Highland Health Board

ANNUAL REPORT and ACCOUNTS

for

THE YEAR ENDED 31 MARCH 2021

Highland Health Board

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THE PERFORMANCE REPORT

1. Overview

This overview summarises the key issues faced by NHS Highland in 2020/21, provides a broad description of the Board and its governance, looks at performance in the year towards the achievement of operational targets and looks ahead to the objectives to be addressed in 2021/22.

1.1 Chief Executive Statement

2020-21 was an extraordinary year for the NHS, as we tackled the COVID-19 pandemic, facing not only the direct threat of the disease to our population, but also the indirect effects such as loneliness and isolation, poor mental health, and the effects of necessarily changing and reducing other health and care services.

Across the Highlands and Argyll & Bute we saw fewer cases of COVID-19 than in some other health boards but the proportional impact on ICU was intense, particularly in the last quarter of the year when we more than doubled our ICU capacity. As a Board with responsibility for adult social care, we also faced unique challenges around keeping the vulnerable people in our care safe, while maintaining their wellbeing during restrictions.

Our approach to the vaccination programme is also distinctive, as we work with GP partners to deliver vaccination as close as possible to people's homes and reduce the need for vulnerable people to travel long distances for vaccination. We believe the high level of take up in our area is partly due to people having an existing relationship with their GP, and I am truly appreciative of the hard work of practice staff, and our central team managing the logistics of distribution to nearly 100 locations, which has made this programme so successful.

My thanks and acknowledgement go to all of our colleagues who, without exception, have gone above and beyond in this exceptional time to keep essential services running and continue to care for people.

Throughout this year, NHS Highland has not only been focussing on COVID-19, but also working to change the culture and behaviours displayed throughout the organisation to empower and motivate colleagues; and to continue to improve our financial position.

Early in the year we launched the Healing Process, an independent service developed in partnership with whistle blowers, colleagues and other stakeholders, with Scottish Government funding, to help individuals who have suffered from historical bullying and harassment. The process closed to new applicants at the end of March with over 300 people having registered, and we continue to learn from the outcomes. Our Guardian Service now provides independent advice and support for colleagues and is also the confidential contact for anyone wishing to use the national Whistleblowing Standards. We have begun training and a review of processes and procedures, all of which will help us to achieve our aim of listening, learning and living our values.

Case Study: Covid Response in Caithness

Caithness Voluntary Group (CVG) played a major role in setting up and co-ordinating the COVID resilience effort in Caithness. They identified and spoke to a lead community organisation in each of the 12 Community Council areas. These were groups known to have the capacity and, importantly, they knew their community and the needs of the people.

A weekly Zoom meeting included reps from all the groups, local councillors, the food bank, ward manager and reps from HIE and Dounreay. CVG shared information and good practice. Lots of procedures were developed and shared, posters were prepared and funding obtained to provide a leaflet detailing emergency information to every house as not everyone was on social media. Hand sanitizer from local distilleries was distributed. Activity boxes have been widely distributed and books and jigsaws shared to improve wellbeing.

CVG worked with all the groups to help them obtain funding, producing a monthly funding update.

People struggling at home were identified and put in touch with local social workers, with better referral procedures agreed. The CVG Befriending team very quickly embraced digital and have expanded to provide even more support during the pandemic.

The group is currently running working groups on Mental Health and Wellbeing; and Fuel and Food Poverty.

NHS Highland achieved significant savings in 2019-20, exceeding our financial plan and reducing our brokerage requirement. Whilst we had other key priorities in responding to the pandemic during 2020-21, we were still able to deliver £20.675 million of savings: 2.1% of our operating budget. This represents two-thirds of our savings target, making us one of the top performing health boards in Scotland. Examples of savings include reducing our reliance on high-cost locums, improving the use of theatres and better use of technology to reduce corporate overheads.

Our financial performance during this unprecedented year has allowed us to plan on the basis of a balanced budget for the coming year. It is also a significant factor in our performance escalation level being reduced from level 4 to level 3, signifying a lower level of scrutiny from Scottish Government. This huge achievement is thanks to the hard work of colleagues at all levels and in all services and I share here my sincere appreciation for their efforts. We must continue to embed this approach and evidence that we can operate effectively within budget.

Case study: an online phone system in Aviemore

Voluntary Action in Badenoch and Strathspey (VABS) set up12 Community Response Teams (CRTs), including one in Aviemore. They hosted Zoom meetings with key Aviemore organisations and residents who were already involved in community activities including Aviemore Community Council, the Community Transport Company (Where2Today) and Aviemore & Glenmore Community Trust, to establish the purpose of the CRT, roles within the team and organise recruitment of volunteers. The CRT recruited and managed call handlers for the online phone system and a wider team of volunteers who could support residents with shopping, prescription collections, dog walking and befriending calls.

Recruitment was principally via social media and posters – again all done by volunteers. Aviemore was allocated a single phone helpline through a company called 3CX. This was accessed through a mobile app, which call handlers had to sign up to and download onto their own phones for answering. The dedicated number was widely publicised, so residents knew which number to use if they needed assistance. This meant volunteers' own numbers were not being made available to the public.

A call handler took a phone call from the member of the community in need and then called a volunteer who had been vetted to carry out the task required - most of which were prescription collections. In total, Aviemore recruited 160 volunteers.

A number of changes to senior positions during the year reflect the journey that NHS Highland is on. I was delighted to have been successful in being appointed as Chief Executive following my role here as Interim Deputy Chief Executive and am proud to be leading the organisation into an exciting new chapter.

Dr Tim Allison joined us as Director of Public Health, David Park has taken on the role of Deputy Chief Executive on an interim basis, and Louise Bussell is our interim Chief Officer for Highland. In Argyll and Bute, we said a sad farewell to the Health and Social Care Partnership's Chief Officer Joanna MacDonald, who will be replaced on an interim basis by Fiona Davies. Louise and Fiona's appointments will bring us consistency of leadership while we explore the outcomes of the Feeley Review of Adult Social Care.

We have also looked at the overall structure of the organisation, making changes to enable better cross-service working and whole-system integration. Our new structure will encourage and empower colleagues at all levels to be leaders, enabling innovation.

We have also continued to make progress on service improvements. Building work is underway at the Elective Care Centre, now officially named the National Treatment Centre, in Inverness. Badenoch and Strathspey Community Hospital in Aviemore will open later in 2021, as will the new community hospital in Broadford on Skye. These are exciting projects, bringing new facilities closer to home for many people and allowing us to pioneer new ways of working.

Sutherland Friends Call

Sutherland Friends Call befriending service was set up at the beginning of the pandemic. Volunteers were trained, PVG checked, policies in place and first calls were made across Sutherland starting in June 2020. During that time, they befriended people from 47 years old to 89 years old.

The service is available across Sutherland and anyone aged 18 and over, who is feeling lonely, isolated, and struggling during the pandemic can refer to the service.

Referrals vary, some people have self-referred, but there have also been referrals from Sutherland Community Mental Health Team, Connecting Carers, GPs and Social Work as well as neighbours. We liaise with the referral agents to let them know when the person is receiving a service and contact them if we have any updates or concerns.

The service is in touch with NHS Highland, Highland Council, community groups, community councils, resilience groups, churches, community nurses and the community as a whole regarding raising awareness of Sutherland Friends Call.

Regular reviews are carried out every 4-6 weeks with both the volunteer and the person being befriended ('Friends').

When asked if the befriending calls were making any difference to her, one 89 year old Friend said "Yes, I don't have anybody else to talk to. You know we talk about everything and I feel I trust her. It's strange to think we've never met, but I do trust her. Thank you for arranging this".

The same question was asked to our 47 year old Friend who replied "I don't know where I'd be without her! We have so much in common, she just gets me and understands what it's like to have a child with additional needs."

But improving people's health and wellbeing is about more than buildings. People have told us that they want to stay in their own homes for as long as possible and to return home, or to a homely environment, after hospital treatment. It is vital that we work alongside communities to design services that support this. We continue to engage with people in Lochaber, Caithness and North Skye about different ways of providing services in the future, so that we can share what we know about changing demands and come to a common vision for the best way forward.

The community response to COVID-19 was magnificent and shows what can be achieved when we work together. Local groups provided welfare checks, food parcels and befriending while, at NHS Highland, we vastly increased our virtual and phone appointment services. If, across the Highlands and Argyll & Bute, we can continue this pattern of local, in-person support and remote professional expertise, we will reduce the need for travel, increase individuals' sense of worth and connection and, ultimately, help people to become healthier and happier.

1.2 About NHS Highland

NHS Highland is one of 14 territorial boards in NHS Scotland and covers the largest and most sparsely populated area. It employs approximately 10,500 people and provides health and social care services to a resident population of 320,000. The diverse geography includes Inverness, one of the fastest growing cities in Western Europe and 36 populated islands (23 in Argyll & Bute and 13 in Highland). The population lives with some challenges, including areas of deprivation and inequality and issues arising from fuel poverty and transport difficulties. The population is also older than the Scottish average and can have increasingly complex health and

care needs. The economy can be fragile and has been further affected by the restrictions of COVID-19, which has had an impact on tourism. Seasonal work is common.

There are also huge benefits to living in the Highlands and Argyll & Bute and a wealth of knowledge and skills in our communities. We enjoy some of the cleanest air in the UK and access to exercise outdoors amongst beautiful scenery. Our communities are close-knit and supportive. And, as a major employer, NHS Highland has the power to develop career paths that retain and attract talent to the area, taking advantage of impetus given by the pandemic to remote working and rural living.

We believe that people living in remote and rural areas deserve the same health and care opportunities as those in cities or more densely populated areas. Crucially, in order to deliver this, we must work in partnership with our communities, listening to and learning from them, to deliver services.

NHS Highland was recently moved from level 4 to level 3 of the Scottish Government escalation framework, reflecting improvements in finance; governance, leadership and culture; and mental health. Scottish Government retains oversight of these issues to ensure that progress continues and the Board is focussed on these priorities.

While we expect to achieve the £32.9 million savings necessary to present a balanced budget in 2021-22, there remains uncertainty over the funding and future costs of the COVID-19 pandemic. Arrangements for longer-term funding still need to be agreed with Scottish Government Health and Social Care Directorate.

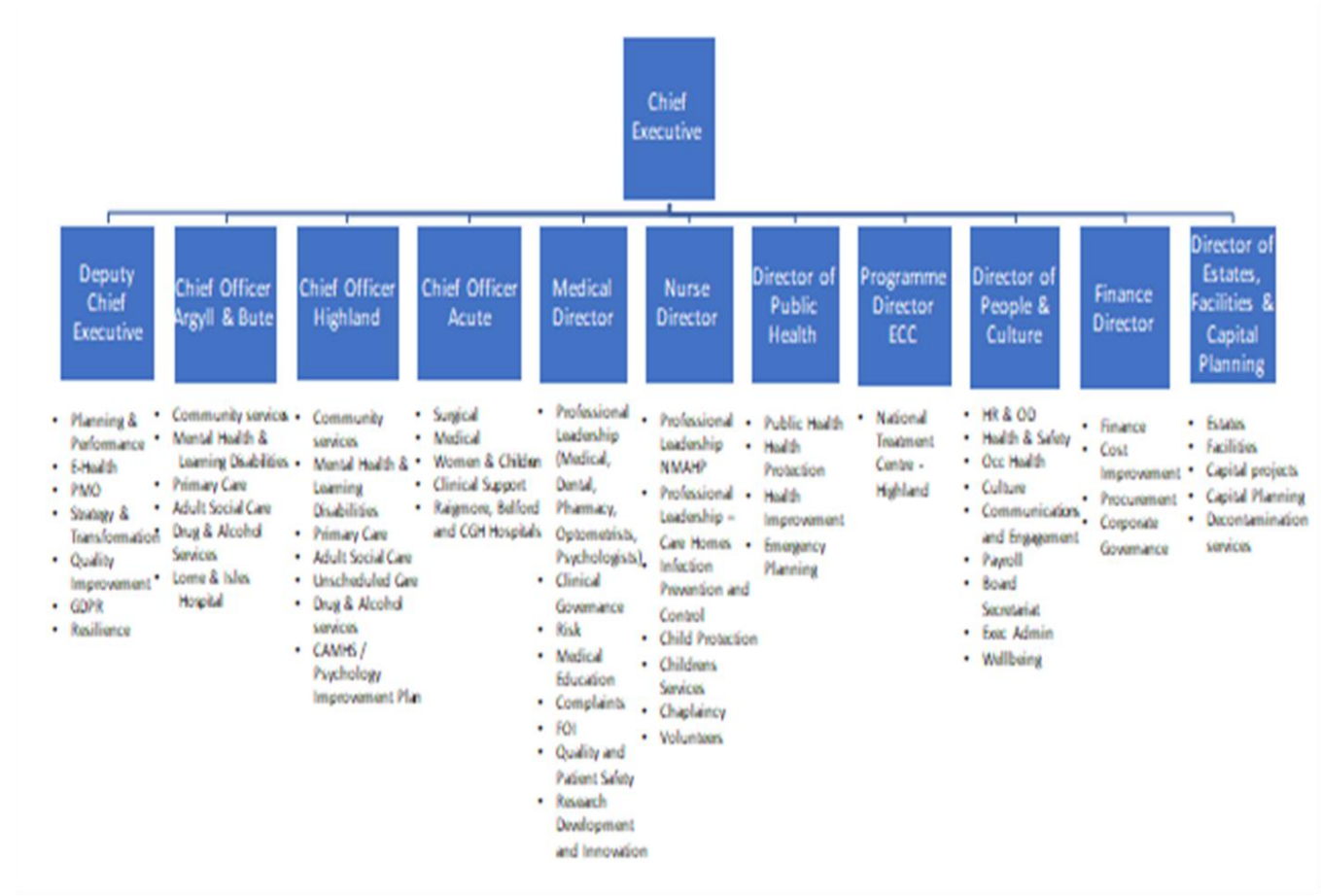
1.3 Structure and Governance arrangements

NHS Highland is managed by a Board of 21 members, made up of 16 Non-Executives and five Executive Directors who are accountable to the Scottish Government through the Cabinet Secretary for Health and Sport. Executive Directors who are also board members are the Chief Executive, Board Medical Director, Director of Finance, Board Nurse Director and Director of Public Health.

