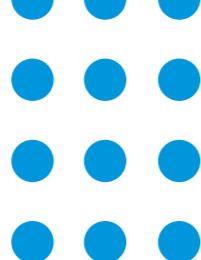


Annual Report & Accounts

for the Year
to 31 March 2020



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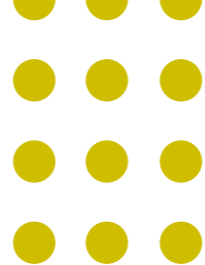
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Part A

Performance Report

Chief Executive's Statement



I am delighted to present this Annual Report to you which details some of NHS National Services Scotland's achievements during the year. These successes have been delivered while also addressing ongoing financial challenges and latterly responding to the COVID-19 pandemic, which has stretched every part of the NHS.



Colin Sinclair
Chief Executive

Under normal circumstances, I'd be pleased to report that NSS has had an excellent year and delivered against its key operational and financial targets.



This level of success is due to the commitment, skill and hard work of our staff."

This, however, has not been a normal year. Over the final three months of 2019/20, NSS has played a critical role in meeting the challenges of COVID-19. I'd like to say a big thank you to both our staff and those key stakeholders with whom we work closely, who have made this possible. Our success is due to the commitment, skill and hard work of NSS staff who have gone above and beyond across the range of our activities. Many contingencies have had to be planned for and your unwavering dedication, resilience and fortitude has been exceptional.

Over and above our COVID response, I'm pleased to say that we have delivered 92% of the measures in our Operational Delivery Plan with Scottish Government. Targets have been exceeded across our services, including decontamination, primary care payments, national contracts and fraud prevention.

Our vision is for NSS to be integral to a world-leading health and care service in Scotland and to provide solutions that support health and wellbeing across the country. I believe this report, through our performance, demonstrates how we have achieved our vision and purpose. Most importantly, we've been true to our values.

Our integral role in care

This Performance Report lays out our key achievements. I would particularly like to highlight our impact on health, through vaccine programmes, cancer screening and the supply of blood. Our financial impact is evident through procurement savings, cash releasing efficiencies and our very effective payment service to primary and community care. NSS has supported our colleagues in the NHS and increasingly in social care through our range of services and I know we're integral to their delivery of patient and citizen care.

Valuing our colleagues

Our success is built on a strong foundation of partnership working with our colleagues in the Trade Unions and staff directly. We've focused on strong engagement with our staff and this has underpinned everything we've achieved, as demonstrated clearly by the response to COVID-19.

Issues concerning bullying have arisen in the NHS during the past year and the importance of equality for all members of staff has been further emphasised. NSS is intent on learning lessons and ensuring the organisation is a great place to work.

Helped create Public Health Scotland

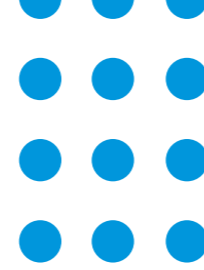
We have had significant achievements during the year and would highlight our support in the establishment of Public Health Scotland on 1 April 2020. We supported the creation of this new public health body, by successfully transferring key public health services, provided by Information Services Division (ISD) Scotland and Health Protection Scotland (HPS). We also agreed to provide a range of shared services, enabling them to focus on Scotland's public health priorities.

Addressing wide ranging issues

As well as the performance outlined in this report, NSS has played a significant role in a range of contingency issues across NHSScotland during this year. Support in responding to the threat of COVID-19 covered the full range of our services, from blood and blood products and being integral to the establishment of the Louisa Jordan Hospital to infection control support and issuing letters to shielded patients. Lastly, but by no means least, we played a major part in the supply of PPE to NHSScotland and Scotland's social care system.

Clearly COVID-19 was the biggest challenge the organisation faced, but we also responded to Brexit, ensured continuity of delivery of clinical waste services, supported Greater Glasgow and Clyde on Infection Control issues and worked closely with NHS Lothian on the challenges with the Royal Hospital for Children and Young People.

Chief Executive's Statement (cont)



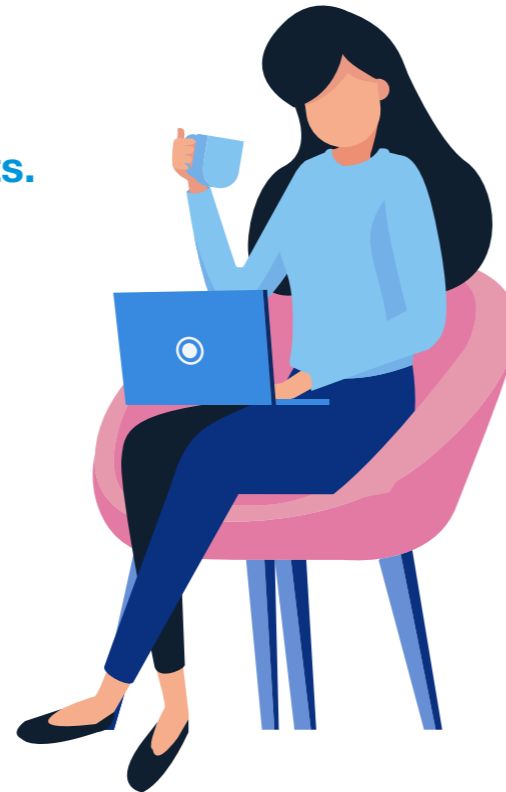
NSS has a well-deserved reputation for creative and solution-focused approaches. Equally it provides a raft of support services across the NHS. The expertise of our staff and the relationship with our stakeholders has ensured 2019 to 2020 was a very positive year despite the impact of COVID-19.

There will also be many positive lessons to take forward from the pandemic. In 2020/21 NSS has continued its COVID-19 response and we will be increasingly involved in future resilience planning and operations of behalf of NHSScotland. COVID-19 has highlighted the need to provide digital infrastructure to support new ways of working; and addressing sustainability and the climate emergency will continue to be key priorities.

We will continue to work closely with our partners to ensure they can safely deliver the services that allow them to care for the people of Scotland in these difficult times.

NSS met 92% of its performance targets. Find out more about our targets and achievements on pages 14 and 15.

There's been no shortage of activity throughout the year. See some of our highlights on pages 16 and 17.



People are often surprised by the breadth of work we are involved in. You can read a selection of our case studies on pages 18 – 21.

More are on our website
nhsnss.org/how-nss-works/case-studies-supporting-scotland-s-health/
 and our YouTube channel
www.youtube.com/channel/UC0K5jObh0e-3HQ9fLXFy4iw/videos

Meet the Chair



We're really pleased to welcome our new Chair, Keith Redpath who joined us on 1 August 2019.

In my role as Chair of the Board, I'm pleased to present this annual report which outlines how we've delivered our financial and non-financial objectives for 2019/20.

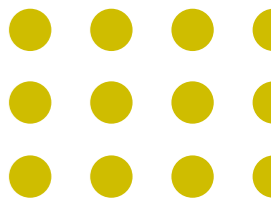
As Chair, I am accountable to Scottish Ministers for leading the NSS Board to deliver our strategic objectives to support the improvement and sustainability of the NHS and social care system across Scotland and contribute to improving the health of our population.

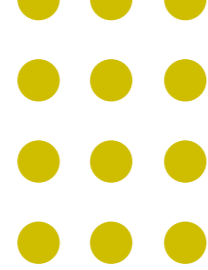
The NSS Board is responsible for scrutinising and approving major strategic decisions and performance of the organisation, while ensuring all governance processes are as open, transparent and accountable as possible and support the delivery of effective services for patients and stakeholders throughout the NHS and care system in Scotland.

In my first year as Chair I've seen the tremendous work carried out by our teams to support health and wellbeing across the country. None of us could have predicted how events which began in early 2020 would transform our day to day operations, but I think it's fair to say that the role we've played during these times has highlighted how absolutely fundamental NSS is to the delivery of health and social care across Scotland.

Partnership working is at the heart of everything we do here at NSS – whether it's supporting our colleagues in Boards, in the social care sector, government and the third sector – we're an organisation that puts genuine collaboration at the heart of everything that we do. We've ably demonstrated our agility, responsiveness and ability to meet the challenges we face head on – and with determination and creativity. My thanks to everyone at NSS for their exceptional contribution during 2019/20.

This report can only provide a high-level overview of the activity undertaken during this year – but I hope it provides a flavour of our key achievements and highlights. I hope that you enjoy reading our new-look report and finding out how we're supporting Scotland's NHS to improve the health and wellbeing of the people of Scotland.





Our Strategy

Our purpose

“ We provide national solutions to improve the health and wellbeing of the people of Scotland”



Our vision

To be integral to a world-leading health and care service.

Our values

- Respect and care
- Excel and improve
- Integrity
- Openness
- Customer focus
- Committed to each other

Great values underpin great delivery.

Our approach

Our approach defines where our stakeholders need us to prioritise our efforts:

Our focus over the next 5 years is on harnessing the wide-ranging skills and expertise NSS has to deliver national infrastructure solutions and services that create better health, better care and better value for Scotland.

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

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

2. **Underpinning** NHSScotland with excellent services.

By connecting with partners and stakeholders in other organisations involved in health and care, we can ensure our services support national, regional and local initiatives.

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

Our objectives

Customers at the heart

Increasing our service impact

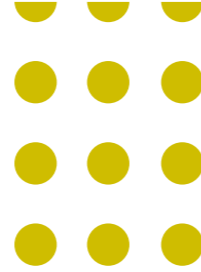
Improving the way we do things

Great place to work

To be successful we recognise the need to focus on our customers, our staff and improving and increasing the impact of our services.



Purpose and Activities of NSS



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

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

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

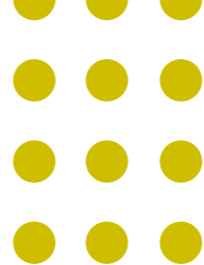
Key Facts 2019-20

Budget	£797.8m
Workforce	3605
Sites	24
Locations	Edinburgh, Glasgow, Aberdeen, Inverness, Dundee and Livingston
Savings for the NHS	£60m savings of goods and services
Supporting the NHS	Over 2.4m people protected by vaccine programmes
	1.6m people screened for cancer
	174k blood components supplied to the NHS
	£1.4bn managed goods and services contracts
	£2.7bn payments to GPs, Dentists, Pharmacists and Ophthalmologists
Resource efficiency	31 Integration Authorities supported by Local Intelligence Support Teams
	£19.3m in cash-release efficiency savings
	99.9% accuracy of all primary care contractor payments
	Reducing financial crime in NHSScotland by £2.4m

Underpinning NHSScotland with Excellent Services



Services Delivered in 2019/20



Digital and security

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

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



Primary care support

We provide services on behalf of Health Boards to support General Practitioners, Dentists, Opticians, Community Pharmacies and Dispensing Contractors delivering primary care across Scotland.

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



Health protection*

We bring together specialists to translate information into evidence for action to protect and improve the health and wellbeing of the people of Scotland.

We develop service user level activity data into information and intelligence to support the delivery and planning of health and social care services.

Intelligence is gathered from a broad range of sources to provide national level advice and leadership to protect the people of Scotland from infectious disease and environmental threats.

*Part of Public Health Scotland from 1 April 2020



Specialist healthcare commissioning

National Services Division commissions a range of specialist and rare condition treatments supporting NHSScotland to ensure equitable and affordable access to these when needed.

We also co-ordinate a range of cancer, pregnancy & newborn screening programmes, support the growing development of national clinical networks and host the national planning function, looking at how NHSScotland will deliver its services in the future.



Health facilities

Health Facilities Scotland provides a range of specialist and technical services supporting NHSScotland's built environment.

From capital projects & engineering advice to equipment provision & facilities management, we work to ensure NHSScotland estates and facilities are as effective, efficient, sustainable and safe as possible.



Information and intelligence

We ensure data is of a high quality and consistency. We develop data sets and provide analysis to support transformation of information into intelligence.



Legal

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

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



Programme management

Programme Management Services (PgMS) are a national delivery provider of Programme Assurance, Portfolio Management, Programme and Project Delivery and Transformation Support Services. We support the delivery of complex and challenging change programmes designed to deliver strategic goals.



Blood, tissues and cells

The Scottish National Blood Transfusion Service provides blood, tissues and cells to NHSScotland, ensuring they're available countrywide, 24 hours a day, every day of the year.

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

We also provide transfusion related training and support.



Procurement

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



Fraud prevention

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

We're also responsible for checking patient exemptions in respect of NHSScotland patient charges and collecting payments for incorrectly claimed exemptions.

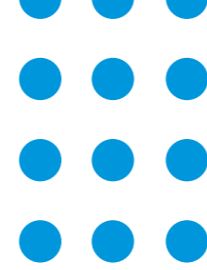


Logistics

We offer expert logistics services including distribution, supply chain and warehouse operations, fleet management and ward product management.

Our Performance

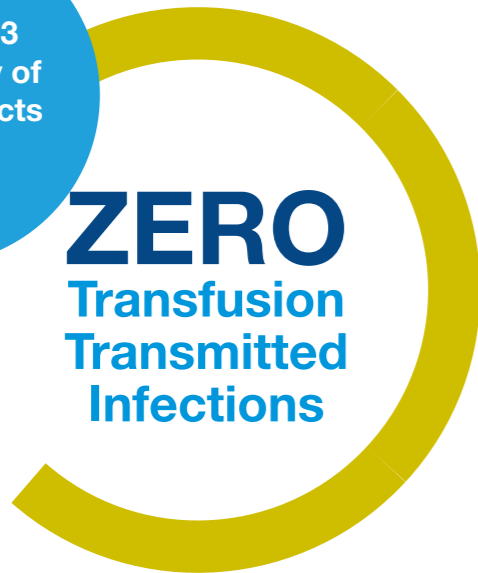
NHS NSS met expectation in achieving 92% of the 60 key performance indicators within the Operational Delivery Plan for 2019-20. Details of successes and issues are identified in the Performance Against Key Non-Financial Targets section.



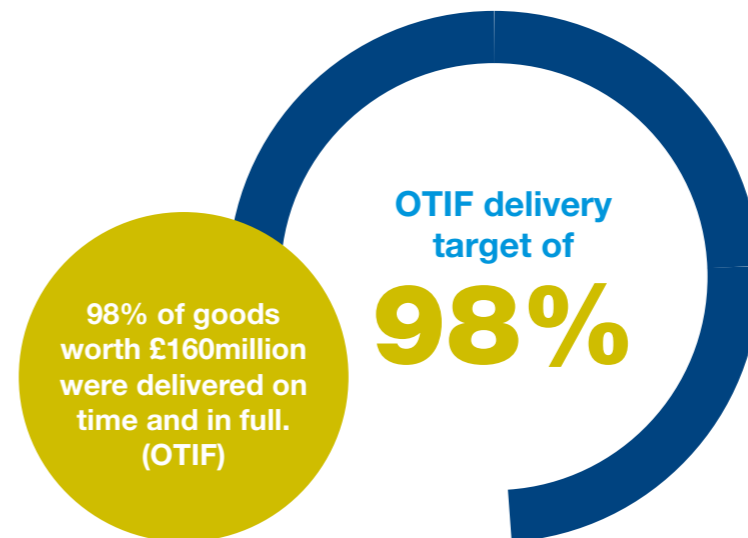
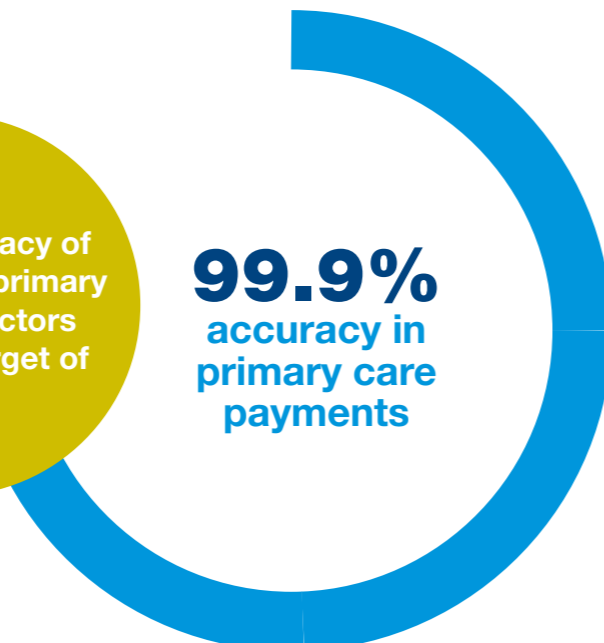
We tested and validated equipment for reusable medical devices against a target of 90%



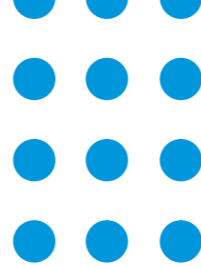
More than 3 days' supply of blood products available



99.9% accuracy of payments to primary care contractors against a target of 95%



Highlights of the Year



This year, NSS has celebrated many successes. Here we take a look back at some of our highlights.

