



THE STATE HOSPITALS BOARD FOR SCOTLAND

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024

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**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

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PERFORMANCE REPORT

NHS Health Boards are required to prepare a Performance Report as per the Government Financial Reporting Manual (FReM). This provides information on the Board, as well as its main objectives and strategies and the principal risks that the Board faces.

The Performance Report has been prepared in accordance with the FReM and complies with best practice.

1. Overview – Chief Executive’s review of performance

The State Hospitals Board for Scotland was established and legally became part of the NHS in 1995 and shares in the overall national objective to promote the provision of a sufficient and effectively co-ordinated range of services.

The State Hospital provides treatment and care, in conditions of high security, for male patients with mental disorder who, because of their dangerous, violent or criminal propensities, cannot be cared for in any other setting. It is a national service for Scotland and Northern Ireland.

Care in the State Hospital is underpinned by the rights based principles which underpin the Mental Health (Care and Treatment) (Scotland) Act 2003. Since May 2006, patients have been able to appeal against being detained in excessive levels of security in the State Hospital.

The Board’s Annual Delivery Plan looks forward to the following year. The Annual Delivery Plan sets out a delivery agreement between Scottish Government Health & Social Care Directorate (SGHSCD) and the Board, based on Ministerial targets.

In line with Scottish Government guidance, the plan for the period 1 April 2024 to 31 March 2025 has been underway with submission to Scottish Government – providing update and further iteration of the existing Annual Delivery Plans developed, and summarising key areas of activity for the next financial year. It includes a focus on staff wellbeing, workforce and finance plans for the year, continued mitigation from the legacy impacts of the pandemic. The Board received reports at each of its meetings throughout the year, to set out the actions taken. The national approach supports the Scottish Government National Outcomes Framework (Scotland Performs).

The service has established a reputation for providing world class forensic mental health care. Visitors to the service both from home and abroad have been hugely positive about the patient centred approach and focus on recovery. Working with partners in our Forensic Network, we have established a reputation for high standards of care, innovative research and education and wished to maintain that in 2023/24.

Addressing health and social inequalities for our patient group is a major challenge. As a no-smoking facility and illicit drug and alcohol free area, the twin challenges of smoking and substance misuse are areas of existing success. Our primary challenge is patient obesity and its related physical health problems. The Board is building on existing measures to promote healthier choices for patients and will be delivering an agreed programme of initiatives over the coming year to improve the physical wellbeing of our patients. This approach has been supported by colleagues from Public Health Scotland.

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PERFORMANCE REPORT *continued*

Many of our patients have limited educational attainment linked to a range of factors in their lives prior to admission. This can lead to social exclusion and difficulty attaining employment. Patients benefit from access to recreational and educational facilities on site and are supported to develop their skills and educational attainment during their stay. We are committed to maintaining and improving opportunities for our patients to access both physical and educational activities.

The service has embraced the ambitions of the Scottish Patient Safety Programme and has been a key contributor to improvements in patient safety both locally and on the national stage. Work undertaken to introduce a new clinical model, enables patients to progress from admission to discharge through four distinct clinical sub specialties. We will be further developing our programme of patient focused improvements following the launch of the Clinical Care Policy earlier in the year and investing in our staff's access to training in improvement methodology.

The State Hospitals Board for Scotland is fully committed to the principles, values and objectives articulated in Everyone Matters: 2020 Workforce Vision. We continue to set out our commitment to our staff to implementing this vision and making real improvements to the health of our organisation as a whole, and to the health of the people who work within it. We recognise that it is the people in our organisation who deliver the service and that the support and contribution of our employees will be crucial in delivering the objectives in this plan. We will be working in partnership to put a significant emphasis on maintaining and improving staff health and wellbeing and ensuring that our NHS values and behaviours are clearly visible to everyone who is part of our service.

The State Hospitals Board for Scotland's vision is to –

- Excel in the provision of high secure forensic mental health care
- Achieve positive patient outcomes
- Ensure the safety of our valued staff, patients, visitors and the general public
- Promote collaboration across health, social care and justice services
- Strive to be an exemplar employer

The aims are to provide a high quality, person centred, safe and effective care and treatment and maintain a safe and secure environment that protects patients, staff and the public.

The financial landscape continues to be challenging, and realising the continuous improvement that we are ambitious to achieve will mean working effectively not just as a local team, but across NHS Scotland. National Boards continue to focus on improving collaborative arrangements across Boards and ensuring that we are deploying our resources as effectively as we can to meet our patients' needs, driving out inefficiencies and improving quality. Our plan for 2024/25 builds on a shared vision with our staff about our key priorities and how we wish to achieve these now and in the future.

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PERFORMANCE REPORT *continued*

2. Performance Analysis

NHS Boards are required to meet 3 financial targets. These targets are:

- Revenue resource limit - a resource budget for ongoing operations;
- Capital resource limit - a resource budget for net capital investment; and
- Cash requirement – a financing requirement to fund the cash consequences of the ongoing operations and the net capital investment.

The Revenue and Capital Resource limits are further analysed into Core and Non-Core where Non-Core represents items of expenditure which are of a technical accounting nature, details of which can be found on the Summary of Resource Outturn

Health Boards are expected to contain their net expenditure within these targets, and will report on any variation from the targets as set. During the financial year ended 31 March 2024, the Board was within all three of its statutory financial targets.

	Limit as set by SGHSCD £000	Actual Outturn £000	Variance (deficit) / surplus £000
Core Revenue Resource Limit	43,263	43,255	8
Non core Revenue Resource Limit	2,354	2,278	76
Total Revenue Resource Limits	45,617	45,533	84
Core Capital Resource Limit	880	805	75
Total Capital Resource Limits	880	805	75
Cash Requirement	46,497	44,657	1,840

MEMORANDUM FOR IN YEAR OUTTURN

£000

Core Revenue Resource Variance (Deficit)/Surplus in 2023/24	<u>8</u>
Financial Flexibility: funding banked with /(provided by) Scottish Government	<u>-</u>
Underlying (Deficit)/Surplus against Core Revenue Resource Limit	<u>8</u>
Percentage	<u>0%</u>

Since the 3-year financial planning process was paused last year, a revised financial performance disclosure has been prepared to reflect this:

A financial plan was submitted to Scottish Government by NHS in March 2024. The financial plan meets the Scottish Government requirements of break-even and target levels of savings, recurring and non-recurring, and while formal confirmation is yet to be issued to all NHSScotland Boards, notification has been received that the Board's plan is accepted and will be monitored accordingly to ensure it progresses as scheduled.

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PERFORMANCE REPORT *continued*

The Board is reporting a small carry forward surplus into 2024/25. This was achieved through a combination of recurring and non-recurring initiatives. Engagement with budget holders resulted in slightly over achieving the £0.811m savings target by £16k.

The Board is sighted on the essential requirement to manage the organisation on a sustainable financial base and – through an extensive and consultative review of the Hospital's Clinical Model – have implemented changes identified to ensure this is achieved on an ongoing basis. These actions were originally to have been introduced completely in 2022/23, but due to the issues addressed as part of the Covid19 crisis these were completed in 2023/24.

3 Covid19 crisis and impact on The State Hospital's performance

During 2023/24, unlike previous years it was not required to stand up a formal Incident Command Structure (Gold /Silver/Bronze commanders) in response to Covid19.

The key priorities as follows were managed through business as usual governance arrangements:

- Patient Care and Treatment
- Process for High Secure Patients Requiring Acute Medical Intervention
- Safety and Security
- Staff Deployment & Daily Business Continuity

The Hospital's Risk and Resilience Team is well established as part of the Security, Resilience and Estates Directorate, to advise on any future need for Incident Command arrangements being stood up.

The process of reviewing and implementing national guidance from UK Government, Scottish Government and Professional Bodies is tracked by the Corporate Management Team (CMT) and shared with the Organisational Management Team (OMT) for onward implementation.

4 Future development

There is no recurrently-identified resource for property – the main significant capital item now underway and approaching final completion in 2024/25 being the ongoing Perimeter Security and Enhanced Internal Security Systems Project – valued at c£8.7m (excluding VAT). The associated projected level of available revenue resource required for contractor escorting and project management continue to present a challenge for implementation of the Property and Asset Management Strategy, together with regular estates and security work, and IM&T (Information Management and Technology) equipment replacement programmes. Further work has taken place internally to re-examine security threats to the hospital and additional work commissioned to establish how those threats may be mitigated, including review of CCTV requirements, which are now reflected in the project specification.

The Hospital is committed to supporting the drive for efficiency and productivity. The Hospital's savings targets have been met in each of the recent years.

In future years, it is very likely that the Hospital will have increasing difficulty generating the same level of cash releasing savings – having a particular pressure from operating with a level of staff costs at 84% of total, with only 16% of other costs for savings review. In order to ensure that service delivery can continue to improve and develop, the focus will need to move to improvements in operational productivity. This will require new approaches to driving and monitoring efficiency and productivity.

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PERFORMANCE REPORT *continued*

The Hospital will continue to provide a significant opportunity to improve care and ultimately the outcomes of the work that is done. In order to achieve this, we will continue to:

- Assess, admit, treat, manage and discharge patients using care programme approach and integrated care pathways.
- Tailor care to the needs of patients in terms of range, timing and the least restriction necessary.
- Robustly ensure risk assessment and management plans are responsive to the changing needs of each patient.
- Employ modern technology and solutions that improve security and manage risk.
- Provide access to health and wellbeing activities that promotes engagement, recovery and hope in the future.
- Ensure that staff are trained and supported to adopt new ways of working that are based on need, rather than historical practices.
- Deliver clinical leadership by confident well equipped people who develop their teams and make use of performance management information.

There are a number of pressures facing the Hospital over the coming year:

- Workforce Plan Numbers and Skill mix - due in part to the fall in staff turnover, it has not yet been fully possible to achieve the planned workforce. The issues relate mainly to nursing costs. The full workforce plan aligned to the clinical service delivery model and safe staffing legislation is under review, to link with the review of the Clinical Model.
- Savings plans – savings plan around the workforce, capital charges and supplies have been extensively prepared and will be reviewed at executive level on a regular basis to ensure the increased pressures are met – with targeted savings showing an increase of £0.5m on 2023/24 levels. Additionally, these may need to be extended if the on-going costs of the new Clinical Model (implemented in 2023/24) are more than forecast.
- Also year on year, it gets harder to identify workforce savings without affecting patient care or security. The staffing costs for TSH are 84% of the total revenue budget. If plans fall behind the financial balance could be at risk unless other non-pay savings can be found.
- The lack of any increase in capital funding, and the highlighted lack of any additional project funding to be available in 2024/25, potentially leaves equipment replacement at risk, as the allocation will require close control and review to be able to cover any major equipment replacement programmes.
- Energy costs (potential £550k increase)
- Additional essential operational posts required (potential £300k)
- Costs of enhancing and strengthening essential digital innovation and inclusion (£ tbc)
- Pressure from any unfunded element of increased payroll costs that are not met centrally
- Payroll impact continuing from the 2019 outcome of the legal case “Locke vs British Gas” and the potential liability for additional shift payments required
- Potential increases in rates
- A number of costs associated with the hospital estate upkeep / backlog maintenance programme, all monitored closely and outturns adjusted accordingly. Ongoing evaluation of this impact over the coming years is assessed for budgetary pressures to be controlled
- The requirement for the National Boards collectively to provide additional savings on a recurring basis in 2024/25 and beyond.
- The potential introduction of a high secure service for women in Scotland, in line with the ambition of the Mental Health and Welfare Strategy.