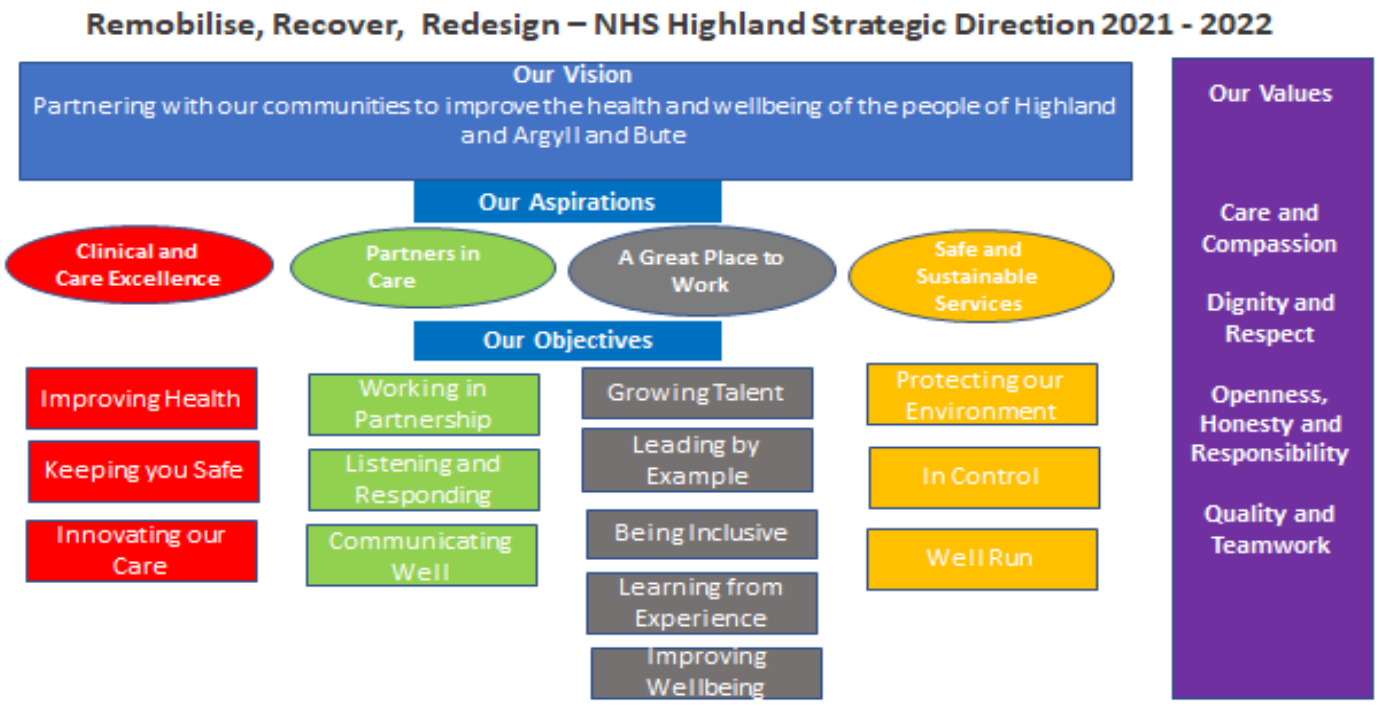
The Board is responsible for the strategic planning of health services and the development of measures to improve the health of people in the Highlands and Argyll & Bute. The Core Governance Committees are: Clinical Governance, Staff Governance, Finance, Resources and Performance, and Highland Health and Social Care Committees. These Committees are responsible for regularly reviewing and updating relevant policies in each of their areas of responsibilities on behalf of the Board. Its responsibilities for Health and Safety are reported directly to the Staff Governance Committee. The Remuneration Committee and Pharmacy Practices Committee also have a direct reporting link to the Board and perform a more limited assurance role. The Board also receives advice and information from the Area Clinical Forum and the Highland Partnership Forum. Board meetings are held every two months. At present they are being held virtually, with members of the public able to attend online and a recording posted online afterwards.

The Board includes two Local Authority areas, Highland and Argyll & Bute. Operationally, activities are managed by the Highland Health and Social Care Partnership (co-terminous with The Highland Council area) and Argyll & Bute Health and Social Care Partnership (co-terminous with Argyll & Bute Council area).

The organisational structure has recently been revised to promote cross-service working. The structure has moved away from a locality model and aims instead to allow for an overview of services across the whole of the NHS Highland area, to better manage the impacts of changes across the system.



1.4 Priorities, Approach and Objectives for 2020/21



Remobilisation Plan and 2021-22 Strategy: Remobilise, Recover, Redesign

As NHS Highland emerges from a period of rapid change, it is important that we have a clear strategy from which to map our priorities. COVID-19 has necessitated particular priorities for the coming year, so we have developed a one-year strategy for 2021-22 (attached as Appendix 1), aligned to our remobilisation plan, entitled Remobilise, Recover, Redesign. This will steer us through the relaxation of restrictions and remobilisation of services, and give us time to fully

engage with colleagues, patients and partners in order to produce a comprehensive five-year Clinical and Care Strategy for 2022-27.

Our current strategy sets out our vision, aspirations, objectives and values.

This is the first overarching strategy NHS Highland has had for some time and, as such is it difficult to report on our performance against strategic objectives up to this point. We have now set up a system of oversight for all elements of the NHS Highland performance against our strategy and objectives.

We have introduced an Integrated Performance and Quality Report (IPQR) during the last year and this is presented at each Committee and Board meeting to enable scrutiny of performance and quality standards. We will be further refining and adding to this report over the course of 2021/22.

Our Financial Recovery Board has been in place for some time and is a highly effective method of scrutinising financial savings progress. During 2020/21, we introduced a Performance Recovery Board, which oversees key elements of our hospital and care performance and, in 2021/22, will also have regular focus on operational unit performance more widely.

We have also introduced a Workforce Board, which will oversee these elements of our strategy and plans to ensure we have the right workforce in place, now and in the future. The Culture elements of our progress are overseen by the Culture Oversight Group, which reports directly to the Staff Governance Committee.

With these focused forums and the re-implementation of the Systems Leadership Team to bring together the senior leaders of the operational, professional and support functions in our system, we will have a robust monitoring process in place. This will enable our Executive Directors Group to focus on the longer-term strategic planning and priorities for NHS Highland.

Partnership colleagues are embedded in all operational and programme meetings to ensure appropriate engagement and input from our staff-side representatives.

We will also finalise our internal and external communications and engagement strategy to ensure the ongoing engagement and involvement of colleagues, patients and communities in the delivery of our strategic plans for 2021/22 and the creation of our 2022 Clinical and Care Strategy.

Argyll & Bute

Argyll and Bute HSCP Strategic Plan

The HSCP vision and priorities for health and social care in Argyll and Bute were developed for the first Strategic Plan 2016-2019 and the vision and priorities still remain current and relevant for our communities, staff partners and stakeholders. The vision in the revised plan 2019-20 to 2021-22 is: ***"People in Argyll and Bute will live longer, healthier, independent lives."***

Argyll and Bute HSCP's seven areas of focus/priorities for the period of its plan are illustrated here.

Performance management and reporting

The HSCP has in place a Planning and Performance Management Framework. Reporting to the Board takes place with a performance scorecard normally being presented on a regular basis to the IJB on the National Health and Wellbeing Outcome Indicators. Reporting against these indicators has been affected by the pandemic and normal reports ceased from April to December 2020.

The IJB received a report on performance at its meeting of 27 January 2021. The IJB noted and approved the suspension of reporting against the HSCP Health and Wellbeing Outcome Indicators as well as a change in focus of the performance reporting to Covid-19 activity and remobilisation of health and social care services (resuming normal services from an emergency only footing) in Argyll and Bute.

NHS Highland's (NHSH) Remobilisation plan was established in July 2020 in response to the NHS Scotland Covid19 Framework for Decision Making "Re-mobilise, Recover and Re-design" and the HSCP has contributed to the plan.

The IJB noted that as at December 2020, the HSCP performance progress regarding remobilisation of activity was in line with NHS Highland's performance target for 2020-21 agreed with Scottish Government of 70%-80% of 2019-20 activity.

The HSCP continues to publish its Annual Performance Report with the 2020-21 report due to be published in 2021-22. This will be delayed again this year under the provisions of the Coronavirus (Scotland) Act 2020 Schedule 6, Part 3 to November 2021 and will focus on remobilisation of services and the HSCP's response to the pandemic emergency during 2021.

Due to our reliance on NHS Greater Glasgow and Clyde (NHS GG&C) for specialist hospital services, our remobilisation planning has been completed in tandem with them to agree the scale and pace of resumption of normal services.

This has seen NHS GG&C only undertaking Priority 1 and 2 treatment activity (see figure 1) as they were coping with very high levels of emergency Covid-19 inpatient and Intensive Care Unit activity. A further report was presented to the IJB on 31 March 2021, using validated activity as at February 2021, which showed the situation remains largely unchanged from that reported in January.

Figure 1 Covid -19 NHS Prioritisation response levels

Priority level 1a Emergency and 1b Urgent – operation needed within 24 hours

Priority level 2 Surgery/Treatment – scheduled within 4 weeks

Priority level 3 Surgery/Treatment – scheduled within 12 weeks

Priority level 4 Surgery/Treatment – may be safely scheduled after 12 weeks.

The impact of the pandemic on waiting lists and waiting times for scheduled care (priority 3 and 4) has been significant as this activity was cancelled during lockdown.

The table below identifies the length of wait associated with each of the specialities which are provided in Argyll and Bute alongside the totals and booking status as at 10 February 2021. Performance against December 2020 data shows a slight improvement in the overall number of Outpatients Waiting more than 12 weeks (3.9% reduction) and a slight increase in March Outpatients booking activity. There is, however, a significant backlog of activity that the HSCP will need to address in 2021-22 and this has informed the HSCP contribution to NHS Highland remobilisation plan.

New Outpatient Waiting List as at 10th February 2021

Main Specialty	Total on Waiting List	Length of Wait (weeks)				Appt Status		
		Over 26	12 to 26	Under 12	% > 12 Weeks	Booked	Unbooked	% Un Booked
Consultant Outpatients Total	1095	205	187	703	35.8	405	690	63.0
Mental Health Total	745	439	135	171	77.0	68	677	90.9
AHP OTHER Total	410	72	40	298	27.3	127	283	69.0
Nurse Led Clinics Total	120	17	13	90	25.0	72	48	40.0
Other/Non MMI	561	43	86	432	23.0	162	399	71.1
All OP WL Total	2931	776	461	1694	42.2	834	2097	71.5

1.5 Key issues and risks

The key issues and risks facing NHS Highland are:

- *Financial balance.* While we have made excellent progress, the achievement of financial balance remains dependent upon the success of the Board's Recovery Plan. More straightforward savings have already been achieved, so to continue to make efficiencies is challenging. Our colleagues across the board are key to identifying new opportunities, while our Programme Management Office plays a crucial role in developing these into achievable propositions.

- *Service transformation and redesign.* People can often be concerned about proposed service changes and we need to do more to involve people in redesigns, work alongside existing third sector or partner services and better explain the changing demands on services. Any service change must also be safe and sustainable, a principle we have rooted in our financial recovery programme to ensure that savings never come at the cost of services.

- *Culture Transformation.* The Board understands changing the culture of the organisation to be one of its most significant challenges. While we continue to listen to and learn from the past, we need also to model the behaviours we want to see at every level, celebrate positive culture where we encounter it, and measure and report on our progress. Cultural transformation is a long-term process and will require ongoing commitment.

- *Staff recruitment and retention.* While the pandemic has presented an opportunity to capitalise on people wishing to move to rural areas or work remotely, we continue to need innovative approaches to recruitment in particular professions or areas. This may include working with partners to develop a pipeline of early career and changing career talent, or to offer housing support as well as development opportunities to retain existing colleagues.

- *COVID-19.* The impact of COVID-19 on health and wellbeing is significant and represents a considerable risk to every health board. Waiting lists for elective care have increased, mental wellbeing has declined, and the suspension of routine preventative services including dentistry and optometry will have ongoing consequences. Safe but swift remobilisation is vital as is the continued roll-out of the vaccination programme.

- *Policy changes.* With the new Scottish Parliament now in place, is it likely that new ministers will influence priorities for health and care. More specifically, the Feeley Review represents a wholesale reorganisation of the care sector. As an organisation, we must remain flexible enough to respond to changes while also ensuring our insight and experience is taken into account in proposals.

1.6 Performance Summary

NHS Highland has not managed to fully meet the access times set by the Scottish Government. Performance against National Standards is mixed and Covid19 resulted in a deterioration of performance against the national standards throughout 2020. A revised remobilisation plan was developed and agreed with the Scottish Government during 2020/21, which recognised that elective waiting times targets would not be achieved throughout this period. In response to this changing environment, NHS Highland established the Performance Recovery Board (PRB) in June 2020 to drive forward improvement in performance whilst maintaining oversight of the implications of Covid 19. The PRB provides support to the recovery and maintenance of the scheduled and unscheduled care pathways through surveillance of delays and redesign of patient pathways.

2020/21 has been a challenging year in the delivery of the National Performance standards and, as a result, only the 31 Day Cancer indicator met the required standard. However, three indicators exceeded the National average for Scotland, including 4 hour waits in Emergency Departments, 12 week wait for Outpatients and the 6 week wait for Diagnostics. NHS Highland remains in the lower quartile for the 62 day cancer target.

4 Hour emergency department waits. NHS Highland has four Emergency Departments (ED) - Raigmore, Lorn and Islands, Belford Hospital and Caithness General Hospital. The board started the year exceeding the national target of seeing 95% of all ED patients within 4 hours, reducing slightly to 94.3% by March 2021. The national average for Scotland for March 2021 was 88.5%.

12 week wait for outpatients. The target for outpatients is for 95% of all patients to have their appointment 12 weeks after referral and, as of March 2021, NHS Highland achieved 69.8%. The most recent national figure available is 48% at December 2020 (NHS Highland achieved 57% in December 2020).

Treatment time guarantee. NHS Highland has not managed to fully meet the treatment time targets set by the Scottish Government. As of March 2021, 74.6% of patients were treated within the 12-week target, this is an increase in the mid-year figure of 54.3%. The most recent national average available is 61.4% in December 2020 (NHS Highland achieved 60.4% at December 2020).

Cancer waiting times targets (31 days and 62 days). NHS Highland has met the 31 day standard for the time taken from urgent referral of suspected cancer to first treatment in March 2021 with a performance of 96.6% (national target 95%). Challenges are continuing with meeting the 62 day standard with NHS Highland's performance in March 2021 at 75.5%. The most recent national average available for the 62 day target is 86.2% for the quarter ending 2020 (NHS Highland achieved 70.2% for the quarter ending December 2020).

Diagnostic waits. As at March 2021, the year end outturn for NHS Highland was 73% of patients seen within 6 weeks (target is 100%). The national average at December 2020 was 55.9% (NHS Highland was 70.5%).

18 Weeks referral to treatment. NHS Highland end the year with a performance outturn of 74.7%, up from a mid-year performance of 63.3%. The national average at December 2020 was 73.8% (NHS Highland was 73%).

CAMHS waiting times. Waiting Times for CAMHS services in NHS Highland are below the national target of 90% with performance at the end of March 2020 standing at 71.4%. The latest national position available is 73.1% for the quarter ending December 2020 (NHS Highland was also 73.1% for the same time period).

Psychological therapies waiting times. Performance levels are below the national target of 90% with performance at the end of March 2021 at 76.9%. The national average for quarter ending December 2020 was 80% (NHS Highland was 73.8% for the same period).

2. Performance Analysis

Operational Performance

NHS Highland expended considerable effort during 2019/20 to improve the management of waiting lists and the achievement of financial balance. During 2020/21, the Covid19 pandemic affected our waiting times performance as a result of social distancing requirements and infection control measures that were put in place across the health and social care system. It is clear that much still remains to be done and NHS Highland will be focused in the year ahead upon rising to the many challenges it faces. The key to all of the challenges is in the ongoing creation of a working environment which fully embraces service transformation and respects the needs of everyone involved in the provision of NHS services. We are looking forward both to the reinstatement of the work which was already underway and the application of new and improved ways of working which have arisen due to the on-going need to provide services through the period of the pandemic.

The latest Integrated Performance and Quality Report was presented to the Board in May 2021.

Annual Performance Report for NHS North Highland Health & Social Care.

Annual Performance reports for Argyll & Bute HSCP.

Financial Performance

The Scottish Government requires NHS Boards to meet three key financial targets:

- a Revenue resource limit;
- a Capital resource limit; and
- a Cash Limit

Further details on non-core elements of expenditure, typically comprising items of a technical accounting nature, can be found in the Summary of Resource Outturn.

	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (Deficit)/ Surplus £'000
Core Revenue Resource Limit	863,107	862,406	701
Non-core Revenue Resource Limit	23,356	23,356	0
Total	**886,463**	**885,762**	**701**
Core Capital Resource Limit	54,617	54,617	0
Non-core Capital Resource Limit	0	0	0
Total Capital Resource Limits	**54,617**	**54,617**	**0**
Cash Requirement	911,757	911,757	0

MEMORANDUM FOR IN YEAR OUTTURN	**£'000**
Core Revenue Resource Variance (Deficit)/Surplus in 2019-20	701

Financial flexibility: funding banked with/(provided by) Scottish Government	0
Underlying (Deficit)/Surplus against Core Revenue Resource Limit	701
Percentage	0%

During 2020/2021, the Board continued to be escalated to level 4 on the NHS Scotland Governance Framework. Due to the impact of the Covid 19 pandemic, the Scottish Government paused the Annual Operating and financial planning process. Recognising the exceptional nature of 2020/2021 and the impact on delivery of financial recovery plans, additional non-repayable funding was provided to support in-year financial balance across all NHS Boards.