April 2019 First Minister meets with colleagues

First Minister Nicola Sturgeon met with our Perinatal Mental Health Network Scotland colleagues. Two years research and a report produced by the team on needs to support perinatal mental health resulted in a significant £50m investment in services in this area. This will allow increased access to enhanced peer support, parenting support and perinatal counselling services.



May 2019 Improving Employment Law knowledge for NHS HR professionals

Central Legal Office delivered Employment Law training to a number of HR Practitioners and Managers from Health Boards across Scotland. These workshops included mock employment tribunals designed to develop confidence, legal knowledge and case-handling skills.



August 2019 Jack Copland Centre wins design award

The Scottish National Blood Transfusion Service's (SNBTS) national HQ, The Jack Copland Centre, was awarded the Health Building of the Year at the 2019 Scottish Design Awards.

June 2019 Showcasing innovation at the Scottish Trauma Network conference

NSS hosted the second annual Scottish Trauma Network (STN) conference on 26 and 27 June 2019. The event showcased innovation and collaboration in the development of Scotland's new trauma system – designed to deliver the highest quality of integrated, multi-speciality care for severely injured patients.

July 2019 NSS Strategy launch

We launched a new five year strategy to support our vision to be integral to a world-leading health and care service. We want the people of Scotland to have the best possible health and care service in the world.

August 2019 New Chair joins NSS

Keith Redpath, former Chief Officer of the West Dunbartonshire Integrated Joint Board, took up the role of Chair of NHS National Services Scotland.

September 2019 Helping to shape climate change for Scotland

Health Facilities Scotland, in partnership with Health Scotland, host and lead the 2020 NHSScotland Sustainability Conference where NHSScotland Chief Executive Malcolm Wright announces the Six Commitments in response to the Climate Emergency Declaration.

October 2019 Cabinet Secretary for Health and Sport visits National Distribution Centre

Cabinet Secretary for Health and Sport, Jeane Freeman visited the NHSScotland National Distribution Centre to see the work being done to prepare for EU exit.



November 2019 Report supports babies born with congenital anomalies

The first report on congenital anomalies in Scotland was published by Information Services Division (ISD). The report marked the end of the first year of a three year project to establish a national congenital anomaly register for Scotland.

January 2020 We celebrate our outstanding staff

The NSS Excellence Awards is a brilliant day of recognition and inspiration. Categories such as Team of the Year highlight what is best about NSS and celebrate individual and team accomplishments. It also recognises that every one of us has a vital role in supporting Scotland's health.



December 2019 Integration Team scoops Scottish Public Service Award

Winners in the Digital Public Services category, the team worked in partnership with TEC & NHS24 to develop a national digital solution that delivers blood-pressure monitoring data directly to GP practices. This reduces the number of GP appointments and increases the accuracy of readings.

February 2020 Counter Fraud Services feature in BBC documentary

CFS featured in the BBC One documentary 'Fraud Squad - The Hunt', one of the top 20 most watched BBC shows. It followed investigators tracking down criminals who steal from the public purse.

March 2020 Our COVID-19 response protects health and social care colleagues

We equip hospitals, GPs and social care colleagues with millions of pieces of vital PPE to protect against coronavirus.

We also supported the national rollout of MS Teams to NHSScotland.

Procurement: protecting health and social care



Underpin

4.5 million PPE items delivered in 5 days

In response to the global coronavirus pandemic, National Procurement faced a huge increase in demand for its services. The organisation quickly marshalled resources and implemented solutions which included changing the operation of the National Distribution Centre.

The procurement, supply chain and logistics teams drew on their skills and relationships with suppliers to source and procure critical items such as Personal Protective Equipment (PPE), testing equipment and ventilators from around the world.

This critical activity saw the customer base more than double. 700 individual delivery addresses swelled to over 1,500 within a week. To support health boards with the rapid delivery of PPE to where it was needed, all GPs across Scotland received a direct delivery. Within 5 days, 960 practices, representing 100% of Scottish GPs received 4.5million items. This was in addition to business as usual activity.

Later the same month, the organisation extended its services even further, developing supply routes to support the whole social care sector. Working with Health and Social Care Partnerships and operating seven days a week, over 1.5 million items of PPE were delivered to care providers in the first week alone.

Working with a range of partners, we have overcome unprecedented supply challenges to help ensure PPE is provided where and when it is needed.

Partners: Scottish Government, Scottish Enterprise, Health and Social Care Partnerships, Health Boards

Transforming patient experience through technology



Enable

Shorter hospital stays for patients

A 'smart' pill has been revolutionising the treatment of bowel disorders, in a pilot programme in the Highlands. NSS staff have been working to further the progress of the programme, providing expertise in a number of different areas and working in partnership with health boards and other organisations.

The colon capsule endoscopy (CCE) is used to investigate bowel problems in patients. The capsule camera is swallowed by the patient and the images are then reviewed. This type of investigation is more convenient for patients, as it eliminates the need for more invasive procedures such as a traditional colonoscopy.

The success of the pill has now led to programmes which will further evaluate the colon capsule technology to determine whether it can become routinely available across the country.

The evaluation period was extended to March 2020 and became the largest CCE study in the UK.

The developed CCE Managed Service is now being actively considered to provide additional colorectal cancer diagnostics capacity as part of NHSScotland's COVID-19 recovery planning with NSS at the heart of the scaling up work.

Partners: Scottish Government, Scottish Enterprise, Health and Social Care Partnerships, Health Boards

Contributors: NHS Grampian, NHS Western Isles, NHS Highland, Highlands and Islands Enterprise, Scottish Government, Digital health and Care Institute, Medtronic, Corporate health, University of Stirling, University of Aberdeen

Barcoding technology supports patient safety



Assist

Releasing time for patient care

A pilot programme with NHS Lothian and NHS Greater Glasgow and Clyde successfully introduced barcodes into the clinical environment.

During the pilot, Health Care Support Workers at Queen Elizabeth University Hospital (QEUE) spent 13 hours less each week on administration. The Site Superintendent Radiographer estimated that when using the barcode system they could release 2 days a month for patient care.

The barcodes use embedded data such as unique ID numbers, expiration dates and batch numbers on items including hip and knee replacement units and aortic stents. As well as saving time, the system demonstrates four clear benefits:

- **Safety.** Enhanced batch/lot data can track an individual product from the manufacturer to its delivery point offering quality and safety assurance.
- **Stock control.** Product levels can be easily maintained and shown to be in date with no pre-recorded issues.
- **Reducing waste.** Recording historical use of the product can reduce waste by re-ordering a realistic level of stock.
- **Product tracing.** The recorded data makes product recalls 100% accurate, as the system can trace an item to a specific procedure, clinician and patient.

Following the success of the QEUE pilot two more are underway in the Royal Infirmary of Edinburgh and the Golden Jubilee National Hospital, Clydebank. Discussions are taking place on how this project can evolve into further time saving opportunities for NHSScotland.

NSS Microsoft Teams Rollout



Underpin

Technology brings NHSScotland together

Microsoft Teams, a powerful digital tool, has been rolled out by NHSScotland to more than 160,000 workers. A national team within NSS worked closely with local health board colleagues on the planned rollout of this Microsoft Office 365 tool, deploying 230,000 licenses in 3 days. The team made sure new users were immediately supported by means of a dedicated Teams channel, twice daily dial in sessions and a 24/7 national service desk.

The speedy delivery of this secure online technology was agreed by Scottish Government in March to facilitate new ways of working during the COVID-19 pandemic. Originally scheduled over a number of months, the accelerated rollout was completed in just two weeks.

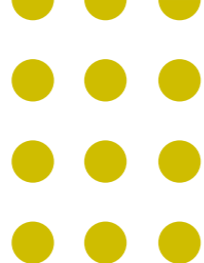
Despite distancing measures and restrictions imposed on travel, the fast-track of Teams enabled NHS colleagues to work effectively, meet online, isolate wards, self-quarantine and work remotely.

Colleagues embraced the technology and quickly realised the advantages.

Doctor and Clinical Director for Clinical Informatics, Paul Campbell, said:

“Microsoft Teams is already proving invaluable to clinical colleagues in NHSScotland. It has helped them respond rapidly to the significant changes in clinical practice that have been required to help save lives during this national crisis.”

Key Risks and Issues



COVID-19

NSS mobilised its services through a start, stop, reduce programme to ensure that the organisation was fully focused on supporting the COVID-19 response by:

- Ensuring robust and reliable national infrastructure solutions were in place to enable the delivery of health and social care services;
- Providing new solutions to health boards and social care that ensured a viable, consistent and system-wide response to COVID-19;
- Redesigning or reconfiguring business as usual services to ensure they meet the new COVID-19 operating environment.

A range of measures were implemented to support staff and the new ways of working:

- The people demand team was established to support the deployment of staff to critical services as required;
- HR set up a dedicated Coronavirus webpage providing staff with updated guidance and support as the situation developed;
- Digital and Security accelerated the roll out of Microsoft teams to allow staff to communicate easily with their teams and stakeholders, and increased availability and capacity of the VPN giving more staff access to systems remotely.

NSS has played a critical role in the Scottish Government response to COVID-19 across a number of areas:

Enabling infrastructure

- Purchasing and delivering PPE, equipment, medicines and consumables
- Managing the construction and equipping of NHS Louisa Jordan,
- Supporting the delivery of national digital infrastructure at pace to enable people to work differently, for example Microsoft Teams and Near Me consultations

Service Solutions

- Clinical leadership and advice, including on infection prevention and control for PHS COVID-19 guidance.
- The co-ordination and production of letters sent to those people determined as “shielded”.
- The collection and use of convalescent plasma and developing testing platforms.
- Supporting the delivery of key aspects of the Test and Protect programme.

The response to the pandemic has provided the opportunity to accelerate digital transformation and the “Once for Scotland” agenda in a number of areas. We will continue to maximise this opportunity as we go forward.

EU Exit

Contingency planning for the exit from the EU has been a key priority for NSS given our role in ensuring the availability of supplies and medicines to NHSScotland. Our focus has been to understand and address any issues relating to staff recruitment and retention and in shaping our future working relationship with professional institutions and organisations key to our service delivery. The National Distribution Centre (NDC) will closely manage the stockholding of key items to reduce the risk of shortages of supplies and medicines as the transition period draws to a close.

HR have been working closely with the SBUs to support staff directly impacted by changes to their work status and to understand the impact on services for the recruitment of staff to specialist roles in the future.

We will continue to monitor developments in the political process in the coming months and assess the implications of any exit deal.

Financial Landscape

NSS has managed to maintain a balanced budget despite the high Cash Releasing Efficiency Savings (CRES) requirements in recent years, but this represents an increasing challenge over the lifetime of the Operational Delivery Plan. The response to the COVID-19 pandemic and the impact of a no deal EU Exit is likely to have significant financial implications for NSS and the wider public sector in the future.

NSS Recovery Programme

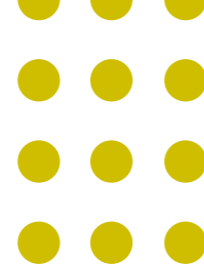
We have initiated a Recovery Programme to address these key risks. The programme, led by the Director of Finance, will deliver a framework for robust, sustainable COVID-19 support services, facilitate appropriate remobilised core services and create viable longer term strategic plans by working in partnership with our staff, across all business units, with appropriate governance and by using business insights;

The programme objectives are to deliver:

- i. Robust and reliable national infrastructure solutions in place enabling delivery of health and social care.
- ii. Sustainable reconfigured solutions to health boards and social care that ensure a viable, consistent and system-wide response to COVID-19.
- iii. Remobilised business as usual services in line with the Scottish Government route map.

Our corporate risks are discussed further in the Governance Statement.

Sustainability and Value

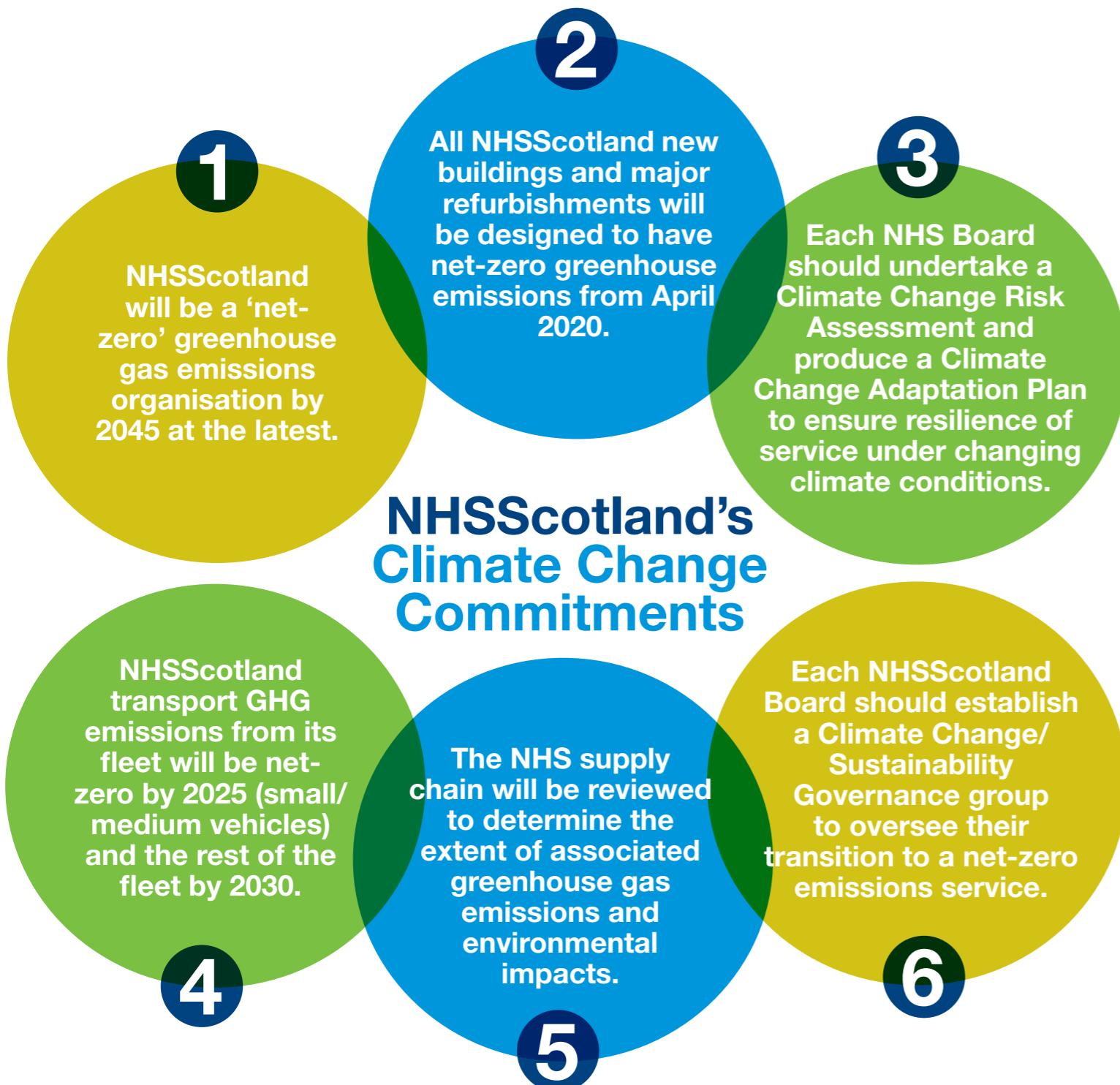


In 2019 the Scottish Government declared a climate emergency and set objectives to tackle climate change through its Programme for Government.