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PERFORMANCE REPORT *continued*

Performance against key non financial targets

The Board measures its progress towards achieving the Scottish Government's national health and wellbeing outcomes and the improvement priority areas identified in the draft Operational Plan using a suite of performance indicators. The Annual Operating Plan Standards relevant to the State Hospital are as follows: Psychological Therapies Waiting Times; GP access; Sickness Absence and Financial Performance.

A number of Key Performance Indicators are set towards achieving those outcomes. The Board also measures itself against the financial targets set by the Scottish Government Health and Social Care Directorate. Performance against these targets is monitored by the management team and reported to the Board on a regular basis.

As explained in more detail in the Governance Statement, the Board has a formal system of risk identification evaluation embedded throughout the organisation which seeks to manage risk and uncertainty. The Audit Committee reviews and monitors all risks which are identified to it, and produces an annual report. This highlights corporate risks which the Board manage and mitigate to ensure the achievement of objectives.

The Hospital's KPIs are reviewed on an annual basis and are considered in connection with the Corporate Risk Register for any matters requiring inclusion. The Hospital's Corporate Risk Register is subject to a biennial workshop review by the Board and senior management.

Local KPIs are reported to the Board as detailed below.

- 88.05% of patients' care and treatment plans were reviewed at 6 monthly intervals during 2023/24 compared to 91.70% in 2022/23, against a target of 100%.
- 82.21% of patients were engaged in psychological treatment against a target of 85% (2022/23 – 83.2%).
- Patients engaging in off-hub activity centres was 94.50% (2022/23 – 90.92%), against a target of 90%.
- 100% of patients completed an annual physical health review within 12 months of their last review during 2023/24 (2022/23 98.2%), against a target of 90%.
- 61.48% of patients were engaged in 150 minutes of more of physical activity per week, against a target of 70%. This KPI has been amended for year 23/24 to increase the target from 60% to 70%.
- 8.92% (on average over the year) of patients have a healthy BMI, against a target of 25%. This has decreased from 22/23 by 0.58%
- The sickness absence performance for the year ended March 2023 was 7.81%, this is a continued increase to sickness levels by 0.13% in 2022/23. Against the State Hospital target is 5%.
- 85.93% of staff had a personal development plan reviewed in 2023/24 (2022/23 – 83.35%), against a target of 80%.
- 100% of patients were discharged / transferred using the Care Programme Approach (CPA – 2022/23 100%).
- All patients (100%) requiring primary care services had access within 48 hours during 2023/24 (2022/23 – 100%).
- 99.12% (on average over the year) of patients commenced psychological therapies in less than 18 weeks from referral date in 2023/24, against a target of 100%. There was an increase by 7.69% in this year's figure against 2022/23.
- 93.79% of patients had their clinical risk assessment reviewed annual in 2023/24 (2022/23 – 95.42%), against a target of 100%

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PERFORMANCE REPORT *continued*

Local KPIs *continued*

- Attendance at clinical reviews by staff was as follows –
 - RMO 89.4% (target 90%, 2022/23 84%),
 - Medical 91.7 (target 100% - 22/23 91.75%),
 - Key worker 56.9% (Target 80% - 22/23 58.75%),
 - Nursing 96.2% (Target 100% - 22/23 – 97.25%),
 - Occupational Therapy 67% (Target 80% - 22/23 42.25%),
 - Pharmacy 55% (Target 60% - 22/23 59%),
 - Clinical psychologist 73% (Target 80% - 22/23 59.25%),
 - Psychology 84.2% (Target 100% - 22/23 80%),
 - Security 51.9% (Target 60% - 22/23 44.75%),
 - Social work 81.2% (Target 80% - 22/23 80.75%),
 - Dietetics 62.4% (target 80% – 22/23 66.25%).
- The Board operated within allocated funds and ensured value for money.

Payment policy

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

The target has been communicated to all non-departmental public bodies, who are working towards the accelerated payment target of 10 working days.

Prior to this, the Board did endeavour to comply with the principles of The Better Payment Practice Code (<http://www.payontime.co.uk/>) by processing suppliers' invoices for payment without unnecessary delay and by settling them in a timely manner.

- In 2023/24 the average credit taken was 7 days (in 2022/23, 8 days)
- In 2023/24 the Board paid 99% of its invoices by volume and 95% of its invoices by value within 30 days (in 2022/23, 98% by volume, 97% by value)
- In 2023/24 the Board paid 92% of its invoices by volume and 93% of its invoices by value within 10 days (in 2022/23, 88% by volume, 92% by value)

Pension liabilities

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 15 and the remuneration and staff report.

Social Matters

The Board strives to continually improve inclusiveness by creating a work environment that not only welcomes individuals of all backgrounds, but actively highlights and celebrates the unique mix of people and patients who work for us and use our services. We produce reports and statistics to reflect this such as reporting progress on mainstreaming the public sector equality duty, publish equality outcomes and report progress, assess and review policies and practice, gather and use employee information and publish in a manner that is accessible.

The Board has an appointed whistle blowing non-executive director who is available for all staff to report any issues to across the Board. No reportable matters have been raised under the whistle blowing or anti-bribery legislation during 2022/23.

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PERFORMANCE REPORT *continued*

Sustainability and environmental reporting

The Climate Change (Scotland) Act 2009 originally set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. The Climate Change (Emissions Reductions Targets) (Scotland) Act 2019 amended this to net-zero by 2045, five years in advance of the rest of the UK. In 2020 'The Climate Change (Scotland) Amendment order came into force to reflect this and now requires NHS Boards to report on progress in delivering emissions reduction targets. Reporting to the Board, the Hospital's Sustainability Group monitors status against DL38(2021), and the Board is on track with those requirements – having achieved our 2030 target and with a road map towards the Net Zero target for 2040.

All designated Major Players of which The State Hospitals Board for Scotland is one) are required to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act and the Amendment order. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

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

Chief Executive:	
Gary Jenkins
Date

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ACCOUNTABILITY REPORT – CORPORATE GOVERNANCE REPORT

NHS Health Boards are required to prepare an Accountability Report as per the Government Financial Reporting Manual (FReM). This provides information on the Board's disclosures to meet key accountability requirements.

This report explains the composition and organisation of the Board's governance structures and how they support the achievement of the Board's objectives.

DIRECTORS' REPORT

Date of Issue

The Accountable Officer authorised these financial statements for issue on 20 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 KPMG to undertake the audit of the State Hospitals Board for Scotland. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Board membership

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

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

During 2023/24 the Board met publicly six times. The members of the Board for the year were:

Name	Title	No. of Board Meetings attended
B Moore	Chair	6
D McConnell	Vice Chair	6
S Currie	Non Executive Director	6
C Fallon	Non Executive Director	5
P Radage	Non Executive Director	5
S Raghavan	Non Executive Director	5
A Connor	Employee Director	6
G Jenkins	Chief Executive Officer	6
R McNaught	Finance & eHealth Director	6
K McCaffrey	Director of Nursing and Operations	6
L Thomson	Medical Director	4

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ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

DIRECTORS' REPORT *continued*

Statement of Health Board Members' Responsibilities in Respect of the Accounts

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 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 judgements and estimates that are reasonable.
- State where applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

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

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

Board Members and Senior Managers Interests - 2023/24

The interests of the Board and senior managers for the year:

Brian Moore Chair	Non-Executive Director, NHS Lanarkshire Trustee of NHS Lanarkshire Endowment Fund Member of Edinburgh and Lothian Health Foundation
David McConnell Non Executive/ Vice Chair	None
Allan Connor Employee Director	None
Stuart Currie Non Executive	Non-Executive Director – Scottish Ambulance Service Lay Member – Employment Tribunal Scotland

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ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

DIRECTORS' REPORT *continued*

Board Members and Senior Managers Interests - 2022/23 *continued*

Cathy Fallon Non Executive	Lay Representative – for NHS Education Scotland Youth Coordinator – Govanhill Baths Trust
Pam Radage Non Executive	None
Shalinay Raghavan Non Executive Whistleblowing Champion	None
Gary Jenkins Chief Executive	Chair of Scottish Healthcare in Custody Network Chair of Management Service Network Neurosurgery (Scotland)
Robin McNaught Finance & eHealth Director	None
Karen McCaffrey Director of Nursing & Operations	None
Lindsay Thomson Medical Director	Medical Director, Forensic Mental Health Services Managed Care Network Professor of Forensic Psychiatry, The University of Edinburgh
David Walker Director of Security, Estates and Facilities	None
Linda McGovern Director of Workforce	None
Stephen Wallace Director of Workforce	None
Laura Nisbet Acting Director of Workforce	None
Doug Irwin Programme Director	None

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ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

DIRECTORS' REPORT *continued*

Remuneration for non audit work

There was no remuneration paid to auditors in respect of any non audit work carried out on behalf of the board.

Value of land

The total value of land included in the Statement of Financial Position is £946k of which there is no non operational land valued at open market value.

Public Services Reform (Scotland) Act 2010

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

The board meets the requirements of the above Act by publishing the information on the board's website via the following link.

<http://www.tsh.scot.nhs.uk>

Personal data related incidents reported to the Information Commissioner

There have been no personal data incidents during 2023/24 (2022/23 – nil) that required to be reported to the Information Commissioner.

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 they ought reasonably to have taken as a director to make themselves aware of any relevant audit information and to establish that the Board's auditors are aware of that information.

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ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE HEALTH BOARD

Under Section 15 of the Public Finance and Accountability (Scotland) Act, 2000, The Principal Accountable Officer (PAO) of the Scottish Government has appointed me as Accountable Officer of The State Hospitals Board for Scotland.

This designation carries with it, responsibility for:

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

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

- observe the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government's Financial Reporting Manual have been followed and disclose and explain any material departures
- 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 of 19 March 2019.

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ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT

GOVERNANCE STATEMENT

Scope of Responsibility

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

Purpose of Internal Control

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

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

The process within the Board accords with guidance from Scottish Ministers in the Scottish Public Finance Manual (SPFM), Financial Reporting Manual (FReM) and supplementary NHS guidance, and has been in place for the year up to the date of approval of the annual report and accounts.

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

Governance Framework

The Board meets regularly to consider the performance, plans and strategic direction of the organisation. The Board is comprised of the Chairman, five non Executive Members (including the Employee Director) and four Executive Board Directors.