NHS Highland started the year with an underlying gap of £37.675m and set a deficit budget of £8.8m, leaving a savings target of £28.875m. The brokerage requirement of £8.8m was agreed with Scottish Government.

Early in the year the impact of Covid began to be felt and mechanisms were introduced to manage and capture the financial impact. Monthly returns were provided to Scottish Government in an agreed format recording expenditure incurred and forecasting expenditure to the end of the financial year. During the year, Scottish Government made a number of funding allocations covering sustainability payments to independent and third sector care providers, funding for hospices and more general allocations covering costs incurred by the Board.

In addition to funding all costs associated with Covid 19, Scottish Government also provided funding to cover slippage on the cost improvement programme, the funding gap within Adult Social Care and the brokerage requirement of £8.8m. Similar funding packages were put in place nationally to ensure parity across all Boards recognising the significant financial impact of Covid 19. In addition, a package of £7.03m was received to enable the remobilisation of some services.

In total, £57.276m was received in respect of Covid 19 funding.

Savings of £20.675 were achieved in year with 26% of these being delivered recurrently.

A surplus of £0.7m is reported in 2020/2021.

The uncertainty experienced during 2020/2021 as a result of the response to the pandemic will continue into 2021/2022. The continued response to the pandemic and the associated remobilisation of services will have an ongoing financial impact. The vaccination programme and the Test & Protect programme alone will result in significant additional costs to Boards nationally. Whilst funding will be available, at this time, there is no certainty on the level of funding available or how this will be allocated to individual Boards.

Planning for 2021/2022 assumes full funding for costs associated with both Covid 19 and the remobilisation of services. The Cost Improvement Programme will require to deliver an ambitious target of £32.9m. Taking these factors into account, no brokerage requirement has been identified for 2021/2022.

The Healing Process is a unique and bespoke offering to aid healing and address harm caused by those who experienced bullying and inappropriate behaviour whilst working for NHS Highland across Highland and Argyll and Bute, in the period to 31 December 2019. This process, which was co-produced with external advisors and whistleblowing and staff-side representatives, opened for registration in late May 2020 and closed to new registrants on the 31st March 2021, with 340 registrations in total

The options available to participants include a 1:1 discussion by experienced independent facilitators, access to Psychological Therapies provided by Validium, and access to an Independent Review Panel (IRP) hearing. The IRP then make recommendations to the Board for approval, based on the request of the participant and their assessment of the case in line

with the guidance. This can include apologies, organisational learnings, financial payments, referral to internal processes, redeployment or re-engagement or no further action.

NHS Highland have included actual set up and running costs incurred to date and actual and future payment liabilities arising from the Healing Process in 2020/21. These have been funded by Scottish Government. Further costs of running the process until all cases are concluded in early 2022 are also funded by Scottish Government and will be seen in the 2021/2022 accounts.

Up to 26 May 2021, 136 Independent Review Panel outcomes have been approved by the NHS Highland Remuneration Committee, which includes 118 recommendations for financial payment and 18 with no payment requested or recommended. All panel recommendations have been accepted to date. Those 118 financial payment recommendations total £1.664m. There are 5 Bands of payments and the payments approved to date have been banded as follows Level 1 (£500 - £5,000) 36 cases, Level 2 (£5,000 - £15,000) 47 cases, Level 3 (£15,000 - £30,000) 28 cases, Level 4 (£30,000 - £60,000) 5 cases and Level 5 (£60,000 – £95,000) 2 cases. Dispensation has been granted from HMRC to treat these payments as not subject to PAYE or NICs so there are no employer NIC costs.

Based on information held on the number of outstanding cases and ongoing monitoring of average payments, we have accounted for a total of £4.2m in total for these financial payments in 2020/2021, covering both the existing and outstanding liabilities.

The costs of setting up, running and administering the process, including all elements other than the financial payments which have been incurred in this financial year, were £1.1m. Cost for running the process in 2021/2022 will be included in next year's accounts and Scottish Government have confirmed the funding of these.

Bad debt provision of £1.896m this year (prior year £1.288m) is based on all non-government debt outstanding greater than one year old except for Road Traffic Accidents reclaims which have been provided for if more than four years old. This is based on historical patterns of recovery for these debts.

Public Finance Initiative/Public Private Partnerships

Provision of Easter Ross Primary Care Resource Centre
Start date February 2005 ending January 2030.
This scheme is a redevelopment of County Hospital, Invergordon, into a Primary Care Centre and combines a community hospital and a health centre, integrating primary and community care into one community health resource. There is a 25 year contract with an estimated capital value of £8.8 million and the PFI property will revert to the board at the end of the contract.

Provision of New Craigs Hospital
Start date July 2000 ending June 2025.
This scheme is a replacement for the Craig Dunain Hospital, Inverness, and provides in-Patients' facilities for adults with Mental Health needs or Learning Disabilities. There is a 25 year contract with an estimated capital value of £14.4 million. There are several options available to the board at the end of the contract but no decision has been made yet whether to extend, buy or terminate the agreement.

Provision of Mid Argyll Community Hospital and Integrated Care Centre, Lochgilphead
We financed the development of Mid Argyll Community Hospital and Integrated Care Centre in Lochgilphead by way of a PFI scheme. The period of the contract runs from June 2006 to May 2036 at which point the ownership of the asset will transfer to the board. The estimated capital value of the project is £19.2 million.

Provision of Tain Health Centre
We have a service concession agreement with HUB North of Scotland Ltd for occupancy of the Tain Health Centre effective 24th May 2014. Under the terms of the agreement NHS Highland

have a legal commitment to occupy the building for a period of 25 years and will incur annual charges for occupancy, maintenance and running costs. The ownership of the asset will transfer to the Board at the end of the 25 year agreement.

Family Health Services

The programme of patient exemption eligibility checking within the CFS Patient Claims Team (PCT) was suspended in April 2020 due to the COVID-19 pandemic. The PCT were subsequently redeployed to work in the NHS Scotland Test and Protect contact tracing programme. In addition to this, Dental and Ophthalmic services were severely disrupted and restricted for a large part of 2020. As a direct result of this interruption to service provision and combined with the lack of sampled exemption claim cases, there is not sufficient information available to CFS to allow for a robust and meaningful extrapolation calculation to be produced this year. The PCT resumed their programme of work in January 2021 and CFS anticipate that the production of the annual Extrapolation calculation will resume in 2022.

Payment Policy

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

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

	2019/20	**2020/21**
Average period of credit taken	9 days	12 days
Percentage of invoices paid within 30 days:		
- by volume	93.38%	92.10%
- by value	95.90%	94.43%
Percentage of invoices paid within 10 days:		
- by volume	86.81%	76.14%
- by value	87.05%	83.42%

The performance of meeting the 10-day target for taking credit has not been met due to reduced priority for the approval process whilst treating COVID patients and with many staff requiring to work at home. As a result, the percentage of value and volume has fallen during 2020/21.

Pension Liabilities

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 19 and the remuneration report.

Social Matters

NHS Highland is committed to leading and promoting Equality and Diversity, equal opportunities and supporting human rights in terms of the provision of health services for the community it serves.

NHS Highland has published its Equality Outcomes and Mainstreaming Report in April 2021 which summarises progress towards achieving equality outcomes set in 2017, demonstrates how NHS Highland is working to meet the Public Sector Equality and sets out new outcomes for 2021-2025:

- Outcome 1 - In Highland, people from identified groups, including young people, will have improved access to the resources needed to support their mental health and wellbeing.

- Outcome 2 - In Highland, all individuals are equally safe and respected, and women and girls live free from all forms of violence and abuse and the attitudes that perpetuate it.
- Outcome 3 - In Highland, people from identified groups will have more control over the care and services they receive.

Examples of progress within this report include:

- in consultation with Stonewall, the Scottish Transgender Alliance and Inverness Gender Identity Clinic introduced 'Supporting Transgender Staff in the Workplace - Protocol & Guidance'
- development of the LGBT Diversity Champions Toolkit which provides information and resources aimed at supporting staff to build an inclusive and welcoming environment for LGBT staff, service users/ patients and the wider community
- awarded Carer Positive Award 'established' status

Further details and more information is available within the report published on the NHS Highland website. This includes staff training delivered on equality related issues, employee data, gender pay gap and equal pay statement:

NHS Highland Equality Outcomes and Mainstreaming Report 2021-2025 (scot.nhs.uk)

NHS Highland has put in the place processes to comply with the revised Whistleblowing Standards which were launched with effect from 1 April 2021 and has been liaising closely with the Independent National Whistleblowing Office and our nationally appointed Board Whistleblowing Champion, Albert Donald. We launched our independent, external Speak Up Guardian Service from August 2020, as an additional channel to raise concerns. They are also supporting us with our helpline, confidential contact and our data and reporting for Whistleblowing and have been promoting the service to employees and other relevant parties.

NHS Highland has a zero tolerance for fraud, bribery or corruption. Staff are updated regularly on counter fraud matters including the confidential routes that are available to report suspected fraud, bribery or corruption. A range of fraud awareness initiatives were progressed during the year including targeted awareness in relation to Once for Scotland policies.

NHS Highland has robust procedures in place, which reduce the likelihood of fraud occurring. These are included within the Code of Corporate Governance (i.e Standards of Business Conduct, Standing Orders, Standing Financial Instructions), financial procedures, systems of internal control and risk assessment and not least a comprehensive counter fraud policy and action plan. The Board takes part in a post payment verification system which covers all Family Health Service expenditure.

NHS Highland works closely with other organisations, including Counter Fraud Services (CFS), the Central Legal Office, Audit Scotland, the Cabinet Office, Department for Work and Pensions, the Home Office, Councils, the Police and the Procurator Fiscal/Crown Office to combat fraud and participates in the bi-annual National Fraud Initiative exercise which is a data matching exercise.

Sustainability and Environmental Reporting

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

Further information on the Scottish Government's approach can be found in the Climate Change Plan 2018-2032 while national reports can be found at the following resource here

Events after the end of the reporting period
There are no events to report.

Pam Dudek

Chief Executive and Accountable Officer

26/7/2021

B THE ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

The Directors Report

The Directors present their report and the audited financial statements for the year ended 31 March 2021.

Date of Issue

Financial statements were approved by the Board on 22 June 2021 subject to completion of the audit and signed, as authorised for issue on 21 July 2021.

Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2016/17 to 2020/21 the Auditor General for Scotland appointed, Grant Thornton UK LLP to undertake the audit of NHS Highland. Audit Scotland have notified the health board that the appointment period is to be extended by a further year to 2021/22. 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 for Scotland.

Board Membership

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

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

Non-Executive Members

Alexander Anderson	Non Executive Director
Jean Boardman	Non Executive Director
James Brander	Non Executive Director
Alasdair Christie	Non Executive Director
Sarah Compton-Bishop	Non Executive Director
Ann Clark	Non Executive Director – Chair Highland Health and Social Care Committee Board Vice Chair
Graham Bell	Non Executive Director from 1 January 2021
Albert Donald	Nationally appointed Whistleblowing Champion
Alasdair Lawton	Non-Executive Member to 31 May 2020
Deirdre MacKay	Highland Council Local Authority Member
Philip MacRae	Non Executive Director
Margaret Moss	Chair Area Clinical Forum
Graham Hardie	Argyll and Bute Council representative from 24 September 2020
Adam Palmer (from 01/10/13)	Employee Director Staff Side Chair – Highland Partnership Forum

Ann Pascoe	Non-Executive Member to 15 July 2020
Professor Boyd Robertson	Board Chair
Gaener Rodger	Non-Executive Member
Gerard O'Brien	Non Executive Director from 1 January 2021
Susan Ringwood	Non Executive Director from 1 January 2021
Executive Members	
Pam Dudek	Deputy Chief Executive from 20 April 2020 Chief Executive from 5 October 2020
Paul Hawkins	Interim Chief Executive to 4 October 2020 then remained to advise CE until 31 January 2021
Boyd Peters	Board Medical Director
Tim Allison	Director of Public Health and Policy from 1 July 2020
Heidi May	Nurse Director
Dave Garden	Director of Finance

The board members' responsibilities in relation to the accounts are set out in a statement following this report.

The statement of Board Members' responsibilities
Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 21 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

- apply on a consistent basis the accounting policies and standards approved for the NHS Scotland by Scottish Ministers.
- make judgements and estimates that are reasonable and prudent.
- state where applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material.
- 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 NHS Board members confirm they have discharged the above responsibilities during the financial year and in preparing the accounts.

Board members' and senior managers' interests
In line with statutory requirements, the Board maintains a register of Board Members' interests which is available online on our Internet site and is updated annually.

During the year, a number of current Directors/Senior Employees indicated interests in contracts or potential contractors with the Health Board work, these were:

Alexander Anderson	Scrabster Harbour Trust,
Pam Dudek	REDTWO591 LTD
Graham Bell	The Leader Scotland, Cove Borough hall
James Brander	RSPB
Alasdair Christie	Inverness, Badenoch and Strathspey CAB, Highland Council,
Ann Clark	Elsie Normington Foundation
Sarah Compton-Bishop	Isle of Jura Development Trust, Jura Care Centre, The Highlands and Islands Transport Partnership (HITRANS)
Albert Donald	Scottish Professional Football League, Scottish Football Association, NHS Grampian
Susan Ringwood	Cotman Housing Association
Deirdre Mackay	Highland Council, Sutherland Community Partnership, ESC CAB, Voluntary Groups Sutherland
Philip MacRae	Highland Cycle Tours, Scottish Social Services Council
Heidi May	University of The Highlands and Islands,
Gerard O'Brien	Voluntary Action Orkney, THAW, White Ribbon Scotland
Boyd Peters	Cairngorm Mountain Rescue Team,
Gaener Rodger	Cairngorms National Park Authority, Kazbeg Ltd, Highland Children's Forum, Thriving Families, Girlguiding Scotland, Girlguiding

All Board Members are Highland Health Board Endowment Fund Trustees

Directors third party indemnity provisions
There have been no third party indemnity provisions in place for any of the Directors at any time during the year.

Remuneration for non audit work
Our external auditors, Grant Thornton UK LLP, did not undertake any non-audit work on behalf of the Board.

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 year. Data is published on our website –here

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.

The statement of the Chief Executive's as accountable officer, responsibilities

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

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 Financial Reporting Manual have been followed and disclose and explain any material departures; and
- prepare the accounts on a going concern basis.

I confirm that the Annual Report and Accounts as a whole are fair, balanced and reasonable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that 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 to me in the Departmental Accountable Officers letter.

GOVERNANCE STATEMENT

1. Scope of Responsibility

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

I took responsibility for governance when I was appointed Accountable Officer by Scottish Government on 5 October 2020. My predecessor Paul Hawkins, also in his capacity as Accountable Officer appointed by Scottish Government, took responsibility for governance throughout the period 1 April to 4 October 2020.

In accordance with IAS 27 – Consolidated and Separate Financial Statements, these Financial Statements consolidate the Highland Health Board Endowments Funds. This statement includes any relevant disclosure in respect of these Endowment Funds Accounts. The external auditors of the Endowment Funds accounts are the firm of accountants, Mackenzie Kerr Ltd.