In response, NHSScotland Chief Executives endorsed six climate change commitments, with an overall aim for NHSScotland to be a 'net-zero' service by 2045.

NSS helped shape the commitments and has always played a key role in providing leadership and expertise on climate change and sustainability.

NHSScotland's Climate Change Commitments



What we've achieved so far...

1 We launched the NHSScotland Sustainability Assessment Tool to Health Boards so they can measure progress across indicators linked to the UN Sustainable Development Goals and Scottish Government's National Outcomes.

2 As one of the four members of the Green Exercise Partnership, we helped to deliver the NHS Greenspace Demonstration Project designed to unlock the potential of the vast NHS estate for health and wellbeing.

The report is available here: www.naturescot/nhs-greenspace

3 We launched two tools to provide Health Boards with the means to develop comprehensive plans to support this commitment.

- Climate Change Risk Assessment and Adaptation Planning Tool
- NHSScotland Climate Risks & Vulnerabilities GIS Mapping Tool

4 We secured £2.42 million of support through the Transport Scotland Switched on Fleets Fund for 252 new electric cars for NHS services.

"This decision by the NHS directly supports that ambition and responds to the climate emergency, supporting our Climate Change Plan and our vision for Scotland's air quality to be the best in Europe"



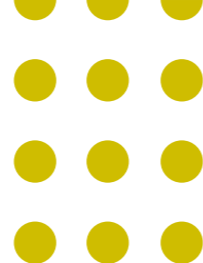
Michael Matheson, Cabinet Secretary for Transport, Infrastructure and Connectivity

5 We incorporated sustainability into our Procurement Strategy:

- Organisations evidencing sustainability / reusability can score higher on certain evaluation criteria when bidding on NHSScotland furniture tenders;
- Promoted ethical procurement by utilising local, small enterprises and supported businesses.

6 NHSScotland has seen a reduction in greenhouse gas emissions (GHG) emissions from energy use of over 63% since 1990 but more needs to be done. We launched www.sustainabilityaction.scot.nhs.uk to support Health Boards and provide a single portal for sustainability information and resources.





Social matters

NSS has implemented an Equality & Human Rights Policy to provide guidance and protection for managers and employees to ensure employees are treated fairly and consistently with dignity and respect. This is in line with the Partnership Information Network (PIN) guidance Embracing Equality, Diversity and Human Rights in NHS Scotland. Policies are regularly reviewed to reflect changes in legislation, to ensure they are fully up to date, taking into account the distinctive requirements and characteristics of the organisation and ensuring equality and diversity are evident throughout.

We have zero tolerance on bribery or any kind of fraud. We have robust controls in place to help deter, detect and deal with it. These are reviewed annually, as are our Standing Financial Instructions and Fraud Action Plan. The Audit and Risk Committee considered regular reports from the Fraud Liaison Officer which included Counter Fraud updates, the annual Counter Fraud report and work plan.

NSS is committed to running the organisation in the best way possible. The Whistleblowing Policy has been introduced to reassure all staff that it is safe and acceptable to speak up, and to enable them to raise any concern which they may have at an early stage and in the right way. Rather than wait for proof, it is preferable if a matter is raised when it is still a concern.

Performance Analysis

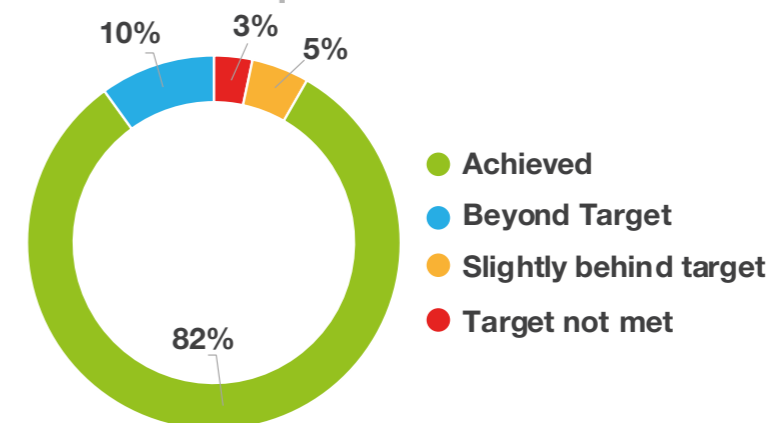
Performance against Key Non-Financial Targets

NSS' Operational Delivery Plan 2019/24 (ODP) was agreed with Scottish Government Health and Social Care Directorate in March 2019. Progress was reported quarterly to the Executive Management Team, Finance, Procurement and Performance Committee and to our Scottish Government sponsor. Performance is recorded on a BRAG basis, i.e. blue/red/amber/green status. Where targets were behind schedule, Strategic Business Units (SBUs) provided a recovery plan to ensure on-track delivery at year end.

NSS has achieved 55 of the 60 measures of performance identified, a 92% achievement either as planned or beyond planned target, as shown in the graph on page 27. Achievements include:

2019/20 Key Achievements Summary

99.9% accuracy of payments to primary care contractors against 95% target.	Savings from national contracts of £60.3m against a £60m target.
All Digital and Security and Public Health Intelligence services delivered in line with Service Level Agreements.	No avoidable transfusion transmitted infections and more than 3 days' supply of blood products available.
Central Legal Office customer satisfaction of 99% achieved in customer survey.	Delivery of UK Action Plan and Scottish Government Outcomes Framework for for Antimicrobial Resistance and Healthcare Associated Infections (ARHAI).



NSS summary of corporate performance indicators:

Customer Satisfaction rate of 84% against a target of 70%.	Freedom of Information 98% against a target 100% response within 20 days.	1 major business continuity incident as a result of COVID-19. NSS Resilience Management Team was set up to respond.
No Category 1 clinical or information governance adverse events.	76% Employee Engagement Score against target of 77% (From iMatter staff survey).	4 RIDDOR incidents against a target of no more than 4.
4.5% Sickness absence against a target of 4%.	7.07% Staff Turnover against a target of 7%.	Complaints 98% against a target of 90% response within 20 days.

Targets not met:

- Data issues delayed the publication of official statistics for social care by ISD.
- Supplier challenges caused timescales to slip across the GP IT Re-provisioning Project.

Financial Performance

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

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

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

	Limit as set by SGHSC £'000	Actual Outturn £'000	Variance (Over) / Under £'000
Core Revenue Resource Limit (RRL)	502,464	502,353	111
Non Core Revenue Resource Limit (RRL)	7,860	7,860	0
Capital Resource Limit (CRL)	11,008	10,929	79
Cash Requirement	549,606	549,605	1
Cash Releasing (CRES)	16,800	19,269	2,469

Memorandum for In Year Outturn	£'000
Core Revenue Resource Surplus in 2019/20	111
Financial flexibility funding banked with /(provided by) Scottish Government	0
Underlying surplus against Core Revenue Resource Limit	111
Percentage	100%

Achievement of Core Revenue Resource Limit (RRL)

NSS achieved the Core RRL target in 2019/20, despite the request from SG in the last quarter of the financial year for NSS to contribute a further £1.3m to support the National Boards shared savings target of £15m, bringing the total NSS contribution for 2019/20 to £7m.

Revenue

Expenditure

The total revenue expenditure for 2019/20 was £797.7m (2018/19 £732.0m). This has increased by £65.7m in year and is primarily attributable to the following movements:

- NSS manages the full clinical waste programme on behalf of NHSScotland from 2019/20. This has resulted in a rise in expenditure of £14.4m;
- The extension of specialist services provided by National Services Division on behalf of NHSScotland of £23.8m. The new services include Car T Cell Therapy and Genomics.
- The volumes and throughput of the National Distribution Centre has increased by £6.3m in 2019/20;
- Digital and Security spend £6.1m to support national programmes such as CHI and Child Health, Office 365, Primary Care Digital Programme and the response to COVID-19 to ensure continuity of services across Scotland and support new digital ways of working;
- The national pay award for all Agenda for Change staff was agreed in 2017/18 and covers a three-year period. The award for 2019/20 is 3% which equates to £3.7m;
- The employers contribution to the pension scheme increased from 13.9% to 20.9% totalling £7.6m.
- These increases are offset by a reduction in property costs of £1.8m.

Payments made during the year to Primary Care contractors on behalf of NHS Boards in Scotland were £2,662.2m (2018/19 £2,576.5m) from funds drawn from the SGHSC totalling £2,662.2m (2018/19 £2,576.5m). NSS administers the payments to primary care practitioners on behalf of NHSScotland. The income and expenditure is recognised in the accounts of the NHS Boards. NSS records the cash drawn down and associated payments in the Statement of Cashflows.

Income

Operating income of £287.5m (2018/19 £251.3m) has been credited to the Statement of Comprehensive Net Expenditure for the year ended 31 March 2020. NSS receives income from NHS Scotland Boards, Non Scottish NHS Bodies, Other Public Sector bodies and third parties for the delivery of services.

This gives a net expenditure position of £510.2m as shown in the Statement of Comprehensive Net Expenditure (pg 72).

Revenue Resource Limit

A total revenue resource of £510.3m (2018/19 £481.1m) was provided by SGHSC. This is made up of recurring baseline funding of £338.8m to support operational activities and additional funding for new programmes and services of £171.5m.

This gives rise to a saving against the revenue resource limit of £0.1m as shown in the Summary of Resource Outturn (note 2a, pg 96).

Pensions and Pension Liabilities

Sums charged to the revenue account during the year in respect of deferred pensions, and the balance of the remaining liability for such costs, is shown in Note 19 (see page 116). During this accounting period, the charge to the Statement of Comprehensive Net Expenditure for pensions is based on the actual contributions level set by the Government Actuary. The costs associated with pension liabilities are shown in Note 19 (see page 116) and the Remuneration Report (see page 49). The accounting policy note for pensions is provided in Note 1 (see page 88).

Non Current Assets

During the year NSS invested £10.9m (2018/19 £7.0m) in capital projects. The main areas of spend were £2.7m on property upgrades across the estate, £5.3m on IT Equipment, £1.4m on software licence and developments, £1.3m on plant and equipment, and £0.2m on vehicles.

The Finance, Procurement and Performance committee approved the declaration of surplus asset of the land and buildings at the NSS Ellens Glen Road site in Edinburgh in February 2020. This site was previously occupied by the Scottish National Blood Transfusion Service which relocated to the new Jack Copland Centre in 2018.

Cash and Cash Equivalents

The cash and cash equivalents balance at the 31 March 2020 was £26.9m, this is an increase of £26m compared with 2018/19. This was mainly due to the impact of COVID-19. NSS has played a key role in the procurement and distribution of Personal Protective Equipment (PPE) to NHS Scotland and the wider public sector during the pandemic. Due to the exceptionally high level of demands for PPE, NSS required additional cash funding to meet high value orders on a day by day basis. A payment of £10m expected to be made on the 31 March was delayed, along with the prompt receipt of payment from one of our key customers on the same day resulting in this higher than normal balance. The balance was fully utilised in the first week in April.

Inventories

The level of inventory holding has increased again in 2019/20 to £29.8m (2018/19 £28.8m). This is mainly due to the supply of consumables to NHSScotland through the National Distribution Centre. Inventory levels increased by £10m in 2018/19 to support contingency planning for a no deal EU Exit which continued into 2019/20. The focus changed towards the end of 2019/20 ensuring sufficient supply of Personal Protective Equipment (PPE) and other consumables to NHSScotland and the wider public sector to support the response to the COVID-19 pandemic.

Prior Year Adjustments

There are no prior year adjustments in the accounts for 2019/20.

Provisions

During the year the value of provisions held in the accounts of £3.9m has remained at a similar level to 2018/19 (£3.8m). There has been movement in year between categories; provisions arising in year for injury benefits £0.3m and organisational restructuring £0.7m are offset by the provisions utilised in year of £0.6m and reversed unutilised of £0.4m.

Contingent liabilities

Contingent liabilities not provided for in the accounts total £1.0m (£0.9m in 2018/19) and are explained further in Note 14 (see page 112).

PFI/PPP Scheme

The value of the contract for the Jack Copland Centre on the Statement of Financial Position is £33m. The contract term is 25 years which commenced in August 2017 and will complete in November 2041.

Payment Policy

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

- In 2019/20 the average period of credit taken from all suppliers was 7.0 days (2018/19 6.0 days).
- In 2019/20 NSS paid 87.8% (2018/19 88.5%) of all invoices by value and 89.5% (2018/19 89.9%) of all invoices by volume, within 10 days.
- In 2019/20 NSS paid 96.3% (2018/19 96.7%) of all invoices by value and 96.6% (2018/19 96.8%) of all invoices by volume, within 30 days.

Performance against the key targets has slipped slightly in year, we continue to work with suppliers and our SBUs to ensure invoices are paid promptly

Approval and signing of the performance report

The Accountable Officer authorised these financial statements for issue on 14 August 2020.

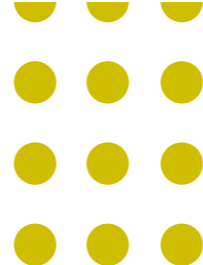
Colin Sinclair

Colin Sinclair
Chief Executive

Accountability Report

Corporate Governance Report

Directors Report



Date of Issue

The Accountable Officer authorised these financial statements for issue on 14 August 2020.

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 Mark Taylor, Audit Director, Audit Scotland to undertake the audit of NSS. The general duties of auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Board Membership

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

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

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

Non-Executive Directors	Title	Appointed	Term Ended	Unexpired Term as at 31 March 2020
Prof Elizabeth Ireland	Chair	03/05/13	31/07/19	
Mr Keith Redpath	Chair	01/08/19		3 yr 4 mths
Mrs Kate Dunlop*	Vice Chair	01/07/15		0 yr 3 mths
Mr Ian Cant	Employee Director	01/08/13		1 yrs 4 mths
Mr Mark McDavid		01/09/14		0 yr 5 mths
Ms Julie Burgess**		01/12/15		3 yrs 8 mths
Mr John Deffenbaugh***		01/02/16		3 yrs 10 mths
Ms Alison Rooney		26/06/17		1 yr 3 mths
Executive Directors				
Mr Colin Sinclair	Chief Executive	01/08/16		
Mrs Carolyn Low	Director of Finance	01/09/14		
Dr Lorna Ramsay	Medical Director	31/10/18		

*Mrs Kate Dunlop's second term extended to 31/03/21

**Ms J Burgess' second term of office commenced 01/12/19

***Mr John Deffenbaugh's second term of office commenced 01/02/20

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

Statement of Board Members' Responsibilities

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

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

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

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

Board Members' and Senior Managers' Interests

Details of any interests of Board Members, Senior Managers and other senior staff in contracts or potential contractors with NSS, as required by IAS 24, are disclosed in note 24 (page 121). The Register of Interests for all Board Members can be found on the NSS website at www.nhsnss.org

Directors third party indemnity provisions

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



Remuneration for Non Audit Work

Audit Scotland did not undertake any non-audit work during 2019/20 and received no additional remuneration from NSS.