It is supported in this work by a number of committees:

- Clinical Governance
- Audit & Risk
- Staff Governance
- Remuneration

Throughout 2023/24 the Board and all Governance Committees have continued to convene in line with the planned programme for the year and in accordance with their full schedule of activity and regularity of meetings.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

GOVERNANCE STATEMENT *continued*

The structure of these committees is set out as follows:

Clinical Governance Committee Membership	No. of meetings Present	Role
C Fallon (Chair)	4	To ensure that clinical governance mechanisms are in place and effective throughout the Board, and to ensure that the principles and standards of clinical governance are applied to the health improvement activities of the Board. It met four times during 2023/24.
S Currie	4	
D McConnell	4	
S Raghaven	2	

Audit and Risk Committee Membership	No. of meetings Present	Role
D McConnell (Chair)	4	To oversee arrangements for external and internal audit of the Board's financial and management systems and to advise the Board on the strategic processes for risk, control & governance. It met four times during 2023/24.
A Connor	4	
S Currie	4	
P Radage	4	

Staff Governance Committee Membership	No. of meetings Present	Role
P Radage (Chair)	4	To ensure that the Board has an effective system of consistency of policy and equity of treatment of staff, including remuneration issues, where they are not already covered by existing arrangements at national level; and to encourage, support and monitor partnership working. It met four times during 2023/24.
A Connor	2	
S Currie	4	
C Fallon	4	
S Raghaven	3	

Remuneration Committee Membership	No. of meetings Present	Role
D McConnell (Chair)	4	To consider performance-related pay in respect of Senior Managers and employees of the Board. It met four times during 2023/24.
A Connor	3	
C Fallon	3	
B Moore	4	
P Radage	3	

The Staff Governance Committee together with the Remuneration Committee, Clinical Governance and Audit and Risk Committees forms the full Governance framework of the Board. A Hospital Partnership Forum is established to focus on operational staff governance compliance issues.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

GOVERNANCE STATEMENT *continued*

Operation of the Board

The Board complies with the Scottish Public Finance Manual (SPFM) which sets out a number of key components for effective board practice. It is based on the underlying principles of all good governance: accountability, transparency, probity and focus on sustainable success. In all of its business, the Board complies with all relevant laws and regulations.

The Board continues to ensure its on-going effectiveness through a range of improvement activities, including Board Development Sessions, and further training and development sessions are planned for the Board in 2024/25. The Board continues to review and monitor its performance. All Board members are subject to an annual appraisal by the Chair (for Non-Executive Members and the Chief Executive) and the Chief Executive (for Executive Members). The committees of the Board undertake an annual self-assessment of their performance and report this to the Board. The Board communicates regularly and effectively with all stakeholders through a range of internal and external communication channels.

During the year the Board:

- received and approved the Annual Report and Accounts
- reviewed Board Governance and corporate governance structure, including Model Code of Conduct, and undertook a self-assessment exercise, a part of the Blueprint for Good Governance, developing a Board Improvement Plan
- reviewed and monitored the Annual Delivery Plans for 2023/24 and 2024/25, including Anchor Strategy updates
- reviewed the outcomes and actions arising from the Ministerial Annual Review
- received Annual Reports, updates and minutes of all meetings of the Audit and Risk Committee, Clinical Governance Committee and Staff Governance Committee, and Annual Report from the Remuneration Committee
- reviewed and updated the Standing Documentation – Standing Financial Instructions, Scheme of Delegation, Standing Orders and Terms of Reference of Committees
- reviewed Corporate Objectives for 2024/25
- reviewed regular financial reports noting progress against budgets and year-end forecasts and expectations
- reviewed regular Resilience updates, and response with regard to any issues remaining from the Covid19 crisis, including maintaining the Hospital's full governance structure
- received regular reports on Infection Prevention and Control, and reviewing the Operational Response Plan
- supported the development of the National Boards Joint Delivery Work Streams by contributing to the overall savings required from National Boards
- received the annual audit report on Patient Funds
- reviewed regular risk updates, reviewing and monitoring the Corporate Risk Register
- received Risk & Resilience Annual Report
- reviewed regularly the progress of the Perimeter Security and Enhanced Internal Security Project
- received the Sustainability and Climate Change Report, and update on Sustainable Centralised Visiting
- received and reviewed Quality Assurance and Quality Improvement initiative updates
- reviewed reports and updates on the Clinical Model implementation
- reviewed progress updates and advice from the Clinical Forum
- received eHealth Annual Report, and Digital Inclusion Strategy updates

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

GOVERNANCE STATEMENT *continued*

- received the NIS (Network and Information Systems) audit review outcomes, having received updates throughout the submission process
- received Information Governance Annual Report
- received the Communications Annual Report and received regular updates
- received Patients Advocacy Service 12 Month Report
- reviewed updates on “Supporting Healthy Choices”
- reviewed updates on Bed Capacity, including in the Forensic Network and monitored patient flow
- received updates on compliance with the Health and Care Staffing (Scotland) Act and the progress of the e-Rostering programme
- received Medical Appraisal and Revalidation Annual Report
- received Medical Education Annual Report
- received Implementation of Specified Persons Annual Report
- reviewed Performance through annual and quarterly reporting
- heard stories from patients, visitors, carers and volunteers of their experience of NHS services, thereby ensuring a person centred approach, including feedback and complaints
- received Complaints Annual Report
- reviewed the 2022/25 Workforce Plan and received regular Workforce review update reports
- received updates on Organisational Development, including the iMatter Survey
- received updates on Property and Asset Management, including strategy
- reviewed the 2023/24 Board workplan, Board & Committee membership, approved the 2023/24 Schedule of Governance Meetings, and considered options for encouraging public attendance at and engagement with Board meetings
- received the Whistleblowing Annual Report and monitored independent whistleblowing through regular updates

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:

- executive and senior managers who are responsible for developing, implementing and maintaining internal controls across their areas
- the work of the internal auditors, who submit to the Audit and Risk Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, control and governance processes, together with recommendations for improvement
- comments by the external auditors in their management letters and other reports

The following processes are in existence to support the above:

- a Board which meets bi-monthly to consider strategic direction and operational plans including financial targets and other performance reports
- periodic reports from the Board's sub-committees concerning any significant matters of governance and internal control
- minutes from meetings and annual reports from all the governance committees
- partnership meetings take place on a regular basis and are structured to include a review of performance and strategic issues
- regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

GOVERNANCE STATEMENT *continued*

The Board's internal audit function operates to standards defined in the Public Sector Internal Audit Standards. The work of internal audit is informed by an analysis of the risk to which the Board is exposed, and annual internal audit plans are based on this analysis.

The Board's Audit & Risk Committee endorses the analysis of risks and the internal audit plans. An annual internal audit report, which includes an independent opinion on the adequacy and effectiveness of the Board's system of internal financial control, is submitted to the Audit & Risk Committee.

Best value

In accordance with the principles of Best Value, the Board aims to foster a culture of continuous improvement. As part of this, directors and managers are encouraged to review, identify and improve the efficient and effective use of resources. I can confirm that arrangements are in place to secure Best Value as set out in the Scottish Public Finance Manual. We have an action plan to take forward any improvements that have been identified from the process.

Risk Assessment

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

The risk management process within the Board is comprised of a number of elements:

- Proactive identification, assessment and management of risks, control systems and action plans to mitigate risk (risk register)
- Proactive assessment of hazard warnings and policy requirements linking in with active management of the policy environment within the Board
- Active review of incidents and near misses and other opportunities for learning such as critical incident reviews, complaints, comments, concerns and compliments.

The corporate risk register is reviewed annually involving Board members, senior management, hospital managers and clinicians and staff reporting to the Corporate Management Team. In 2023/24 the Security, Resilience and Health & Safety Oversight Group received regular reports on the risk register and acted as the operational Risk Management Committee overseeing risk issues, including incident reporting and review, critical incident review, risk register action plans and progress. The three Governance Committees (Audit & Risk, Clinical Governance and Staff Governance) receive annual reports on corporate risks which fall within their remit.

The Board manages its risk profile by regular review of the corporate risk register, together with a periodic workshop to consider all potential corporate and strategic risks, and the Risk Register is in place and fully up-to-date. There are no risks currently categorised as very high, and 3 current risks categorised as high. All have up to date action plans in place and are reviewed monthly.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

GOVERNANCE STATEMENT *continued*

The principal risks facing the Board for the coming period are:

- Failure to implement a sustainable financial model. Financial pressure from constrained national budget pressures, increased energy costs, workforce pressures, an increased savings requirement and the resultant impact across all directorates
 - This is being addressed by detailed budgetary reviews across all directorates – setting individual savings targets – plus focussed sickness monitoring, investing to save to minimise overtime usage across all areas, the introduction of a vacancy management review process at executive level (including a risk assessment process associated with the decision to fill or not fill a post), director level approval for authorisation levels, review of the presentation of monthly finance data at individual directorate level, and monthly submission and review of finance returns.
- Failure to utilise our resources to optimise excellent patient care and experience, including the ongoing risk of service / business disruption which could affect the Hospitals' primary aim to provide high quality, effective care and treatment and maintain a safe and secure environment for patients and staff.
 - This is being addressed with a flexible care model and focussed governance structure, including the implementation of the Hospital's Incident Command procedures when required.
- Failure to mitigate and prevent patient obesity
 - This is being addressed by a number of initiatives including management of diet and healthy eating plans and options, provision of exercise equipment and a range of physical activities, and dietetic assessment and monitoring of patients.

Additional risks highlighted are:

- Assessment and management of the risk of aggression and violence
 - This is being addressed by individual patient risk assessment and management plans, prevention and management of violence and aggression (PMVA) policies, staff training, and monitoring and review of all incidents.
- Workforce review and the management of organisational change, including effective communication and ensuring the optimum focus of skills and roles.
 - There are formal mechanisms to manage workforce review and any subsequent organisational change. These include the Partnership Forum, the Workforce Transition group and the boards Organisational Change Policy.

Guidance on the use of the Board's risk management system and processes is provided on an ongoing basis to operational staff. Formal training programmes on particular aspects (e.g. health and safety, risk assessment, complaints management) are in place and reviewed annually. In addition, progress has been made in the development of risk management with increased focus on corporate and local risk registers. The aim is to ensure that risks are clearly defined and are aligned with mitigation measures against each risk accompanied by a series of improvement actions. This work is being taken forward through a systematic review of risk register monitoring and continuous improvement methods.

Information Risk is explicitly controlled by adherence to the Information Governance Framework and detailed supporting policies: Freedom of Information, Data Protection, Management of Records, and Information Security. All information incidents are reported in separate categories through the DATIX risk management system. The Clinical Governance Committee is responsible for governance arrangements in this area. The Information Governance Group and the Information Governance Sub Group are responsible for management review of progress against the Information Governance Action Plan and Risk Register.