2. Purpose of Internal Control

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

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

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

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

3. Corporate Governance

Throughout the financial year, NHS Highland has progressed its Good Governance Development Plan built on the NHS Scotland Blueprint for Good Governance. The Plan incorporates outstanding actions from previous years' governance reviews and covers the following areas: Setting Direction; Assessing Risk; Engaging Stakeholders; Influencing Culture; Skills, Experience and Diversity; and Roles, Responsibilities and Accountabilities. Progress has been seen in a number of areas:

Setting Direction

- Having deferred full consideration of revised Objectives pending the Covid19 pandemic, the Board agreed on one year Strategy document in support of its Remobilisation Plan in March 2021 entitled 'Remobilise, Recover, Redesign: NHS Highland Strategic Direction 2021 – 2022' which sets out also our vision, values and Board level objectives.
- A planning cycle framework was co-produced between the Board and the Executive and agreed by the Board in September 2020. Board and Committee Workplans are now agreed annually in March by the Board. Workplans give consideration to all the key plans/strategy documents/annual and other reports required for submission to Scottish Government, with

indication of timing/governance committee/executive leads etc. This provides clear oversight of the necessary reporting duties of the Board and ensures appropriate sequencing of Board business.

- Board and Committee Chairs meetings have taken place throughout the financial year. Potential Committee agenda items are considered and scheduled as appropriate. The Group maintains oversight of Governance Committee remits and priorities.
- Weekly meetings are held between the Chief Executive, Chair and Vice Chair.
- The Board's response to the Sturrock Review (see below) has been captured through our Culture Programme which has become a standing item at Staff Governance, Board meetings and Development Sessions.

Assessing Risk

Risk Management is a key element of the Board's internal controls for Corporate Governance. NHS Highland's Audit Committee provides assurance to the Board that risk management arrangements are in place and risks are managed effectively.

- During 2020 a review was undertaken of all risks on the corporate and operational risk registers resulting in a Board Risk Assurance Framework being formed and adopted by the Board. Strategic Risk Management is allocated to appropriate Governance Committees with the Framework linking risks to the following categories: Workforce, Finance and Performance, Public Health, IT and Digital, Estates and Facilities, Clinical Strategy and Redesign.
- Risk management workshops have been held with the Executive Directors Group on 10 August 2020 and with the Board on 18 August 2020.
- In September 2020 the Board agreed the process to embed Risk Management across NHS Highland and noted an update on progress with the overall Board Assurance Framework.
- Concerted efforts have been made throughout the financial year to reduce the number of outstanding Internal Audit actions.

Skills, Experience and Diversity

- The Board's local orientation and induction programme for Board members remains under review and has adapted to comply with the restrictions associated with the Covid19 pandemic. An adapted induction programme was used for three new Board Non Executive members in January 2021.
- NHS Highland Non Executive Board members now have access to Turas Learn materials, and 4 Non Executive Board members have joined the National Mentoring Scheme.
- Non Executive Board members undertook training provided by Grant Thornton, External Auditors in December 2020 looking specifically at the role of External Audit.
- Board Members undertook training in Counter Fraud Awareness delivered by NHS NSS Counter Fraud Services in November 2020.
- Independent expertise has been co-opted to strengthen our Audit Committee for a period of one year with effect from 1 April 2021.

Roles, Responsibilities and Accountabilities

- A revised NHSH Senior Leadership and Management Structure was endorsed by the Board in July 2020. The revised structure has created an empowered and accountable system of leadership. NHS Highland's leadership structure functions in an agile, decisive and connected way across our health and care system to ensure the right outcomes for the people of North Highland and Argyll and Bute.

4. Culture

NHS Highland received in May 2019 a report commissioned by the Cabinet Secretary for Health and Sport, undertaken by John Sturrock QC, into Cultural Issues relating to allegations of

bullying and harassment (the Sturrock Report). The report found that bullying or inappropriate behaviour had occurred within NHS Highland and the Board apologised unreservedly to those members of staff who had not been treated according to the high standards expected.

NHS Highland began delivery of a Culture Programme to address the findings of the Sturrock Report, which since March 2020 been overseen by an independent External Culture Advisor.

A review of Culture in Argyll & Bute was commissioned in late 2019 from Progressive Partnership and reported out in May 2020. A Board Development session was held in May 2020, together with representatives of the IJB, to discuss the report and the proposed response. This was a follow-up to a specific recommendation of the Sturrock Review. Whilst the issues found were mainly the same as those covering in the Sturrock report, it also highlighted additional challenges of remote and rural geography and the legacy impact of the organisational restructure to include Argyll and Bute within the NHS Highland's area in 2012. The many associated improvement actions having been delivered through an Argyll and Bute action plan as well as through the Board wide Culture actions, and a local Culture sub group has been meeting frequently.

A recent Internal Audit of the Culture Programme highlighted the need for robust programme planning and a more rigorous approach to risk management. Both of these have progressed since delivery of the Audit report; and a high level programme plan was shared with the Board in January 2021. Culture Programme risks were discussed at the January 2021 meeting of the Culture Oversight Group, and all risks have been reviewed by the NHSH Risk Manager.

Priorities have moved throughout the financial year from establishing the centrally driven processes and support mechanisms to the involvement of the wider organisation. Despite Covid, the Culture Oversight Group continued to meet virtually every 4 weeks to ensure progress was maintained. A significant number of actions were delivered during 2020/1 including the design and co-production of a bespoke Healing Process which has already heard 150 testimonies and approved Psychological Therapies to over 120 current or former colleagues impacted by their experience of bullying at NHS Highland as well as apologies, organisational learning and financial payments We also set up our external Speak Up Guardian Service in August 2020 and they have already managed over 100 concerns. We launched our Employee Assistance Programme in May 2020 which again has provided support, advice and over 100 counselling sessions to date.

Work on the Culture Programme now progresses under the guidance of a Culture Oversight Group reporting to the Staff Governance Committee. Activity is now planned for 2021/2 and beyond and is being delivered across the following six priorities:

- Vision, Values and Behaviours
- Civility Saves Lives peer support
- Leadership and Management Development
- People Processes
- Root-cause analysis / diagnostic (Organisational Learning)
- Culture Metrics and Tools

Detailed Culture Programme updates and discussion take place at every Board meeting as well as focussed Board development sessions on Culture.

In March 2021, the Board approved its one year strategy, vision, values and objectives for NHS Highland for 2021/22 which sets out our aspiration to be a Great Place to Work, through the delivery of objectives of Growing Talent, Leading by Example, Learning from Experience, Being Inclusive and Improving Wellbeing,

Culture transformation is both a key priority for everyone in the organisation and something that will take significant time and effort to fully address. A 1 year plan for culture transformation has been created, setting out the path to follow and the milestones and outcomes that we want to

deliver, with our 3-5 year plan being developed over 2021/22 as an integral part of our overarching Strategic plan for the organisation.

5. Level 4 Escalation

Throughout the financial year NHS Highland has been at level 4 within the Scottish Government's ladder of escalation with additional support measures and initiatives in place to assist the Board in returning to financial balance. Level 4 reflects "significant risks to delivery, quality, financial performance or safety" and where senior level executive support is required.

Throughout the financial year NHS Highland has worked closely with Scottish Government, and our Recovery Plan encompasses the following areas identified for improvement:

- Financial balance and sustainability
- Mental Health organisation and performance
- Culture and relationships and management capability and resilience
- Performance and Patient Safety

A Financial Recovery Board informs the Board of progress and risks via the Finance, Resources and Performance Committee. The membership comprises the Executive Team, Senior Responsible Officers and clinical leaders.

NHS Highland's unique and fully embedded Programme Management Office has supported the Board through a range of interventions and assistance to provide support, capacity and expertise in the financial recovery process. NHS Highland now has in-house skills to provide the best practice assurance function for delivery of the cost improvement programme, planning and delivery of cost improvement schemes, effective problem solving and risk management, and robust project and programme management approaches, skills and competencies.

Significant progress was made during 2020/21 in terms of financial performance and the delivery of significant levels of recurrent cost improvements.

NHS Highland submitted its Remobilisation Plan 2021/22 to Scottish Government which summarises our work in a number of key areas of activity. The Board's Escalation status on the NHS Scotland Performance Escalation Framework was considered alongside the review of our Remobilisation Plan. NHS Highland will be de-escalated to Stage 3 on the Framework. This Escalation status will continue to apply in relation to: Finance; Governance, Leadership & Culture; and Mental Health performance

6. Impact of Covid19 on NHS Highland's governance arrangements

NHS Highland faced unprecedented demand as it responded to the Covid-19 Pandemic. This introduced significant changes to normal systems of work which required the Board to establish temporary and appropriate governance arrangements to support the organisation. The Board recognised the need for the organisation to continue to operate within an appropriate legal framework, act in the best interests of the population, be efficient in the use of resources and put the safety of staff and patients at the forefront of its efforts.

In response to the Covid19 pandemic, the following temporary governance arrangements were agreed by the Board and in effect from April 2020 to 1 July 2020:

- Establishment of Gold, Silver and Bronze Command structure to address the operational response to the Covid19 pandemic.
- Delegation of governance of NHS Highland from 1 April 2020 for an initial period of three months to the Board Chair, Vice Chair and Chief Executive, with another Non- Executive Director and Deputy Chief Executive acting as substitutes. Monthly reviews to take place following the initial three month period.

- Monthly meetings of the Board (with public webcast accessibility) focussing on Covid19, any nationally important matters, and any pressing governance matters brought forward from the Chairs' Group.
- Fortnightly meetings of the Chairs' Group with the Chief Exec (and members of the Exec Team as necessary) acting in an advisory capacity
- Suspension of Committee Meetings, with the exception of the Audit and Remuneration Committees which retained the freedom to meet as necessary, with respective Chairs reviewing the need for meetings on a periodic basis
- Weekly Meetings of Chair and Chief Exec as per normal practice
- Weekly meetings of Chair, Vice Chair, CEO and Deputy CEO

The Board reviewed and ceased the temporary governance arrangements with effect from 1 July 2020. Meetings continue to be held virtually through MS Teams and other remote means until further notice.

7. Governance Framework

NHS Highland's Governance Framework to support me as Accountable Officer in discharging my responsibilities is outlined in the following section.

To support me in the discharge of my accountabilities and responsibilities, NHS Highland Board has operates under a Code of Corporate Governance revised throughout the financial year and approved by the Board in January 2021, which includes the following fully revised documents:

- NHS Highland Board revised Committee Structure
- Standing Orders for NHS Highland Board
- Governance Committee Terms of Reference
- Code of Conduct for Board Members
- Standing Financial Instructions
- Reservation of Powers and Scheme of Delegation
- Counter Fraud Policy and Action Plan
- Standards of Business Conduct for Staff

A local governance review throughout the financial year resulted in a revised and streamlined Board governance structure with a more effective governance framework, and revised Terms of Reference for all governance committees. Each Committee has a clear role and remit and is chaired by a Non-Executive Director, with a Non Executive Vice Chair, and at least 2 Non-Executive Director members. All governance committee memberships have been refreshed. This has been significantly assisted by the Board's membership compliment being completed by the appointment of a further three new Non Executive members. A review of the remuneration to governance committee chairs has also reflected the additional time commitment and responsibility involved.

All Board meetings are held in public with Board papers and agendas being published on our website. When an item of business is commercially sensitive, that item will be discussed in private session. Public accessibility to Board meetings has been maintained throughout 2020 with access for stakeholders to meetings through webcasts of Board meetings. From January 2021 onwards public access has been achieved through MS Teams.

The Board's Governance Committees ensuring compliance with relevant laws, regulations and policies and procedures are: Audit Committee; Clinical Governance Committee; Staff Governance Committee; Finance, Resources and Performance Committee; Remuneration Committee; and Pharmacy Practices Committee. All Governance Committee minutes are available to the public on our website. Each Governance Committee submits an annual report to the Audit Committee and the Board confirming that their duties have been carried out in accordance with their prescribed role.

The development needs of Executive and Non-Executive Directors are identified through a process of regular appraisal. New Non-Executive Directors receive an induction which forms part of training for all board members. Regular development sessions are held to address the needs of Non-Executive Directors.

In July 2020 the Board agreed a new leadership and organisational structure which capitalises on the benefits experienced of the Gold/Silver/Bronze command arrangement used to respond to the Covid19 situation. The revised leadership structure sets out a clear means by which business is conducted from strategic oversight to operational delivery, bringing clarity and coherence to our system of health and care as we move forward as an organisation. Performance is a key element of the structure at all levels with programmes of work under a Performance Recovery Board, a Financial Recovery Board and a Workforce Development Board. These programme boards are driven by the strategic direction and operational delivery requirements and are accountable to the Finance, Resources and Performance Committee of the Board.

The organisation is now structured according to three Operational Units:

- Acute Division
- North Highland Community Services
- Argyll and Bute Health and Social Care Partnership

NHS Highland has introduced a bi-monthly Integrated Quality and Performance report, visible throughout the leadership structure as a high-level overview of the performance of our system of health and care. Reporting on aspects of Clinical, Operational, Financial and Staff governance, the report ensures a holistic view of the organisation which is governed through the Board's Governance Committees.

The Board's Annual Operating Plan was approved by the Board on 31 March 2020. This plan was approved pre Covid-19 and has been reviewed as part of the Remobilisation Plan which sets out the Board's key planned outcomes for 2020/21. The Remobilisation Plan submitted to Scottish Government reflects the anticipated recovery of the health and care system through until March 2021. The Plan focuses on the areas agreed as priorities with the Scottish Government and includes information on 10 workstreams and associated projects to improve patient care and to transform services to ensure they are fit for purpose in the new context the NHS finds itself in. The Integrated Performance and Quality Report takes a cross system view of performance and has a particular focus on the Remobilisation Plan targets, reflecting the performance of NHS Highland in the context of remobilisation and the ongoing presence of COVID19. Our Remobilisation Plan has been agreed with the Scottish Government Health and Social Care Directorate.

The Health and Social Care Partnership arrangements in North Highland are set within a lead agency integration authority model, and in Argyll and Bute as an Integration Joint Board (IJB) which is a separate legal entity; a Body Corporate. Children's Community Health Services in North Highland are delegated within the lead agency arrangements to The Highland Council. There is a significant remote and rural challenge within the board area and all planning needs to take cognisance of the implications and choices that arise as a result of this.

The component parts of the Remobilisation Plan are monitored regularly through the Highland Health & Social Care Committee and the Argyll & Bute Integration Joint Board, which provide assurance to the Board that the operational units are on track to deliver the key objectives.

The Argyll and Bute IJB was formally established on 18 August 2015. The IJB assumed responsibility for managing resources on 1 April 2016, following the approval of its Strategic Plan. The Integration Scheme for the IJB was reviewed during 2020 with a full consultation exercise and agreement reached with both Argyll and Bute Council and NHS Highland Board.

The NHS Highland Board appoints four of its members to the IJB who are therefore able to provide assurance to the Board regarding the IJB's overall performance and financial position. The NHS Highland Board also receives a copy of the IJB performance report as per its production frequency to consider as part of its Board business schedule. The financial position relating to health services provided in Argyll & Bute is reported to each meeting of NHS Highland Board within the Integrated Quality and Performance report. The overall financial position of the IJB is reported to each IJB meeting.

Other forms of assurance flow through the operational management structure, with the IJB's Chief Officer being jointly accountable to the Board's Chief Executive and the Council's Chief Executive. The IJB's Chief Finance Officer has a professional link to the Board's Director of Finance and there is a regular dialogue regarding the financial position.

The Board seeks to promote good governance throughout its joint working with a wide range of organisations: Local Authorities, Third Sector and other organisations both within and external to the NHS, in particular through the Highland and Argyll and Bute Community Planning Partnerships.