Public Services Reform (Scotland) Act 2010

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

In accordance with the Public Services Reform (Scotland) Act 2010, NSS publish the full information as required by the act on the NSS website following the approval of the Directors Report and Accounts. The report for 2019/20 will be available from September 2020 at www.nhsnss.org

Personal data related incidents reported to the Information Commissioner

NSS had one data related incident during 2019/20 which was reported to the Information Commissioner's Office (ICO) in January 2020. At the balance sheet date, NSS has not received a formal response from the ICO.

Disclosure of Information to Auditors

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

Statement of Accountable Officer's Responsibilities

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

This designation carries with it responsibility for:

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

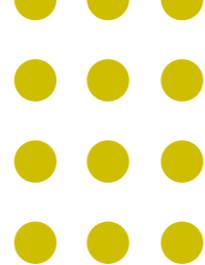
In preparing the accounts I am required to comply with the requirements of the government's Financial Reporting Manual and in particular to:

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

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

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles, and in the format, directed by Scottish Ministers. As noted in page 34, all relevant information has been disclosed to the auditors.

To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers letter to me on the 1 August 2016.



Governance Statement

Scope of Responsibility

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

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

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

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

Purpose of the System of Internal Control

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

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

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

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

Governance Framework

NSS Board

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

Committee	Number of meetings
Audit and Risk Committee	5
Finance Procurement and Performance Committee	4
Clinical Governance Committee	4
Staff Governance Committee	4
Remuneration and Succession Planning Committee	3
Information Governance Committee	3
Total	23



Audit and Risk Committee

The Audit and Risk Committee was chaired by Mr Mark McDavid. During the year its membership comprised Mrs Kate Dunlop, Ms Alison Rooney and Mr John Deffenbaugh. The Chair, Chief Executive, Director of Finance, Director of Strategy Performance and Service Transformation, Chief Internal Auditor, External Auditors and Service Auditors are also usually in attendance at the meetings along with other members of NSS staff as required. The Committee met five times during the year.

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

Finance, Procurement and Performance Committee

The Finance, Procurement and Performance Committee was chaired by Mrs Kate Dunlop. During the year its membership comprised Professor Elizabeth Ireland (to 31 July 2019) Ms Julie Burgess, Mr Ian Cant and Mr Keith Redpath (from 01 August 2019). The Chief Executive, Director of Finance and Director of Strategy Performance and Service Transformation are usually in attendance along with other members of NSS staff as required. The Committee met four times during the year.

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

Clinical Governance Committee

The Clinical Governance Committee was chaired by Ms Julie Burgess, and comprised Professor Elizabeth Ireland (to 31 July 2019), Mr Mark McDavid and Mr Keith Redpath (from 01 August 2019). The Chief Executive, Medical Director and the Nurse Director are usually in attendance along with other members of NSS staff as required. The Committee met four times during the year.

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

Staff Governance Committee

The Staff Governance Committee was chaired by Mr John Deffenbaugh. During the year its membership comprised Mr Ian Cant, Professor Elizabeth Ireland (to 31 July 2019), Mr Mark McDavid and Mr Keith Redpath (from 01 August 2019) with Mr Gerry McAteer, Mr Tam Hiddleston, Mrs Susan Cook and Ms Suzanne Milliken as Trade Union representatives. The Chief Executive and Director of HR and Workforce Development are usually in attendance, along with other members of NSS staff as required. The Committee met four times during the year.

The Committee supports and maintains a culture within NSS where the delivery of the highest possible standard of staff management is understood to be the responsibility of every employee and is built upon partnership working and collaboration.

Remuneration and Succession Planning Committee

The Remuneration and Succession Planning Committee was chaired by Mr John Deffenbaugh. During the year the membership comprised Professor Elizabeth Ireland (to 31 July 2019), Mr Ian Cant, Ms Alison Rooney and Mr Keith Redpath (from 01 August 2019). The Chief Executive and the Director of HR and Workforce Development are usually in attendance at the meetings. The committee met three times during the year.

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

Information Governance Committee

The Information Governance Committee was chaired by Ms Alison Rooney. During the year the membership comprised Professor Elizabeth Ireland (to 31 July 2019), Mrs Kate Dunlop, Ms Julie Burgess and Mr Keith Redpath (01 August 2019), along with other members of NSS staff as required. The Chief Executive, Medical Director (Caldicott Guardian), and Director of Digital and Security (Information Governance Executive Lead and Senior Information Risk Officer) are usually in attendance at the meeting. The committee met three times during the year.

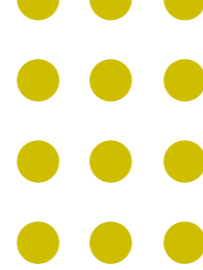
The Committee's remit is to consider and scrutinise NSS's compliance with relevant legislation, duties under Common Law and performance against national standards with regards to information governance. This covers Caldicott Guardianship and Confidentiality; Data Protection; Information Security; Freedom of Information and Records Management.

The information governance committee ceased at 31 March 2020. Information Governance is now the remit of the Audit and Risk Committee.

Ethics Committee

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

Operations of the Board



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

- NSS's vision for the future is to be integral to a world leading health and care service, in particular through providing shared services that improve the quality, efficiency and resilience of services provided to people in Scotland. Supporting Scotland's health will continue to be at the core of what we do. However, the Public Sector Reform Order and subsequent Joint Working Bill has allowed NSS to broaden its service as we support our Health and Local Authority partners in the delivery of effective Health and Social Care Integration, and look to provide services more widely to the Public Sector.
- As discussed in the Performance Report (Page 26), NSS Operational Delivery Plan (ODP) for the financial year was agreed with the Scottish Government at the beginning of 2019-20. The ODP required NSS to deliver on 60 measures. Progress against these measures is monitored and reported to the NSS Board at the mid year and the end of the financial year.
- The NSS Board reviews, on an annual basis, the Standing Orders which include the Code of Conduct that the Board Members must comply with, the Standing Financial Instructions and the scheme of delegation. These documents are the focus of the Board's annual review of governance arrangements. NSS has in place two corporate policy groups who review changes to policies, laws and regulations throughout the year.
- The NSS Committees: Audit and Risk, Finance, Procurement and Performance, Clinical Governance, Remuneration and Succession Planning, Staff Governance and Information Governance meet at least three times a year to review and challenge activities and practices across NSS. The committees report their findings to the NSS Board on a quarterly basis.
- The Board receives monitoring reports from the Director of Finance at each formal meeting on budgetary control and performance measured against the Board's approved Financial Plan. The robust processes which we have in place for setting budgets and monitoring performance ensure that our resources are used efficiently and effectively. The budget also includes a Cash Releasing Efficiency Savings target which was achieved during the year.
- At each formal meeting, the Board receives monthly reports from the Director of Human Resources and Workforce Planning relating to staffing matters, and other directors on matters relevant to their areas of responsibility.
- NSS exercises governance over its IT matters in a co-ordinated and effective manner. The Director of Digital and Security (DaS) reports to the Chief Executive. The Digital and Security SBU publishes a monthly electronic update on all its activities to a wide range of NSS staff; submits an update report to each Executive Management Team meeting highlighting achievements, challenges and upcoming activity; and conducts regular reviews with its key external suppliers on their service delivery and development performance.
- Digital and Security is also fully integrated into NSS Business Continuity Planning. Digital and Security Business Partners are aligned to each of the other SBUs to ensure effective and transparent relationships and service delivery.
- NSS continues to build its stakeholder and customer focus. During the year we have increased our engagement with local authorities and health and social care partnerships to ensure they are able to benefit from NSS services as they make the transition towards full integration.
- NSS holds informal Board meetings where the development needs of the Board are addressed. There is a clear process in place for the review of NSS Board performance for both Executive and Non-Executive Directors. In line with NHS Chairs group and Scottish Government guidance – "Corporate Governance: Being effective – what NHS Non-Executive Directors need to know", the Non-Executive Directors have an annual performance review with the Chair of the NSS Board. A full induction programme is available for Non-Executive Directors. A leadership development framework is in place to offer a range of development activities to meet identified needs. Access to external and national programmes in line with the development plan and career objectives are also in place.
- NSS is committed to partnership working with staff and the wider public sector. There are monthly partnership meetings which review the policies and processes of NSS. We also engage with staff through a number of methods of communications including our award winning staff newsletter, management briefs, team and Strategic Business Unit updates and staff surveys.
- In addition to the Code of Conduct for members, NSS has in place a code of conduct for staff. This contains information for staff on how to deal with the disclosure, either internally or externally, of malpractice, as well as illegal acts or omissions at work – commonly known as "whistleblowing". Employees are encouraged to raise concerns regarding the organisation's activities. The Freedom of Speech policy and the Fraud Action Plan are highlighted as part of the induction programme. These documents are also available on the NSS intranet.
- NSS also has a well established complaints system, whereby members of the public can make a formal complaint to the Board. Information on our complaints procedures is available on the NSS website.

- The Board agreed the revised approach to governance while the organisation is dealing with the COVID-19 pandemic at the Board meeting on 26 March 2020. The agreed approach ensures the organisation can effectively respond to COVID-19 and discharge its governance responsibilities. All committee meetings, with the exception of the Audit and Risk committee were suspended, while the frequency of Board meetings increased to monthly.

To protect public health the Board meetings will be held virtually. To maintain public accessibility Board papers will be published on the NSS website.

Risk and Internal Control Framework

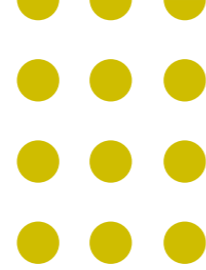
All NHS Bodies are subject to the requirements of the SPFM and must operate a risk management strategy in accordance with the relevant guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

Risk Assessment

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

- The risk management approach sets out the importance of risk management to the delivery of our objectives, our risk appetite statement, the responsibilities of staff across NSS, the supporting organisational arrangements for the identification, assessment and reporting of risks and the steps to be taken to develop and implement mitigating actions.
- SBUs identify and assess risks through their planning and performance processes, reviews of significant changes in NSS service or the environment in which it operates, following a resilience incident, adverse event or near miss, data protection impact assessments, information security risk assessments, testing controls in place around NSS day to day activities, horizon scanning future events, stakeholder engagement, programme and project risk assessments, and through the internal controls assurance checklists. Monthly risk reviews are undertaken by SBUs.
- The Executive Management Team reviews the risk profile for the organisation, across all categories of risk and challenges key organisational risks and issues monthly. It also considers corporate and strategic risks at its Development Sessions throughout the year.

- Risks are assessed for the likelihood of an event occurring and the impact of the event. They are categorised under four headings: Business, Staff, Clinical and Reputational. Management Groups review these risks by category for their areas of responsibility and challenge the actions being taken to address them. Information Governance risks across all of the categories were also reviewed by the Information Governance Group.
- The NSS Committees: Finance, Procurement and Performance, Staff Governance, Clinical Governance, Information Governance and Audit and Risk meet at least three times during the year and review and challenge Business, Staff, Clinical and Reputational risks respectively across NSS. This provides a comprehensive review of risks by risk category across the organisation. The Committees also review respective strategic risks at least three times each year.
- The Audit and Risk Committee receives quarterly reports on risk management across NSS, detailing the improvements being made to our processes and procedures and key risks for the organisation. This provides the Committee with the assurance that risk management is operating effectively and that there is integration between organisational risks and audit activity. The Committee also reviews the NSS risk appetite statement on an annual basis.
- Risks associated with information that we hold and are responsible for are subject to regular review and independent audit as part of our overall governance and risk management arrangements. The NSS Information Governance Committee provides a focus for the five Information Governance disciplines: Caldicott & Confidentiality, Data Protection, Information and Cyber Security, Records Management and Freedom of Information. The Committee reports directly to the NSS Board.
- The Board receives risk update reports every six months. The reports include details of risk management improvements, the risk profile for the organisation and the key risks being addressed. This gives the Board the opportunity to review and challenge risk management processes and the key risks we face. The Board reviews and approves NSS's appetite to risk annually. NSS has a flexible approach to its risk appetite in pursuit of its four principal objectives: Customers at the Heart of Everything We Do; Increase our Service impact; Improving the Way We Do Things and Be a Great Place to Work. Where risks to new and on-going activities are identified, NSS will always attempt to mitigate the likelihood or impact of the risk to a level judged to be acceptable in the prevailing conditions. This is in line with the NSS Integrated Risk Management Approach (IRMA). Board reports are available on our website at: www.nhsnss.org/how-nss-works/our-board/board-meetings.



NSS Key Risks

EU Exit

The UK's exit from the European Union will have an impact on a number of services across NSS, from the continued delivery of supplies and medicines to the ongoing relationships with professional institutions and organisations to understand how NSS will work with them in the future. NSS has assessed the potential impact on staff recruitment and retention issues in the future. A dedicated webpage has been set up to support the current workforce. We will continue to keep abreast of developments in the political process and assess ongoing implications of any exit deal.



IG Legislation

There is a risk that NSS breaches relevant information governance legislation due to incomplete preparation for new laws and lower levels of staff awareness and understanding of the laws and their responsibilities. Work continues to complete and embed the actions on the General Data Protection Regulation (GDPR) plan. A communications plan is in place to raise awareness with staff and an Information Governance e-Learning module has been implemented to support staff training.



Clinical Waste Contingency

NSS has identified a potential risk that in the urgency to secure clinical waste disposal capacity, NSS entered into legally binding contracts that may not offer best value for the taxpayer. We have mitigated against this by evaluating costs against market rates, sharing information with Finance and Government colleagues and continually tracking costs. We also commissioned our internal auditors to review all the actions we have taken.



Economy/Financial Landscape

The financial landscape across NHSScotland is very challenging. This has now been exacerbated and there will be a requirement to transform more quickly and more widely to ensure services are sustainable within a reduced funding envelope. There is a high risk that NSS won't receive funding allocations in full to match additional COVID-19 expenditure incurred.



UK Infected Blood (Langstaff) Inquiry

This could lead to additional costs and have an adverse reputational impact for NSS and the Scottish National Blood Transfusion Service. NSS is working with the Inquiry and is actively engaged in responding to requests.

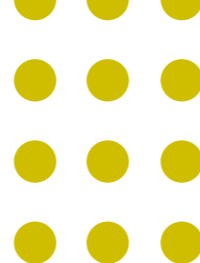


Coronavirus

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



Audit and Assurance



Internal Audit

NSS's Internal Auditors submit regular reports to the Audit and Risk Committee. Each year the Head of Internal Audit also submits an independent opinion on the adequacy and effectiveness of NSS's system of internal control, together with recommendations for any improvements. In accordance with the Internal Audit Plan for 2019-20, agreed by the Audit and Risk Committee, the Internal Auditors carried out a review of the systems in place to provide assurances about the internal controls operating within NSS.

Internal Audit Opinion

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

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

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

There were two high risk recommendations identified by the Internal Auditors as part of their overall review. These recommendations have agreed action plans in place to be completed in 2020/21. Similarly the medium and low risk findings reported also have actions plans in place. Management will provide regular updates on actions plans to the Audit and Risk Committee.

