THE STATE HOSPITALS BOARD FOR SCOTLAND

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 202

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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 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.

While the State Hospital had cared only for male patients since its redevelopment in 2010, in 2024 Scottish Government instructed the delivery of high secure services also for women, which took effect from July 2025. This development supports 'The Independent Review into the Delivery of Forensic Mental Health Services in Scotland' published in 2021 (Recommendation 3); and 'The Mental Health and Wellbeing Delivery Plan 2023-25' published in November 2023 (Priority 8.1.2). This delivery is planned in two phases – the first, the "Interim an Outreach Service Model", attaining 'patient ready' status in July 2025, and phase two being now in the planning stage for future implementation with funding and timescales to be confirmed.

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 Delivery Plan looks forward to the following year. The 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 2026 to 31 March 2027 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).

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 2026/27.

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, together with the addressing of the related mental health challenges. 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 has further developed 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.

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 last year and are 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. We have embarked on an organisational health programme sponsored by our OD and HR services.

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 2026/27 builds on a shared vision with our staff about our key priorities and how we wish to achieve these now and in the future

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 2026, 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	51,392	51,185	207
Non core Revenue Resource Limit	4,658	4,660	(2)
Total Revenue Resource Limits	**56,050**	**55,845**	**205**
Core Capital Resource Limit	1,101	1,095	6
Total Capital Resource Limits	**1,101**	**1,095**	**6**
Cash Requirement	52,184	52,184	-

MEMORANDUM FOR IN YEAR OUTTURN	**£000**
Core Revenue Resource Variance Surplus / (Deficit) in 2025/26	207
Financial Flexibility: funding banked with /(provided by) Scottish Government	-
Underlying Surplus / (Deficit) against Core Revenue Resource Limit	207
Percentage	0%

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 2026. The financial plan meets the Scottish Government requirements of break-even and target levels of savings, and while formal confirmation is yet to be issued to all NHS Scotland Boards, notification has been received that the Board's plan is accepted and will be monitored accordingly to ensure it progresses as scheduled.

The Board delivered savings through a mix of recurring and non-recurring measures. Following engagement with budget holders, savings of £1.92m were achieved, representing 3.9% and exceeding the 3% target.

3 Future development

As noted above, the Board was asked by the Scottish Government to implement a proposal to deliver High Secure Services for Women in Scotland at TSH. The requirement is to develop a plan with stakeholders to deliver services in Scotland for women who need high secure care and treatment in the short and longer-term.

The proposal is being developed in two phases. These are i) developing and implementing an interim women's service model, and ii) developing and implementing an outreach service model.

Phase One, the "Interim and Outreach Service Model" was introduced in July 2025. Phase Two will then be to oversee the development and implementation of a capital development – following the outcome, and preferred option, of a professional design team feasibility report – in order to establish the "Medium - Longer Term Service Model".

It is the intention that Phase One will integrate and co-locate with Phase Two on its completion, therefore co-locating the three aspects of the patient's treatment journey into a central 'treatment hub' at The State Hospital. While initial funding was confirmed by Scottish Government to progress Phase One in 2025/26, the full support for the service through 2026/27 has now been confirmed with the provision of the required operational funding assured. A non-recurring allocation was also given to develop the feasibility study to assess the potential for Phase Two, for which a Core Project Team was established to take planning forward. The final draft of the feasibility report is now expected to be submitted by July 2026.

There is currently no distinct recurringly-identified resource for property – the main significant capital item now completing in early 2026/27 being the ongoing Perimeter Security and Enhanced Internal Security Systems Project – valued at c£9.9m (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.

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.

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:

- As noted above, the introduction of the high secure service for women in Scotland, in line with Scottish Government requirements and the ambition of the Mental Health and Welfare Strategy – for which final 2026/27 funding has recently been confirmed.
- Workforce Plan Numbers and Skill mix. The issues relate mainly to nursing costs, with the full workforce plan aligned to the clinical service delivery model and safe staffing legislation - developed to link with the requirements 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 continued high level pressures are met – with targeted savings showing similar levels of demand to 2025/26.
- 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 significant increase in capital funding, and the anticipated lack of any additional project funding to be available in 2026/27, 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 due to uncertainty of future pricing.
- Costs of enhancing and strengthening essential digital innovation and inclusion
- 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.

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 Delivery Plan using a suite of performance indicators. The Delivery 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.

Local KPIs are reported to the Board as detailed below.

- 91.41% of patients' care and treatment plans were reviewed at 6 monthly intervals during 2025/26 compared to 91.01% in 2024/25, against a target of 100%.
- 88.33% of patients were engaged in psychological treatment during 2025/26 against a target of 85% (2024/25 – 94.11%). This has decreased by 5.78%.
- Patients engaging in off-hub activity centres was 95.00% (2024/25 – 95.25%), against a target of 90%.
- 100% of patients completed an annual physical health review within 12 months of their last review during 2025/26 (2024/25 – 100%) against a target of 90%.
- 59.50% of patients were engaged in 150 minutes of more of physical activity per week, against a target of 70% (2024/25 – 60.09%).
- 10.50% (on average over the year) of patients have a healthy BMI, against a target of 25%. (2024/25 – 6.75%).
- The sickness absence performance for the year ended March 2026 was 7.15%, has slightly decreased by 0.36% since 2024/25. Against the State Hospital target of 5%.
- 90.54% of staff had a personal development plan reviewed in 2025/26 (2024/25 – 88.78%), against a target of 80%.
- 100% of patients were discharged / transferred using the Care Programme Approach (CPA – 2024/25 100%).
- All patients (100%) requiring primary care services had access within 48 hours during 2025/26 (2024/25 – 100%).
- 99.42% (on average over the year) of patients commenced psychological therapies in less than 418 weeks from referral date in 2025/26, (2024/25 – 99.91%) against a target of 100%.
- 94.71% of patients had their clinical risk assessment reviewed annual in 2025/26 (2024/25 – 94.03%), against a target of 100%.

PERFORMANCE REPORT *continued*

Local KPIs *continued*

- Attendance at clinical reviews by staff was as follows –
    - RMO 88.00% (target 90%, 2024/25 81.7%),
    - Medical 94.25% (target 100% - 24/25 84.3%),
    - Key worker 50.75% (Target 80% - 24/25 68.6%),
    - Nursing 98.5% (Target 100% - 24/25 – 97.6%),
    - Occupational Therapy 62.75% (Target 80% - 24/25 55.6%),
    - Pharmacy 59% (Target 60% - 23/24 62.1%),
    - Clinical psychologist 86% (Target 80% - 24/25 87%),
    - Psychology 89.5% (Target 100% - 24/25 93.3%),
    - Security 56.25% (Target 60% - 24/25 57.4%),
    - Social work 90.75% (Target 80% - 24/25 91.1%),
    - Dietetics 57% (target 80% – 24/25 59.2%).
- 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 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 2025/26 the average credit taken was 6 days (in 2024/25, 5 days)
- In 2025/26 the Board paid 99% of its invoices by volume and 99% of its invoices by value within 30 days (in 2024/25, 99% by volume, 96% by value)
- In 2025/26 the Board paid 90% of its invoices by volume and 96% of its invoices by value within 10 days (in 2024/25, 93% 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.

In order to support our commitment to inclusion across the workplace, we have created a Workforce Equalities Group, which is voluntary and open to all staff, and this group will assist in the developing of our annual Equalities Action Plan. This plan will cover all areas of equalities, including outlining our anti racism approach, and will focus on Education and Awareness, Training and Development, Communication, Senior Leadership and Culture.