8. Risk Management

NHS Highland is subject to the requirements of the SPFM and has complied with them, where relevant and applicable to NHS bodies. As part of these requirements, it must operate a risk management strategy in accordance with relevant guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

NHS Highland, like all organisations, faces a wide range of risks at all levels strategically and operationally. NHS Highland recognises that healthcare provision and the activities associated with caring for patients, employing staff, providing facilities and managing finances are all, by their nature, activities that involve areas of uncertainty or "risk". Risk management is the framework within which NHS Highland manages these uncertainties and is one of the internal controls used to meet its corporate governance responsibilities. Effective risk management is the systematic application of principles and processes to identify, assess, evaluate and control risks to both the objectives of NHS Highland and to core service delivery and processes.

Oversight of the NHS Highland risk management framework is through the Risk Management Steering Group, which is a subcommittee of the Audit Committee. It oversees the strategic / corporate risks of the Board, ensuring that a risk register is maintained and updated regularly and that action is taken to mitigate risks identified.

Development Sessions were held in August 2020 with the Executive Directors Group and the Board and a Board Risk Assurance Framework was developed. Each risk on the Board Assurance Framework is owned by an Executive Director and is aligned to a Governance Committee for assurance and scrutiny. All Governance Committees have received a report on the relevant risks included in the Board Risk Assurance Framework, along with associated operational risks for discussion. Work has begun on realigning existing operational registers to the new organisational structure. The Risk Management Strategy and Policy have been revised in line with the Board Risk Assurance methodology and were approved by the Audit Committee in March 2020.

Development of the Board Assurance Framework has increased Governance Committees' awareness and knowledge of their revised responsibilities around risk management. Further training has been carried out at operational level to ensure the entirety of NHS Highland is working to embed and improve risk management, in line with the changes to the Risk Management Strategy and the Risk Register Policy.

9. 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 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; and
- comments by the external auditors in their management letters and other reports.

The Audit Committee meets regularly throughout the year with the specific remit to review and give assurances on the system of internal control. The Committee agrees the internal audit plan, considers the internal audit reports, reviews recommendations and ensures actions are undertaken that result from these reports.

Internal Audit reviews identify agreed actions to be undertaken. These are subsequently followed up to ensure these actions have happened within the timescales agreed. The Executive Directors Group has been reviewing these on an ongoing basis and where previously agreed dates have slipped for the higher risk actions, ensuring that these are completed by the revised agreed dates. The Audit Committee continues to monitor and receive reports on progress to completion of all the actions and has taken active and positive steps to improve implementation of Internal Audit recommendations.

The Audit Committee has reported to the Board regularly and highlighted key issues throughout the year.

10. Disclosures

Financial Brokerage
A financial brokerage requirement of £8.8m was identified for 2020/2021 and Scottish Government agreed to provide this level of brokerage. However, the response to the pandemic impacted on business as usual activities and delivery of the cost improvement programme. Following detailed submissions to SG relating to the impact of Covid 19, a funding package was agreed in January 2021. This funding package included £8.8m in respect of the previously identified brokerage requirement – this funding does not have to be repaid.

Practitioner Services – Service Audit 2020/21
The 2019/20 service audit reports for Practitioner Services and National IT services prepared by independent auditors for NHS National Services Scotland (NSS) resulted in qualified opinions.

In the current year there has been a significant improvement in the Service Audit performance in respect of the IT services – an unqualified opinion – with an emphasis on matters to highlight the additional matters taken into consideration to achieve that opinion, and improvements required.

An improved position was achieved by Practitioner Services but further actions are required to address matters going forward. Improvement plans are in place to address the control issues identified and will be delivered by the end of quarter 1 2021. Longer term improvements, focused on automating manual controls procedures, will be planned for future years.

A qualification in a service audit report relates to the design or operating effectiveness of controls in order to meet the stated control objectives rather than indicating that the underlying transactions are necessarily incorrectly processed. An adverse opinion would occur where controls were absent or failed. Considering the content of the reports in detail therefore, the Board has accepted the assurances provided by the NSS Audit Committee, that the findings

were consistent with the prior year and that each point raised within the reports will be addressed as part of its continuous improvement programme of work.

In line with Scottish Government payment verification protocols, NHS NSS Practitioner Services staff review payments to independent family health services practitioners. Quarterly data packs including financial and trend data are provided by NHS NSS Practitioner Services to the board in respect of each of the four payment streams (medical, dental, ophthalmic and pharmacy) and these form the basis of local verification activity. Due to the Covid-19 response, these reports were paused early in the financial year but recommenced in the last half of the year.

The Board's Audit Committee will be presented with a report detailing the NSS Service Audit reports and the recommendations made to the NSS Audit Committee.

The Board Finance Director will arrange regular updates on progress against the agreed management action plan from NSS during 2021/22.

Conclusion

No other significant control weaknesses or issues have arisen during the previous financial year and no significant failures have arisen in the expected standard for good governance, risk management and control.

I am able to conclude that taking account of the above statement and the assurances received from the Board's Committees that corporate governance was operating effectively throughout the financial year to 31 March 2021 and up to the date the financial statements were approved and authorised for issue.

REMUNERATION REPORT AND STAFF REPORT

Board members' and senior employees' remuneration

Board Members and Senior Employee Remuneration is subject to ministerial direction and the arrangements for payment are covered by Health Department instruction (currently PCS (ESM) 2019/01).

The implementation of these instructions is monitored by the Remuneration Sub Committee, whose membership is:

Prof Boyd Robertson, Board Chair
Ann Clark, Chair, Board Vice Chair
Adam Palmer, Employee Director

Performance Related Pay has not been processed at the year end for 2020/21.

Performance is assessed through a standardised performance management process which measures achievement against objectives.

All Non-Executive Directors are appointed by the Scottish Government Ministers for a fixed term. All other Senior Managers are on permanent contracts with the exception of David Park, Deputy Chief Executive and Louise Bussell, Chief Officer Highland Health and Social Care Partnership, who are appointed on an interim basis for a fixed term.

Remuneration Report for the year ended 31 March 2021 (audited)						
	Note	Gross Salary (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 Members						
Chief Executive: Pam Dudek - commenced 5/10/20 (was seconded as Deputy Chief exec from 20/04/2020)	a	70-75	0	70-75	210	280-285
Interim Chief Executive: Paul Hawkins - left 4/10/20 but continued to mentor Chief Exec until 31/1/21	b	115-120	0	115-120	n/a	115-120
Director of Finance: David Garden		100-105	0	100-105	44	140-145
Medical Director: Boyd Peters		175-180		175-180	18	195-200
Nursing Director: Heidi May	c	110-115		110-115	39	150-155
Director of Public Health & Health Policy: Tim Allison - commenced 01/07/2020	d	95-100	0	95-100	23	120-125
Non Executive Members						
The Chair: Prof Boyd Robertson		35-40	0	35-40		35-40
Graham Bell - commenced 01/01/2021		0-5	0	0-5		0-5
Alexander Anderson		10-15	0	10-15		10-15
Jean Boardman		5-10	0	5-10		5-10
James Brander		5-10	0	5-10		5-10
Alasdair Christie		10-15	0	10-15		10-15
Sarah Compton-Bishop		10-15	0	10-15		10-15
Ann (Pamela) Clark		15-20	0	15-20		15-20
(Al)bert Donald		5-10	0	5-10		5-10
Graham Hardie - commenced 24/09/2020		0-5	0	0-5		0-5
Alasdair Lawton - until 31/05/2020		0-5	0	0-5		0-5
Deirdre MacKay		5-10	0	5-10		5-10
Philip Macrae		5-10	0	5-10		5-10
Margaret Moss	e	70-75	0	70-75	28	150-155
Gerard O'Brien - commenced 01/01/2021		0-5	0	0-5		0-5
Adam Palmer	f	45-50	0	45-50	17	65-70
Ann Pascoe - until 15/07/2020		0-5	0	0-5		0-5
Susan Ringwood - commenced 01/01/2021		0-5	0	0-5		0-5
Gaener Rodger		10-15	0	10-15		10-15
Senior Employees						
Chief Officer: Louise Bussell - commenced 09/11/2020		30-35	0	30-35	17	50-55
Board Secretary: Ruth Daly		50-55	0	50-55	15	65-70
Director of Human Resources: Fiona Hogg		105-110	0	105-110	26	130-135
Director of Strategic Commissioning, Planning & Performance: Deb Jones		125-130	0	125-130	40	160-165
Director of Public Relations & Engagement: Jane McGirk - left 31/10/2020		85-90	0	85-90	12	95-100
Deputy Chief Officer: David Park		125-130	0	125-130	32	155-160
Chief Operating Officer Acute: Katherine Sutton		105-110	0	105-110	101	205-210
Director of Estates: Alan Wilson - commenced 30/11/2020		30-35	0	30-35	111	140-145

Notes

The value of pension benefits accrued during the year is calculated as: the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual

a The gross salary for Pamela Dudek is for the period shown, the full year effect salary is in the range of 135-140

b Paul Hawkins is an employee of Fife Health Board and his salary is recharged to Highland Health Board, the disclosure above is for the period shown, the full year effect salary is in the range of 135-140

c Nurse Director temporary responsibility bonus relating to Covid included for Heidi May. Per circular PCS(ESM)2021/2

d The gross salary for Tim Allison is for the period shown, the full year effect salary is in the range of 110-115

e The gross salary for Margaret Moss includes salary in the range of 60-65 for her full time role as Lead AHP

f The gross salary for Adam Palmer includes salary in the range of 35-40 for full time employee director role

Remuneration Report for the year ended 31 March 2021 (audited)							
	Accrued pension at pensionable age as at 31 Mar 21 (bands of £5,000)	Total accrued lump sum at pensionable age (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 Mar 21 £000	Cash Equivalent Transfer Value (CETV) at 31 Mar 20 £000	Real increase in CETV in year £000
Executive Members							
Chief Executive: Pam Dudek - commenced 5/10/20 (was seconded as Deputy Chief exec from 20/04/2020)	45-50	100-105	7.5-10	20-22.5	918	708	211
Interim Chief Executive: Paul Hawkins - left 4/10/20 but continued to mentor Chief Exec until 31/1/21	50-55	155-160	(2.5)-0	(2.5)-0	1191	1,170	21
Director of Finance: David Garden	30-35	65-70	2.5-5	0-2.5	614	560	54
Medical Director: Boyd Peters	60-65	150-155	0-2.5	0-(2.5)	1,275	1,225	51
Nursing Director: Heidi May	20-25	45-50	2.5-5	0-2.5	456	407	49
Director of Public Health & Health Policy: Tim Allison - commenced 01/07/2020	0-5	0	0-2.5	0	24	0	24
Non Executive Members							
The Chair: Prof Boyd Robertson							
Graham Bell - commenced 01/01/2021							
Alexander Anderson							
Jean Boardman							
James Brander							
Alasdair Christie							
Sarah Compton-Bishop							
Ann (Pamela) Clark							
(Al)bert Donald							
Graham Hardie - commenced 24/09/2020							
Alasdair Lawton - until 31/05/2020							
Deirdre MacKay							
Philip Macrae							
Margaret Moss	25-30	75-80	0-2.5	0-2.5	626	584	42
Gerard O'Brien - commenced 01/01/2021							
Adam Palmer	15-20	50-55	0-2.5	2.5-5	403	372	31
Ann Pascoe - until 15/07/2020							
Susan Ringwood - commenced 01/01/2021							
Gaener Rodger							
Senior Employees							
Chief Officer: Louise Bussell - commenced 09/11/2020	0-5	0	0-2.5	0	15	0	15
Board Secretary: Ruth Daly	0-5	N/A	0-2.5	N/A	57	44	13
Director of Human Resources: Fiona Hogg	0-5	n/a	0-2.5	n/a	36	14	22
Director of Strategic Commissioning, Planning & Performance: Deb Jones	55-60	120-125	2.5-5	0-2.5	1,133	1,067	66
Director of Public Relations & Engagement: Jane McGirk - left 31/10/2020	0-5	n/a	0-2.5	n/a	35	23	12
Deputy Chief Officer: David Park	5-10	n/a	0-2.5	n/a	119	87	32
Chief Operating Officer Acute: Katherine Sutton	40-45	90-95	5-7.5	7.5-10	790	677	113
Director of Estates: Alan Wilson - commenced 30/11/2020	30-35	35-40	5-7.5	5-7.5	439	358	81

Highland Health Board

Remuneration Report for the year ended 31 March 2020 (audited)

	Note	Gross Salary (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 Members						
Chief Executive: Paul Hawkins from 27/01/2020	a	25-30		25-30	n/a	25-30
Chief Executive: Iain Stewart to 29/02/2020	b	115-120		115-120	67	180-185
Director of Finance: David Garden		95-100		95-100	38	130-135
Medical Director: Boyd Peters		150-155		150-155	53	205-210
Medical Director: Roderick Harvey to 07/09/2019	c	85-90		85-90	nil	85-90
Nursing Director: Heidi May		100-105		100-105	35	135-140
Director of Public Health & Health Policy: Hugo Van Woerden to 19/01/2020	d	125-130		125-130	SPPA data not available at signing	
Non Executive Members						
The Chair: Prof Boyd Robertson		30-35	4	35-40		35-40
Adam Palmer	e	45-50		45-50	11	55-60
Alexander Anderson commenced 01/07/2019		5-10	1	5-10		5-10
Jean Boardman commenced 01/07/2019		5-10	1	5-10		5-10
James Brander		5-10	1	5-10		5-10
Alasdair Christie		5-10	1	5-10		5-10
Sarah Compton-Bishop		10-15	2	15-20		15-20
Robin Creelman resigned 31/03/2019			1	0-5		0-5
Pamela Clark		10-15		10-15		10-15
Mary Jean Devon retired 10/01/2020		5-10		5-10		5-10
(Al)bert Donald commenced 01/02/2020		0-5		0-5		0-5
Alasdair Lawton		5-10		5-10		5-10
Deirdre MacKay		5-10	1	5-10		5-10
Philip Macrae commenced 01/07/2019		5-10		5-10		5-10
Margaret Moss	f	70-75	1	70-75	82	150-155
Melanie Newdick resigned 12/07/2019		0-5		0-5		0-5
Ann Pascoe		5-10	4	10-15		10-15
Gaener Rodger		5-10		5-10		5-10
Senior Employees						
Board Secretary: Ruth Daly		45-50		45-50	14	60-65
Director of Human Resources: Fiona Hogg from 15/07/2019	g	70-75		70-75	42	115-120
Director of Strategic Commissioning, Planning & Performance: Deb Jones		120-125		120-125	29	150-155
Director of Operations: David Park		115-120		115-120	30	145-150
Director of Public Relations & Engagement: Jane McGirk		75-80		75-80	20	95-100

Notes

There are no bonus payments to disclose

The value of pension benefits accrued during the year is calculated as: the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual

a Paul Hawkins is an employee of Fife Health Board and his salary is recharged to Highland Health Board, the disclosure above is for the period shown, the full year effect salary is in the range of 150-155

b The gross salary for Iain Stewart is for the period shown, the full year effect salary is in the range of 125-130

c The gross salary for Roderick Harvey is for the period shown, the full year effect salary is in the range of 195 -200

d The gross salary for Hugo van Woerden is for the period shown, the full year effect salary is in the range of 155-160

e The gross salary for Adam Palmer includes salary in the range of 35-40 for full time employee director role

f The gross salary for Margaret Moss includes salary in the range of 60-65 for her full time role as Lead AHP

g The gross salary for Fiona Hogg is for the period shown, the full year effect salary is in the range of 100-105

