

Annual Report and Accounts

**For the
year to
31 March
2024**



Contents

PART A

Performance Report	4
A view from Keith Redpath, Chair	4
Chief Executive's Statement	6
Purpose and key facts	8
Our NSS services	10
Our NSS strategy	13
Our strategic objectives	21
Service excellence	22
Financial sustainability	24
Workforce sustainability	30
Climate sustainability	32
Highlights of the year	34
Our performance	37
Financial performance	41
Key risks and issues	45
Recognising for our work	47
Appreciation and feedback	49
Living our values	50
Accountability report	52
Statement of Board members' responsibilities	53
Governance statement	56
Governance framework	57
Operation of the Board	60
Internal Audit	63
External Audit	65
Remuneration report and staff report	67
Board members and senior employees' remuneration	70
Fair pay disclosure	79
Staff report	80
Parliamentary accountability report	85
Independent auditor's report	86

PART B

Primary financial statements	91
Statement of comprehensive net expenditure	91
Statement of financial position	92
Statement of Cash Flow	94
Statement of Changes in Taxpayers' Equity	95
Notes to the accounts	97
1. Accounting policies	97
2. Notes to the cash flow statement	115
2a. Summary of core revenue resource outturn	115
2b. Adjustments for non-cash transactions	116
2c. Movement on working capital balances	117
3. Expenditure	118
3a. Employee expenditure	118
3b. Other operating expenditure	119
4. Operating income	120
5. Segmental information	120
6. Intangible assets	121
7a. Property, plant and equipment - current year	123
7a. Property, plant and equipment - prior year	125
7b. Assets held for sale	127
7c. Property, plant and equipment disclosures	127
7d. Analysis of capital expenditure	128
8. Inventories	128
9. Trade and other receivables	129
10. Cash and cash equivalents	131
11. Trade and other payables	131
12a. Provisions	133
12b. Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)	134
13. Contingent liabilities	135
14. Events after the end of the reporting year	135
15. Capital commitments	135
16. Commitments under leases	136
16a. Right of use assets (RoU)	136
16b. Lease liabilities	137
17. Commitments under PFI contracts – on balance sheet	139
18. Pension costs	140
19. Financial instruments	142
20. Related party transactions	145
Direction by the Scottish Ministers	146

Part A

Performance Report

This Performance Report sets out information relating to the purpose of NHS National Services Scotland (NSS), the key risks to the achievement of our objectives and how we performed during 2023/24.

Further detailed information is provided in the Performance Report, Accountability Report and Financial Statements. You can also find more information about our services on our website www.nss.nhs.scot

A view from Keith Redpath, Chair

As Chair of the NSS Board, I'm proud of the outcomes that have been delivered across the whole organisation which have underlined our vital role in Scotland's health and care system. NSS has met all our financial objectives and in excess of 90% of our non-financial objectives.

On behalf of the Board, I want to thank each and every member of our teams across NSS for their hard work and continued commitment. We're all very aware of the challenges faced not only in NSS, but across NHSScotland, and their work is valued and appreciated.

This is an unprecedented time for NHSScotland with financial pressures and ever-growing demands on services. It's against this backdrop that the role of NSS is ever more important.

It's essential we continue to deliver with service excellence and sustainability at the heart of everything we do, to ensure our services support patient care and add quality and value to the wider health and care system.

This is demonstrated on a daily basis in many different ways, including through our delivery of national infrastructure solutions and services, to our collaboration and connection with stakeholders including NHS boards, Scottish Government and local authorities.



Our focus on excellence can also be seen in our internal awards, aptly named 'Recognising Excellence', which celebrates and showcases the work of our staff and their contributions to both NSS and NHSScotland. As an organisation we place considerable emphasis on NSS being a 'great place to work' and this is key in all our activities.

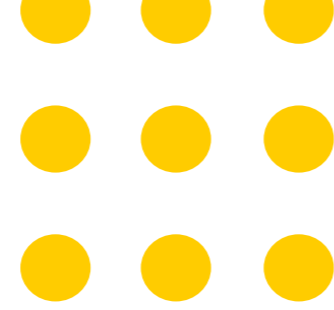
Sustainability is also very much at the forefront of our minds, with a strong focus on financial, workforce and climate sustainability. A culture of sustainability ensures longevity and means the decisions we take today create a positive legacy on which we can continue to build.

While I think it's important to reflect and acknowledge what we've achieved over the past financial year, our commitment to continuous improvement means we will always have more to do.

The Board has every confidence the individuals and teams across NSS will continue to respond positively to the challenges that are before us and ensure we continue to make our best contributions to the health and care system across Scotland.

Keith Redpath,
Chair, NHS National Services Scotland

“ It's essential we continue to deliver with service excellence and sustainability at the heart of everything we do, to ensure our services support patient care and add quality and value to the wider health and care system. ”



Chief Executive's statement

Over the past year, the health and care system across Scotland continued to experience pressures and Audit Scotland's report on the 'NHS in Scotland 2023' published this year acknowledged the challenges faced.

Along with the impacts of the cost of living crisis and wider global unrest, the resilience of our NHS has continued to be directly and indirectly tested.

Across NSS we remained agile in how we've worked to meet these new and emerging needs, while still delivering essential services. I'm always incredibly proud of how we continue to adapt and perform within our operating context.

Our steadfast commitment, together with our ability to remain flexible as we responded to the existing and emerging needs of Scotland's health and care service, is evidenced throughout our 2023/24 Annual Report.

Central to our success has been collaboration and innovation in how we worked – across our teams, across NHSScotland and across sectors. This has been a key thread to our achievements over the last year and will continue to remain vital in the future.

Moving forward, service transformation will continue to be fundamental to the sustainability of our NHS. We are proud of the integral role we will continue to play in supporting NHSScotland's plans and ambition in meeting this challenge.

We understand the importance of our national role and are committed to inspiring, innovating, and promoting a whole-system approach in support of sustainable long-term reform.

Simply put, working together is our greatest opportunity and asset. With sincere thanks to all who continue with us on this journey.

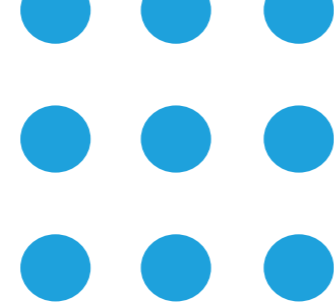
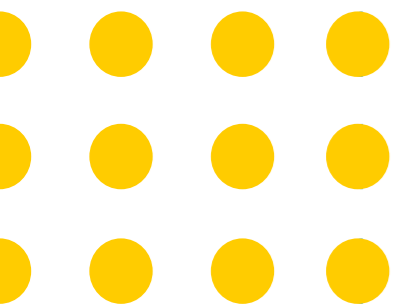


Mary Morgan, Chief Executive, NHS National Services Scotland



“ Central to our success has been collaboration and innovation in how we worked – across our teams, across NHSScotland and across sectors. This has been a key thread to our achievements over the last year and will continue to remain vital in the future.

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Key facts

Gross expenditure:	£1,107 million
Workforce:	3,464 Whole Time Equivalent (WTE) staff
Sites:	22
Impact and value added:	<p>£12.8 million in cash-releasing efficiency savings.</p> <p>£390.6 million of services provided on a recovery basis to territorial health boards.</p> <p>£2.2 billion of payroll administered by NSS on behalf of territorial health boards.</p> <p>£3.2 billion payments to primary care contractors on behalf of Scottish Government and territorial health boards.</p> <p>£268.8 million procured on behalf of NHSScotland.</p> <p>£314.2 million services nationally commissioned on behalf of NHSScotland.</p> <p>£30.4 million cost reductions achieved by National Procurement.</p> <p>£4.3 million of NHSScotland resources protected through prevention, detection and investigation of fraud.</p>

Purpose and key facts

Purpose

NSS is a public body, accountable to Scottish Ministers. NSS has a mandate to provide national strategic support services and expert advice to Scotland’s health and care sector while maximising health impacts and cost savings.

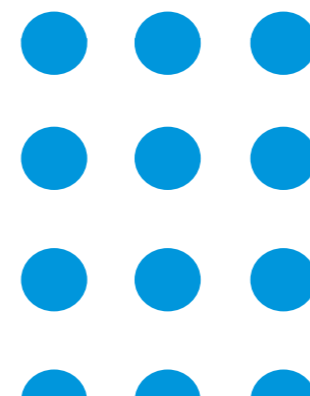
NSS was established as the Common Services Agency in 1974 under The National Health Service (Functions of the Common Services Agency) (Scotland) Order 1974.

Our remit was extended further by the Public Bodies (Joint Working) Scotland Act 2014 to enable the provision of services to other public bodies.

We work closely with our partner organisations, including NHS boards and local authorities, to ensure that our services align with the evolving needs of the health and social care system in Scotland.

£12.8 million
in cash-releasing efficiency savings

£30.4 million
of national savings secured by **National Procurement**



Our NSS services

We provide services and advice to the NHS and wider public sector in Scotland.

Since its inception, NSS has provided a wide range of national services that ensure health boards and other health and care partners can deliver their services with confidence.

Digital and security



Our expertise includes delivery and management of national digital platforms, supporting services and cyber security. Our innovative and person-centred scalable technology is delivered through local and national digital solutions, providing clinical informatics and information security and governance.

National Contact Centre



We provide call centre services to the people of Scotland. This includes appointment booking and rescheduling and providing advice, support and guidance to support access to health and care services.

Primary care support



NSS supports general practitioners, dentists, opticians, community pharmacies and dispensing contractors to deliver primary care across Scotland. This includes managing contractor payments, maintaining an up-to-date patient registration database, medical record transfers and clinical governance for dental services.

Specialist healthcare commissioning



NSS commissions a range of specialist and rare condition treatments supporting NHSScotland to ensure equitable and affordable access to these services when needed. We also commission a range of screening programmes.



Legal

We provide specialist legal advice and assistance in most areas of law relevant to the public sector. With a wide range of experience, the Central Legal Office (CLO) provides clients with a comprehensive legal service. We have close links to Scottish Government and its legal service and counsel clients on a wide range of policy issues.



Programme management services

NSS acts as a national delivery provider and work with our partners to offer total solutions in portfolio, programme, project management and transformation services. By equipping our clients with the right people and approaches we can support the delivery of complex and challenging change programmes.



National procurement

We provide procurement services to NHSScotland. We work collaboratively to provide best quality, fit for purpose and best value commercial solutions – weighing up cost, added value and sustainability. Our expert logistics services include distribution, supply chain, warehouse operations and fleet management. We also provide national eProcurement solutions.



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



Blood, tissues and cells

The Scottish National Blood Transfusion Service (SNBTS) provides blood, tissues and cells to NHSScotland, ensuring they are available, 24 hours a day, every day of the year. We also provide specialist treatment and therapeutic solutions, specialist testing and diagnostic services appropriate for Scottish patient needs.



Corporate services

We provide corporate services to other health boards in vital areas such as finance, HR, digital, facilities, procurement, and business support. This includes managing payroll for eight NHSScotland boards and delivering a full corporate shared services solution for Public Health Scotland.



NHSScotland Assure

We deliver a coordinated approach to the improvement of risk management and quality in the healthcare environment across NHSScotland. We encompass services provided by Antimicrobial Resistance and Healthcare Associated Infection (ARHAI) Scotland and Health Facilities Scotland. Our goal is to promote excellence, protect patients from the risk of infection and support better health outcomes for all.

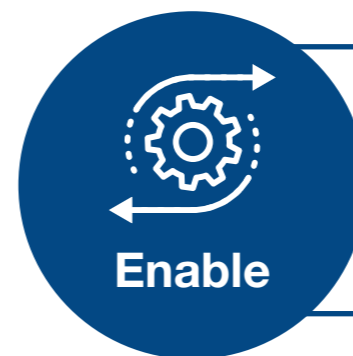




Our NSS strategy

NSS is integral to Scotland's health and care services.

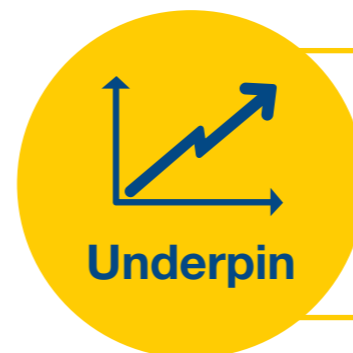
We set ourselves three priorities to ensure this is maintained.



Enable

1. Enable health and care transformation with new services

Harnessing NSS's wide-ranging skills and expertise to deliver new national infrastructure solutions and services.



Underpin

2. Underpin NHSScotland with excellent services

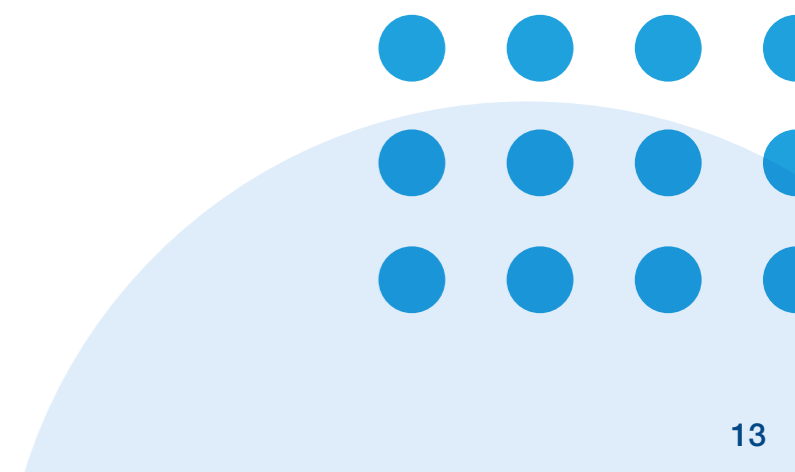
Providing national infrastructure solutions that are integral to the delivery of health and care services in Scotland.



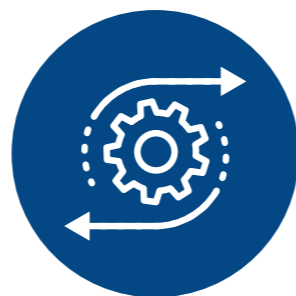
Assist

3. Assist other organisations involved in health and care

Connecting and collaborating with a range of partners and stakeholders to explore opportunities where our services can help and provide support to the wider health and care system.



Enable



The Enable priority focused on harnessing the wide-ranging expertise and skills across NSS to deliver national solutions and services that supported healthcare professionals to deliver high-quality care to the people of Scotland.

Counter Fraud Strategy 2023-2026

The Counter Fraud Strategy 2023-2026 was officially launched for NHSScotland in November 2023. The strategy outlined Counter Fraud Service’s objectives for the upcoming years and the methods to be used which aim to mitigate fraud.

The strategy supports Counter Fraud Services to work proactively to prevent fraud while providing assurance on the robustness of NHSScotland’s anti-fraud measures.



Reinforced Autoclaved Aerated Concrete (RAAC) discovery survey programme

In 2023, NHSScotland Assure conducted RAAC surveys across the NHSScotland estate through a national RAAC discovery survey programme.

By end of April 2024, the discovery surveys for 545 properties were finalised. Individual results were shared with health boards and collaborative sessions were held to enhance awareness and knowledge of RAAC.

Cyber Security Centre of Excellence (CCoE)

Our CCoE provides cyber security capabilities and following a launch to an initial group of health boards, our Digital and Security team helped establish the operating model which is being expanded to support more health boards joining the CCoE.

Medical records scanning

Practitioner Services scanned 59,000 key medical records as part of a digitisation process when patients move between GP practices. More than 80% of practices in Scotland now have digitised records, with the remaining practices implementing their own back-scanning procedures.

This reduced paper records and aimed to eliminate manual transfer between practices, removing the risk of lost records and improving the quality of records received.

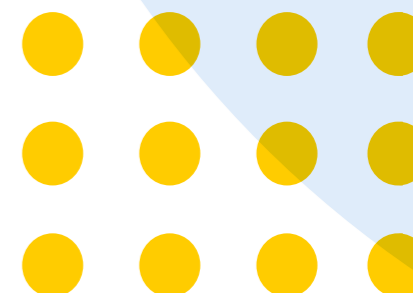
NHS dental payments

NSS introduced an updated system for NHS dental payment procedures for dentists offering NHS services.

This system focuses on overall care outcomes instead of detailed treatment items. This streamlined approach allows dentists to determine the most suitable treatments for their patients wellbeing.

NSS payroll services

On February 1, 2023, we added four more health boards to our payroll services portfolio bringing the total number to eight. Implementation of a new operating model is also underway to support a more robust and sustainable payroll service for the future.



Underpin



Our Underpin priority focused on improving our core services which are essential to the functioning of the wider health and social care system.

Continually improving these services ensured a strong and stable foundation for the healthcare system to deliver the best possible care and outcomes for the people of Scotland.

Hepatitis B lookback

Following SNBTS screening for anti-Hepatitis B core antibodies (anti-HBc) in April 2022, the Scottish national lookback programme began in May 2023.

SNBTS and health board colleagues collaborated to identify recipients and offer them Hepatitis B testing. The lookback process was completed in March 2024, having successfully traced 1,360 implicated blood components.

Clinical safety

The National Clinical Informatics Service for Scotland finalised standards-based clinical safety cases for a number of key NHSScotland systems in 2023/24, including the Community Health Index, General Practice Patient Registration System and Child Health.

A Clinical Safety Case is a robust assessment of the risk profile of a digital solution. They work to guarantee the safety of critical systems by mitigating potential issues and improve patient safety.

E-job planning

Our HR teams introduced e-job planning for all clinical staff in NSS. Job plans are now included in employment contracts with information on duties, responsibilities, and objectives for the upcoming year.

The implementation of this system supports clinical staff to save time on administrative tasks, increasing their availability for patient care.

Public inquiries

Central Legal Office (CLO) continued its extensive support to NHSScotland boards for several public inquiries, including the UK Infected Blood Inquiry, the Scottish Hospitals Inquiry, the Historic Abuse Inquiry and two COVID-19 public inquiries.

New IT system for community pharmacies

The introduction of a new national IT system for over 12,000 community pharmacies in Scotland led to challenges with payments to pharmacy contractors from July 2023.

We worked closely with Community Pharmacy Scotland and in collaboration with NHSScotland health boards on an interim solution with payments made on an estimated basis.

The estimated payments were from July 2023 to February 2024. Any pharmacy who received overpayments due to estimates were notified in December 2023 and overpayments were recovered by March 2024.

Reducing long-term agency staffing

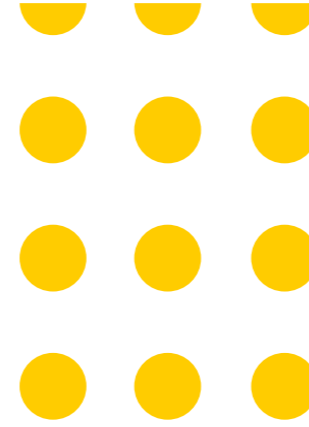
National Procurement reduced the number of long-term agency staff in the National Distribution Service logistics function by 57%. This allowed the recruitment of 13 fixed-term and 27 new permanent positions on NHSScotland contracts.

Realistic medicine and value-based healthcare

We introduced the Quality Improvement and Value Skills (QIVS) course that allows staff to acquire knowledge in these key areas. This is part of our work to enhance staff's skills in alignment with NSS's focus on Realistic Medicine and Value-Based Healthcare.



Assist



Our Assist pillar linked together organisations involved in health and care and beyond, and accounts for the work we did to help manage national incidents or resilience issues in NHSScotland.

Regularly connecting with partners and stakeholders helped ensure that our services supported the wider health and care system and meant that we could respond quickly and appropriately.

Supporting screening uptake in Scotland's communities

Data shows people living in disadvantaged communities are less likely to take up bowel and cervical screening services that help detect and treat cancer early.

We worked with health and social care partnerships to allow social care professionals to access relevant local screening data. This helped improve the planning and engagement of preventative health programmes in their local communities.

Supporting commercial contracts

The Central Legal Office (CLO) Commercial Contracts department provided advice and support to NHSScotland to help facilitate commercial arrangements with the pharmaceutical industry and academic arrangements with the university sector for clinical research.

This included supporting the establishment of an ongoing relationship with Research Development Scotland and assisting SNBTS in formalising arrangements with the charity DKMS in relation to stem cell donation in Scotland.

A Memorandum of Understanding (MoU) with Police Scotland

We signed a two-year MoU with Police Scotland to further strengthen our partnership. The MoU enables us to explore opportunities for intelligence and data sharing in areas such as custody healthcare and interventions and mental health.





Our strategic objectives

We set new strategic objectives in 2022/23 to support the delivery of our Annual Delivery Plan and they continued to shape our approach in 2023/24.