The Internal Auditors must comply with the Public Sector Internal Audit Standards (PSIAS). PSIAS 1312 – External Assessments requires Internal Auditors to instruct an external assessment at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. This assessment is now overdue, KPMG will instruct an independent assessor to carry out the assessment and present the findings to the Audit and Risk Committee during 2020/21.

Service Audits

Service Audits were undertaken for the year to 31 March 2020 in accordance with the International Standard on Assurance Engagements (ISAE) 3402 - Assurance Reports on Controls at a Service Organisation - issued by the International Auditing and Assurance Standards Board.

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

The areas covered by Service Audit are:

- Practitioner Services;
- National IT Services; and
- Payroll Services.

The Service Auditors have provided qualified opinions for all of the above Service Audits. Full reports have been made available to all relevant NHS Boards and Audit Scotland. The only Service Audit covered by Audit Scotland is the Practitioner Services Service Audit. Audit Scotland, in its letters to external auditors of other NHSScotland Boards, concluded that it was able to place reliance on the work in respect of Practitioner Services.

Action plans are in place to address exceptions highlighted in the reports, progress against the action plan will be reported to the Audit and Risk Committee during 2020/21.

External Audit

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

Review of Adequacy and Effectiveness

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

- The Executive Directors within NSS who have responsibility for the development and maintenance of the internal control framework. To this end I have requested and received a positive certificate of assurance from all SBU Directors on the standard of internal control within NSS;

- The work of the Internal Auditors who submit reports to the NSS Audit and Risk Committee which include their independent and objective opinion on the adequacy and effectiveness of the NSS systems of internal control together with recommendations for improvement;
- Comments made by the External Auditors in their management letters and other reports; and
- The work of our Service Auditors who submit reports to the NSS Audit and Risk Committee which includes their independent opinion on the controls in place around the services we provide to customer NHS Boards.

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

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

Disclosures

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

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

Colin Sinclair

Colin Sinclair
Chief Executive

14 August 2020

Remuneration Report and Staff Report

Determination of Senior Employees Remuneration

The remuneration of the members of the NSS Executive and Senior Management Cohort is determined by the Scottish Government Health and Social Care Directorates (SGHSC) under Ministerial Direction and in accordance with HDL(2006)23, HDL (2006)59, CEL(2007)4, CEL(2007)22 CEL(2008)52, CEL(2010)6, CEL(2011)7 and subsequent circulars PCS(ESM)2012/1 and PCS(ESM)2013/1.

All Director and Senior Management posts are subject to evaluation by the National Evaluation Committee, an independent panel that reports to the SGHSC. Salary on appointment is authorised by the NSS Remuneration and Succession Planning Committee. Performance appraisal for managers in the Executive Cohort is monitored by the National Performance Management Committee (NPMC).

The performance management of staff within the Senior Management Cohort is the responsibility of the SBU Directors and NSS Remuneration and Succession Planning Committee in line with HDL (2007)15. Assessment of performance must be systematic, evidence based and properly recorded.

Business Interests

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

Remuneration of Senior Managers

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

Remuneration and Succession Planning Committee

The Remuneration and Succession Planning Committee was chaired by Mr John Deffenbaugh. Its membership shall consist of no less than three Non-Executive members of the Board and the Chair. The Committee met three times during the year.

The remit of the committee is to:

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

Assessment of Performance Conditions

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

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

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

Performance Appraisal and Connections to the Remuneration Package

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

Contractual Arrangements for Senior Management

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

The duration of contracts must be approved by the NSS Remuneration and Succession Planning Committee and, in line with legislation and best practice, the use of fixed term appointments is restricted. If the contract of employment is terminated by NSS for any reason other than gross misconduct, such termination shall be with notice or payment in lieu of notice if appropriate, typically three months for Senior Managers. In the event of termination of contract by reason of redundancy, the termination shall be in accordance with PCS(RED)2006/1 and PCS(DD)2007/1 and associated Addendums which state that redundancy will be based on one month's salary for each year of reckonable service up to twenty four years service. All Senior Managers have a notice period of three months, with the exception of the Chief Executive who has a notice period of 6 months.

Amounts Payable to Third Parties for Services of a Senior Manager

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

Significant Awards made to Senior Managers

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

Board Members and Senior Employees Remuneration

for the Year Ended 31 March 2020 (Audited)

Remuneration Table	Gross Salary (Bands of £5,000)	Total Earnings in Year (bands of £5,000)	Pension Benefits	Benefits in Kind	Total Remuneration (bands of £5,000)
Remuneration of:	£'000	£'000	£'000	£'000	£'000
Executive Members					
Chief Executive Mr C Sinclair	140 – 145	140 – 145	31	4.9	175 – 180
Director of Finance: Mrs C Low	100 – 105	100 – 105	24	0	125 – 130
Medical Director: Dr L Ramsay	115 – 120	115 – 120	0	0	115 – 120
Non-Executive Members					
Prof. E Ireland (to 31 July 2019)	5 – 10	5 – 10	0	0	5 – 10
Mr K Redpath (from 1 August 2019)	15 – 20	15 – 20	0	0	15 – 20
Mrs K Dunlop	5 – 10	5 – 10	0	0	5 – 10
Mr M McDavid	5 – 10	5 – 10	0	0	5 – 10
Ms J Burgess	5 – 10	5 – 10	0	0	5 – 10
Mr J Deffenbaugh	5 – 10	5 – 10	0	0	5 – 10
Ms A Rooney	5 – 10	5 – 10	0	0	5 – 10
Employee Director: Mr I Cant	45 – 50	45 – 50	32	0	75 – 80
Senior Employees					
Director of Strategy, Performance and Service Transformation: Mrs M Morgan	105 – 110	105 – 110	100	4.7	210 – 215
Director of Central Legal Office: Ms N Shippin	105 – 110	105 – 110	30	5.4	140 – 145
Director of Digital and Security: Mr D Mitchelson	115 – 120	115 – 120	333	0	115 – 120
Director of Primary Care and Counter Fraud Services: Mr M Bell	80 – 85	115 – 120	33	0	150 – 155
Director of Procurement, Commissioning and Facilities: Mr J Miller	105 – 110	105 – 110	27	11.5	145 – 150

Remuneration Table	Gross Salary (Bands of £5,000)	Total Earnings in Year (bands of £5,000)	Pension Benefits	Benefits in Kind	Total Remuneration (bands of £5,000)
Director of Public Health and intelligence: Mr P Couser	105 – 110	105 – 110	21	0	125 – 130
Interim Director of Scottish National Blood Transfusion Service: Mrs H Thomson (to 16 June 2019)	85 – 90	85 – 90	15	0	100 – 105
Director of Scottish National Blood Transfusion Service: Mr C Spalding (from 17 June 2019)	75 – 80	75 – 80	10	0	85 – 90
Director of HR and Workforce Development: Ms J Jones	90 – 95	90 – 95	19	0	110 – 115
Nurse Director: Prof J Reilly	105 – 110	105 – 110	14	0	120 – 125
Total			378	26.5	

Note

1. Remuneration excludes Employer Pension and Employer NI contributions
2. Proportion of Employee Director total earnings for non Board duties for Mr I Cant is Band 35- 40
3. Mrs H Thomson was a Senior Employee to 16 June 2019, the proportion of her total earnings for this role is 15 – 20.
4. The annualised remuneration (in bands of £5,000) for members who have joined or left during year is as follows: Prof E Ireland 25 – 30. Mr K Redpath 25 – 30 and Mr C Spalding 100 – 105
5. Mrs M Morgan was appointed by Scottish Government as Senior Programme Director working with NHS Lothian on the delivery of the Royal Hospital for Children And Young People (RHCYP) from 16 September 2019 to 31 March 2020. Proportion of her total earnings relating to this post is 50 – 55.
6. The calculation of the pension benefits aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement.
7. The total earnings in year column show the remuneration relating to actual earnings payable in 2019-20.
8. Benefits in kind relate to the leased car scheme.

Board Members and Senior Employees Remuneration

for the Year Ended 31 March 2020 (Audited)

Pension Values Table	Total accrued pension at 31 March 2019 (Bands of £5,000)	Real increase in pension (Bands of £2,500)	Cash Equivalent Transfer value (CETV) at 31 March 2020	Cash Equivalent Transfer value (CETV) at 31 March 2020	Real increase in CETV in year
Remuneration of:	£'000	£'000	£'000	£'000	£'000
Executive Members					
Chief Executive: Mr C Sinclair	20 -25 60 -65 lump sum	0 - 2.5 5 - 7.5 lump sum	460	514	54
Director of Finance: Mrs C Low	5 -10	0 - 2.5	104	133	29
Medical Director: Dr L Ramsay	40 - 45 125 -130 lump sum	0 0 lump sum	838	856	0
Non-Executive Members					
Prof E Ireland (to 31 July 2019)	0 - 0	0 - 0	0	0	0
Mr K Redpath (from 01 August 2019)	0 - 0	0 - 0	0	0	0
Mrs K Dunlop	0 - 0	0 - 0	0	0	0
Mr M McDavid	0 - 0	0 - 0	0	0	0
Ms J Burgess	0 - 0	0 - 0	0	0	0
Mr J Deffenbaugh	0 - 0	0 - 0	0	0	0
Ms A Rooney	0 - 0	0 - 0	0	0	0
Employee Director: Mr I Cant	10- 15 35 - 40 lump sum	0 - 2.5 2.5 - 5.0 lump sum	194	226	31
Senior Employees					
Director of Strategy Performance and Service Transformation: Mrs M Morgan	50 - 55 150-155 lump sum	2.5 - 5.0 10 - 15 lump sum	995	1127	132
Director of Central Legal Office: Ms N Shippin	40 - 45 125 -130 lump sum	0 - 2.5 5.0 - 7.5 lump sum	983	1030	47
Director of Primary Care and Counter Fraud Services: Mr M Bell	5 - 10	0 - 2.5	107	133	27

Pension Values Table	Total accrued pension at 31 March 2019 (Bands of £5,000)	Real increase in pension (Bands of £2,500)	Cash Equivalent Transfer value (CETV) at 31 March 2019	Cash Equivalent Transfer value (CETV) at 31 March 2020	Real increase in CETV in year
Director of Procurement, Commissioning and Facilities: Mr J Miller	15 - 20 55 - 60 lump sum	0 - 2.5 5.0 - 7.5 lump sum	357	406	49
Director of Public Health and Intelligence: Mr P Couser	10 -15	0 - 2.5	157	188	31
Interim Director of Scottish National Blood Transfusion Service (to 16 June 2018): Mrs H Thomsom	30 - 35 100 -105 lump sum	0 - 2.5 2.5 -5.0 lump sum	682	722	40
Director of Scottish National Blood Transfusion Service: Mr C Spalding (from 17 June 2019)	0 - 5	0 - 2.5	0	11	11
Director of HR and Work- force Development: Ms J Jones	15 -20	0 - 2.5	228	259	31
Nurse Director: Prof J Reilly	40 - 45 120 -125 lump sum	0 - 2.5 2.5 - 5.0 lump sum	772	814	42
Total			5,886	6,461	557

Board Members and Senior Employees Remuneration

for the Year Ended 31 March 2019 (Audited)

Remuneration Table	Gross Salary (Bands of £5,000)	Total Earnings in Year (bands of £5,000)	Pension Benefits	Benefit in Kind	Total Remuneration (bands of £5,000)
Remuneration of:	£'000	£'000	£'000	£'000	£'000
Executive Members					
Chief Executive: Mr C Sinclair	135 – 140	135 – 140	24	4.5	160 – 165
Director of Finance and Business Services: Mrs C Low	100 – 105	100 – 105	22	0	120 – 125
Medical Director: Dr L Ramsay	120 – 125	120 – 125	258	0	375 – 380
Non-Executive Members					
Prof. E Ireland	25 – 30	25 – 30	0	0	25 – 30
Mrs K Dunlop	5 – 10	5 – 10	0	0	5 – 10
Mr M McDavid	5 – 10	5 – 10	0	0	5 – 10
Ms J Burgess	5 – 10	5 – 10	0	0	5 – 10
Mr J Deffenbaugh	5 – 10	5 – 10	0	0	5 – 10
Ms A Rooney	5 – 10	5 – 10	0	0	5 – 10
Mrs J Davidson	5 – 10	5 – 10	0	0	5 – 10
Employee Director: Mr I Cant	40 – 45	40 – 45	30	0	70 – 75
Senior Employees					
Director of Central Legal Office: Ms N Shippin	100 – 105	100 – 105	35	3.8	140 – 145
Interim Director of Information Technology: Mr J Hall (from 2 April to 26 August 2019)	90 – 95	90 – 95	18	0	110 – 115
Director of Information Technology: Mr D Mitchelson (from 27 August 2019)	65 – 70	65 – 70	4	0	70 – 75
Director of Practitioner & Counter Fraud Services: Mr D Knowles (to 31 March 2019)	90 – 95	90 – 95	32	0	125 – 130
Director of Procurement, Commissioning and Facilities: Mr J Miller	100 – 105	100 – 105	23	0.1	125 – 130
Director of Public Health and Intelligence: Mr P Couser	105 – 110	105 – 110	21	0	125 – 130

Remuneration Table	Gross Salary (Bands of £5,000)	Total Earnings in Year (bands of £5,000)	Pension Benefits	Benefit in Kind	Total Remuneration (bands of £5,000)
Director of Scottish National Blood Transfusion Service (to 28 October 2018) Director of Strategy, Performance and Service Transformation (from 29 October 2018): Mrs M Morgan	95 – 100	95 – 100	79	3.4	180 – 185
Interim Director of Scottish National Blood Transfusion Service (from 29 October 2018): Mrs H Thomson	80 – 85	80 – 85	49	0	130 – 135
Director of HR and Workforce Development: Mrs J Jones	90 – 95	90 – 95	17	0	105 – 110
Interim Director of Strategy and Governance (to 28 October 2018) Director of Primary Care and Counter Fraud Services (from 1 March 2019): Mr M Bell	75 – 80	75 – 80	23	0	100 – 105
Director of Customer Engagement and Development: Mr M Neilson (to 28 October 2018)	85 – 90	85 – 90	21	0	100 – 105
Nurse Director: Prof J Reilly (from 18 June 2018)	100 – 105	100 – 105	8	0	110 – 115
Total			664	11.8	

Note

1. Remuneration excludes Employer Pension and Employer NI contributions
2. Proportion of Employee Director total remuneration for non Board duties for Mr I Cant is Band 30 - 35.
3. Dr L Ramsay and Prof J Reilly held their posts on an interim basis until 31 October 2018 and 01 February 2019 respectively.
4. The annualised remuneration (in bands of £5,000) for members who have joined during the year is as follows: D Mitchelson 115 – 120
5. The calculation of the pension benefits aims to bring public bodies in line with other industries in disclosing an assessed cumulative Pension benefit for a standard 20 year period, which is the estimated life span following retirement.
6. The total earnings in year column show the remuneration relating to actual earnings payable in 2018-19.

