

**Ayrshire and Arran Health Board**  
**Annual Report and Accounts for the year ended 31 March 2021**

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## **A. PERFORMANCE REPORT**

The performance report has been prepared in accordance with the government Financial Reporting Manual.

### **1. Overview**

#### **Strategy and Principal Activities**

The Board is responsible for providing healthcare services for the residents of Ayrshire and Arran, a total population of 368,000.

Health Boards are single governing boards responsible for improving the health of their local populations and delivering the healthcare services they require. The overall purpose of the unified Board is to ensure the efficient, effective and accountable governance of the local NHS system and to provide strategic leadership and direction for the system as a whole.

The role of the unified Board is to:

- improve and protect the health of the local people;
- improve health services for local people;
- improve health outcomes and people's experience of their local NHS system;
- promote integrated health and community planning by working closely with other local organisations; and
- provide a single focus of accountability for the performance of the local NHS.

The functions of the unified Board comprise:

- strategy development;
- resource allocations;
- implementation of the Scottish Health Plan; and
- performance management.

#### **Health and Social Care Integration**

During 2013/2014, the three councils in Ayrshire agreed the scope of services to be included in partnerships. At its meeting on 31 March 2014 the Health Board approved the services to be managed in the partnerships, including in some cases a lead partnership for services such as inpatient mental health. The three Integration Joint Boards accounts have been consolidated in the Board accounts from April 2015. In 2017 a consultation on the arrangements in North and East Ayrshire concluded with no change proposed to the Integration Scheme. A review of the South Ayrshire Integration Scheme concluded subsequently and reported to the Board meeting on 30 March 2020 that it was not necessary to change the Integration Scheme at this stage. Further work on Integration Schemes is planned for 2021.

In 2020/2021, almost half of the health board revenue allocation is delegated to Integration Joint Boards who commission health services from the health board as the Integration Joint Boards have no staff. The three Integration Joint Boards in Ayrshire and Arran have responsibility for the preparation of Strategic Plans and have objectives including minimising delayed discharge from hospital and reducing emergency admissions. New investment in primary care and mental health is prioritised and directed by Integration Joint Boards. There were underspends against this new transformation funding in 2020/2021 which are carried forward by all three of the Integration Joint Boards, along with additional funding provided for social care demand increases as a result of the COVID-19 pandemic.

### Acute Services

Acute health services are delivered mainly from two hospitals, University Hospital Ayr (UHA) and University Hospital Crosshouse (UHC). Some specialties are duplicated on both sites while others are provided for the whole of Ayrshire from one hospital. Preparations for the impact of COVID-19 demand increases saw the cancellation of a lot of non-urgent acute activity during 2020/2021. A community assessment hub was introduced at UHC to minimise people attending the emergency department with COVID-19 symptoms. The second wave peaked in January 2021 at which time there were over 200 COVID-19 positive patients in the acute hospitals.

### Mental Health / North Ayrshire Community Hospital

A £47 million community hospital in Irvine was built under the non-profit distributing model and opened in April 2016 which allowed consolidation of mental health inpatient beds from three sites and the modern premises will allow better clinical care, better observation and an improved environment for patients. Whilst most patients have moved off the Ailsa Hospital site, there remain Elderly Mental Health wards. During 2020/2021, £195,000 was spent on the upgrade of Elderly Mental Health wards on the Ailsa Hospital site.

### Capital Schemes

Capital expenditure, net of £1 million book value of surplus land sold at Ayrshire Central Hospital and £1.2 million transferred to NHS Lanarkshire for a vascular theatre totalling £12.5 million has been incurred in the year, which matches the capital allocation for the year in the following areas:

<b>Capital Schemes</b>	<b>£000</b>
Electro Medical Equipment	2,962
Digital Services	562
Imaging Equipment upgrade	1,360
National Forensic Service in Scotland	443
University Hospital Crosshouse Cardiology Refurbishment Ward 1D	817
Ophthalmic equipment	324
University Hospital Ayr – ophthalmology	478
Ayrshire Central Hospital CDU Equipment Upgrade	293
GP premises	564
Ailsa Hospital Elderly Mental Health	195
Caring for Ayrshire	244
Security / CCTV	285
Cancer equipment	462
Ventilators, dialysis machines and maternity equipment for COVID	1,155
Other equipment loaned from Department of Health and Scottish Government re COVID	1,489
Other projects (some COVID related, e.g. vaccine freezers, testing)	1,897
Less book value of land sold	-1,050
<b>Total</b>	<b>12,480</b>

## **Risks**

The Governance Statement (on page 30 to 31) outlines the high risks within the strategic risk register and gives a fuller description of actions in relation to the very high risk, which relates to information governance.

The risks associated with the COVID-19 pandemic were outlined on a separate risk register which was regularly reviewed by the Integrated Governance Committee and Audit and Risk Committee. Significant resources have been deployed to increase capacity to cope with increased health and social care demand as a result of COVID-19.

## **Chief Executive Summary**

The Board has seen some success as a result of actions taken to move to a more financially sustainable position, as evidenced by £23 million brokerage being required in 2017/2018, reducing to £20 million in 2018/2019 and £14.7 million in 2019/2020. It should be noted that deficits up to 31 March 2019 have been written off by Scottish Government. In 2020/2021, no brokerage was required as the Board has a small surplus due to COVID-19 funding received to cover additional costs and reduced spend in acute settings on drugs and supplies as a result of cancellation of planned operations. There remains an underlying deficit of £13.2 million.

The declaration on 11 March 2020 of a worldwide pandemic by the World Health Organisation resulted in the cancellation of approximately 2,000 new outpatient appointments as well as planned operations at the end of March, which reversed the success in improving planned care performance seen in 2019. Due to the cancellation of most non-urgent operations in 2020/2021, the numbers of patients waiting for outpatient appointments, day case and inpatient operations has increased during the year. The remobilisation plans were agreed with Scottish Government during 2020/2021 and Remobilisation Plan 3 covers 2021/2022.

In July, October and November 2019, delayed discharges beyond two weeks exceeded 90. In March 2020, in preparation for increased COVID-19 demands this was reduced to 39. Delayed discharge occupied bed days have been increasing over the past three years and in August 2019 amounted to 5,530 bed days which equates to 178 beds. During August 2020 only 2,124 acute hospital bed days were used by delayed discharge patients.

A Caring For Ayrshire programme commenced during 2019, which is a ten year vision for health and social care improvement. Engagement with the public commenced but was put on hold due to the pandemic.

## 2. Performance Analysis

### Financial performance and position

	2020/21	2020/21	2020/21	2019/20
	Resource Limit	Actual Outturn	Variance	Variance
	£000	£000	(Over)/Under	(Over)/Under
Core Revenue Resource Limit	951,990	951,448	542	455
Non-core Revenue Resource Limit	24,017	24,017	0	0
<b>Total Revenue Resource Limits</b>	<b>976,007</b>	<b>975,465</b>	<b>542</b>	<b>455</b>
Core Capital Resource Limit	12,480	12,479	1	0
Non-core Capital Resource Limit	0	0	0	0
<b>Total Capital Resource Limits</b>	<b>12,480</b>	<b>12,479</b>	<b>1</b>	<b>0</b>
Cash Requirement	990,113	990,113	0	0
<b>Memorandum for in year outturn</b>			<b>2020/21</b>	<b>2019/20</b>
			<b>£000</b>	<b>£000</b>
Core Revenue Resource Variance (Deficit) / Surplus			542	455
Financial flexibility funding banked with / (provided by) Scottish Government			0	(14,700)
<b>Underlying (Deficit) / Surplus against Core Revenue Resource Limit</b>			<b>542</b>	<b>(14,245)</b>
Percentage			-0.1%	1.7%

The accounts have been prepared under an accounts direction and on a going concern basis as there is an assumed continuation of business. A deficit budget of £13.5 million was set for 2020/2021, however due to underspend in acute services on drugs and supplies, the Board had a small surplus as shown above.

Scottish Government have agreed that brokerage received in 2017/2018 and 2018/2019 will not be repayable, however the 2019/2020 brokerage of £14.7 million is expected to have to be repaid following the Board's return to recurring financial balance. For 2021/2022 the Board has set a deficit budget of £12.1 million.

During 2020/2021, £67 million of additional funding related to COVID-19 was received from Scottish Government and this is summarised in the table below.

<b>Category</b>	<b>£000</b>
Additional Hospital Bed Capacity (ICU and medical beds)	14,055
Loss of Income (catering etc)	523
COVID-19 screening and testing for virus	723
Additional staff overtime and enhancements	1,208
Medical Staffing	1,724
Additional temporary staff spend - Returning Staff	97
Additional temporary staff spend - Student Nurses & AHP	1,754
Additional temporary staff spend - All Other	1,533
Ayrshire Cancer Support	430
Personal protective equipment	370
Louisa Jordan costs	25
Equipment & Sundries	582
Deep cleans	494
Digital, IT & Telephony Costs	534
HR Staff Hub	432
Staffing support, including staff wellbeing	35
Public Health	517
Additional Temporary Staff - Care Homes	157
Covid Vaccination distribution	2,634
Mass Testing	111
Health Protection	64
Contact Tracing Costs	1,562
Infection Prevention and Control	59
£500 COVID-19 staff bonus	6,724
Revenue to Capital Transfer	293
East HSCP - Community Hub	2,531
East HSCP - Student Nurses	173
East HSCP - Flu vaccination expansion	1,035
East - Urgent Care Pathway	727
East HSCP – Other	943
North HSCP – Various	1,374
North HSCP - Student Nurses	660
North HSCP - Mental Health	161
South HSCP - Student Nurses	160
South HSCP - Biggart Beds	545
South HSCP – Various	670
Social Care Funding for PPE, sustainability payments to care homes etc	21,523
<b>Total</b>	<b>67,142</b>

In addition, £1.8 million was passed by the Health Board to pharmacists and doctors for working public holidays and additional workload. The Scottish Government also reimbursed the Board for £1.4 million of additional prescribing costs when a significant price increase accrued during the pandemic e.g. Sertraline.

The 2021/2022 budget was approved by the Board on 24 May 2021 and projects a deficit for the year of £12.1 million. This excludes funding for additional costs related to COVID-19 which were identified in Remobilisation Plan 3 at £60 million and are expected to be fully funded by Scottish Government in 2021/2022.

The backlog of patients on waiting lists as a result of many outpatient, day case and elective procedures being cancelled in 2020/2021 will take several years to recover, given lower capacity in many areas such as diagnostics and outpatients as a result of the continued need for social distancing.

### **Outstanding Liabilities**

Current and non-current liabilities are presented in the Balance Sheet in the financial statements and include liabilities outstanding in relation to Private Finance Initiative.

### **Public Finance Initiative/Public Private Partnerships**

#### Ayrshire Maternity Unit (AMU)

The AMU is situated within the grounds of University Hospital Crosshouse, Kilmarnock and provides obstetric in-patient, neonatal, daycase and specialist outpatient facilities for women and babies of Ayrshire and Arran. The capital value of the project was £19.5 million, which is now on balance sheet under IFRS. The contract with Ayrshire Hospitals Limited (AHL) commenced on 1 July 2006 and runs for 30 years to 30 June 2036. At the end of the contract period the building will transfer, free of charge to the Board from the PFI Project Company. The unitary charge paid in 2020/2021 was £2.628 million (previous year £2.57 million).

#### East Ayrshire Community Hospital (EACH)

Situated in Cumnock, EACH provides inpatient services to frail elderly, elderly with mental illness and GP acute patients. It also provides day facilities to frail elderly and elderly mentally ill, and outpatient services to the local area. The contract with BAM Construction Scotland Limited runs for 25 years to August 2025. At the end of the contract term, the Board has the option to acquire the building at a market valuation price from the PFI Project Company Special Purpose Vehicle. The unitary charge paid in 2020/2021 was £3.868 million which includes hard and soft facilities management serves (2019/2020 was £3.7 million). In May 2021 the Board bought the company for £12 million which secures the facility which is a crucial part of our Caring for Ayrshire plans.

#### Woodland View

The mental health and community hospital in Irvine was built under the non-profit distributing model at a cost of around £46.6 million. The facility has 206 inpatient bedrooms and was built by Balfour Beatty construction. The contract with Woodland View Project Co Ltd is for a period of 25 years from April 2016, at the end of which the building transfers free of charge to the Board. The unitary charge paid in 2020/2021 was £5.025 million (£5 million for previous year).

Details of all PFI type contracts are provided in Note 18 to the financial statements.



## **Provisions**

Note 13a to the accounts shows a provision for around £95 million (prior year £87.8 million), mainly in respect of clinical and medical legal claims against the Board and participation in the Clinical Negligence and other Risks Indemnity Scheme (CNORIS). In addition, note 14 shows a contingent liability for clinical and medical compensation.

Across NHS Scotland there is a risk sharing pool for clinical and non-clinical claims called CNORIS. This means that each Board meets a share of any settlements in the year (which nationally has been around £45-50 million per annum) and the Board is liable for the first £25,000 of each claim as an “excess”. The accounts show in note 13a a £43.3 million estimated future liability for NHS Ayrshire & Arran claims (prior year was £35.8 million) and there is a corresponding debtor due from CNORIS in note 9 in the amount of £42.6 million (prior year was £34.8 million). In addition, note 13a reflect NHS Ayrshire & Arran’s share of the national future CNORIS liability which amounts to £44.3 million in each year.

## **Performance against Key-Non Financial Targets**

### **Annual Accounts – Performance Report**

#### **Summary**

The impact of the COVID-19 pandemic required NHS Ayrshire & Arran to make changes to the way that services were delivered in 2020/2021. This year's performance report is therefore very different to previous reports.

NHS Ayrshire & Arran established emergency planning arrangements on an integrated basis with our partners in March 2020 to support the health and care teams to implement the necessary changes that would enable an effective response to COVID-19 whilst continuing to treat non COVID-19 urgent and emergency care, including cancer services.

At the outset of the COVID-19 pandemic, NHS Ayrshire & Arran were required to significantly increase our Intensive Care capacity to manage critically ill COVID-19 cases. Additional Intensive Care Unit (ICU) capacity was achieved at both our Acute hospitals through the cancellation of non-urgent elective surgery, releasing the theatre recovery areas for conversion into ICU facilities, and releasing Consultant Anaesthetists and theatre nursing staff, to help support the staffing of the additional ICU beds.

Cancelling non-urgent elective inpatient and daycase surgery also created additional bed capacity for both COVID-19 and non COVID-19 emergency admissions, and released medical, nursing and other clinical staff to assist with this emergency activity. NHS Ayrshire & Arran continued to treat 'urgent' and 'urgent cancer suspected' patients throughout the outbreak, for as long as this was practical and safe.

Outpatient activity was also scaled down to release key clinical staff to assist with emerging pressures, to allow adaptation of some Outpatient areas for other uses, and to reduce the public footfall in the hospital sites.

Red (COVID-19) and green (non-COVID-19) pathways were quickly established at both front doors at University Hospital Ayr (UHA) and University Hospital Crosshouse (UHC). The Combined Assessment Units (CAUs) provided an environment to isolate those patients who required admission and who were suspected of COVID-19 and awaiting test results.

The health and social care system as a whole across Ayrshire and Arran has been continuously adapting throughout the COVID-19 pandemic to effectively and safely respond to the ongoing challenges and presence of COVID-19. Re-mobilisation commenced in the summer months to restart as many of its normal services as possible, and as safely as possible. However, the resurgence of COVID-19 in the autumn and winter months placed considerable pressure on services and resulted in a decision to again pause the majority of planned care in the first few months of 2021.

All NHS Boards across Scotland were required to develop the next iteration of their Re-mobilisation Plans, to cover the period from April 2021 to March 2022. This will be considered as our Re-mobilisation Plan 3 (RMP3), a one year plan setting out key priorities and actions for 2021/2022. Whilst being clear about our plans in the next year, RMP3 will continue to be adapted and modified as we move forward through 2021/2022. The first draft of RMP3 was submitted to Scottish Government at the end of February 2021 and approved in early April 2021.

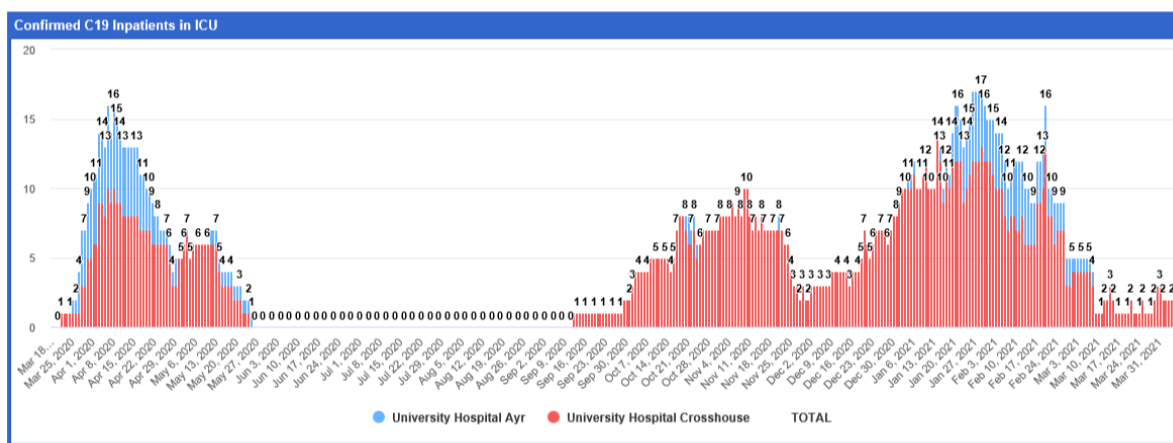
### Critical Care and Inpatient Beds

The planning for the initial wave of COVID-19 and the subsequent learning informed our arrangements for the resurgence of COVID-19 in the autumn and winter months. Core to our COVID-19 planning was the introduction of red pathways of care for COVID-19 positive patients and doubling our critical care beds, with the ability to add further capacity if required.

Figures 1 and 2 show the daily number of COVID-19 positive patients occupying a bed in ICU (Figure 1); and hospital bed (Figure 2). Please note that these graphs are based on the Scottish Government definitions.

During the first wave of COVID-19, the total number of confirmed COVID-19 patients in ICU reached its highest level of 16 on 6 April 2020 and then again on 8 April 2020. Following the resurgence of COVID-19 in the autumn and winter months, numbers reached a further high of 17 during the period 26 to 29 January 2021.

**Fig 1 – Daily numbers of COVID-19 positive patients occupying an ICU bed in UHA or UHC**

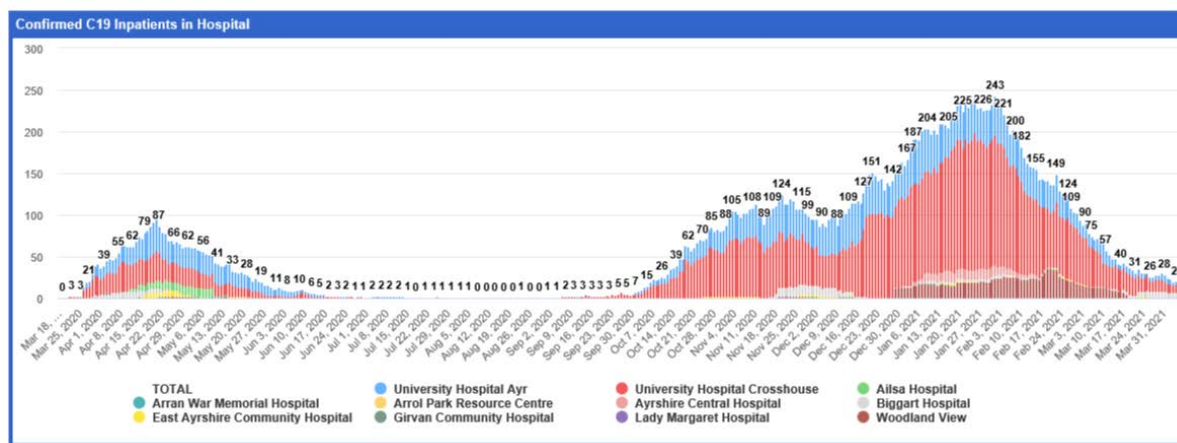


**Definition:** As at 16 September 2020, the definition from the Scottish Government changed to: The number of COVID-19 patients in ICU the previous day at 8am. Data will include patients who first tested positive for COVID-19 within the 14 days prior to admission or during their current hospital stay. Any in-patients who first tested positive more than 28 days before are excluded. The previous definition was the number of confirmed COVID-19 positive patients in the ICU at midnight.

**Source:** COVID 19 Daily Hospital Management Information (Scottish Government Return).

The number of confirmed cases in hospitals across NHS Ayrshire & Arran reached an initial peak of 95 on 20 April 2020 during the first wave of COVID-19. Numbers decreased over the summer months, but started to increase again throughout October and November 2020, reaching 124 on 20 November 2020 before rising again to a further high of 243 on 1 February 2021. Positive case numbers in hospital continue to fall as at April 2021.

**Fig 2 – Daily numbers of COVID-19 positive patients occupying a hospital bed across NHS Ayrshire & Arran**



**Definition:** As at 16 September 2020, the definition from the Scottish Government changed to: The number of COVID-19 confirmed positive patients in hospital the previous day at 8am (including in ICU). Data will include patients who first tested positive for COVID-19 within the 14 days prior to admission or during their current hospital stay. Any in-patients who first tested positive more than 28 days before are excluded. The previous definition was the number of confirmed COVID-19 positive patients in the hospital at midnight (including ICU).