More generally, the Board is committed to a process of continuous quality improvement, developing systems in response to any relevant reviews and developments in best practice.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

GOVERNANCE STATEMENT *continued*

My review of the effectiveness of the system of internal control by the Board has confirmed that there are robust processes to address any identified weaknesses and ensure continuous improvement of the controls system across the organisation.

Of the internal audit reports issued in 2023/24, there are four areas where a positive (either a substantial, reasonable or reasonable progress) assurance opinion was issued (Environmental, Social & Governance (ESG), Patient Monies, Complaints Management, Implementation of the New Clinical Model) and none on which partial assurance was issued. There were no reports issued in the year on an “advisory review” basis.

During 2023/24, there were no significant control weaknesses or issues that have arisen and no management recommendations identified by internal audit reviews as high priority.

Given these results, and the adequacy of the controls at the end of year, our internal auditors were able to give an overall positive opinion for 2023/24.

Whistleblowing

The State Hospital has a Whistleblowing Policy to reassure anyone raising a concern that it is safe and acceptable to speak up, and to enable them to raise any concern at an early stage and in the right way. Encouraging people to raise concerns early helps drive improvement and, having redesigned our processes to align with the new National Whistleblowing Standards, in place since April 2021, our staff across the Hospital are all completing mandatory whistleblowing training.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION

The Board is supported by a number of committees as mentioned in the Governance Statement on pages 15 to 21.

Remuneration of board members and senior employees is determined in line with directions issued by the Scottish Government. All posts at this level are subject to rigorous job evaluation arrangements and the pay scales applied reflect the outcomes of these processes. All extant policy guidance issued by the SGHSCD has been appropriately applied and agreed by the Remuneration Committee.

Performance appraisals for executive members are carried out in line with the guidance from the Scottish Government and overseen by the Remuneration Committee. Annual pay rises for Executive Directors are dependent on achieving specified levels of performance.

In accordance with the Financial Reporting Manual (FReM) and the Companies Act, publication of the 'pension benefits' is required. This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement.

The 'Total earnings in year' column shows the remuneration relating to actual earnings payable in 2023/24 and 2022/23

The tables on the following pages provide a breakdown of Executive and Non Executive Directors' remuneration in 2023/24 and 2022/23 and where indicated have been audited by the Board's auditors.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION *continued*

2023/24 Remuneration fell within the following bandings (*audited*):

	Gross salary (bands of £5,000)	Bonus payments (bands of £5,000)	Benefits in kind £000	Total earnings in year (bands of £5,000)	Pension benefits £000	Total remuneration (bands of £5,000)
Total Remuneration of:						
Executive Directors						
G Jenkins Chief Executive	115-120	-	-	115-120	30	135-140
K McCaffrey Director of Nursing & Operations	95-100	-	-	95-100	61	155-160
R McNaught Finance & eHealth Director	95-100	-	-	95-100	30	125-130
L Thomson Medical Director	250-255	40-45	-	290-295	-	290-295

Non Executive Directors

B Moore Chairperson	25-30	-	-	25-30	-	25-30
S Currie Non-Executive	5-10	-	-	5-10	-	5-10
C Fallon Non Executive	5-10	-	-	5-10	-	5-10
D McConnell Non-Executive	5-10	-	-	5-10	-	5-10
P Radage Non-Executive	5-10	-	-	5-10	-	5-10
S Raghavan Non-Executive	5-10	-	-	5-10	-	5-10
A Connor Employee Director	80-85	-	-	80-85	194	270-275

L Nisbet Acting Director of Workforce	60-65	-	-	60-65	40	100-105
D Walker Director of Security, Resilience and Estates	65-70	-	-	65-70	-	65-70
S Wallace Director of Workforce	5-10	-	-	5-10	2	10-15
Total	-	-	-	-	-	-

The Medical Director's salary includes £61k in respect of Board duties.

S Wallace salary is based on his term of employment at The State Hospital (1 month)

The Employee Director's salary includes £9k in respect of Board duties.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION *continued*

2022/23 Remuneration fell within the following bandings (*audited*):

	Gross salary (bands of £5,000)	Bonus payments (bands of £5,000)	Benefits in kind £000	Total earnings in year (bands of £5,000)	Pension benefits £000	Total remuneration (bands of £5,000)
Total Remuneration of:						
Executive Directors						
G Jenkins Chief Executive	110-115	-	-	110-115	10	120-125
R McNaught Finance & eHealth Director	85-90	-	-	85-90	-	85-90
M Richards Director of Nursing & AHP	90-95	-	-	90-95	26	115-120
L Thomson Medical Director	225-230	30-35	-	255-260	-	255-260

Non Executive Directors

B Moore Chairperson	25-30	-	-	25-30	-	25-30
S Currie Non-Executive	5-10	-	-	5-10	-	5-10
C Fallon Non Executive	5-10	-	-	5-10	-	5-10
D McConnell Non-Executive	5-10	-	-	5-10	-	5-10
P Radage Non-Executive	5-10	-	-	5-10	-	5-10
S Raghavan Non-Executive	0-5	-	-	5-10	-	5-10
A Connor Employee Director	55-60			55-60	8	60-65

L Davidson HR Director	90-95	-	-	90-95	-	90-95
D Walker Security Director	65-70	-	-	65-70	-	65-70
Total	-	-	-	-	43	-

The Medical Director's salary includes £61k in respect of Board duties.

The Employee Director's salary includes £9k in respect of Board duties.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION *continued*

2023/24 Pension values fell within the following bandings (*audited*):

Total Pension Values of:	Total accrued pension at age 60 as at 31 March 2024 (bands of £5,000)	Total accrued lump sum at age 65 as at 31 March 2024 (bands of £5,000)	Real increase in pension at age 60 (bands of £2,500)	Real increase in lump sum at age 65 as at 31 March 2024 (bands of £2,500)	Cash equivalent transfer value (CETV) at 31 March 2023 £000	Cash equivalent transfer value (CETV) at 31 March 2024 £000	Real increase in CETV in year £000
Executive Directors							
G Jenkins Chief Executive	35-40	90-95	0-2.5	0	677	765	43
K McCaffrey Director of Nursing & Operations	25-30	80-85	2.5-5.0	2.5-5.0	516	620	69
R McNaught Finance & eHealth Director	20-25	0	0-2.5	0	321	381	39
L Thomson Medical Director	-	-	-	-	-	-	-

Non Executive Directors

B Moore Chairperson	-	-	-	-	-	-	-
S Currie Non-Executive	-	-	-	-	-	-	-
C Fallon Non Executive	-	-	-	-	-	-	-
P Radage Non-Executive	-	-	-	-	-	-	-
D McConnell Non-Executive	-	-	-	-	-	-	-
S Raghavan Non-Executive	-	-	-	-	-	-	-
Allan Connor Employee Director	35-40	95-100	7.5-10	20-22.5	550	785	199

L Nisbet Acting Director of Workforce	10-15	30-35	0-2.5	2.5-5.0	192	240	35
D Walker Director of Security, Resilience and Estates	-	-	-	-	-	-	-
S Wallace Director of Workforce	25-30	65-70	0-2.5	0	447	500	23
Total					2,256	2,791	385

* No pension information has been disclosed as this will be disclosed in the accounts of the NHS board that employs these secondees.

The opening CETV position this year is based on the updated figures provided by SPPA

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION *continued*

2022/23 Pension values fell within the following bandings (*audited*):

Total Pension Values of:	Total accrued pension at age 60 as at 31 March 2024 (bands of £5,000)	Total accrued lump sum at age 65 as at 31 March 2024 (bands of £5,000)	Real increase in pension at age 60 (bands of £2,500)	Real increase in lump sum at age 65 as at 31 March 2024 (bands of £2,500)	Cash equivalent transfer value (CETV) at 31 March 2023 £000	Cash equivalent transfer value (CETV) at 31 March 2024 £000	Real increase in CETV in year £000
Executive Directors							
G Jenkins Chief Executive	35-40	55-60	0-2.5	(5.0)-(2.5)	566	587	21
K McCaffrey Director of Nursing & AHP	-	-	-	-	-	-	-
R McNaught Finance & eHealth Director	20-25	-	0-2.5	-	259	290	31
L Thomson Medical Director	-	-	-	-	-	-	-
Non Executive Directors							
B Moore Chairperson	-	-	-	-	-	-	-
S Currie Non-Executive	-	-	-	-	-	-	-
C Fallon Non Executive	-	-	-	-	-	-	-
P Radage Non-Executive	-	-	-	-	-	-	-
D McConnell Non-Executive	-	-	-	-	-	-	-
S Raghavan Non-Executive(16 Jan 2023)	-	-	-	-	-	-	-
A Connor Employee Director	25-30	55-60	0-2.5	(2.5)-0	456	471	15
L Davidson HR Director (from 01/08/21)	-	-	-	-	-	-	-
D Walker Security Director	-	-	-	-	-	-	-
Total					1,281	1,348	67

* No pension information has been disclosed as this will be disclosed in the accounts of the NHS board that employs these secondees.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

Fair Pay Disclosure (*audited*)

	2023/24	2022/23	% Change
Range of Staff Remuneration (£000)	23 -192	07-209	(8)%
Highest earning Director's total remuneration (£000)	227	260	(13)%
Median Total Remuneration (£)	41	38	8%
Ratio	5.48	6.78	19%
25th Percentile (total pay & benefits)	28	30	9%
Ratio	8.21	8.53	4%
75th Percentile (total pay & benefits)	53	48	10%
Ratio	4.26	5.36	21%

STAFF REPORT

a) Number of senior staff by band.

Bands of £10,000	2024 Number of Staff	2023 Number of Staff
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Employees whose remuneration fell within the following ranges:

Clinicians

£70,001 to £80,000	25	11
£80,001 to £90,000	4	6
£90,001 to £100,000	6	2
£100,001 to £110,000	1	-
£110,001 to £120,000	1	3
£120,001 to £130,000	1	3
£130,001 to £140,000	1	1
£140,001 to £150,000	2	1
£150,001 to £160,000	-	1
£160,001 to £170,000	2	2
£170,001 to £180,000	1	1
£180,001 to £190,000	1	-
£190,001 to £200,000	1	-

Other

£70,001 to £80,000	7	2
£80,001 to £90,000	2	1
£90,001 to £100,000	4	1
£100,001 to £110,000	2	1
£110,001 to £120,000	1	1

THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

b) Employee expenditure.

	Executive Board members £000	Non executive Board members £000	Permanent staff £000	Inward secondees £000	Outward secondees £000	2024 Total £000	2023 Total £000
Salaries and wages	408	54	29,551	-	(972)	29,041	27,569
Taxation and social security costs	51	-	3,254	-	-	3,305	3,164
NHS scheme employers' costs	70	-	4,560	-	-	4,630	4,212
Other employers' pension costs	-	-	-	-	-	-	-
Inward secondees	380	-	-	1,534	-	1,914	1,829
Total	909	54	37,365	1,534	(972)	38,890	36,774

Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme can be found in Note 16.

c) Staff Numbers.