Board Members and Senior Employees Remuneration

for the Year Ended 31 March 2019 (Audited)

Pension Values Table	Total accrued pension at 31 March 2019 (Bands of £5,000)	Real increase in pension (Bands of £2,500)	Cash Equivalent Transfer value (CETV) at 31 March 2018	Cash Equivalent Transfer value (CETV) at 31 March 2019	Real increase in CETV in year
	£'000	£'000	£'000	£'000	£'000
Remuneration of:					
Executive Members					
Chief Executive: Mr C Sinclair	15 -20 55 -60 lump sum	0 - 2.5 5 - 7.5 lump sum	407	453	26
Director of Finance and Business Services: Mrs C Low	5 - 10	0 - 2.5	77	102	12
Medical Director: Dr L Ramsay	35 - 40 125- 130 lump sum	10-12.5 40 -45 lump sum	577	824	231
Non-Executive Members					
Prof. E Ireland	0 - 0	0 - 0	0	0	0
Mrs K Dunlop	0 - 0	0 - 0	0	0	0
Mr M McDavid	0 - 0	0 - 0	0	0	0
Ms J Burgess	0 - 0	0 - 0	0	0	0
Mr J Deffenbaugh	0 - 0	0 - 0	0	0	0
Ms A Rooney	0 - 0	0 - 0	0	0	0
Mrs J Davidson	0 - 0	0 - 0	0	0	0
Employee Director; Mr I Cant	10 - 15 30 - 35 lump sum	0 - 2.5 2.5 - 5.0 lump sum	162	191	25
Senior Employees					
Director of Central Legal Office: Ms N Shippin	40 - 45 120 -125 lump sum	0 - 2.5 5.0 - 7.5 lump sum	895	967	58
Director of Information Technology: Mr J Hall (from 2 April to 26 August 2018)	0 - 5	0 - 2.5	34	58	11
Director of Information Technology: Mr D Mitchelson (from 27 August 2018)	0 - 5	0 - 2.5	0	8	0

Pension Values Table	Total accrued pension at 31 March 2019 (Bands of £5,000)	Real increase in pension (Bands of £2,500)	Cash Equivalent Transfer value (CETV) at 31 March 2018	Cash Equivalent Transfer value (CETV) at 31 March 2019	Real increase in CETV in year
Director of Practitioner & Counter Fraud Services: Mr D Knowles (to 31 March 2019)	45 - 50 135 -140 lump sum	0 - 0.25 5.0 - 7.5 lump sum	997	1066	55
Director of Procurement, Commissioning and Facilities: Mr J Miller	15 -20 45 - 50 lump sum	0 - 2.5 2.5 - 5.0 lump sum	309	351	42
Director of Public Health and Intelligence: Mr P Couser	10 - 15	0 - 2.5	125	154	15
Director of Scottish National Blood Transfusion Service (to 28 October 2018) Director of Strategy Performance and Service Transformation (from 29 October 2018): Ms M Morgan	45 -50 135-140 lump sum	2.5 - 5.0 10.0-12.5 lump sum	871	978	93
Interim Director of Scottish National Blood Transfusion Service (from 29 October 2018): Mrs H Thomson	30 - 35 95 -100 lump sum	2.5 - 5.0 7.5-10.0 lump sum	603	671	57
Director of HR and Workforce Development: Ms J Jones	10 - 15	0 - 2.5	196	224	15
Interim Director of Strategy and Governance (to 28 October 2018) Director of Primary Care and Counter Fraud Services (from 1 March 2019): Mr M Bell	5 - 10	0 - 2.5	79	105	15
Director of Customer Engagement and Development: Mr M Neilson (to 28 October 2018)	5 - 10	0 - 2.5	72	94	10
Nurse Director: Prof J Reilly (from 18 June 2018)	35 - 40 115 -120 lump sum	0 - 2.5 2.5 - 5.0 lump sum	724	759	21
Total			6,352	7,259	684

Fair Pay Disclosure

2019-20	£'000	2018-19	£'000
Range of Staff Remuneration	0 – 240	Range of Staff Remuneration	0 – 220
Highest Earning Director's Total Remuneration (£'000)	140 – 145	Highest Earning Director's Total Remuneration (£'000)	135 – 140
Median Total Remuneration	£30,742	Median Total Remuneration	£29,905
Ratio	4.6	Ratio	4.5

Note

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



Staff Report

Staff Numbers and Costs

	Executive Board Members	Non Executive Members	Perma- nent Staff	Inward Sec- ondees	Other Staff	Outward Sec- ondees	2020 Total	2019 Total
	£000	£000	£000	£000	£000	£000	£000	£000
EMPLOYEE EXPENDITURE								
Salaries and wages	381	116	122,666	-	-	(1,744)	121,419	118,413
Taxation & Social Security costs	49	8	12,221	-	-	-	12,278	11,862
NHS scheme employers' costs	69	8	23,997	-	-	-	24,074	16,493
Inward secondees	-	-	-	2,531	-	-	2,531	1,923
Agency and other directly engaged staff	-	-	-	-	7,983	-	7,983	5,001
Total	499	132	158,884	2,531	7,983	(1,744)	168,285	153,692
Included in the total employee expenditure above were costs of staff engaged directly on capital projects, charged to capital expenditure of:							832	117
STAFF NUMBERS								
Whole time equivalent (WTE)	3	7	3,449	39	129	-	3,605	3,326
Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:							9	3
Included in the total staff numbers above were disabled staff of:							91	100

Higher Paid Employees Remuneration

	Clinical		Other	
	2020	2019	2020	2019
	Number	Number	Number	Number
Employees whose remuneration fell within the following ranges:				
£ 70,001 to £ 80,000	25	25	52	103
£ 80,001 to £ 90,000	23	9	98	27
£ 90,001 to £100,000	11	20	50	56
£100,001 to £110,000	16	4	15	17
£110,001 to £120,000	6	4	20	14
£120,001 to £130,000	7	3	5	2
£130,001 to £140,000	2	5	2	6
£140,001 to £150,000	4	2	5	0
£150,001 to £160,000	2	1	2	0
£160,001 to £170,000	4	2	0	0
£170,001 to £180,000	1	3	0	1
£180,001 to £190,000	2	2	0	0
£190,001 to £200,000	1	3	1	0
£200,001 and above	5	4	0	0

Staff Composition

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

	2020			2019		
	Male	Female	Total	Male	Female	Total
Executive Directors	1	2	3	1	2	3
Non-Executive Directors and Employee Director	4	4	8	3	5	8
Senior Employees	191	157	348	183	131	314
Other	1,255	2,144	3,399	1,147	2,019	3,166
Total Headcount	1,451	2,307	3,758	1,334	2,157	3,491

For this section of the report the definition of senior employee is anyone earning over £70k in 2019/20.

Sickness Absence Data

	2020	2019
Sickness absence rate	4.5%	4.5%

The HEAT standard for sickness absence for NHSScotland is 4.0%.

Attendance management is a key focus for the organisation, sickness absence rates are monitored and reported on a monthly basis to the EMT and Senior Management teams. HR have taken a proactive approach to attendance management, providing a programme of events and training to support staff and line managers.

Workforce Policies

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

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

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

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

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

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

Exit Packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Cost of exit packages (£000)
<£10,000	0	1	1	8
£10,000 - £25,000	0	1	1	19
£25,000 - £50,000	0	1	1	32
£50,000 - £100,000	0	1	1	58
£100,000 - £150,000	0	0	0	0
£150,000 - £200,000	0	0	0	0
£200,000 - £250,000	0	0	0	0
>£250,000	0	0	0	0
Total number of exit packages by type	0	4	4	117

EXIT PACKAGES - PRIOR YEAR

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Cost of exit packages (£000)
<£10,000	0	0	0	0
£10,000 - £25,000	0	1	1	24
£25,000 - £50,000	0	1	1	50
£50,000 - £100,000	0	1	1	92
£100,000 - £150,000	0	1	1	121
£150,000 - £200,000	0	0	0	0
£200,000 - £250,000	0	0	0	0
>£250,000	0	0	0	0
Total number of exit packages by type	0	4	4	287

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 requires all public sector bodies to publish specific information annually. The information published is:

- Relevant Trade Union Officials (WTE for full and part time officials);
- Percentage of time spent on Facility Time;
- Percentage of pay bill spent on Facility Time;
- Paid Trade Union Activities.

The report for 2019/20 will be available from September 2020 at www.nhsnss.org

Parliamentary Accountability Report

Losses and Special Payments

	No of Cases	£000
Losses	12	167

In the year to 31 March 2020 NSS did not have any balances in excess of £250,000 which were written off.

Fees and Charges

NSS provides a variety of services as detailed under Purpose and Activities of NSS (Page 10). These services include the provision of legal services, the supply of blood and blood products, management of national IT infrastructure, procurement, healthcare commissioning, facilities management and provision of data and analytics. Services are provided to NHSScotland, the wider public sector and third party suppliers. The expenditure and income relating to these services can be found in note 3 operating expenses (Page 98) and note 4 operating income (Page 99) of the accounts.

Remote Contingent Liabilities

NSS has reported all contingent liabilities known to the organisation in Note 14 (Page 112).

Colin Sinclair

Colin Sinclair

14 August 2020

Independent Auditor's Report

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

Report on the audit of the financial statements

Opinion on financial statements

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

In my opinion the accompanying financial statements:

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

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the **Code of Audit Practice** approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is 4 years. I am independent of the Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter: Valuation of land and buildings

I draw attention to section 30 of Note 1: Accounting Policies in the financial statements, “Key sources of judgement and estimation uncertainty” which describes the effects of material uncertainties, caused by Covid-19, declared in the valuation report for land and buildings. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

Matters on which I am required to report by exception

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

- Adequate accounting records have not been kept; or
- The financial statements and the audited part of the Remuneration Report and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit

- There has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

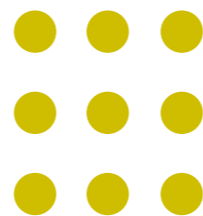
This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers,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



Mark Taylor CPFA

Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

18 August 2020



PART B

Statement of comprehensive net expenditure

For the year ended 31 March 2020

2019	~	Note	2020
			£000
155,149	Employee expenditure	3a	169,197
	Other operating expenditure	3b	
241,925	Clinical Services		261,147
334,760	Non Clinical Services		367,146
181	Other health care expenditure		186
732,015	Gross expenditure for the year		797,676
(251,336)	Less: operating income	4	(287,463)
480,679	Net expenditure for the year		510,213

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

Statement of financial position

As at 31 March 2020

2019		Note	2020
£000			£000
72,393	Property, plant and equipment	7c	80,422
8,720	Intangible assets	6	10,912
	Financial assets		
267	Trade and other receivables	9	0
81,380	Total non-current assets		91,334
	Current Assets:		
28,843	Inventories	8	29,793
	Financial assets		
21,375	Trade and other receivables	9	42,741
985	Cash and cash equivalents	11	26,946
51,203	Total current assets		99,480
132,583	Total assets		190,814
	Current liabilities		
(1,590)	Provisions	13a	(1,493)
	Financial liabilities:		
(62,827)	Trade and other payables	12	(102,128)
(64,417)	Total current liabilities		(103,621)
68,166	Non-current assets plus / less net current assets / liabilities		87,193
	Non-current liabilities		
(2,247)	Provisions	13a	(2,380)
	Financial liabilities:		
(35,285)	Trade and other payables	12	(34,122)
(37,532)	Total non-current liabilities		(36,502)
30,634	Assets less liabilities		50,691
	Taxpayers' Equity		
24,338	General fund	SoCTE	37,851
6,296	Revaluation reserve	SoCTE	12,840
30,634	Total taxpayers' equity		50,691

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

The financial statements on pages 72 to 122 were approved by the Board on 14 August 2020 and signed on their behalf by

Carolyn Low Director of Finance

Colin Sinclair Chief Executive



Statement of cashflows

For the year ended 31 March 2020

2019 £000	Note	2020 £000	2020 £000
Cash flows from operating activities			
(480,679)	SoCTE	(510,213)	
12,795	2b	7,439	
2,115	2b	2,074	
61	2b	(10,401)	
(465,708)			(511,101)
Cash flows from investing activities			
(5,357)		(4,753)	
(1,406)		(5,043)	
(6,763)			(9,796)
FHS Payments on Behalf			
2,576,499		2,662,227	
(2,576,499)		(2,662,227)	
0			0
Cash flows from financing activities			
475,210	SoCTE	523,540	
(92)	SoCTE	26,065	
475,118		549,605	
(632)	18	(673)	
(2,115)	18	(2,074)	
472,371			546,858
(100)			25,961
1,085			985
985			26,946
			Reconciliation of net cash flow to movement in net/cash
(100)	11		25,961
1,085			985
985			26,946

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

Statement of changes in taxpayers' equity

For the year ended 31 March 2020

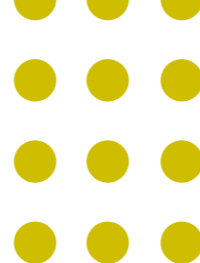
	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Statement of changes in taxpayers' equity				
Balance at 1 April 2019				
		24,338	6,296	30,634
Changes in taxpayers' equity for 2019-20				
Net gain / (loss) on revaluation / indexation of property, plant and equipment	7a	0	6,662	6,662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

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
SoCTE (prior year)				
Balance at 1 April 2018				
		29,642	7,633	37,275
Changes in taxpayers' equity for 2018-19				
Net gain / (loss) on revaluation / indexation of property, plant and equipment	7a	0	(1,172)	(1,172)
Net gain / (loss) on revaluation / indexation of intangible assets	6	0	(3,832)	(3,832)
Revaluation and impairments taken to operating costs	2b	0	3,832	3,832
Transfers between reserves		165	(165)	0
Net operating cost for the year	CFS	(480,679)	0	(480,679)
Total recognised income and expense for 2018-19		(480,514)	(1,337)	(481,851)
Funding:				
Drawn down	CFS	475,118	0	475,118
Movement in General Fund (creditor) / debtor	CFS	92	0	92
Balance at 31 March 2019	SoFP	24,338	6,296	30,634

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

Notes to the Accounts

For the year ended 31 March 2020



Note 1. Accounting Policies

1. Authority

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

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

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

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

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

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

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

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

Under IFRS 16, Lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of "low value" has been mandated, NHSScotland have elected to utilise the capitalisation threshold of £5,000 to determine the assets disclosed. NSS expects that its existing finance leases will continue to be classified as leases. All operating leases will fall within the scope of IFRS 16 under the "grandfathering" rules mandated in the FReM for the initial transition to IFRS 16. In future years new contracts and contract renegotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-use assets. Assets recognised under IFRS 16 will be held on the Statement of Financial Position as (i) right-of-use assets which represent NSS's right to use the underlying assets; and (ii) lease liabilities which represent the obligation to make lease payments.

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

Impact of the new Standard

NSS has assessed the impact that the application of IFRS 16 will have on the Comprehensive Net Expenditure for the financial year ending 31 March 2022 and on the Statement of Financial Position at that date. The figures below represent existing leases as at 31 March 2020.

The standard is expected to increase total expenditure in 2021-22 by £8.7million. Right-to-use assets totalling £58.5million will be brought onto the Statement of Financial Position, with an associated lease liability of £58.9million

2. Basis of Consolidation

In accordance with IAS 27 – Consolidated and Separate Financial Statements, NSS have considered the requirement to consolidate the financial statements of the Trinity Park Foundation.

It has been agreed that the value of income and expenditure of the Trinity Park Foundation is not sufficiently material to require consolidation.

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

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

Transactions between NSS and the Trinity Park Foundation are disclosed as related party transactions, where appropriate, in note 24 (see page 121) to the financial statements.

3. Retrospective Adjustments

No retrospective adjustments have been made in these accounts.

4. Going Concern

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

5. Accounting Convention

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

6. Funding

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

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

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

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

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

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

7. Property, plant and equipment

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

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

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

7.2 Measurement

Valuation

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

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

- Specialised NHS land, buildings, equipment, installations and fittings are stated at depreciated replacement cost, as proxy for fair value as specified in the FReM; non specialised land and buildings such as offices, are stated at fair value.
- All land and building assets are subject to a professional valuation on an annual basis. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual in so far as these terms are consistent with the agreed requirements of the Scottish Governance.
- Non specialised equipment, installations and fittings are valued at fair value. NSS value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis is used as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).
- Assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

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

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

Subsequent Expenditure

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

Revaluations and Impairment

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

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

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Expenditure.