Service excellence

To continuously improve the way we deliver existing and new services with a focus on quality, to ensure they are safe, efficient and effective, and meet the needs of our service users, partners, and stakeholders.



Financial sustainability

To deliver an organisational financial stewardship culture that drives effective use of assets, infrastructure and value for money.



Workforce sustainability

To develop a diverse, knowledgeable and skilled workforce deployed in an environment where the organisation is adaptable to the changing lifecycle of employees and delivers leadership and behaviours reflecting the values of NHSScotland.

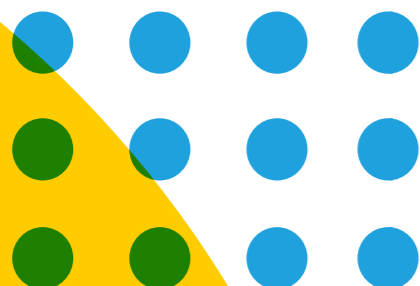


Climate sustainability

To embed climate sustainability in everything we do to ensure NHSScotland becomes a net zero greenhouse gas emissions health service by 2040 or earlier.

Service excellence

At NSS, we're committed to delivering high-quality services to the people of Scotland while protecting their health and the environment in a sustainable way.



Renewal of picture archiving and communication system

In December 2023, we awarded a ten-year contract for the Picture Archiving and Communication System (PACS). This was at a lower cost than the previous contract.

PACS enables clinicians to easily retrieve a complete history of a patient's scans and images to help them make diagnoses or consider what health care support they may need.

There are currently around 40,000 users in Scotland and the files can be viewed simultaneously across NHSScotland health boards without the need for manual film transfers.

Integration of diagnostic networks

In May 2023, National Services Division (NSD) launched the new Scottish Strategic Network for Diagnostics (SSND) to transform diagnostic services, reduce health inequalities, and improve patient outcomes.

The integration of five national diagnostic networks aims to optimise resources for improved service delivery and transformation.

Flexible health and wellbeing with Connect Me

The Connect Me programme, delivered in partnership with Scottish Government, focused on helping those with high blood pressure, asthma and diabetes to self-manage their conditions through remote monitoring.

This was introduced to 13 health boards and is being expanded to other services including stroke cardiology and neurology. So far, almost 30,000 individuals have accessed these services, with an additional 1,000 patients joining each month.

Strategic asset management

Our NHSScotland Assure team successfully implemented a Strategic Asset Management System (SAMS) across NHSScotland boards.

SAMS ensures data for estate asset management, property transactions, capital investment, fire risk and asbestos is captured in a consistent way.

Scotland's community health index

New technology to support Scotland's Community Health Index (CHI), the master patient index for NHSScotland, was successfully implemented in November 2023 and replaced a 40-year-old system.

The CHI system means there is consistent patient identification across all forms of care. It also allows NHSScotland to connect patient and clinical information to improve the provision of care. The new CHI system will meet the needs of NHSScotland and the people of Scotland for years to come.

Anchor institution

NSS developed its approach as an anchor institution. As a national board supporting NHSScotland, NSS has the potential to make a positive impact on Scotland's economic recovery, as well as supporting national outcomes that improve health and wellbeing, increase opportunities, and reduce inequalities for the people of Scotland.





Financial sustainability

Financial targets

Each year, NSS's financial performance is measured against the statutory financial targets of:

- a break-even position on revenue outturn
- a break-even position on capital outturn
- a break-even position in relation to cash requirements

For 2023/24 all statutory financial targets were achieved.

Financial planning

In March 2024, the NSS Board agreed a balanced three year revenue plan for financial year 2024/25 to 2026/27 and a balanced five year capital plan for 2024/25 to 2028/29.

The financial plan is an important part of a wider strategic planning cycle which includes workforce planning and delivery plans.

The executive management team budget summit provided the opportunity to understand and constructively challenge directorate plans to make sure they support the financial sustainability of NSS.



Financial sustainability

The financial challenge across NHSScotland and NSS's continued reliance on non-recurring funding means the focus on financial sustainability has never been greater. This included the requirement to deliver at least 3% cash releasing efficiency savings across prioritised services.

Business finance led the financial sustainability action plan for NSS in 2023/24 and significant progress was made in a number of different areas.

Financial 'Grip & Control'

- Increased oversight of Workforce Governance through NSS Vacancy Management Panel.
- Increased scrutiny and controls over discretionary non-pay spend overseen by the NSS Cost & Commercial Steering Group.

We carried out self-assessments to review our arrangements against NHSScotland best practice checklists and continued to apply controls proportionate and in line with our financial position.

Corporate foundations

We worked with colleagues to identify opportunities where efficiencies could be made in a number of processes. This included a review of corporate data to ensure accuracy and accessibility and remove duplication.

The review provided key insights to support decision-making and risk mitigation as well as highlighting opportunities. Potential productivity improvements were identified throughout the organisation and better use of data across corporate systems with appropriate reconciliations and controls.

The formal establishment of a corporate foundations portfolio was highlighted as a priority to ensure resources are focused to allow prompt delivery and realisation of benefits.

During 2023/24, a Finance Programme Management Office was established to improve the recording, tracking and reporting of savings and cost pressures. It also revised the finance demand process for business cases and development bids.

Service costing

Work was carried out to understand service costs and activity drivers to maximise a range of benefits and outputs, including:

- (1) highlighting savings opportunities
- (2) highlighting cost pressures/financial risks
- (3) robust basis for financial planning, recharging and cost recovery

Costing software was purchased in 2023/24 and piloted in SNBTS. This is being extended to cover all NSS services focusing on higher risk areas and on capacity and readiness.

Financial management culture

Work carried out as part of the financial sustainability action plan is changing the financial management culture across NSS. This work included the creation of annual directorate finance charters produced in partnership with key decision-makers to make that sure roles and responsibilities were clear.

Tools and resources were also made available support NSS and NHSScotland services to ensure that they remain financially sustainable in the long term.

Financial governance

The NSS Corporate Governance Framework sets out the governance for the organisation.

This includes:

- the Standing Orders to regulate conduct of business for NSS Board and Committee meetings
- the Committee Terms of Reference and Delegated Functions (ToRs) to define delegated functions by the Board to each Committee
- the Scheme of Delegation to delegate power to individual officers within the NSS management structure
- the Standing Financial Instructions (SFIs) to provide sound control of financial and related activities
- the Code of Conduct for Board members to set out the standards of conduct Board members must adhere to

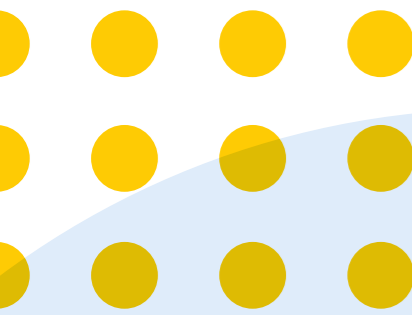
The SFIs detail the financial responsibilities adopted by NSS. Along with supporting policies and procedures, they provide sound control of NSS's financial and related activities to ensure they are carried out in accordance with the law and Scottish Government policy.

The SFIs, read in conjunction with Board Standing Orders, the NSS Scheme of Delegation and the Finance, Procurement and Performance Committee ToRs inform the roles and responsibilities of financial decision-making within NSS. The SFIs are reviewed annually by the Executive Management Team and approved by the NSS Board.

In this financial year, the Board approved the SFI Reporting Framework which sets out a coordinated approach to the identification, reporting and management of SFI adverse events.

The governance arrangements for in-year financial targets and longer-term financial sustainability include:

- Strategic and operational financial support provided to our Board, Committees, Executive Management Team and budget holders.
- Provision of financial information required by directorates to manage budgets effectively. This includes support for planning and decision-making across NSS to support delivery of our services.
- Robust governance in place to support financial sustainability – with the SFIs and Finance Charter setting out the roles and responsibilities of finance and delegated budget holders.



Introduction of the NHS Counter Fraud Standard

The NHS Counter Fraud Standard was introduced in April 2022 under the terms of the Partnership Agreement 2022-2025, between NSS and Counter Fraud Services (CFS). Working in partnership, the standard will be implemented by 31 April 2025.

The standard is a best practice approach to countering fraud based on 12 key components. Our implementation of the standard is progressing well, and we have met requirements for nine of the components and partially met requirements for the remaining three. Our focus for next year will be supporting CFS with the national delivery of the partially met standards.



NHS Counter Fraud Standards — key components

Access to and completion of training

Undertake activity to try and detect fraud in high-risk areas where little or nothing is known of fraud, bribery and corruption levels, including loss measurement activity where suitable

Undertake detection activity

Undertake activity to try and detect fraud in high-risk areas where little or nothing is known of fraud, bribery and corruption levels, including loss measurement activity where suitable

Access to trained investigators

Have agreed access to trained investigators that meet the agreed public sector skill standard

Report identified loss

Will report identified loss from fraud, bribery, corruption and error and associated recoveries, to the centre in line with agreed government definitions

Reporting routes for staff, contractors, members of the public

Have well established and documented reporting routes for staff, contractors and members of the public to report suspicions of fraud, bribery and corruption and a mechanism for recording these referrals and allegations

Policies and registers for gifts and hospitality and COI

Have policies and registers for gifts and hospitality and conflicts of interest

Accountable individual – 1A/1B

Have an accountable individual at board level who is responsible for counter fraud, bribery and corruption

Counter fraud bribery and corruption strategy

Have a counter fraud, bribery and corruption strategy that is submitted to the centre

Fraud bribery and corruption risk assessment

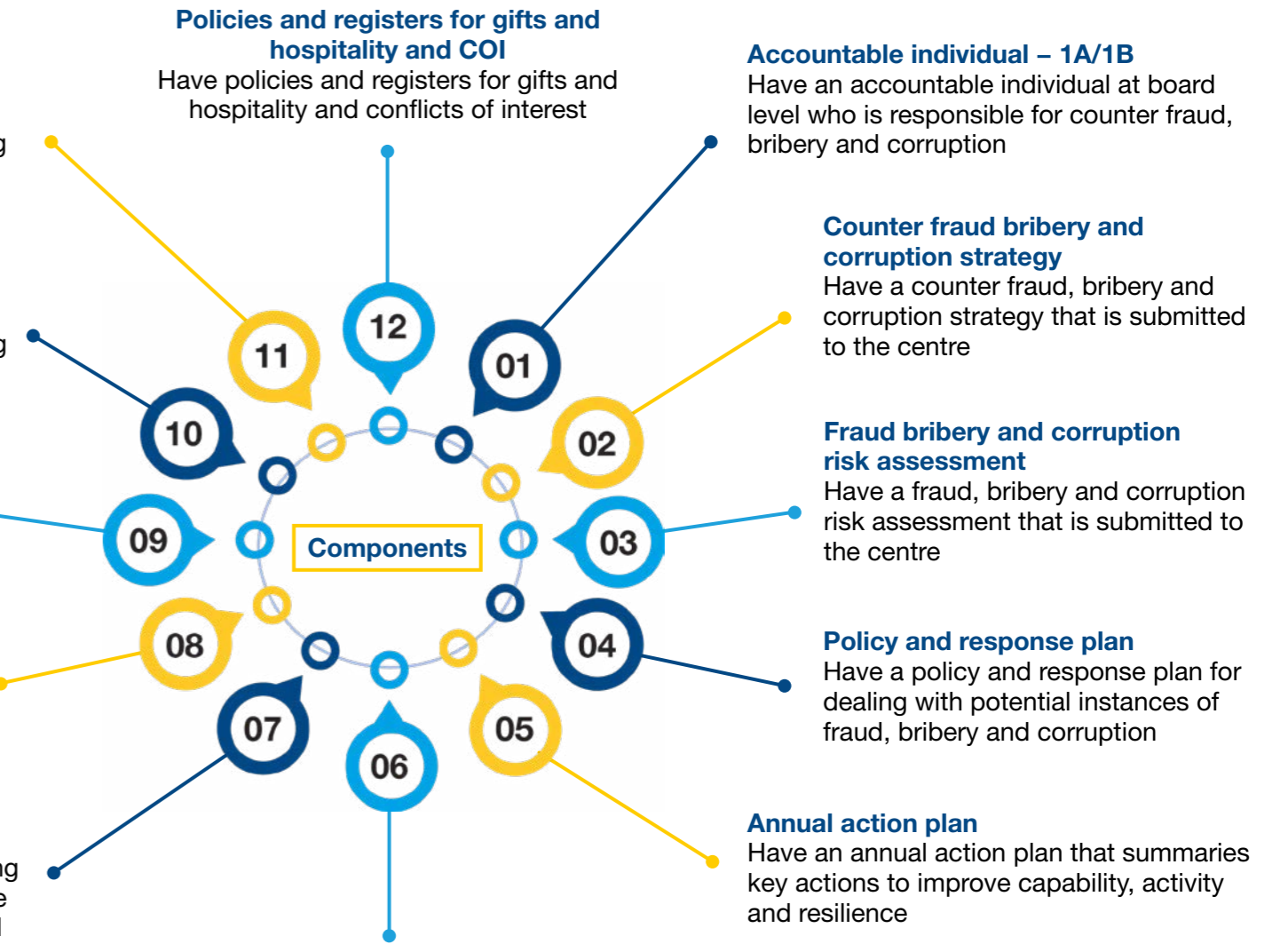
Have a fraud, bribery and corruption risk assessment that is submitted to the centre

Policy and response plan

Have a policy and response plan for dealing with potential instances of fraud, bribery and corruption

Annual action plan

Have an annual action plan that summaries key actions to improve capability, activity and resilience



Outcome-based metrics

Have outcome based metrics summarising what they are seeking to achieve that year. For organisations with 'significant investment' in counter fraud or 'significant estimated' fraud loss, these will include metrics with a financial impact

Workforce sustainability

We understand that our workforce needs to be adaptable to meet the demands of our ever-changing healthcare landscape. We utilise flexible resourcing models to ensure we're responsive and effective in meeting service and workforce needs.

We agreed a three-year workforce plan in 2022/23 which is aligned to the NHSScotland Workforce Strategy and has been central to our workforce activity throughout 2023/24. It's also supported by a three-year action plan setting out key deliverables against each of the five pillars of the workforce journey that support recovery, growth and transformation of services and the workforce.

The 5 pillars of the workforce journey are:



Some of our key highlights linked to the five pillars are:



Plan Preparing for retirement

As part of our focus on a sustainable workforce, we developed and launched the NSS retiral dashboard. This provides HR business partners and directorates with valuable insights to support medium to longer term workforce planning.



Attract Improving the candidate experience

A satisfaction survey was issued to successful candidates who had undertaken the recruitment process. The data collated provided an insight into the process, helped address recruitment gaps and shape improvements from the perspective of the candidate.



Train Learning and development

The move to the eLearning software Turas Learn increased learning and development opportunities for staff. The learning platform provides access to a wide range of learning materials including statutory and mandatory training modules.



Employ Recognising excellence

Each year we celebrate the achievements and contributions of colleagues across our organisation with our own Recognising Excellence awards. They recognise work in a number

of areas including 'Great Place to Work' and 'Service Excellence'.

You can find details on this year's winners in our achievements section.



Nurture Staff matter

Over 78% of staff contributed to our annual iMatter survey and this resulted in 300 action plans being developed within teams.

iMatter gives staff and teams the opportunity to collaborate on areas that are important to them. It is based on the NHSScotland staff governance standards.

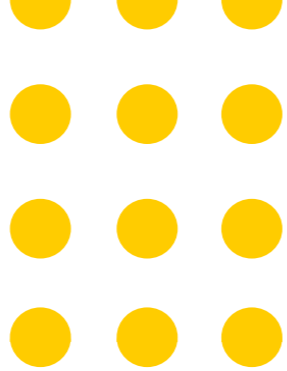
Safer workplaces

We are committed to a culture of health and safety and there was a focus on maintaining high standards in our warehouse operations at our national distribution sites during operational deliveries.

Safety enhancements were identified through an open and responsive culture with 64 near-miss incidents used to drive continuous improvements in 2023/24.

We also introduced our first 'Health, Safety and Wellbeing Recognising and Celebrating Excellence' awards which celebrated contributions to our culture of health, safety and staff wellbeing.

You can learn more about our workforce plan by visiting the NSS website at <https://www.nss.nhs.scot/publications/nss-workforce-plan>



Climate sustainability

We recognise our important responsibility in achieving climate sustainability in our own services but also in helping NHSScotland achieve this too.

Prioritising climate sustainability

In 2022, we developed our NSS Environmental and Sustainability Strategy 2022-2040. This set out how we'll build on work already taking place to reduce emissions and implement targeted sustainability practices across a range of themes.

<https://www.nss.nhs.scot/publications/nss-environmental-and-sustainability-strategy-2022-to-2040>

Environmental evaluation

During 2023/24, National Procurement collected data from the top 100 NHSScotland suppliers (based on spend) to enhance our understanding of their emissions and benchmark emissions linked to our purchasing.

We also started work on evaluating the sustainability of our product line by working with over 230 suppliers and the Scottish Government.

By assessing a range of products, we will determine whether to prioritise environmentally progressive products in NHSScotland's procurement process.

Eliminating fossil fuel energy across NHSScotland

National Procurement formed a specialist team to work towards our long-term goal of eliminating the use of fossil fuel energy across NHSScotland.

The team focused on creating procurement contract frameworks that allow the swift implementation of zero carbon electricity and sustainable heating systems across the NHSScotland estate.

The first major hospital decarbonisation initiative started at the Queen Elizabeth University Hospital in NHS Greater Glasgow and Clyde.

Sustainability of our estate

In September 2023, we introduced Delta House into our shared estate after decommissioning the Meridian Court site.

Delta House aligns with our organisation's growing hybrid workforce, offering a physical workspace for our staff while decreasing our overall estate footprint. The adjustment to our estate underpins our commitment to maximising value and sustainability.

Understanding our water and energy use

NSS installed 16 Automatic Meter Readers (AMRs) across several of our sites to measure our water and energy use.

The meter readings improve our data collection and reporting and provide valuable information to support our planning to help achieve our net zero objectives.

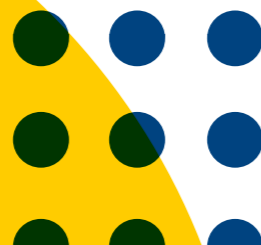
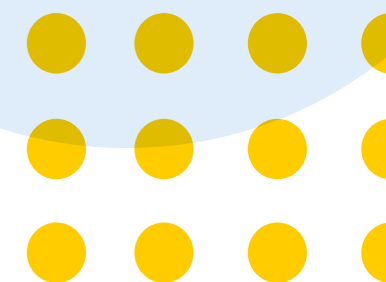
Enhancing biodiversity

The Sustainable Grassland Management Report was published in early 2024 by NHSScotland Assure.

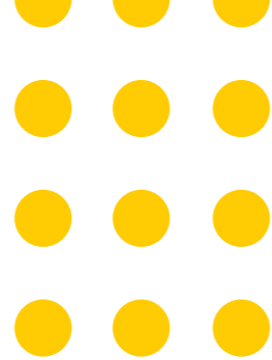
The report helps NHS boards to improve biodiversity by implementing more sustainable estate management practices and shares examples of where this has been successful.

NSS Sustainability Ambassador Network

NSS launched its first NSS Sustainability Ambassador Network in 2023. It was created to unite representatives from across NSS and provide them with opportunities to engage in sustainability efforts and participate in our collective work towards achieving net zero emissions.



Highlights of the year



April 2023

Digital and Security awarded a new contract to improve public sector connectivity across Scotland through the Scottish Wide Area Network.

The six year contract extends services to remote regions and improves fibre broadband, mobile connectivity, resilience, and cybersecurity measures for public sector facilities across Scotland.

Improved connectivity across Scotland will enable digital consultations and help to reduce the need for long-distance travel to access some services.

May 2023

Our NHSScotland Scan for Safety programme implemented a new Inventory Management System in 15 NHSScotland boards.

The system provides comprehensive information on stock levels which has both financial and environmental benefits.

June 2023

Through NHSScotland Assure, we designed and implemented a revised NHSScotland Lead Advisor Framework contract.

This framework provides health boards with access to accredited experts in construction and property who have been assessed for their technical skills and providing value for money for NHSScotland.

July 2023

Specialised healthcare published a new Equity in Screening Strategy to increase access to screening and reduce inequalities in screening uptake.



August 2023

SNBTS introduced two Equipment Maintenance and Validation Service apprenticeships, supported by Skills Development Scotland.

The initiative helps apprentices to gain essential skills through formal education and hands-on experience to support them in the workplace. It also creates highly-skilled staff and supports youth employment.

September 2023

Our SNBTS team partnered with blood cancer charity, DMKS, to establish Scotland's first bone marrow stem cell donation centre.

The SNBTS Edinburgh Clinical Apheresis Unit is located at the Royal Infirmary of Edinburgh and collects stem cell donations from volunteer registry donors, enabling further stem cell donation in Scotland.