**Source:** COVID 19 Daily Hospital Management Information (Scottish Government Return).

### Urgent Care

Rising COVID-19 positive patients in hospital over the autumn and winter months placed considerable pressure on our services and presented a significant challenge in terms of appropriate space for these patients to be reviewed within the Emergency Department (ED) and CAU. Ward and room closures due to COVID-19 infected patients also had a significant impact on patient flow through both acute hospitals.

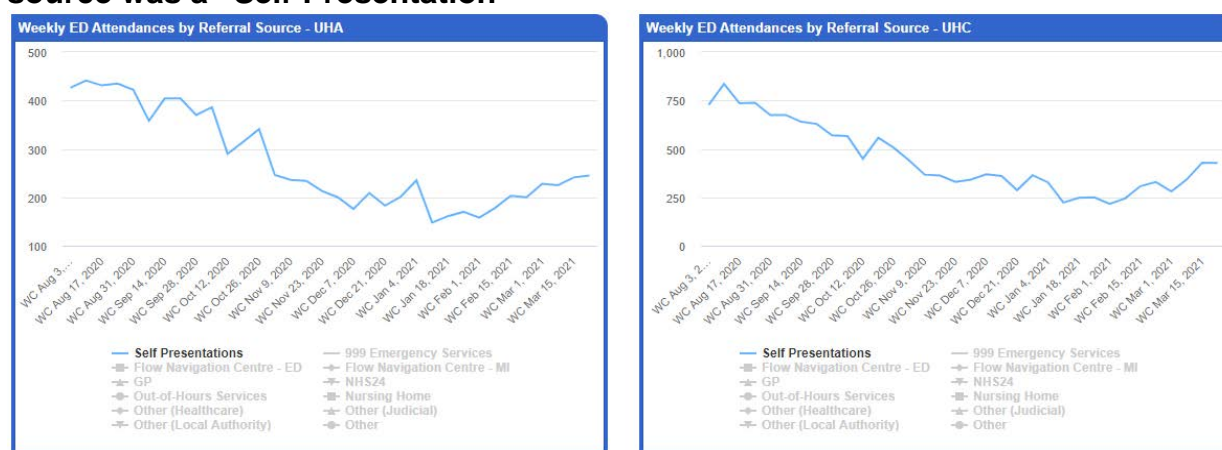
Physicians and ED Consultants continued to work collaboratively to ensure that where possible, patients are assessed, treated and discharged near our front doors. For those patients who require to be admitted, established pathways were utilised to support safe transfer of patients to designated COVID-19 and non-COVID-19 downstream beds.

Close working with primary care teams and general practice saw from late March 2020 the introduction of the COVID-19 assessment centres alongside our Ayrshire

Urgent Care Service (AUCS). From November 2020, NHS Ayrshire & Arran introduced an expanded AUCS in line with the national programme of Redesign of Urgent Care (RUC). NHS Ayrshire & Arran was an Early Implementer Test of Change Board for the RUC Programme and the new RUC pathway was launched locally on 3 November 2020. The intention of the redesign of urgent care services across Ayrshire and Arran has been to provide safe, person centred urgent care over a 24/7 period to support General Practice and Primary Care out of hours services as well as our Emergency Department and Combined Assessment Units (CAUs). As part of this programme, NHS Ayrshire & Arran introduced a Flow Navigation Centre that offers rapid access to a senior clinical decision maker who has the ability to advise self-care, and direct patients to available local services.

Since the roll out of the RUC pathway, there has been a reduction in the numbers of patients self-presenting at our Emergency Departments, demonstrated by the following charts.

**Fig 3 – Weekly numbers of ED presentations at UHA & UHC where referral source was a “Self-Presentation”**



**Source:** Local Management Information Team Reports.

Overall attendances at our ED departments fell to the 2nd lowest level ever recorded in January 2021. It is likely that the new pathway, combined with Tier 4 restrictions contributed to the reduction in ED attendances.

## Planned Care

COVID-19 has had a significant impact on the delivery of planned care throughout the pandemic. In March 2020, all routine Inpatient/Daycase surgery ceased with planned care surgery restricted to emergency and cancer/very urgent cases only. Emergency surgery continued in all specialties, and in some specialties a small number of very urgent cases continued. A re-mobilisation process over the summer months supported the re-introduction of some planned care. This re-mobilisation process prioritised planned care patient activity on the basis of clinical urgency rather than length of wait.

The increasing prevalence of COVID-19 during the autumn months resulted in a decision to again pause some of the planned care with the suspension of Priority 3 and Priority 4 elective surgery in week commencing 9 November 2020 (with the

exception of paediatric cochlear implant in Priority 3 and cataract surgery in Priority 4 which continued). This pause was further extended to include Priority 2 surgery from 6 January 2021 in response to the extreme pressures and the inability to provide a safe COVID-free ward environment for post-operative recovery.

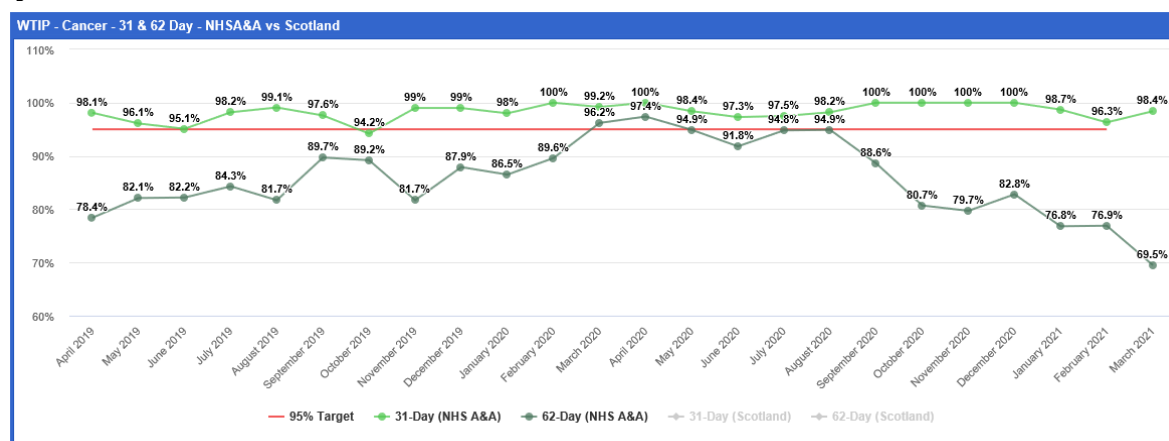
Throughout the COVID-19 outbreak, cancer cases have continued to be assessed and treated on a selected and risk-assessed case by case basis in most specialties, with the exception of colorectal and upper gastrointestinal cancer surgery, where the risks were deemed too high. Some urgent/urgent cancer suspected (UCS) outpatient activity continued using a combination of telephone, video and face to face consultations as deemed appropriate.

The remobilisation of cancer services continues to be a priority and restart is being guided by clinical priority, equitable access and delivery of care in the safest possible environment.

Unfortunately, the extreme pandemic pressures in January 2021 led to the need to pause most cancer surgery from 6 January 2021. Contingency arrangements were put in place through the use of Golden Jubilee National Hospital and independent sector hospitals which partly mitigated this, and the backlog of cancer surgery which resulted from this pause was addressed.

Although performance against the 95% 31 day Cancer target has been maintained as shown in Figure 4, the pause in cancer surgery started to impact on cancer performance, with compliance decreasing in January 2021 and February 2021.

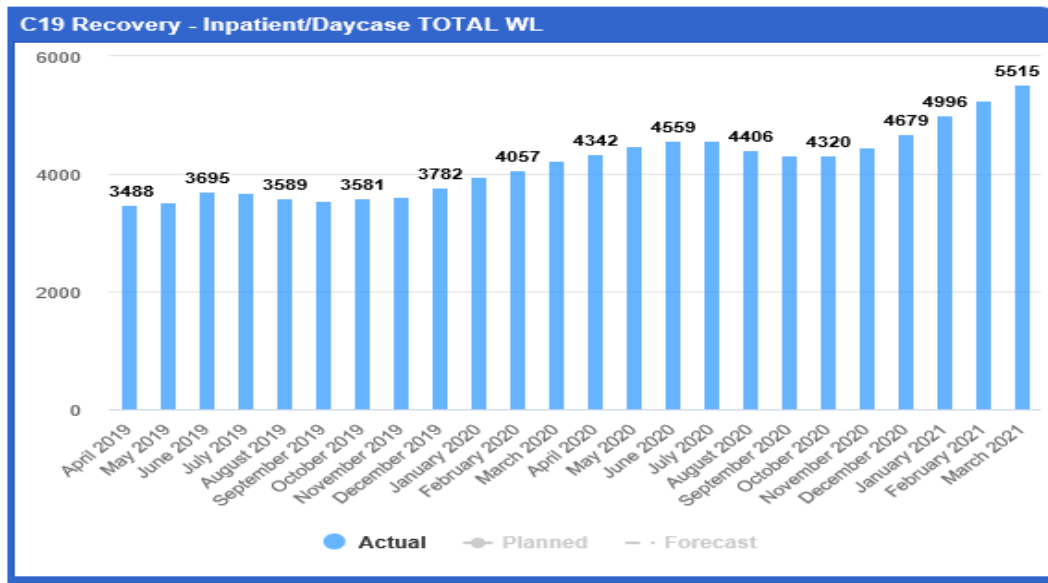
**Fig 4 – Monthly performance against the 31-day Cancer standard in NHS Ayrshire & Arran**



**Source:** Public Health Scotland Discovery.

There have been significant constraints in operating capacity during the pandemic with theatre capacity being adjusted to approximately 60% to 70% of pre-COVID-19 levels. Whilst surgical and diagnostic teams have done all they can working with a clinical prioritisation framework, overall elective surgical waiting lists have increased (Figure 5), with the biggest impact being for the patients awaiting procedures in the less clinically urgent Priority 3 and particularly the Priority 4 categories.

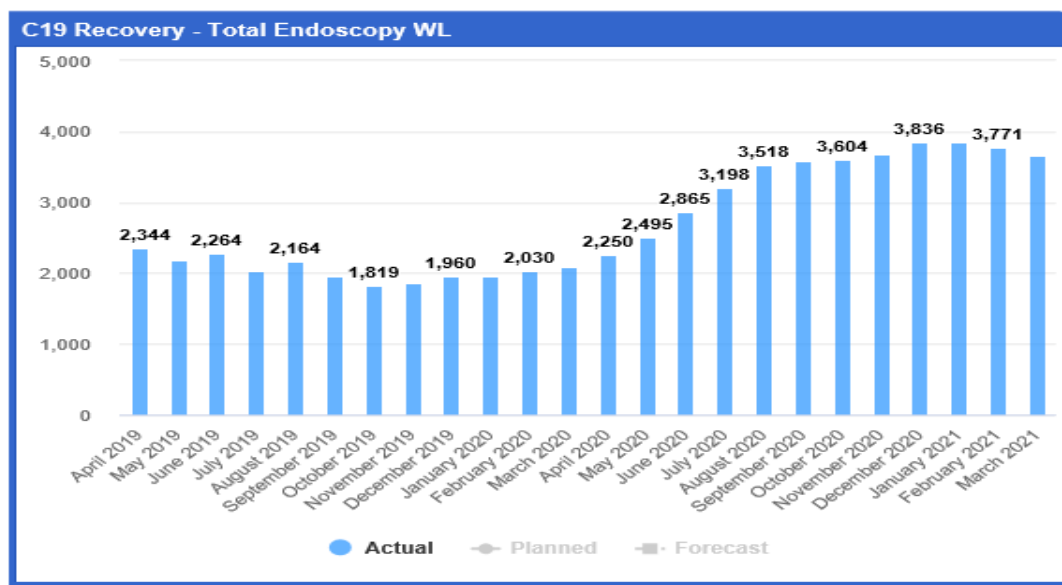
**Fig 5 – Monthly number of patients on the Inpatient/Daycase waiting list (all specialties)**



**Source:** Local Management Information Team Reports.

The Endoscopy service continues to function with capacity limited due to a combination of facility reduction (loss of recovery space at UHC having been converted in the summer to an additional COVID-19 ICU) and infection control measures. This has been further impacted by the requirement to re-deploy a number of endoscopy nurses to support ward and ICU staffing. At April 2021, the endoscopy service continues to deliver around 50% of its pre-COVID-19 capacity which has in turn had an impact on those waiting for an endoscopy (Figure 6).

**Fig 6 – Monthly numbers of patients awaiting an endoscopy**



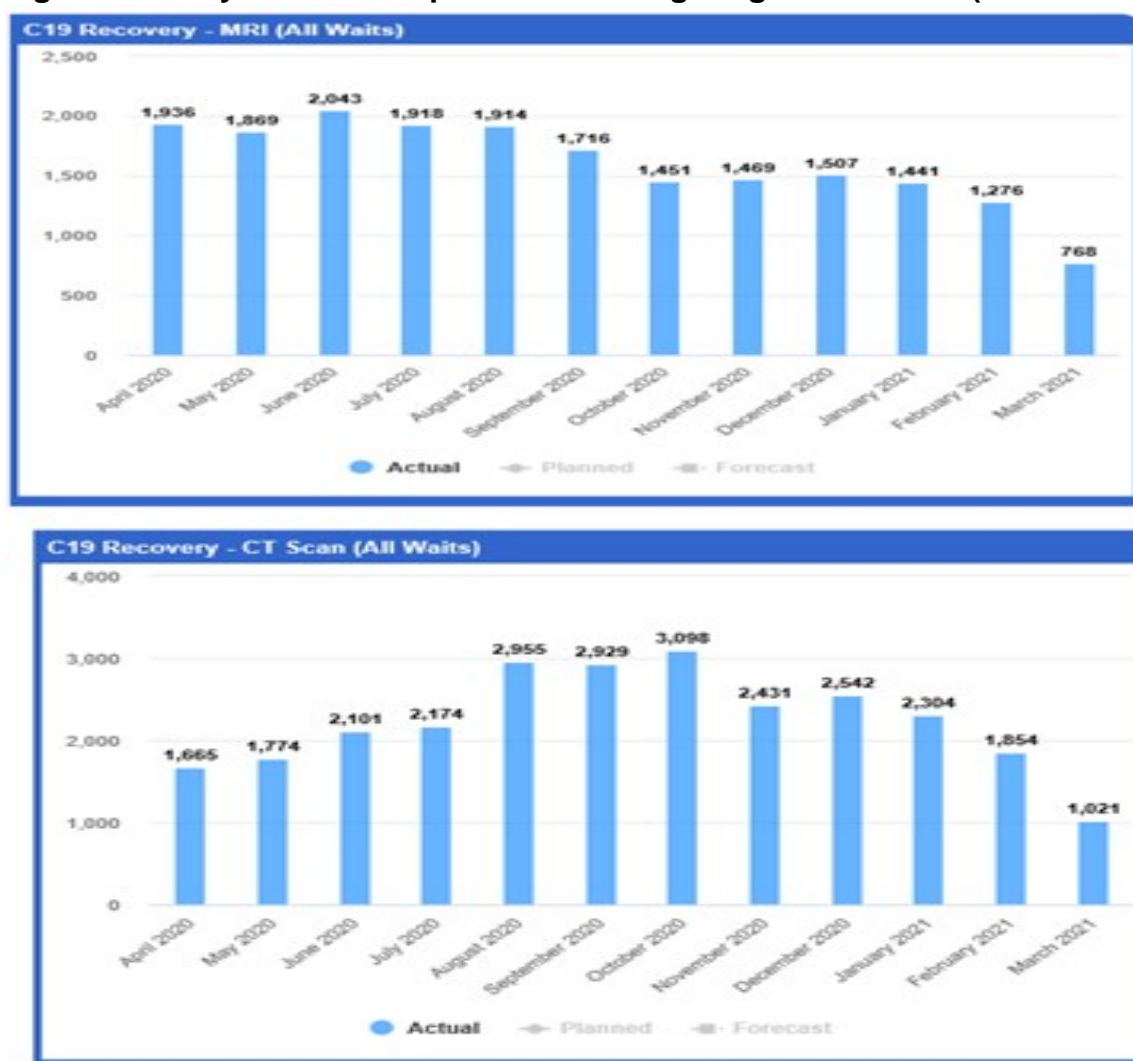
**Source:** Local Management Information Team Reports.



Capacity is being prioritised for patients referred with an Urgent Suspicion of Cancer, or on an 'Urgent' basis. The reduced local capacity has been partly mitigated by ongoing use of some colonoscopy capacity at Golden Jubilee National Hospital. Opportunities are being explored to expand this.

Like other services, routine diagnostic services including x-rays and scans were suspended from mid-March 2020 in order to create additional capacity to support the emerging COVID-19 demand; and also to reduce the public footfall in the hospitals with the associated risk of increased transmission of the infection. Urgent and Urgent Cancer Suspected imaging investigations have continued throughout.

**Fig 7 – Monthly numbers of patients awaiting Diagnostic scans (CT and MRI)**



**Source:** Local Management Information Team Reports.

Until October 2020, Computed Tomography (CT) waiting lists were increasing month on month. However since then, waits have been decreasing, falling to its lowest level at March 2021. Similarly, there has also been a reduction in Magnetic Resonance Imaging (MRI) waiting lists since April 2020 (Figure 7), with levels decreasing to a low at March 2021. A number of contingency plans were implemented including the continuation of the mobile MRI van on extended working days, introduction of a

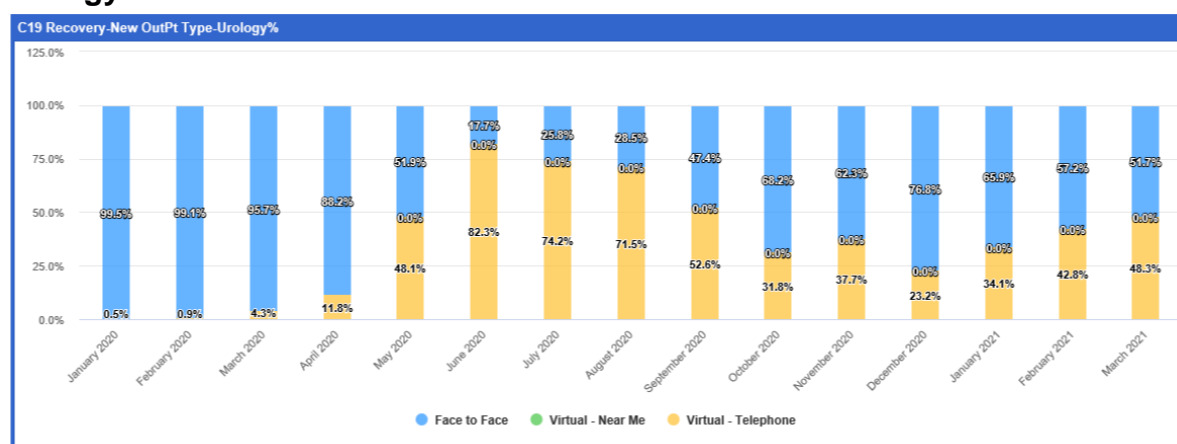


temporary (staffed) mobile CT scanner at Ayrshire Central Hospital, use of scanning capacity at Golden Jubilee National Hospital and NHS Louisa Jordan and engagement of a locum ultra-sonographer.

At April 2021, imaging services have remobilised to around 75% of pre-COVID activity, and are currently impacted by infection control measures and staff absence due to illness or self-isolation.

To maintain a level of outpatient services through the course of the pandemic, clinical teams developed and enhanced various strategies to maximise the delivery of outpatient services whilst optimising patient and staff safety, including the use of Near Me, Active Clinical Referral Triage, Virtual Review and Patient Initiated Review. In many specialties such as Urology (Figure 8) the expansion of non-face to face appointments has been very successful, with 48.3% of appointments being carried out virtually in March 2021.

**Fig 8 – Monthly percentage of new outpatients seen by appointment type for Urology**



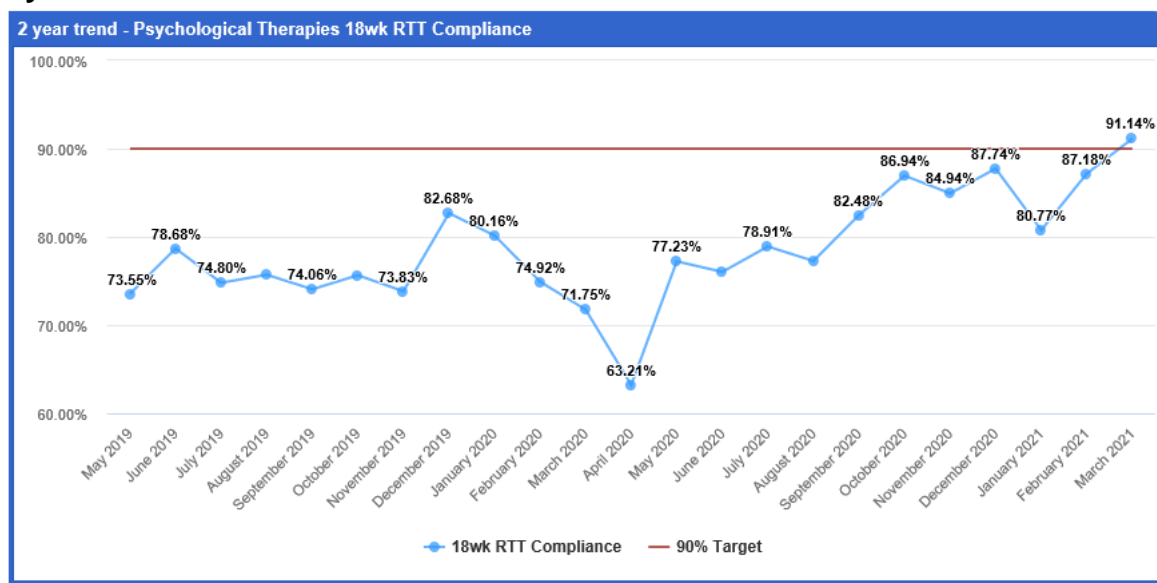
**Source:** Local Management Information Team Reports.