Temporary Decreases in Asset Value

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

7.3 Depreciation

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

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

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

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category	Component	Useful Life
Buildings	Structure	Up to 93 years based on valuations
	Engineering	Up to 49 years based on valuations
	External Plant	Up to 49 years based on valuations
Transport Equipment		From 3 to 15 years
Machinery & Equipment		From 2 to 25 years
Furniture and Fittings		From 2 to 25 years
IT Equipment		From 3 to 10 years

8. Intangible Assets

8.1 Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets

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

Expenditure on research is not capitalised.

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

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

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

Software

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

Software licences

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

Carbon Emissions

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

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

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

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

the Statement of Financial Position date.

Websites

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

8.2 Measurement

Valuation

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

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

Revaluation and impairment

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

- Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.
- Temporary decreases in asset values or impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to the Statement of Comprehensive Net Expenditure.

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

Operational assets which are in use delivering front line services or back office functions, and surplus assets with restrictions on their disposal, are valued at current value in

existing use. Assets have been assessed as surplus; where there is no clear plan to bring the asset back into future use as an operational asset.

8.3 Amortisation

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

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

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

Amortisation is charged on a straight line basis.

The following asset lives have been used:

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

9. Non-current assets held for sale

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

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

Following reclassification, the assets are measured at the lower of their existing carrying amount and their “fair value less costs to sell”. Depreciation ceases to be charged and

the assets are not revalued, except where the “fair value less costs to sell” falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

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

10. Donated Assets

Non-current assets that are donated or purchased using donated funds are included in the Statement of Financial Position initially at the current full replacement cost of the asset.

The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual.

11. Sale of property, plant and equipment, intangible assets and non-current assets held for sale

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

12. Leasing

Finance leases

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

The asset and liability are recognised at the inception of the lease, and are derecognised when the liability is discharged, cancelled or expires. The minimum lease payments (annual rental less operating costs 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 operating expenditure on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to the operating expenditure over the life of the lease.

Leases of land and buildings

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

13. Impairment of non-financial assets

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

14. General Fund Receivables and Payables

Where NSS has 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 NSS has a net overdrawn cash position at the year-end, a corresponding debtor is created and the general fund credited with the same amount to indicate that additional cash is to be drawn down from the SGHSCD.

15. Inventories

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

16. Losses and Special Payments

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

17. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

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

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

18. Clinical and Medical Negligence Costs

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

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

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

19. Related Party Transactions

Material related party transactions are disclosed in Note 24 (see page 121) in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3 (see page 98).

20. Value Added Tax

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

21. PFI/HUB/NPD Schemes

Transactions financed as revenue transactions through the Private Finance Initiative or alternative initiatives such as HUB or Non Profit Distributing Model (NPD) are accounted

for in accordance with the HM Treasury application of IFRIC 12, Service Concession Arrangements, outlined in the FReM.

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

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

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

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

22. Provisions

NSS provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by HM Treasury.

23. Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within NSS's control) are not recognised as assets, but are disclosed in note 14 (see page 112) where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 14 (see page 112), unless the probability of a transfer of economic benefits is remote. Contingent liabilities

are defined as:

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

24. Corresponding Amounts

Corresponding amounts are shown for the primary statements and notes to the financial statements. Where the corresponding amounts are not directly comparable with the amount to be shown in respect of the current financial year, IAS 1 "Presentation of Financial Statements" requires that they should be adjusted and the basis for adjustment disclosed in a note to the financial statements.

25. Financial Instruments

Financial Assets

Business Model

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

Classification

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

- (a) Financial assets at fair value through profit or loss
This is the default basis for financial assets
- (b) Financial assets held at amortised cost
A financial asset may be held at amortised cost where both of the following conditions are met:
 - i. The financial asset is held within a business model where the objective is to collect contractual cash flows; 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. NSS recognises a loss allowance for expected credit losses on financial assets and this is recognised in other comprehensive income, rather than reducing the carrying amount of the asset in the Statement of Financial Position.

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

Recognition and measurement

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

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

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

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

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

(b) Financial assets held at amortised cost

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

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

Financial Liabilities

Classification

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

- i.** These are measured at fair value on a portfolio basis in accordance documented risk management or investment strategy;
- ii.** They contain embedded derivatives; and/or
- iii.** It eliminates or reduces 'accounting mismatch' that would otherwise arise from measurement or recognition on an amortised cost basis.

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

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

(b) Financial liabilities held at amortised cost

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

Recognition and measurement

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

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

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

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

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

(b) Amortised cost

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

26. Segment reporting

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

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

27. Cash and cash equivalents

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

28. Foreign Exchange

The functional and presentational currency of NSS is sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

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

- Monetary items (other than financial instruments measured at “fair value through income and expenditure”) are translated at the spot exchange rate on 31 March;

- Non-monetary assets and liabilities measured at historic cost are translated using the spot exchange rate at the date of the transaction; and
- Non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on the settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expenditure in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

29. Third party assets

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

However, they are disclosed in Note 25 (see page 121) to the accounts in accordance with the requirements of the FReM.

30. Key sources of judgement and estimation uncertainty

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

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

Provisions disclosed in the Accounts include the organisational restructure, the participation in the Clinical Negligence Other Risk and Indemnity Scheme (CNORIS) and the cost of compensation for loss of earnings made to employees as a result of an injury sustained during the course of their employment. NSS management estimate the level of provision based on the best information available at the Statement of Financial Position date. It is expected that the uncertainty regarding the level and cost of these provisions will be resolved before the end of March 2021.

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

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

NSS commissioned the District Valuer to carry out a valuation of NSS properties for 31 March 2020, which was performed in March 2020.

In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation report. This is due to market uncertainties caused by COVID-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected or accepted.' Consequently, less certainty and a higher degree of caution should be attached to the indices reported than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the valuer recommends that we keep the valuation under review.

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

2a. Summary of core revenue resource outturn

		2020	2020
	Note	£000	£000
Net expenditure	SoCNE		510,213
Total non core expenditure (see below)			(7,860)
Total core expenditure			502,353
Core Revenue Resource Limit			502,464
Saving/(excess) against Core Revenue Resource Limit			111

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Depreciation / amortisation		7,824	
Annually Managed Expenditure - creation of provisions		36	
Total Non Core Expenditure			7,860
Non Core Revenue Resource Limit			7,860
Saving / (excess) against Non Core Revenue Resource Limit			0

SUMMARY RESOURCE OUTTURN

	Resource	Expenditure	Saving / (Excess)
	£000	£000	£000
Core	502,464	502,353	111
Non Core	7,860	7,860	0
Total	510,324	510,213	111

2b. Notes to the cash flow statement

Consolidated adjustments for non-cash transactions

2019		Note	2020
£000			£000
Expenditure not paid in cash			
5,222	Depreciation	7a	4,881
3,650	Amortisation	6	2,944
3,958	Impairments on PPE charged to SoCNE		1,454
(126)	Reversal of impairments on PPE charged to SoCNE		(1,841)
91	Loss / (profit) on disposal of property, plant and equipment		1
12,795	Total expenditure not paid in cash	CFS	7,439

Interest payable recognised in operating expenditure

2019			2020
£000			£000
Interest payable			
2,115	PFI Finance lease charges allocated in the year	18	2,074
2,115	Net interest payable	CFS	2,074

Consolidated movements in working capital

2019		Note	Opening balances	Closing balances	2020
Net movement			£000	£000	Net movement
£000					£000
INVENTORIES					
(9,250)	Balance Sheet	8	28,843	29,793	
(9,250)	Net decrease / (increase)				(950)
TRADE AND OTHER RECEIVABLES					
3,593	Due within one year	9	21,375	42,741	
1,070	Due after more than one year	9	267	0	
4,663			21,642	42,471	
4,663	Net decrease / (increase)				(21,099)
TRADE AND OTHER PAYABLES					
4,020	Due within one year	12	62,827	102,128	
(786)	Due after more than one year	12	35,285	34,122	
(250)	Less: property, plant & equipment (capital) included in above		(1,412)	(2,403)	
(102)	Less: intangible assets (capital) included in above		(306)	(449)	
92	Less: General Fund creditor included in above	12	(993)	(27,058)	
632	Less: lease and PFI creditors included in above	12	(32,295)	(31,622)	
3,606			63,106	74,718	
3,606	Net decrease / (increase)				(11,612)
PROVISIONS					
1,042	Statement of Financial Position	13a	3,837	3,873	
1,042	Net decrease / (increase)				36
61	Net movement (decrease) / increase	CFS			(10,401)

3. Operating expenses

3a. Employee expenditure

2019 £000		2020 £000
7,974	Medical, Dental and Pharmacy	8,641
10,756	Nursing	11,176
18,938	Life Sciences	19,932
3,219	Senior Managers	3,139
11,078	Support Services	11,560
103,184	Administrative Services	114,479
155,149	Total	169,197

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

3b. Other operating expenditure

2019 £000	Note	2020 £000
Clinical Services		
227,317	Procurement, Commissioning and Facilities	246,614
14,608	Scottish National Blood Transfusion Service	14,533
241,925	Total	261,147
Non Clinical Services		
1,190	Central Legal Office	1,141
65,617	Digital and Security (formerly known as Information Technology)	71,733
19,351	Practitioner and Counter Fraud Services	19,275
212,312	Procurement, Commissioning and Facilities	242,522
4,538	Public Health and Intelligence	4,465
7,942	NSS Corporate Services	8,507
23,810	NSS Property Services	19,503
334,760	Total	367,146
Other health care expenditure		
181	External Auditor's remuneration - statutory audit fee	186
181	Total	186
576,866	Total Other Operating Expenditure	628,479

NSS did not purchase any non-audit services from Audit Scotland

4. Operating income

2019 £000	Note	2020 £000
Clinical Services		
149	Procurement, Commissioning and Facilities	112
7,993	Scottish National Blood Transfusion Service	7,882
Non Clinical Services		
7,126	Central Legal Office	7,493
24,205	Digital and Security (formerly known as Information Technology)	24,802
821	Practitioner and Counter Fraud Services	854
195,458	Procurement, Commissioning and Facilities	229,063
6,383	Public Health and Intelligence	7,191
5,986	NSS Corporate Services	7,099
3,215	NSS Property Services	2,967
251,336	Total Income	287,463
Income Summary		
1,670	Income from Scottish Government	2,388
239,715	Income from NHS Scotland Bodies	275,375
1,828	Income from NHS non-Scottish bodies	1,652
8,123	Income from non NHS	8,048
251,336	Total Income	287,463

5. Segmental information

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

	Central Legal Office	Digital and Security	Practitioner and Counter Fraud Services	Procurement, Commissioning and Facilities	Public Health and Intelligence	Scottish National Blood Transfusion Service	Corporate Services	2020
	£000	£000	£000	£000	£000	£000	£000	£000
Net operating cost	788	70,981	35,344	305,991	33,112	42,928	21,069	510,213

Prior year

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

	Central Legal Office	Digital and Security	Practitioner and Counter Fraud Services	Procurement, Commissioning and Facilities	Public Health and Intelligence	Scottish National Blood Transfusion Service	Corporate Services	2019
	£000	£000	£000	£000	£000	£000	£000	£000
Net operating cost	617	61,057	34,503	290,979	32,061	41,072	20,390	480,679

6. Intangible assets

6. Intangible assets (non-current)

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

6. Intangible assets (non-current), cont. - prior year

	Software Licences £000	IT - software £000	Assets Under Development £000	Total £000
Cost or Valuation:				
At 1 April 2018	91,454	62,628	1,286	155,368
Additions	0	100	1,408	1,508
Completions	625	89	(714)	0
Transfers between asset categories	0	0	83	83
Disposals	(1,909)	0	0	(1,909)
At 31 March 2019	90,170	62,817	2,063	155,050
Amortisation				
At 1 April 2018	84,306	60,283	0	144,589
Provided during the year	2,973	677	0	3,650
Disposals	(1,909)	0	0	(1,909)
At 31 March 2019	85,370	60,960	0	146,330
Net book value at 1 April 2018	7,148	2,345	1,286	10,779
Net book value at 31 March 2019	4,800	1,857	2,063	8,720
			Net Book Value	
				£000
Classification of Assets under development				2,063
Information technology - software				2,063

7a. Property, plant and equipment

	Land (including under buildings) £000	Buildings (excluding dwellings) £000	Transport Equipment £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Assets Under Construction £000	Total £000
Cost or valuation								
At 1 April 2019	2,621	48,842	6,159	17,224	16,509	27,665	3,523	122,543
Additions - purchased	0	0	306	617	18	721	4,082	5,744
Completions	0	0	152	382	0	0	(534)	0
Transfers between asset categories	0	0	0	12	(12)	0	50	50
Revaluations	6,583	(90)	0	0	0	0	0	6,493
Impairment charges	0	(1,562)	0	0	0	0	0	(1,562)
Impairment reversals	146	1,390	0	0	0	0	0	1,536
Disposals - purchased	0	0	(1,248)	(686)	0	0	0	(1,934)
At 31 March 2020	9,350	48,580	5,369	17,549	16,515	28,386	7,121	132,870
Depreciation								
At 1 April 2019	0	0	4,300	10,767	14,705	20,378	0	50,150
Provided during the year - purchased	0	650	549	1,709	609	1,364	0	4,881
Revaluations	0	(169)	0	0	0	0	0	(169)
Impairment charges	0	(108)	0	0	0	0	0	(108)
Impairment reversals	0	(373)	0	0	0	0	0	(373)
Disposals - purchased	0	0	(1,247)	(686)	0	0	0	(1,933)
At 31 March 2020	0	0	3,602	11,790	15,314	21,742	0	52,448
Net book value at 1 April 2019	2,621	48,842	1,859	6,457	1,804	7,287	3,523	72,393
Net book value at 31 March 2020	9,350	48,580	1,767	5,759	1,201	6,644	7,121	80,422
Open Market Value of Land in Land and Dwellings Included Above	0							
Asset financing:								
Owned - purchased	9,350	15,604	1,767	5,759	1,201	6,644	7,121	47,446
On-balance sheet PFI contracts	0	32,976	0	0	0	0	0	32,976
Net book value at 31 March 2020	9,350	48,580	1,767	5,759	1,201	6,644	7,121	80,422

7a. Property, plant and equipment - prior year

	Land (including under buildings)	Buildings (exclud- ing dwell- ings)	Trans- port Equip- ment	Plant & Machin- ery	Infor- mation Technol- ogy	Furni- ture & Fittings	Assets Under Con- struc- tion	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2018	3,650	52,997	5,974	17,648	14,984	26,553	2,767	124,573
Additions - purchased	0	540	55	751	151	882	3,228	5,607
Completions	0	0	326	191	1,409	463	(2,389)	0
Transfers between asset categories	0	0	0	0	0	0	(83)	(83)
Revaluations	(884)	(490)	0	0	0	0	0	(1,374)
Impairment charges	(145)	(4,310)	0	0	0	0	0	(4,455)
Impairment reversals	0	105	0	0	0	0	0	105
Disposals - purchased	0	0	(196)	(1,366)	(35)	(233)	0	(1,830)
At 31 March 2019	2,621	48,842	6,159	17,224	16,509	27,665	3,523	122,543
Depreciation								
At 1 April 2018	0	0	4,018	10,258	13,895	19,216	0	47,387
Provided during the year - purchased	0	720	478	1,786	843	1,395	0	5,222
Revaluations	0	(202)	0	0	0	0	0	(202)
Impairment charges	0	(497)	0	0	0	0	0	(497)
Impairment reversals	0	(21)	0	0	0	0	0	(21)
Disposals - purchased	0	0	(196)	(1,277)	(33)	(233)	0	(1,739)
At 31 March 2019	0	0	4,300	10,767	14,705	20,378	0	50,150
Net book value at 1 April 2018	3,650	52,997	1,956	7,390	1,089	7,337	2,767	77,186
Net book value at 31 March 2019	2,621	48,842	1,859	6,457	1,804	7,287	3,523	72,393
Open Market Value of Land in Land and Dwellings Included Above	0							
Asset financing:								
Owned - purchased	2,621	17,216	1,859	6,457	1,804	7,287	3,523	40,767
On-balance sheet PFI contracts	0	31,626	0	0	0	0	0	31,626
Net book value at 31 March 2019	2,621	48,842	1,859	6,457	1,804	7,287	3,523	72,393

7b. Assets held for sale

NSS does not have any assets held for sale.