PERFORMANCE REPORT *continued*

Social Matters *contd.*

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 2025/26.

Sustainability and Environmental Reporting – 2025/26

The Climate Change (Scotland) Act 2009, as amended by the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019, establishes a statutory target for Scotland to reach net-zero greenhouse gas emissions by 2045. Public bodies are required to comply with climate change duties through annual reporting under the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 (as amended).

The State Hospitals Board for Scotland complies with these requirements through annual submission to the Sustainable Scotland Network (SSN), contributing to the Scottish Public Sector Sustainability Report. This section provides a high-level overview of climate-related governance, performance and future priorities, with further detail available through SSN disclosures.

Governance

Oversight of climate-related issues is embedded within the Board's governance and assurance framework. The Sustainability Group reports regularly to the Board, ensuring that climate-related risks, performance and compliance obligations are effectively monitored and managed. Climate considerations are integrated into decision-making processes, including business case development, performance management and capital planning.

Strategy (Enhanced Disclosure)

The Board considers climate-related risks and opportunities across the following time horizons:

- Short term: 1–3 years
- Medium term: 3–10 years
- Long term: beyond 10 years

Key risks include the resilience of the estate to climate impacts, increasing energy costs, and the requirement to transition to low-carbon heating and energy systems. These risks inform the Board's strategic and financial planning processes, including prioritisation of capital investment.

The Board has identified the decarbonisation of heating systems as a key strategic priority. A feasibility study will be undertaken within the next five to six years to assess viable options such as ground source and air source heat pumps, alongside renewable energy generation including solar photovoltaic and wind technologies.

The Board continues to develop its approach to climate-related scenario analysis and assessment of the resilience of its strategy to climate-related risks, recognising this as an evolving area in line with emerging best practice.

PERFORMANCE REPORT *continued*

Risk Management

Climate-related risks are incorporated into the Board's risk management framework and are considered alongside other strategic risks, including infrastructure resilience and financial sustainability. These risks are subject to ongoing review and are embedded within corporate governance and assurance processes.

Metrics and Targets

The Board continues to monitor environmental performance through key sustainability metrics, including greenhouse gas emissions, energy usage, waste management and land use, as reported through the SSN framework.

The Board has achieved a reduction in emissions of 82.5% from its baseline position and is currently ahead of its net-zero trajectory. Ongoing monitoring and reporting ensure that performance remains aligned to national targets.

Forward Look

Key priorities for 2026/27 and beyond include:

- Development of a high-level waste route map
- Advancement of active travel initiatives
- Further development of biodiversity and greenspace management
- Full implementation of the Environmental Management System (EMS)
- Identification of funding and delivery mechanisms to support decarbonisation of heat and energy systems

The Board will continue to strengthen its approach to climate-related financial disclosures in line with FReM and TCFD guidance.

Chief Executive:
Gary Jenkins

Date 24 June 2026

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 18 June 2026.

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 2025/26 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	6
A Connor	Employee Director	6
G Jenkins	Chief Executive Officer	5
R McNaught	Director of Finance & eHealth	6
K McCaffrey	Director of Nursing and Operations	6
L Thomson	Medical Director	6

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 2026, 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 - 2025/26

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 NHS Lothian Charity** **Member of Investment Committee (NHS Lothian Charity)**
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**

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

DIRECTORS' REPORT *continued*

Board Members and Senior Managers Interests – 2025/26 *continued*

Cathy Fallon **Non Executive**	**Consultant for Kingdom Housing Association**
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 National Executive Leads Collaborative**
Karen McCaffrey **Director of Nursing & Operations**	**None**
Robin McNaught **Director of Finance & eHealth**	**None**
Lindsay Thomson **Medical Director**	**Medical Director, Forensic Mental Health Services Managed Care Network** **Professor of Forensic Psychiatry, The University of Edinburgh** **Board Member of International Association of Forensic Mental Health**
Allan Hardy **Acting Director of Security, Estates and Facilities**	**None**
Stephen Wallace **Director of Workforce**	**None**
Doug Irwin **Programme Director**	**None**
David Walker **Programme Director**	**None**

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 £1,575k of which £300k is 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 2025/26 (2024/25 – 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.

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.

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 Chair, six 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 2025/26 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.

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)	3	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 2025/26.
S Currie	3	
D McConnell	4	
S Raghavan	1	

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 2025/26.
A Connor	4	
S Currie	4	
P Radage	3	

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 2025/26.
A Connor	4	
S Currie	3	
C Fallon	2	
S Raghavan	3	

Remuneration Committee Membership	No. of meetings Present	Role
D McConnell (Chair)	3	To consider performance-related pay in respect of Senior Managers and employees of the Board. It met three times during 2025/26.
A Connor	3	
C Fallon	2	
B Moore	3	
P Radage	2	

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

GOVERNANCE STATEMENT *continued*

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.

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 2026/27. 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 the Model Code of Conduct, Blueprint for Good Governance, and reporting on the Board Improvement Plan
- received regular update reports from the Chair and Chief Executive
- received updates on Health Board collaboration and leadership governance arrangements within NHSScotland
- reviewed and monitored the Annual Delivery Plans for 2025/26 and 2026/27, including the Medium Term Plan
- reviewed the outcomes and actions arising from the Ministerial Annual Review of November 2025
- received reports and updates on the provision of a High Secure Forensic Healthcare Service for Women
- 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 the Corporate Objectives for 2026/27
- reviewed regular Finance Reports, noting progress against revenue and capital budgets, savings and year-end forecasts and expectations
- received the Annual Audit Report on the Patients' Funds Accounts
- received the Risk & Resilience Annual Report
- reviewed regular Risk and Resilience updates, reviewing and monitoring the Corporate Risk Register

- reviewed regularly the progress of the Perimeter Security and Enhanced Internal Security Project
- received updates on Climate Change and Sustainability progress and compliance including Annual Reporting
- received and reviewed Quality Assurance and Quality Improvement initiative updates
- reviewed the Physical Health Strategy
- reviewed progress updates from the Clinical Forum
- received the eHealth Annual Report, and Digital Inclusion Strategy updates
- received updates on relevant Cyber Security incidents and actions therefrom
- received updates on the NIS (Network and Information Systems) review process
- received the Information Governance Annual Report
- received updates on Whole System Infrastructure / Business Continuity Planning
- reviewed update reports on Bed Capacity, including in the Forensic Network, and monitoring patient flow, remitting detailed oversight to the Clinical Governance Committee
- reviewed update reports on patient Daytime Confinement
- received regular Workforce review update reports
- received Annual Reporting on compliance with the Health and Care Staffing (Scotland) (2019) Act and progress on the requirements of the NHSScotland Reduced Working Week
- received updates on nurse resourcing, including the Nursing Resource Strategy for 2025/26 and 2026/27
- received updates on the implementation of the Reduced Working Week
- received the Medical Appraisal and Revalidation Annual Report, including approvals of section 22 medical practitioner status when required
- received the Medical Education 12 Month Report
- reviewed the Organisational Development and Wellbeing Strategy 2025/28.
- received updates on Protecting Vulnerable Groups (PVG) requirements and compliance, relating to the Disclosure (Scotland) Act 2020.
- reviewed the Performance Annual Report, and received updates through quarterly reporting
- received the Communications Annual Report and received regular updates
- received the Patients' Advocacy Service 12 Month Report
- received the Feedback and Complaints Annual Report
- received updates on Equalities Outcomes
- heard stories from patients and volunteers of their experience of NHS services, thereby ensuring a person centred approach
- reviewed the Carers' Strategy as well as the Carers' Travel Scheme
- reviewed the 2026 Board workplan and reporting framework, Board & Committee membership, approved the 2026 Schedule of Governance Meetings, and considered options for encouraging public attendance at and engagement with Board meetings
- received the Whistleblowing Annual Report and the support in place for Speak Up Week

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

GOVERNANCE STATEMENT *continued*

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 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.