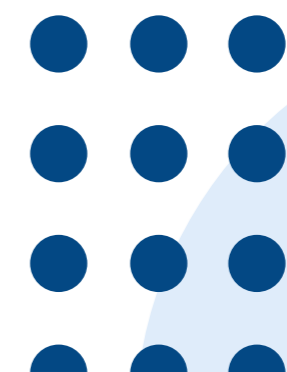
October 2023

To mark the 75th anniversary of the NHS in Scotland, our NSS Sustainability team installed eight additional planters across our estates. The planters enhanced the biodiversity of our sites and create a welcoming environment for staff and visitors.

November 2023

Digital and Security partnered with Scottish Government and Public Health Scotland to implement winter activity dashboards to provide key data and insights to help reduce the winter pressures faced in NHSScotland.

A key focus was the Social Care and Delayed Discharge dashboard providing data on hospital bed availability as well as information to reduce delayed patient discharges.





December 2023

Our NHSScotland Assure team held a virtual conference for over 500 people on the healthcare-built environment focusing on sustainability, quality and patient safety.

The conference supported the important work of assurance and quality across the healthcare-built environment.

January 2024

Our NSS Sustainability team provided waste legislation training with support from the Education Governance Fund. This training gave key staff the skills to comply with waste legislation industry standards and helped to improve waste segregation.

February 2024

Our NSS Digital and Security team was instrumental in the launch and leadership of Seer 2 – a world-leading data and analytics platform, launched following collaboration with the Scottish Government.

The platform provides a wide range of reports, dashboards and advanced analytics to help make data informed decisions about patient care and resources in areas such as cancer data analysis and the flu vaccination programme.

In 2023/24, Seer 2 helped over 20,000 users across Scotland’s health and care sector, including health boards, local government, and academia.

March 2024

Practitioner Services established the Community Glaucoma Service to provide patients with care closer to their homes.

Previously, patients with lower risk glaucoma and ocular hypertension were managed by the Hospital Eye Service. Our new service enables patients to receive treatment in the community by accredited providers and lowers the risk of patients missing appointments.

Our performance

Our performance against key non-financial targets

- National Procurement maintained £1.5 billion of national frameworks, and during a period of high inflation achieved cost reductions of £30.43 million.
 - ▶ **£2.09 million from non-medicine products.**
 - ▶ **£28.34 million from medicines area through purchasing power in national contracts.**

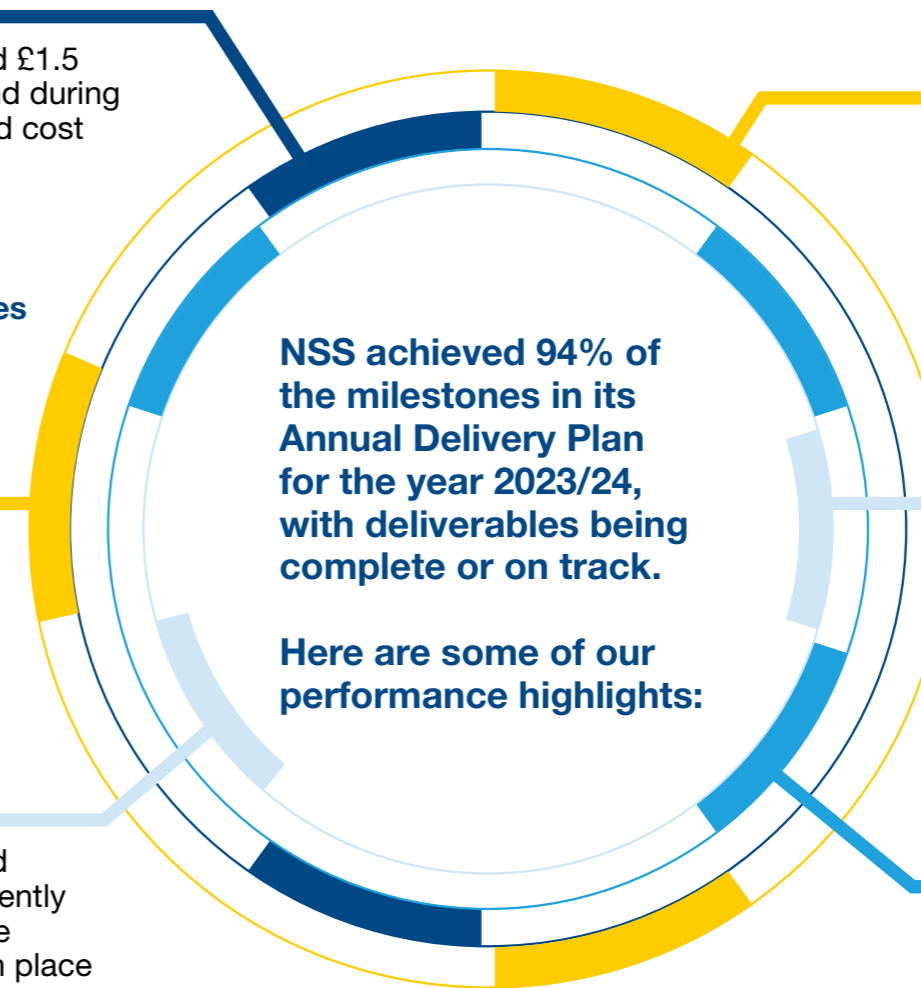
- Our leadership of Seer 2 – NHSScotland’s national data and analytics platform and service – helped **20,000 users** make data-informed decisions.

- The Scottish National Blood Transfusion Service consistently met the requirement to have **three days blood supply** in place enabling hospitals to access blood and cells needed for their patients.

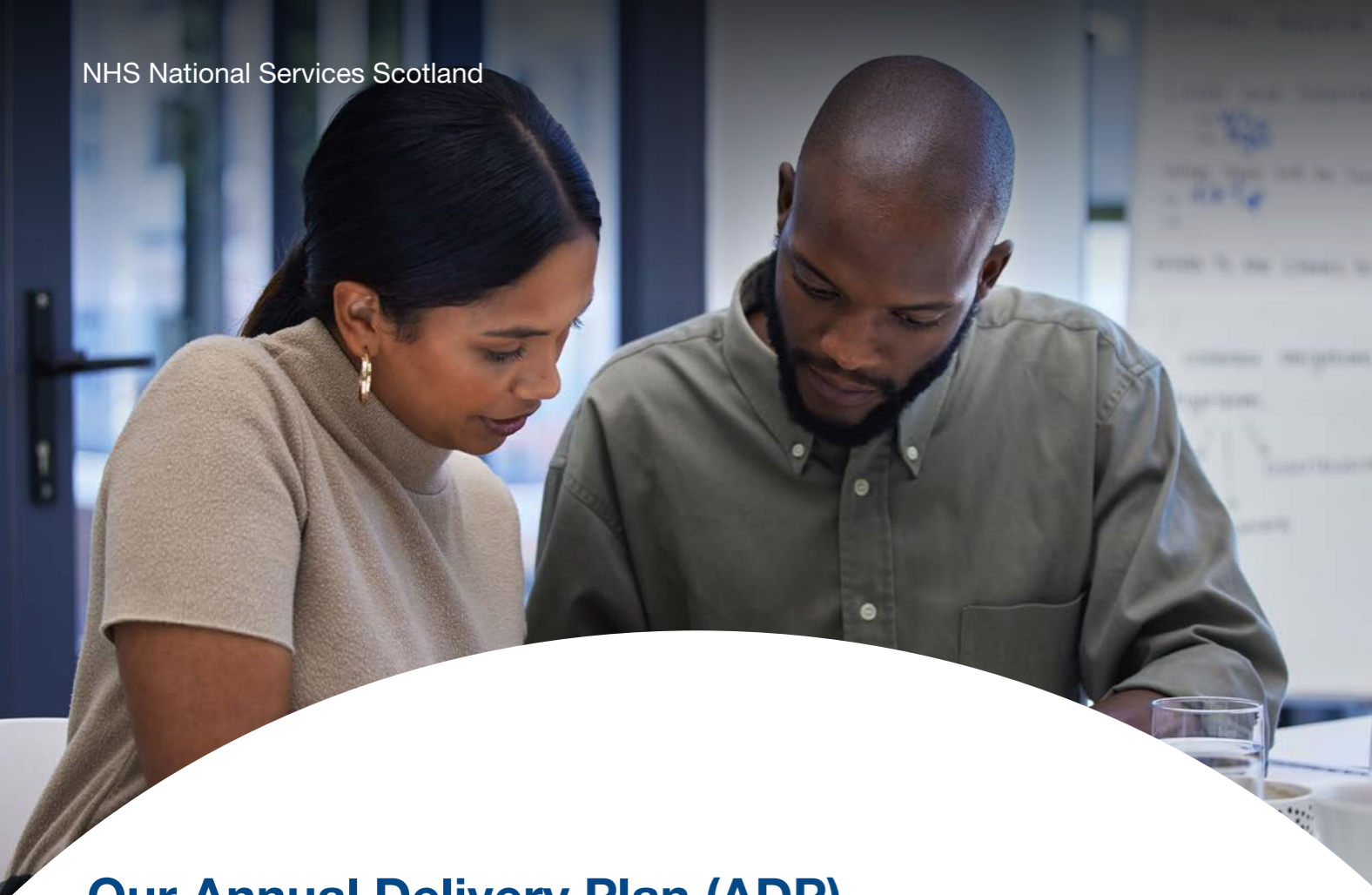
- National Procurement enabled cost avoidance of **£21.54 million** through negotiating improved prices and includes **£1.7 million** against price increase requests where supplier negotiations resulted in a reduced increase being applied.

- National Procurement effectively sustained a **97%** product availability rate in the National Distribution Service catalogue, ensuring the supply and fulfilment of health board demands.

- We have enabled **£4.3 million** worth of recoveries and cost avoidance through counter fraud measures.



Work will continue on milestones marked behind schedule in 2024/25, subject to funding agreements with Scottish Government.

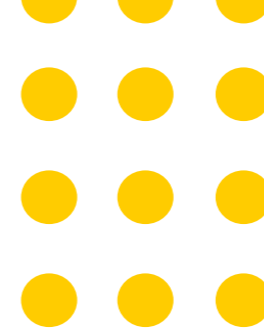
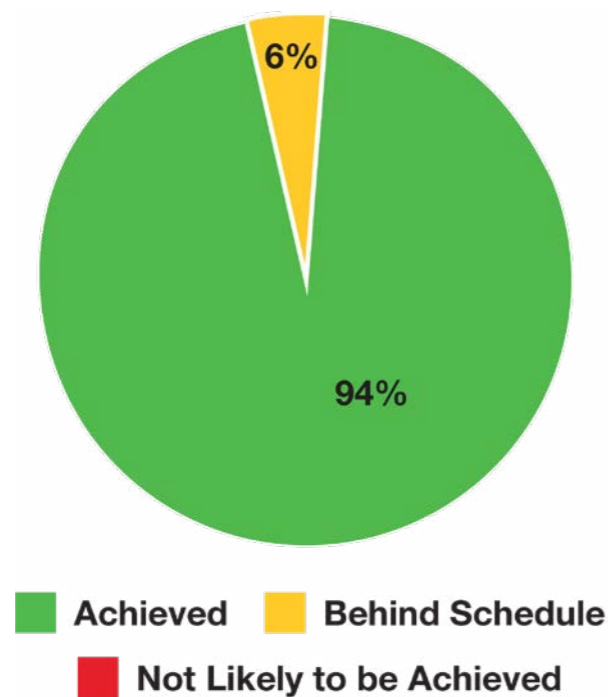


Our Annual Delivery Plan (ADP)

Our Annual Delivery Plan in 2023/24 focused on NHSScotland recovery and the future redesign and renewal of services in the sustainable delivery of healthcare.

It was built on the success of our previous remobilisation plans and designed to follow our strategic aims of underpinning NHSScotland services.

Annual Delivery Plan 2023/24 performance



Milestones achieved or on track (green)

NSS performed well against targets. In 2023/24, we reported 50 milestones as being complete or on track. This represented 94% of milestones achieved.

Highlights included:

- Continued to implement the Scan for Safety Programme, an NHSScotland wide approach for high-risk implantable devices in Scotland.
- Supported net zero ambitions with National Procurement contracts. Out of 300 suppliers contacted, 100 supplied net zero plans.
- Continued delivery of the Scottish Cancer Network, the National Strategic Network for Genomic Medicine and Perinatal Mental Health Managed Clinical Network.
- Planning and advice in relation to IPC (Infection, Prevention, Control), wider issues related to the healthcare built environment and, where required, response to all NHSScotland health board notified ARHAI incidents, outbreaks, and clusters within healthcare settings.
- Management of Picture Archiving and Communications System reprocurement programme.



Milestones behind schedule (amber)

Three or 6% of measures reported as amber:

- The delivery of the General Practice Information Technology (GIPT) re-provisioning programme. By 31 March 2024, the new managed service solution was implemented in 211 practices across five health boards against a target of 903.
- Management of the replacement of the Scottish Wide Area Network. Site by site transitions are in progress with over 318 sites having now successfully migrated to the new supplier. Around 5,000 sites still require to be migrated to the new supplier.
- Support Public Health Scotland for outbreak variants and mutations beyond COVID-19. Discussions with Public Health Scotland continue to progress, with a digital portal in testing with users.

Milestones not likely to be achieved (red)

There were no milestones with red indicators.

Milestones not reported

Four deliverables from this original 2023/24 ADP are not reported, as agreed through our change control process with Scottish Government to reflect in year changes that they require. These include:

- The implementation of the non-fossil fuel trial, merge on wheels and an hydrotreated vegetable oil tank for fuel to reduce the carbon footprint of fleet. These are now due to be delivered in 2024/25.
- The extension of vaccine delivery model is not reported as there were no further commissions.
- The provision of assurance for the Accelerated National Innovation Adoption innovation programme was discontinued following agreement that the activity would move to the Centre for Sustainable Development.



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.

Cash Requirement – a financing requirement to fund the cash consequences of ongoing operations and new capital investment.

NSS’s performance against these targets 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)	684,124	683,708	416
Non-core Revenue Resource Limit (RRL)	19,186	19,186	–
Total Revenue Resource Limit (RRL)	703,310	702,894	416
Capital Resource Limit (CRL)	13,422	13,422	–
Cash Requirement	631,728	631,728	–

Memorandum for in-year outturn	£000
Core Revenue Resource Surplus in 2023/24	416
Financial flexibility funding banked with/(provided by) Scottish Government	–
Underlying/Surplus against Core Revenue Resource Limit	416
Percentage	100%

A three-year financial plan was submitted to Scottish Government by NSS on 22 March 2024. A letter was issued by Scottish Government in response to NSS’ financial plan on 4 April 2024. Excluding the provision of financial flexibility provided by Scottish Government, the outturn was an underspend on RRL of £0.4 million (equivalent to 0.06%).

Revenue

A total revenue resource of £703.3 million (2022/23: £719.2 million) was provided by Scottish Government Health and Social Care Directorate (SGHSC) in the current year. Against this, NSS incurred net expenditure for the year of £702.9 million (2022/23: £718.8 million) resulting in a surplus for the year of £0.4 million (2022/23: £0.5 million).

Within net expenditure for the year, NSS earned operating income of £403.9 million (2022/23 £385.8 million) which offset against total revenue expenditure in the year of £1,106.8 million (2022/23 £1,104.5 million).

The revenue expenditure increase in the year of £1.1 million was driven by an increase in National Services Division commissioned services by £28.0 million, increased pandemic stock related provisions of £23.0 million and increased employee expenditure in the year of £5.5 million offset by a reduction of £56.6 million in relation to Scottish Infected Blood Support Scheme (SIBSS) where NSS makes payments on behalf of SGHSC.

PPE and testing kits

This financial year NSS procured and delivered PPE and testing kits to organisations across the public sector in Scotland and testing kits to the Scottish public. Below is a breakdown of the costs. This reduction in expenditure mirrors the movement in NSS's Accounts and results from changes in policy in line with prevalence of the virus.

	2023/24	2022/23
PPE	£000	£000
NHS boards	10,914	16,743
Social care	1,758	1,647
Total	12,672	18,390
Testing kits	2023/24	2022/23
NHS boards	1,135	4,300
Social care and the public	105	10,800
Total	1,240	15,100

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

Services provided to NHSScotland

NSS provides services to NHSScotland for which the income and expenditure for 2023/24 of £3,112.4 million (2022/23 £2,890.8 million) is recognised in the accounts of the NHS boards. These are:

1. Payments to primary care contractors

Payments made during the year to primary care contractors on behalf of NHS boards in Scotland were £3,244 million (2022/23 £3,034 million) from funds drawn from the SGHSC totalling £3,244 million (2022/23 £3,034 million). NSS administers the payments to primary care practitioners on behalf of NHSScotland.

2. Pharmacy rebates

NSS administers the receipt of rebates from pharmaceutical suppliers on behalf of NHSScotland. The total income received from suppliers is £135.3 million (2022/23 £147.2 million).

3. NHS board maintenance payments

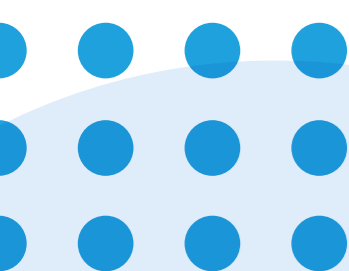
NSS administers the procurement and central payment of maintenance invoices for high value imaging and associated equipment. This year the total income received was £3.7 million (2022/23 £4.0 million). This service has been classified as an agency arrangement during this financial year.

Non-current assets — capital expenditure

During the year NSS invested £8.4 million (2022/23 £17.7 million) in capital projects.

NSS continued its investment in 2023/24 in the Community Health Index programme, the Seer platform and other upgrades to IT systems for £4.0 million.

Further investment of £4.5 million includes plant and equipment to support the blood transfusion service, purchase of breast screening equipment and mobile units and investment in existing sites to allow divestment of a property in Livingston to realise future savings.



Cash and cash equivalents

The cash and cash equivalents balance at the 31 March 2024 was £5.9 million, this is an increase of £1.2 million compared with the previous year.

Pensions and pension liabilities

Sums charged to the revenue account during the year in respect of deferred pensions, and the balance of the remaining liability for such costs is shown in note 18. During this accounting period, the charge to the statement of comprehensive net expenditure for pensions is based on the actual contributions level set by the Government Actuary. The costs associated with pension liabilities are shown in note 18 and the remuneration report (see page 67). The accounting policy note for pensions is provided in Note 1.

Provisions

During the year, the value of provisions held in the accounts have increased by £3.3 million to £24.5 million (2022/23 £21.2 million). The increase is a result of an increase in the dilapidations provision following an independent survey carried out during the year.

Contingent liabilities

Contingent liabilities not provided for in the accounts total £0.9 million (£0.9 million in 2022/23). These are clinical and medical compensation payments and employer liability and are disclosed in note 13.



PFI/PPP scheme

The value of the contract for the Jack Copland Centre on the statement of financial position is £35.4 million. The contract commenced in August 2017 and will complete in November 2041.

Payment policy

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

- In 2023/24, the average period of credit taken from all suppliers was seven days (2022/23 eight days).
- In 2023/24, NSS paid 85.6% (2022/23 79.3%) of all invoices by value and 85.7% (2022/23 82.0%) of all invoices by volume, within ten days.
- In 2023/24, NSS paid 93.7% (2022/23 93.3%) of all invoices by value and 94.6% (2022/23 93.1%) of all invoices by volume, within 30 days.

Key risks and issues

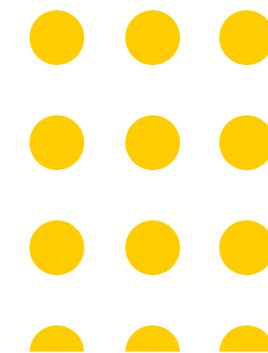
NSS has identified ten strategic risks developed by the Executive Management Team and NSS Board. The risks have been mapped against our strategic objectives.

The following five risks are linked to service excellence, cyber security, clinical and patient safety, governance, regulatory compliance and public inquiries and scrutiny:

- There is a risk NSS is unable to deliver effective services for its users that could lead to a negative impact on NHSScotland health outcomes and NSS credibility, due to the amount of change and improvement required to ensure services continue to meet needs, the limited availability of key resources (digital, people, finance) to support change, the extended use of legacy technologies and the need to ensure services remain safe and effective.
- There is a risk that NSS could be the subject of a cyber attack resulting in critical loss of service, loss of data, or serious adverse event impacting clinical safety.
- There is a risk preventable harm may occur to patients and service users resulting in a negative outcome. Due to emerging areas of potential harm and evolving requirements, NSS needs to remain proactively focused on ensuring and continuously improving the clinical and patient safety of the care, services and products we provide.
- There is a risk we fail to meet appropriate corporate legal, governance and regulatory requirements, due to limited staff capacity and capability, ineffective internal processes, and wider service pressures.
- There is a risk that NSS does not meet statutory requirements and requests from public inquires and other forms of external scrutiny, due to the devolved approach the organisation takes to respond.