Remuneration Report for the year ended 31 March 2020 (audited)							
	Accrued pension at pensionable age as at 31 Mar 20 (bands of £5,000)	Total accrued lump sum at pensionable age (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Real increase in lump sum at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 Mar 20 £000	Cash Equivalent Transfer Value (CETV) at 31 Mar 19 £000	Real increase in CETV in year £000
Executive Members							
Chief Executive: Paul Hawkins from 27/01/2020	50-55	155-160	(2.5-0)	(5-2.5)	930	925	5
Chief Executive: Iain Stewart to 29/02/2020	5-10	n/a	2.5-5	n/a	64	10	54
Director of Finance: David Garden	30-35	65-70	0-2.5	0-2.5	584	537	47
Medical Director: Boyd Peters	55-60	150-155	2.5-5	0-2.5	1,218	1,138	80
Medical Director: Roderick Harvey to 07/09/2019	70-75	220-225	(2.5-0)	(5-2.5)	1,770	1,800	(30)
Nursing Director: Heidi May	20-25	45-50	0-2.5	0-2.5	435	391	44
Director of Public Health & Health Policy: Hugo Van Woerden to 19/01/2020	SPPA data not available at signing						
Non Executive Members							
The Chair: Prof Boyd Robertson							
Adam Palmer	15-20	45-50	0-2.5	0-2.5	370	348	20
Alexander Anderson commenced 01/07/2019							
Jean Boardman commenced 01/07/2019							
James Brander							
Alasdair Christie							
Sarah Compton-Bishop							
Robin Creelman resigned 31/03/2019							
Pamela Clark							
Mary Jean Devon retired 10/01/2020							
(Al)bert Donald commenced 01/02/2020							
Alasdair Lawton							
Deirdre MacKay							
Philip Macrae commenced 01/07/2019							
Margaret Moss	25-30	75-80	2.5-5	2.5-5	508	432	71
Melanie Newdick resigned 12/07/2019							
Ann Pascoe							
Gaener Rodger							
Senior Employees							
Board Secretary: Ruth Daly	0-5	n/a	0-2.5	n/a	45	32	13
Director of Human Resources: Fiona Hogg from 15/07/2019	0-5	n/a	2.5-5	n/a	30	0	30
Director of Strategic Commissioning, Planning & Performance: Deb Jones	50-55	120-125	0-2.5	(2.5-0)	1100	1046	54
Director of Operations: David Park	5-10	n/a	0-2.5	n/a	88	58	30
Director of Public Relations & Engagement: Jane McGirk	0-5	n/a	0-2.5	n/a	23	4	19

2020 (audited)		2021 (audited)	
Range of staff remuneration	5,000-345,000	Range of staff remuneration	5000-300,000
Highest Earning Director's Total Remuneration (£000s)	195,000	Highest Earning Director's Total Remuneration (£000s)	175,000
Median Total Remuneration	29,335	Median Total Remuneration	31,190
Ratio	6.73	Ratio	5.69

For part time employees the total pay for calculation of the median is grossed up.

Contracts of less than 2 hours were removed, as this led to very high annual salaries when grossed up and distorted the median result.

Agency staff are excluded, as they are not employees and are charged via invoice, not via payroll.

Number of senior staff by band (audited)

Employees whose remuneration fell within the following ranges:

	2021	2020
Clinicians	**Number of Staff**	**Number of Staff**
£70,001 - £80,000	68	43
£80,001 - £90,000	57	45
£90,001 - £100,000	52	54
£100,001 - £110,000	44	38
£110,001 - £120,000	48	44
£120,001 - £130,000	29	37
£130,001 - £140,000	27	21
£140,001 - £150,000	19	28
£150,001 - £160,000	22	9
£160,001 - £170,000	14	12
£170,001 - £180,000	9	8
£180,001 - £190,000	8	7
£190,001 - £200,000	2	2
£200,001 and above	10	9

	2021	2020
Other	**Number of Staff**	**Number of Staff**
£70,001 - £80,000	14	17
£80,001 - £90,000	13	8
£90,001 - £100,000	4	3
£100,001 -£110,000	5	2
£110,001 - £120,000	1	1
£120,001 - £130,000	2	2
£130,001 - £140,000	0	0
£140,001 - £150,000	0	0
£150,001 - £160,000	0	0
£160,001 - £170,000	0	0
£170,001 - £180,000	0	0
£180,001 - £190,000	0	0
£190,001 - £200,000	0	0
£200,001 and above	0	0

STAFF NUMBERS AND COSTS (audited)

	Executive Board Members £000	Non Executive Members £000	Permanent Staff £000	Inward Secondees £000	Other Staff £000	Outward Secondees £000	2021 Total £000	2020 Total £000
STAFF COSTS								
Salaries and wages	559	177	356,743			(967)	**356,512**	**311,024**
Social security costs	72	7	33,261			(118)	**33,222**	**29,995**
NHS scheme employers' costs	107		61,034			(178)	**60,963**	**56,324**
Inward secondees				350			**350**	**155**
Agency staff					16,201		**16,201**	**19,428**
TOTAL	**738**	**184**	**451,038**	**350**	**16,201**	**(1,263)**	**467,248**	**416,926**

	2021	2020
Employee expenditure as above	467,248	416,926
Add employee income included in Note 4 and IAS19 costs excluded above (note 19)	1,263	7,820
Total employee expenditure disclosed in note 3	468,511	424,746

STAFF NUMBERS (audited)

	Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2021 Total	2020 Total
Whole time equivalent (WTE)	5	17	8,850	5	38	(19)	**8,896**	**8,648**
Included in the total staff numbers above were disabled staff of:							**111**	**104**

STAFF COMPOSITION (information not subject to audit)

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

	2020			2021		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Executive Directors	3	1	4	3	2	5
Non Executive Directors and Employee Director	8	7	15	10	7	17
Senior Employees	1	4	5	3	5	8
Other	2,341	12,286	14,627	2,528	13,460	15,988
Total Headcount	**2,353**	**12,298**	**14,651**	**2,544**	**13,474**	**16,018**

SICKNESS ABSENCE (information not subject to audit)

	2020	2021
Sickness Absence Rate	5.6%	4.7%

EMPLOYMENT OF DISABLED PERSONS (information not subject to audit)

Staff policies applied during the financial year relating to the employment of disabled persons.

1. 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;

   NHS Highland continues to operate a Job Interview Guarantee (JIG), which means that if an applicant has a disability and meets the minimum criteria outlined within the person specification, they will be guaranteed an interview. However, some disabled applicants prefer not to take this option, so they have an option on our application form to indicate whether they wish to participate in this scheme or not.

   NHS Highland was awarded Disability Confident Status in November 2016 and is working towards the 'Leader' status. This scheme replaces the previous 2 ticks scheme;

2. 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;

   NHS Highland's policy for the Management of Capability is utilised to support staff to continue in employment should their health condition affect their ability to perform their existing role.

   Reasonable adjustments, where possible are considered to support staff to maintain their employment and this is reviewed on a regular basis by the Manager with Occupational Health, HR and other relevant support such as Access to Work.

   In the event that a reasonable adjustment cannot be made, alternative suitable employment via the utilisation of NHS Highland's Redeployment Policy is considered to allow continuation of employment.

3. Otherwise for the training, career development and promotion of disabled persons employed by the Board;

   All staff have a responsibility for Equality and Diversity for themselves, colleagues and/or patients/clients. As part of NHS Highland's responsibility to mainstream equalities, NHS Highland works to ensure employees with protected characteristics are not discriminated upon and are treated with dignity, respect and due regard for their needs as employees. Our aspiration is to be a Great Place to work and our board level objective of Being inclusive means we will ensure colleagues feel valued and engaged as well as treated with dignity and respect.

OUTCOME	PROTECTED CHARACTERISTIC
Continue to work as a Stonewall Diversity Champion to promote LGBT equality in the workplace	Sexual Orientation
Achieve Disability Confident Leader Status	Disability
Increase the number of staff completing equalities monitoring forms	All
Achieve exemplary status in the Carer Positive Award	All

Ensure completion of the Equality and Human Rights training module by all colleagues	All

EXIT PACKAGES – current year – (audited)

	2021			
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Cost of exit packages (£000)**
<£10,000				
£10,000 - £25,000		2	2	30
£25,000 - £50,000				
£50,000 - £100,000				
Total number of exit packages by type		**2**	**2**	
Total resource cost (£000)		**30**		**30**

EXIT PACKAGES – prior year	2020			
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Cost of exit packages (£000)**
<£10,000		4	4	14
£10,000 - £25,000		1	1	20
£25,000 - £50,000		2	2	74
£50,000 - £100,000		1	1	56
Total number of exit packages by type	**0**	**8**	**8**	
Total resource cost (£000)		**164**		**164**

TRADE UNION DISCLOSURE – information not subject to audit

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 table below details the necessary statutory disclosure data in terms for those that were employed to undertake trade union duties in fiscal year to March 2021.

Number of employees who were relevant union officials during the fiscal year to March 2021	6
WTE employee number	5.67
Percentage of time	**Number of Representatives**
0%	
1-50%	
51%-99%	
100%	6
	£000
Total Cost of facility time	204.7
Total Pay Bill	468,511
Percentage Pay Bill on facility time and union duties	0.04%

PARLIAMENTARY ACCOUNTABILITY REPORT

Losses and Special Payments

On occasion, the Board is required to write off balances which are no longer recoverable. Losses and special payments 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	**£000**
Losses	1111	5,484

There was one claim individually greater than £250,000 settled under the CNORIS scheme in 2020/21 and none in 2019/20. Further details on the scheme can be found in note 1 (accounting policies) of the annual 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 17.

Signed: Pam Dudek 26/7/2021

Chief Executive and Accountable Officer.

Independent auditor's report to the members of Highland Health Board, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

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

In our opinion the accompanying financial statements:

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

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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:

- obtaining an understanding of the applicable legal and regulatory framework and how the board is complying with that framework;
- identifying which laws and regulations are significant in the context of the board;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Statutory other information

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

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

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

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

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

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

has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Joanne Brown

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Joanne Brown
(for and on behalf of Grant Thornton UK LLP)

110 Queen Street
Glasgow
G1 3BX

26/7/2021

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2021

2020 £000		Note	2021 £000
424,776	Staff Costs	3a	468,510
	Other operating expenditure	3b	
97,275	Independent Primary Care Services		106,343
126,649	Drug and medical supplies		138,890
557,707	Other health care expenditure		611,145
1,206,407	Gross expenditure for the year		**1,324,888**
(386,391)	Less: operating income	4	(400,711)
0	Associates and joint venture accounted for on an equity basis	24a	(3,293)
820,016	**Net Expenditure for the year**		**920,884**

OTHER COMPREHENSIVE NET EXPENDITURE

2020 £000			2021 £000
7,076	Net (gain)/loss on revaluation of property, plant and equipment		2,380
(9,791)	Actuarial Change in Local Government Pension	19	12,598
(2,715)	**Other comprehensive expenditure**		**14,978**
817,301	**Comprehensive net expenditure**		**935,862**

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

CONSOLIDATED and BOARD STATEMENT OF FINANCIAL POSITION as at 31 March 2021

Consolidated 2020 £000	Board 2020 £000		Note	Consolidated 2021 £000	Board 2021 £000
		Non-current assets:			
359,814	359,814	Property, plant and equipment	7	396,751	396,751
2,143	2,143	Intangible assets	6	1,743	1,743
		Financial assets:			
7,254	113	Investments	10	8,497	106
		Investments in associated and joint ventures		3,293	
16,910	16,910	Trade and other receivables	9	11,300	11,300
386,121	**378,980**	**Total non-current assets**		**421,584**	**409,900**
		Current Assets:			
7,328	7,328	Inventories	8	6,406	6,406
0	0	Intangible assets	6	0	0
		Financial assets:			
52,407	52,695	Trade and other receivables	9	52,628	52,724
2,010	1,023	Cash and cash equivalents	11	971	88
61,745	**61,046**	**Total current assets**		**60,005**	**59,218**
447,866	**440,026**	**Total assets**		**481,589**	**469,118**
		Current liabilities:			
(15,933)	(15,933)	Provisions	13a	(22,496)	(22,496)
		Financial liabilities:			
(100,254)	(100,236)	Trade and other payables	12	(136,430)	(136,414)
(116,187)	**(116,169)**	**Total current liabilities**		**(158,926)**	**(158,910)**
331,679	**323,857**	**Non-current assets plus/less net current assets/liabilities**		**322,663**	**310,208**
		Non-current liabilities			
(40,582)	(40,582)	Provisions	13a	(38,351)	(38,351)
		Financial liabilities:			
(28,985)	(28,985)	Trade and other payables	12	(32,484)	(32,484)
(69,567)	**(69,567)**	**Total non-current liabilities**		**(70,835)**	**(70,835)**
262,112	**254,290**	**Assets Less liabilities**		**251,828**	**239,373**
		Taxpayers' Equity			
116,891	116,891	General fund	SoCTE	116,048	116,048
102,194	102,194	Revaluation reserve	SoCTE	97,455	97,455
35,205	35,205	Other reserves	SoCTE	25,870	25,870
0	0	Other reserves – associated and joint ventures	SoCTE	3,293	0
7,822	0	Fund held on trust	SoCTE	9,162	0
262,112	**254,290**	**Total taxpayers' equity**		**251,828**	**239,373**

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

The financial statements were approved by the Board on 22 June 21 and signed on their behalf by:

…….. Director of Finance 26/7/2021

Pam Dudek

…….. Chief Executive and Accountable Officer 26/7/2021

STATEMENT OF CONSOLIDATED CASH FLOWS
for the year ended 31 March 2021

2020 £000		Note	2021 £000	2021 £000
	Cash flows from operating activities			
(820,016)	Net operating cost	SoCTE	(920,884)	
33,170	Adjustments for non-cash transactions	2b	11,541	
3,290	Add back: interest payable recognised in net operating cost	2b	2,787	
0	Deduct: interest receivable recognised in net operating cost	4	(30)	
2,270	Movements in working capital	2c	54,157	
(781,286)	**Net cash outflow from operating activities**	24c		**(852,429)**
	Cash flows from investing activities			
(27,203)	Purchase of property, plant and equipment		(54,984)	
(409)	Purchase of intangible assets		(396)	
(156)	Investment Additions	10	(561)	
0	Transfer of assets to other NHS Scotland bodies		0	
14	Proceeds of disposal of property, plant and equipment		108	
551	Receipts from sale of investments		403	
0	Interest received		30	
(27,203)	**Net cash outflow from investing activities**	2c		**(55,400)**
	Cash flows from financing activities			
813,901	Funding	SoCTE	912,692	
825	Movement in general fund working capital	SoCTE	(935)	
814,726	Cash drawn down		**911,757**	
(1,972)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2c	(2,180)	
(753)	Interest paid		(454)	
(2,537)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	2b	(2,333)	
809,464	**Net Financing**	24c		**906,790**
975	**Net Increase/(decrease) in cash and cash equivalents in the period**			(1,039)
1,035	**Cash and cash equivalents at the beginning of the period**			2,010
2,010	**Cash and cash equivalents at the end of the period**			**971**
	Reconciliation of net cash flow to movement in net debt/cash			
975	Increase/(decrease) in cash in year			(1,039)
1,035	Net debt at 1 April			2,010
2,010	**Net cash at 31 March**			**971**

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

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
for the year ended 31 March 2021

	Note	General Fund	Revaluation Reserve	Other Reserve	Other Reserve – associated with joint ventures	Funds Held on Trust	Total Reserves
		£000	£000	£000	£000	£000	£000
Balance at 31 March 2020		**116,891**	**102,194**	**35,205**	**0**	**7,822**	**262,112**
Changes in taxpayers' equity for 2020/21							
Net (loss) on revaluation/indexation of property, plant and equipment	7a	0	(2,380)	0	0	0	(2,380)
Net gain/(loss) on revaluation of investments	10	0	0	0	0	1,091	1,091
Impairment of property, plant and equipment			(12)	0	0	0	(12)
Revaluation & impairments taken to operating costs	2a	0	12	0	0	0	12
Transfers between reserves		2,359	(2,359)	0	0	0	0
Other non cash costs (Asset Transfer) (THC ASC Pension)		8,532	0	(9,335)	0	0	(803)
Net operating cost for the year	CFS	(924,426)	0	0	3,293	249	(920,884)
Total recognised income and expense for 2020/21		(913,535)	(4,739)	(9,335)	3,293	1,340	(922,976)
Funding:							
Drawn down	CFS	911,757	0	0	0	0	911,757
Movement in General Fund (Creditor)	CFS	935	0	0	0	0	935
Balance at 31 March 2021	SoFP	**116,048**	**97,455**	**25,870**	**3,293**	**9,162**	**251,828**

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

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY – PRIOR YEAR

	Note	General Fund	Revaluation Reserve	Other Reserve	Other Reserve – associated with joint ventures	Funds Held on Trust	Total Reserves
		£000	£000	£000	£000	£000	£000
Balance at 31 March 2019		**120,050**	**111,787**	**18,854**	**0**	**9,106**	**259,797**
Changes in taxpayers' equity for 2019/20							
Net gain on revaluation / indexation of property, plant and equipment	7a	0	(7,042)	0	0	0	(7,042)
Net gain on revaluation of available for sale financial assets	10	0	0	0	0	(879)	(879)
Impairment of property, plant and equipment		0	(487)	0	0	0	(487)
Revaluation & impairments taken to operating costs	2a	0	487	0	0	0	487
Transfers between reserves		2,551	(2,551)	0	0	0	0
Other non cash costs (movement in year ASC pension costs)		0	0	16,351	0	0	16,351
Net operating cost for the year	CFS	(819,611)	0	0	0	(405)	(820,016)
Total recognised income and expense for 2019/20		(817,060)	(9,593)	16,351	0	(1,284)	(811,586)
Funding:							
Drawn down	CFS	814,726	0	0	0	0	814,726
Movement in General Fund (Creditor)	CFS	(825)	0	0	0	0	(825)
Balance at 31 March 2020	SoFP	**116,891**	**102,194**	**35,205**	**0**	**7,822**	**262,112**

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

ACCOUNTING POLICIES

1. Authority

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in section 29 below.