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

GOVERNANCE STATEMENT *continued*

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 2025/26 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 5 current risks categorised as high. All have up to date action plans in place and are reviewed monthly.

The principal high 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
    - Due to the clinical pressures experienced in 2025/26 since the introduction of the provision of the women's service, discussions have been held with Scottish Government to seek the necessary funding to support the provision of this service through 2026/27.
    - Overall financial pressures are 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, vacancy management review 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
    - This is requiring close monitoring of the operation of the women's service and the increased resource demands due to heightened clinical acuity and risk in the male wards. As noted above, this issue has been raised with Scottish Government.
    - Recruitment efforts are ongoing to help address this, at the same time taking into account the levels of day time confinement, complaints and incidents relating to the risk
- 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.

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

GOVERNANCE STATEMENT *continued*

Failure to complete Category 1 and 2 reviews on time

- A dedicated review group has been formed, aiming to improve governance. From previous delays, the risk was elevated to high under the Significant Adverse Events Review ("SAER") process, and there is now a focus on establishing clear management and assurance across all SAERs, ensuring appropriate oversight.
- The Significant Adverse Events Group will operate as a subgroup of the Organisational Management Team – its primary role and purpose to ensure that the Incident Reporting and Reviewing Policy is adhered to, focusing on learning from adverse events. This will include the commissioning, monitoring, review and approval of all adverse event reviews. All will be measured against a set of KPIs set by HIS for adherence to strict compliance timescales.

Sickness absence levels increase above acceptable levels

- Continue to actively manage absence in line with NHS Scotland Attendance Policy.
- Continue to implement "Maximising Attendance" Framework, including Absence Pathways, Line Manager Review Meeting, increased communication and awareness.
- Develop proactive approach to employee Wellbeing to shorten absence or prevent altogether.

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 were reported in separate categories through the DATIX risk management system (to March 2026) and now through the InPhase system. The Clinical Governance Committee is responsible for governance arrangements in this area. The Information Governance Group is for management review of progress against the Information Governance Action Plan and relevant risks within the 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.

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.

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT *continued*

GOVERNANCE STATEMENT *continued*

Of the internal audit reports issued in 2025/26, there are two areas where a positive (either a substantial or reasonable progress) assurance opinion was issued (Clinical Care Policy; Absence, Disciplinary and Suspension Management; Resilience Planning and Timings) and one on which partial assurance (Estates and Facilities Management) was issued. A report on Project Management Framework was also undertaken in the year on an "advisory review" basis, which received positive feedback.

During 2025/26, there were no significant control weaknesses or issues that have arisen and one management recommendation identified by internal audit reviews as high priority – being

- It is recommended that the Estates and Facilities Department undertakes a formal resource and skills assessment, followed by the strategic alignment of roles and responsibilities. This will help ensure that the departmental structure remains fully aligned with both current and future maintenance requirements.

An action plan is now in place to address this in a timely manner to ensure the structire is fully aligned with the ongoing and future maintenance requirements.

Given these results, and the adequacy of the controls at the end of year, our internal auditors gave the opinion that the organisation has an adequate and effective framework for risk management, governance and internal control.

Whistleblowing

It is recommended that The State Hospital continues to promote and embed its Whistleblowing Policy to reassure anyone raising a concern that it is safe and acceptable to speak up. This should support staff to raise concerns at an early stage and through the appropriate channels. Encouraging early reporting will help drive continuous improvement. In addition, it is recommended that the Hospital maintains alignment with the National Whistleblowing Standards (introduced in April 2021) and ensures that all staff complete mandatory whistleblowing training to strengthen awareness and confidence in the process.

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 16 to 23.

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 20year period, which is the estimated life span following retirement.

The 'Total earnings in year' column shows the remuneration relating to actual earnings payable in 2025/26 and 2024/25

The tables on the following pages provide a breakdown of Executive and Non-Executive Directors' remuneration in 2025/26 and 2024/25 and where indicated have been audited by the Board's auditors.

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION *continued*

2025/26 Remuneration fell within the following bandings *(audited)*:

Total Remuneration of:	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)
Executive Directors						
G Jenkins Chief Executive	130-135	-	-	130-135	43	175-180
K McCaffrey Director of Nursing & Operations	110-115	-	-	110-115	42	150-155
R McNaught Finance & eHealth Director	110-115	-	-	110-115	35	145-150
L Thomson Medical Director	220-225	40-45	-	260-265		260-265
S Wallace Director of Workforce	105-110	-	-	105-110	37	140-145
A Hardy Acting Director of Security	95-100	-	-	95-100	31	125-130
Non Executive Directors						
B Moore Chairperson	45-50	-	-	45-50	-	45-50
S Currie Non-Executive	10-15	-	-	10-15	-	10-15
C Fallon Non Executive	10-15	-	-	10-15	-	10-15
D McConnell Non-Executive	10-15	-	-	10-15	-	10-15
P Radage Non-Executive	10-15	-	-	10-15	-	10-15
S Raghavan Non-Executive	10-15	-	-	10-15	-	10-15
A Connor Employee Director	90-95	-	-	90-95	116	210-215
Total	990-995	40-45	-	1,030-1,035	300-305	1,330-1,335

The Employee Director's salary includes £85k in respect of non Board activities.

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION *continued*

2024/25 Remuneration fell within the following bandings *(audited)*:

Total Remuneration of:	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)
Executive Directors						
G Jenkins Chief Executive	125 - 130	-	-	125 - 130	68	190 - 195
K McCaffrey Director of Nursing & Operations	100 – 105	-	-	100 – 105	51	150 - 155
R McNaught Finance & eHealth Director	100 – 105	-	-	100 – 105	35	135 - 140
L Thomson Medical Director	205 – 210	40 – 45	-	245 – 250	-	245 - 250
Non Executive Directors						
B Moore Chairperson	40 – 50	-	-	40 – 50	-	40 - 50
S Currie Non-Executive	10 – 15	-	-	10 – 15	-	10 - 15
C Fallon Non Executive	10 – 15	-	-	10 – 15	-	10 - 15
D McConnell Non-Executive	10 – 15	-	-	10 – 15	-	10 - 15
P Radage Non-Executive	10 – 15	-	-	10 – 15	-	10 - 15
S Raghavan Non-Executive	10 – 15	-	-	10 – 15	-	10 - 15
A Connor Employee Director	85 - 90	-	-	85 – 90	153	240 – 245
S Wallace Director of Workforce	100 – 105	-	-	100 – 105	106	205 - 210
D Walker Director of Security, Resilience and Estates	15 – 20	-	-	15 – 20	-	15 - 20
A Hardy Acting Director of Security, Resilience and Estates	65 – 70	-	-	65 – 70	19	85 - 90
Total	**920 -925**	**40 – 45**	**-**	**960 – 965**	**430-435**	**1,390-1,395**

S Wallace salary is based on his term of employment at The State Hospital (1 month)
A Hardy salary is based on term of acting Director of Security at The State Hospital (9 months)
D Walker salary is based on term as Director of Security (3 months)

The Employee Director's salary includes £81k in respect of non Board activities.