Three risks relate to financial sustainability, covering financial sustainability, delivery of national programmes and rationalisation of office accommodation:

- There is a risk NSS is unable to meet its statutory obligation to deliver services within approved funding limits, whilst delivering cash releasing efficiency savings targets. Due to the changing, short term, non-recurrent nature of funding allocations which limit our financial flexibility and ability to invest to save and deliver value for money.
- There is a risk NSS is unable to deliver the planned benefits, including service improvements and cost reduction, from the NHSScotland national programmes it has been tasked to deliver, due to the opt-in rather than opt-out approach used by NHSScotland, the governance lies outwith NSS, and potential impact of decisions are made elsewhere.
- There is a risk NSS is unable to fully realise savings and service improvements from the rationalisation of its office accommodation. Due to the requirement to work collaboratively with, and at the pace of national boards and other stakeholders.



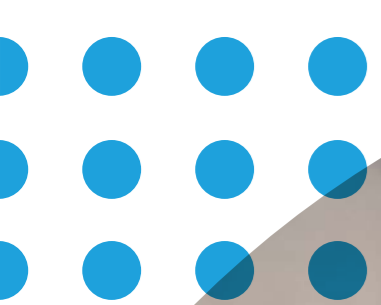
One risk relates to workforce sustainability:

- There is a risk NSS will not have a sustainable workforce that is diverse, knowledgeable and skilled in order to remain resilient and responsive to meet its strategic ambitions and service needs. Current labour market across the UK and our capacity to reskill staff could result in a lack of supply of professional, appropriately trained staff to deliver our services.

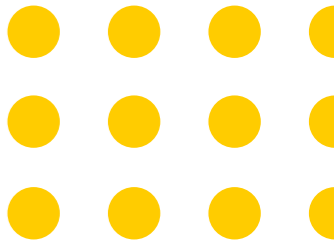
One risk relates to climate change risk for climate sustainability that recognises the challenges we may face in achieving government targets:

- There is a risk we do not reduce our impact on the environment in line with government climate change targets, due to challenges by the scale of change needed by NSS and national infrastructure, while ensuring clinical safety standards continue to be met.

These risks are held on the NSS risk register and managed with actions to mitigate risks reported to our Board and Standing Committees on a twice-yearly basis for Board and quarterly for Standing Committees.



Recognition for our work



We celebrated our colleagues' outstanding achievements which were recognised with a number of awards.

Here's some highlights from 2023/24.

New Year's Honours List 2024

Non-Executive Board Director Professor Arturo Langa OBE was recognised for his commitment to supporting vulnerable people in Scotland.

Jess Davidson, Clinical Nurse Lead, Sexual Assault Response Coordination Services Network, was awarded an MBE for services for forensic nursing and victim support in Scotland.

Scottish Government's Chief Health Science Officer Awards 2023

Diane Anderson, SNBTS, won the Lifetime Achievement Award.

Shona Cairns, Lead Healthcare Scientist at ARHAI Scotland, was awarded Healthcare Scientist of the Year.

Copland Achievement Award

SNBTS colleagues Diane Anderson, National Technical and Training Manager, and Elaine Forrest, Training and Compliance Manager won the award.

National Public Finance Award

Our Counter Fraud Services team were shortlisted in the Outstanding Fraud Prevention, Detection, and Recovery category of the National Public Finance Awards.

Recognising Excellence awards 2023

Our own Recognising Excellence awards celebrated the achievements and contributions of colleagues across our organisation.

Great Place to Work award

The Great Place to Work award was won by Gary Clark and Fiona Smith on the Winter Vaccination Scheduling Team for supporting health boards to offer an enhanced vaccination service to patients.

Unsung Hero award

The Unsung Hero award was presented to Lynn Morrow in Finance, Governance and Legal Services for her professionalism and expertise as a key contact in our whistleblowing service.

Leader of the Year award

Brendan O'Brien, from our Digital and Security team, won the Leader of the Year award for his exceptional leadership and professional approach, which supported the NSS National Clinical Informatics (NCISS) to deliver clinical safety evaluations for NSS national health IT systems.

Team of the Year award

The SNBTS DKMS Implementation Group was announced as Team of the Year for their work in developing the first donor registry stem cell collection service in Scotland, in partnership with third sector organisation DKMS.

Service Excellence award

The Dental Service Delivery and Improvement Team won the Service Excellence award for their work in the planning, design, and delivery of an overhaul to General Dental Service systems across Scotland.

Sustainability award

The NHSScotland Assure Sustainability team won the Sustainability award for their efforts in working towards achieving net zero by 2024.

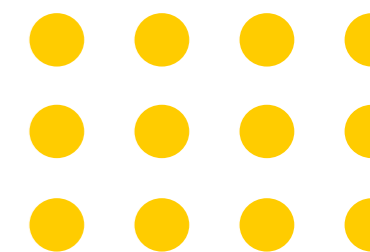
Recognising Excellence in Health, Safety and Wellbeing awards 2024

Our first 'Health, Safety and Wellbeing Recognising and Celebrating Excellence' awards recognised contributions to our culture of health, safety and staff wellbeing.

The overall award was presented to the Warehouse Operations Golden Safety Rules team for their work.

Appreciation and feedback

Feedback about our services is important to us. Here's some examples of the positive feedback we've received.



Central Legal Office

Thanks to NSS for your continued help, which was always prompt. Thank you as well to the CLO litigation solicitor, who was a massive support to us in reviewing documentation.

Scottish Ambulance Service

National Procurement

National Procurement provided support in managing a specific drug shortage in Shetland. Their support was brilliant and very much appreciated.

NHS Shetland

Practitioner and Counter Fraud Services

Thank you for your support with the Incident Management Team for Peterhead. The work was impactful, and NSS's engagement as a member of the team was extremely valuable.

NHS Grampian

Scottish National Blood Transfusion Service

As a regular blood donor, I'd like to say how great the donation centre in Edinburgh is. The ease of being able to book appointment slots online, the central location, and the friendly, professional staff made it a fabulous place to give blood.

Blood donor



Living our values

Public participation

NSS has an agreed process in place for public participation to ensure we implement the legal requirements and national standards set out by Scottish Government and Healthcare Improvement Scotland.

NSS adopted the Planning with People Guidance published by the Scottish Government and COSLA, that sets out community engagement responsibilities for NHS boards, local authorities and Integration Joint Boards. This supports them when planning or considering changing health services to involve people meaningfully.

Our improved complaints handling system enables the public to provide feedback to help inform our services and we publish our annual complaints report in line with the NHS Model Complaints Handling Procedure.

Equality, inclusion, and diversity

Equality, inclusion, and diversity are a key consideration for all our services and service improvements. We've embedded the Equality and Fairer Scotland Duty Impact Assessment process across our services. We continue to work collaboratively with our stakeholders and publish our equal pay statement, pay gap report and our mainstreaming equality report demonstrating our commitment to equality.

Volunteering

We continue to work within national guidance and standards for volunteering in the NHS in Scotland. We're working to update our current volunteer policy and strategy to include more opportunities for volunteering in NSS, and to recognise the contribution our staff make to their local communities by volunteering.

Whistleblowing

In line with our values, we encourage issues to be dealt with at the earliest opportunity and want colleagues to feel empowered and supported to take the step to speak-up and raise a concern.

NSS supports and encourages an environment where employees, both current and former, bank and agency workers, contractors (including third sector providers), trainees and students, volunteers, and anyone working alongside our staff can raise concerns, in line with the National Whistleblowing Standards. We aim to be transparent about how we handle concerns and highlight actions and improvements to our services.

Visit the NSS website to [view our latest annual whistleblowing report](#).

Confidential Contacts service

Staff can access our Confidential Contacts service as an additional source of support and safe space where they can talk about any workplace concerns or issues they may have. Some examples might include issues around bullying and harassment, grievance, whistleblowing, equality, or wellbeing concerns.

Fraud prevention

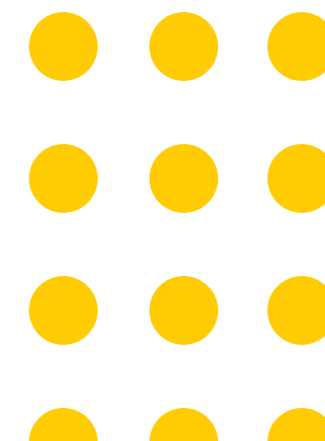
NSS is committed to running the organisation in the best way possible and we have zero tolerance on bribery or any kind of fraud. All NSS employees have a personal responsibility to deter and detect fraud in the NHS.

We provide a range of learning activities to promote fraud awareness across the organisation with these responsibilities set out in the Standing Financial Instructions. Having introduced the NHSScotland Counter Fraud Standard last year, we're working with CFS colleagues to progress the 12 components required to achieve full compliance with the standard.

Mary Morgan
Chief Executive

Mary C Morgan

28 June 2024



Accountability report

Corporate governance report

Directors report

Date of issue

The Accountable Officer authorised these financial statements for issue on 28 June 2024.

Appointment of auditors

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

Board membership

Under the terms of the Scottish Health Plan, the NSS Board is a board of governance whose membership will be conditioned by the functions of the Board. Members of the NSS Board are selected based on their position or the 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 2024
Mr. Keith Redpath	Chair	01/08/19		3 yrs 4 mths
Ms. Julie Burgess	Vice Chair	01/12/15	30/11/23	
Mr. Gordon Greenhill	Vice Chair (from 15/12/23)	19/10/20		7 mths
Ms. Lisa Blackett	Non-Executive Director	19/10/20		7 mths
Mr. Paul Buchanan	Non-Executive Director	01/02/24		3 yrs 10 mths
Mr. John Deffenbaugh	Non-Executive Director	01/02/16	31/01/24	
Professor. Arturo Langa	Whistleblowing Champion	19/10/20		7 mths
Ms. Beth Lawton	Non-Executive Director	01/09/22		2 yrs 5 mths
Ms. Maria McGill	Non-Executive Director	01/02/24		3 yrs 10 mths
Ms. Alison Rooney	Non-Executive Director	26/06/17		1 yr 3 mths

Non-Executive Directors (nominated by stakeholders)	Title	Appointed	Term ended	Unexpired term as at 31 March 2024
Mr. Ian Cant	Employee Director	01/08/13		1 yr 4 mths

Executive members	Title	Appointed	Term ended	Unexpired term as at 31 March 2024
Ms. Mary Morgan	Chief Executive	01/04/21		
Ms. Carolyn Low	Director of Finance, Corporate Governance and Legal Services	01/09/14		
Ms. Lorna Ramsay	Medical Director	31/10/18	21/01/24	
Vacancy	Medical Director	22/01/24	31/03/24	

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

Statement of Board members' responsibilities

Under the National Health Service (Scotland) Act 1978, 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 2024 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 20. The Register of Interests for all Board members can be found on the NSS website at: <https://www.nss.nhs.scot/publications/register-of-interests>

Directors third party indemnity provisions

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

Remuneration for non-audit work

Audit Scotland did not undertake any non-audit work during 2023/24 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 2023/24 will be available from August 2024 on the NSS website at <https://www.nss.nhs.scot>

Personal data related incidents reported to the Information Commissioner

NSS reported two incidents to the Information Commissioner’s Office (ICO) for review in 2023/24. The ICO ruled that NSS acted appropriately in relation to both incidents, and they were subsequently closed.

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 NSS.

This designation carries with it responsibility for:

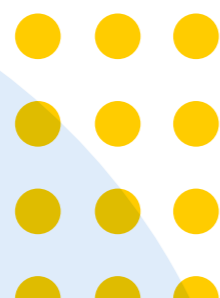
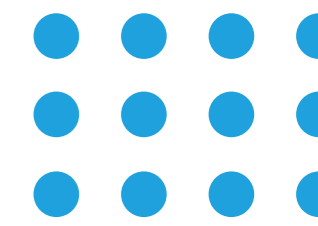
- the propriety and regularity of financial transactions under my control
- the economical, efficient and effective use of resources placed at NSS disposal
- safeguarding the assets of the Board

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

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

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

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



Governance statement

Scope of responsibility

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

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

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

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

Purpose of the system of internal control

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

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

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

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

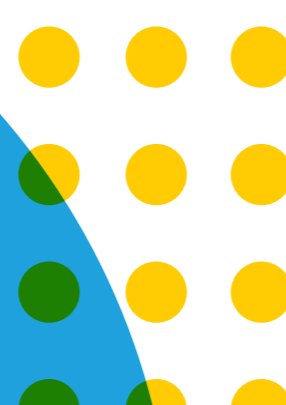
Governance framework

NSS Board

The Board met formally four 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 Directors and other senior members of the management team to develop the NSS strategy and priorities, whilst also considering our strategic, finance and workforce plans, strategic risks and other emerging issues.

The following includes the Standing Committees that exist in NSS and the number of times the committees have met during the year. Please note the Board agreed to change the name and remit of the Remuneration and Succession Planning Committee at its meeting in March 2024. This name change will be used and reported within the 2024/2025 Annual Report:

Committee	Number of meetings 2023/24	Number of meetings 2022/23
Audit and Risk	5	7
Finance Procurement and Performance	4	4
Clinical Governance	4	4
Staff Governance	4	5
Remuneration and Succession Planning	2	3
Total	19	23



Audit and Risk Committee

The Audit and Risk Committee was chaired by Ms. Julie Burgess until her term ended on 30 November 2023 and then by Ms. Beth Lawton. During the year its membership comprised Mr. Paul Buchanan from 21 March 2024, Mr. John Deffenbaugh until his term ended on 31 January 2024, Mr. Gordon Greenhill, Professor Arturo Langa, Ms. Beth Lawton, Ms. Maria McGill from 21 March 2024, and Ms. Alison Rooney. The Chief Executive, Director of Finance Governance and Legal Services, Director of Strategy Performance and Service Transformation, the Head of 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.

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

Finance, Procurement and Performance Committee

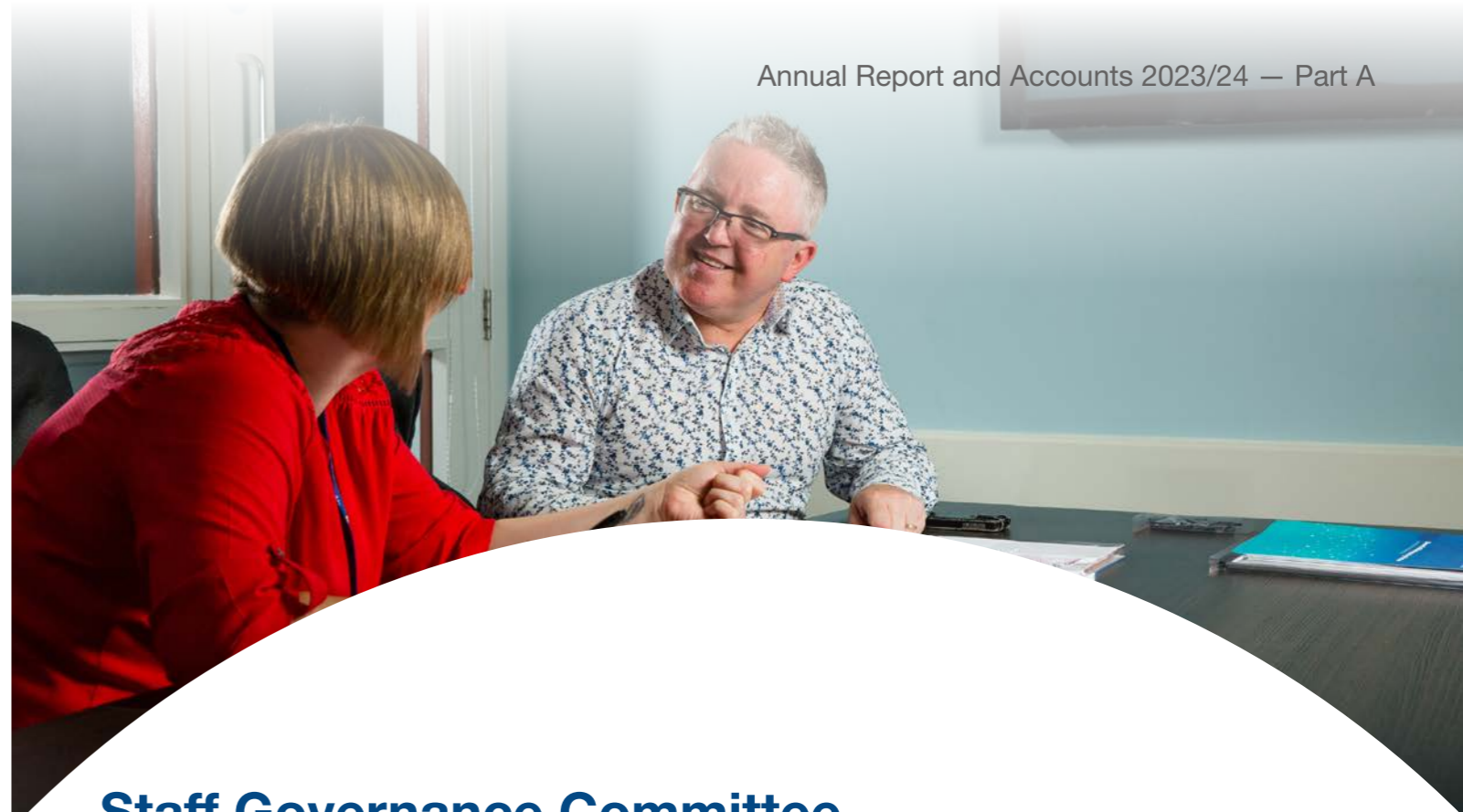
The Finance, Procurement and Performance Committee was chaired by Mr. Gordon Greenhill. During the year, its membership comprised Ms. Lisa Blackett, Ms. Julie Burgess until her term ended on 30 November 2023, Mr. Ian Cant, Ms. Beth Lawton, Ms. Maria McGill from 21 March 2024, and Mr. Keith Redpath. The Chief Executive, Director of Finance Governance and Legal Services 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, performance sustainability and effectiveness in the use of all resources.

Clinical Governance Committee

The Clinical Governance Committee was chaired by Ms. Alison Rooney and comprised Ms. Lisa Blackett, Mr. Gordon Greenhill until 21 March 2024, Professor Arturo Langa, Ms. Beth Lawton, Ms. Maria McGill from 21 March 2024, and Mr. Keith Redpath. 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 Directorate 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.



Staff Governance Committee

The Staff Governance Committee was chaired by Ms. Lisa Blackett. During the year its membership comprised Mr Paul Buchanan from 21 March 2024, Mr. Ian Cant, Mr. John Deffenbaugh until his term ended on 31 January 2024, Professor Arturo Langa, Ms. Beth Lawton and Mr. Keith Redpath, with Mr. David Allen, Mr. Tam Hiddleston, Mr. Gerry McAteer, Ms. Suzanne Milliken until 31 May 2023 and Mr. Alex Morrison from 28 September 2023 as Trade Union representatives. The Chief Executive and Director of Human Resources and Organisational Development are usually in attendance, along with other members of NSS staff as required. The Committee met four times during the year.

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

Remuneration and Succession Planning Committee

The Remuneration and Succession Planning Committee was chaired by Mr. Ian Cant. During the year the membership comprised Ms. Lisa Blackett, Ms. Julie Burgess until her term ended on 30 November 2023, Mr. John Deffenbaugh until his term ended on 31 January 2024, Mr Gordon Greenhill from 21 March 2024, Mr. Keith Redpath and Ms. Alison Rooney. The Chief Executive and the Director of Human Resources and Organisational Development are usually in attendance at the meetings. The committee met twice during the year. The NSS Board agreed a Committee name change to Remuneration Committee on 21 March 2024.

Further detail on the Remuneration and Succession Planning Committee is provided in the Remuneration Report (see page 67).