## Mental Health

Mental Health Services (including Learning Disabilities and Addiction Services) within Ayrshire & Arran continued to provide health and social care interventions based on contingency planning and risk rating throughout the COVID-19 outbreak.

Provision of Psychological Therapies has been maintained, as close to business as usual, from the outset of the pandemic using remote delivery (telephone and Near Me video conferencing). While some Psychological Service staff time has been refocused on supporting staff wellbeing, the majority of staff retain their usual work focus and continue to deliver a blend of remote and face-to-face working. In March 2021, Psychological Therapies exceeded the 90% compliance standard for the first time (Figure 9).

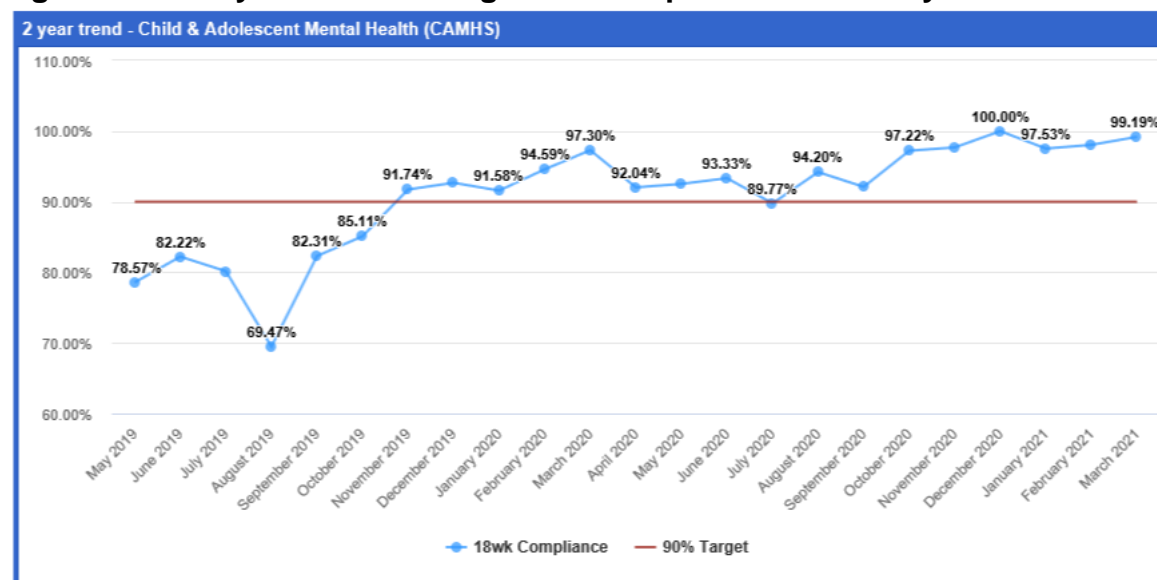
**Fig 9 – Monthly Psychological Therapies waiting times compliance in NHS Ayrshire & Arran**



**Source:** Local Management Information Team Reports.

The target for CAMHS compliance is 90% should be seen within 18 weeks, and local management information indicates that CAMHS continues to exceed the target with performance of 99.2% at March 2021 (Figure 10).

**Fig 10 – Monthly CAMHS waiting times compliance in NHS Ayrshire & Arran**



**Source:** Local Management Information Team Reports.

### Test and Protect

Like all NHS Boards across Scotland we have introduced a test and protect programme that has evolved to meet the guidance and direction from Scottish Government. As well as testing staff we also work with our Resilience Partners to

introduce Community Asymptomatic Testing and Mobile Testing Units for symptomatic testing. Between 2 October 2020 and 25 March 2021, 6,498 COVID-19 tests were carried out on eligible members of staff, with 72 of these returning a positive result (1.1%).

From October 2020, NHS Ayrshire & Arran have been required to provide a minimum 225 hours per day (30 staff) of active contact tracing, which includes the contact with the index case and the related contacts. The service is required to operate from 0800 hours to 2000 hours over 7 days per week. In addition there is nationally contact tracing capacity to deal with peaks in demand.

## Vaccination Programme

As well as testing, the NHS Board, working with our General Practitioners, have introduced a successful vaccination programme for COVID-19. By the middle of April 2021 the programme had offered the first vaccination to all in cohorts 1 to 9. General Practice delivered a highly successful flu vaccination programme and the NHS Boards Occupational Health team delivered a successful staff programme. As at 6 April 2021, 198,961 individuals who are residents of NHS Ayrshire & Arran Health Board had received the 1<sup>st</sup> dose of their COVID-19 vaccine, representing 89.3% of all eligible individuals within cohorts 1-9 (over 50 years old and higher risk younger people). In addition, 24,433 individuals had received their 2<sup>nd</sup> dose. At 6 April 2021, 92.5% of healthcare staff residing in Ayrshire and Arran had received the 1<sup>st</sup> dose of their vaccine. Figure 11 highlights the percentage of individuals in each Joint Committee on Vaccination and Immunisation (JCVI) cohort who have received their 1<sup>st</sup> and 2<sup>nd</sup> dose of vaccine.

**Fig 11 – Percentage of individuals in each JCVI cohort who have received their 1<sup>st</sup> and 2<sup>nd</sup> dose of vaccine**

% Vaccinated with 1st dose		
Title	Value	Last Update
Care Home Residents - %	94.4%	06-Apr-2021
Care Home Staff - %	97.8%	06-Apr-2021
Over 80 not in care home- %	94.6%	06-Apr-2021
Care at Home Staff - %	99.4%	06-Apr-2021
Social Care staff - %	78.9%	06-Apr-2021
Healthcare staff - %	92.8%	06-Apr-2021
75-79 - %	96.8%	06-Apr-2021
70-74 - %	96.3%	06-Apr-2021
Clinically Extremely Vulnerable (Total...	89.6%	06-Apr-2021
65-69 - %	95.0%	06-Apr-2021
Clinically at Risk (aged16-64) -%	86.3%	06-Apr-2021
Unpaid Carers - %	63.3%	06-Apr-2021
60-64 - %	91.9%	06-Apr-2021
55-59 - %	88.2%	06-Apr-2021
50-54 - %	78.7%	06-Apr-2021
40-49 - %	1.13%	06-Apr-2021
30-39 - %	0.87%	06-Apr-2021
18-29 - %	0.51%	06-Apr-2021
Unknown - %	44.1%	06-Apr-2021

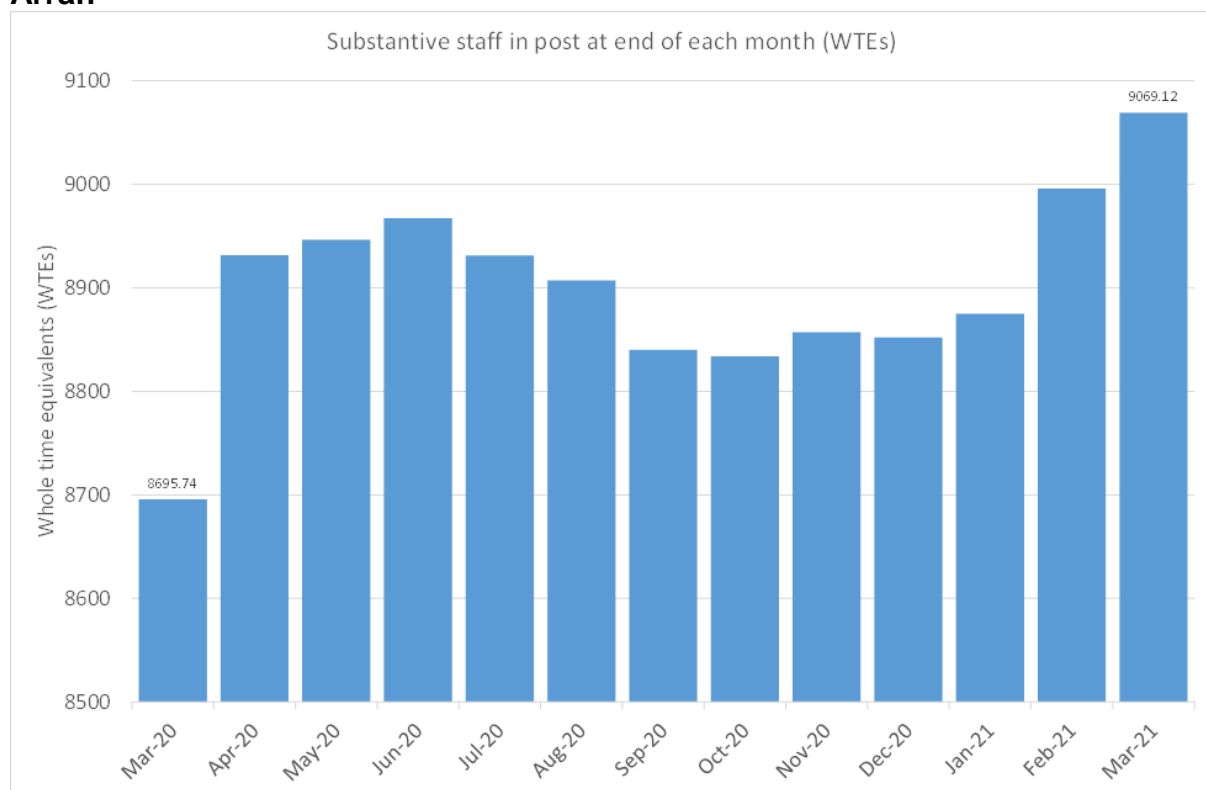
Title	Value	Last Update
Care Home Residents - %	86.5%	06-Apr-2021
Care Home Staff - %	80.6%	06-Apr-2021
Over 80 not in care home - %	19.3%	06-Apr-2021
Care at Home Staff - %	54.4%	06-Apr-2021
Social Care Workers - %	37.7%	06-Apr-2021
Healthcare staff - %	56.1%	06-Apr-2021
75-79 - %	0.26%	06-Apr-2021
70-74 - %	0.2%	06-Apr-2021
Clinically Extremely Vulnerable - %	1.4%	06-Apr-2021
65-69 - %	0.1%	06-Apr-2021
Clinically at Risk (aged 16 to 64) - %	0.1%	06-Apr-2021
Unpaid Carers - %	0.0%	06-Apr-2021
60-64 - %	0.1%	06-Apr-2021
55-59 - %	0.1%	06-Apr-2021
50-54 - %	0.1%	06-Apr-2021
40-49 - %	0.05%	06-Apr-2021
30-39 - %	0.04%	06-Apr-2021
18-29 - %	0.03%	06-Apr-2021
Unknown - %	5.9%	06-Apr-2021

**Source:** Local Management Information Team Reports.

### Workforce

Health and care teams across Ayrshire and Arran have worked tirelessly to meet the demands of the last year and been flexible in their approach to ensure that we were able to support additional beds where they were required. Throughout the year we enhanced our staffing levels on a temporary basis from 8,695 WTE at the end of March 2020 to 9,069 WTE at the end of March 2021 (Figure 12).

**Fig 12 – Substantive staff in post at end of each month (WTE) NHS Ayrshire & Arran**

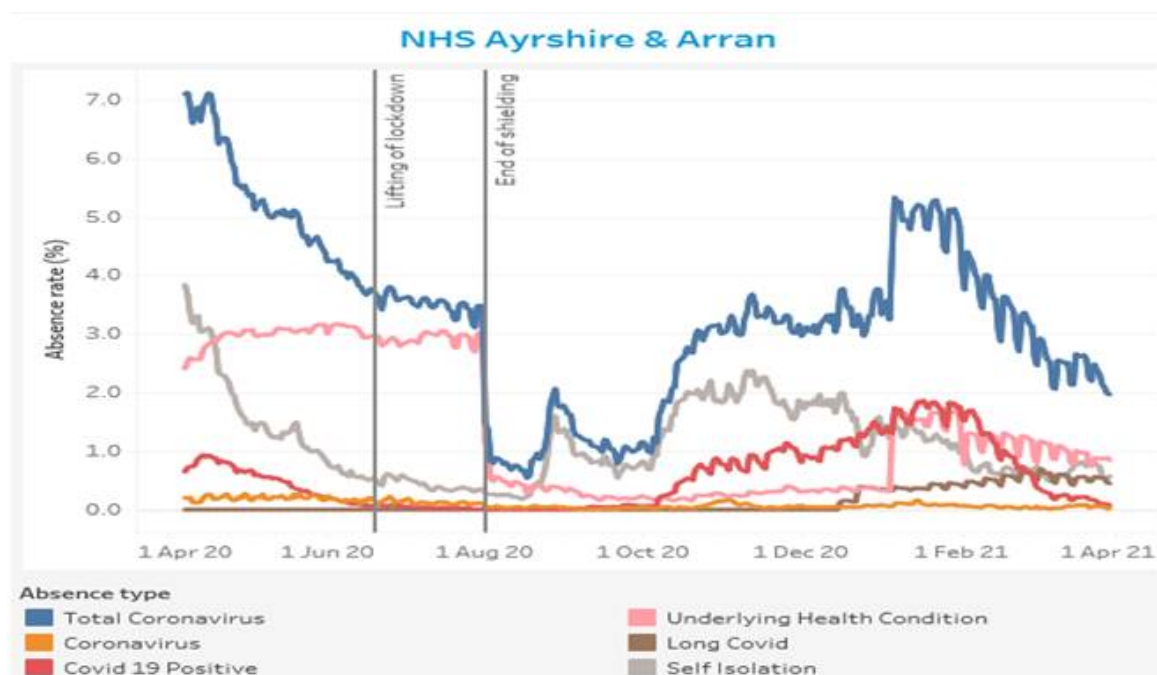


**Source:** Local Management Information Team Reports.

In anticipation of increased demands due to COVID-19, from April to August the Board employed around 260 nursing students in their final two years at University.

Whilst non-COVID-19 absence was between 3.1% and 4.5% during the year, COVID-19 absence rates were at a high of 7% at the start of April 2020, mainly due to staff being absent due to self-isolation, shielding due to having an underlying health condition or testing positive for COVID-19. The trend during the year is shown in figure 13.

**Fig 13 – NHS Ayrshire & Arran absence (%) due to non-COVID-19**



**Source:** Local Management Information Team Reports.

Absence rates decreased to a low in early August 2020 following the end of vulnerable staff having to shield. However from the end of August 2020, coinciding with schools returning, absence rates began increasing with more staff having to self-isolate. From October 2020, a rise in absence rates was mainly driven by the increase in the number of staff testing positive and self-isolation due to community prevalence. This reintroduction of shielding in January 2021 meant over 5% COVID related absence throughout January 2021, coinciding with the increase in COVID-19 transmission in the community. COVID-19 related absence rates at the end of March 2021 were around 2%.

## Digital

The response to the pandemic has led to some remarkable and innovative developments in service delivery for the benefit of patients; particularly via the use of digital technology such as Near Me and Microsoft Teams, to enable more services to be delivered at home or in the community and the workforce to become agile in their approach to health and social care and their ability to work from home. The use of Microsoft Teams has allowed for professional to professional conversations and collaboration in real time.

## Payment policy

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

- In 2020/2021 average credit taken was 7 days (2019/2020 = 7 days)
- In 2020/2021, the Health Board paid 96% by volume and 96% by value of non-NHS suppliers within 30 days of the invoice being received, (compared to 96% and 95% in 2019/2020).
- Based on the date of invoices being received, 87% by volume and 88% by value were paid within 10 days in 2020/2021 (compared to 87% and 89% in 2019/2020).

## Pension Liabilities

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 19 and the Remuneration Report. The NHS pension scheme is an unfunded multi-employer defined benefit scheme therefore future liabilities are not on the balance sheet. In 2020/2021, the Board employer contribution was 20.9% of relevant pay costs and amounted to £64.4 million (previous year £60 million).

## Social matters

There are policies in place to safeguard the rights of employees and respect for human rights. The Board works with the NHS Scotland Counter Fraud Services to minimise fraud and corruption and has a zero tolerance approach to bribery and corruption.

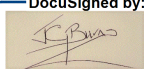
## Sustainability and Environmental reporting

The Climate Change (Scotland) Act 2009 sets out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. In 2015, an Order was introduced requiring all designated Major Players (of which NHS Ayrshire & Arran is one) to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

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

The statement of the accounting policies which have been adopted is shown at Note 1.

Signed .....  
Chief Executive

DocuSigned by:  
  
489EBCE74AF1448...

Date 21 July 2021

## **B. ACCOUNTABILITY REPORT**

### **Corporate Governance Report**

#### **a) The Directors' Report**

##### **Naming convention**

NHS Ayrshire & Arran is the common name for Ayrshire and Arran Health Board.

##### **Date of Issue**

The audited Financial statements were approved and authorised for issue by the Health Board on 22 June 2021.

##### **Appointment of auditors**

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

##### **Board membership**

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

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

Mrs L Bowie, Chair

Mr J Burns, Chief Executive

Mrs M Anderson, Non-Executive Director

Professor H Borland, Nurse Director

Mr M Breen, Non-Executive Director

Councillor L Brennan-Whitefield, Non-Executive Director

Mr A Carragher, Non-Executive Director

Councillor J Cullinane, Non-Executive Director

Dr S Das, Non-Executive Director

Mrs J Ford Non-Executive Director

Mr E Hope, Employee Director

Ms M Kennedy, Non-Executive Director (from 1 January 2021)

Mr D Lindsay, Director of Finance

Mr R Martin, Non-Executive Director

Dr C McGuffie, Medical Director (from 1 April 2020)

Mr J Rainey, Non-Executive Director

Councillor D Reid, Non-Executive Director

Ms L Semple, Non-Executive Director

Miss L Tennant, Non-Executive Director (until 31 March 2021)



## **The Statement of Board Members' responsibilities**

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2021 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

The 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 the Health Board as required by IAS 24 are disclosed in note 24. A register of interests, which includes details of company directorships or other significant interests held by Board members that may conflict with their management responsibilities, is available by contacting Ayrshire & Arran Health Board, Eglinton House, Ailsa Hospital, Dalmellington Road, Ayr KA6 6AB, or can be accessed on the Board's website at: <https://www.nhsaaa.net/media/10720/register-interests-and-gh-board-members-2020-2021-published-2021-05-05.pdf>

All Directors appointed by the Cabinet Secretary (shown in the remuneration report) are also Trustees of the Ayrshire and Arran Endowments, which are consolidated into these accounts. Most of the Non-Executive board members also sit on one of the three Integration Joint Boards whose accounts are also consolidated.

## **Directors' third party indemnity provisions**

Directors have no third party indemnity provisions.



**Remuneration for non-audit work**

No remuneration was paid to external auditors in respect of any non-audit work carried out on behalf of Ayrshire and Arran Health Board.

**Value of Land**

Land is shown in the balance sheet at market value.

**Remote Contingent Liabilities**

Note 14 to the accounts disclose the value of contingency liabilities with the significant one related to CNORIS which is explained in note 13b.

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

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 imposed 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.

This information is available on our website at the following link [Public Services Reform \(Scotland\) Act 2010](#).

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

Throughout the year one personal data related incident was considered to meet the criteria for notification to the Information Commissioner's Office. This incident was duly reported. The incident was closed by the ICO with no regulatory action taken.

**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.

## **b) The Statement of Accountable Officers' 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 Accountable Officer of Ayrshire and Arran Health Board.

This designation carries with it, responsibility for:

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

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

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

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

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

## **c) The 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 the organisation's policies and promotes achievement of the organisation's aims and objectives including those set by Scottish Ministers. In addition, I am responsible for safeguarding the public funds and assets assigned to the organisation.

### **Purpose of Internal Control**

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing the organisation. 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.

The process within the organisation accords with guidance from Scottish Ministers in the Scottish Public Finance Manual (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 Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM 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. The Board has complied with the SPFM during 2020/2021.

### **Governance Framework of the Board**

The Governance Framework comprises the following committees:

- Audit and Risk Committee;
- Healthcare Governance Committee;
- Information Governance Committee;
- Performance Governance Committee;
- Staff Governance Committee; and,
- Integrated Governance Committee.

These committees have operated as normal in the latter two thirds of 2020/2021 and the Board has considered their minutes and has received their annual reports. Due to the timing of emergency measures put in place for COVID-19, during the first third of the year, these committees had been deferred with the exception of Integrated Governance Committee (which met regularly) and Audit and Risk Committee. The Board is satisfied that the Governance Committees have fulfilled their remit.

The Board meets every two months and receives timely, comprehensive and relevant information for discussion and approval. During 2020/2021, the Board met virtually

using Microsoft Teams) so as to comply with travel and social distancing guidelines. . The Board has strong and effective relationships with stakeholders and is a key participant within community planning and public protection arrangements across the three councils.

The Board carries out its scrutiny role by receiving the following core reports at every meeting:

- Healthcare associated infection;
- Scottish Patient Safety Programme updates;
- Patient experience story;
- Performance report: and,
- Financial management report.

The function of the Board and its committees during the year was considered effective due to it having an appropriate balance of skills, experience, independence and knowledge, to challenge and scrutinise the work of the executive leadership team within NHS Ayrshire & Arran. New Board members received induction and during the year there were Board Workshops for all Board members to discuss particular topics in greater detail.