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION *continued*

2025/26 Pension values fell within the following bandings *(audited)*:

Total Pension Values of:	Total accrued pension at age 60 as at 31 March 2026 (bands of £5,000)	Total accrued lump sum at age 65 as at 31 March 2026 (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 2026 (bands of £2,500)	Cash equivalent transfer value (CETV) at 31 March 2025 £000	Cash equivalent transfer value (CETV) at 31 March 2026 £000	Real increase in CETV in year £000
Executive Directors							
G Jenkins Chief Executive	40-45	100-105	2.5-5	0-2.5	862	955	42
K McCaffrey Director of Nursing & Operations	35-40	90-95	2.5-5	0-2.5	721	810	48
R McNaught Finance & eHealth Director	30-35	-	2.5-5	-	433	499	36
L Thomson Medical Director	-	-	-	-	-	-	-
S Wallace Director of Workforce	35-40	80-85	2.5-5	0-2.5	613	689	39
A Hardy Acting Security Director	10-15	-	0-2.5	-	126	166	22
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	40-45	120-125	0-2.5	0-2.5	964	1056	44
Total	**190-195**	**395-400**	**5-10**	**5-10**	**3,720**	**4,174**	**231**

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

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION *continued*

2024/25 Pension values fell within the following bandings *(audited)*:

Total Pension Values of:	Total accrued pension at age 60 as at 31 March 2025 (bands of £5,000)	Total accrued lump sum at age 65 as at 31 March 2025 (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 2025 (bands of £2,500)	Cash equivalent transfer value (CETV) at 31 March 2024 £000	Cash equivalent transfer value (CETV) at 31 March 2025 £000	Real increase in CETV in year £000
Executive Directors							
G Jenkins Chief Executive	35-40	95-100	2.5-5	2.5-5	778	862	84
K McCaffrey Director of Nursing & Operations	30-35	80-85	2.5-5	2.5-5	658	721	63
R McNaught Finance & eHealth Director	25-30	0	0-2.5	0	387	433	45
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	40-45	115-120	5-7.5	15-17.5	798	964	166
S Wallace Director of Workforce	30-35	75-80	5-7.5	10-12.5	508	613	105
D Walker Director of Security, Resilience and Estates	0	0	0	0	0	0	0
A Hardy Interim Director of Security	0-5	0	0-2.5	0	44	69	25
Total	**175-180**	**280-285**	**22.5-25**	**32.5-35**	**3,174**	**3,663**	**489**

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

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

Fair Pay Disclosure *(audited)*

	2025/26	2024/25	% Change
Range of Staff Remuneration (£000)	23-208	24-215	-3%
Highest earning Director's total remuneration (£000)	263	246	7%
Median Total Remuneration (£)	50	49	3%
Ratio	4.4	5.06	-13%
25th Percentile (total pay & benefits)	41	39	4%
Ratio	5.41	6.25	-13%
75th Percentile (total pay & benefits)	61	61	1%
Ratio	3.59	4.04	-11%

STAFF REPORT

a) Number of senior staff by band.

Bands of £10,000	**2026 Number of Staff**	**2025 Number of Staff**
Employees whose remuneration fell within the following ranges:		
Clinicians		
£90,001 to £100,000	10	6
£100,001 to £110,000	5	3
£110,001 to £120,000	2	1
£120,001 to £130,000	0	0
£130,001 to £140,000	1	2
£140,001 to £150,000	1	0
£150,001 to £160,000	0	3
£160,001 to £170,000	2	1
£170,001 to £180,000	0	0
£180,001 to £190,000	2	3
£190,001 to £200,000	3	1
£200,000 and above	3	1
Other		
£70,001 to £80,000	16	11
£80,001 to £90,000	3	3
£90,001 to £100,000	4	1
£100,001 to £110,000	5	4
£110,001 to £120,000	0	1
£120,001 to £130,000	1	1
£130,001 to £140,000	1	0

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

Fair Pay Disclosure (audited)

b) Employee expenditure.

	Executive Board members	Non executive Board members	Permanent staff	Inward secondees	Outward secondees	2026 Total	2025 Total
	£000	£000	£000	£000	£000	£000	£000
Salaries and wages	557	215	34,144	-	(928)	33,988	**32,303**
Taxation and social security costs	80	26	5,789	-	-	5,895	**3,624**
NHS scheme employers' costs	124	17	4,394	-	-	4,534	**5,455**
Other employers' pension costs	-	-	-	-	-	-	**-**
Inward secondees	318	-	-	1,586	-	1,904	**1,747**
Total	**1,079**	**258**	**44,327**	**1,586**	**(928)**	**46,322**	**43,129**

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	2026 Total	2025 Total
Whole Time Equivalent (WTE)	6	7	628	24	(5)	**660**	**617**

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

Fair Pay Disclosure *(audited)*

Included in the total staff numbers above were disabled staff	**52**	**31**
Included in the total staff numbers above were staff directly involved with capital Projects	**0**	**6**

d) Staff composition – an analysis of the number of persons of each sex who were directors and employees as at 31 March 2026 is detailed below:

Category	Male 2026	Female 2026	Total 2026	Male 2025	Female 2025	Total 2025
Executive Directors	4	2	6	4	2	6
Non Executive Directors and Employee Director	4	3	7	4	3	7
Senior Employees	28	41	69	43	34	77
Other Employees	270	437	707	239	398	637
Total Headcount	**306**	**483**	**789**	**290**	**437**	**727**

e) Sickness absence data.

The sickness absence performance for the year ended 31 March 2026 was 7.5% compared to the 31 March 2025 performance of 8.4%.

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.

ACCOUNTABILITY REPORT - REMUNERATION AND STAFF REPORT *continued*

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 were zero exit packages in 2025/26 and 2024/25.

Cost band	No. of compulsory	No. of other departures agreed	Total
0	0	0	0
Total resource cost (£'000)			0

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 2025 to 31 March 2026	Full-time equivalent employee number
19	1

Percentage of pay bill spent on facility time	£000's
Total cost of facility time	78
Total pay bill	34,929
Percentage of the total pay bill spent on facility time	0.22%

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 £300k 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	7	5,239
Special Payments	10	63,993

In the year to 31 March 2026, there were no losses or special payments made in excess of £300,000.

In 2025/26, the Board did not pay out any claims individually greater than £300,000 which were settled under the CNORIS scheme (2024/25: £0k). 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: 24 June 2026 .....

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 2026 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cashflow Statement and 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 2025/26 Government Financial Reporting Manual (the 2025/26 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 2026 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 2025/26 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 board'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.

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 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.

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*

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.

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.

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 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

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.