Ethics Committee

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



Operation of the Board

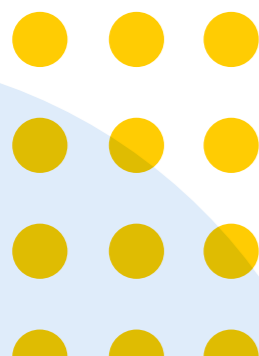
NSS governance and management structures support the Scottish Public Finance Manual (SPFM) by embedding it in their strategic reviews and day to day activities as follows:

- NSS’s vision is to be integral to Scotland’s health and care services, through providing shared services that improve the quality, efficiency and resilience of services provided to people in Scotland. Supporting Scotland’s health will continue to be at the core of what we do. However, the Public Sector Reform Order and subsequent Joint Working Bill have allowed NSS to broaden its service as we support our health and local authority partners in the delivery of effective health and social care integration and look to provide services more widely to the public sector.
- As discussed in the Performance Report (see page 38), the NSS Annual Delivery Plan (ADP) for the financial year was agreed with the Scottish Government at the beginning of 2023/24. The ADP required NSS to set out our operational priorities and key deliverables. Progress against these commitments is monitored and reported quarterly to the Finance, Procurement and Performance Committee, the NSS Board and Scottish Government.
- [The Blueprint for Good Governance in NHSScotland, Second Edition](#) provides NHS boards with guidance on how to deliver and sustain good governance. In response to this publication, a full review of NSS’s key corporate governance documentation was carried out in March 2023 and has been brought together under the [NSS Corporate Governance Framework \(CGF\)](#). The CGF was in place throughout 2023/24.



- The NSS Board review, on an annual basis, the NSS Corporate Governance Framework which includes: the Standing Orders and Committee Terms of Reference, 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. In 2023/24, the Board also completed the Blueprint for Good Governance in NHSScotland, Second Edition Self-Assessment Exercise and approved a Board Development Plan as part of the annual review.
- 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.

- The Board has a Board Assurance Framework in place to support the Board to determine if the right controls are in place to achieve NSS’ Strategic Objectives. Further information can be found on our website at: <https://www.nss.nhs.scot/media/3054/nss-board-papers-24321-combined-read-aloud-activated.pdf>
- The NSS Standing Committees Audit and Risk, Finance, Procurement and Performance, Clinical Governance and Staff Governance met quarterly during the year to review and challenge activities and practices across NSS. The Remuneration and Succession Planning Committee also met twice to review and challenge activities within its remit. The committees provide minutes of their meetings to the NSS Board at each meeting.
- NSS holds Board Seminar and Committee Seminar meetings. These are formative business discussions or learning opportunities about a specialist topic. NSS also supports Board development sessions where the development needs of the Board are addressed.
- Performance against the Scottish Government’s Best Value Guidance for Accountable Officers is reviewed biennially.
- The Board receives monitoring reports from the Director of Finance, Corporate Governance and Legal Services at each meeting on budgetary control and performance measured against the Board’s approved Financial Plan. The robust processes which we have in place for setting budgets and monitoring performance ensure that our resources are used efficiently and effectively. The budget also includes a Cash Releasing Efficiency Savings target which was achieved during the year.
- The Board receives regular reports on the NSS Strategic Priorities from the Director of Human Resources and Organisational Development relating to staffing matters; the Director of Strategy Performance and Service Transformation on service excellence and the Director of NHSScotland Assure on sustainability, and other directors on matters relevant to their areas of responsibility.



- NSS is committed to partnership working with staff and the wider public sector. There are monthly partnership meetings between management and trade union representatives which review the policies and processes of NSS. We also engage with staff through a number of methods of communication including Stay Connected, our staff newsletter, management briefs, team and directorate updates and staff surveys.
- 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” (see page 51). Employees are encouraged to raise concerns regarding the organisation’s activities. The Freedom of Speech Policy and the Fraud Management Policy are highlighted as part of the induction programme. These documents are also available on the NSS intranet.
- NSS also has a well-established complaints system, whereby members of the public can make a formal complaint to the Board. Information on our complaints procedures is available on the [NSS website](#).
- The Change Oversight Group (COG) supports compliance with the NSS organisational change policies and provides oversight of NSS ongoing modernisation and growth enablement to support the Scottish Government Public Sector Reform legislation. The Portfolio Management Group (PMG) provides oversight and support for national programmes. Both groups membership consists of EMT members and senior professionals from across the organisation. The groups provide regular progress reports to the NSS Board.



- NSS exercises governance over its IT and information security matters in a coordinated and effective manner. The Director of Digital and Security (DaS), who is also the Senior Information Risk Owner (SIRO) reports to the Chief Executive. DaS publishes a monthly electronic update on all its activities to a wide range of NSS staff; submits a report to each Executive Management Team and Audit and Risk Committee meeting highlighting achievements, challenges, risks and upcoming activity; and conducts regular reviews with its key external suppliers on their service delivery and development performance. DaS publishes a monthly report on its cyber security position which is reviewed by the Cyber Centre of Excellence Governance Board.
- Digital and Security is also fully integrated into NSS Business Continuity Planning.

Internal Audit

The Head of Internal Audit submits quarterly reports to the Audit and Risk Committee providing an update on the progress and delivery of the Plan. The findings and recommended actions arising from each internal audit carried out are also presented to the Audit and Risk Committee.

The internal audits carried out in 2023/24 were:

- Core Financial Controls: Payroll
- Mesh Scheme
- Capital Planning
- Central Legal Office
- Licensing
- Investing in Cyber Security
- Atos Contract Management

Each year the Head of Internal Audit also submits an annual report outlining audit coverage in the year, a summary of follow up work findings and the independent opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

For the period 2023/24 an internal audit opinion of significant assurance with minor improvements was given on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

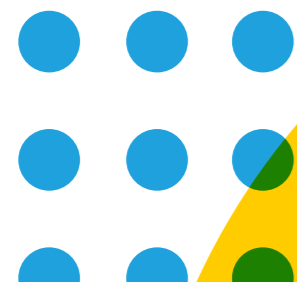
Service Audits

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

The areas covered by Service Audit are:

- payment of Primary Care Contractors
- national IT Services
- Payroll Services



The Service Auditors have provided audit opinions for the Payment of Primary Care Contractors (P&CFS), national IT and Payroll Services. The service audit for 2023/24 reported the following:

- The Payroll Services received a clean audit report with two exceptions noted and management actions in place to address them.
- The Practitioner and Counter Fraud Services (P&CFS) report confirmed the suitability of the description and design of the controls in place and concludes that, with one exception, they are operating effectively.
- The exception was found in Dental, where the controls relating to payment adjustment and patient detail amendment claims, MIDAS standing data (dental practices and dental contractors) updates and patient removal and review, did not operate effectively. Management has accepted the exceptions found and noted that the error values in two of the exceptions were for less than £10 each and one with no financial consequence. Staff have already been retrained in these areas and further testing confirmed compliance with controls and no further findings.
- The IT Services Type 2 report considers controls carried out by NSS Digital and Security (DaS) and Atos. The report confirmed the suitability of the description and design of the controls in place and concludes that they are operating effectively with the exception of the controls relating to logical access to applications, operating systems and databases for MIDAS, OPTIX, PMSPS, DCVP/nDCVP and ePayroll. These controls did not operate effectively therefore the Control Objective: “Controls provide reasonable assurance that logical access to applications, operating systems and databases is restricted to authorised individuals” was found to not operate effectively during the period. Management has accepted the exceptions found and action has already taken place to mitigate impact including training for relevant staff and review of procedures. Control wording is also being reviewed where appropriate.
- Full reports have been made available to all relevant NHS boards.
- NSS receive a service audit report for the national finance system. The service auditors are appointed by NHS Ayrshire and Arran who provide this service to all NHSScotland boards. The service audit for 2023/24 reported a clean audit opinion.



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 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.
- The work of the 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.
- Comments made by the External Auditors in their management letters and other reports.

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, NSS 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.

NSS, through the Practitioner and Counter Fraud Services team (PC&FS), processes contractor payments of approximately £3.2 billion on behalf of clinicians across Scotland who are delivering primary and community care. These clinical practitioners provide dental, ophthalmic, pharmacy and general medical services.

In July 2023 a new Data Capture, Validation and Pricing system was introduced (nDCVP) as the old system had been in place for over 20 years. Concurrently NSS also used this opportunity to move away from the legacy pricing structure known as eVADIS and apply the UK wide pricing model which is the Dictionary of Medicines and Devices (DM&D). There was, however, issues with the implementation of the new DCVP system and as such from July 2023 all pharmacy contractors were paid on an estimates basis rather than based on actual data. Payments returned to being paid on actuals from February 2024.

There was a recognised risk to NHS boards in Scotland in respect of their financial data not being reconciled to actual data and that those amounts could be material to their financial statements.

An incident management team was engaged within NSS to ensure there was a recovery plan in place to process any over/underpayments by the end of March 2024 and as part of that recovery programme, NSS has asked Internal Audit to provide assurance over three separate areas; Financial Assurance (over payment accuracy), Data Assurance (over data validation and quality within Data Warehouse) and Remuneration Assurance (that discounts are being applied correctly from the DM&D including the Scottish Drug Tariffs).

The Financial Assurance report identified only one medium priority finding relating to the multiple manual checks throughout the process and provided significant assurance in this area. At the time of writing the other two reports are yet to conclude. Full consideration will be given to all findings.

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 Directorate Directors and NSS Remuneration and Succession Planning Committee in line with HDL (2007)15. Assessment of performance must be systematic, evidence based and properly recorded.

Business interests

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

Remuneration and Succession Planning Committee

The Remuneration and Succession Planning Committee was chaired Mr. Ian Cant. Its membership consists of no less than three Non-Executive members of the Board and the Chair. The Committee met twice 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
- review and approve annually the discretionary points awarded by the NSS Committee on consultants' discretionary points





Remuneration of senior managers

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

Assessment of performance conditions

Annual performance objective setting and appraisal is conducted as part of a normal appraisal cycle. Appraisals for members of the NSS Executive and senior management cohorts are in line with the recommendations 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 Annual Delivery Plan.

Performance ratings are based on a scoring matrix as set out in the defining Scottish Government Health and Social Care 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 Scottish Government Health and Social Care circulars. All payments to Executive and senior managers are approved by the Remuneration and Succession Planning Committee and the Scottish Government Health and Social Care Directorate (where appropriate).

Contractual arrangements for senior management

Senior managers' contracts are determined by the Scottish Government Health and Social Care Directorate as laid out in HDL (2006)23, HDL (2006)59 and subsequent publications. These govern the terms and conditions and remunerations of senior managers. These terms and conditions and contracts came into effect from 1 October 2005 and supersede contracts prior to that date.

The duration of contracts must be approved by the NSS Remuneration and Succession Planning Committee and, in line with legislation and best practice, the use of fixed term appointments is restricted. If the contract of employment is terminated by NSS for any reason other than gross misconduct, such termination shall be with notice or payment in lieu of notice if appropriate, typically three months for senior managers. In the event of termination of contract by reason of redundancy, the termination shall be in accordance with PCS(RED)2006/1 and PCS(DD)2007/1 and associated addendums which state that redundancy will be based on one month's

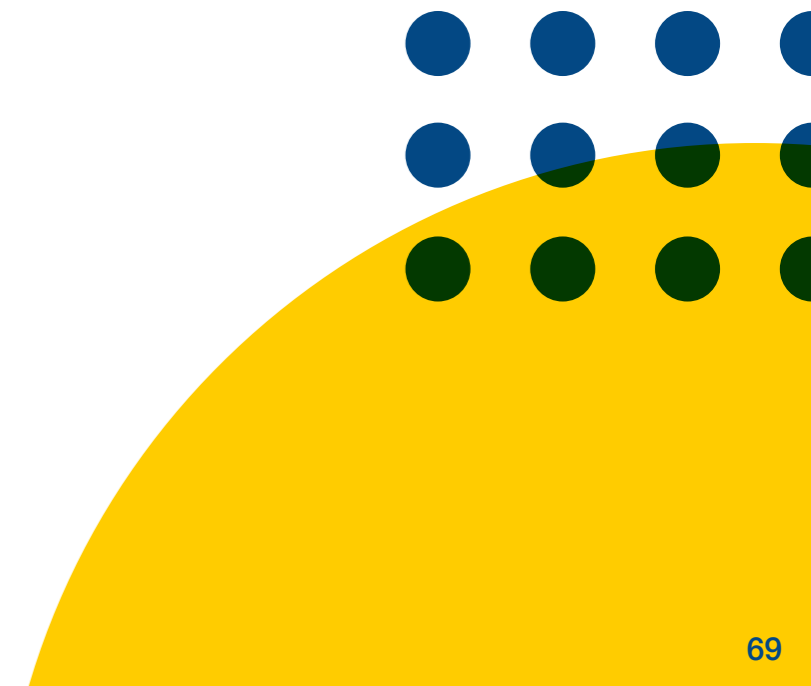
salary for each year of reckonable service up to 24 years' service. All senior managers have a notice period of three months, except for the Chief Executive who has a notice period of six months.

Amounts payable to third parties for services of a senior manager

There have been no payments to third parties for the services of an Executive or senior management staff. This excludes arrangements with other NHS boards and the Scottish Government Health and Social Care Directorate 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 Scottish Government Health and Social Care circulars PCS(ESM)2012/1 and PCS(ESM)2013/2.



Board members and senior employees remuneration for the year ended 31 March 2024 (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 Ms. M Morgan	140 – 145	140 – 145	–	–	140 – 145
Director of Finance, Corporate Governance and Legal Services Ms. C Low	130 – 135	130 – 135	41	–	170 – 175
Medical Director Dr. L Ramsay (to 21 January 2024)	140 – 145	140 – 145	39	–	180 – 185
Non-Executive members					
Mr. K Redpath	25 – 30	25 – 30	–	–	25 – 30
Ms. J Burgess (to 30 November 2023)	5 – 10	5 – 10	–	–	5 – 10
Mr. J Deffenbaugh	5 – 10	5 – 10	–	–	5 – 10
Ms. A Rooney	5 – 10	5 – 10	–	–	5 – 10
Ms. L Blackett	5 – 10	5 – 10	–	–	5 – 10
Mr. G Greenhill	5 – 10	5 – 10	–	–	5 – 10
Prof. A Langa	5 – 10	5 – 10	–	–	5 – 10
Ms. B Lawton	5 – 10	5 – 10	–	–	5 – 10
Mr. P Buchanan (from 1 February 2024)	0 – 5	0 – 5	–	–	0 – 5
Ms. M McGill (from 1 February 2024)	0 – 5	0 – 5	–	–	0 – 5
Employee Director; Mr. I Cant	60 – 65	60 – 65	32	–	95 – 100

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)
Senior employees					
Director of Digital and Security Mr. S Flockhart	130 – 135	130 – 135	37	–	165 – 170
Director of Primary Care & Counter Fraud Services Mr. M Bell (to 2 June 2024)	100 – 105	100 – 105	30	–	130 – 135
Director of National Procurement Mr. G Beattie	120 – 125	120 – 125	99	–	215 – 220
Director of National Specialist Services & Screening Ms. S Buchanan	115 – 120	115 – 120	–	–	115 – 120
Director of NHSScotland Assure Ms. J Critchley	110 – 115	110 – 115	17	–	125 – 130
Director of Scottish Blood Transfusion Service Prof. M Turner	150 – 155	150 – 155	–	–	150 – 155
Director of HR and Workforce Development Ms. J Jones (to 30 June 2023)	30 – 35	30 – 35	–	–	30 – 35
Director of HR and Workforce Development Ms. S Barnatt (from 1 September 2023)	60 – 65	60 – 65	90	–	150 – 155
Director of Strategy, Performance and Service Transformation Mr. L Neary	120 – 125	120 – 125	33	–	150 – 155
Director of Nursing Prof. J Reilly	115 – 120	115 – 120	–	–	115 – 120
Total			418	–	

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 50 – 55.
3. The annualised remuneration (in bands of £5,000) for members who have joined or left during the year is as follows: Mr. P Buchanan 5 – 10, Ms. M McGill 5 – 10, Ms. J Jones 110 – 115 and Ms. S Barnatt 130 – 135.
4. The calculation of the pension benefits aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20-year period, which is the estimated life span following retirement.
5. The total earnings in year column show the remuneration relating to actual earnings payable in 2023–24.

Board members and senior employees remuneration

for the year ended 31 March 2024 (audited)

Pension values table	Total accrued pension at 31 March 2024 (Bands of £5,000)	Real increase in pension (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2023	Cash Equivalent Transfer Value (CETV) at 31 March 2024	Real increase in CETV in year
	£'000	£'000	£'000	£'000	£'000
Executive members					
Chief Executive Mrs. M Morgan	65 – 70 190 – 195 lump sum	(2.5) – 0 (17.5) – (15) lump sum	1,654	1,703	(82)
Director of Finance, Corporate Governance and Legal Services Ms. C Low	20 – 25	2.5 – 5	299	368	31
Medical Director Dr. L Ramsay	5 – 10	2.5 – 5	49	97	24
Non-Executive members					
Employee Director; Mr. I Cant	25 – 30 30 – 35 lump sum	0 – 2.5 0 – 2.5 lump sum	360	417	28

Pension values table	Total accrued pension at 31 March 2024 (Bands of £5,000)	Real increase in pension (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2023	Cash Equivalent Transfer Value (CETV) at 31 March 2024	Real increase in CETV in year
Senior employees					
Director of Strategy, Performance and Service Transformation Mr. L Neary	5 – 10	0 – 2.5	57	95	18
Director of Digital and Security Mr. S Flockhart	10 – 15	0 – 2.5	100	146	21
Director of Primary Care and Counter Fraud Services Mr. M Bell	20 – 25	0 – 2.5	267	323	24
Director of National Procurement Mr. G Beattie	35 – 40 95 – 100 lump sum	5 – 7.5 7.5 – (10) lump sum	690	858	105
Director of NHSScotland Assure Ms. J Critchley	40 – 45 115 – 120 lump sum	0 – 2.5 (2.5) – 0 lump sum	864	956	20
Director of Scottish National Blood Transfusion Service Prof. M Turner	30 – 35	(2.5) – 0	628	656	(36)
Director of HR and Workforce Development Ms. J Jones	25 – 30	(2.5) – 0	458	489	(4)
Director of Nursing Prof. J Reilly	50 – 55 185 – 190 lump sum	0 – 2.5 (5) – (2.5) lump sum	1,051	1,137	(1)
Director of HR and Workforce Development Ms S Barnatt (from 1 September 2023)	35 – 40 95 – 100 lump sum	0 – 5 5 – 7.5 lump sum	693	842	94
Total			7,170	8,087	242

Note

1. The CETV calculator is obtained from the Civil Service Pensions and is updated for the NHS Pension Scheme factors advised by the Government Actuary’s Department (GAD). As the factors supplied by GAD have changed the “CETV at start of the period” can be different from the “CETV at end of the period” reported in 2022/23.

2. The table excludes Non-Executive and Senior Employees who are not members of the pension scheme.
3. Ms. J Critchley pension calculation includes pension transferred in from NHS previous employer.

Board members and senior employees remuneration

for the year ended 31 March 2023 (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 Ms. M Morgan	145 – 150	145 – 150	96	–	240 – 245
Director of Finance, Corporate Governance and Legal Services Ms. C Low	115 – 120	115 – 120	16	–	130 – 135
Medical Director Dr. L Ramsay	180 – 185	180 – 185	93	–	275 – 280
Non-Executive members					
Mr. K Redpath	25 – 30	25 – 30	–	–	25 – 30
Ms. J Burgess	5 – 10	5 – 10	–	–	5 – 10
Mr. M McDavid (to 31 August 2022)	0 – 5	0 – 5	–	–	0 – 5
Mr. J Deffenbaugh	5 – 10	5 – 10	–	–	5 – 10
Ms. A Rooney	5 – 10	5 – 10	–	–	5 – 10
Ms. L Blackett	5 – 10	5 – 10	–	–	5 – 10
Mr. G Greenhill	5 – 10	5 – 10	–	–	5 – 10
Prof. A Langa	5 – 10	5 – 10	–	–	5 – 10
Ms. B Lawton (from 1 September 2022)	5 – 10	5 – 10	–	–	5 – 10
Employee Director; Mr. I Cant	55 – 60	55 – 60	21	–	75 – 80

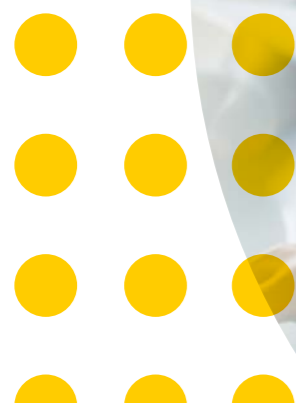
Remuneration table	Gross salary (bands of £5,000)	Total earnings in year (bands of £5,000)	Pension benefits	Benefits in kind	Total remuneration (bands of £5,000)
Senior employees					
Director of Central Legal Office (to 30 June 2022) Ms. N Shippin	30 – 35	30 – 35	–	–	30 – 35
Director of Digital and Security Mr. S Flockhart (from 1 May 2022)	115 – 120	115 – 120	31	–	150 – 155
Director of Primary Care & Counter Fraud Services Mr. M Bell	95 – 100	95 – 100	17	–	110 – 115
Director of National Procurement Mr. G Beattie	100 – 105	100 – 105	13	–	110 – 115
Director of National Specialist Services & Screening Ms. S Buchanan	100 – 105	100 – 105	–	–	100 – 105
Director of NHSScotland Assure Ms. J Critchley	100 – 105	100 – 105	–	–	100 – 105
Director of Scottish Blood Transfusion Service Prof. M Turner	160 – 165	160 – 165	53	–	215 – 220
Director of HR and Workforce Development Ms. J Jones	110 – 115	110 – 115	10	–	120 – 125
Director of Strategy, Performance and Service Transformation Mr. L Neary	110 – 115	110 – 115	32	–	145 – 150
Director of Nursing Prof. J Reilly	110 – 115	110 – 115	–	–	110 – 115
Total			382	–	

Note

6. Remuneration excludes employer pension and employer NI contributions.
7. Proportion of Employee Director total remuneration for non-Board duties for Mr. I Cant is Band 45 – 50.
8. The gross salary for the Chief Executive and Medical Director includes an element of arrears of pay relating to prior years.
9. The annualised remuneration (in bands of £5,000) for members who have joined or left during the year is as follows: Mr. S Flockhart 130 – 135 and Ms. N Shippin 120 – 125.
10. Ms. C Low has also held the positions of Interim Director of Digital and Security to 30 April 2022 and Interim Director of Central Legal Office from 1 July 2022.
11. 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.
12. The total earnings in year column show the remuneration relating to actual earnings payable in 2022–23.
13. Benefits in kind relate to the leased car scheme.