	Executive Board members	Non executive Board members	Permanent staff	Inward secondees	Outward secondees	2024 Total	2023 Total
Whole Time Equivalent (WTE)	6	6	606	10	(6)	622	583
Included in the total staff numbers above were disabled staff						6	5
Included in the total staff numbers above were staff directly involved with capital projects						25	22

d) Staff composition – an analysis of the number of persons of each sex who were directors and employees as at 31 March 2023 is detailed below:

Category	Male 2024	Female 2024	Total 2024	Male 2023	Female 2023	Total 2023
Executive Directors	4	2	6	2	2	4
Non Executive Directors and Employee Director	3	3	6	3	3	6
Senior Employees	28	22	50	21	13	34
Other Employees	248	412	660	378	260	638
Total Headcount	283	439	722	404	278	682

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

e) Sickness absence data.

The sickness absence performance for the year ended 31 March 2024 was 8% compared to the 31 March 2023 performance of 7.5%.

f) The following staff policies were applied during the financial year relating to the employment of disabled persons.

- For giving full and fair consideration to applications for employment by the Board made by disabled persons, having a regard to their particular aptitudes and abilities - Equal Opportunities Policy and Recruitment & Selection Policy.
- For continuing the employment of, and for arranging appropriate training for employees of the Board who have become disabled persons during the period when they were employed by the Board - Management of Employee Capability Policy and Redeployment Policy
- Otherwise for the training, career development and promotion of disabled persons employed by the Board - Personal Development Planning & Review Policy

g) Other Employee Matters

The Board is committed to equality, diversity and human rights in employment and will ensure that arrangements are in place to support staff who have equality, diversity and human rights issues. The Equality Impact Assessment Screening Tool is completed by all policy authors as part of the submission process relating to the policy implementation governance processes.

Employees are consulted on new policies and changes to working practices.

The successful management of health and safety is a primary objective of The State Hospital and managing health and safety has been integrated into The State Hospital's risk management strategy through the implementation of departmental Health and Safety Control Books.

Staff are supported by a number of Staff-Side Representatives and the Board recognises the important role undertaken by our Staff-Side and has developed a Facility Time Policy for Union Representatives.

The Board is committed to Personal Development of employees and managers are responsible for ensuring that annual review meetings are held with employees. The Senior Management Team are regularly informed of progress in the completion of the Personal Development review meetings.

h) Disclosure of Exit Packages (audited)

There was zero exit package in 2023/24 and one for 2022/23.

Cost band	No. of compulsory	No. of other departures agreed	Total
-	-	-	-
Total resource cost (£'000)			-

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

i) Trade Union Regulations

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The data is required to be published on a website maintained by or on behalf of the employer before 31st July each year. We intend to publish this data at the following link: <http://www.tsh.scot.nhs.uk/>

Number of employees who were relevant union officials during the period 1 April 2023 to 31 March 2024	Full-time equivalent employee number
16	44%
Percentage of pay bill spent on facility time	£000's
Total cost of facility time	76
Total pay bill	1,149
Percentage of the total pay bill spent on facility time	6.59%

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

ACCOUNTABILITY REPORT – PARLIAMENTARY ACCOUNTABILITY REPORT

The Parliamentary Accountability report collates the key Parliamentary accountability documents into the annual report and accounts.

Losses and Special Payments

On occasion, the Board is required to write off balances which are no longer recoverable. Losses and special payments over £250k require formal approval to regularise such transactions and their notation in the annual accounts.

The write-off of the following losses and special payments has been approved by the board:

	No. of cases	£
Losses	-	-

In the year to 31 March 2024, there were no losses or special payments made in excess of £250,000.

In 2023/24, the Board did not pay out any claims individually greater than £250,000 which were settled under the CNORIS scheme (2022/23: £48k). Further details on the scheme can be found in Note 1 (Accounting Policies) of these accounts.

The Board is also required to provide for CNORIS claims notified to it and which will be settled at a future date; details of these provisions can be found in note 13b.

Fees and Charges

As required in the fees and charges guidance in the Scottish Public Finance Manual, The State Hospital charges for services provided on a full costs basis, wherever applicable.

The amount of income and full cost of the service are not material to the financial statements.

Chief Executive:
Gary Jenkins

Date:

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATE HOSPITALS BOARD
FOR SCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT
REPORTING ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of The State Hospitals Board for Scotland for the year ended 31 March 2024 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Net Expenditure, Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. 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 our 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

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the board in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

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

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

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATE HOSPITALS BOARD
FOR SCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT
REPORTING ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)**

Risks of material misstatement

We report in our separate Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the 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

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

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

- using our 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 our 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 STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATE HOSPITALS BOARD
FOR SCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT
REPORTING ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)**

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

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

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 our auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited parts of the Remuneration 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, the Governance Statement, and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATE HOSPITALS BOARD
FOR SCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT
REPORTING ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)**

Our 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 our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATE HOSPITALS BOARD
FOR SCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT
REPORTING ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)**

Use of our report

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

Michael Wilkie
for and on behalf of KPMG LLP,
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

2023			2024
£000			£000
37,364	Employee expenditure	3	39,862
5,917	Other health care expenditure	3	7,432
<u>43,281</u>	Gross Expenditure		<u>47,294</u>
(1,826)	Less: Operating Income	4	(1,761)
<u>41,455</u>	Net Expenditure		<u>45,533</u>

OTHER COMPREHENSIVE NET EXPENDITURE

2023		2024
£000		£000
(4,166)	Net (gain) on revaluation of Property, Plant & Equipment	(2,555)
<u>(4,166)</u>	Other Comprehensive Expenditure	<u>(2,555)</u>
<u>37,289</u>	Comprehensive Net Expenditure	<u>42,978</u>

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

2023				2024
£000		Note	£000	£000
NON-CURRENT ASSETS				
93,888	Property, plant & equipment	7c	94,742	
38	Intangible assets	6a	38	
11	Right of use assets	17a	5	
<u>93,937</u>	Total non-current assets			94,785
CURRENT ASSETS				
35	Inventories	8	39	
1,251	Trade & other receivables	9	585	
274	Cash and cash equivalents	11	473	
<u>1,560</u>				<u>1,097</u>
95,497	TOTAL ASSETS			95,882
CURRENT LIABILITIES				
(205)	Provisions	13a	(197)	
(4,693)	Trade & other payables	12	(3,734)	
<u>(4,898)</u>	Total current liabilities			<u>(3,931)</u>
88,379	Non-current assets plus/less current assets / liabilities			91,951
NON-CURRENT LIABILITIES				
(2,216)	Provisions	13a	(2,092)	
(4)	Trade & other payables	12	-	
<u>(2,220)</u>	Total non-current liabilities			<u>(2,092)</u>
88,379	ASSETS LESS LIABILITIES			89,859
TAXPAYERS EQUITY				
71,295	General fund	SOCTE	70,220	
17,084	Revaluation reserve	SOCTE	19,639	
<u>88,379</u>	TOTAL TAXPAYERS EQUITY			<u>89,859</u>

Adopted by the Board on: 22 June 2024

Finance and eHealth Director
Robin McNaught

Chief Executive:
Gary Jenkins

The Notes to the Accounts, numbered 1 to 19, form an integral part of these Accounts.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

CASH FLOW STATEMENT

2023 £000		Note	£000	2024 £000
CASHFLOW FROM OPERATING ACTIVITIES				
(41,455)	Net expenditure	SOCNE		(45,533)
1,654	Adjustments for non cash transactions	2(b)		2,410
-	Interest payable recognised in net operating expenditure	2(b)		-
(362)	Movements in working capital	2(b)		(627)
(40,163)	Net cash outflow from operating activities			(43,750)
Cash flows from investing activities				
(1,913)	Purchase of property, plant and equipment		(805)	
	Purchase of intangible assets		-	
	Proceeds of disposal of property, plant & equipment		101	
	Proceeds of disposal of intangible assets		-	
(1,913)	Net cash outflow from investing activities			(704)
Cash flows from financing activities				
42,083	Funding		44,458	
(441)	Movement in general fund working capital		199	
41,642	Cash drawn down	SOCNE		44,657
(7)	IFRS 16 – 2022-23 cash lease payment			(5)
41,635	Net financing			44,652
(441)	Net Increase / (decrease) in cash and cash equivalents in the period			199
715	Cash and cash equivalents at the beginning of the period			274
274	Cash and cash equivalents at the end of the period			473
Reconciliation of net cash flow to movement in net debt/cash				
441	Increase/ (decrease) in cash in year			199
715	Net debt/cash at 1 April			274
274	Net debt/cash at 31 March			473

The Notes to the Accounts, numbered 1 to 19, form an integral part of these Accounts.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
Balance at 1 April 2023		71,295	17,084	88,379
<hr/>				
Changes in taxpayers' equity for 2023/24				
Net gain/(loss) on revaluation/indexation of property, plant & equipment		-	2,555	2,555
Impairment of property, plant & equipment		-	490	490
Revaluation & impairments taken to operating costs		-	(490)	(490)
Transfers between reserves		-	-	-
Net expenditure for the year		(45,533)		(45,533)
Total recognised income and expense for 2023/24		(45,533)	2,555	(42,978)
Funding				
Drawn down		44,657	-	44,657
Movement in General Fund (Creditor) / Debtor		(199)	-	(199)
Balance at 31 March 2024	SOFP	70,220	19,639	89,859

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
Balance at 1 April 2022		70,208	13,377	83,585
<hr/>				
Changes in taxpayers' equity for 2022/23				
Net gain/(loss) on revaluation/indexation of property, plant & equipment		-	4,166	4,166
Impairment of property, plant & equipment		-	998	998
Revaluation & impairments taken to operating costs			(998)	(998)
Transfers between reserves		459	(459)	-
Net expenditure for the year		(41,455)		(41,455)
Total recognised income and expense for 2022/23		(40,996)	3,707	(37,289)
Funding				
Drawn down		41,642	-	41,642
Movement in General Fund (Creditor) / Debtor		441	-	441
Balance at 31 March 2023	SOFP	71,295	17,084	88,379

The Notes to the Accounts, numbered 1 to 19, form an integral part of these Accounts.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

NOTE 1 ACCOUNTING POLICIES

1.1 Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards (IFRS) as adopted by the United Kingdom, IFRIC Interpretations and the Companies Act 2006 a, 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 1.27 below.

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

There are no new standards, amendments or interpretations effective in 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

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

1.2 Consolidation

In accordance with IFRS10 – Consolidated and Separate Financial Statements, the Board do not have any Endowment Funds and has no integration of health and social care services therefore there is no requirement to consolidate the financial statements.

1.3 Retrospective restatements

No retrospective restatements have been made to the accounts.

1.4 Going Concern

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

1.5 Accounting Convention

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

1.6 Funding

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

NOTE 1 ACCOUNTING POLICIES *continued*

All other income receivable by the Board that is not classed as funding is recognised in the period 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.