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
24 June 2026

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

2025 £000			2026 £000
43,871	Employee expenditure	3	47,250
6,819	Other health care expenditure	4	10,145
50,690	**Gross Expenditure**		57,395
(109)	Less: Operating Income	5	(1,550)
50,581	**Net Expenditure**		**55,845**

OTHER COMPREHENSIVE NET EXPENDITURE

2025 £000		2026 £000
(1,556)	Net (gain) on revaluation of Property, Plant & Equipment	(2,304)
(1,556)	Other Comprehensive Expenditure	**(2,304)**
49,025	**Comprehensive Net Expenditure**	**53,541**

The Notes to the Accounts, numbered 1 to 18, form an integral part of these Accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2026

£000		Note	£000	£000
	NON-CURRENT ASSETS			
94,871	Property, plant & equipment	6a	94,372	
19	Intangible assets	5	-	
112	Right of use assets	14a	81	
95,002	**Total non-current assets**			**94,453**
	CURRENT ASSETS			
36	Inventories	7	28	
340	Trade & other receivables	8	360	
627	Cash and cash equivalents	9	384	
1,003				772
96,005	**TOTAL ASSETS**			**95,225**
	CURRENT LIABILITIES			
(561)	Provisions	11	(721)	
(5,623)	Trade & other payables	10	(5276)	
(6,184)	**Total current liabilities**			**(5,997)**
89,821	**Non-current assets plus/less current assets / liabilities**			**89,228**
	NON-CURRENT LIABILITIES			
(2,115)	Provisions	11	(2056)	
(61)	Trade & other payables	10	(31)	
(2,176)	**Total non-current liabilities**			**(2,087)**
87,645	**ASSETS LESS LIABILITIES**			**87,141**
	TAXPAYERS EQUITY			
67,698	General fund	SOCTE		64,984
19,947	Revaluation reserve	SOCTE		22,157
87,645	**TOTAL TAXPAYERS EQUITY**			**87,141**

Adopted by the Board on: 18th June 2026

Finance and eHealth Director
Robin McNaught
.....
24 June 2026

Chief Executive:
Gary Jenkins

24 June 2026

The Notes to the Accounts, numbered 1 to 18, form an integral part of these Accounts.

CASH FLOW STATEMENT

2025 £000		Note	£000	2026 £000
	CASHFLOW FROM OPERATING ACTIVITIES			
(50,581)	Net expenditure	SOCNE	(55,845)	
3,028	Adjustments for non cash transactions	2(b)	4,557	
2	Interest payable recognised in net operating expenditure	2(b)	4	
1,461	Movements in working capital	2(b)	135	
(46,090)	**Net cash outflow from operating activities**			**(51,149)**
	Cash flows from investing activities			
(699)	Purchase of property, plant and equipment		(1,246)	
-	Purchase of Intangible Assets			
16	Proceeds of disposal of property, plant & equipment		-	
-	Proceeds of disposal of intangible assets		-	
(683)	**Net cash outflow from investing activities**			**(1,246)**
	Cash flows from financing activities			
46,811	Funding		52,427	
154	Movement in general fund working capital		(243)	
46,965	Cash drawn down			52,184
(36)	Capital element of payments in respect of leases		(28)	
(2)	Interest element of leases		(4)	
46,927	**Net financing**			**52,152**
154	**Net Increase / (decrease) in cash and cash equivalents in the period**			**(243)**
473	**Cash and cash equivalents at the beginning of the period**			627
627	**Cash and cash equivalents at the end of the period**			**384**
	Reconciliation of net cash flow to movement in net debt/cash			
154	Increase/ (decrease) in cash in year			(243)
473	Net debt/cash at 1 April			627
627	**Net debt/cash at 31 March**			**384**

The Notes to the Accounts, numbered 1 to 18, form an integral part of these Accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
Balance at 1 April 2025		**67,698**	**19,947**	**87,645**
Changes in taxpayers' equity for 2025/26				
Net gain/(loss) on revaluation/indexation of property, plant & equipment			2,914	**2,914**
Impairment of property, plant & equipment			(6)	**(6)**
Revaluation & impairments taken to operating costs			6	**6**
Transfers between reserves		704	(704)	**-**
Net expenditure for the year		(55,845)		**(55,845)**
Total recognised income and expense for 2025/26		**(55,141)**	**2,210**	**(52,931)**
Funding				
Drawn down		52,184		52,184
Movement in General Fund Creditor		243		243
Balance at 31 March 2026	SOFP	**64,984**	**22,157**	**87,141**

Prior Year	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
Balance at 1 April 2024		**70,220**	**19,639**	**89,859**
Changes in taxpayers' equity for 2024/25				
Net gain/(loss) on revaluation/indexation of property, plant & equipment		-	1,556	**1,556**
Impairment of property, plant & equipment		-	206	**206**
Revaluation & impairments taken to operating costs			(206)	**(206)**
Transfers between reserves		1,248	(1,248)	**-**
Net expenditure for the year		(50,581)		**(50,581)**
Total recognised income and expense for 2024/25		**(49,333)**	**308**	**(49,025)**
Funding				
Drawn down		46,965	-	**46,965**
Movement in General Fund Creditor		(154)	-	**(154)**
Balance at 31 March 2025	SOFP	**67,698**	**19,947**	**87,645**

The Notes to the Accounts, numbered 1 to 18, form an integral part of these Accounts.

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

IFRS 17 Insurance Contracts have been included within the FreM for 2025-26.

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

There are no new standards, amendments or interpretations early adopted in 2025/26.

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

The table below summarises recent standards, amendments and interpretations issued but not adopted in the 2025-26 financial year.

Standard	Current status
IFRS 18 Presentation and disclosure in financial statements	Effective for periods starting on or after 1 January 2027, this standard has not yet been endorsed by the UKEB or adopted by HM Treasury.
IFRS 19 Subsidiaries without public accountability: disclosures	Effective for periods starting on or after 1 January 2027, this standard has not yet been endorsed by the UKEB or adopted by HM Treasury.

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.

1.2 Retrospective restatements

No retrospective restatements have been made to the accounts.

NOTE 1 ACCOUNTING POLICIES *continued*

1.3 Going Concern

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

1.4 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.

1.5 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.

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.

1.6 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.

NOTE 1 ACCOUNTING POLICIES continued

1.6.1 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 operational capacity 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.

1.6.2 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:

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. Entities should use the best index available to them when indexing their assets in-between full revaluations. In rare circumstances where an index is not available, entities shall revalue the given asset using a quinquennial revaluation supplemented by a desktop revaluation in year 3. 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).

NOTE 1 ACCOUNTING POLICIES *continued*

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.

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.

1.6.3 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.

NOTE 1 ACCOUNTING POLICIES *continued*

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

1.7 Intangible Assets

1.7.1 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 operational capacity 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.

NOTE 1 ACCOUNTING POLICIES continued

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

1.7.2 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 as per the cost model, carried at historic cost less accumulated amortisation and impairment losses.

The Financial Reporting Manual removes the requirement for public sector bodies to apply a revaluation model to intangible assets. Instead, entities must move to a cost model for subsequent measurement.

The transition is made using a retrospective approach in line with IAS 8, but practically implemented using the deemed cost exemption, meaning no recalculation of prior periods, no restatement of accumulated revaluation reserves, and existing balances simply become the opening position for the cost model going forward.

The carrying amount of each intangible asset held at 1 April 2025 becomes its deemed historic cost. No revaluation or indexation of intangible assets is permitted after this date.
Subsequent expenditure is capitalised only where it enhances or extends the asset's operational capacity.

1.7.3 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 licenses. Amortised over the shorter term of the license and their useful economic lives.

3) Other intangible assets. Amortised over their expected useful life.

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

NOTE 1 ACCOUNTING POLICIES *continued*

1.8 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.

1.9 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.

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.

NOTE 1 ACCOUNTING POLICIES *continued*

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.

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.

1.10 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 operational capacity provided by the asset, unless there has been a reduction in operational capacity. 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.

1.11 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.

1.12 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.

NOTE 1 ACCOUNTING POLICIES *continued*

1.13 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.

1.14 Employee Benefits

1.14.1 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.

1.14.2 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.

1.15 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

NOTE 1 ACCOUNTING POLICIES *continued*

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 NHS Scotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in AME provision and is classified as non-core expenditure.