Board members and senior employees remuneration for the year ended 31 March 2023 (audited)

Pension values table	Total accrued pension at 31 March 2023 (Bands of £5,000)	Real increase in pension (Bands of £2,500)	Cash Equivalent Transfer value (CETV) at 31 March 2022 restated	Cash Equivalent Transfer value (CETV) at 31 March 2023	Real increase in CETV in year restated
Remuneration of:	£'000	£'000	£'000	£'000	£'000
Executive members					
Chief Executive Ms. M Morgan	75 – 80 175 – 180 lump sum	2.5 – 5.0 10 – 12.5 lump sum	1,379	1,652	129
Director of Finance, Governance and Legal Services Ms. C Low	30 – 35	0 – 2.5	394	462	12
Medical Director Dr. L Ramsay	45 – 50 80 – 85 lump sum	5.0 – 7.5 5.0 – 7.5 lump sum	674	847	82
Non-Executive members					
Employee Director; Mr. I Cant	20 – 25 50 – 55 lump sum	0 – 2.5 0 – 2.5 lump sum	336	399	24
Senior employees					
Director of Strategy, Performance and Service Transformation Mr. L Neary	0 – 5	0 – 2.5	20	49	12
Director of Digital and Security Mr. S Flockhart (from 1 May 22)	5 – 10	0 – 2.5	50	83	11
Director of Primary Care & Counter Fraud Services Mr. M Bell	25 – 30	0 – 2.5	333	394	14



Pension values table	Total accrued pension at 31 March 2023 (Bands of £5,000)	Real increase in pension (Bands of £2,500)	Cash Equivalent Transfer value (CETV) at 31 March 2022 restated	Cash Equivalent Transfer value (CETV) at 31 March 2023	Real increase in CETV in year restated
Director of National Procurement Mr. G Beattie	30 – 35 50 – 55 Lump sum	0 – 2.5 (5.0) – (2.5) lump sum	546	628	12
Director of NHSScotland Assure Ms. J Critchley	50 – 55	0 – 2.5	622	700	1
Director of Scottish National Blood Transfusion Service Prof. M Turner	35 – 40	2.5 – 5.0	533	665	57
Director of HR and Workforce Development Ms. J Jones	35 – 40	0 – 2.5	555	645	18
Director of Nursing Ms. J Reilly	55 – 60 110 – 115 lump sum	(2.5) – 0 (10.0) – (7.5) lump sum	952	1,044	(20)
Total			6,394	7,568	352

Note

- The CETV calculator is obtained from the Civil Service Pensions and is updated for the NHS Pension Scheme factors advised by the Government Actuary’s Department (GAD). As the factors supplied by GAD have changed the “CETV at start of the period” can be different from the “CETV at end of the period reported in 2020/21.
- The table excludes Non-Executive and Senior Employees who are not members of the pension scheme.
- Ms. J Critchley pension calculation includes pension transferred in from NHS previous employer.
- The opening CETV values at 31 March 2022 and the real increase in CETV values for 2022/23 have been restated to take account of inflation impact and employee contributions on the figures noted.

Fair pay disclosure (audited)

	2024	2023	% change
Range of Staff remuneration (£’000’s)	0 – 190	0 – 210	-10%
Band of Highest Paid Director’s Total Remuneration (£’000s)	140 – 145	180 – 185	-22%
Median Total Remuneration (£)	42,944	40,054	7%
Median Salary only	41,658	40,054	4%
Ratio	3.42	4.6	-25%
25th Percentile (total pay & benefits)	32,314	30,527	6%
25th Percentile (salary only)	31,538	30,310	4%
Ratio	4.52	6.0	-25%
75th Percentile (total pay & benefits)	55,478	52,448	6%
75th Percentile (salary only)	54,671	51,685	6%
Ratio	2.61	3.53	-26%

Commentary

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

This highest paid director in 2023/24 is the Chief Executive.

The departure of the Medical Director during the year resulted in a reduction in the highest paid Director’s total remuneration in the year.



Staff report

Staff numbers and costs (audited)

	Executive team members	Non-Executive members	Permanent staff	Inward/ (Outward) secondees	Other staff	Total 2023 /24	Total 2022 /23
Staff costs	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Salaries and wages	421	96	147,957	(2,704)	–	145,770	136,824
Social security costs	54	3	16,096	–	–	16,153	15,228
NHS pension scheme employer's costs*	88	–	28,195	–	–	28,283	27,014
Inward secondees	–	–	–	2,557	–	2,557	3,310
Agency staff	–	–	–	–	9,108	9,108	13,514
Total	563	99	192,248	(147)	9,108	201,871	195,890
Staff numbers (WTE's)	3	1	3,286	7	167	3,464	3,569
The number of disabled staff included in the total staff numbers above are:						137	149

* Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are in note 18.

Reconciliation of staff costs to note 3 employee expenditure

	£'000
Total employee expenditure 2023/24 as above	201,871
Add employee income (outward secondees above) included in note 3	2,704
Total employee expenditure disclosed in note 3	204,575

Higher paid employees remuneration (unaudited)

Employees whose remuneration fell within the following ranges:

	2023/24	2023/24	2022/23	2022/23
	Number clinicians	Number other	Number clinicians	Number other
£70,001 to £80,000	22	65	21	57
£80,001 to £90,000	16	71	14	41
£90,001 to £100,000	12	24	7	30
£100,001 to £110,000	4	10	7	6
£110,001 to £120,000	6	5	5	6
£120,001 to £130,000	4	3	2	1
£130,001 to £140,000	2	2	4	–
£140,001 to £150,000	3	1	2	1
£150,001 to £160,000	1	2	1	–
£160,001 to £170,000	2	–	4	–
£170,001 to £180,000	3	–	2	1
£180,001 to £190,000	1	1	–	–
£190,001 to £200,000	–	–	–	–
£200,000+	–	–	–	–
Total	76	184	69	143



Staff composition (unaudited)

	2023/24			2022/23		
	Male	Female	Total	Male	Female	Total
Non-Executive Directors and Employee Director	6	6	12	6	4	10
Executive Directors	–	3	3	–	3	3
Senior Employees	138	134	272	114	98	212
Other	1,315	2,207	3,522	1,206	2,026	3,232
Total Headcount	1,459	2,350	3,809	1,326	2,131	3,457

For this section of the report the definition of senior employee is anyone earning over £70k in 2023/24.

Sickness absence data (unaudited)

	2023/24	2022/23
Sickness absence rate	4.3%	5.1%

The HEAT standard for sickness absence for NHSScotland is 4.0%

Workforce policies (unaudited)

NSS ensures that NHS Once for Scotland Workforce Policies and Partnership Information Network (PIN) Policies are in place to support our requirements in accordance with the Staff Governance Standard, including the Recruitment and Selection Policy.

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

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

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

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

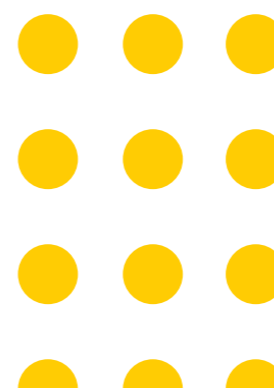
The NSS (dis)Ability Group supports all staff with a disability and the LGBTi Group also supports staff as appropriate across the wider organisation to share best practice, influence outcomes and provide support. These groups are both self-organised and have an EMT member as a sponsor to promote our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

Exit packages (audited)

Exit package cost band	2023/24	
	Number of compulsory redundancies	Number of other departures agreed
<£10,000	–	3
£10,000 - £25,000	–	3
£25,000 - £50,000	–	–
£50,000 - £100,000	–	2
£150,000 - £200,000	–	1
Total number of exit packages	–	9
Total cost of exit packages (£000)	–	322

The increase in the number and cost of exit packages in this financial year reflect the changes in the service provided by the National Contact Centre team as we emerge from the COVID-19 pandemic.

Exit package cost band	2022/23	
	Number of compulsory redundancies	Number of other departures agreed
<£10,000	–	97
£10,000 - £25,000	–	3
£25,000 - £50,000	–	2
£50,000 - £100,000	–	3
£150,000 - £200,000	–	1
Total number of exit packages	–	106
Total cost of exit packages (£000)	–	956



Trade union facility time (unaudited)

Number of employees who were relevant during the period 1 April 2023 to 31 March 2024	Full-time equivalent employee number
26	25
Percentage of time spent on facility time	
Percentage of time	Number of Representatives
0%	–
1 – 50%	24
51 – 99%	–
100%	2
Percentage of pay bill spent on facility time	£000
Total cost of facility time	207
Total pay bill	204,575
Percentage of the total pay bill spent on facility time	0.1%
Paid trade union activities	
Time spend on paid trade union activities as a percentage of total paid facility time hours	100%

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

Parliamentary Accountability Report

Losses and special payments

	2023/24		2022/23	
	Number of cases	£'000	Number of cases	£'000
Losses	3	12,739	11	15,183

In the year to 31 March 2024 NSS had the following balances more than £300,000 which were written off.

Description	2024 £'000
Flu vaccines and COVID-19 anti-virals – expired stock	2,826
National Emergency planning medicines stockpile – expired stock	2,091
Pandemic Personal Protection Equipment – expired stock	5,586
National Distribution Centre stock	1,476
PPE donated to charities	694

The expired stock for flu vaccines, COVID-19 anti-virals and PPE were approved and fully funded by the Scottish and UK Governments.

The stock loss for the National Distribution Centre has increased by £1.0 million compared to the last financial year due to the expiry of stock and is 0.55% of the total shipments during the financial year. We are continuously reviewing our stock levels and demand for products to reduce the level of write offs in the future.

Fees and charges

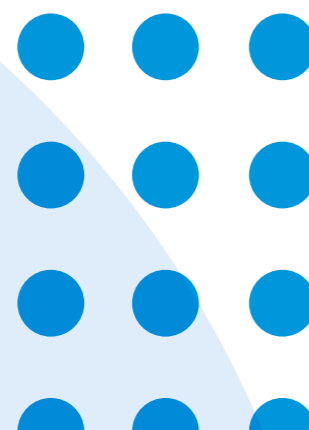
NSS provides a variety of services as detailed under Purpose and key facts of NSS (see page 8). These services include the provision of legal services, the supply of blood and blood products, management of national IT infrastructure, procurement, healthcare commissioning, facilities management and provision 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 and note 4 operating income of the accounts.

Remote contingent liabilities

NSS has reported all contingent liabilities known to the organisation in note 13.

Mary C Morgan

Mary Morgan
Chief Executive
28 June 2024



Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of NHS National Services Scotland for the year ended 31 March 2024 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the accounts, including accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the board's affairs as at 31 March 2024 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 16 May 2023. My period of appointment is five years, covering 2022/23 to 2026/27. Including a previous appointment, the period of total uninterrupted appointment will be seven years. I am independent of the board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the board's operations.

Auditor's responsibilities for the audit of the financial statements

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

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

- using my understanding of the health sector to identify that the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers are significant in the context of the board;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the board;
- inquiring of the Accountable Officer concerning the board's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Other information

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

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am

required to report that fact. I have nothing to report in this regard.

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



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

28 June 2024

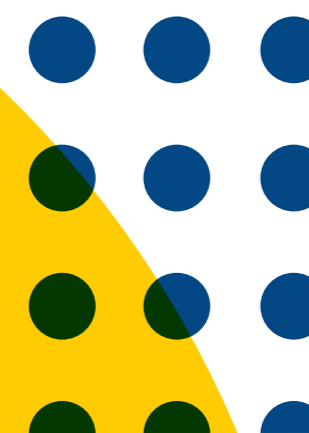
PART B

NHS National Services Scotland Statement of Comprehensive Net Expenditure (SoCNE)

For the year ended 31 March 2024

2022/23				2023/24
£'000		Note	£'000	£'000
199,097	Employee Expenditure	3a	204,575	
	Other Operating Expenditure	3b		
17,692	Drugs and Medical Supplies		10,914	
293,257	Clinical Services		322,255	
594,228	Non-Clinical Services		568,803	
235	Other Healthcare Expenditure		249	
1,104,509	Gross Expenditure for the year			1,106,796
(385,756)	Less: Other operating income	4		(403,902)
718,753	Net expenditure for the year			702,894

The primary statements and notes to the accounts, numbered 1 to 20 on the following pages, form an integral part of these accounts.



NHS National Services Scotland

Statement of Financial Position (SoFP)

As at 31 March 2024

2022/23				2023/24
£'000		Note	£'000	£'000
Non-current assets				
98,939	Property, plant and equipment	7a	89,809	
18,327	Intangible assets	6	23,739	
40,409	Right of Use assets	16a	36,470	
157,675	Total non-current assets			150,018
Current assets				
96,604	Inventories	8	41,685	
Financial assets:				
59,221	Trade and other receivables	9	44,355	
4,704	Cash and cash equivalents	10	5,873	
160,529	Total current assets			91,913
318,204	Total assets			241,931
Current liabilities				
(8,796)	Provisions	12	(4,235)	
Financial liabilities:				
(108,432)	Trade and other payables	11	(108,080)	
(117,228)	Total current liabilities			(112,315)
200,976	Non-current assets +/- net current assets/liabilities			129,616
Non-current liabilities				
(12,408)	Provisions	12	(20,280)	
Financial liabilities:				
(64,129)	Trade and other payables	11	(57,572)	
(76,537)	Total non-current liabilities			(77,852)
124,439	Total assets less liabilities			51,764
Taxpayers' equity				
117,194	General fund	SOCTE		41,735
7,245	Revaluation Reserve	SOCTE		10,029
124,439	Total taxpayers' equity			51,764

Authorised and approved by the Board on 28 June 2024

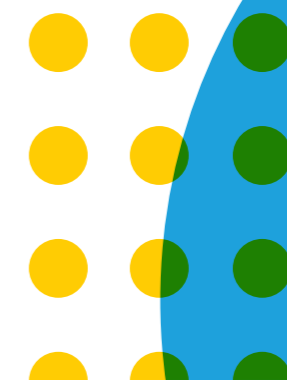
C. Low

Ms C Low
Director of Finance, Corporate Governance and Legal Services
28 June 2024

Mary C Morgan

Ms M Morgan
Chief Executive
28 June 2024

The primary statements and notes to the accounts, numbered 1 to 20 on the following pages, form an integral part of these accounts.



NHS National Services Scotland Statement of Cash Flows (SoCF) For the year ended 31 March 2024

2022/23				2023/24
£'000	Cash flows from operating activities	Note	£'000	£'000
(718,753)	Net operating cost	SOCNE	(702,894)	
18,246	Adjustments for non-cash transactions	2b	19,397	
2,384	Add back: Interest payable recognised in net operating expenditure		2,273	
(38,753)	Movements in working capital	2c	76,299	
(736,876)	Net cash outflow from operating activities			(604,925)
	Cash flows from investing activities			
(12,899)	Purchase of property, plant and equipment (PP&E)	7	(8,037)	
(2,762)	Purchase of intangible assets	6	(4,141)	
(424)	Transfer of assets from NHSScotland bodies		–	
14	Proceeds from disposal of PP&E		488	
(16,071)	Net cash outflow from investing activities			(11,690)
	Cash flows from financing activities			
763,596	Funding		630,674	
(657)	Movement in general fund working capital	SOCTE	1,054	
762,939	Cash drawn down	SOCTE	631,728	
(811)	Capital element of payments in respect of on-balance sheet PFI	2c	(863)	
(7,454)	IFRS 16 cash lease payment	2c	(10,808)	
(2,384)	Interest element of leases and on balance sheet PFI	2b	(2,273)	
752,290	Net financing			617,784
(657)	Net change in cash/cash equivalents in period		1,169	
5,361	Cash and cash equivalents at beginning of period		4,704	
4,704	Cash and cash equivalents at end of period			5,873
	Reconciliation of net cash flow to movement in net (debt)/cash			
(657)	Change in cash in year		1,169	
5,361	Net cash at 1 April	10	4,704	
4,704	Net cash at 31 March	10		5,873

The primary statements and notes to the accounts, numbered 1 to 20 on the following pages, form an integral part of these accounts.

NHS National Services Scotland Statement of Changes in Taxpayers' Equity (SoCTE) For the year ended 31 March 2024

		General fund	Revaluation reserve	Total reserves
		£'000	£'000	£'000
Balance at 1 April 2023		117,194	7,245	124,439
Changes in taxpayers' equity for 2023/24				
Net gain on revaluation of PPE		–	2,895	2,895
Impairment of PP&E		–	95	95
Revaluation and impairments taken to operating costs		–	(95)	(95)
Transfer between reserves		111	(111)	–
Transfer of assets		(3,350)	–	(3,350)
Net operating cost for the year		(702,894)	–	(702,894)
Total recognised income and expense for 2023/24		(706,133)	2,784	(703,349)
Funding:				
Drawn down	SOCF	631,728	–	631,728
Movement in general fund	SOCF	(1,054)	–	(1,054)
Balance at 31 March 2024	SOFP	41,735	10,029	51,764

		General fund	Revaluation reserve	Total reserves
		£'000	£'000	£'000
At 1 April 2022		68,980	12,922	81,902
Changes in taxpayers' equity for 2022/23				
Net gain on revaluation of PP&E		–	1,007	1,007
Impairment of PP&E		–	(673)	(673)
Revaluation and impairments taken to operating costs			673	673
Release of reserves to the statement of comprehensive net expenditure		(2,889)	–	(2,889)
Transfer between reserves		6,684	(6,684)	–
Transfer of assets		(424)	–	(424)
Net operating cost for the year		(718,753)	–	(718,753)
Total recognised income and expense for 2022/23		(715,382)	(5,677)	(721,059)
Funding:				
Drawn down	SOCF	762,939	–	762,939
Movement in general fund	SOCF	657	–	657
Balance at 31 March 2023	SOFP	117,194	7,245	124,439

The primary statements and notes to the accounts, numbered 1 to 20 on the following pages, form an integral part of these accounts.

Notes to the Accounts

Note 1. Accounting policies

1. Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FRm) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the United Kingdom, Interpretations issued by the IFRS Interpretations Committee (IFRIC) 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 the year 2023-2024. However, 23/24 FREM mandates reporting indexation linked payments in PPP liabilities in accordance with IFRS 16 from 2023-24.

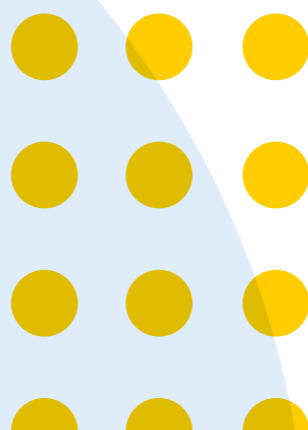
(b) Standards, amendments and interpretation early adopted this year

There are no new standards, amendments or interpretations early adopted in 2023/24.

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

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

- IFRS 14: Regulatory Deferral Accounts. Effective for accounting periods starting on or after 1 January 2016. This is not applicable to NHSScotland bodies.
- IFRS17: Insurance Contracts. Effective for accounting periods beginning on or after 1 January 2023. However, this Standard is not yet adopted by the FRm. Expected adoption by the FRm from April 2025. NSS does not expect that the adoption of the IFRS17 standard listed above will have a material impact on the financial statements in future periods.



2. Basis of consolidation

In accordance with IAS 27 – Consolidated and Separate Financial Statements, NSS has considered the requirement to consolidate the financial statements of the Trinity Park Foundation. During the year the Foundation was wound up and no financial statements were required to be prepared for the period up to the wind up of the Foundation.