In response to the Blueprint for Good Governance, the Head of Corporate Governance submitted to the February 2019 Board meeting a high level self-assessment against the blueprint. A more detailed discussion on the improvement plan and progress to date took place at a Board workshop on 18 April 2019 and at the October 2019 Board annual development session. Progress against the Corporate Governance Improvement Plan is regularly discussed at the Integrated Governance Committee.

The Board normally reviews its Code of Corporate Governance annually, which brings all aspects of Corporate Governance (including Standing Orders, Standing Financial instructions and Scheme of Delegation) into a single code. The revisions to the Code were agreed by the Health Board at its meeting in May 2021 having been reviewed by the Integrated Governance Committee and Audit and Risk Committee.

A process is in place to assign government circulars and directives to a lead director and follow up actions taken. This ensures compliance with relevant laws and regulations.

The Board has in place a Whistleblowing Policy. An additional non-executive Director was appointed to the Board in February 2020 with the role of whistleblowing champion as part of their non-executive role. Officer was appointed in early 2021 to progress this agenda. New Whistleblowing Standards were introduced from 1 April 2021. In preparation for this, a Whistleblowing Oversight Group was established in July 2020 to ensure that NHS Ayrshire & Arran was ready for the launch of the new Whistleblowing Standards. The Staff Governance Committee terms of reference have been amended to ensure that there is a formal reporting and monitoring of all whistleblowing activity and our non-executive Whistleblowing Champion is a member of our Staff Governance Committee.

The Integration Joint Boards have the responsibility for commissioning social care and defined health care for the residents of Ayrshire and Arran. Governance arrangements

have been established to ensure that they are aligned with the Board's governance arrangements.

On 30 September 2020, the Board Chair and Chief Executive attended a mid-year review with the Minister for Public Health and Sport and senior officials where there was significant focus on the response to the pandemic and remobilisation of services.

## **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:

- Discussions with and letters of assurance from Directors who are responsible for developing, implementing and maintaining internal controls across their areas;
- minutes and annual reports from Governance Committees;
- the work of the internal auditors who submit to the Audit and Risk Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, control and governance processes together with recommendations for improvement;
- comments by the external auditors in their management letters and other reports;
- national reports such as Healthcare Improvement Scotland reviews; and
- the work of the service auditors in relation to the control frameworks operated by the following which are reported through the Annual Service Audit Reports:
  - Practitioner and Counter Fraud Services (PCFS) in the discharge of their services to support the payments of family health services practitioners on behalf of NHS Scotland Health Boards;
  - ATOS and NSS Digital and Security in the discharge of their services to support National IT Services on behalf of NHS Scotland Health Boards; and
  - NHS Ayrshire & Arran in the discharge of their services to operate the National Single Instance (NSI) financial ledger services on behalf of NHS Scotland Boards.

For the year 2020/2021 the Service Audit Reports in relation to the NSI financial ledger services and IT services were unqualified. However, the report in relation to Practitioner and Counter Fraud Services is qualified as it was last year. The Audit and Risk Committee has considered the issues identified in the reports and concluded that they do not represent significant governance issues. The Board has received assurances from NSS that each point raised within the reports will be addressed as part of its continuous improvement programme of work. The Audit and Risk Committee has also considered a report on the local review process in place with regards to the payments of family health services practitioners as further assurance that all payment streams to Independent Contractors providing family health services are subject to regular and consistent review throughout the year, with no significant issues arising in 2020/2021.

The Board receives approved minutes from each Governance Committee to confirm that their remit has been fulfilled. Where necessary a committee can escalate issues for Board scrutiny. No issues were escalated in 2020/2021.

In accordance with the principles of best value, the Board aims to foster a culture of continuous improvement. As part of this, Directorates are encouraged to review, identify

and improve the efficient and effective use of resources. Business cases and Board papers need to demonstrate that consideration has been given to the Best Value characteristics published in the 2011 Best Value Guidance to Accountable Officers. I can confirm that arrangements have been made to secure best value as set out in the SPFM.

Each year the Board's internal auditors design their audit programme to review the highest risk areas within the Board strategic risk register. Following the national review of governance arrangements, the 2020/2021 internal audit programme was recommended by the Audit and Risk Committee and approved at the March 2020 Board meeting. Each report produced by internal audit is considered by the Audit and Risk Committee, but in addition is referred to the most relevant governance committee (Staff, Healthcare, Information, Performance, and Integrated) for detailed scrutiny.

The internal audit programme gives assurance on a broad range of internal controls and in addition a focused review of key financial controls covers the core financial systems on a three-year cyclical basis and for the last five years, the resulting report has shown a low risk report classification. Despite the internal audit programme being curtailed because of COVID-19 pandemic, the overall internal audit opinion for the period 1 April 2020 to 31 March 2021 is that reasonable assurance with some improvement required can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The NHS Board receives a Financial Management Report at every Board meeting. In addition the Performance Governance Committee receives a range of finance and performance reports to ensure effective scrutiny. During 2020/2021 the NHS Board received significant additional funding to meet the costs of responding to the COVID-19 pandemic. The financial position at the end of the year was a small underspend, however the NHS Board has an underlying deficit of £13.5 million. A detailed Delivery and Revenue Plan sets out what steps the NHS board is taking to reduce this deficit through cash releasing savings and redesign of service delivery. In recognition of financial challenges, the Board has remained at level 3 of the Scottish Government escalation ladder throughout the year.

## **Risk Assessment**

NHS Scotland bodies are subject to the requirements of the SPFM and must operate a risk management strategy in accordance with relevant guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

NHS Ayrshire & Arran is committed to continuous development and improvement, developing systems in response to any relevant reviews and developments in best practice. The Risk and Resilience Scrutiny and Assurance Group chaired by the Chief Executive ensure that these matters are kept under review.

There is one strategic risk which remains rated as "very high risk" (the financial outturn one having been downgraded during the year):

- Compliance with Information Governance Standards.

This relates to compliance with the General Data Protection Regulations, Data Protection Act 2018, the Public Records Scotland Act 2011 and the Freedom of Information Scotland Act 2002. Progress reports against each of these are presented to each Information Governance committee meeting.

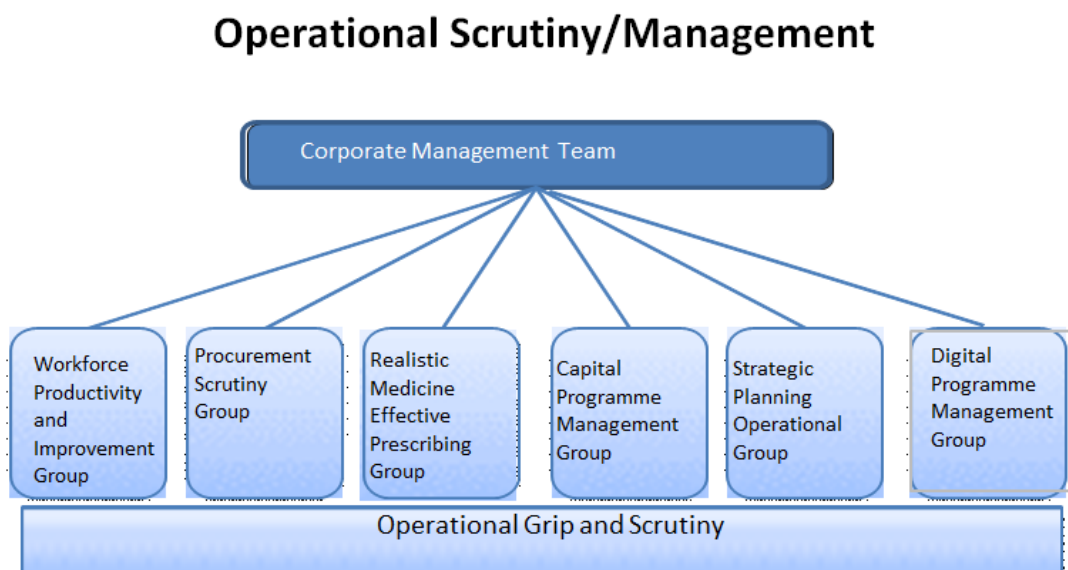
Achieving financial balance is identified in the strategic risk register as high risk.

The strategic risk register also contains twelve high risks in the following areas:

- general medicine provision at University Hospital Ayr;
- primary care sustainability;
- transformational change programme (2);
- promoting attendance;
- personal development review;
- cyber security;
- statutory management of the estate;
- statutory management of occupational road risk;
- GP workforce;
- achieving the legal treatment time guarantee; and,
- financial outturn 2020/2021.

All of these are being actively managed by the relevant risk owner and monitored at the quarterly Risk and Resilience Scrutiny and Assurance Group. Separate risk registers were created for COVID-19 risks (reviewed weekly at Emergency Management Team meetings) and EU Withdrawal risks. Covid specific risks include availability of Personal Protective Equipment (PPE) for staff, oxygen supply in hospitals and laboratory capacity for testing. A quarterly report on relevant risks is taken to each governance committee of the Board.

In early 2018/2019, new operational scrutiny arrangements were put in place and have remained in place during 2020/2021 as shown in the diagram below.



In September 2019 a review of Corporate Management Team function concluded on the following five areas for focus:

- 1) holding to account for performance (activity, finance etc.);
- 2) governance and operational scrutiny;
- 3) decision making;
- 4) commissioning reform work; and,
- 5) consideration of national and regional work to inform local service delivery.

### **Emergency Management Team (EMT)**

In response to the COVID-19 pandemic the EMT was formed in February 2020 and met on 198 occasions from then until 31 March 2021. It comprised all directors and was Chaired by the Chief Executive (or a deputy). It met 7 days a week over April and May 2020 and during the peak of the second wave of the pandemic to make decisions in response to service pressures. Expenditure was approved and recorded on an approval tracker which was regularly submitted to Scottish Government. The EMT acted as a “gold command” group which was supported by a wide range of silver and bronze subject specific groups. In addition, a number of short life extreme teams were established to tackle specific issues such as PPE.

NHS Board Nurse Directors received a variation letter to their accountability on 17 May 2020 from the Cabinet Secretary “to be accountable for the provision of nursing leadership, support and guidance within the care home and care at home sector.” Specifically to:

- identify where specific nursing support may be required and to develop and implement solutions where required. This will include clinical input to ensure that there are effective community nursing arrangements in place to support increasingly complex nursing care requirements;
- identify where specific infection prevention and control support may be required; this will include recommendations and review with regard to cleaning to prevent transmission and appropriate use of PPE;
- support the development and implementation of testing approaches for care home and care at home settings; and,
- identify and support sourcing of staffing as required by the care home or care at home.

### **Disclosures**

On 23 March 2020 the NHS was placed under emergency planning arrangements by Scottish Government. On 30 March the Board agreed to temporarily pause routine governance meetings to allow Directors and clinical teams to focus on the response to COVID-19. The Integrated Governance Committee met in April and May to consider plans in place to manage the response to the pandemic. An internal audit review of governance arrangements during the pandemic reported to the Audit and Risk Committee. It noted that some planned routine issues related to staff governance such as i-matter responses and annual appraisal process have been deferred during 2020/2021 to free staff time to deal with preparing and implementing mobilisation plans. Significant resources have been deployed to increase capacity to cope with increased



health and social care demand as a result of COVID-19. Financial governance and scrutiny arrangements have been put in place with Scottish Government in relation to these additional resources and Integrated Governance Committee was briefed.

In 2020/2021, the number of planned day cases and inpatients seen reduced to 6,681 as a result of the impact of the COVID-19 pandemic. Of the number seen 2,421 were treated outwith the 12 week treatment time guarantee (TTG). This means that 4,260 patients (63.8%) received their treatment within 12 weeks during this period. The impact of COVID-19 meant that surgical care had to be clinically prioritised to ensure urgent and emergency care was delivered. This meant that the NHS Board did not meet the TTG standard as the waiting time for routine surgery extended.

In October 2020, Healthcare Improvement Scotland visited four wards on Ayrshire Central Hospital, Irvine. This was the first joint review in Ayrshire covering both Healthcare Acquired Infection and Older People. There were seven actions required including assessment of older people on admission, person-centred plans put in place, monitoring of food and fluid intake and skin condition of patients while staff must perform hand hygiene and mandatory education. All actions are proposed to be completed by June 2021.

Subject to the above, during the 2020/2021 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 and Staff Report**

### **Board members' and senior employees' remuneration**

The Health Board has a Remuneration Committee, which is a sub-committee of the Staff Governance Committee. Membership of the sub-committee consists of Non-Executive Board members, including the Employee Director. The Chair of the Board is the Chair of the Remuneration Committee.

The Remuneration Committee membership is as follows:

Mrs L Bowie, Chair  
Mrs M Anderson  
Councillor J Cullinane  
Mr E Hope

The committee met twice during 2020/2021. The committee is responsible for providing assurance to the Board regarding the probity and corporate governance aspects of the appointment, appraisal and remuneration of those covered by Executive Pay Arrangements and to monitor terms and conditions of employment in accordance with central direction.

### **Directors - Remuneration**

Remuneration of the Chief Executive, Executive Directors, Directors and Senior Managers is determined in line with directions issued by the Scottish Government Health and Social Care Directorates (SGHSCD). All posts at this level are subject to rigorous job evaluation arrangements by the National Evaluation Committee and the pay scales applied reflect the outcomes of these processes. All extant policy guidance issued by the SGHSCD has been appropriately applied and agreed by the Remuneration Committee.

### **Performance Appraisal**

Performance appraisals, for those covered by Executive Pay Arrangements, are carried out in line with the guidance from the National Performance Management Committee and overseen by the Remuneration Committee. The Committee agrees the individual in-year objectives of the Board's Executive Directors and Directors and approves their annual performance assessments each year. Annual pay rises, for those covered by Executive Pay arrangements, are dependent on achieving specified levels of performance, in line with national agreement, and are implemented in line with the national Pay and Conditions circular.

### **Staff Turnover**

The most recent published staff turnover rate for the Board was 6.4%.

### **Staff Engagement**

The most recent staff survey was carried out in 2019, and the employee engagement index from the survey was 76.

## Payments to Non-Executive Directors and Executive Directors'

The following tables provide a breakdown of Non-Executive Directors' and Executive Directors' remuneration 2020/2021.

Single total figure of remuneration					
Board Members	Directors' Gross Salary (Bands of £5,000)	Benefits in kind (£'000)	Total Earnings in Year (Bands of £5,000)	(i) Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
	2020/21	2020/21	2020/21	2020/21	2020/21
<b>Executive</b>					
Mr J Burns, Chief Executive	140-145	0.0	140-145	0	140-145
Mr D Lindsay, Director of Finance	110-115	2.9	115-120	50	165-170
(ii) Dr C McGuffie, Medical Director (from 1 April 2020)	205-210	0.0	205-210	0	205-210
Professor H Borland, Nurse Director	95-100	0.0	95-100	67	160-165
<b>Non-executive</b>					
Mrs L Bowie, Chair	30-35	0.0	30-35	0	30-35
Mrs M Anderson	5-10	0.0	5-10	0	5-10
Mr M Breen	5-10	0.0	5-10	0	5-10
Councillor L Brennan-Whitefield	5-10	0.0	5-10	0	5-10
(iii) Mr A Carragher	70-75	0.0	70-75	28	100-105
Councillor J Cullinane	5-10	0.0	5-10	0	5-10
Dr S Das	5-10	0.0	5-10	0	5-10
Mrs J Ford	5-10	0.0	5-10	0	5-10
(iv) Mr E Hope	40-45	0.0	40-45	18	55-60
Ms M Kennedy (from 1 January 2021)	0-5	0.0	0-5	0	0-5
Mr R Martin	10-15	0.0	10-15	0	10-15
Mr J Rainey	5-10	0.0	5-10	0	5-10
Councillor D Reid	5-10	0.0	5-10	0	5-10
Ms L Semple	10-15	0.0	10-15	0	10-15
Miss L Tennant (left 31 March 2021)	5-10	0.0	5-10	0	5-10

(i) The above column for pension benefits is net of employee pension contributions to their pensions whereas the pension benefits below include employee contributions.

(ii) Dr C McGuffie is the Medical Director, and £30,000 - £35,000 of his salary is in respect of non-Board duties.

(iii) Mr A Carragher is a stakeholder director for the Area Clinical Forum, and £60,000 - £65,000 of his salary and all pension benefits are in respect of non-Board duties.

(iv) Mr E Hope is the employee director, and £30,000 - £35,000 of his salary and all pension benefits are in respect of non-Board duties.

(v) There were no bonus payments in 2020/21.

Pension Benefits							
Board Members	Accrued pension at pension age as at 31/03/2021 (Bands of £5,000)	Accrued lump sum at pension age as at 31/03/2021 (Bands of £5,000)	Real increase in pension at pension age (Bands of £2,500)	Real increase in lump sum at pension age (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/03/2020 (£'000)	(vi) Cash Equivalent Transfer Value (CETV) at 31/03/2021 (£'000)	Real increase in CETV (£'000)
Mr J Burns, Chief Executive	55-60	165-170	0	0	1,358	1,351	0
Mr D Lindsay, Director of Finance	40-45	90-95	2.5-5.0	2.5-5.0	785	852	67
Dr C McGuffie, Medical Director	50-55	120-125	0	0	1,003	1,023	21
Professor. H Borland, Nurse Director	45-50	110-115	2.5-5.0	2.5-5.0	876	957	81
Mr A Carragher, Non-executive Director	15-20	35-40	0-2.5	0-2.5	313	345	32
Mr E Hope, Non-executive Director	5-10	20-25	0-2.5	2.5-5.0	169	190	18

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

The following tables provide a breakdown of Non-Executive Directors' and Executive Directors' remuneration 2019/2020.

Single total figure of remuneration					
Board Members	Directors' Gross Salary (Bands of £5,000)	Benefits in kind (£'000)	Total Earnings in Year (Bands of £5,000)	(i) Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)
	2019/20	2019/20	2019/20	2019/20	2019/20
<b>Executive</b>					
Mr J Burns, Chief Executive	135 - 140		135 - 140		135 - 140
Mr D Lindsay, Director of Finance	105 - 110	3.8	110 - 115	30	140 - 145
(ii) Dr A Graham, Medical Director (left 31 March 2020)	110 - 115		110 - 115	34	145 - 150
Professor H Borland, Nurse Director	90 - 95		90 - 95	45	135 - 140
<b>Non-executive</b>					
Dr M Cheyne, Chair (left 31 December 2019)	20 - 25		20 - 25		20 - 25
Mrs L Bowie, Non-executive Director (to 29 February 2020), Chair (from 1 March 2020)	15 - 20		15 - 20		15 - 20
Mrs M Anderson	5 - 10		5 - 10		5 - 10
Mr M Breen (from 15 April 2019)	5 - 10		5 - 10		5 - 10
Councillor L Brennan-Whitefield	5 - 10		5 - 10		5 - 10
(iii) Mr A Carragher (from 18 August 2019)	40 - 45		40 - 45	12	55 - 60
Councillor J Cullinane	5 - 10		5 - 10		5 - 10
Dr S Das (from 1 February 2020)	0 - 5		0 - 5		0 - 5
(iv) Mr S Donnelly (left 30 September 2019)	25 - 30	3.0	30 - 35	22	50 - 55
Mrs J Ford (from 15 April 2019)	5 - 10		5 - 10		5 - 10
(v) Mr E Hope (from 1 October 2019)	15 - 20		15 - 20	2	20 - 25
Mr R Martin	10 - 15		10 - 15		10 - 15
(vi) Dr J McKay (left 17 August 2019)	25 - 30	1.7	25 - 30	12	40 - 45
Mr J Rainey	5 - 10		5 - 10		5 - 10
Councillor D Reid	5 - 10		5 - 10		5 - 10
Ms L Semple	10 - 15		10 - 15		10 - 15
Miss L Tennant	5 - 10		5 - 10		5 - 10

(i) The above column for pension benefits is net of employee pension contributions to their pensions whereas the pension benefits below include employee contributions

(ii) Dr A Graham has been part time since 1 April 2019, at 0.6 whole time equivalent, and from 1 December 2019 at 0.8 whole time equivalent.

(iii) Mr A Carragher is a stakeholder director for the Area Clinical Forum, and £35,000 - £40,000 of his salary and all pension benefits are in respect of non-Board duties.

(iv) Mr S Donnelly was the employee director, and £25,000 - £30,000 of his salary, all benefits in kind and all pension benefits are in respect of non-Board duties.

(v) Mr E Hope is the employee director, and £15,000 - £20,000 of his salary and all pension benefits are in respect of non-Board duties.

(vi) Dr J McKay was a stakeholder director for the Area Clinical Forum, and £20,000 - £25,000 of her salary, all benefits in kind and all pension benefits are in respect of non-Board duties.

(vii) There were no bonus payments in 2019/20.

Pension Benefits							
Board Members	Accrued pension at pension age as at 31/03/2020 (Bands of £5,000)	Accrued lump sum at pension age as at 31/03/2020 (Bands of £5,000)	Real increase in pension at pension age (Bands of £2,500)	Real increase in lump sum at pension age (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31/03/2019 (£'000)	(viii) Cash Equivalent Transfer Value (CETV) at 31/03/2020 (£'000)	Real increase in CETV (£'000)
Mr J Burns, Chief Executive	55 - 60	165 - 170	0	0	1,343	1,351	8
Mr D Lindsay, Director of Finance	40 - 45	85 - 90	0 - 2.5	0 - 2.5	735	781	46
Dr A Graham, Medical Director	65 - 70	200 - 205	0 - 2.5	5 - 7.5	1,460	1,545	68
Professor. H Borland, Nurse Director	40 - 45	105 - 110	2.5 - 5	2.5 - 5	811	872	61
Mr A Carragher, Non-executive Director	15 - 20	35 - 40	0 - 2.5	0 - 2.5	297	312	15
Mr S Donnelly, Non-executive Director	25 - 30	75 - 80	0 - 2.5	2.5 - 5	560	598	36
Mr E Hope, Non-executive Director	5 - 10	20 - 25	0 - 2.5	0 - 2.5	162	168	4
Dr J McKay, Non-executive Director	25 - 30	80 - 85	0 - 2.5	0 - 2.5	602	632	27

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

SPPA are still assessing the impact of the McCloud judgement in relation to changes to benefits in 2015. The benefits and related CETVs disclosed do not allow for any potential future adjustments that may arise from this judgement.