1.16 Related party transactions

Material related party transactions are disclosed in Note 17 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

1.17 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.

1.18 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.

1.19 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 12, 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.

NOTE 1 ACCOUNTING POLICIES *continued*

1.20 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.

1.21 Financial instruments

1.21.1 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.

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.

NOTE 1 ACCOUNTING POLICIES *continued*

1.21.2 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.

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.

1.22 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.

1.23 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. The board has elected to adopt the IFRS 9 amendment policy at an early stage.

1.24 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.

NOTE 1 ACCOUNTING POLICIES *continued*

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.

1.25 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 18 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual

1.26 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.

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

The Board commissioned the Valuations Office Agency to provide a full valuation of its land and property for 31 March 2026, which was received in April 2026. The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was an increase of £2.9m (2024-25: an increase of £1.8m) of which £2.9m (2024-25 £1.6m) was credited to the revaluation reserve. A net impairment of £6k was debited (2024-25 £0.2m credited) to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

NOTE 2(a) SUMMARY OF RESOURCE OUTTURN

	£000	£000
Net Expenditure		**55,845**
Total Non Core Expenditure (see below)		(4,660)
Total Core Expenditure		**51,185**
Core Revenue Resource Limit		51,392
Saving/(excess) against Core Revenue Resource Limit		**207**
SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN		
Depreciation/Amortisation	4,521	
Annually Managed Expenditure - Impairments	7	
Annually Managed Expenditure - Creation of Provisions	101	
Right of Use (RoU) Asset - Depreciation	31	
Total Non Core Expenditure		**4,660**
Non Core Revenue Resource Limit		**4,658**
Saving/(excess) against Non Core Revenue Resource Limit		**(2)**

SUMMARY RESOURCE OUTTURN	Resource £000	Expenditure £000	Saving/ (Excess) £000
Core	51,392	51,185	207
Non Core	4,658	4,660	(2)
Total	**56,050**	**55,845**	**205**

NOTE 2(b) Adjustments for non-cash transactions

2025 £000		Note	2026 £000
	Expenditure not paid in cash		
3,201	Depreciation	7a	4,502
19	Amortisation	6	19
-	Impairments on PPE charged to SOCNE	7a	161
(206)	Reversal of impairments on property, plant & equipment charged to SOCNE	7a	(155)
14	Depreciation of Right of Use (RoU) Assets		30
3,028	**Total expenditure not paid in cash**	CFS	**4,557**

2025 £000		Note	2026 £000
2	Lease Interest		4
2	**Net interest payable**	CFS	**4**

NOTE 2(c) Movement in working capital

2025 Net Movement £000		Note	Opening balances £000	2026 Closing balances £000	Net movement £000
	INVENTORIES				
3	Statement of Financial Position	7	36	28	
3	**Net Decrease / (Increase)**				**8**
	TRADE AND OTHER RECEIVABLES				
245	Due within one year	8	340	360	
245	**Net Decrease / (Increase)**				**(20)**
	TRADE AND OTHER PAYABLES				
1,889	Due within one year	10	5,623	5,276	
61	Due after more than one year	10	61	31	
(885)	Less: property, plant & equipment (capital) included in above		(885)	(734)	
-	Less: intangible assets (capital) included in above			-	
(154)	Less: general fund creditor included in above	10	(627)	(384)	
(85)	Less: lease and PFI creditors included in above	10	(90)	(61)	
			4,082	4,128	
826	**Net (Decrease)/ Increase**				**46**
	PROVISIONS				
387	Statement of Financial Position	11a	2,676	2,777	
387	**Net (Decrease)/ Increase**				**101**
1,461	**NET MOVEMENT (Decrease)/ Increase**				**135**

NOTE 3 OPERATING EXPENSES

NOTE 3(a) Employee expenditure

2025 £000			2026 £000
3,228	Medical and Dental		3,703
24,110	Nursing		25,320
16,533	Other Staff		18,227
43,871		SOCNE	**47,250**

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:			
793	Goods and services from other NHSScotland bodies		1,159
5,960	Other Operating Expenses		8,915
66	External auditor's remuneration – statutory audit fee		71
6,819	**Total Other Operating Expenditure**	SO CNE	**10,145**

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

NOTE 4 OPERATING INCOME

2025 £000		Note	2026 £000
421	Income from Scottish Government		357
(977)	Income from other NHS Scotland bodies		869
16	Contributions in respect of clinical and medical negligence claims		-
	Non NHS		
649	Other income		324
109	**Total income**	SOCNE	**1,550**

NOTE 5 SEGMENTAL INFORMATION

The Board has agreed that the services operate under one segment only which is reported in a manner consistent with the internal reporting.

NOTE 6 INTANGIBLE ASSETS

		Software Licences £000	Information Technology Software £000	Assets under Development £000	Total £000
Cost or valuation as at 1 April 2025		66	362	-	**428**
Additions		-	-	-	**-**
Completions		-	-	-	**-**
Disposals		(11)	-	-	**(11)**
At 31 March 2026		**55**	**362**	**-**	**417**
Amortisation at 1 April 2025		47	362	-	**409**
Provided during the year		19	-	-	**19**
Disposals		(11)	-	-	**(11)**
At 31 March 2026		**55**	**362**	**-**	**417**
Net book value at 1 April 2025		**19**	-	-	**19**
Net book value at 31 March 2026	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 2024		28	528	38	**594**
Additions		-	-	-	**-**
Completion		38		(38)	
Disposals			(166)	-	**(166)**
At 31 March 2025		**66**	**362**	**-**	**428**
Amortisation at 1 April 2024		28	528	-	**556**
Provided during the year		19	-	-	**19**
Disposals		-	(166)	-	**(166)**
At 31 March 2025		**47**	**362**	**-**	**409**
Net book value at 1 April 2024		**-**	**-**	**38**	**38**
Net book value at 31 March 2025	SOFP	**19**	**-**	**-**	**19**

NOTE 7(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 2025	946	87,435	278	18,906	2,788	1,805	463	**112,621**
Additions	-	56	-	293	26	19	701	**1,095**
Completions	-	-	-	110	159	18	(287)	**-**
Transfer between Asset Categories	-	593	-	(593)	-	-	-	**-**
Revaluation	631	(7,641)	-	-	-	-	-	**(7,010)**
Impairment Charge		(1,288)	-	-	-	-	-	**(1,288)**
Impairment reversal	-	(556)	-	-	-	-	-	**(556)**
Disposals	-	-	-	(56)	(122)	-	-	**(178)**
At 31 March 2026	**1,577**	**78,599**	**278**	**18,660**	**2,851**	**1,842**	**877**	**104,684**
Depreciation								
At 1 April 2025	-	9,334	203	4,935	1,773	1,505	-	**17,750**
Provided during the year	-	2,339	17	1,827	258	61	-	**4,502**
Transfer between Asset Categories	-	89	-	(89)	-	-	-	**-**
Revaluation	-	(9,924)	-	-	-	-	-	**(9,924)**
Impairment charge	-	(1,127)	-	-	-	-	-	**(1,127)**
Impairment reversal	-	(711)	-	-	-	-	-	**(711)**
Disposals	-	-	-	(56)	(122)	-	-	**(178)**
At 31 March 2026	**-**	**-**	**220**	**6,617**	**1,909**	**1,566**	**-**	**10,312**
Net book value at 1 April 2025	**946**	**78,101**	**75**	**13,971**	**1,015**	**300**	**463**	**94,871**
Net book value at 31 March 2026	**1,577**	**78,599**	**58**	**12,043**	**942**	**276**	**877**	**94,372**
Asset Financing:								
Owned	1,577	78,599	58	12,043	942	276	877	94,372
Net Book Value at 31 March 2026	**1,577**	**78,599**	**58**	**12,043**	**942**	**276**	**877**	**94,372**