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

There are no new standards, amendments or interpretations effective in the current year.

a) Standards, amendments and interpretation early adopted this year

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

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

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2022. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities and provides enhanced disclosures to improve transparency of reporting on capital employed. Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, NHS Scotland have elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed. NHS Highland expects that its existing finance leases will continue to be classified as leases. All existing operating leases will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16. In future years, new contracts and contract renegotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-use assets. Assets recognised under IFRS 16 will be held on the Statement of Financial Position as (i) right of-use assets which represent the Board's right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments.

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

The Board has not yet analysed the impact and this work will be undertaken in 2021/22 and disclosed within the 2021/22 financial statements ahead of implementation on 1st April 2022.

2. Basis of Consolidation

In accordance with IFRS 10 – Consolidated Financial Statements, the Financial Statements consolidate Highland Health Board Endowment Funds.

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

The Highland Health Board Endowment Funds is a Registered Charity with the Office of the Charity Regulator (OSCR) and is required to prepare and submit Audited Financial Statements to OSCR on an annual basis.

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

The integration of health and social care services under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and associated secondary legislation impacts on Health Board disclosure requirements in the annual accounts.

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

Note 24 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

3. Retrospective restatements

There are no retrospective restatements to disclose.

4. Going Concern

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

5. Accounting Convention

The Accounts are prepared on a historical cost basis, as modified by the revaluation of property, plant and equipment, intangible assets, inventories, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction.

6. Funding and Revenue Recognition

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

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

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

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 Consolidated Comprehensive Net Expenditure (CSOCCNE) except where it results in the creation of a non-current asset such as property, plant and equipment in which case it is recognised in the Statement of Consolidated Financial Position.

7. Property, plant and equipment

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

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

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

7.2 Measurement

Valuation:

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

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

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

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

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

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

Assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

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

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

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.

Subsequent expenditure:

Subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to the Board and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria, the expenditure is charged to the SoCCNE. 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 SoCCNE, 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 SoCCNE. Any related balance on the revaluation reserve is transferred to the General Fund.

Gains and losses on revaluation are reported in the SoCCNE.

7.3 Depreciation

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

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

1) Freehold land is considered to have an infinite life and is not depreciated.

2) Assets in the course of construction and residual interests in off-balance sheet (SoFP) PFI contract assets are not depreciated until the asset is brought into use or reverts to the Board, respectively.

3) Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification.

4) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.

5) Equipment is depreciated over the estimated life of the asset.

6) Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life (years)
Structure (Shell)	25 - 100
Engineering	25–100
External Works	25 – 60
Medical Equipment	3 – 10
Other Non Clinical Equipment	3 – 10
Furniture	5 – 10
Vehicles	3 – 7
IT Mainframe Installations	3 – 7
IT Equipment	3 – 7
Intangible assets	3 – 7

8. Intangible Assets

8.1 Recognition

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

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

The main classes of intangible assets recognised are:

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

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

8.2 Measurement

Valuation:

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

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

generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

Revaluation and impairment:

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

Permanent decreases in asset values and impairments are charged gross to the SoCCNE. Any related balance on the revaluation reserve is transferred to the General Fund.

Temporary decreases in asset values or impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned and thereafter are charged to the SoCCNE.

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

Operational assets which are in use delivering front line services or back office functions, and surplus assets with restrictions on their disposal, are valued at current value in existing use. Assets have been assessed as surplus where there is no clear plan to bring the asset back into future use as an operational asset.

8.3 Amortisation

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

Amortisation is charged to the SoCCNE on each main class of intangible asset as follows:

1) Software. Amortised over their expected useful life.

2) Software licences. Amortised over the shorter term of the licence and their useful economic lives.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life (years)
Software	3 - 7
Software Licences	3 - 7

9. Donated Assets

Non-current assets that are donated or purchased using donated funds are included in the SoFP initially at the current full replacement cost of the asset. The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual.

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

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

11. Leasing

Finance leases

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

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

Operating leases

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

Leases of land and buildings

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

12. Impairment of non-financial assets

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

13. General Fund Receivables and Payables

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

14. 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.

15. 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.

16. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

The Board participates in the NHS Superannuation Scheme (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 defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the SoCCNE 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 SoCCNE at the time the Board commits itself to the retirement, regardless of the method of payment.

Pension costs for staff transferred from The Highland Council (THC)

As part of the terms and conditions of employment for the staff transferred from THC, the Board participates in the Local Government Pension Scheme administered by THC. This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The Board recognises the cost of these retirement benefits in the SoCCNE when they are earned by these employees, rather than when the benefits are eventually paid as pensions. Highland Council recognises the liability at 01/04/2012 attributable to these NHS Highland staff in the THC accounts. Any gain or shortfall in the value of the fund attributable to NHS Highland staff in year is charged to the SoCCNE.

17. Clinical and Medical Negligence Costs

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

NHS Highland provide for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' as 50% of the claim and those

in 'category 1' as nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from CNORIS in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

NHS Highland 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 classed as non-core expenditure.

18. Related Party Transactions

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

19. 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.

20. PFI/HUB/NPD Schemes

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

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

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

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

The service charge and the finance cost interest element are charged in the SoCCNE.

21. Provisions

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

22. Contingencies

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

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

a) 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

b) 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.

23. Corresponding Amounts

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

24. Financial Instruments

Financial assets

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

Classification
When the Board first recognises a financial asset, it classifies it based on its business model for managing the asset and the asset's contractual flow characteristics. The Board classifies its financial assets in the following categories: at fair value through profit or loss

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

This is the default basis for financial assets.

(b) Financial assets held at amortised cost

A financial asset may be held at amortised cost where both of the following conditions are met:

i. the financial asset is held within a business model where the objective is to collect contractual cash flows; and

ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

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

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

i. the financial asset is held within a business model where the objective is to collect contractual cash flows *and* sell the asset; and

ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

Impairment of financial assets

Provisions for impairment of financial assets are made on the basis of expected credit losses. The Board recognises a loss allowance for expected credit losses on financial assets and this is recognised in other comprehensive income, rather than reducing the carrying amount of the asset in the SoFP.

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

Recognition and measurement

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

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

(a) Financial assets held at amortised cost

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

b) Financial assets held at fair value through other comprehensive income

Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity in other reserves. When financial assets classified as available for sale are sold, the accumulated fair value adjustments recognised in equity are included in the SoCCNE. Dividends on available-for-sale equity instruments are recognised in the SoCCNE when the Board's right to receive payments is established.

Financial Liabilities

Classification

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

i. these are measured at fair value on a portfolio basis in accordance with a documented risk management or investment strategy;

ii. they contain embedded derivatives; and/or

iii. it eliminates or reduces 'accounting mismatch' that would otherwise arise from measurement or recognition on an amortised costs basis.

a) Financial liabilities at fair value through profit or loss

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

(b) Financial liabilities held at amortised cost

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

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 SoFP when it is extinguished, that is when the obligation is discharged, cancelled or expired.

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

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

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the SoCCNE.

Amortised costs

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

25. Segmental reporting

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

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

26. Cash and cash equivalents

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

27. Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

Where the Board has assets or liabilities denominated in a foreign currency at the SoFP date:

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

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

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

28. 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 24 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

29. 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 material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year are addressed below.

Clinical and Medical Negligence Costs
The Board's accounting policy relating to the provisions for clinical and medical negligence and other claims is described in section 17 above. Reliance is placed on significant details provided by the Central Legal Office in order to establish the value of such provisions.

Employee Benefits Accrual
The accrual is estimated on the basis of information provided by managers regarding outstanding annual leave.

Assessment of Leases
Leases are assessed under IFRS as being operating or finance leases, which determine their accounting treatment. The criteria for assessment are, to a certain extent subjective, but a consistent approach has been taken through the use of a standard template which sets out the relevant criteria.

Pensions and Injury Benefit Provisions
The Board has provided for estimated costs relating to pensions and provisions and reliance is placed on significant details provided by the Scottish Public Pensions Agency in order to establish the value of such provisions.

Pension Liability for The Highland Council Pension Fund used by Social Care staff transferred to NHS Highland

In accordance with SGHSCD guidance, obligations under the defined benefit pension scheme are fully funded via Scottish Government funding in advance and therefore as a departure from IAS 19: Employee Benefits, the defined benefit obligations are not recognised as a long term liability and instead recognised through other reserves as SGHSCD funding received in advance. For further information see note 19.

Estimation of the liability to pay pensions for these staff depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.

The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease of approximately £183,000 in the pension liability.

Reliance is placed on significant details provided by the actuary of the Pension Fund to establish the value of this liability.

Property Plant and Equipment

The Board commissioned a valuation for 31 March 2021.

The valuation report has been used to inform the measurement of assets in these financial statements. The valuer has exercised professional judgement in preparing the valuation and, therefore, this is the best information available to NHS Highland as at 31 March 2021 and can be relied upon.

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

2a SUMMARY OF CORE RESOURCE OUTTURN for the year ended 31 March 2021

	Note	2021 £000
Net Expenditure	SoCCNE	920,884
Total Non Core Expenditure (see below)		(23,356)
Family Health Services Non-Discretionary Allocation		(38,674)
Donated Asset Income	2b	10
Endowment Net Expenditure		249
Associates and joint ventures accounted for on an equity basis		3,293
Total Core Expenditure		**862,406**
Core Revenue Resource Limit		863,107
Saving/(excess) against Core Revenue Resource Limit		**701**

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Capital Grants to Other Bodies		
Depreciation/Amortisation		14,815
Annually Managed Expenditure - Impairments		12
Annually Managed Expenditure – Creation of Provisions		1,156
Annually Managed Expenditure – Depreciation of Donated Assets	2b	159
Annually Managed Expenditure – Pension Valuation		3,263
Additional Scottish Government non-core funding		3,220
IFRS PFI Expenditure		731
Total Non Core Expenditure		**23,356**
Non Core Revenue Resource Limit		23,356
Saving/(against) Non Core Revenue Resource Limit		**0**

SUMMARY RESOURCE OUTTURN	**Resource**	**Expenditure**	**Saving**
	£000	**£000**	**£000**
Core	863,107	862,406	701
Non Core	23,356	23,356	0
Total	**886,463**	**885,762**	**701**

Details on brokerage is explained on pages 13, 14 and 30.

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

STATEMENT OF CONSOLIDATED CASH FLOWS for the year ended 31 March 2021

2b NOTES TO THE CASH FLOW STATEMENT

2b Consolidated adjustments for non-cash transactions

2020 £000		Note	2021 £000
	Expenditure not paid in cash		
15,197	Depreciation	7a	14,750
972	Amortisation	6	796
190	Depreciation of donated assets	7a	159
487	Impairments on PPE charged to SoCCNE		12
	Net revaluation on PPE charged to SoCCNE		0
(25)	Funding of donated assets		(10)
(2)	Loss/(profit) on disposal of property, plant and equipment		(69)
	Associates and joint ventures accounted for on an equity basis	SoCCNE	(3,293)
16,351	THC ASC Pension movements		(9,335)
	D Of H Covid Cap & Rev Equip		8,531
33,170	**Total expenditure not paid in cash**	CFS	11,541

2020 £000			2021 £000
	Interest Payable		
0	Bank and other interest payable		
2,012	PFI Finance lease charges allocated in the year	18	1,819
525	Other Finance lease charges allocated in the year		514
753	Provisions – Unwinding of discount		454
3,290	**Net interest payable**	CFS	**2,787**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

2 NOTES TO THE CASH FLOW STATEMENT, Contd

2c Consolidated Movements in Working Capital

2020 Net Movement £000		Note	Opening Balances £000	Closing Balances £000	2021 Net Movement £000
	INVENTORIES				
	SoFP	8	7,328	6,406	
(921)	**Net decrease (increase)**				**922**
	TRADE AND OTHER RECEIVABLES				
	Due within one year	9	52,407	52,628	
	Due after more than one year	9	16,910	11,300	
			69,317	63,928	
(6,225)	**Net decrease/(increase)**				5,389
	TRADE AND OTHER PAYABLES				
	Due within one year		100,254	136,430	
	Due after more than one year		28,985	32,484	
	Less: property, plant & equipment (capital) included in above		(2,787)	(2,063)	
	Less: General Fund creditor included in above		(1,023)	(88)	
	Less: lease and PFT creditors included in above		(31,177)	(28,997)	
			94,252	137,766	
8,298	**Net Increase/(decrease)**				**43,514**
	PROVISIONS				
	Statement of Financial Position	13a	56,515	60,847	
			56,515	60,847	
1,118	**Net Increase/(decrease)**				**4,332**
2,270	**Net movement increase**	CFS			**54,157**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

3 OPERATING EXPENSES

3a Staff Costs

2020 Total £000			2021 Board £000	2021 Consolidated £000
89,672	Medical and Dental		94,884	94,884
149,034	Nursing		171,498	171,498
186,070	Other Staff		202,128	202,128
424,776	**Total**	SoCCNE	**468,510**	**468,510**

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

3b Other Operating Expenditure

2020 Total £000		2021 Board £000	2021 Consolidated £000
	Independent Primary Care Services:		
58,911	General Medical Services	65,563	65,563
14,119	Pharmaceutical Services	17,387	17,387
18,328	General Dental Services	17,324	17,324
5,917	General Ophthalmic Services	6,069	6,069
97,275	**Total**	**106,343**	**106,343**
	Drugs and Medical Supplies:		
64,784	Prescribed drugs Primary Care	64,136	64,136
36,167	Prescribed drugs Secondary Care	38,217	38,217
0	PPE and Testing Kits	12,632	12,632
25,698	Medical Supplies	23,905	23,905
126,649	**Total**	**138,890**	**138,890**
	Other Health Care Expenditure:		
224,474	Contribution to Integration Joint Boards	254,245	254,245
97,077	Goods & services from other NHS Scotland bodies	98,702	98,702
384	Goods & services from other UK NHS bodies	614	614
9,866	Goods & services from private providers	8,590	8,590
5,399	Goods & services from voluntary organisations	5,975	5,975
0	Resource Transfer		
19	Loss on disposal of assets	1	1
218,679	Other operating expenses	242,172	242,168
182	External Auditor's Statutory Audit Fee	184	188
1,637	Endowment Fund expenditure		662
557,707	**Total**	**610,483**	**611,145**
781,631	**Total Other Operating Expenditure**	**855,716**	**856,378**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

4 OPERATING INCOME

2020 Total £000		Note	2021 Board £000	2021 Consolidated £000
32,348	Income from other NHS Scotland bodies		32,649	32,649
2,825	Income from NHS non-Scottish bodies		1,218	1,218
416	Income from private patients		22	22
212,248	Income for services commissioned by Integration Joint Board		230,529	230,529
4,438	Patient charges for primary care		888	888
25	Donated income and asset additions		3,705	3,705
11	Profit on disposal of assets		69	69
2,166	Contributions in respect of clinical and medical negligence claims		1,445	1,445
0	Interest received	CFS	30	30
	Non NHS:			
802	Overseas patients (non-reciprocal)		54	54
1,232	Endowment Fund Income			911
129,880	Other		129,191	129,191
386,391	**Total Income**	SoCCNE	**399,800**	**400,711**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

5 SEGMENTAL INFORMATION

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

	Acute	North Highland Communities inc ASC	ASC Funding	Mental Health	Primary Care	Childrens Services	Corporate Ehealth & Tertiary	Central	Facilities	A & B	2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net Operating Costs	221,682	194,859	(100,901)	39,869	137,013	11,500	63,059	95,164	39,255	222,926	924,426

PRIOR YEAR

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

	A&B CHP	Raigmore Hospital	N&W Operational Unit	S&M Operational Unit	ASC Central	ASC Funding	Children's Services	Other	2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net Operating Costs	209,839	200,077	156,062	226,266	3,615	(100,635)	11,047	113,340	819,611

In 2021 NHS Highland changed its management structure. The 2021 Segmental information reflects this change in the operational units.