All executive Board members have permanent UK employment contracts. Non-executive Board members are appointed for a fixed term.

The Chief Executive is leaving NHS Ayrshire & Arran on 30 June 2021 to take up a role with the Scottish Government. From 1 July, the Nurse Director/Deputy Chief Executive will act as the interim Chief Executive, pending conclusion of the recruitment process to appoint a permanent Chief Executive.

## Fair Pay Disclosures

<b>2020/2021</b>		<b>2019/2020</b>	
Range of staff remuneration	£18,433 - £325,432	Range of staff remuneration	£17,948-£353,699
Highest Earning Director's Total Remuneration (£000's)	£205-£210	Highest Earning Director's Total Remuneration (£000's)	£135-£140
Median Total Remuneration	£33,604	Median Total Remuneration	£31,724
Ratio of median to highest earning director	6.17	Ratio of median to highest earning director	4.33

### Commentary

Boards are required to disclose the relationship between the remuneration of the highest-paid director and the median remuneration of the Board's workforce. The banded total remuneration of the highest-paid director in NHS Ayrshire & Arran in the financial year 2020/2021 was the Medical Director at £205,000-£210,000 (2019/2020 was the Chief Executive at £135,000-£140,000). In 2020/2021 this was 6.17 times the median remuneration of the workforce, which was £33,604 while in 2019/2020 this was 4.33 times the median remuneration, which was £31,724.

There was an increase of 5.9% year on year in the median remuneration of the workforce. During 2020/2021, there were 3 clinical members of staff whose remuneration was higher than the highest earning director. During 2019/2020, there were 98 clinical members of staff whose remuneration was higher than the highest paid director.

Total remuneration for this purpose includes salary, non-consolidated performance related pay, as well as severance payments. It does not include employer pension contributions, the cash equivalent transfer value of pensions or benefits in kind.

## Staff Report

### a) Higher Paid Employees' Remuneration

Employees whose remuneration fell within the following ranges:

	2021 Number	2020 Number
Employees whose remuneration fell within the following ranges:		
<b>Clinicians</b>		
£ 70,001 to £ 80,000	52	61
£ 80,001 to £ 90,000	46	40
£ 90,001 to £100,000	35	37
£100,001 to £110,000	35	40
£110,001 to £120,000	53	43
£120,001 to £130,000	45	44
£130,001 to £140,000	31	28
£140,001 to £150,000	33	23
£150,001 to £160,000	22	20
£160,001 to £170,000	17	18
£170,001 to £180,000	6	8
£180,001 to £190,000	9	7
£190,001 to £200,000	3	5
£200,001 and above	4	10
<b>Other</b>		
£ 70,001 to £ 80,000	15	10
£ 80,001 to £ 90,000	5	5
£ 90,001 to £100,000	9	2
£100,001 to £110,000	2	1
£110,001 to £120,000	2	2
£120,001 to £130,000	0	0
£130,001 to £140,000	0	1
£140,001 to £150,000	1	0
£150,001 to £160,000	0	0
£160,001 to £170,000	0	0
£170,001 to £180,000	0	0
£180,001 to £190,000	0	0
£190,001 to £200,000	0	0
£200,001 and above	0	0

## B Staff numbers and Costs

### STAFF COSTS

	Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2021 Total	2020 Total
	£000	£000	£000	£000	£000	£000	£000	£000
Salaries and wages	525	157	396,489	0	0	(978)	396,193	351,462
Social security costs	73	4	38,705	0	0	(121)	38,661	35,255
NHS scheme employers' costs	43	0	64,476	0	0	(140)	64,379	59,921
Other employers' pension costs	0	0	0	0	0	0	0	0
Inward secondees	0	0	0	324		0	324	509
Agency and other directly engaged staff	0	0	0	0	9,053	0	9,053	10,215
	641	161	499,670	324	9,053	(1,239)	508,610	457,362
Compensation for loss of office/early retirement	0	0	60	0	0	0	60	1,146
Pensions to former Board members	0	0	0	0	0	0	0	0
<b>Total</b>	<b>641</b>	<b>161</b>	<b>499,730</b>	<b>324</b>	<b>9,053</b>	<b>(1,239)</b>	<b>508,670</b>	<b>458,508</b>

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

305	136
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### STAFF NUMBERS

Whole time equivalent (WTE)	4	14	9,752	6	55	12	9,843	9,500
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Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:

0	0
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Included in the total staff numbers above were disabled staff of:

111	83
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Included in the total staff numbers above were Special Advisers of:

0	0
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## C Staff Composition

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

	2021				2020		
	Male	Female	Total		Male	Female	Total
Executive Directors	3	1	4		2	2	4
Non-Executive Directors and Employee Director	8	6	14		8	6	14
Senior Employees	7	14	21		11	12	23
Other	1,844	9,381	11,225		1,703	9,205	10,908
Total Headcount	1,862	9,402	11,264		1,724	9,225	10,949

A Mainstreaming Report including Equality Outcomes Progress was considered at the March 2021 public board meeting. To view click [here](#).



## **D   Sickness Absence**

	<b>2021</b>	<b>2020</b>
Sickness absence rate	3.9%	4.8%

The above reflects non-covid19 absence where figure 13 on page 21 shows the COVID-19 related absence.

## **E   Staff policies applied during the financial year relating to the employment of disabled persons**

In accordance with the Staff Governance Standards, NHS Ayrshire & Arran is committed to ensuring that all staff are treated fairly and equally regardless of their protected characteristic. Therefore, all staff, including those staff with a disability, have the same opportunities in every aspect of their employment journey beginning at the recruitment stage.

In accordance with current policy:

- All disabled applicants who meet the minimum criteria for a job vacancy will be invited to attend for interview and their suitability for the post will be based on their skills, knowledge and experience. This includes existing staff who apply for a promoted post.
- Reasonable adjustments will be made both in terms of duties and/or equipment required to retain an employee in work should they become disabled during their employment.
- Individual training needs are primarily identified and agreed at the annual PDP meeting. The subsequent development plan is created to meet the needs of the employee thus providing all staff with the same opportunity for development.

NHS Ayrshire & Arran also participates in a number of employability initiatives to support people with a disability to gain work experience and sustainable employment e.g. the Management Trainee Scheme for disabled graduates, which is a 2-year employment opportunity for disabled graduates providing them with a challenging and rewarding experience of employment.

## F Exit packages

### EXIT PACKAGES

Exit package cost band	2021		2020	
	Total number of exit packages by cost band	Cost of exit packages (£000)	Total number of exit packages by cost band	Cost of exit packages (£000)
<£10,000	0	0	6	39
£10,001 - £25,000	0	0	5	73
£25,001 - £50,000	0	0	3	128
£50,001 - £100,000	1	60	6	442
£100,001 - £150,000	0	0	4	464
£150,001 - £200,000	0	0	0	0
£200,001 - £250,000	0	0	0	0
>£250,000	0	0	0	0
<b>Total</b>	<b>1</b>	<b>60</b>	<b>24</b>	<b>1,146</b>

There were no compulsory redundancies in 2020/2021 or in 2019/2020.

There was a voluntary redundancy scheme in 2019/2020, but not in 2020/2021.

## G Trade Union Regulations

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. 2020/2021 information is below.

**Table 1 Relevant Union Officials**

Number of Employees who were relevant union officials during the relevant period (inclusive of full-time equivalent)	Full-time equivalent employee number
<b>8</b>	<b>8</b>

**Table 2 Percentage of time spent on facility time**

Percentage of Time spent on facility time	Number of Employees
0%	0
1 - 50%	4
51-49%	0
100%	4

**Table 3**    **Percentage of pay bill spent on facility time**

First Column	Figures
Total cost of Facility time	£250,639
Provide the total pay bill	£508,610,000
Provide the percentage of the total paybill spent on facility time	0.05%

**Table 4**    Time spent on paid trade union activities as a percentage of total paid facility time hours

	0.00%
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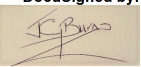
## Parliamentary Accountability Report

On occasion, the Board is required to write off balances that are no longer recoverable. Individual losses and special payments over £300,000 require formal approval to regularise such transactions and their notation in the annual accounts. There were no individual losses or special payments over £300,000 in 2020/2021.

### Fees and Charges

As required in the fees and charges guidance in the Scottish Public Finance Manual, NHS Ayrshire & Arran charges for services provided on a full cost basis whenever applicable. NHS Ayrshire & Arran host, on behalf of NHS Scotland, the financial ledger and helpdesk. The staffing, software and managed technical service costs are met by the Board then recharged to the other twenty-one Boards. Income from Boards of £2.7 million (2019/2020 £2.5 million) offset the costs for the year of £2.7 million (2019/2020 £2.5 million).

Signed .....  
Chief Executive

DocuSigned by:  
  
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Date **21 July 2021**

## **Independent auditor's report to the members of Ayrshire and Arran Health Board, the Auditor General for Scotland and the Scottish Parliament**

### **Reporting on the audit of the financial statements**

#### **Opinion on financial statements**

We have audited the financial statements in the annual report and accounts of Ayrshire and Arran Health Board and its group for the year ended 31 March 2021 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, Consolidated Statement of Financial Position, Consolidated Summary of Cash Flows, Consolidated Summary of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In our opinion the accompanying financial statements:

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

#### **Basis for opinion**

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

#### **Conclusions relating to going concern basis of accounting**

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

#### **Risks of material misstatement**

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

#### **Responsibilities of the Accountable Officer for the financial statements**

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control

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

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

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

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

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 our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

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

- considering the nature of the board's control environment and reviewing the board's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired with management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities;
- 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.
- We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:
- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the National Health Service (Scotland) Act 1978 and the Public Bodies (Joint Working) Scotland Act 2014.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These included the Data Protection Act 2018 and relevant employment legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of the performing the above, we identified the greatest potential for fraud was in relation to the requirement to operate within the expenditure resource limits set by the Scottish Government. The risk is that the expenditure in relation to year-end transactions may be subject to potential manipulation in an attempt to align with its tolerance target or achieve a breakeven position. In response to this risk, we obtained independent confirmation of the resource limits allocated by the Scottish Government and, tested a sample of accruals, prepayments and invoices received around the year-end to assess whether they have been recorded in the correct period. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed

whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

The extent to which our 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.

## **Reporting on regularity of expenditure and income**

### **Opinion on regularity**

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

### **Responsibilities for regularity**

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

## **Reporting on other requirements**

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

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

### **Statutory other information**

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

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have

performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In our 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 we are required to report by exception**

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

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

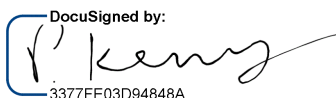
We have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

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

### **Use of our report**

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

DocuSigned by:  
  
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Pat Kenny, CPFA (for and on behalf of Deloitte LLP)

110 Queen Street

Glasgow

G1 3BX

United Kingdom

21 July 2021



2020 £000		Note	2021 £000
459,503	Employee expenditure	3a	509,544
121,489	Independent Primary Care Services	3b	128,284
148,973	Drugs and medical supplies	3b	152,512
<u>685,858</u>	Other health care expenditure	3b	<u>757,060</u>
<b>1,415,823</b>			<b>1,547,400</b>
(494,023)	Less: operating income	4	(517,158)
(1,115)	Associates and joint ventures accounted for on an equity basis		(15,990)
<b>920,685</b>	<b>Net expenditure for the year</b>		<b>1,014,252</b>
<b>Other Comprehensive Net Expenditure</b>			
(23,820)	Net (gain) / loss on revaluation of property, plant and equipment		6,372
1,043	Net (gain) / loss on revaluation of available for sale financial assets		(1,730)
<b>(22,778)</b>	<b>Other Comprehensive Expenditure</b>		<b>4,642</b>
<b>897,907</b>	<b>Comprehensive Net Expenditure</b>		<b>1,018,894</b>

The other comprehensive expenditure will not be reclassified.

The Notes to the Accounts, numbered 1 to 24 , form an integral part of these Accounts.

Consolidated 2020	Board 2020			Consolidated 2021	Board 2021
£000	£000		Note	£000	£000
421,967	421,967	Property, plant and equipment	7a	412,066	412,066
		Financial assets:			
7,817	-	Investments	10	8,884	-
2,848	-	Investments in associates and joint ventures		16,294	-
<u>24,683</u>	<u>24,683</u>	Trade and other receivables	9	<u>39,585</u>	<u>39,585</u>
<b>457,315</b>	<b>446,650</b>	<b>Total non-current assets</b>		<b>476,829</b>	<b>451,651</b>
5,775	5,775	Inventories	8	5,661	5,661
		Financial assets:			
27,799	28,105	Trade and other receivables	9	27,339	27,339
<u>234</u>	<u>132</u>	Cash and cash equivalents	11	<u>908</u>	<u>132</u>
<b>33,808</b>	<b>34,012</b>	<b>Total current assets</b>		<b>33,908</b>	<b>33,132</b>
<b>491,123</b>	<b>480,662</b>	<b>Total assets</b>		<b>510,737</b>	<b>484,783</b>
(19,115)	(19,115)	Provisions due within one year	13a	(15,178)	(15,178)
		Financial liabilities:			
<u>(78,180)</u>	<u>(78,058)</u>	Trade and other payables	12	<u>(118,421)</u>	<u>(118,382)</u>
<b>(97,295)</b>	<b>(97,173)</b>	<b>Total current liabilities</b>		<b>(133,599)</b>	<b>(133,560)</b>
<b>393,828</b>	<b>383,489</b>	<b>Non-current assets less net current liabilities</b>		<b>377,138</b>	<b>351,223</b>
(68,704)	(68,704)	Provisions due outwith one year	13a	(79,872)	(79,872)
		Financial liabilities:			
(62,437)	(62,437)	Trade and other payables	12	(59,452)	(59,452)
<u>(2,544)</u>	-	Liabilities in associates and joint ventures		-	-
<b>(133,685)</b>	<b>(131,141)</b>	<b>Total non-current liabilities</b>		<b>(139,324)</b>	<b>(139,324)</b>
<b>260,143</b>	<b>252,348</b>	<b>Assets less liabilities</b>		<b>237,814</b>	<b>211,899</b>
		<b>Taxpayers' Equity</b>			
125,569	125,569	General fund	SoCTE	96,540	96,540
126,779	126,779	Revaluation reserve	SoCTE	115,359	115,359
304	-	Other reserves - associates and joint ventures	SoCTE	16,294	-
<u>7,491</u>	-	Fund held on Trust	SoCTE	<u>9,621</u>	-
<b>260,143</b>	<b>252,348</b>	<b>Total taxpayers' equity</b>		<b>237,814</b>	<b>211,899</b>

The Notes to the Accounts, numbered 1 to 24 , form an integral part of these Accounts.

The Accounting Officer authorised these financial statements for issue on 21 July 2021.

Adopted by the Board on 21 July 2021

Director of Finance

DocuSigned by:

*Deek Lindsay*

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*[Signature]*

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Chief Executive

NHS Ayrshire and Arran  
Statement of Consolidated Cash Flows  
for the year ended 31st March 2021



2020 £000		Note	2021 £000	2021 £000
<b>Cash flows from operating activities</b>				
(920,685)	Net operating cost	SoCTE	(1,014,252)	
14,003	Adjustments for non-cash transactions	2b	18	
7,042	Add back: interest payable recognised in net operating cost	2b	7,022	
(347)	Investment income		(322)	
15,256	Movements in working capital	2b	32,808	
<b>(884,731)</b>	<b>Net cash outflow from operating activities</b>	<b>24c</b>		<b>(974,726)</b>
<b>Cash flows from investing activities</b>				
(11,505)	Purchase of property, plant and equipment		(13,529)	
(9,341)	Investment Additions	10	(270)	
0	Transfer of assets to / (from) other NHS Scotland bodies		6,452	
0	Proceeds of disposal of property, plant and equipment		1,050	
8,937	Receipts from sale of investments		933	
347	Interest received		322	
<b>(11,562)</b>	<b>Net cash outflow from investing activities</b>	<b>24c</b>		<b>(5,042)</b>
<b>Cash flows from financing activities</b>				
904,986	Cash drawn down	SoCTE	990,113	
	Capital element of payments in respect of finance leases and			
(2,245)	On-balance sheet PFI contracts	2b	(2,649)	
	Interest element of finance leases and			
(7,042)	On-balance sheet PFI/PPP contracts	2b	(7,022)	
<b>895,699</b>	<b>Net Financing</b>	<b>24c</b>		<b>980,442</b>
(594)	Net decrease in cash and cash equivalents in the period	11		674
828	Cash and cash equivalents at the beginning of the period			234
<b>234</b>	<b>Cash and cash equivalents at the end of the period</b>			<b>908</b>
Reconciliation of net cash flow to movement in net debt/cash:				
(594)	Increase (decrease) in cash in year			674
828	Net cash at 1 April			234
<b>234</b>	<b>Net cash at 31 March</b>			<b>908</b>

The Notes to the Accounts, numbered 1 to 24 , form an integral part of these Accounts.

		General Fund	Revaluation Reserve	Associates & Joint Ventures	Funds Held on Trust	Total Reserves
	Note	£000	£000	£000	£000	£000
Balance at 31 March 2020		125,569	126,779	304	7,491	260,143
Prior year adjustments for changes in accounting policy and material errors	22	-	-	-	-	-
<b>Balance at 1 April 2020</b>		<b>125,569</b>	<b>126,779</b>	<b>304</b>	<b>7,491</b>	<b>260,143</b>
Changes in taxpayers' equity for 2020-21 :						
Net loss on revaluation of property, plant and equipment	7a	-	(6,372)	-	-	(6,372)
Net gain on revaluation assets	10	-	-	-	1,730	1,730
Impairment of property, plant and equipment		-	(507)	-	-	(507)
Revaluation & impairments taken to operating costs	2a	-	507	-	-	507
Release of reserves to the statement of comprehensive net expenditure		-	-	-	-	-
Transfers between reserves		5,048	(5,048)	-	-	-
Non Cash Costs		6,452	-	-	-	6,452
Net operating cost for the year	SCCF	(1,030,642)	-	15,990	400	(1,014,252)
<b>Total recognised income and expense for 2020-21</b>		<b>(1,019,142)</b>	<b>(11,420)</b>	<b>15,990</b>	<b>2,130</b>	<b>(1,012,442)</b>
Funding:						
Drawn down	SCCF	990,113	-	-	-	990,113
Movement in General Fund (creditor) / debtor	CFS	-	-	-	-	-
<b>Balance at 31 March 2021</b>	<b>SoFP</b>	<b>96,540</b>	<b>115,359</b>	<b>16,294</b>	<b>9,621</b>	<b>237,814</b>

		General Fund	Revaluation Reserve	Associates & Joint Ventures	Funds Held on Trust	Total Reserves
	Note	£000	£000	£000	£000	£000
Balance at 31 March 2019		137,874	106,991	(811)	9,010	253,064
Prior year adjustments for changes in accounting policy and material errors	22	-	-	-	-	-
<b>Balance at 1 April 2019</b>		<b>137,874</b>	<b>106,991</b>	<b>(811)</b>	<b>9,010</b>	<b>253,064</b>
Changes in taxpayers' equity for 2019-20						
Net gain on revaluation of property, plant and equipment	7a	-	23,820	-	-	23,820
Net loss on revaluation assets	10	-	-	-	(1,043)	(1,043)
Impairment of property, plant and equipment	7a	-	(356)	-	-	(356)
Revaluation & impairments taken to operating costs	2b	-	357	-	-	357
Transfers between reserves		4,033	(4,033)	-	-	-
Net operating cost for the year		(921,324)	-	1,115	(476)	(920,685)
<b>Total recognised income and expense for 2019-20</b>		<b>(917,291)</b>	<b>19,788</b>	<b>1,115</b>	<b>(1,519)</b>	<b>(897,907)</b>
Funding:						
Drawn down		904,986	-	-	-	904,986
<b>Balance at 31 March 2020</b>	<b>SoFP</b>	<b>125,569</b>	<b>126,779</b>	<b>304</b>	<b>7,491</b>	<b>260,143</b>

The Notes to the Accounts, numbered 1 to 24 , form an integral part of these 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 UK Endorsement Board on behalf of the Secretary of State, 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 current year**

In the current year, the Board 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 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards.
- **Amendment to IFRS 9:** Applying IFRS 9 with IFRS 4.
- **Amendment to IFRS 3:** Definition of a Business.
- **Amendments to IAS 1 and IAS 8:** Definition of Material.
- **Amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9:** Interest Rate Benchmark Reform (Phase 1).
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

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

There are no new standards, amendments or interpretations early adopted this year.

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

At the date of authorisation of these financial statements, the Board 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.
- **Amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform (Phase 2).** Applicable for periods beginning on or after 1 January 2021.
- **Annual Improvements to IFRS Standards 2018-2020 Cycle.** Applicable for periods beginning on or after 1 January 2022.

The Board 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 transparency of reporting on capital employed.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, NHS Scotland has elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed. The Board expects that its existing finance leases will continue to be classified as leases. All existing operating leases will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16. In future 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 the Board's right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments.