It has been agreed that the value of income and expenditure of the Trinity Park Foundation up to the date of wind up were 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) were appointed by Scottish Ministers. The Trinity Park Foundation was a Registered Charity with the Office of the Charity Regulator of Scotland (OSCR) and prior to wind up was 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 20 to the financial statements.

3. Retrospective adjustments

There are no retrospective restatements in the financial statements for 2023/24.

4. Going concern

The accounts are prepared on the going concern basis, which provides that NSS will continue in operational existence for the foreseeable future, unless informed by Scottish Ministers of the intention for dissolution without transfer of services or functions to another entity.

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 as determined by the relevant accounting standards and the FReM.

6. Funding

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

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

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

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

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

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

7. Property, plant and equipment

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

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

1. Property, plant and equipment assets which are capable of being used for a period which could exceed one year and have a cost equal to or greater than £5,000.
2. In cases where a new facility would face an exceptional write off of items of equipment costing individually less than £5,000, NSS has the option to capitalise initial revenue equipment costs with a standard life of ten 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 (including VAT where this is not recoverable), or where they are part of the initial costs of equipping a new development and total over £20,000 (including VAT where this is not recoverable).

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.

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

In general, operational assets which are in use for delivering front line services or back-office functions are valued at current market value in existing use. However, to meet the underlying objectives established by the Scottish Government the following accepted variations of the RICS Appraisal and Valuation Manual are adopted:

- Specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only.
- Non-specialised equipment, installations and fittings are valued at fair value, using the most appropriate valuation methodology available. A depreciated historical cost basis is considered an appropriate proxy for fair value in respect of assets which have short useful lives or low values (or both).

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

- Specialised NHS land, buildings, equipment, installations and fittings are stated at depreciated replacement cost, as proxy fair value as agreed by the District Valuer.
- Non-specialised land and buildings, such as officers, are stated at fair value.

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.

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.

Susequent expenditure

Subsequent expenditure is capitalised into an asset 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. Gains or losses on revaluation are reported in the Statement of Comprehensive Net Expenditure.

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 arising from a change in market price are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to the Statement of Comprehensive Net Expenditure.

7.3 Depreciation

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

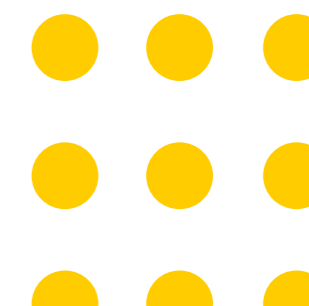
Depreciation is charged in each main class of tangible asset as follows:

1. Freehold land is considered to have an infinite life and is not depreciated.
2. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to NSS, respectively.
3. Property, Plant and Equipment which has been reclassified as “Held for Sale” ceases to be depreciated upon the reclassification.
4. Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
5. Equipment is depreciated over the estimated life of the asset.
6. Leased property, plant and equipment held under leases are depreciated over the shorter of the lease term and the estimated useful life. Unless there is reasonable certainty NSS will obtain ownership of the asset by the end of the lease term, in which case it is depreciated over its 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 and 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 such as the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset
- adequate financial, technical and other resources are available to the NSS to complete the development and sell or use the asset
- NSS can measure reliably the expenses attributable to the asset during development

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

Software

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

Software licences

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

Carbon emissions (intangible assets)

Participation in the Carbon Reduction Commitment (CRC) Energy Efficiency 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 (such as 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 market value in existing use. 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.

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. 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.

8.3 Amortisation

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

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

1. Internally generated intangible assets

Amortised on a systematic basis over the period expected to benefit from the project.

2. Software

Amortised over their expected useful life.

3. Software licences

Amortised over the shorter term of the licence and their useful economic lives.

4. Other intangible assets

Amortised over their expected useful life.

5. Intangible assets which have been reclassified as “Held for Sale” cease to be amortised upon reclassification.

Amortisation is charged on a straight-line basis.

The following asset lives have been used:

Asset category	Useful life
Software licences	From 3 – 15 years
Software	From 2 – 11 years

9. Non-current assets held for sale

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

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

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

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

10. Donated assets

Non-current assets that are donated or purchased using donated funds are included in the Statement of Financial Position initially at the current full replacement cost of the asset. Donated assets are revalued, depreciated/amortised and subject to impairment in the same way as other non-current assets in accordance with the NHS Capital Accounting Manual.

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

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

12. Leasing

Leases

Scope and classification

Leases are contracts, or parts of a contract that convey the right to use an asset in exchange for consideration. The FReM expands the scope of IFRS 16 to include arrangements with nil consideration. The standard is also applied to accommodation sharing arrangements with other government departments.

Contracts or parts of contracts that are leases in substance are determined by evaluating whether they convey the right to control the use of an identified asset, as represented by rights of both to obtain substantially all the economic benefits from that asset and to direct its use.

The following are excluded:

- contracts for low-value items, defined as items costing less than £5,000 when new, provided they are not highly dependent on or integrated with other items
- contracts with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that are reasonably certain to be exercised and any termination options that are reasonably certain not to be exercised)

Initial recognition

At the commencement of a lease (or the IFRS 16 transition date, if later), a right-of-use asset and a lease liability are recognised. The lease liability is measured at the present value of the payments for the remaining lease term (as defined above), net of irrecoverable value added tax, discounted either by the rate implicit in the lease, or, where this cannot be determined, the rate advised by HM Treasury for that calendar year. The liability includes payments that are fixed, or in-substance fixed, excluding, for example, changes arising from future rent reviews or changes in an index. The right-of-use asset is measured at the value of the liability, adjusted for any payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, for peppercorn or nil consideration leases, the asset is measured at its existing use value.

Subsequent measurement

The asset is subsequently measured using the fair value model. The cost model is considered to a reasonable proxy except for leases of land and property without regular rent reviews. For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration have been valued using market process or rentals for equivalent land and properties. The liability is adjusted for the accrual of interest, repayments, and reassessments and modifications. These are measured by re-discounting the revised cash flows.

Lease expenditure

Expenditure includes interest, straight-line depreciation, any asset impairments, and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rental payments for leases of low-value items or shorter than 12 months are expensed.

Lessor arrangements

NSS leases assets to other health bodies, these leases were previously recognised as operating leases. The rental income for operating leases is recognised on a systematic basis (on a straight-line basis over the lease term).

Estimates and judgements

NSS determines the amounts to be recognised as the right-of-use asset and lease liability for embedded leases based on the stand-alone price of the lease and non-lease component or components. This determination reflects prices for leases of the underlying asset, where these are observable otherwise, it maximises the use of other observable data, including the fair values of similar assets, or prices of contracts for similar non-lease components. In some circumstances, where stand-alone prices are not readily observable, the entire contracts are treated as a lease as a practical expedient. The FReM requires right-of-use assets held under peppercorn leases to be measured at existing use value.

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. Impairment losses charged to the Statement of Comprehensive Net Expenditure are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

14. General fund receivables and payables

Where NSS has positive net cash book balance at the year end, a corresponding creditor is created, and the general fund debited with the same amount to indicate that this cash is repayable to the Scottish Government Health and Social Care Directorate (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. Considering the high turnover of NHS inventories, the use of average purchase price is deemed to represent current cost. Work in progress is valued at the cost of the direct materials plus the conversion costs and other costs incurred to bring the goods up to their present location, condition and degree of completion.

16. Losses and special payments

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

17. Employee benefits

Short-term employee benefits

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

Pension costs

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

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

18. Clinical and medical negligence costs

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

NSS provides for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as "Category 3" are deemed most likely and provided for in full, those in "Category 2" as 50% of the claim and those in "Category 1" as nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and 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 NSS's respective share of the total liability of NHSScotland as advised by the Scottish Government and based on information prepared by NHS boards and the Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in Annually Managed Expenditure (AME) provision and is classified as non-core expenditure.

19. Related party transactions

Material related party transactions are disclosed in note 20 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in note 4.

20. Value Added Tax

Most of the activities of NSS are outside the scope of VAT and in general, input tax is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. 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 IFRS 16. 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 total unitary payment is then divided into three: the service charge element, repayment of the capital element of the contract obligation and the interest expense on it (using the interest rate implicit in the contract).

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

An IFRS 16 approach requires the liability to be remeasured if there is a change in future lease payments resulting from a change in an index/rate used to determine those payments. The liability does not include estimated future indexation linked increases.

22. Provisions

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

23. Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within NSS's control) are not recognised as assets but are disclosed in note 13 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised but are disclosed in note 13, 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
- 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:

- the financial asset is held within a business model where the objective is to collect contractual cash flows
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest

c. Financial assets at fair value through other comprehensive income

A financial asset may be held at fair value through other comprehensive income where both of the following conditions are met:

- the financial asset is held within a business model where the objective is to collect contractual cash flows and sell the asset
- 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 with documented risk management or investment strategy
- ii. they contain embedded derivatives
- 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 note 5 in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. This has been identified as the Executive Management Team of NSS.

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

27. Cash and cash equivalents

Cash and cash equivalents include 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 are not classed as commercial bank balances.

28. Foreign exchange

The functional and presentational currency of NSS is pound sterling.

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

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

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

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

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

29. Third party assets

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

30. Key sources of judgement and estimation uncertainty

NSS makes subjective and complex judgements in applying its accounting policies and relies on a range of estimation techniques and assumptions concerning uncertain future events. It is recognised that sources of estimation uncertainty are likely to vary from year to year and resulting accounting estimates will, by definition, seldom equal the related actual results. As such key judgements and estimates are continually reviewed, based on historical experience and other factors, including changes to past assumptions and expectations of future events that are believed to be reasonable under the circumstances.

The key judgements exercised in the application of NSS's accounting policies which have the most significant effect on the carrying amounts of assets and liabilities within the financial statements within the next financial year are summarised below.

Judgements

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

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

The key estimates and assumptions that are deemed to present a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are summarised below:

Estimates

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

Revaluation of Land and Buildings: the Board commissioned a full revaluation of the NSS estate as at 31 March 2024. Judgements are made about the status of property which affects the valuation methodology based on Royal Institute of Chartered Surveyors (RICS) guidance, International Financial Reporting Standards (IFRS) as interpreted, and also guidance contained within the HM Treasury Financial Reporting Manual (FREM).

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

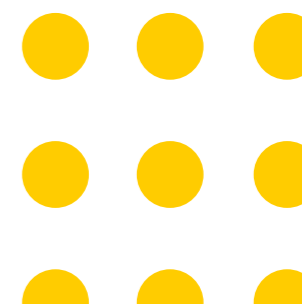
Note to the Accounts

2. Notes to the cash flow statement

2a. Summary of core revenue resource outturn

			2023/24
			£'000
Net Expenditure	SOCNE	702,894	
Total non-core expenditure (see below)		(19,186)	
Total Core Expenditure		683,708	
Core Revenue Resource Limit		684,124	
Savings against Core Revenue Resource Limit			416
SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN			
Depreciation/Amortisation		10,168	
Annually Managed Expenditure – Impairments		(96)	
Annually Managed Expenditure – Provisions		1,146	
Right of Use (RoU) Asset Depreciation		7,593	
PFI asset depreciation		375	
Total Non-Core Expenditure			19,186
Non-core Revenue Resource Limit			19,186
Savings against Non-Core Revenue Resource Limit			–

Summary resource outturn	Resource	Expenditure	Savings
	£'000	£'000	£'000
Core	684,124	683,708	416
Non-Core	19,186	19,186	–
Total	703,310	702,894	416



2b. Adjustments for non-cash transactions

2022/23			2023/24
£'000		Note	£'000
Expenditure not paid in cash			
8,534	Depreciation	7a	9,274
1,858	Amortisation	6	2,036
7,724	Depreciation of Right of Use (RoU) Assets	16b	7,593
760	Impairments of PPE charged to SoCNE	7a	244
(87)	Reversal of impairments on PPE charged to SoCNE	7a	(339)
-	Impairments on right of use asset	16a	586
(119)	Profit on disposal of PPE		-
(424)	Other movements		3
18,246	Total expenditure not paid in cash	SOCF	19,397

2022/23			2023/24
£'000		Note	£'000
Interest payable			
1,936	PFI finance lease charges allocated in year	17	1,884
448	Lease Interest	16b	389
2,384	Net interest payable	SOCF	2,273

2c. Movement on working capital balances

2022/23					2023/24
Net movement		Note	Opening balances	Closing balances	Net movement
£'000			£'000	£'000	£'000
INVENTORIES					
3,336	Balance sheet	8	96,604	41,685	
3,336	Net decrease/(increase)				54,919
TRADE AND OTHER RECEIVABLES					
9,064	Due within one year	9	59,221	44,355	
9,064	Net decrease/(increase)				14,866
TRADE AND OTHER PAYABLES					
(37,634)	Due within one year	11	108,432	108,080	
31,386	Due after more than one year	11	64,129	57,572	
(1,838)	Less: PPE (capital) included above		(3,562)	(2)	
(174)	Less: intangible assets (capital) included above		(174)	-	
657	Less: general fund creditor included in above	11	(4,704)	(5,758)	
(41,909)	Less: lease and PFI creditors included in above		(72,054)	(64,622)	
(49,512)	Net decrease/(increase)				3,203
PROVISIONS					
(1,641)	Statement of Financial Position	12	21,204	24,515	
(1,641)	Net decrease/(increase)				3,311
(38,753)	NET MOVEMENT	SOCF			76,299

3. Expenditure

3a. Employee expenditure

2022/23			2023/24
£'000			£'000
7,640	Medical, Dental and Pharmacy		8,639
13,670	Nursing and Health Promotion		14,271
23,657	Life Sciences		26,089
2,297	Board Members and senior managers		2,396
13,594	Support Services		15,128
138,239	Administrative Services		138,052
199,097	Total	SOCNE	204,575

Further detail and analysis of employee expenditure can be found in the remuneration and staff report, forming part of the Accountability Report (see pages 70-78).

3b. Other operating expenditure

2022/23			2023/24
£'000		Note	£'000
	Drugs and Medical Supplies:		
17,692	PPE and Testing Kits		10,914
17,692	Total Drugs and Medical Supplies		10,914
	Clinical Services		
279,857	Procurement, Commissioning and Facilities		305,316
13,400	Scottish National Blood Transfusion Service		16,939
293,257	Total Clinical Services		322,255
	Non-Clinical Services		
9,412	Central Legal Office		10,326
108,147	Digital and Security		127,562
87,851	Practitioner and Counter Fraud Services		33,702
290,742	Procurement, Commissioning and Facilities		319,789
77,780	Corporate Services		57,121
20,296	Property Services		20,303
594,228	Total Non-Clinical Services		568,803
	Other Healthcare Expenditure		
235	External auditor's remuneration and expenses		249
905,412	Total Other Operating Expenditure	SOCNE	902,221



4. Operating income

2022/23			2023/24
£'000		Note	£'000
Clinical Services			
825	Procurement, Commissioning and Facilities		650
9,630	Scottish National Blood Transfusion Service		9,809
10,455	Total Clinical Services Income		10,459
Non-Clinical Services			
17,602	Central Legal Office		19,005
70,787	Digital and Security		78,938
464	Practitioner and Counter Fraud Services		248
247,445	Procurement, Commissioning and Facilities		254,030
33,538	Corporate Services		24,464
5,346	Property Services		16,706
375,182	Total Non-Clinical Services Income		393,391
119	Profit on sale of disposal of assets		52
385,756	Total Income		403,902
Income source summary			
6,330	Income from Scottish Government		3,827
357,822	Income from other NHSScotland bodies		390,574
3,018	Income from NHS non-Scottish bodies		3,891
10,800	Income from UK Government		–
7,786	Income from Non-NHS customers		5,610
385,756	Total Income	SOCNE	403,902

5. Segmented reporting

Segmental information as required under IFRS has been reported by Directorate.

2022/23			2023/24
£'000			£'000
691	Central Legal Office		812
69,892	Digital and Security		84,463
108,040	Practitioner and Counter Fraud Services		56,681
384,489	Procurement, Commissioning and Facilities		436,933
51,973	Scottish Blood Transfusion Service		55,683
103,668	Corporate Services		68,322
718,753	Total	SOCNE	702,894

6. Intangible assets

		Software licence	IT software	Assets under development	Total
		£'000	£'000	£'000	£'000
CURRENT YEAR					
Cost or valuation:					
At 1 April 2023		98,869	52,854	13,247	164,970
Additions		–	35	3,932	3,967
Completions		4,620	8,875	(13,495)	–
Asset transfers from other SG consolidated entities		–	–	206	206
Transfer between asset categories		–	–	3,275	3,275
Disposals		(119)	(6)	–	(125)
At 31 March 2024		103,370	61,758	7,165	172,293
Amortisation					
At 1 April 2023		94,134	52,509	–	146,643
Provided during the year		1,099	937	–	2,036
Disposals		(119)	(6)	–	(125)
At 31 March 2024		95,114	53,440	–	148,554
Net book value at 1 April 2023		4,735	345	13,247	18,327
Net book value at 31 March 2024	SOFP	8,256	8,318	7,165	23,739
PREVIOUS YEAR					
Cost or valuation:					
At 1 April 2022		98,642	52,854	10,851	162,347
Additions		8	–	2,928	2,936
Completions		219	–	(219)	–
Assets Transferred to other SG consolidated entities		–	–	(360)	(360)
Transfer between asset categories		–	–	47	47
At 31 March 2023		98,869	52,854	13,247	164,970

		Software licence	IT software	Assets under development	Total
Amortisation					
At 1 April 2022		92,351	52,371	–	144,722
Provided during the year		1,720	138	–	1,858
Transfer between asset categories		63	–	–	63
At 31 March 2023		94,134	52,509	–	146,643
Net book value at 1 April 2022		6,291	483	10,851	17,625
Net book value at 31 March 2023	SOFP	4,735	345	13,247	18,327

7a. Property, plant and equipment – current year

Cost or valuation	Land	Buildings	Transport equipment	Plant and machinery	IT	Fixtures and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2023	2,873	56,870	4,878	45,533	16,967	28,609	7,447	163,177
Additions	–	–	–	2,373	340	–	1,762	4,475
Completions	–	–	477	390	262	–	(1,129)	–
Asset transfers (to) / from other SG consolidation entities	–	(1,870)	–	(4,262)	–	104	–	(6,028)
Transfer between asset categories	817	(817)	–	–	–	–	(3,275)	(3,275)
Revaluations	–	2,234	–	–	–	–	–	2,234
Impairment charges	–	(228)	–	(80)	–	–	2	(306)
Impairment reversals	–	275	–	–	–	–	–	275
Disposals	–	–	(15)	(2,020)	(14)	(6,602)	(270)	(8,921)
At 31 March 2024	3,690	56,464	5,340	41,934	17,555	22,111	4,537	151,631
Depreciation								
At 1 April 2023	–	–	3,952	22,081	13,753	24,452	–	64,238
Provided during the year	–	774	482	6,170	791	1,057	–	9,274
Asset transfers (to) / from other SG consolidation entities	–	(34)	–	(2,455)	–	19	–	(2,470)
Revaluations	–	(661)	–	–	–	–	–	(661)
Impairment charges	–	(15)	–	(47)	–	–	–	(62)
Impairment reversals	–	(64)	–	–	–	–	–	(64)
Disposals	–	–	(15)	(1,802)	(14)	(6,602)	–	(8,433)
At 31 March 2024	–	–	4,419	23,947	14,530	18,926	–	61,822

Cost or valuation	Land	Buildings	Transport equipment	Plant and machinery	IT	Fixtures and fittings	Assets under construction	Total
Net book value at 1 April 2023	2,873	56,870	926	23,452	3,214	4,157	7,447	98,939
Net book value at 31 March 2024	3,690	56,464	921	17,987	3,025	3,185	4,537	89,809
Asset Financing								
Owned	3,690	21,017	921	17,987	3,025	3,185	4,537	54,362
On-balance sheet PFI contracts	–	35,447	–	–	–	–	–	35,447
Net book value 31 March 2024	3,690	56,464	921	17,987	3,025	3,185	4,537	89,809



7a. Property, plant and equipment — prior year

	Land	Buildings	Transport equipment	Plant and machinery	IT	Fixtures and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2022	2,100	52,977	4,752	36,188	14,738	28,609	9,828	149,192
Additions	773	4,149	–	2,452	1,933	–	5,430	14,737
Completions	–	–	277	6,983	319	–	(7,579)	–
Asset transfers to other SG entities	–	–	–	–	–	–	(64)	(64)
Transfer between asset categories	–	–	–	–	–	–	(47)	(47)
Revaluations	–	456	–	–	–	–	–	456
Impairment charges	–	(745)	–	–	–	–	(121)	(866)
Impairment reversals	–	33	–	–	–	–	–	33
Disposals	–	–	(151)	(90)	(23)	–	–	(264)
At 31 March 2023	2,873	56,870	4,878	45,533	16,967	28,609	7,447	163,177
Depreciation								
At 1 April 2022	–	–	3,668	17,437	12,632	23,005	–	56,742
Provided during the year	–	711	435	4,734	1,207	1,447	–	8,534
Transfer between asset categories	–	–	–	–	(63)	–	–	(63)
Revaluations	–	(551)	–	–	–	–	–	(551)
Impairment charges	–	(106)	–	–	–	–	–	(106)
Impairment reversals	–	(54)	–	–	–	–	–	(54)
Disposals	–	–	(151)	(90)	(23)	–	–	(264)
At 31 March 2023	–	–	3,952	22,081	13,753	24,452	–	64,238
Net book value at 1 April 2022	2,100	52,977	1,084	18,751	2,106	5,604	9,828	92,450

7b. Assets held for sale

There were no assets held for resale at 31 March 2024 (31 March 2023: £nil).