7c. Property, plant and equipment disclosures

2019 £000	Note	2020 £000
	Net book value of property, plant and equipment at 31 March	
72,393	Purchased	80,422
72,393	Total	80,422
0	Net book value related to land valued at open market value at 31 March	0
0	Net book value related to buildings valued at open market value at 31 March	0
	Total value of assets held under:	
31,626	PFI and PPP Contracts	32,976
31,626		32,976
	Total depreciation charged in respect of assets held under:	
358	PFI and PPP contracts	358
358		358

All land and buildings were revalued by an independent valuer, The Valuation Office Agency, as at 31/03/2020 on the basis of fair value (market value or depreciated replacement costs where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was an increase of £7.117m (2018-19: a decrease of £5.004m) of which £6.662m (2018-19: £1.172m debit) was credited to the revaluation reserve. An impairment of £(0.387)m (2018-19: £3.832m) was credited to the Statement of Comprehensive Net Expenditure and £(0.068)m (2018-19: £Nil) credited to the General Fund.

7d. Analysis of capital expenditure

2019 £000	Note	2020 £000
Expenditure		
1,508	6	5,186
5,607	7a	5,744
0	7a	0
HUB		
7,115		10,930
Gross Capital Expenditure		
Income		
91	7a	1
91		1
7,024		10,929
Net Capital Expenditure		
SUMMARY OF CAPITAL RESOURCE OUTTURN		
7,024		10,929
7,077		11,008
53		79
Saving / (excess) against Core Capital Resource Limit		
7,024		10,929
7,077		11,008
53		79
Saving / (excess) against Total Capital Resource Limit		

8. Inventories

2019 £000	Note	2020 £000
28,843		29,793
Consumables		
28,843	SoFP	29,793
Total inventories		

9. Trade and other receivables

2019 £000	Note	2020 £000
Receivables due within one year		
NHSScotland		
922		1,581
Scottish Government Health & Social Care Directorate		
7,489	SFR 30.0	10,677
Boards		
8,411		12,258
Total NHSScotland Receivables		
85		99
NHS non-Scottish bodies		
2,742		2,914
VAT recoverable		
7,392		20,822
Prepayments		
1,443		4,181
Accrued income		
949		1,658
Other receivables		
353		809
Other public sector bodies		
21,375	SoFP	42,741
Total Receivables due within one year		
Receivables due after more than one year		
NHSScotland		
267		0
Prepayments		
267	SoFP	0
Total Receivables due after more than one year		
21,642		42,741
TOTAL RECEIVABLES		
0		0
The total receivables figure above includes a provision for impairments of :		
7,489	SFR 30.0	10,677
NHS Scotland		
3,664		4,495
Central Government bodies		
353		809
Whole of Government bodies		
85		99
Balances with NHS bodies in England and Wales		
10,051		26,661
Balances with bodies external to Government		
21,642		42,741
Total		

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2020, receivables with a carrying value of £1.9 million (2019: £0.8 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

2019 £000	2020 £000
445	1420
Up to 3 months past due	
232	299
3 to 6 months past due	
163	209
Over 6 months past due	
840	1,928

Note

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

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

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:

2019	2020
5,117 Counterparties with no external credit rating:	6,102
5,117 Total neither past due or impaired	6,102

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.

2019	2020
£000 The carrying amount of receivables are denominated in the following currencies:	£000
21,642 Pounds	42,741
21,642	42,741

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

10. Investments

NSS does not have any investments.

11. Cash and cash equivalents

	Note	2020 £000	2019 £000
Balance at 1 April		985	1,085
Net change in cash and cash equivalent balances	CFS	25,961	(100)
Balance at 31 March	SoFP	26,946	985
Overdrafts		0	0
Total Cash - Cash Flow Statement		26,946	985
The following balances at 31 March were held at:			
Government Banking Service		26,918	958
Commercial banks and cash in hand		28	27
Balance at 31 March		26,946	985

12. Trade and other payables

2019 £000	Note	2020 £000
Payables due within one year		
NHSScotland		
7	Scottish Government Health & Social Care Directorate	0
3,757	Boards	3,453
3,764	Total NHSScotland Payables	3,453
14,309	NHS Non-Scottish bodies	13,787
993	Amounts payable to General Fund	27,058
(77)	Trade payables	796
34,816	Accruals	45,396
1,419	Deferred income	1,103
673	Net obligations under PPP / PFI Contracts	716
		18
3,098	Income tax and social security	3,265
2,300	Superannuation	2,990
561	Holiday pay accrual	664
38	Other public sector bodies	129
933	Other payables	2,771
62,827	Total Payables due within one year	SoFP 102,128
Payables due after more than one year		
716	Net obligations under PPP / PFI contracts due within 2 years	18 762
2,435	Net obligations under PPP / PFI contracts due after 2 years but within 5 years	18 2,591
28,471	Net obligations under PPP / PFI contracts due after 5 years	18 27,553
3,663	Deferred income	3,216
35,285	Total Payables due after more than one year	SoFP 34,122
98,112	TOTAL PAYABLES	136,250
WGA Classification		
3,757	NHS Scotland	3,453
3,141	Central Government bodies	3,302
1	Whole of Government bodies	207
14,309	Balances with NHS bodies in England and Wales	13,787
76,904	Balances with bodies external to Government	115,501
98,112	Total	136,250
Borrowings included above comprise:		
32,295	PFI contracts	31,622
32,295		31,622
The carrying amount and fair value of the non-current borrowings are as follows		
Carrying amount		
31,622	PFI contracts	30,906
31,622		30,906
Fair value	The carrying amount and fair value of the non-current borrowings are as follows	Fair value
	Fair value	
31,622	PFI contracts	30,906
31,622		30,906
The carrying amount of short term payables approximates their fair value.		
The carrying amount of payables are denominated in the following currencies:		
98,112	Pounds	136,250
98,112		136,250

13a. Provisions

	Pensions and similar obligations	Participation in CNORIS	Other (non-endowment)	2020 TOTAL	
	£000	£000	£000	£000	Note
At 1 April 2019	2,325	111	1,401	3,837	
Arising during the year	256	6	724	986	
Utilised during the year	(149)	0	(439)	(588)	
Unwinding of discount	0	0	0	0	
Reversed unutilised	0	0	(362)	(362)	
At 31 March 2020	2,432	117	1,324	3,873	2b

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

Analysis of expected timing of discounted flows to 31 March 2020

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

13a. Provisions (prior year)

	Pensions and similar obligations	Participation in CNORIS	Other (non-endowment)	2019 TOTAL
	£000	£000	£000	£000
At 1 April 2018	1,913	102	780	2,795
Arising during the year	576	64	1,183	1,823
Utilised during the year	(154)	(20)	(167)	(341)
Unwinding of discount	0	0	0	0
Reversed unutilised	(10)	(35)	(395)	(440)
At 31 March 2019	2,325	111	1,401	3,837

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

Note 13(a) Provisions (cont)

Analysis of expected timing of discounted flows to 31 March 2019

	Pensions and similar obligations	Participation in CNORIS	Other (non-endowment)	2019 TOTAL	
	£000	£000	£000	£000	
Payable in one year	146	43	1,401	1,590	SoFP
Payable between 2 - 5 years	578	50	0	628	SoFP
Payable between 6 - 10 years	714	3	0	717	SoFP
Thereafter	887	15	0	902	SoFP
At 31 March 2019	2,325	111	1,401	3,837	

Pensions and similar obligations

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

Participation in CNORIS

NSS has a provision relating to the participation in the CNORIS scheme. Note 13b provides further information on the scheme.

Other (non-endowment)

NSS has provisions relating to the organisation restructure, employee injury claims and for the potential over recovery of VAT due to the HMRC clarification of heading 14 professional services.

13b. Clinical negligence and other risks indemnity scheme (cnoris)

2019	Note	2020
£000		£000
0	Provision recognising individual claims against the NHS Board as at 31 March	0
0	Associated CNORIS receivable at 31 March	0
111	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	117
111	Net Total Provision relating to CNORIS at 31 March	117

Note 13b Clinical, Negligence and Other Risks Indemnity Scheme (CNORIS) (cont)

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: www.clo.scot.nhs.uk/our-services/cnoris.aspx

14. Contingent liabilities

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

2019 £000	Nature	2020 £000
827	Clinical and medical compensation payments	925
33	Employer's liability	49
860	TOTAL CONTINGENT LIABILITIES	974

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

15. Events after the end of the reporting year

Public Health Scotland was created on 1 April 2020 as a new public health body; around 700 NSS staff who provide public health services in the Public Health and Intelligence business unit transferred from NSS to the new body on 1 April 2020. The assets, liabilities and funding transferred from NSS to Public Health Scotland in 2020/21 are as follows:

Assets	£000
Non Current Assets (Note 6)	1,298
Current Receivables - Prepayments (Note 9)	120
Liabilities	
Current Payables - Deferred Income (Note 12)	253
Non Current Payables - Deferred Income (Note 12)	204
Funding	
Core Revenue Resource Limit	27,100
Core Capital Resource Limit	500

The 2019/20 accounts have not been adjusted for this event.

16. Commitments**Capital Commitments**

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

2019 £000	Property, plant and equipment £000	Intangible assets £000	2020 £000
Contracted			
740	IT Infrastructure	0	0
0	Software Development	0	1,000
740	Total	0	1,000
Authorised but not Contracted			
560	Property	0	0
415	Medical Equipment	470	0
295	Transport	300	0
453	IT Infrastructure	550	0
1,531	Software Development	0	1,067
3,254	Total	1,320	1,067

Other Financial Commitments

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

17. Commitments under leases

Operating Leases

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

Obligations under operating leases comprise:

2019		2020
£000		£000
Land		
153	Not later than one year	153
148	Later than one year, not later than 2 years	106
281	Later than two year, not later than five years	212
325	Later than five years	309
Buildings		
7,293	Not later than one year	7,373
6,899	Later than one year, not later than 2 years	7,337
19,040	Later than two year, not later than five years	18,118
23,983	Later than five years	21,579
Other		
528	Not later than one year	459
287	Later than one year, not later than 2 years	319
175	Later than two year, not later than five years	214
Amounts charged to Operating Costs in the year were:		
994	Hire of equipment (including vehicles)	793
7,668	Other operating leases	7,142
8,662	Total	7,935

Aggregate Rentals Receivable in the year

2019		2020
£000		£000
2,099	Total of finance & operating leases	1,952

18. Commitments under PFI contracts - on balance sheet

NSS has entered into the following on-balance sheet Non Profit Distributing project.

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

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

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

Note 18 Commitments under PFI Contracts - on Balance Sheet (cont)

2019	Gross Minimum Lease Payments	2020
£000		£000
2,747	Rentals due within 1 year	2,747
2,747	Due within 1 to 2 years	2,747
8,241	Due within 2 to 5 years	8,241
48,377	Due after 5 years	45,630
62,112	Total	59,365

2019	Less Interest Element	2020
£000	£000	
(2,074)	Rentals due within 1 year	(2,031)
(2,031)	Due within 1 to 2 years	(1,985)
(5,806)	Due within 2 to 5 years	(5,650)
(19,906)	Due after 5 years	(18,077)
(29,817)	Total	(27,743)

2019	Present value of minimum lease payments	Note	2020
£000			£000
673	Rentals due within 1 year	12	716
716	Due within 1 to 2 years	12	762
2,435	Due within 2 to 5 years	12	2,591
28,471	Due after 5 years	12	27,553
32,295	Total		31,622

2019	Service elements due in future periods	2020
£000		
994	Rentals due within 1 year	1,019
994	Due within 1 to 2 years	1,019
2,983	Due within 2 to 5 years	3,056
17,898	Due after 5 years	17,319
22,869	Total	22,413

55,164	Total commitments	54,035
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2019		2020
£000		£000
2,115	Interest charges	2,074
970	Service charges	994
632	Principal repayment	673
3,717	Total	3,741

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

The existing NHS Superannuation Scheme (Scotland)

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

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

National Employment Savings Trust (NEST)

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

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £5,876 up to £45,000, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

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

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

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

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

	2020 £000	2019 £000
Pension cost charge for the year	24,074	16,493
Additional costs arising from early retirement	275	510
Provisions / liabilities / prepayments included in the Statement of Financial Position	2,432	2,325

20. Retrospective restatements

There are no retrospective restatements recognised in these Accounts.

21. Restated primary statements

NSS primary statements have not been restated.

22. Financial instruments

22a. Financial instruments by category

	Note	Financial as- sets at fair value through OCI £000	Total £000
AS AT 31 MARCH 2020			
Assets per Statement of Financial Position			
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	6,747	6,747
Cash and cash equivalents	11	27,057	27,057
		33,696	33,696

(Prior Year)	Note	Financial as- sets at fair value through OCI £000	Total £000
At 31 March 2019			
Assets per Statement of Financial Position			
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	2,830	2,830
Cash and cash equivalents	11	985	985
		3,815	3,815

Financial Liabilities	Note	Financial liabilities at amortised cost £000	Total £000
AS AT 31 MARCH 2020			
Liabilities per Statement of Financial Position			
PFI Liabilities	12	31,622	31,622
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	90,601	90,601
		122,223	122,223

Note 22 Financial Instruments (cont) - Prior Year

	Note	Financial liabilities at amortised cost £000	Total £000
At 31 March 2019			
Liabilities per Statement of Financial Position			
PFI Liabilities	12	32,295	32,295
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	12	51,573	51,573
		91,968	83,868

22b. Financial risk factors

Exposure to Risk

NSS 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 NSS 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, NSS is not exposed to the degree of financial risk faced by business entities.

a) Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and other institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by NSS.

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.

Note 22 Financial Instruments (cont.)**b) Liquidity Risk**

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
AS AT 31 MARCH 2020	£000	£000	£000	£000
PFI Liabilities	716	762	2,591	27,553
Trade and other payables excluding statutory liabilities	87,358	702	1,885	629
Total	88,074	1,464	4,476	28,182

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2019	£000	£000	£000	£000
PFI Liabilities	673	716	2,435	28,471
Trade and other payables excluding statutory liabilities	47,910	702	1,885	1,076
Total	48,583	1,418	4,320	29,547

c) Market Risk

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

i) Cash flow and fair value interest rate risk

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

ii) Foreign Currency Risk

NSS is not exposed to foreign currency risk.

iii) Price risk

NSS is not exposed to equity security price risk.

note 22 Financial Instruments (cont.)**Fair value estimation**

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques.

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

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

23. Derivative financial instruments

NSS does not have any Derivative financial instruments.

24. Related party transactions

NSS had various material transactions with other Scottish Government departments and other UK Central Government bodies as part of our core activities.

NSS Board members have cross directorships with Heck Foods Ltd and Wale King Associates. There have been no transactions with these bodies in this financial year.

25. Third party assets

NSS does not have any Third party assets.

Direction by the Scottish Ministers



Common Services Agency

DIRECTION BY THE SCOTTISH MINISTERS

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


Signed by the authority of the Scottish Ministers

Dated 10/2/2006



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