The bringing of leased assets onto the Statement of Financial Position will require depreciation and interest to be charged on the right-of-use asset and lease liability, respectively. Cash repayments will also be recognised in the Statement of Cash Flows, as required by IAS 7.

The Board has assessed the likely impact to i) comprehensive net expenditure and ii) the Statement of Financial Position of applying IFRS 16. The figures below represent existing leases as at 31 March 2020.

The standard is expected to increase total expenditure by £1.7 million. Right-of-use assets totalling £4.0 million will be brought onto the Statement of Financial Position, with an associated lease liability of £4.0 million.

## **2. Basis of Consolidation**

In accordance with IFRS 10 – Consolidated Financial Statements, the Financial Statements consolidate the Ayrshire and Arran Health Board Endowment Fund.

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

Ayrshire and Arran Health Board Endowment Fund is a Registered Charity with the Office of the Charity Regulator of Scotland (OSCR) and is required to prepare and submit Audited Financial Statements to OSCR on an annual basis. The trustees have adopted the provisions of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

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

In conjunction with the three Ayrshire Local Authorities, the Board has formed three Integration Joint Boards (IJBs), one each for their respective areas, under the terms of the Public Bodies (Joint Working) Scotland Act 2014.

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

Note 26 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

**3. Retrospective Restatements**

There have been no retrospective restatements made in the financial statements for this year.

**4. Going Concern**

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for a minimum of 12 months from the date of these accounts. In accordance with the FReM, the going concern concept will apply as there is the assumed continuation of service provision into the future.

**5. Accounting Convention**

The Accounts are prepared on an historical cost basis, as modified by the revaluation of property, plant and equipment. Intangible assets, inventories, available-for-sale financial assets and financial assets and liabilities are held at fair value.

**6. Funding**

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

All other income receivable by the board that is not classed as funding is recognised in the year in which it is receivable. IFRS 15 will be taken into account where appropriate.

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

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

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

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

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in the Statement of Comprehensive Net



Expenditure except where it results in the creation of a non-current asset such as property, plant and equipment.

## **7. Property, plant and equipment**

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

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

### **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, the Board; it is expected to be used for more than one financial year; and the cost of the item can be measured reliably.

All assets falling into the following categories are capitalised:

- 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 hospital would face an exceptional write off of items of equipment costing individually less than £5,000, the Board has the option to capitalise initial revenue equipment costs with a standard life of 10 years.
- 3) Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

### **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 (ie investment properties and assets held for sale), including operational assets which are surplus to requirements where there are no restrictions on disposal which would prevent access to the market, are measured subsequently at fair value as follows:

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

Non-specialised land and buildings, such as offices, are stated at fair value.

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

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

Assets under construction are 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 Scottish Government the following accepted variations of the RICS Appraisal and Valuation Manual have been required:

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

The impact of Brexit has been considered and there is no material impact.

Subsequent expenditure:

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

Revaluations and Impairment:

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

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

Gains and losses:

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

Temporary Decreases in Asset Value

Temporary decreases in asset value 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 consolidated 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 on each main class of tangible asset as follows:

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

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life (years)
Buildings Structure (Depreciated Replacement Cost)	3 to 72
Buildings Engineering (Depreciated Replacement Cost)	1 to 33
Buildings (Existing Use Value)	2 to 40
Moveable Engineering Plant	15
Furniture and Medium Life Equipment	10
Short/Medium Life Medical Equipment	7
Information Technology	5
Vehicles and Soft Furnishings	5
Office, Short Life Medical and Other Equipment	5

## **8. Donated Assets**

Non-current assets that are donated or purchased using donated funds are included in the Balance Sheet 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.

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

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

## **10. Leasing**

### **Finance leases**

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

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

### **Operating leases**

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

### **Leases of land and buildings**

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

## **11. Impairment of non-financial assets**

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the

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

## **12. General Fund Receivables and Payables**

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

## **13. Inventories**

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

In 2020/21, the Health Board received inventories, including personal protective equipment and testing kits, from the Scottish Government and the UK government at nil cost. These inventories have been accounted for at a deemed cost, reflecting the best available approximation of an imputed market value based on the cost of acquisition by the Scottish and UK governments.

## **14. 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.

## **15. Employee Benefits**

### **Short-term Employee Benefits**

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

### **Pension Costs**

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

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

### **16. Clinical and Medical Negligence Costs**

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

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

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

## **17. Related Party Transactions**

Material related party transactions are disclosed in note 24 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 4.

## **18. Value Added Tax**

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

## **19. PFI /HUB/NPD Schemes**

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

Schemes which do not fall within the application of IFRIC 12 are deemed to be off-balance sheet. Where the Board 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 the Board, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up on the balance sheet 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-balance sheet' by the Board. The underlying assets are recognised as Property, Plant and Equipment and Intangible Assets at their fair value. An equivalent liability is recognised in accordance with IAS 17. Where it is not possible to separate the finance element from the service element of unitary payment streams this has been estimated from information provided by the operator and the fair values of the underlying assets. Assets are subsequently revalued in accordance with the treatment specified for their applicable asset categories.

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

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

## **20. Provisions**

The Board provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet 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.

## 21. Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets, but are disclosed in note 14 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 14, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

## 22. 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.

## 23. Financial Instruments

### Financial assets

#### Business model

The Board's business model refers to how it manages its financial assets in order to generate cash flows and is determined at a level which reflects how groups of financial assets are managed to achieve a business objective, rather than assessment of individual instruments.

#### Classification

When the Board first recognises a financial asset, it classifies it based on its business model for managing the asset and the asset's contractual flow characteristics. The Board classifies its financial assets in the following categories: at fair value through profit or loss, amortised cost, and fair value through other comprehensive income. The default basis for financial assets is to be held at fair value through profit or loss, although alternative treatment may be designated where receivables are held to collect principal and interest and/or for sale. IFRS 9 will be taken into account where appropriate.

- (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; and
- 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; and
- 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. The Board recognises a loss allowance for expected credit losses on financial assets and this is recognised in other comprehensive income, rather than reducing the carrying amount of the asset in the Statement of Financial Position.

Lifetime expected credit losses are recognised and applied to financial assets by the Board where there has been a significant increase in credit risk since the asset's initial recognition. Where the Board does not hold reasonable and supportable information to measure lifetime expected credit losses on an individual instrument basis, the losses are recognised on a collective basis which considers comprehensive credit risk information.

Recognition and measurement

Financial assets are recognised when the Board becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Board has transferred substantially all risks and rewards of ownership.

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

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Net Expenditure.

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

(b) Financial assets held at amortised cost

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of the asset.

(c) Financial assets held at fair value through other comprehensive income.

## **Financial Liabilities**

### Classification

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

- i. these are measured at fair value on a portfolio basis in accordance with a 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 costs basis.

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

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. The NHS Board does not trade in derivatives and does not apply hedge accounting.

(b) Financial liabilities held at amortised cost

Financial liabilities held at amortised cost are disclosed in current liabilities, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current liabilities. The NHS Board's financial liabilities held at amortised cost comprise trade and other payables in the Statement of Financial Position.

### Recognition and measurement

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

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

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

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

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

(b) Amortised costs

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

**24. Segmental reporting**

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

Operating segments are unlikely to directly relate to the analysis of expenditure shown in note 3.

**25. Cash and cash equivalents**

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

**26. Foreign exchange**

The functional and presentational currencies of the Board are sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction. Where the Board has assets or liabilities denominated in a foreign currency at the balance sheet date:

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

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the balance sheet 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.

## **27. Third party assets**

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

However, they are disclosed in note 25 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

## **28. Key sources of judgement**

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

The Board makes judgements in applying accounting policies. The Board has concluded that there are no critical judgements required by management in applying accounting policies that may have a significant effect on the amounts recognised in the financial statements.

## **29. Key sources of estimation uncertainty**

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

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

### Clinical and Medical Negligence Claims

The Board's accounting policy relating to the provision for clinical and medical negligence is described in section 18 above. The main elements of uncertainty relate to the timing of settlements which could be many years in the future, the probability of making a settlement and the value associated with these potential future settlements. The timing is based on an assessment made by the Board's litigation manager and financial controller at the end of each year. The assessment of probability is carried out by the Board's legal advisors, Central Legal Office (CLO) based on previous experience and records maintained on a national basis which is then reviewed by the litigation manager.

Estimated settlement values are based on initial claims received by the CLO and advised to the Board which are periodically updated by CLO using reports on expected Pursuer costs and cost of living indices.

The accounts contain a provision of £43,263,000 for negligence claims, with an offsetting debtor of £42,565,000 for reimbursement under CNORIS. There is also a provision of £44,270,000 in respect of the Board's liability from participating in CNORIS.

### Valuation of Land and Buildings

The value of land and buildings is based on a valuation provided by a professional valuer. A full revaluation of land and buildings is carried out each year.

The Board considers the revaluation of its property, plant and equipment to be a material estimation made by the District Valuer. The carrying amount of the Board's revalued property, plant and equipment is £382.8 million (2019/20: £397.3 million) for the year ended 31 March 2021. The Board commissioned a valuation for 31 March 2021 which was performed in January to March 2021.

## Note 2a Summary of Resource Outturn (SORO)

	Note	2021 £000
<b>Summary Of Core Revenue Resource Outturn</b>		
<b>Net Operating Costs</b>	<b>SoCNE</b>	<b>1,014,252</b>
Total Non-Core Expenditure (see below)		(24,017)
Family Health Services Non-Discretionary Allocation		(55,600)
Donated Assets Income	2a	423
Endowment Net Operating Costs		400
Associates and Joint Ventures accounted for on an equity basis		15,990
<b>Total Core Expenditure</b>		<b>951,448</b>
Core Revenue Resource Limit		951,990
<b>Saving against Core Revenue Resource Limit (RRL)</b>		<b>542</b>
<b>Summary Of Non-Core Revenue Resource Outturn</b>		
Capital Grants to Other Bodies		47
Depreciation / Amortisation		12,113
Annually Managed Expenditure - Impairments		1,450
Annually Managed Expenditure - Creation of Provisions		(582)
Annually Managed Expenditure - Depreciation of Donated Assets	2a	350
Additional SGHSCD non-core funding		5,900
IFRS PFI Expenditure		<u>4,739</u>
<b>Total Non-Core Expenditure</b>		<b>24,017</b>
Non Core Revenue Resource Limit		24,017
<b>Excess against Non Core Revenue Resource Limit (RRL)</b>		<b>-</b>

### Summary Resource Outturn

	Resource £000	Expenditure £000	Saving (Excess) £000
Core	951,990	951,448	542
Non-Core	<u>24,017</u>	<u>24,017</u>	-
<b>Total</b>	<b>976,007</b>	<b>975,465</b>	<b>542</b>

**Note 2b Notes to the Cash Flow Statement**

2020 £000		Note	2021 £000		
<b>Consolidated adjustment for non-cash transactions</b>					
14,719	Depreciation	7a	15,574		
330	Depreciation Donated Assets	7a	350		
356	Impairments on PPE charged to SOCNE		507		
(288)	Funding Of Donated Assets	7a	(423)		
-	Profit on disposal of property, plant and equipment		-		
(1,115)	Investment in IJB		(15,990)		
<b>14,002</b>	<b>Total Expenditure Not Paid In Cash</b>	<b>SoCCF</b>	<b>18</b>		
<b>Consolidated adjustment for non-cash transactions</b>					
<b>Interest payable</b>					
7,042	PFI Finance lease charges allocated in the year	18	7,022		
-	Other Finance lease charges allocated in the year		-		
<b>7,042</b>	<b>Total Interest Payable</b>		<b>7,022</b>		
<b>Consolidated movements in working capital</b>					
2020 £000		Note	2021 £000	2021 £000	2021 £000
<b>Inventories</b>					
(794)	Raw materials and Consumables	8	5,775	5,661	
<b>(794)</b>	<b>Net Increase (Decrease)</b>		5,775	5,661	<b>114</b>
<b>Trade and Other Receivables</b>					
(865)	Due within one year	9	27,799	27,339	
(484)	Due after more than one year	9	24,683	39,585	
		<b>SoCCF</b>	52,482	66,924	
<b>(1,349)</b>	<b>Net (Decrease)</b>				<b>(14,442)</b>
<b>Trade and Other Payables</b>					
6,479	Due within one year	12	78,180	118,421	
(2,847)	Due after more than one year	12	62,437	59,452	
-	Less: property, plant & equipment (capital) included in above		-	-	
-	Less: General Fund creditor included in above	12	(117)	(117)	
2,245	Less: lease and PFI creditors included in above	12	(64,433)	(61,784)	
		<b>SoCCF</b>	76,067	115,972	
<b>5,877</b>	<b>Net Increase</b>				<b>39,905</b>
<b>Provisions</b>					
11,522	Statement of Financial Position	13a	87,819	95,050	
		<b>SoCCF</b>	87,819	95,050	
<b>11,522</b>	<b>Net Increase</b>				<b>7,231</b>
<b>15,256</b>	<b>Net Increase</b>				<b>32,808</b>

### Note 3 Operating Expenses

2020 Consolidated		2021 Board	2021 Consolidated
£000		£000	£000
<b>Note 3a Staff Costs</b>			
95,584	Medical and Dental	99,218	99,218
203,160	Nursing	226,934	226,934
<u>160,759</u>	Other Staff	<u>183,392</u>	<u>183,392</u>
<b>459,503</b>	<b>Total Staff Costs</b>	<b>509,544</b>	<b>509,544</b>
Further detail and analysis of employee costs can be found in the Remuneration and Staff Report forming part of the Accountability Report.			
<b>Note 3b Other Operating Costs</b>			
<b>Independent Primary Care Services</b>			
63,943	General Medical Services	68,046	68,046
20,948	Pharmaceutical Services	25,121	25,121
28,397	General Dental Services	26,753	26,753
<u>8,201</u>	General Ophthalmic Services	<u>8,364</u>	<u>8,364</u>
<b>121,489</b>		<b>128,284</b>	<b>128,284</b>
<b>Drugs and Medical Supplies</b>			
80,132	Prescribed drugs Primary Care	82,535	82,535
39,832	Prescribed drugs Secondary Care	36,400	36,400
-	PPE and Testing Kits	10,189	10,189
<u>29,009</u>	Medical Supplies	<u>23,388</u>	<u>23,388</u>
<b>148,973</b>		<b>152,512</b>	<b>152,512</b>
<b>Other health care expenditure</b>			
508,472	Contribution to Integration Joint Boards	575,947	575,947
69,096	Goods and services from other NHS Scotland bodies	72,062	72,062
773	Goods and services from other UK NHS bodies	101	101
4,926	Goods and services from private providers	3,782	3,782
5,106	Goods and services from voluntary organisations	5,575	5,575
96,559	Other operating expenses (analysed in note 3c below)	98,557	98,557
165	External Auditor's remuneration - statutory audit fee	161	161
37	External Auditor's remuneration - IJB	42	42
<u>724</u>	Endowment Fund expenditure	-	<u>833</u>
<b>685,858</b>		<b>756,227</b>	<b>757,060</b>
<b>956,320</b>	<b>Other Operating Expenditure</b>	<b>1,037,023</b>	<b>1,037,856</b>

### Note 3c Analysis of Other Operating Expenses reported in note 3b above

2020 Consolidated			2021 Board	2021 Consolidated
£000	Other Operating Expenses reported above includes	Note	£000	£000
14,721	Depreciation on owned assets		15,575	15,575
2,000	Impairment of building assets		1,450	1,450
9,739	Utility and rates		10,164	10,164
10,818	PFI		11,053	11,053
2,416	CNORIS participation		3,590	3,590
8,034	Equipment and IT additions and maintenance		10,059	10,059
9,707	Hotel Services		9,655	9,655
<u>39,125</u>	Other		<u>37,011</u>	<u>37,011</u>
<b>96,559</b>	<b>Other operating expenses per note 3b above</b>	<b>SoCNE</b>	<b>98,557</b>	<b>98,557</b>



**Note 4 Operating Income**

<b>2020</b>		<b>2021</b>	<b>2021</b>
<b>Consolidated</b>		<b>Board</b>	<b>Consolidated</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>
25,891	Income from other NHS Scotland bodies	27,862	27,862
806	Income from NHS non-Scottish bodies	336	336
141	Income from private patients	20	20
441,443	Income for services commissioned by Integration Joint Board	464,939	464,939
4,924	Patient charges for primary care	677	677
288	Donations	2,893	2,893
43	Profit on disposal of assets	1,206	1,206
	<b>Non NHS:</b>		
31	Overseas patients (non-reciprocal)	21	21
1,039	Endowment Fund Income	-	1,233
<u>19,417</u>	Other	<u>17,971</u>	<u>17,971</u>
<b>494,023</b>	<b>Total Income</b>	<b>515,925</b>	<b>517,158</b>

**Note 5 Segmental Information**

	<b>Acute</b>	<b>East HSCP</b>	<b>North HSCP</b>	<b>South HSCP</b>	<b>Corporate</b>	<b>Group</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net operating cost</b>	383,976	239,515	111,433	140,508	138,820	<b>1,014,252</b>
<b>Net operating cost - prior year</b>	369,784	177,379	155,932	91,632	125,958	920,685

**Note 6 Intangible Assets (Non-Current) Consolidated Board**

	<b>2020</b>	<b>2021</b>
<b>Software Licences</b>	<b>£000</b>	<b>£000</b>
Cost or Valuation		
At 1st April	21	21
<b>At 31st March</b>	<b>21</b>	<b>21</b>
Amortisation		
At 1st April	21	21
<b>At 31st March</b>	<b>21</b>	<b>21</b>
Net Book Value		
At 1st April	0	0
<b>At 31st March</b>	<b>0</b>	<b>0</b>

**Note 7 a**

**Property, Plant and Equipment : Consolidated and Board**

	Land (inc under buildings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Assets Under Construction £000	Total 2021 £000
<b>Cost or valuation</b>									
At 31st March 2020	16,358	381,266	558	207	64,417	9,992	8,533	3,786	485,117
Additions Purchased	-	2,288	-	-	8,582	562	75	2,022	13,529
Additions Donated	-	-	-	-	423	-	-	-	423
Completions	-	3,176	-	-	-	-	-	(3,176)	-
Revaluation	71	(18,696)	(14)	-	-	-	-	-	(18,639)
Impairment Charge	-	(178)	-	-	-	-	-	(337)	(515)
Disposals Purchased	(1,050)	-	-	-	(1,641)	-	-	-	(2,691)
Disposals Donated	-	-	-	-	(36)	-	-	-	(36)
<b>At 31st March 2021</b>	<b>15,379</b>	<b>367,856</b>	<b>544</b>	<b>207</b>	<b>71,745</b>	<b>10,554</b>	<b>8,608</b>	<b>2,295</b>	<b>477,188</b>
<b>Depreciation</b>									
At 31st March 2020	-	895	-	207	48,708	6,123	7,217	-	63,150
Provided during the year Purchased	-	12,240	20	-	2,016	1,126	172	-	15,574
Provided during the year Donated	-	77	-	-	273	-	-	-	350
Revaluation	-	(12,247)	(20)	-	-	-	-	-	(12,267)
Impairment Charge	-	(8)	-	-	-	-	-	-	(8)
Disposals Purchased	-	-	-	-	(1,641)	-	-	-	(1,641)
Disposals Donated	-	-	-	-	(36)	-	-	-	(36)
<b>At 31st March 2021</b>	<b>-</b>	<b>957</b>	<b>-</b>	<b>207</b>	<b>49,320</b>	<b>7,249</b>	<b>7,389</b>	<b>-</b>	<b>65,122</b>
<b>Net book value at March 2020 (SoFP)</b>	<b>16,358</b>	<b>380,371</b>	<b>558</b>	<b>-</b>	<b>15,709</b>	<b>3,869</b>	<b>1,316</b>	<b>3,786</b>	<b>421,967</b>
<b>Net book value at March 2021</b>	<b>15,379</b>	<b>366,899</b>	<b>544</b>	<b>-</b>	<b>22,425</b>	<b>3,305</b>	<b>1,219</b>	<b>2,295</b>	<b>412,066</b>
Open Market Value of Land in Land and Dwellings included above	6,107	-	522	-	-	-	-	-	6,629
<b>Asset financing:</b>									
Owned - purchased	15,379	281,255	544	-	20,502	3,305	1,219	2,295	324,499
Owned - donated	-	2,936	-	-	1,923	-	-	-	4,859
Held on finance lease	-	1,306	-	-	-	-	-	-	1,306
On-balance sheet PFI contracts	-	81,402	-	-	-	-	-	-	81,402
<b>Net book value at March 2021</b>	<b>15,379</b>	<b>366,899</b>	<b>544</b>	<b>-</b>	<b>22,425</b>	<b>3,305</b>	<b>1,219</b>	<b>2,295</b>	<b>412,066</b>

**Note 7 a**

**(Prior Year)**

	Land (inc under buildings) £000	Buildings (excluding dwellings) £000	Dwellings £000	Transport Equipment £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Assets Under Construction £000	Total 2020 £000
<b>Cost or valuation</b>									
At 31st March 2019	16,235	365,800	548	207	61,170	8,390	8,106	1,752	462,208
Additions Purchased	-	1,353	-	-	3,837	1,602	427	4,286	11,505
Additions Donated	-	-	-	-	288	-	-	-	288
Completions	-	1,944	-	-	-	-	-	(1,944)	-
Revaluation	123	12,169	10	-	-	-	-	-	12,302
Impairment Charge	-	-	-	-	(98)	-	-	(308)	(406)
Disposals Purchased	-	-	-	-	(780)	-	-	-	(780)
Disposals Donated	-	-	-	-	-	-	-	-	-
<b>At 31st March 2020</b>	<b>16,358</b>	<b>381,266</b>	<b>558</b>	<b>207</b>	<b>64,417</b>	<b>9,992</b>	<b>8,533</b>	<b>3,786</b>	<b>485,117</b>
<b>Depreciation</b>									
At 31st March 2019	-	834	-	207	47,192	5,127	7,089	-	60,449
Provided during the year Purchased	-	11,481	20	-	2,094	996	128	-	14,719
Provided during the year Donated	-	78	-	-	252	-	-	-	330
Revaluation	-	(11,498)	(20)	-	-	-	-	-	(11,518)
Impairment Charge	-	-	-	-	(50)	-	-	-	(50)
Disposals Purchased	-	-	-	-	(780)	-	-	-	(780)
Disposals Donated	-	-	-	-	-	-	-	-	-
<b>At 31st March 2020</b>	<b>-</b>	<b>895</b>	<b>-</b>	<b>207</b>	<b>48,708</b>	<b>6,123</b>	<b>7,217</b>	<b>-</b>	<b>63,150</b>
<b>Net book value at March 2019 (SoFP)</b>	<b>16,235</b>	<b>364,966</b>	<b>548</b>	<b>-</b>	<b>13,978</b>	<b>3,263</b>	<b>1,017</b>	<b>1,752</b>	<b>401,759</b>
<b>Net book value at March 2020</b>	<b>16,358</b>	<b>380,371</b>	<b>558</b>	<b>-</b>	<b>15,709</b>	<b>3,869</b>	<b>1,316</b>	<b>3,786</b>	<b>421,967</b>
Open Market Value of Land in Land and Dwellings included above	7,136	-	522	-	-	-	-	-	7,658
<b>Asset financing:</b>									
Owned - purchased	16,358	290,369	558	-	13,936	3,869	1,316	3,786	330,192
Owned - donated	-	3,082	-	-	1,773	-	-	-	4,855
Held on finance lease	-	1,368	-	-	-	-	-	-	1,368
On-balance sheet PFI contracts	-	85,552	-	-	-	-	-	-	85,552
<b>Net book value at March 2020</b>	<b>16,358</b>	<b>380,371</b>	<b>558</b>	<b>-</b>	<b>15,709</b>	<b>3,869</b>	<b>1,316</b>	<b>3,786</b>	<b>421,967</b>

**Note 7 b. Assets held for Sale**

The NHS Board currently has no Assets Held for Sale.