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

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

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

1.7 Property, Plant and Equipment

The treatment of capital assets in the accounts (capitalisation, valuation, and depreciation) is in accordance with the NHS Capital Accounting Manual. Title to properties included in the accounts is held by Scottish Ministers.

1.7.1 Recognition

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

All assets falling into the following categories are capitalised:

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

Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

NOTE 1 ACCOUNTING POLICIES *continued*

1.7.2 Measurement

Valuation:

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

All assets are measured subsequently at fair value as follows:

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

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

Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

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

Revaluation is only applied after recognition as an asset, therefore is not applicable to assets under construction. The carrying amount of an asset under construction is reduced if it becomes apparent that fruitless payments have been incurred or other costs have been inappropriately capitalised.

Indexation is not applied to assets under construction until the asset is brought into use.

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

- 1) Specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only.
- 2) 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.
- 3) Subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to the Board and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria the expenditure is charged to the Statement of Comprehensive Net Expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

NOTE 1 ACCOUNTING POLICIES *continued*

Revaluations and Impairment:

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

Movements on revaluation are considered for individual assets rather than groups or land/buildings together.

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

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

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.

1.7.3 Depreciation

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

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

- 1) Freehold land is considered to have an infinite life and is not depreciated.
- 2) Assets in the course of construction are not depreciated until the asset is brought into use.
- 3) 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.
- 4) Equipment is depreciated over the estimated life of the asset.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset category/component	Useful life Years
Buildings – structure	15 – 80
Buildings – engineering	12 – 40
Buildings – finishes & fittings	8 – 40
Office, short life medical & IT equipment	5
Vehicles	7
Long life IM&T installations	8
Furniture and medium life medical equipment	10
Engineering plant and long life medical equipment	15
Security equipment	5 – 25

NOTE 1 ACCOUNTING POLICIES *continued*

1.8 Intangible Assets

1.8.1 Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Board's 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, the Board 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 a Board's activities for more than one year and they have a cost of at least £5,000.

The main classes of intangible assets recognised are:

Software:

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

Software licences:

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

1.8.2 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 are measured at fair value. Where an active (homogeneous) market exists, intangible assets are carried at fair value. Where no active market exists, the intangible asset is revalued, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

1.8.3 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) Software. Amortised over their expected useful life
- 2) Software licences. Amortised over the shorter term of the licence and their useful economic lives.
- 3) Other intangible assets. Amortised over their expected useful life.

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NOTE 1 ACCOUNTING POLICIES *continued*

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset category/component	Useful life Years
Software	5
Software licences	2-5

1.9 Sale of property, plant and equipment and intangible assets

Disposal of non-current assets is accounted for as a reduction to the value of assets equal to the net book value of the assets disposed. When set against any sales proceeds, the resulting gain or loss on disposal will be recorded in the Statement of Comprehensive Net Expenditure.

1.10 Leasing

Accounting Policies

IFRS 16 Leases became effective for periods beginning on or after 1 January 2019, however the FReM deferred adoption until 2021. The cumulative catch-up method has been mandated by the FReM. Consequently, the comparatives for 2021-22 reflect the requirements of IAS 17 Leases.

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 contract 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 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; and
- contracts with a term shorter than twelve 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.

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NOTE 1 ACCOUNTING POLICIES *continued*

Subsequent measurement

The asset is subsequently measured using the fair value model. The cost model is considered to be 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 prices 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 twelve months are expensed.

Transitional arrangements

The following determinations have been made:

- To adopt IFRS 16 retrospectively, without restatement of comparative balances. Consequently, the Statement of Comprehensive Net Expenditure and the Statement of Financial Position for 2021-2 reflect the requirements of IAS 17;
- Not to reassess the classification of contracts previously classified as leases or service contracts under IAS 17 and IFRIC 4. However, new contracts entered into from 1 April 2022 have been classified using the IFRS 16 criteria;
- For leases previously treated as operating leases:
 - to measure the liability at the present value of the remaining payments, discounted by the discount rate issued by HM Treasury;
 - To measure the asset at an amount equal to the liability, adjusted for any prepayment or accrual balances previously recognised for that lease;
 - To exclude leases whose term ends within twelve months of first adoption;
 - To use hindsight in assessing remaining lease terms;
- For leases previously identified as onerous and provided for, to use the practical expedient of adjusting the right-of-use asset by the amount of that provision.
 - For leases previously treated as finance leases:
 - To use the carrying amount of the lease asset and liability measured immediately before first adoption under IAS 17 as the carrying value of the right-of-use asset and lease liability as at first adoption.

Estimates and judgments

The Board 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.

Accounting for leases under IAS 17 (2021-22)

Finance leases

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

**THE STATE HOSPITALS BOARD FOR SCOTLAND
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NOTE 1 ACCOUNTING POLICIES *continued*

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

Operating leases

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

1.11 Impairment of non-financial assets

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

1.12 General fund receivables and payables

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

1.13 Inventories

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

1.14 Losses and special payments

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

NOTE 1 ACCOUNTING POLICIES *continued*

1.15 Employee Benefits

1.15.1 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.

1.15.2 Pension costs

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

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

1.16 Clinical and medical negligence costs

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

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

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

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NOTE 1 ACCOUNTING POLICIES *continued*

1.17 Related party transactions

Material related party transactions are disclosed in Note 18 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

1.18 Value added tax

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

1.19 Provisions

The Board 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.

1.20 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets, but are disclosed in Note 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; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

1.21 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 is disclosed in a note to the financial statements.

1.22 Financial instruments

1.22.1 Financial assets

Classification

The Board classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

NOTE 1 ACCOUNTING POLICIES *continued*

As at the Statement of Financial Position date the Board only has the following financial assets.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash at bank and in hand in the Statement of Financial Position.

Recognition and measurement

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

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

Loans and receivables:

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Net Expenditure. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Net Expenditure.

1.22.2 Financial Liabilities

Classification

The Board classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

As at the Statement of Financial Position date the Board only has other financial liabilities.

Other financial liabilities:

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

Recognition and measurement

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

NOTE 1 ACCOUNTING POLICIES *continued*

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.

Other financial liabilities:

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

1.23 Segmental reporting

The Board has agreed that the services operate under one segment only which is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. This has been identified as the senior management of the Board.

The operating segment is unlikely to directly relate to the analysis of expenditure shown in Note 3.

1.24 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 (GBS) and balances held in its commercial bank.

1.25 Foreign exchange

The functional and presentational currency of the Board is sterling.

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

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

1.26 Third party assets

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

However, they are disclosed in Note 19 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

1.27 Key sources of judgement and estimation uncertainty

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

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

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NOTE 1 ACCOUNTING POLICIES *continued*

Early Retirement and Injury Benefit Provisions

The Board has provided for the estimated future costs relating to early retirement and injury benefits. Reliance is placed on information provided by other parties in order to establish the value of such provisions. The Scottish Public Pensions Agency provides details of claimants and the amounts the Board is due to pay over. Future payments are estimated on an annual basis using a discount rate provided by HM Treasury and the 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.

Property valuations

All land and buildings were revalued using indices provided by an independent valuer, The Valuation Office Agency, as at 31/03/2024. Land had a nil increase in year, buildings increased in value by 3.77% in year.

The net impact was an increase of £3.045m (2022-23: an increase of £5.164m) of which £2.555m (2022-23 £4.166m) was credited to the revaluation reserve. A reverse impairment of £0.490m (2022-23 £0.998m) was credited to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn

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NOTE 2(a) SUMMARY OF RESOURCE OUTTURN

	£000	£000
Net Expenditure		45,533
Total Non Core Expenditure (see below)		(2,278)
Total Core Expenditure		43,255
Core Revenue Resource Limit		43,263
Saving/(excess) against Core Revenue Resource Limit		8

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Depreciation/Amortisation	2,895	
Annually Managed Expenditure - Impairments	(490)	
Annually Managed Expenditure - Creation of Provisions	(132)	
Right of Use (RoU) Asset - Depreciation	5	
Total Non Core Expenditure	2,278	
Non Core Revenue Resource Limit		2,354
Saving/(excess) against Non Core Revenue Resource Limit		76

SUMMARY RESOURCE OUTTURN	Resource £000	Expenditure £000	Saving/ (Excess) £000
Core	43,263	43,255	8
Non Core	2,354	2,278	76
Total	45,617	45,533	84

NOTE 2(b) Adjustments for non-cash transactions

2023 £000		Note	2024 £000
Expenditure not paid in cash			
2,635	Depreciation	7a	2,895
11	Amortisation	6	-
-	Impairment on property, plant & equipment charged to SOCNE	7a	(490)
(998)	Reversal of impairments on property, plant & equipment charged to SOCNE		-
6	Depreciation of Right of Use (RoU) Assets		5
1,654	Total expenditure not paid in cash	CFS	2,410

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NOTE 2(b) Interest payable recognised in operating expenditure

2023 £000		Note	2024 £000
	Interest payable		
<u>-</u>	Net interest payable	CFS	<u>-</u>

NOTE 2(b) Movement in working capital

2023 Net Movement £000		Note	Opening balances £000	Closing balances £000	2024 Net movement £000
	INVENTORIES				
(1)	Statement of Financial Position	8	35	39	(4)
<u>(1)</u>	Net Decrease / (Increase)				<u>(4)</u>
	TRADE AND OTHER RECEIVABLES				
16	Due within one year	9	1,251	585	
<u>16</u>	Net Decrease / (Increase)				<u>666</u>
	TRADE AND OTHER PAYABLES				
(314)	Due within one year	12	4,693	3,734	
4	Due after more than one year	12	4	-	
-	Less: property, plant & equipment (capital) included in above		-	-	
-	Less: intangible assets (capital) included in above			-	
441	Less: general fund creditor included in above	12	(274)	(473)	
(10)	Less: lease and PFI creditors included in above	12	(10)	(5)	
			<u>4,413</u>	<u>3,256</u>	
<u>121</u>	Net (Decrease)/ Increase				<u>(1,157)</u>
	PROVISIONS				
(498)	Statement of Financial Position	13a	2,421	2,289	
<u>(498)</u>	Net (Decrease)/ Increase				<u>(132)</u>
<u>(362)</u>	NET MOVEMENT (Decrease)/ Increase				<u>(627)</u>

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NOTE 3 OPERATING EXPENSES

NOTE 3(a) Employee expenditure

2023 £000		2024 £000
2,632	Medical and Dental	2,761
21,104	Nursing	21,632
13,628	Other Staff	15,469
<u>37,364</u>	SOCNE	<u>39,862</u>

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

NOTE 3(b) Other Operating Expenditure

Other healthcare expenditure:

1,079	Goods and services from other NHSScotland bodies	1,120
4,777	Other Operating Expenses	6,239
61	External auditor's remuneration – statutory audit fee	73
<u>5,917</u>	Total Other Operating Expenditure	<u>7,432</u>

During the year the Board did not purchase non audit additional services from its auditor.

