risk.

## (c) 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 is 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

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

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

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

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

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

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

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

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

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

"The Common Services Agency" is the body established under s.10 of the National Health Service (Scotland) Act 1978 (operating as NHS National Services Scotland),

"The Common Services Agency Annual Accounts template" means the Excel spreadsheet issued to The Common Services Agency by the Scottish Ministers as a template for their statement of accounts, and

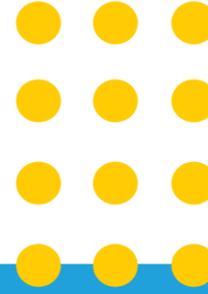
"Scottish Public Finance Manual" means the guidance on proper handling and reporting of public funds issued by the Scottish Ministers.

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



Signed by the authority of the Scottish Ministers

Dated 22 March 2022



Find out more  
about NSS at:



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



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