**Note 7c. Property, Plant and Equipment Disclosures**

Consolidated 2020	Board 2020			Consolidated 2021	Board 2021
£000	£000		Note	£000	£000
417,112	417,112	Purchased	7a	407,207	407,207
<u>4,855</u>	<u>4,855</u>	Donated	7a	<u>4,859</u>	<u>4,859</u>
<b>421,967</b>	<b>421,967</b>	<b>Net book value of property, plant and equipment at 31 March</b>		<b>412,066</b>	<b>412,066</b>
<b>7,658</b>	<b>7,658</b>	<b>Net book value related to land valued at open market value at 31 March</b>		<b>6,629</b>	<b>6,629</b>
<b>25,392</b>	<b>25,392</b>	<b>Net book value related to buildings valued at open market value at 31 March</b>		<b>25,854</b>	<b>25,854</b>
		<b>Total value of assets held under:</b>			
1,368	1,368	Finance Leases		1,306	1,306
<u>85,552</u>	<u>85,552</u>	PFI and PPP Contracts		<u>81,402</u>	<u>81,402</u>
<b>86,920</b>	<b>86,920</b>			<b>82,708</b>	<b>82,708</b>
		<b>Total depreciation charged in respect of assets held under:</b>			
61	61	Finance leases		61	61
<u>3,068</u>	<u>3,068</u>	PFI and PPP contracts		<u>3,464</u>	<u>3,464</u>
<b>3,129</b>	<b>3,129</b>			<b>3,525</b>	<b>3,525</b>

All land and 100% of buildings were revalued by an independent valuer, The Valuation Office Agency, as at 31/03/2021 on the basis of fair value (market value or depreciated replacement costs where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was a decrease of £6.372m (2019-20: an increase of £23.820m) which was credited to the revaluation reserve. Impairment of £0.507m (2019-20: £0.356m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn

On a historic cost basis, the carrying value of land and buildings would be £267,463,000 (2019-20 £270,508,000).

**Note 7d Analysis of Capital Expenditure**

2020 £000			2021 £000
11,505	Acquisition of Property, plant and equipment	7a	13,529
<u>288</u>	Donated Asset Additions	7a	<u>423</u>
<b>11,793</b>	<b>Gross Capital Expenditure</b>		<b>13,952</b>
0	Net book value of disposal of property, plant and equipment		1,050
<u>288</u>	Donated Asset Income		<u>423</u>
<b>288</b>	<b>Capital Income</b>		<b>1,473</b>
<b>11,505</b>	<b>Net Capital Expenditure</b>		<b>12,479</b>
<b>Summary of Capital Resource Outturn</b>			
11,505	Core capital expenditure included above		12,479
<u>11,505</u>	Core Capital Resource Limit		<u>12,480</u>
<b>0</b>	<b>Excess against Core Capital Resource Limit (CRL)</b>		<b>(1)</b>
<b>11,505</b>	<b>Total Capital Expenditure</b>		<b>12,479</b>
<u>11,505</u>	Total Capital Resource Limit		<u>12,480</u>
<b>0</b>	<b>Saving against Total Capital Resource Limit</b>		<b>(1)</b>

**Note 8 Inventories**

Consolidated 2020 £000	Board 2020 £000		Consolidated 2021 £000	Board 2021 £000
<u>5,775</u>	<u>5,775</u>	Raw Materials and Consumables	<u>5,661</u>	<u>5,661</u>
<b>5,775</b>	<b>5,775</b>		<b>5,661</b>	<b>5,661</b>

**Note 9 Trade and Other Receivables**

<b>Consolidated 2020 £000</b>	<b>Board 2020 £000</b>		<b>Consolidated 2021 £000</b>	<b>Board 2021 £000</b>
		<b>Note</b>		
<u>1,010</u>	<u>1,010</u>	Boards	963	963
<b>1,010</b>	<b>1,010</b>	<b>NHS Scotland receivables due within one year</b>	<b>963</b>	<b>963</b>
187	187	NHS Non-Scottish Bodies	47	47
955	955	VAT recoverable	855	855
1,171	1,171	Prepayments	2,213	2,213
2,912	2,912	Accrued income	4,138	4,138
11,495	11,801	Other Receivables	16,143	16,143
<u>10,069</u>	<u>10,069</u>	Reimbursement of provisions	<u>2,980</u>	<u>2,980</u>
<b>26,789</b>	<b>27,095</b>	<b>Other receivables due within one year</b>	<b>26,376</b>	<b>26,376</b>
<b>27,799</b>	<b>28,105</b>	<b>Total receivables due within one year</b>	<b>27,339</b>	<b>27,339</b>
<u>24,683</u>	<u>24,683</u>	Reimbursement of Provisions	<u>39,585</u>	<u>39,585</u>
<b>24,683</b>	<b>24,683</b>	<b>Total Receivables due after more than one year</b>	<b>39,585</b>	<b>39,585</b>
<b>52,482</b>	<b>52,788</b>	<b>Total Receivables</b>	<b>66,924</b>	<b>66,924</b>
<b>58</b>	<b>58</b>	<b>Provision for impairment included above</b>	<b>91</b>	<b>91</b>
		<b>WGA Classification</b>		
1,010	1,010	NHS Scotland	963	963
266	266	Central Government Bodies	345	345
675	675	Whole of Government Bodies	1,225	1,225
187	187	Balances with NHS Bodies in England and Wales	47	47
<u>50,344</u>	<u>50,650</u>	Balances with bodies external to Government	<u>64,344</u>	<u>64,344</u>
<b>52,482</b>	<b>52,788</b>	<b>Total Current Receivables</b>	<b>66,924</b>	<b>66,924</b>
		<b>Movement on the provision for impairment of receivables:</b>		
58	58	At 1 April	58	58
0	0	Provision for impairment	33	33
<b>58</b>	<b>58</b>	<b>As at 31st March</b>	<b>91</b>	<b>91</b>

As of 31 March 2021, receivables with a carrying value of £91,000 (2019-20: £58,000) were impaired and provided for. The ageing of these receivables is as follows:

Consolidated 2020	Board 2020		Consolidated 2021	Board 2021
£000	£000	Note	£000	£000
0	0	3 to 6 months past due	0	0
58	58	Over 6 months past due	91	91
<b>58</b>	<b>58</b>	<b>As at 31st March</b>	<b>91</b>	<b>91</b>

The receivables assessed as individually impaired were mainly English NHS Trusts, overseas patients and private individuals and it was assessed that not all of the receivable balance may be recovered.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2021, receivables with a carrying value of £852,000 (2019-20: £819,000) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

173	173	Up to 3 months past due	259	259
225	225	3 to 6 months past due	182	182
421	421	Over 6 months past due	411	411
<b>819</b>	<b>819</b>	<b>As at 31st March</b>	<b>852</b>	<b>852</b>

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

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

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.

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

<b>819</b>	<b>819</b>	<b>Existing customers with no defaults in the past</b>	<b>852</b>	<b>852</b>
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The maximum exposure to credit risk is the fair value of each class of receivable.  
The NHS Board does not hold any collateral as security.

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

<b>52,482</b>	<b>52,788</b>	<b>Pounds</b>	<b>66,924</b>	<b>66,924</b>
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All non-current receivables are due within 5 years from the balance sheet date.

A single exception exists - 100% reimbursement due to NHS A&A equal to an annual payment by The Board of two Clinical Negligence settlements during the agreement period. This is identical to the comparator position for 2020

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

The fair value of long term other receivables is £ nil (2020-21 £ nil).

The effective interest rate on non-current other receivables is 0% (2020: 0%).  
Pension liabilities are discounted at -0.95% (2020: -0.50%).

**Note 10 Available for Sale Financial Assets**

Consolidated 2020 £000	Board 2020 £000		Note	Consolidated 2021 £000	Board 2021 £000
<u>7,817</u>		Other		<u>8,884</u>	
<b>7,817</b>	<b>-</b>	<b>Total Assets Available for Sale</b>	<b>SoFP</b>	<b>8,884</b>	<b>-</b>
8,456		At 1 April		7,817	
9,341		Additions		270	
(8,937)		Disposals		(933)	
<u>(1,043)</u>		Revaluation surplus / (deficit) transferred to equity		<u>1,730</u>	
<b>7,817</b>	<b>-</b>	<b>At 31 March</b>		<b>8,884</b>	<b>-</b>
<u>7,817</u>		Non-current	SoFP	<u>8,884</u>	
<b>7,817</b>	<b>-</b>	<b>At 31 March</b>		<b>8,884</b>	<b>-</b>

**Note 11. Cash and Cash Equivalents**

2020 £000		2021 £000
828	Balance at 1 April	234
<u>(594)</u>	Net change in cash and cash equivalent balances	<u>674</u>
<b>234</b>	Balance at 31 March	<b>908</b>
<b>234</b>	<b>Total Cash - Cash Flow Statement</b>	<b>908</b>
	The following balances at 31 March were held at:	
44	Government Banking Service	39
88	Commercial banks and cash in hand	93
<u>102</u>	Endowment cash	<u>776</u>
<b>234</b>	<b>Balance at 31 March</b>	<b>908</b>

**Note 12 Trade and Other Payables**

<b>Consolidated 2020</b>	<b>Board 2020</b>			<b>Consolidated 2021</b>	<b>Board 2021</b>
<b>£000</b>	<b>£000</b>		<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>5,075</b>	<b>5,075</b>	<b>NHS Scotland payables due within 1 year</b>	SFR 30.0	<b>4,959</b>	<b>4,959</b>
0	0	NHS Non-Scottish bodies	SFR 30.2	0	0
117	117	Amounts Payable to General Fund		117	117
23,967	23,967	FHS Practitioners		21,719	21,719
2,449	2,449	Trade Payables		5,452	5,452
25,278	25,278	Accruals		55,177	55,177
398	398	Deferred income		1,912	1,912
21	21	Net obligations under Finance Leases	17	23	23
2,728	2,728	Net obligations under PPP / PFI Contracts	18	3,058	3,058
8,637	8,637	Income tax and social security	SFR 30.1	9,900	9,900
7,118	7,118	Superannuation		8,005	8,005
654	654	Holiday Pay Accrual		6,894	6,894
1,738	1,616	Other payables		1,205	1,166
<b>73,105</b>	<b>72,983</b>	<b>Other payables due within one year</b>		<b>113,462</b>	<b>113,423</b>
<b>78,180</b>	<b>78,058</b>	<b>Total payables due within one year</b>	<b>SoFP</b>	<b>118,421</b>	<b>118,382</b>
23	23	Net obligations under Finance Leases due within 2 years	17	24	24
76	76	Net obligations under Finance Leases due after 2 years but within 5 years	17	80	80
112	112	Net obligations under Finance Leases due after 5 years	17	84	84
3,061	3,061	Net obligations under PPP / PFI Contracts due within 2 years	18	3,170	3,170
8,736	8,736	Net obligations under PPP / PFI Contracts due after 2 years but within 5 years	18	7,262	7,262
49,676	49,676	Net obligations under PPP / PFI Contracts due after 5 years	18	48,083	48,083
748	748	Deferred income		749	749
<b>62,432</b>	<b>62,432</b>	<b>Total payables due after more than one year</b>	<b>SoFP</b>	<b>59,452</b>	<b>59,452</b>
<b>140,612</b>	<b>140,490</b>	<b>Total payables</b>		<b>177,873</b>	<b>177,834</b>
<b>WGA Classification</b>					
5,075	5,075	NHS Scotland		4,959	4,959
15,755	15,755	Central Government bodies		17,905	17,905
119,787	119,665	Balances with bodies external to Government		155,009	154,970
<b>140,617</b>	<b>140,495</b>	<b>Total current liabilities</b>		<b>177,873</b>	<b>177,834</b>
<b>The carrying amount of receivables are denominated in the following currencies:</b>					
<b>140,617</b>	<b>140,495</b>	<b>Pounds</b>		<b>177,834</b>	<b>177,834</b>



**Note 13 a. Provisions - Consolidated and Board**

	<b>Pensions &amp; similar obligations</b>	<b>Clinical &amp; Medical Legal Claims against NHS Board</b>	<b>Participation in CNORIS</b>	<b>Other (non- endowment)</b>	<b>Total 2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 31st March 2020	7,628	35,845	44,326	20	87,819
Arising during the year	401	17,490	2,711	141	20,743
Utilised during the year	(564)	(4,097)	(2,767)	(54)	(7,482)
Unwinding of discount	-	-	-	-	-
Reversed unutilised	(47)	(5,975)	-	(8)	(6,030)
<b>At 31st March 2021</b>	<b>7,418</b>	<b>43,263</b>	<b>44,270</b>	<b>99</b>	<b>95,050</b>
The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Board are stated gross. The amount of any expected reimbursements are separately disclosed as receivables in note 9.					
Payable in one year	564	3,572	11,042	-	15,178
Payable between 1 - 5 years	2,256	27,996	26,903	-	57,155
Payable between 6 - 10 years	2,820	1,475	2,289	-	6,584
Thereafter	1,778	10,220	4,036	99	16,133
<b>At 31st March 2021</b>	<b>7,418</b>	<b>43,263</b>	<b>44,270</b>	<b>99</b>	<b>95,050</b>

**Note 13 a. Provisions - Consolidated and Board Prior Year**

	<b>Pensions &amp; similar obligations</b>	<b>Clinical &amp; Medical Legal Claims against NHS Board</b>	<b>Participation in CNORIS</b>	<b>Other (non- endowment)</b>	<b>Total 2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 31st March 2019	6,931	30,334	38,987	45	76,297
Arising during year	925	10,878	5,639	148	17,590
Utilised during year	(578)	(1,700)	(300)	(159)	(2,737)
Unwinding during year	475	-	-	-	475
Reversed unutilised	(125)	(3,667)	-	(14)	(3,806)
<b>At 31st March 2020</b>	<b>7,628</b>	<b>35,845</b>	<b>44,326</b>	<b>20</b>	<b>87,819</b>
Payable in one year	584	10,975	7,536	20	19,115
Payable between 1 - 5 years	2,336	17,430	26,596	-	46,362
Payable between 6 - 10 years	2,920	600	2,216	-	5,736
Thereafter	1,788	6,840	7,978	-	16,606
<b>At 31st March 2020</b>	<b>7,628</b>	<b>35,845</b>	<b>44,326</b>	<b>20</b>	<b>87,819</b>

**Pensions and similar obligations**

The Board meets the additional costs of benefits beyond the normal NHS Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the NHS Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury Discount Rate of -0.95% (-0.5% 2020) in real terms. The Board expects expenditure to be charged to this provision for a period of up to 37 years.

### Clinical & Medical Legal Claims against NHS Board

The Board holds a provision to meet costs of all outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who decide upon risk liability and likely outcomes of each case. The provision contains sums for settlement awards, legal expenses and third party costs. Clinical and medical negligence cases lodged can be extremely complex. It is expected that expenditure will be charged to this provision for a period of up to ten years. The amounts disclosed are stated gross and the amount of any expected reimbursements are shown separately as debtors in the notes to the accounts.

### Participation in CNORIS

The Board is required to participate in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) and the above provision relates to its share of future settlements. Further details are given in Note 13(b).

### Note 13 b. Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

		2020 £000	2021 £000
Provision recognising individual claims against the NHS Board as at 31 March	13a	35,845	43,263
Associated CNORIS receivable at 31 March	9	(34,752)	(42,565)
Provision recognising the NHS Board's liability from participating in the scheme	13a	44,326	44,270
<b>Net Total Provision relating to CNORIS at 31 March</b>		<b>45,419</b>	<b>44,968</b>

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

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

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

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

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

#### Note 14 Contingent Liabilities

The following contingent liabilities have not been provided for in the accounts;

2020 £000		2021 £000
17,563	Clinical and medical compensation payments	12,032
177	Employer's liability	194
30	Third party liability	345
50	Other - Girvan Groundwater Monitoring	250
<b>17,820</b>	<b>Total Contingent Liabilities</b>	<b>12,821</b>
16,582	Clinical and medical compensation payments	11,473
<b>16,582</b>	<b>Total Contingent Assets</b>	<b>11,473</b>

The contingent liability includes a number of claims for clinical negligence, employer's liability and third party liability against the Board, which have not been fully provided for in Note 13, and for which the Central Legal Office of the Scottish Government Health Directorates estimates that there is a medium or low risk of the Board having to make settlement.

The contingent asset reflects the corresponding entitlement to recover the costs of any claim settlement through the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) which is explained in more detail in Note 13 above.

#### Note 15 Events After the End of the Reporting Year

On 7 May 2021, the Health Board purchased all the shares in Cumnock Holdings SPV, which built and owns East Ayrshire Community Hospital under the Private Finance Initiative, and was due to run until August 2025. This secured the future availability of the hospital for the Health Board. The purchase price was £12 million.

**Note 16 Capital Commitments**

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

2020 £000		2021 £000
4,400	Ayrshire Central Hospital National Forensic Service in Scotland	8,600
463	Boardwide PACS/RICS	609
850	University Hospital Crosshouse Cardiology	-
200	Ayrshire Central Hospital CDU Steriliser Replacement Programme	200
150	Ailsa Elderly Mental Health Inpatients	-
<b>6,063</b>	<b>Total Capital Commitments</b>	<b>9,409</b>
2,500	Board wide Whole System Estate Plan	4,500
412	University Hospital Ayr Ophthalmology Outpatients	-
1,138	West of Scotland Regional Vascular Programme	62
-	UHC Ward 4 Upgrade	580
<b>4,050</b>	<b>Total Authorised but not Contracted</b>	<b>5,142</b>

**Note 17 Commitments Under Operating Leases**

Total future minimum payments under leases are stated below

2020 £000		2021 £000
10	Not later than one year	10
10	Later than one year, not later than 2 years	10
29	Later than two years, not later than five years	29
<u>36</u>	Later than five years	<u>26</u>
<b>85</b>	<b>Total Land</b>	<b>75</b>
<u>245</u>	Not later than one year	<u>289</u>
<b>245</b>	<b>Total Other</b>	<b>289</b>
245	Hire of equipment (including vehicles)	-
<u>51</u>	<u>Other operating leases</u>	<u>-</u>
<b>296</b>	<b>Total Amounts charged to Operating Costs in year</b>	<b>-</b>

**Commitments Under Finance Leases**

Total net obligation under finance leases is analysed in Note 12 Payables

33	Rentals due within one year	12	33
33	Rentals due between one and two years (inclusive)	12	33
99	Rentals due between two and five years (inclusive)	12	99
124	Rentals due after five years	12	91
<u>(57)</u>	<u>Less interest element</u>		<u>(45)</u>
<b>232</b>	<b>Total Finance Leases (Buildings)</b>		<b>211</b>

**Aggregate Rentals Receivable in the year**

<b>239</b>	<b>Total of finance &amp; operating leases</b>	<b>242</b>
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**Note 18 Commitments under PFI Contracts on Balance Sheet**

East Ayrshire Community Hospital (EACH) is situated in the town of Cumnock. The facility provides Inpatient Beds, Elderly Mental Ill and GP Acute, there are also day facilities for Frail Elderly Ill and Outpatient Clinics (including AHPs). The 25 year contract commenced in August 2000 and was due to be completed in August 2025.