NOTE 7(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 2024	946	84,918	348	10,291	2,697	1,761	9,173	**110,134**
Additions	-	-	-	65	110	-	1,409	**1,584**
Transfers	-	-	-	9,731	334	38	(10,103)	**-**
Transfer between Asset Categories	-	-	-	(6)	-	6	-	**-**
Revaluation	-	1,732	-	-	-	-	-	**1,732**
Impairment reversal	-	785	-	-	-	-	-	**785**
Disposals	-	-	(70)	(1,175)	(353)	-	(16)	**(1,614)**
At 31 March 2025	**946**	**87,435**	**278**	**18,906**	**2,788**	**1,805**	**463**	**112,621**
Depreciation								
At 1 April 2024	-	6,298	250	5,465	1,927	1,452	-	**15,392**
Provided during the year	-	2,281	23	645	199	53	-	**3,201**
Revaluation	-	176	-	-	-	-	-	**176**
Impairment reversal	-	579	-	-	-	-	-	**579**
Disposals	-	-	(70)	(1,175)	(353)	-	-	**(1,598)**
At 31 March 2025	**-**	**9,334**	**203**	**4,935**	**1,773**	**1,505**	**-**	**17,750**
Net book value at 1 April 2024	**946**	**78,620**	**98**	**4,826**	**770**	**309**	**9,173**	**94,742**
Net book value at 31 March 2025	**946**	**78,101**	**75**	**13,971**	**1,015**	**300**	**463**	**94,871**
Asset Financing:								
Owned	946	78,101	75	13,971	1,015	300	463	94,871
Net Book Value at 31 March 2025	**946**	**78,101**	**75**	**13,971**	**1,015**	**300**	**463**	**94,871**

NOTE 7(b) ASSETS HELD FOR SALE

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

NOTE 7(c) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

2025 £000		2026 £000
94,871	**Net book value of property, plant and equipment at 31 March – Purchased**	94,372

The Board commissioned the Valuations Office Agency to provide a full valuation of its land and property for 31 March 2026, which was received in April 2026. The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was an increase of £2.9m (2024-25: an increase of £1.8m) of which £2.9m (2024-25 £1.6m) was credited to the revaluation reserve. A net impairment of £6k was debited (2024-25 £0.2m credited) to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

NOTE 7(d) ANALYSIS OF CAPITAL EXPENDITURE

2025 £000		Note	2026 £000
	EXPENDITURE		
-	Acquisition of intangible assets	6	-
1,584	Acquisition of property, plant & equipment	7a	1,095
121	Right of Use (RoU) Additions	17a	-
1,705	**Gross capital expenditure**		**1,095**
16	Net book value of disposal of property, plant and equipment	7a	-
1,689	**Net capital expenditure**		**1,095**

SUMMARY OF CAPITAL RESOURCE OUTTURN

1,705	Core capital expenditure included above	1,095
1,716	Core capital resource limit	1,101
11	**Saving / (excess) against Core Capital Resource Limit**	**6**

NOTE 8 INVENTORIES

2025 £000		2026 £000
36	Raw materials and consumables	28
36	**Total inventories**	**28**

NOTE 9 TRADE AND OTHER RECEIVABLES

2025 £000		2026 £000
	Receivables due within one year	
	NHS Scotland	
12	SGHSCD	(21)
161	Boards	143
173	**Total NHS Scotland Receivables**	122
-	NHS non-Scottish bodies	-
79	VAT recoverable	48
106	Prepayments	201
(30)	Other receivables	(25)
12	Other public sector bodies	14
340	**Total receivables due within one year**	360
340	**Total receivables**	**360**

£000	WGA Classification	£000
161	NHS Scotland	143
93	Central government bodies	128
12	Whole of government bodies	14
-	Balances with NHS bodies in England and Wales	-
74	Balances with bodies external to government	75
340	**Total**	**360**

There were receivables of £95k (2024/25: £nil) assessed as individually impaired.

NOTE 9 TRADE AND OTHER RECEIVABLES *continued*

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2026, debtors with a carrying value of £232k (2024/25: £8k) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

2025 £000		2026 £000
42	Up to 3 months past due	232
-	3 to 6 months past due	-
-	Over 6 months past due	
42		**232**

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;

2025 £000	**Counterparties with external credit rating:**	2026 £000
298	Existing customers with no defaults in the past	128
298	**Total neither past due or impaired**	**128**

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

2025 £000	**The carrying amount of debtors are denominated in the following currencies:**	2026 £000
340	Pounds	360
340	**Total**	**360**

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 (2024/25: £nil).

The effective interest rate on non current other receivables is £nil (2024/25: £nil). Pension liabilities are discounted at 2.95% (2024/25: 2.4%).

NOTE 10 CASH AND CASH EQUIVALENTS

	2026 £000	2025 £000
Balance at 1 April	627	473
Net change in cash and cash equivalent balances	(243)	154
Balance at 31 March	**384**	**627**
Total cash – cash flow statement	**384**	**627**

	2026 £000	2025 £000
Government Banking Service account balance	345	612
Commercial banks and cash in hand	39	15
Balance at 31 March	**384**	**627**

NOTE 11 TRADE AND OTHER PAYABLES

2025 £000		2026 £000
	Payables due within one year	
	NHS Scotland	
293	Boards	188
293	**Total NHSScotland Payables**	188
-	NHS Non Scottish Bodies	-
627	Amounts payable to General Fund	384
181	Trade payables	-
2,025	Accruals	1,996
378	Deferred income	362
29	Net obligations under leases	30
905	Income tax and social security	1,097
659	Superannuation	734
213	Holiday pay accrual	207
117	Other public sector bodies	77
196	Other payables	201
5,623	**Total payables due within one year**	5,276
	Payables due after more than one year	
30	Net obligations under leases due within 2 years	
31	Net obligations under leases due within 2-5 years	
61	**Total payables due after more than one year**	31
5,684	**Total payables**	**5,307**

£000	WGA Classification	£000
293	NHSScotland	188
1,609	Central government bodies	1,831
71	Whole of government bodies	77
-	Balances with NHS Bodies in England and Wales	-
3,711	Balances with bodies external to government	3,211
5,684	**Total**	**5,307**

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

NOTE 11 TRADE AND OTHER PAYABLES *continued*

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

£000	The carrying amount of payables are denominated in the following currencies:	£000
5,684	Pounds	5,307
5,684	**Total**	**5,307**

NOTE 12a PROVISIONS

	Pensions	Clinical & Medical legal claims	Participation in CNORIS	Other provisions	Total
	£000	£000	£000	£000	£000
At 1 April 2025	2,107	-	218	351	**2,676**
Arising during the year	67	-	97	143	**307**
Utilised during the year	(181)	-	(16)	-	**(197)**
Reversed unutilised	(9)	-	-	-	**(9)**
As at 31 March 2026	**1,984**	**-**	**299**	**494**	**2,777**

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	152	-	75	494	**721**
Payable between 2 – 5 years	607	-	182	-	**789**
Payable between 6 –10 years	667	-	16	-	**683**
Thereafter	558	-	26	-	**584**
As at 31 March 2026	**1,984**	**-**	**299**	**494**	**2,777**