NHS National Services Scotland

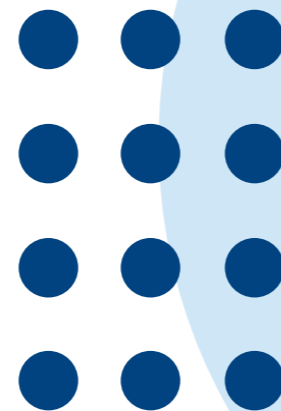
	Land	Buildings	Transport equipment	Plant and machinery	IT	Fixtures and fittings	Assets under construction	Total
Net book value at 31 March 2023	2,873	56,870	926	23,452	3,214	4,157	7,447	98,939
Asset Financing								
Owned	2,873	23,137	926	23,452	3,214	4,157	7,447	65,206
On-balance sheet PFI contracts	–	33,733	–	–	–	–	–	33,733
Net book value 31 March 2023	2,873	56,870	926	23,452	3,214	4,157	7,447	98,939

7c. Property, plant and equipment disclosures

2022/23	Expenditure	Note	2023/24
£000			£'000
98,939	Purchased		89,809
98,939	Total	SOPF	89,809
Total value of assets held under:			
33,733	PFI Contracts		35,447
33,733	Total		35,447
Total depreciation charged in respect of assets held under:			
387	PFI Contracts		375
387	Total		375

All land and buildings were revalued by an independent valuer, the Valuation Office Agency, as at 31/03/2024 on the basis of fair value (market value of depreciated replacement costs where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was an increase of £3.0 million (2022/23 an increase of £0.5 million), £2.9 million (2022/23 £1.0 million) of which was credited to the revaluation reserve. Impairment of £0.1 million (2022/23 £0.6 million) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.



7d. Analysis of capital expenditure

2022/23	EXPENDITURE	Note	2023/24
£'000			£'000
2,936	Acquisition of intangible assets	6	3,967
14,737	Acquisition of property, plant and equipment	7a	4,475
207	Right of Use (RoU) Additions	16a	4,240
17,880	Gross Capital Expenditure		12,682
Income			
–	Net book value of disposal property, plant and equipment	7a	488
7,250	Value of disposal of non-current assets held for sale		–
10,630	Net Capital Expenditure		12,194
–	Dilapidation settlement payment		1,228
10,630	Total Capital Resource outturn		13,422
SUMMARY OF CAPITAL RESOURCE OUTTURN			
10,423	Core capital expenditure		9,736
10,502	Core Capital Resource Limit		9,736
79	Savings against Core Capital Resource Limit		–
207	Non-core capital expenditure		3,686
207	Non-core Capital Resource Limit		3,686
–	Savings against Non-core Capital Resource Limit		–

8. Inventories

2022/23			2023/24
£'000		Note	£'000
96,604	Raw materials and consumables		41,685
96,604	Total Inventories	SOFP	41,685

9. Trade and other receivables

2022/23			2023/24
£'000		£'000	£'000
Receivables due within one year			
	NHSScotland		
3,541	SGHSCD		1,475
21,658	Boards		15,174
25,199	Total NHSScotland receivables		16,649
709	NHS non-Scottish bodies		486
3,955	VAT recoverable		11,144
15,296	Prepayments		13,044
2,721	Accrued Income		1,414
2,520	Other receivables		1,403
8,821	Other Public Sector Bodies		215
34,022	Other receivables due within one year		27,706
59,221	Total receivables	SOFP	44,355
Whole of Government Accounts classification			
21,658	NHSScotland		15,174
7,496	Central Government Bodies		12,619
8,821	Whole of Government bodies		215
709	Balances with NHS bodies in England and Wales		486
20,537	Balances with bodies external to Government		15,861
59,221	Total		44,355

Receivables that are less than three months past due are not considered impaired. As at 31 March 2024, receivables with a carrying value of £1.4 million were past their due date but not impaired (31 March 2023: £2.4 million). The aging of receivables past their due date but not impaired is as follows:

2022/23		2023/24
£'000		£'000
1,598	Up to 3 months past due	1,236
91	3 to 6 months past due	95
675	Over 6 months past due	85
2,364	Total	1,416

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

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

2022/23		2023/24
£'000		£'000
24,903	Existing customers with no defaults in the past	8,372
24,903	Total	8,372

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

2022/23		2023/24
£'000		£'000
59,221	Pounds	44,355
59,221	Total	44,355

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

10. Cash and cash equivalents

	Note	2024	2023
		£'000	£'000
Balance 1 April		4,704	5,361
Net change in cash and cash equivalent balances		1,169	(657)
Balance at 31 March	SOFP, SOCF	5,873	4,704

The following balances at 31 March were held at

		Cash flow	At 31/3/23
		£'000	£'000
Previous year			
Government Banking Service account		5,846	4,663
Cash at bank and in hand		27	41
Total cash and cash equivalents	SOFP, SOCF	5,873	4,704

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

11. Trade and other payables

2022/23			2023/24
		£'000	£'000
Payables due within one year			
8,351	Boards	6,561	
8,351	Total NHSScotland payables		6,561
3,492	NHS non-Scottish bodies	3,926	
4,704	General fund payable	5,758	
1,690	Trade payables	3,291	
44,591	Accruals	40,299	
1,726	Deferred Income	2,793	
7,087	Net obligations under leases	6,157	
863	Net obligations under PFI contracts	918	
3,862	Income tax and social security	3,914	
3,298	Superannuation	3,565	
1,154	Holiday pay accrual	1,038	
1,610	Other public sector bodies	274	
26,004	Other payables	29,586	101,519
108,432	Total payables due within one year		108,080

2022/23				2023/24
Payables due after more than one year				
6,496	Net obligations under leases due within 2 years		5,591	
17,533	Net obligations under leases due after 2 years but within 5 years		17,835	
11,604	Net obligations under leases due after 5 years		6,568	
918	Net obligations under PFI contracts due within 2 years		977	
3,124	Net obligations under PFI contracts due after 2 years but within 5 years		3,324	
24,429	Net obligations under PFI contracts due after 5 years		23,252	
25	Deferred Income		25	
64,129	Total Payables due after more than one year			57,572
172,561	Total payables	SOFP		165,652
Whole of Government Accounts classification				
8,351	NHSScotland			6,561
3,862	Central Government bodies			3,914
4,908	Whole Government bodies			3,839
3,492	Balances with NHS bodies in England and Wales			3,926
151,948	Balances with bodies external to Government			147,412
172,561	Total			165,652
Borrowings included above comprise:				
42,720	Leases		36,151	
29,334	PFI Contracts		28,471	
72,054	Total			64,622
The carrying amount and fair value of the non-current borrowings are as follows:				
35,643	Leases		29,994	
28,471	PFI Contracts		27,553	
64,114	Total			57,547
The carrying amount of payables are denominated in the following currencies:				
172,561	Pounds			165,652
172,561	Total			165,652

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

Note 12a. Provisions

	Pensions and similar obligations	Participation in CNORIS	Dilapidations	Other	2023/24
	£'000	£'000	£'000	£'000	£'000
At 1 April 2023	2,101	245	18,117	741	21,204
Arising during the year	84	134	3,686	2,891	6,795
Utilised during the year	(165)	(93)	(1,233)	(133)	(1,624)
Reversed unutilised	(86)	–	(1,223)	(551)	(1,860)
At 31 March 2024	1,934	286	19,347	2,948	24,515
Payable in one year	173	72	1,042	2,948	4,235
Payable between 2–5 years	636	174	818	–	1,628
Payable between 6–10 years	596	14	17,487	–	18,097
Thereafter	529	26	–	–	555
At 31 March 2024	1,934	286	19,347	2,948	24,515
At 1 April 2022	2,435	132	19,611	667	22,845
Arising during the year	(184)	201	106	182	305
Utilised during the year	(150)	(88)	–	(36)	(274)
Reversed unutilised	–	–	(1,600)	(72)	(1,672)
At 31 March 2023	2,101	245	18,117	741	21,204
Payable in one year	169	61	7,825	741	8,796
Payable between 2–5 years	635	148	10,292	–	11,075
Payable between 6–10 years	631	13	–	–	644
Thereafter	666	23	–	–	689
At 31 March 2023	2,101	245	18,117	741	21,204

Pensions and similar obligations

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

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

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

Other (non-endowment)

NSS have provisions relating to organisational restructure and a potential exposure to interest on VAT recovery.

Dilapidations

Provisions have been made relating to potential dilapidations exposures on leased properties.

Note 12b. Clinical Negligence and Other Risk Indemnity Scheme (CNORIS)

2022/23			2023/24
£'000		Note	£'000
245	Provision recognising the NHS boards liability from participating in the scheme 31 March	12a	286
245	Net Total Provision relating to CNORIS at 31 March		286

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

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

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

The provision required as a result of participation in the scheme is shown in the note above to aid the reader's understanding of CNORIS. Further information on the scheme can be found at www.clo.scot.nhs.uk/our-services/cnoris.aspx

Note 13. Contingent liabilities

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

2022/23		2023/24
£'000	Nature	£'000
837	Clinical and medical compensation payments	844
32	Employer's liability	6
869	Total Contingent Liabilities	850

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

14. Events after the end of the reporting year

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

15. Capital commitments

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

2022/23	Contracted	Property, plant and equipment	2023/24
£'000		£'000	£'000
3,117	IT Equipment	1,905	1,905
20	IT Infrastructure	513	513
577	Medical Equipment	770	770
54	Property	–	–
3,768	Total	3,188	3,188

2022/23	Authorised but not contracted	Property, Plant and Equipment	2023/24
£'000		£'000	£'000
3,296	Medical Equipment	–	–
–	Transport	267	267
323	Property	635	635
3,619	Total	902	902

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

16a. Right of use assets (RoU)

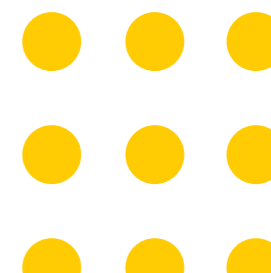
		Land	Buildings	Plant and machinery	2023/24
		£'000	£'000	£'000	£'000
CURRENT YEAR					
Cost or valuation					
At 1 April 2023		572	46,934	627	48,133
Additions		–	4,239	1	4,240
Disposal		–	(2,488)	–	(2,488)
At 31 March 2024		572	48,685	628	49,885
Depreciation					
At 1 April 2023		15	7,408	301	7,724
Provided during the year		15	7,276	302	7,593
Impairment		–	586	–	586
Disposal		–	(2,488)	–	(2,488)
At 31 March 2024		30	12,782	603	13,415
Net book value at 1 April 2023		557	39,526	326	40,409
Net book value at 31 March 2024	SOFP	542	35,903	25	36,470

		Land	Buildings	Plant and machinery	2022/23
		£'000	£'000	£'000	£'000
PRIOR YEAR					
Cost or valuation					
At 1 April 2022		572	46,727	627	47,926
Additions		–	207	–	207
At 31 March 2023		572	46,934	627	48,133
Depreciation					
At 1 April 2022		–	–	–	–
Provided during the year		15	7,408	301	7,724
At 31 March 2023		15	7,408	301	7,724
Net book value at 1 April 2022		572	46,727	627	47,926
Net book value at 31 March 2023	SOFP	557	39,526	326	40,409

16b. Lease liabilities

	Land	Buildings	Plant and machinery	2023/24
	£'000	£'000	£'000	£'000
CURRENT YEAR				
Amounts falling due:				
Not later than one year	13	6,121	23	6,157
Later than one year, not later than two years	13	5,578	–	5,591
Later than two years, not later than five years	40	17,795	–	17,835
Later than five years	469	6,099	–	6,568
Balance at 31 March 2024	535	35,593	23	36,151
Current	13	6,121	23	6,157
Non-Current	522	29,472	–	29,994
	535	35,593	23	36,151

	Land	Buildings	Plant and machinery	2022/23
	£'000	£'000	£'000	£'000
PRIOR YEAR				
Amounts falling due:				
Not later than one year	13	6,762	302	7,077
Later than one year, not later than two years	13	6,467	26	6,506
Later than two years, not later than five years	40	17,493	–	17,533
Later than five years	482	11,122	–	11,604
Balance at 31 March 2023	548	41,844	328	42,720
Current	13	6,762	302	7,077
Non-Current	535	35,082	26	35,643
	548	41,844	328	42,720



Amounts recognised in the Statement of Comprehensive Net Expenditure

2022/23		2023/24
£'000		£'000
7,724	Depreciation	7,593
448	Interest expense	389
1,795	Non recoverable VAT on lease payments	1,499
-	Impairment on ROU asset taken to SOCNE	586
9,967	Total	10,067

Amounts recognised in the Statement of Cash Flows

2022/23		2023/24
£'000		£'000
448	Interest expense	389
7,454	Repayment of principal leases	6,762
7,902		7,151

Note 17. Commitments under PFI contracts – On balance sheet

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

Jack Copland Centre, 52 Research Park North, Heriot Watt University Research Park, Edinburgh, EH14 4BE. This is the national centre for the Scottish National Blood Transfusion service which had a contract start date of 2017 and ends in 2042.

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

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

2022/23	Gross Minimum Lease Payments	Note	2023/24
£'000			£'000
2,747	Rentals due within one year		2,747
2,747	Due within one to two years		2,747
8,241	Due within two to five years		8,241
37,389	Due after 5 years		34,642
51,124	Total		48,377
	Less Interest Element		
(1,884)	Rentals due within one year		(1,829)
(1,829)	Due within one to two years		(1,770)
(5,117)	Due within two to five years		(4,917)
(12,960)	Due after 5 years		(11,390)
(21,790)	Total		(19,906)
	Present value of minimum lease payments		
863	Rentals due within one year	11	918
918	Due within one to two years	11	977
3,124	Due within two to five years	11	3,324
24,429	Due after 5 years	11	23,252
29,334	Total		28,471
	Service elements due in future periods		
1,210	Rentals due within one year		1,370
1,210	Due within one to two years		1,370
3,631	Due within two to five years		4,111
16,947	Due after 5 years		17,814
22,998	Total		24,665
52,332	Total Commitments		53,136

2022/23	Gross minimum lease payments	Note	2023/24
1,936	Interest charges	2	1,884
1,210	Service charges		1,317
811	Principal repayment		863
3,957	Total		4,064

Note 18. Pension costs

NSS participates in the NHS Superannuation Scheme Scotland (NHSSS). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary.

The valuation carried out as at 31 March 2016 confirmed that an increase in the employer contribution rate from 14.9% to 20.9% was required from 1 April 2019 to 31 March 2023. The UK Government since confirmed that these employer rates would remain in place until 31 March 2024. In addition, member pension contributions over the period to 30 September 2023 have been paid within a range of 5.2% to 14.7% and have been anticipated to deliver a yield of 9.6%.

The valuation carried out as at 31 March 2020 confirmed that an increase in the employer contribution rate from 20.9% to 22.5% will be required from 1 April 2024 to 31 March 2027. In addition, member pension contributions since 1 October 2023 have been paid within a range of 5.7% to 13.7% and have been anticipated to deliver a yield of 9.8%.

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

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

- i. The scheme is an unfunded multi-employer defined benefit scheme.
- ii. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the NSS is unable to identify its share of the underlying assets and liabilities of the scheme.
- iii. The employer contribution rate for the period from 1 April 2023 is 20.9% of pensionable pay. The employee rate applied is a variable and is anticipated to provide a yield of 9.6% of pensionable pay.
- iv. While a valuation was carried out as at 31 March 2016, work on the cost cap valuation was suspended by the UK Government following the decision by the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that the transitional protections provided as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a

consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

- v. NSS's level of participation in the scheme is 2% based on the proportion of employer contributions paid in 2022–23.

National Employment Savings Trust (NEST)

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

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £6,240 up to £50,270 but is reviewed every year by the government. The current employee contribution is 5% of qualifying earnings, with an employer contribution of 3%.

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.

	2023/24	2022/23
	£'000	£'000
Pension cost charge for the year	28,174	27,007
Additional costs arising from early retirement	84	(184)
Provisions/liabilities/prepayments included in the Statement of Financial Position	1,934	2,101



19. Financial instruments

(a) Financial instruments by category

Financial assets		Financial assets at fair value through OCI	Total
AT 31 MARCH 2024	Note	£'000	£'000
Assets per Statement of Financial Position			
Trade and other receivables excluding prepayments, reimbursements of provisions, VAT recoverable and amounts due from other boards	9	3,518	3,518
Cash and cash equivalents	10	5,873	5,873
Total		9,391	9,391
AT 31 MARCH 2023	Note	£'000	£'000
Assets per Statement of Financial Position			
Trade and other receivables excluding prepayments, reimbursements of provisions, VAT recoverable and amounts due from other boards	9	14,771	14,771
Cash and cash equivalents	10	4,704	4,704
Total		19,475	19,475
Financial liabilities			
AT 31 MARCH 2024	Note	£'000	£'000
Liabilities per Statement of Financial Position			
Lease Liabilities	11	36,151	36,151
PFI Liabilities	11	28,471	28,471
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income, superannuation and amounts due to other boards	11	84,171	84,171
Total		148,793	148,793
AT 31 MARCH 2023	Note	£'000	£'000
Liabilities per Statement of Financial Position			
Lease Liabilities	11	42,720	42,720
PFI Liabilities	11	29,334	29,334
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income, superannuation and amounts due to other boards	11	83,245	83,245
Total		155,229	155,229

(b) Financial risk factors

Exposure to risk

The activities of NSS expose it to a variety of financial risks:

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

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

Credit risk

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

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

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

The utilisation of credit limits is regularly monitored.

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

Liquidity risk

The Scottish Parliament makes provision for the use of resources by NSS for revenue and capital purposes in a Budget Act for each financial year.

Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Budget Act. The Act also specifies an overall cash authorisation to operate for the financial year. NSS is not therefore exposed to significant liquidity risks.

The table on the next page 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
AT 31 MARCH 2024	£'000	£'000	£'000	£'000
Lease Liabilities	6,157	5,591	17,835	6,568
PFI Liabilities	918	977	3,324	23,252
Trade and other payables excluding statutory liabilities	84,146	25	–	–
Total	91,221	6,593	21,159	29,820
AT 31 MARCH 2023	£'000	£'000	£'000	£'000
Lease Liabilities	6,775	6,480	17,533	11,604
PFI Liabilities	863	918	3,124	24,429
Trade and other payables excluding statutory liabilities	83,220	25	–	–
Total	90,858	7,423	20,657	36,033

Market risk

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

- **Cash flow and fair value interest rate risk**
NSS has no significant interest bearing assets or liabilities and as such, income and expenditure cash flows are substantially independent of changes in market interest rates.
- **Foreign currency risk**
NSS is not exposed to foreign exchange rates.
- **Price risk**
NSS is not exposed to equity security price risk.

c) Fair value estimation

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

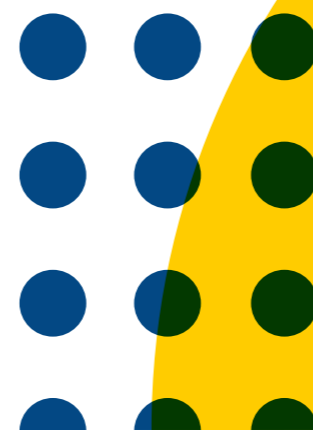
The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair value.

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

20. Related party transactions

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

NSS Board members have cross directorships with Queen Margaret University, Hall, Aitken Associates Ltd, Potential in me and Puzzle Fit consulting. There are no material balances with these bodies in this financial year.



Direction by the Scottish Ministers

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

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

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

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

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

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

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

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

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

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

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



Signed by the authority of the Scottish Ministers

Dated 22 March 2022

For the year to 31 March 2024



Find out more
about NSS at:

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

Designed by NHS National Services Scotland Creative Services.