On 7 May 2021, the Health Board purchased all the shares in Cumnock Holdings SPV, which built and owns East Ayrshire Community Hospital under the Private Finance Initiative. The purchase price was £12 million.

Ayrshire Maternity Unit (AMU) is adjoined to University Hospital Crosshouse in Kilmarnock. The facility provides Area Midwifery services for in-patients, day patients and out-patients. The 30 year contract commenced in July 2006 and will be completed in July 2036. At the end of the contract/concession period the building is available to transfer to the NHS at no additional cost.

Woodland View shares a site in Irvine with the Ayrshire Central Hospital. The building is financed through a Non-Profit Distributing (NPD) model and reached practical completion and handover on the 1st April 2016. The building provides a Mental Health and Frail Elderly Inpatient facility for Ayrshire. The 25 year contract commenced on the 1st April 2016 and will be completed on the 31st March 2041. At the end of the contract/concession period, the building will revert back to NHS ownership.

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:

2020		East Ayrshire Community Hospital	Ayrshire Maternity Unit	Woodland View	2021
£000		£000	£000	£000	£000
8,100	Rentals due within 1 year	2,186	1,778	4,078	8,042
8,032	Due within 1 to 2 years	1,785	1,895	4,081	7,761
21,032	Due within 2 to 5 years	1,768	5,357	12,260	19,385
88,383	Due after 5 years	-	20,627	61,767	82,394
<b>125,547</b>	<b>Gross Minimum Lease Payments</b>	<b>5,739</b>	<b>29,657</b>	<b>82,186</b>	<b>117,582</b>
	less				
(5,372)	Rentals due within 1 year	(580)	(1,276)	(3,128)	(4,984)
(4,971)	Due within 1 to 2 years	(296)	(1,240)	(3,055)	(4,591)
(12,296)	Due within 2 to 5 years	(223)	(3,230)	(8,670)	(12,123)
(38,707)	Due after 5 years	-	(9,785)	(24,526)	(34,311)
<b>(61,346)</b>	<b>Interest Element</b>	<b>(1,099)</b>	<b>(15,531)</b>	<b>(39,379)</b>	<b>(56,009)</b>
	giving	Note			
2,728	Rentals due within 1 year	12	1,606	950	3,058
3,061	Due within 1 to 2 years	12	1,489	655	3,170
8,736	Due within 2 to 5 years	12	1,545	2,127	7,262
49,676	Due after 5 years	12	-	10,842	48,083
<b>64,201</b>	<b>Present value of minimum lease payments</b>	<b>4,640</b>	<b>14,126</b>	<b>42,807</b>	<b>61,573</b>
3,870	Rentals due within 1 year	1,857	399	1,876	4,132
3,968	Due within 1 to 2 years	1,903	409	1,923	4,235
12,202	Due within 2 to 5 years	5,852	1,257	5,913	13,022
35,190	Due after 5 years	-	4,423	30,305	34,728
<b>55,230</b>	<b>Service elements due in future periods</b>	<b>9,612</b>	<b>6,488</b>	<b>40,017</b>	<b>56,117</b>
<b>119,431</b>	<b>Total Commitments</b>	<b>14,252</b>	<b>20,614</b>	<b>82,824</b>	<b>117,690</b>

Note

<b>7,042</b>	<b>Interest charges</b>	<b>2</b>	<b>7,022</b>
<b>193</b>	<b>Contingent rents (included in Other charges)</b>		<b>245</b>

## Note 19 Pension Costs

### The New NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2020-21 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment. All members will move to this scheme in April 2022.

### The existing NHS Superannuation Scheme (Scotland)

This scheme closed to new joiners on 31 March 2015 but any benefits earned in either NHS 1995 or NHS 2008 sections are protected and will be paid at the section's normal pension age using final pensionable pay when members leave or retire. Following a successful legal action (McCloud) against age discrimination all members of the NHS 1995 and NHS 2008 sections who joined before April 2012 will be given the choice on retirement whether pensions accrued between April 2015 and April 2022 should be with the 2015 scheme or legacy scheme.

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

Further information is available on the Scottish Public Pensions Agency (SPPA) web site at [www.sppa.gov.uk](http://www.sppa.gov.uk).

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £6,240 up to £50,000, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

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.

	2020 £000	2021 £000
Pension cost charge for the year	60,067	64,596
Additional Costs arising from early retirement	578	564
Provisions / Liabilities / Pre-payments included in the Balance Sheet	1,386	1,286
Pension costs for the year for staff transferred from local authority	-	-

**Note 20 Financial Instruments - Financial Assets and Liabilities**

2020		Note	Loans and Receivables £000	Available for sale £000	2021 £000
£000	Financial Assets - Consolidated				
7,817	Investments	10	8,884		8,884
14,594	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	20,328		20,328
234	Cash and cash equivalents	11	908		908
<b>22,645</b>	<b>Financial Assets per Balance Sheet</b>		<b>30,120</b>	<b>-</b>	<b>30,120</b>
	<b>Financial Assets - Board</b>				
14,900	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	14,594		14,594
132	Cash and cash equivalents	11	132		132
<b>15,032</b>	<b>Financial Assets per Balance Sheet</b>		<b>14,726</b>	<b>-</b>	<b>14,726</b>

2020 £000	Financial Liabilities - Consolidated	Note		2021 £000
232	Finance lease liabilities	12	211	211
64,201	PFI Liabilities	12	61,573	61,573
54,208	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	90,564	90,564
<b>118,641</b>	<b>Financial Liabilities per Balance Sheet</b>		<b>152,348</b>	<b>152,348</b>
	<b>Financial Liabilities - Board</b>			
232	Finance lease liabilities	12	211	211
64,201	PFI Liabilities	12	61,573	61,573
54,086	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	90,564	90,564
<b>118,519</b>	<b>Financial Liabilities per Balance Sheet</b>		<b>152,348</b>	<b>152,348</b>

**Note 20 b Financial Risk Factors**

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

Credit Risk The possibility that other parties might fail to pay amounts due.

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

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

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

**Credit Risk**

Credit risk arises from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and other institutions, only independently rated parties with an minimum rating of 'A' are accepted. Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the NHS Board.

The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the reporting period and no losses are expected from non-performance by any counterparties in relation to deposits.

### Liquidity Risk

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

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Liquidity	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31st March 2021	£000	£000	£000	£000
PFI Liabilities	3,058	3,170	7,262	48,083
Finance lease liabilities	23	24	80	84
<b>Total</b>	<b>3,081</b>	<b>3,194</b>	<b>7,342</b>	<b>48,167</b>
<b>At 31st March 2020</b>				
PFI Liabilities	2,728	3,061	8,736	49,676
Finance lease liabilities	21	23	76	112
<b>Total</b>	<b>2,749</b>	<b>3,084</b>	<b>8,812</b>	<b>49,788</b>

### Market Risk

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

#### i. Cash flow and fair value interest rate risk

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

#### ii. Foreign Currency and Price Risks

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

### Note 20 b Fair Value Estimation

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current HM Treasury interest rate that is available for similar financial instruments.

### Note 21 Derivative Financial Instruments - Consolidated and Board

There are no derivative financial instruments in 2020-21 or prior years.

### Note 22 Related Party Transactions

Ayrshire and Arran Endowment Funds are managed by Trustees who are also Directors of the Board (as notified in the Remuneration report) and is therefore a related party. During the year the Board made payments to Endowments of £259,000 (2019/20 £20,000) and received payments from Endowments of £851,000 (2019/20 £811,000) with a balance of £63,000 (2019/20 £320,000) due to the Board outstanding at year end.

East Ayrshire Integration Joint Board (IJB) is a related party of NHS Ayrshire and Arran. During the year the Board received payments from the IJB of £152,761,000 (2019/20 £181,391,000), and made payments to the IJB of £188,294,000 (2019/20 £168,529,000). There is an outstanding balance of £7,730,000 at the year end (2019/20 £2,642,000), being the Board's share of the IJB surplus.

North Ayrshire Integration Joint Board (IJB) is a related party of NHS Ayrshire and Arran. During the year the Board received payments from the IJB of £169,549,000 (2019/20 £164,856,000), and made payments to the IJB of £209,018,000 (2019/20 £186,462,000). There is an outstanding balance of £3,255,000 at the year end (2019/20 £2,544,000 deficit), being the Board's share of the IJB surplus.

South Ayrshire Integration Joint Board (IJB) is a related party of NHS Ayrshire and Arran. During the year the Board received payments from the IJB of £142,629,000 (2019/20 £95,196,000), and made payments to the IJB of £178,635,000 (2019/20 £153,480,000). There is an outstanding balance of £5,309,000 at the year end (2019/20 £206,000), being the Board's share of the IJB surplus.

The Scottish Government is a related party, with the Health Board's funding being provided by the Scottish Government, and the Health Board accounts being consolidated into the government accounts. In 2020/21, the total revenue resource limit received from the Scottish Government was £968,288,000 (2019/20 £872,763,000), and the total capital resource limit received was £12,480,000 (2019/20 £11,505,000).



**Note 23**

**Third Party Assets**

These are not departmental assets and are not included in the accounts. The assets held at the reporting period date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit, and listed securities. They are set out in the table immediately below.

	2020	Gross Inflows	Gross Outflows	2021
	£000	£000	£000	£000
Monetary amounts such as bank balances and monies on deposit	622	375	(571)	425

**Note 24 a Consolidated Statement of Comprehensive Net Expenditure**

2020 Group		2021 Board	2021 Endowment	2021 East Health & Social Care Partnership	2021 North Health & Social Care Partnership	2021 South Health & Social Care Partnership	2021 Group
£000	Note	£000	£000	£000	£000	£000	£000
459,503	Staff costs	3a	509,544	-	-	-	509,544
121,489	Independent Primary Care Services	3b	128,284	-	-	-	128,284
148,973	Drugs and medical supplies		152,512	-	-	-	152,512
685,858	Other health care expenditure		756,227	833	-	-	757,060
<b>1,415,823</b>	<b>Gross expenditure for the year</b>		<b>1,546,567</b>	<b>833</b>	<b>-</b>	<b>-</b>	<b>1,547,400</b>
(494,023)	Less: operating income	4	(515,925)	(1,233)	-	-	(517,158)
(1,115)	Associates and joint ventures accounted for on an equity basis		-	-	(5,088)	(5,799)	(15,990)
<b>920,685</b>	<b>Net expenditure for the year</b>		<b>1,030,642</b>	<b>(400)</b>	<b>(5,088)</b>	<b>(5,799)</b>	<b>1,014,252</b>
<b>Other Comprehensive Net Expenditure</b>							
(23,820)	Net gain on revaluation of Property Plant		6,372	-	-	-	6,372
1,043	Net gain on revaluation of available for sales financial assets		-	(1,730)	-	-	(1,730)
<b>(22,778)</b>	<b>Other Comprehensive Expenditure</b>		<b>6,372</b>	<b>(1,730)</b>	<b>-</b>	<b>-</b>	<b>4,642</b>
<b>897,907</b>	<b>Comprehensive Net Expenditure</b>		<b>1,037,014</b>	<b>(2,130)</b>	<b>(5,088)</b>	<b>(5,799)</b>	<b>1,018,894</b>

**Note 24 b Consolidated Statement of Financial Position**

2020 Group			2021 Board	2021 Endowment	2021 Intergroup Adjustment	2021 East Health & Social Care Partnership	2021 North Health & Social Care Partnership	2021 South Health & Social Care Partnership	2021 Group
£000			£000	£000	£000	£000	£000	£000	£000
421,967	Property, plant and equipment	7a	412,066	-	-	-	-	-	412,066
	Financial assets:								
7,817	Available for sale financial assets	10a	-	8,884	-	-	-	-	8,884
2,848	Investments in associates and joint ventures		-	-	2,848	5,088	3,255	5,103	16,294
<u>24,683</u>	Trade and other receivables	9	<u>39,585</u>	-	-	-	-	-	<u>39,585</u>
<b>457,315</b>	<b>Total non-current assets</b>		<b>451,651</b>	<b>8,884</b>	<b>2,848</b>	<b>5,088</b>	<b>3,255</b>	<b>5,103</b>	<b>476,829</b>
5,775	Inventories	8	5,661	-	-	-	-	-	5,661
	Financial assets:								
27,799	Trade and other receivables	9	27,339	63	(63)	-	-	-	27,339
<u>234</u>	Cash and cash equivalents	11	<u>132</u>	<u>776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>908</u>
<b>33,808</b>	<b>Total current assets</b>		<b>33,132</b>	<b>839</b>	<b>(63)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,908</b>
<b>491,123</b>	<b>Total assets</b>		<b>484,783</b>	<b>9,723</b>	<b>2,785</b>	<b>5,088</b>	<b>3,255</b>	<b>5,103</b>	<b>510,737</b>
(19,115)	Provisions	13a	(15,178)	-	-	-	-	-	(15,178)
	Financial liabilities:								
<u>(78,180)</u>	Trade and other payables	12	<u>(118,382)</u>	<u>(102)</u>	<u>63</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,421)</u>
<b>(97,295)</b>	<b>Total current liabilities</b>		<b>(133,560)</b>	<b>(102)</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(133,599)</b>
<b>393,828</b>	<b>Non-current assets less net current liabilities</b>		<b>351,223</b>	<b>9,621</b>	<b>2,848</b>	<b>5,088</b>	<b>3,255</b>	<b>5,103</b>	<b>377,138</b>
(68,704)	Provisions	13a	(79,872)	-	-	-	-	-	(79,872)
	Financial liabilities:								
(62,437)	Trade and other payables	12	(59,452)	-	-	-	-	-	(59,452)
<u>(2,544)</u>	Liabilities in associate and joint ventures		<u>-</u>	<u>-</u>	<u>(2,544)</u>	<u>-</u>	<u>2,544</u>	<u>-</u>	<u>-</u>
<b>(133,685)</b>	<b>Total non-current liabilities</b>		<b>(139,324)</b>	<b>-</b>	<b>(2,544)</b>	<b>-</b>	<b>2,544</b>	<b>-</b>	<b>(139,324)</b>
<b>260,143</b>	<b>Assets less liabilities</b>		<b>211,899</b>	<b>9,621</b>	<b>304</b>	<b>5,088</b>	<b>5,799</b>	<b>5,103</b>	<b>237,814</b>
	<b>Taxpayers' Equity</b>								
125,569	General fund	SoCTE	96,540	-	-	-	-	-	96,540
126,779	Revaluation reserve	SoCTE	115,359	-	-	-	-	-	115,359
<u>304</u>	Other reserves - associates and joint ventu	SoCTE	<u>-</u>	<u>-</u>	<u>304</u>	<u>5,088</u>	<u>5,799</u>	<u>5,103</u>	<u>16,294</u>
7,491	Fund held on Trust	SoCTE	-	9,621	-	-	-	-	9,621
<b>260,143</b>	<b>Total taxpayers' equity</b>		<b>211,899</b>	<b>9,621</b>	<b>304</b>	<b>5,088</b>	<b>5,799</b>	<b>5,103</b>	<b>237,814</b>

**Note 24 b Consolidated Statement of Financial Position - Prior Year**

2019 Group			2020 Board	2020 Endowment	2020 Intergroup Adjustment	2020 East Health & Social Care Partnership	2020 North Health & Social Care Partnership	2020 South Health & Social Care Partnership	2020 Group
£000			£000	£000	£000	£000	£000	£000	£000
395,829	Property, plant and equipment	7a	421,967	-	-	-	-	-	421,967
	Financial assets:								
10,086	Available for sale financial assets	10	-	7,817	-	-	-	-	7,817
943	Investments in associates and joint ventures		-	-	1,621	1,021	-	206	2,848
44,578	Trade and other receivables	9	24,683	-	-	-	-	-	24,683
<b>451,436</b>	<b>Total non-current assets</b>		<b>446,650</b>	<b>7,817</b>	<b>1,621</b>	<b>1,021</b>	<b>-</b>	<b>206</b>	<b>457,315</b>
4,090	Inventories	8	5,775	-	-	-	-	-	5,775
	Financial assets:								
14,318	Trade and other receivables	9	28,105	14	(320)	-	-	-	27,799
540	Cash and cash equivalents	11	132	102	-	-	-	-	234
25	Assets classified as held for sale	7b	-	-	-	-	-	-	-
<b>18,973</b>	<b>Total current assets</b>		<b>34,012</b>	<b>116</b>	<b>(320)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,808</b>
<b>470,409</b>	<b>Total assets</b>		<b>480,662</b>	<b>7,933</b>	<b>1,301</b>	<b>1,021</b>	<b>-</b>	<b>206</b>	<b>491,123</b>
(12,214)	Provisions	13a	(19,115)	-	-	-	-	-	(19,115)
	Financial liabilities:								
(54,076)	Trade and other payables	12	(78,058)	(442)	320	-	-	-	(78,180)
<b>(66,290)</b>	<b>Total current liabilities</b>		<b>(97,173)</b>	<b>(442)</b>	<b>320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(97,295)</b>
<b>404,119</b>	<b>Non-current assets less net current liabilities</b>		<b>383,489</b>	<b>7,491</b>	<b>1,621</b>	<b>1,021</b>	<b>-</b>	<b>206</b>	<b>393,828</b>
(82,409)	Provisions	13a	(68,704)	-	-	-	-	-	(68,704)
	Financial liabilities:								
(69,653)	Trade and other payables	12	(62,437)	-	-	-	-	-	(62,437)
(1,623)	Liabilities in associate and joint ventures		-	-	(2,432)	-	(112)	-	(2,544)
<b>(153,685)</b>	<b>Total non-current liabilities</b>		<b>(131,141)</b>	<b>-</b>	<b>(2,432)</b>	<b>-</b>	<b>(112)</b>	<b>-</b>	<b>(133,685)</b>
<b>250,434</b>	<b>Assets less liabilities</b>		<b>252,348</b>	<b>7,491</b>	<b>(811)</b>	<b>1,021</b>	<b>(112)</b>	<b>206</b>	<b>260,143</b>
	<b>Taxpayers' Equity</b>								
149,186	General fund	SoCTE	125,569	-	-	-	-	-	125,569
90,882	Revaluation reserve	SoCTE	126,779	-	-	-	-	-	126,779
-680	Other reserves - associates and joint ventu	SoCTE	-	-	(811)	1,021	(112)	206	304
11,046	Fund held on Trust	SoCTE	-	7,491	-	-	-	-	7,491
<b>250,434</b>	<b>Total taxpayers' equity</b>		<b>252,348</b>	<b>7,491</b>	<b>(811)</b>	<b>1,021</b>	<b>(112)</b>	<b>206</b>	<b>260,143</b>

**Note 24 c Consolidated Statement of Cash Flows**

2020 Group		2021 Board	2021 Endowment	2021 East Health & Social Care	2021 North Health & Social Care	2021 South Health & Social Care	2021 Group
£000		£000	£000	£000	£000	£000	£000
(920,685)	Net operating cost	(1,030,642)	400	5,088	5,799	5,103	(1,014,252)
14,003	Adjustments for non-cash transactions	16,008	-	(5,088)	(5,799)	(5,103)	18
7,042	Add back: interest payable recognised in net operating cost	7,022	-	-	-	-	7,022
(347)	Deduct: interest receivable recognised in net operating cost	-	(322)	-	-	-	(322)
<u>15,256</u>	Movements in working capital	<u>33,197</u>	<u>(389)</u>	-	-	-	<u>32,808</u>
<b>(884,731)</b>	<b>Net cash outflow from operating activities</b>	<b>(974,415)</b>	<b>(311)</b>	-	-	-	<b>(974,726)</b>
<b>Cash flows from investing activities</b>							
(11,505)	Purchase of property, plant and equipment	(13,529)	-	-	-	-	(13,529)
(9,341)	Investment Additions	-	(270)	-	-	-	(270)
-	Transfer of assets to/(from) other NHS bodies	6,452	-	-	-	-	6,452
-	Proceeds of disposal of property, plant and equipment	1,050	-	-	-	-	1,050
8,937	Receipts from sale of investments	-	933	-	-	-	933
<u>347</u>	Interest received	<u>-</u>	<u>322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>322</u>
<b>(11,562)</b>	<b>Net cash outflow from investing activities</b>	<b>(6,027)</b>	<b>985</b>	-	-	-	<b>(5,042)</b>
<b>Cash flows from financing activities</b>							
904,986	Funding	990,113	-	-	-	-	990,113
(2,245)	Capital element of payments in respect of finance leases on-balance sheet PFI contracts	(2,649)	-	-	-	-	(2,649)
<u>(7,042)</u>	Interest element of finance leases and on-balance sheet PFI/PPP contracts	<u>(7,022)</u>	-	-	-	-	<u>(7,022)</u>
<b>895,699</b>	<b>Net Financing</b>	<b>980,442</b>	-	-	-	-	<b>980,442</b>
(594)	Net Increase in cash and cash equivalents in the period	-	674	-	-	-	674
<u>828</u>	Cash and cash equivalents at the beginning of the period	<u>132</u>	<u>102</u>	-	-	-	<u>234</u>
<b>234</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>132</b>	<b>776</b>	-	-	-	<b>908</b>
Reconciliation of net cash flow to movement in net debt/cash							
(594)	Increase / (decrease) in cash in year	-	674	-	-	-	674
828	Net debt / cash at 1 April	132	102	-	-	-	<u>234</u>
<b>234</b>	<b>Net cash at 31 March</b>	<b>132</b>	<b>776</b>	-	-	-	<b>908</b>

## Direction by the Scottish Ministers



### Ayrshire and Arran Health Board

#### DIRECTION BY THE SCOTTISH MINISTERS

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

  
Signed by the authority of the Scottish Ministers

Dated 10/2/2006