NOTE 4 OPERATING INCOME

2023 £000		Note	2024 £000
306	Income from Scottish Government		438
887	Income from other NHS Scotland bodies		759
-	- Donations		-
-	- Profit on disposal of assets		-
47	Contributions in respect of clinical and medical negligence claims		64
	Non NHS		
586	Other income		500
<u>1,826</u>	Total income	SOCNE	<u>1,761</u>

**THE STATE HOSPITALS BOARD FOR SCOTLAND
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NOTE 5 INTANGIBLE ASSETS

	Software Licences £000	Information Technology Software £000	Assets under Development £000	Total £000
Cost or valuation as at 1 April 2023	56	557	38	651
Additions	-	-	-	-
Disposals	(28)	(29)	-	(57)
At 31 March 2024	28	528	38	594
Amortisation at 1 April 2023	56	557	-	613
Provided during the year	-	-	-	-
Disposals	(28)	(29)	-	(57)
At 31 March 2024	28	528	-	556
Net book value at 1 April 2023	-	-	38	38
Net book value at 31 March 2024	-	-	38	38

SOFP

INTANGIBLE ASSETS – Prior Year

	Software Licences £000	Information Technology Software £000	Assets under Development £000	Total £000
Cost or valuation as at 1 April 2022	56	557	38	651
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 March 2023	56	557	38	651
Amortisation at 1 April 2022	56	546	-	602
Provided during the year	-	11	-	11
Disposals	-	-	-	-
At 31 March 2023	56	557	-	613
Net book value at 1 April 2023	-	11	38	49
Net book value at 31 March 2023	-	-	38	38

SOFP

THE STATE HOSPITALS BOARD FOR SCOTLAND
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NOTE 6(a) PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2023	946	82,152	348	8,997	3,751	1,761	10,269	108,224
Additions	-	-	-	104	97	-	604	805
Completions	-	-	-	1,700	-	-	(1,700)	-
Revaluation	-	2,766	-	-	-	-	-	2,766
Impairment	-	-	-	-	-	-	-	-
Charges	-	-	-	-	-	-	-	-
Impairment reversal	-	-	-	-	-	-	-	-
Disposals	-	-	-	(510)	(1,151)	-	-	(1,661)
At 31 March 2024	946	84,918	348	10,291	2,697	1,761	9,173	110,134
Depreciation								
At 1 April 2023	-	4,385	221	5,422	2,905	1,403	-	14,336
Provided during the year	-	2,192	29	452	173	49	-	2,895
Revaluation	-	211	-	-	-	-	-	211
Impairment	-	(490)	-	-	-	-	-	(490)
Charges	-	-	-	-	-	-	-	-
Impairment reversal	-	-	-	-	-	-	-	-
Disposals	-	-	-	(409)	(1,151)	-	-	(1,560)
At 31 March 2024	-	6,298	250	5,465	1,927	1,452	-	15,392
Net book value at 1 April 2023	946	77,767	127	3,575	846	358	10,269	93,888
Net book value at 31 March 2024	946	78,620	98	4,826	770	309	9,173	94,742
Open market value of land and dwellings included above	-	-						
Asset Financing:								
Owned	946	78,620	98	4,826	770	309	9,173	94,742
Net Book Value at 31 March 2024	946	78,620	98	4,826	770	309	9,173	94,742

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

NOTE 6(a) PROPERTY, PLANT AND EQUIPMENT *continued*

Prior Year

	Land	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2022	946	76,005	348	8,080	3,727	1,471	9,587	100,164
Additions	-	-	-	917	24	290	682	1,913
Transfers	-	-	-	-	-	-	-	-
Revaluation	-	5,776	-	-	-	-	-	5,776
Impairment	-	-	-	-	-	-	-	-
Charges	-	-	-	-	-	-	-	-
Impairment reversal	-	371	-	-	-	-	-	371
Disposals	-	-	-	-	-	-	-	-
At 31 March 2023	946	82,152	348	8,997	3,751	1,761	10,269	108,224
Depreciation								
At 1 April 2022	-	1,356	287	5,086	2,732	1,357	-	10,718
Provided during the year	-	2,046	34	336	173	46	-	2,635
Revaluation	-	1,610	-	-	-	-	-	1,610
Impairment	-	-	-	-	-	-	-	-
Charges	-	-	-	-	-	-	-	-
Impairment reversal	-	(627)	-	-	-	-	-	(627)
Disposals	-	-	-	-	-	-	-	-
At 31 March 2023	-	4,385	221	5,422	2,905	1,403	-	14,336
Net book value at 1 April 2022	946	74,649	161	2,994	995	114	9,587	89,446
Net book value at 31 March 2023	946	77,767	127	3,575	846	358	10,269	93,888
Open market value of land and dwellings included above	-	-						
Asset Financing: Owned	946	77,767	127	3,575	846	358	10,269	93,888
Net Book Value at 31 March 2023	946	77,767	127	3,575	846	358	10,269	93,888

NOTE 6(b) ASSETS HELD FOR SALE

The Board had no property or intangible assets that were held for sale.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
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PROPERTY, PLANT AND EQUIPMENT *continued*

NOTE 6(c) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

2023 £000		2024 £000
93,888	Net book value of property, plant and equipment at 31 March – Purchased	94,742
-	Net book value related to land valued at open market value at 31 March	-

All land and buildings were revalued using indices provided by an independent valuer, The Valuation Office Agency, as at 31/03/2024. Land had a nil increase in year, buildings increased in value by 3.77% in year.

The net impact was an increase of £3.045m (2022-23: an increase of £5.164m) of which £2.555m (2022-23 £4.166m) was credited to the revaluation reserve. A reverse impairment of £0.490m (2022-23 £0.998m) was credited to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.,

NOTE 6(d) ANALYSIS OF CAPITAL EXPENDITURE

2023 £000		Note	2024 £000
	EXPENDITURE		
-	Acquisition of intangible assets	6	-
1,913	Acquisition of property, plant & equipment	7a	805
-	Proceeds of property, plant & equipment	7a	-
1,913	Gross capital expenditure		805
-	Net book value of disposal of property, plant and equipment	7a	101
1,913	Net capital expenditure		704

SUMMARY OF CAPITAL RESOURCE OUTTURN

1,913	Core capital expenditure included above	805
2,003	Core capital resource limit	880
90	Saving / (excess) against Core Capital Resource Limit	75

**THE STATE HOSPITALS BOARD FOR SCOTLAND
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NOTE 7 INVENTORIES

2023 £000		2024 £000
35	Raw materials and consumables	39
35	Total inventories	39

NOTE 8 TRADE AND OTHER RECEIVABLES

2023 £000		2024 £000
	Receivables due within one year NHSScotland	
44	SGHSCD	8
1,018	Boards	445
1,062	Total NHSScotland Receivables	453
-	NHS non-Scottish bodies	-
107	VAT recoverable	48
110	Prepayments	94
10	Accrued Income	-
(41)	Other receivables	(12)
3	Other public sector bodies	2
1,251	Total receivables due within one year	585
1,251	Total receivables	585

£000	WGA Classification	£000
1,018	NHSScotland	445
96	Central government bodies	82
3	Whole of government bodies	2
-	Balances with NHS bodies in England and Wales	-
134	Balances with bodies external to government	56
1,251	Total	585

There were receivables of £1,978 (2022/23: £1,560) assessed as individually impaired.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
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NOTE 8 TRADE AND OTHER RECEIVABLES *continued*

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2024, debtors with a carrying value of £878k (2022/23: £859k) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

2023		2024
£000		£000
(3)	Up to 3 months past due	144
170	3 to 6 months past due	62
692	Over 6 months past due	440
859		646

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

Concentration of credit risk is limited due to customer base being mainly government bodies. Due to this, management believe that there is no future credit risk provision required in excess of the normal provision for doubtful debts. The credit quality of debtors that are neither past due nor impaired is assessed by reference to external credit ratings where available. Where no external credit rating is available, historical information about counterparty default rates is used.

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

2023		2024
£000	Counterparties with external credit rating:	£000
392	Existing customers with no defaults in the past	125
392	Total neither past due or impaired	125

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

2023		2024
£000	The carrying amount of debtors are denominated in the following currencies:	£000
1,251	Pounds	585
1,251	Total	585

There are no non-current receivables due at the statement of financial position date.

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

The fair value of long term other receivables is nil (2022/23: nil).

The effective interest rate on non current other receivables is nil (2022/23: nil). Pension liabilities are discounted at 2.45% (2022/23: (1.30)%)

**THE STATE HOSPITALS BOARD FOR SCOTLAND
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NOTE 9 CASH AND CASH EQUIVALENTS

	2024	2023
	£000	£000
Balance at 1 April	274	715
Net change in cash and cash equivalent balances	199	(441)
Balance at 31 March	473	274
Total cash – cash flow statement	473	274

	2024	2023
	£000	£000
Government Banking Service account balance	466	267
Commercial banks and cash in hand	7	7
Balance at 31 March	473	274

THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024

NOTE 10 TRADE AND OTHER PAYABLES

2023		2024
£000		£000
	Payables due within one year	
	NHSScotland	
249	Boards	185
249	Total NHSScotland Payables	185
-	NHS Non Scottish Bodies	-
274	Amounts payable to General Fund	473
-	Trade payables	116
1,969	Accruals	1,270
544	Deferred income	458
6	Net obligations under leases	5
790	Income tax and social security	871
513	Superannuation	1
94	Holiday pay accrual	52
101	Other public sector bodies	70
153	Other payables	233
4,693	Total payables due within one year	3,734
	Payables due after more than one year	
4	Net obligations under leases due within 2 years	-
0	Total payables due after more than one year	-
4,697	Total payables	3,734
£000	WGA Classification	£000
249	NHSScotland	185
-	- Central government bodies	1,342
-	- Whole of government bodies	109
-	- Balances with NHS Bodies in England and Wales	-
4,448	Balances with bodies external to government	2,098
4,697	Total	3,734

The Board does not have any non-current borrowings that would require the carrying amount and fair value to be disclosed.