Prior Year

	Pensions	Clinical & Medical legal claims	Participation in CNORIS	Other provisions	Total
	£000	£000	£000	£000	£000
At 1 April 2024	2,100	-	189	-	**2,289**
Arising during the year	193	-	92	351	**636**
Utilised during the year	(180)	-	(63)	-	**(243)**
Reversed unutilised	(6)	-	-	-	**(6)**
As at 31 March 2025	**2,107**	**-**	**218**	**351**	**2,676**

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	156	-	54	351	**561**
Payable between 2 – 5 years	622	-	133	-	**755**

Payable between 6 –10 years	699	-	11	-	**710**
Thereafter	630	-	20	-	**650**
As at 31 March 2025	**2,107**	**-**	**218**	**351**	**2,676**

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 2.4% (2024/25: 2.4%) in real terms. The provision at 31 March 2026 is split into early retirees £121k (2024/25: £138k) and injury benefits £1,863k (2024/25: £1,968k). The period over which expenditure is likely to be incurred equates to an average of 8 years for early retirees and 15 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

NOTE 12a PROVISIONS *continued*

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 2025/26 is £299k (2024/25: £218k).

Other
The Board holds a provision to meet the cost of anticipated Agenda for Change re-banding costs . The value provided for is £494k.

NOTE 12b CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)

2025 £000		Note	2026 £000
-	Provision recognising individual claims against the NHS Board as at 31 March	11a	-
-	Associated CNORIS receivable at 31 March	8	-
218	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	11a	**299**
218	**Net Total Provision relating to CNORIS at 31 March**		**299**

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 NHS Scotland has been made and this is reflected in third line above.

NOTE 12b CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)
continued

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

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

NOTE 13 CONTINGENT LIABILITIES and CONTINGENT ASSETS

CONTINGENT LIABILITIES

The 2023-24 Pay Award for Agenda for Change Staff included three elements of reforms, one of which was the review of Band 5-6 nursing posts. At 31 March 2026, a contingent liability of £518k for potential pay awards relating to historic periods has not been recognised.

CONTINGENT ASSETS

The were no contingent assets at 31 March 2026 (2025 - £nil).

NOTE 14 COMMITMENTS

There were no capital or other commitments entered by the Board at 31 March 2026.

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 15a RIGHT OF USE ASSETS

CURRENT YEAR	Transport Equipment	Total
	£000	£000
Cost or valuation		
At 1 April 2025	**121**	**121**
Additions	-	-
Disposals		
At 31 March 2026	**121**	**121**
Depreciation		
At 1 April 2025	**9**	**9**
Provided in Year	31	**31**
Disposals	-	-
At 31 March 2026	**40**	**40**
Net book value at 1 April 2025	**112**	**112**
Net book value at 31 March 2026	**81**	**81**

PRIOR YEAR	Transport Equipment	Total
	£000	£000
Cost or valuation		
At 1 April 2024	**17**	**17**
Additions	121	**121**
Disposals	(17)	**(17)**
At 31 March 2025	**121**	**121**
Depreciation		
At 1 April 2024	**12**	**12**
Provided in Year	14	**14**
Disposals	(17)	**(17)**
At 31 March 2025	**9**	**9**
Net book value at 1 April 2024	**5**	**5**
Net book value at 31 March 2025	**112**	**112**

NOTE 15b RIGHT OF USE ASSETS LIABILITIES

CURRENT YEAR	Transport Equipment	Total
	£000	£000
Amounts Falling Due:		
Not later than 1 year	30	**30**
Later than one year, not later than 2 years	31	**31**
Later than 2 years, not later than 5 years	-	**-**
At 31 March 2026	**61**	**61**

PRIOR YEAR	Transport Equipment	Total
	£000	£000
Amounts Falling Due:		
Not later than 1 year	29	**29**
Later than one year, not later than 2 years	30	**30**
Later than 2 years, not later than 5 years	31	**31**
At 31 March 2025	**90**	**90**

NOTE 16 PENSION COSTS

The State Hospital 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 most recent scheme valuation was carried out in 2020. The 2020 valuation concluded that in order to pay the current pension benefits from the scheme, an increase, of 1.6 per cent, in the employer contribution rate was required from 24/25. The results of the 2024 scheme valuation will determine the employer contribution rate required from 2027/28.

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 April 2024 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 State Hospital 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 2025 is 22.5% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.8% of pensionable pay.

While a valuation was carried out as at 31 March 2016, work on the cost control element of that valuation was suspended by the UK Government following the Court of Appeal judgments in the McCloud (Judiciary scheme) and Sargeant (Firefighters' scheme) cases, which found that the transitional protections introduced as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and the introduction of statutory measures to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. In parallel, the Government Actuary was asked to review whether, and to what extent, the employer cost cap mechanism continues to meet its original policy objectives. The findings of that review were taken into account in the completion of the 2020 actuarial valuations, which were substantially delayed as a result of the McCloud remedy and wider economic changes. Employer contribution rates were implemented from 1 April 2024 following the completion of the 2020 valuations and will remain in force pending the outcome of the current 2024 valuation cycle, which is now underway.

The Board's level of participation in the scheme is 0.03% based on the proportion of employer contributions paid in 2025/26.

NOTE 16 PENSION COSTS *continued*

For 2025/26, normal employer contributions of £5,864k (2024-25 £5,440k) were payable to the SPPA at the rate of 22.5% of pensionable pay and £12k was payable to NEST (2024/25: £15k) at the rate of 3%.

Provisions amounting to £121k are included in the Statement of Financial Position in respect of early retirees and £1,863k in respect of Injury Benefit pensions.

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 2025-26 members paid tiered contribution rates ranging from 5.7% to 12.7% 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 continued to earn benefits in their current section. This affected members who were paying into the scheme on 1 April 2012 and were within 10 years of their normal retirement age. Some members who were close to retirement but did not qualify for full protection will remain in their current section beyond 1 April 2015 and join the 2015 scheme at a later date.

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

Further information is available on the Scottish Public Pensions Agency (SPPA) web site at https//pensions.gov.scot/nhs

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 current employee contribution is 5% of qualifying earnings, with an employer contribution of 3%.

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

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

NOTE 16 PENSION COSTS *continued*

NEST is run by NEST Corporation, a trustee body that 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 17 FINANCIAL INSTRUMENTS & DERIVATIVE FINANCIAL INSTRUMENTS

2025 Total £000	Financial Assets Assets per statement of financial position	Note	Loans and receivables £000	2026 Total £000
(18)	Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	8	(11)	(11)
627	Cash and cash equivalents	CFS	384	384
609			**373**	**373**

2025 Total *(restated)*	Liabilities per statement of financial position	Note	Other financial liabilities £000	2026 Total £000
90	Lease Liabilities		61	61
2,519	Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	10	2,274	2,274
2,609			**2,335**	**2,335**

FINANCIAL RISK FACTORS

Exposure to Risk

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

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.

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.

NOTE 17 FINANCIAL INSTRUMENTS & DERIVATIVE FINANCIAL INSTRUMENTS
continued

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

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.

2025 £000 *(restated)*		2026 £000
2,552	Less than 1 year	2,307
33	Between 1 – 2 years	33
33	Between 2 – 5 years	-
2,618		**2,340**

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.

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.

NOTE 18 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 19 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.

	2025	Gross inflows	Gross outflows	2026
	£000	£000	£000	£000
Bank balances and monies on deposit	597	670	(594)	673
Total monetary assets	**597**	**670**	**(594)**	**673**

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),

"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