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

£000	The carrying amount of payables are denominated in the following currencies:	£000
4,697	Pounds	3,734
4,697	Total	3,734

THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024

NOTE 11a PROVISIONS

	Pensions	Clinical & Medical legal claims	Participation in CNORIS	Other provisions	Total
	£000	£000	£000	£000	£000
At 1 April 2023	2,239	-	174	8	2,421
Arising during the year	62	-	50	-	112
Utilised during the year	(170)	-	(35)	-	(205)
Reversed unutilised	(31)	-	-	(8)	(39)
As at 31 March 2024	2,100	0	189	0	2,289

Analysis of expected timing of discounted flows

	Pensions	Clinical & Medical legal claims	Participation in CNORIS	Other provisions	Total
	£000	£000	£000	£000	£000
Payable in one year	151	-	47	-	198
Payable between 2 – 5 years	604	-	115	-	719
Payable between 6 –10 years	603	-	10	-	613
Thereafter	742	-	17	-	759
As at 31 March 2024	2,100	0	189	-	2,289

Prior Year

	Pensions	Clinical & Medical legal claims	Participation in CNORIS	Other provisions	Total
	£000	£000	£000	£000	£000
At 1 April 2022	2773	5	131	10	2,919
Arising during the year	(295)	-	75	8	(211)
Utilised during the year	(162)	-	(33)	-	(195)
Reversed unutilised	(77)	(5)	-	(10)	(92)
As at 31 March 2023	2,239	0	174	8	2,421

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

NOTE 11a PROVISIONS *continued*

Analysis of expected timing of discounted flows

	Pensions	Clinical & Medical legal claims	Participation in CNORIS	Other provisions	Total
	£000	£000	£000	£000	£000
Payable in one year	154	-	43	8	205
Payable between 2 – 5 years	616	-	105	-	721
Payable between 6 –10 years	701	-	9	-	710
Thereafter	768	-	17	-	785
As at 31 March 2023	2,239	-	174	8	2,421

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in Note 9.

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.45% (2022/23: (1.7)%) in real terms. The provision at 31 March 2024 is split into early retirees £155k (2022/23: £198k) and injury benefits £2,019k (2022/23: £2,041k). The period over which expenditure is likely to be incurred equates to an average of 7 years for early retirees and 16 years for injury benefit claimants.

Clinical and Medical

The Board holds a provision to meet costs of all outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. The provision contains sums for settlement awards and third party costs. Clinical and medical negligence cases lodged can be extremely complex. The provision for Clinical & Medical costs relate to 1 claim which are deemed to be medium risk, the value of the claim is £0k. The amounts disclosed are stated gross and the amount of any expected reimbursements are shown separately as debtors in the notes to the accounts.

Participation in CNORIS

The Board holds a provision for its share of CNORIS liability for NHS Scotland and the charge for 2023/24 is £189k (2022/23: £174k).

Other

The Board holds a provision to meet costs of 0 non clinical claims one which is deemed to be high risk and the other medium risk. The value of the claim is £0K has been provided for. It is anticipated that claims may be settled next financial year therefore have not been discounted. The amounts disclosed are stated gross and the amount of any expected reimbursements are shown separately as debtors in the notes to the accounts.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

NOTE 11b CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)

2023		Note	2024
£000			£000
8	Provision recognising individual claims against the NHS Board as at 31 March	13a	-
-	Associated CNORIS receivable at 31 March	9	-
174	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	13a	189
182	Net Total Provision relating to CNORIS at 31 March		189

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

When a legal claim is made against an individual board, the board will assess whether a provision or contingent liability for that legal claim is required. If a provision is required and is over £25k then the board will also create an associated receivable recognising reimbursement from the scheme if the legal claim settles. The provision and associated receivable are shown in the first two lines above. The receivable has been netted off against the provision to reflect reimbursement from the scheme.

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

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

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

**THE STATE HOSPITALS BOARD FOR SCOTLAND
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NOTE 12 CONTINGENT LIABILITIES and CONTINGENT ASSETS

CONTINGENT LIABILITIES

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

2023 Value £000	Nature	Uncertainties affecting outcome	2024 Value £000
8	Clinical and medical compensation payments	Litigation	-
-	Legal claims for non medical compensation payments	Litigation	-
8	TOTAL CONTINGENT LIABILITIES		-

CONTINGENT ASSETS

The following contingent assets have not been provided for in the Accounts.

2023 Value £000	Nature	Uncertainties affecting outcome	2024 Value £000
-	Clinical and medical compensation payments	Litigation	-
-	TOTAL CONTINGENT ASSETS		-

The quantified disclosed contingent liabilities and assets above are based on current claims.

**THE STATE HOSPITALS BOARD FOR SCOTLAND
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NOTE 13 COMMITMENTS

2023		Property, plant & equipment £000	Intangible assets £000	2024
Total £000				Total £000
	Capital commitments			
	The Board has the following capital commitments which have not been provided for in the accounts:			
97	Contracted – Gray perimeter security works	71	-	71
311	Contracted – Stanley Security	249	-	249
40	Contracted – HVM	0	-	0
448	Total	320	-	320

Other financial commitments

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

Financial Guarantees, Indemnities and Letter of Comfort.

The Board has not entered into any quantifiable guarantees, indemnities or provided letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39.

NOTE 14a RIGHT OF USE ASSETS

	Land	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2023			17					17
At 31 March 2024	-	-	17	-	-	-	-	17
Depreciation								
At 1 April 2023	-	-	6	-	-	-	-	6
Provided in Year	-	-	6	-	-	-	-	6
At 31 March 2024	-	-	12	-	-	-	-	12
Net book value at 1 April 2023	-	-	11	-	-	-	-	11
Net book value at 31 March 2024	-	-	5	-	-	-	-	5

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

NOTE 14b RIGHT OF USE ASSETS LIABILITIES

	Land	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Amounts Falling Due:							
Not later than 1 year	-	-	5	-	-	-	5
Later than one year, not later than 2 years	-	-	0	-	-	-	0
At 31 March 2024	-	-	5	-	-	-	5
Current	-	-	5	-	-	-	5
Non Current			0				0
			5				5

Amounts recognised in the Statement of Comprehensive Net Expenditure

	2023/24 £000
Depreciation	5
Repayment of principal	5

NOTE 14c PRIOR YEAR LEASES

2022 £000		2023 £000
	Operating leases	
	Total future minimum lease payments under operating leases are given in the table below for each of the following periods.	
	Obligations under operating leases comprise:	
	Other	
-	Not later than one year	5
-	Later than one year, not later than two years	-
12	Later than two years, not later than five years	-
	Amounts charged to Operating Costs in the year were:	
14	Hire of equipment (including vehicles)	5
14	Other operating leases	-
28	Total	5

**THE STATE HOSPITALS BOARD FOR SCOTLAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024**

NOTE 15 PENSION COSTS

The Board participates in the NHS Pension Scheme (Scotland). 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 four-yearly 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%.

The Board 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

The scheme is an unfunded multi-employer defined benefit scheme.

It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Board is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate for the period from 1 April 2023 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% of pensionable pay.

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.

The Board's level of participation in the scheme is 0.08% based on the proportion of employer contributions paid in 2023/24.

For 2023/24, normal employer contributions of £4,630k (2022-23 £4,212k) were payable to the SPPA at the rate of 13.0% (2022-23: 12.0%) of pensionable pay and £14k was payable to NEST (2022/23: £11k) at the rate of 1%. During the accounting period the Board did not incur additional costs (2022/23: nil) arising from the early retirement of staff. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay. The latest valuation of the NHSPS has recently concluded and was based on scheme data as at March 2016. The valuation has set the rate payable for the scheme for the period 1 April 2023 to 31 March 2024 and that rate is 20.9 %.

THE STATE HOSPITALS BOARD FOR SCOTLAND
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NOTE 15 PENSION COSTS *continued*

Provisions amounting to £155k are included in the Statement of Financial Position in respect of early retirees and £2,019k in respect of Injury Benefit pensions. Accruals amounting to £43K are included in the Statement of Financial Position which reflects the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and amounts paid directly. This £43k is in respect of costs for the months of January 2024 to March 2024.

The new NHS Pension Scheme (Scotland) 2015:

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2017-18 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland):

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

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

Further information is available on the Scottish Public Pensions Agency (SPPA) website at www.sppa.gov.uk

National Employment Savings Trust (NEST)

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

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £6,240 up to £50,270, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

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

**THE STATE HOSPITALS BOARD FOR SCOTLAND
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NOTE 15 PENSION COSTS *continued*

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.

NOTE 16 FINANCIAL INSTRUMENTS & DERIVATIVE FINANCIAL INSTRUMENTS

Financial Assets

2023			Loans and receivables £000	2024 Total £000
Total £000	Assets per statement of financial position	Note		
(28)	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	8	(10)	(10)
274	Cash and cash equivalents	CFS	473	473
246			463	463

Financial Liabilities

2023			Other financial liabilities £000	2024 Total £000
Total	Liabilities per statement of financial position	Note		
2,601	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	10	2,219	2,219
2,601			2,219	2,219

NOTE 16 FINANCIAL INSTRUMENTS & DERIVATIVE FINANCIAL INSTRUMENTS continued

FINANCIAL RISK FACTORS

Exposure to Risk

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

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

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

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.

The Board provides written principles for overall risk management, as well as written policies covering Standing Financial Instructions and Scheme of Delegation.

a) Credit Risk

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

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

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

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NOTE 16 FINANCIAL INSTRUMENTS & DERIVATIVE FINANCIAL INSTRUMENTS continued

b) Liquidity Risk

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

The table below analyses the financial liability based on the remaining period at the statement of financial position 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.

2023		2024
£000		£000
2,597	Less than 1 year	2,215
4	Between 1 – 2 years	4
2,601		2,219

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

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

The Board is not exposed to foreign exchange rates nor is it exposed to equity security price risk.

FAIR VALUE ESTIMATION

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

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

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NOTE 17 RELATED PARTY TRANSACTIONS

The Board had no material transactions with other government departments and other central government bodies.

The Board enters into transactions with other Scottish Government and United Kingdom Government agencies, other health boards and publicly funded bodies (such as Councils and educational institutions) in the ordinary course of its operations. These transactions take place at arm's length. Scottish Ministers issue instructions and guidance on special transactions between publicly funded bodies in areas such as property transfers and joint venture investments.

No board member, key manager or other related party has undertaken any material transactions with the Board during the year. Board members and management receive remuneration from the Board – as noted in the Remuneration report on P24.

NOTE 18 THIRD PARTY ASSETS

The Board has assets held on behalf of patients which are not recognised in these accounts as the Board has no beneficial interest in them, however disclosure is required as per the Financial Reporting Manual.

These are not Board assets and comprise of monetary assets, such as bank balances and monies on deposit in respect of patients funds.

The Board has no non-monetary assets held on behalf of patients.

This is set out in the table below.

	2023	Gross inflows	Gross outflows	2024
	£000	£000	£000	£000
Bank balances and monies on deposit	670	527	(551)	646
Total monetary assets	670	527	(551)	646

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APPENDIX 1

DIRECTIONS 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 of Health Boards in that section which apply to the State Hospitals Board for Scotland by virtue of the State Hospitals Board for Scotland Order 1995 as amended, and all other powers enabling them to do so, hereby DIRECT that:

1. The State Hospitals Board for Scotland 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 State Hospitals Board for Scotland must use the The State Hospitals Board for Scotland 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 State Hospitals Board for Scotland 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 State Hospitals Board for Scotland 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 State Hospitals Board for Scotland 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),

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“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 State Hospitals Board for Scotland” is a Special Health Board for the whole of Scotland constituted under the State Hospitals Board for Scotland Order 1995 (S.S.I 1995/574),

“The State Hospitals Board for Scotland Annual Accounts template” means the Excel spreadsheet issued to The State Hospitals Board for Scotland 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