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

6a Intangible Assets (Non-Current) – Board and Consolidated

	Note	Software Licences £000	IT – Software £000	Total £000
Cost or Valuation:		2,170	5,227	7,397
At 1 April 2020		57	339	396
Additions		0	0	
Disposals				
At 31 March 2021		**2,227**	**5,566**	**7,793**
Amortisation		1,303	3,951	5,254
At 1 April 2020		309	487	796
Provided during the year				
Disposals				
At 31 March 2021		**1,612**	**4,438**	**6,050**
Net book value at 1 April 2020		**867**	**1,276**	**2,143**
Net book value at 31 March 2021	SoFP	**615**	**1,128**	**1,743**

6a Intangible Assets (Non-Current) – Board and Consolidated Prior Year

	Note	Software Licences £000	IT – Software £000	Total £000
Cost or Valuation:				
At 1 April 2019		2,184	5,455	7,639
Additions		178	231	409
Disposals		(192)	(459)	(651)
At 31 March 2020		**2,170**	**5,227**	**7,397**
Amortisation				
At 1 April 2019		1,192	3,741	4,933
Provided during the year		303	669	972
Disposals				
At 31 March 2020		(192)	(459)	(651)
		1,303	**3,951**	**5,254**
Net book value at 1 April 2019				
Net book value at 31 March 2020	SoFP	**992**	**1,714**	**2,706**
		867	**1,276**	**2,143**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

7a PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED AND BOARD

	Note	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
At 1 April 2020		**19,878**	**313,306**	**5,880**	**279**	**63,671**	**8,602**	**1,785**	**20,617**	**434,018**
Additions - purchased		0	0	0	0	0	0	0	54,260	54,260
Additions - donated		0	0	0	0	10	0	0	0	10
Completions		1,306	4,440	(4)	0	12,508	1,031	0	(19,281)	0
Revaluations		0	(8,777)	(114)	0		0	0	0	(8,891)
Impairment charges		0	(22)	0	0		0	0	0	(22)
Disposals - purchased		(13)	(27)	0	(20)	(2299)	0	0	0	(2,359)
Disposals - donated		0	0	0	0	(52)	0	0	0	(52)
As 31 March 2021		**21,171**	**308,920**	**5,762**	**259**	**73,838**	**9,633**	**1,785**	**55,596**	**476,964**
Depreciation										
At 1 April 2020		**0**	**21,443**	**237**	**266**	**44,656**	**5,903**	**1,699**	**0**	**74,204**
Provided during the year - purchased		0	8,991	339	0	4,514	852	54	0	14,750
Provided during the year - donated		0	94	6	1	55	0	0	0	159
Revaluations		0	(6365)	(146)	0	0	0	0	0	(6,511)
Impairment charges		0	(10)	0	0	0	0	0	0	(10)
Disposals - purchased		0	(10)	0	(20)	(2,299)	0	0	0	(2,329)
Disposals - donated		0	0	0	0	(50)	0	0	0	(50)
At 31 March 2021		**0**	**24,143**	**436**	**247**	**46,876**	**6,758**	**1,753**	**0**	**80,213**
Net book value at 1 April 2020		**19,878**	**291,863**	**5,643**	**13**	**19,015**	**2,699**	**86**	**20,617**	**359,814**
Net book value at 31 March 2021	SoFP	**21,171**	**284,777**	**5,326**	**12**	**26,962**	**2,875**	**32**	**55,596**	**396,751**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

7a PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED, Contd

	Note	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Open Market Value of Land & Dwellings included above		272		230						
Asset financing:										
Owned - Purchased		21,126	241,494	5,101	2	26,858	2,868	32	55,596	353,077
Owned - Donated		45	3,771	225	10	104	7	0	0	4,162
Held on finance lease		0	727	0	0	0	0	0	0	727
On-balance sheet PFI contracts		0	38,785	0	0	0	0	0	0	38,785
Net book value at 31 March 2021	SoFP	**21,171**	**284,777**	**5,326**	**12**	**26,962**	**2,875**	**32**	**55,596**	**396,751**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

7a PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED AND BOARD PRIOR YEAR

	Note	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
At 1 April 2019		19,883	323,523	6,506	703	60,515	9,172	2,650	9,842	432,794
Additions - purchased		0	0	0	0	0	0	0	28,537	28,537
Additions - donated		0	0	0	0	25	0	0	0	25
Completions		0	11,317	32	0	5,072	1,341	0	(17,762)	0
Revaluations		(5)	(20,897)	67	0	0	0	0	0	(20,835)
Impairment charges		0	(637)	(725)	0	0	0	0	0	(1,362)
Disposals - purchased		0	0	0	(424)	(1,923)	(1,911)	(865)	0	(5,123)
Disposals - donated		0	0	0	0	(18)	0	0	0	(18)
As 31 March 2020		**19,878**	**313,306**	**5,880**	**279**	**63,671**	**8,602**	**1,785**	**20,617**	**434,018**
Depreciation										
At 1 April 2019		0	25,289	688	689	42,363	7,130	2,455	0	78,614
Provided during the year - purchased		0	9,891	356	0	4,160	681	109	0	15,197
Provided during the year - donated		0	119	5	1	62	3	0	0	190
Revaluations		0	(13,671)	(122)	0	0	0	0	0	(13,793)
Impairment charges		0	(185)	(690)	0	0	0	0	0	(875)
Disposals - purchased		0	0	0	(424)	(1,911)	(1,911)	(865)	0	(5,111)
Disposals - donated		0	0	0	0	(18)	0	0	0	(18)
At 31 March 2020		**0**	**21,443**	**237**	**266**	**44,656**	**5,903**	**1,699**	**0**	**74,204**
Net book value at 1 April 2019		**19,883**	**298,234**	**5,818**	**14**	**18,152**	**2,042**	**195**	**9,842**	**354,180**
Net book value at 31 March 2020		**19,878**	**291,863**	**5,643**	**13**	**19,015**	**2,699**	**86**	**20,617**	**359,814**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

7a PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED PRIOR YEAR, Contd

	Note	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Open Market Value of Land in Land and Dwellings Included Above		272		244						
Asset financing:										
Owned - purchased		19,833	247,803	5,412	2	18,864	2,689	86	20,617	315,306
Owned - donated		45	3,875	231	11	151	10	0	0	4,323
Held on finance lease		0	849	0	0	0	0	0	0	849
On-balance sheet PFI contracts		0	39,336	0	0	0	0	0	0	39,336
Net book value at 31 March 2020	SoFP	**19,878**	**291,863**	**5,643**	**13**	**19,015**	**2,699**	**86**	**20,617**	**359,814**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

7c PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

Consolidated 2020 £000	Board 2020 £000		Note	Consolidated 2021 £000	Board 2021 £000
		Net book value of property, plant and equipment at 31 March			
355,491	355,491	Purchased		392,589	392,589
4,323	4,323	Donated		4,162	4,162
359,814	**359,814**	**Total**	SoFP	**396,751**	**396,751**
272	272	Net book value related to land valued at open market value at 31 March		272	272
244	244	New book value related to buildings valued at open market value at 31 March		230	230
		Total value of assets held under:			
849	849	Finance Leases		727	727
0	0	Hire Purchase Contracts		0	0
39,336	39,336	PFI and PPP Contracts		38,785	38,785
40,185	**40,185**			**39,512**	**39,512**
		Total depreciation charged in respect of assets held under:			
120	120	Finance Leases		122	122
88	88	Hire Purchase Contracts		0	0
1,208	1,208	PFI and PPP Contracts		1,236	1,236
1,416	**1,416**			**1,358**	**1,358**

20% of Land and buildings were revalued by an independent valuer, Gerald Eve (A&B) & FG Burnett (north Highland), as at 31/03/2021 on the basis of current value in existing use (where no active market exists, assets are revalued to the lower of depreciated replacement cost and value in use where the asset is income generating). These measures are a proxy for fair value. The remaining land and buildings are subject to indexation provided by the valuer. The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was a revaluation loss of £2.392m (2019/20: £7.529m) of which £2.380m was charged to the revaluation reserve (2019/20: £7.042m). Impairment of £0.012m (2019/20: £0.487m) was charged to the Statement of Net Expenditure and Summary of Resource Outturn.

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

7d. ANALYSIS OF CAPITAL EXPENDITURE

Consolidated 2020 £000	Board 2020 £000		Note	Consolidated 2021 £000	Board 2021 £000
		EXPENDITURE			
409	409	Acquisition of Intangible Assets	6	396	396
28,537	28,537	Acquisition of Property, Plant and Equipment	7a	54,260	54,260
25	25	Donated Asset Additions	7a	10	10
		Gross Capital Expenditure		**54,666**	**54,666**
		INCOME			
12	12	Net book value of disposal of Property, Plant and Equipment	7a	30	30
		Net book value of disposal of Donated Assets	7a	2	2
0	0	HUB – Repayment of investment		7	7
25	25	Donated Asset Income		10	10
37	**37**	**Capital Income**		**49**	**49**
28,934	**28,934**	**Net Capital Expenditure**		**54,617**	**54,617**
		SUMMARY OF CAPITAL RESOURCE OUTTURN			
28,934	28,934	Core Capital Expenditure included above		54,617	54,617
28,934	28,934	Core Capital Resource Limit		54,617	54,617
0	0	**Saving/(excess) against Core Capital Resource Limit**		0	0
		Non-Core Capital Expenditure included above			
		Non-Core Capital Resource Limit			
0	**0**	**Saving/(excess) against Non-Core Capital Resource Limit**		**0**	**0**
28,934	28,934	Total Capital Expenditure		54,617	54,617
28,934	28,934	Total Capital Resource Limit		54,617	54,617
0	**0**	**Saving/(excess) against Capital Resource Limit**		**0**	**0**

8 INVENTORIES

Consolidated 2020 £000	Board 2020 £000		Note	Consolidated 2021 £000	Board 2021 £000
7,328	7,328	Raw Materials and Consumables		6,406	6,406
7,328	**7,328**	**Total Inventories**	SoFP	**6,406**	**6,406**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

9 TRADE AND OTHER RECEIVABLES

Consolidated 2020 £000	Board 2020 £000		Note	Consolidated 2021 £000	Board 2021 £000
		Receivables due within one year – NHS Scotland			
207	207	Scottish Government Health & Social Care Directorate		208	208
3,677	3,677	Boards		4,016	4,016
3,884	**3,884**	**Total NHSScotland Receivables**		**4,224**	**4,224**
696	696	NHS Non-Scottish Bodies		281	281
584	584	VAT recoverable		1,328	1,328
4,941	4,941	Prepayments		5,925	5,925
5,924	5,924	Accrued income		4,175	4,175
1,282	1,570	Other Receivables		629	725
9,491	9,491	Reimbursement of provisions		13,164	13,164
25,605	25,605	Other Public Sector Bodies		22,902	22,902
52,407	**52,695**	**Total Receivables due within one year**	SoFP	**52,628**	**52,724**
6,679	6,679	Other Public Sector Bodies		0	0
1,308	1,308	Prepayments		1,338	1,338
4,537	4,537	Accrued income		5,461	5,461
16	16	Other Receivables		17	17
4,370	4,370	Reimbursement of Provisions		4,484	4,484
16,910	**16,910**	**Total Receivables due after more than one year**	SoFP	**11,300**	**11,300**
69,317	**69,605**	**TOTAL RECEIVABLES**		**63,928**	**64,024**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

9 TRADE AND OTHER RECEIVABLES, Contd

Consolidated 2020 £000	Board 2020 £000		Note	Consolidated 2021 £000	Board 2021 £000
1,288	1,288	The total receivables figure above includes a provision for impairments of:		1,896	1,896
		WGA Classification			
3,677	3,677	NHS Scotland		4,016	4,016
590	590	Central Government bodies		1,356	1,356
26,294	26,294	Whole of Government bodies		25,851	25,851
696	696	Balances with NHS Bodies in England & Wales		281	281
38,060	38,348	Balances with bodies external to Government		32,424	32,520
69,317	**69,605**	**Total**		**63,928**	**64,024**
		Movements on the provision for impairment of receivables are as follows:			
1,122	1,122	At 1 April		1,288	1,288
277	277	Provision for impairment		773	773
(111)	(111)	Receivables written off during the year as uncollectible		(247)	(247)
0	0	Unused amounts reversed		82	82
1,288	**1,288**	At 31 March		**1,896**	**1,896**

As at 31 March 2021, receivables with a carrying value of £1.896m (2019-20: £1.288m) were impaired and provided for. The ageing of these receivables is as follows:

2020 £000	2020 £000		2021 £000	2021 £000
		3 to 6 months past due		
1,288	1,288	Over 6 months past due	1,896	1,896
1,288	**1,288**		**1,896**	**1,896**

The receivables assessed as individually impaired were mainly (English, Welsh and Irish NHS Trusts/Health Authorities, other Health Bodies, overseas patients, research companies and private individuals) and it was assessed that not all of the receivable balance may be recovered.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2021, receivables with a carrying value of £2.483 million (2019-20: £3.154 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

9 TRADE AND OTHER RECEIVABLES, Cont

2020 £000	2020 £000		2021 £000	2021 £000
1,132	1,132	Up to 3 months past due	426	426
621	621	3 to 6 months past due	631	631
1,401	1,401	Over 6 months past due	1,426	1,426
3,154	**3,154**		**2,483**	**2,483**

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

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

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

9 TRADE AND OTHER RECEIVABLES, Contd

2020 £000	2020 £000		2021 £000	2021 £000
		Currencies:		
69,317	69,605	Pounds	63,928	64,024
69,317	**69,605**		**63,928**	**64,024**

All non-current receivables are due within 14 years (2019-20 15 years) from the SoFP date.
The carrying amount of short-term receivables approximates their fair value.
The fair value of long-term other receivables is £11.300m (2019-20: £16.910m)
The effective interest rate on non-current other receivables is 0% (2019-20: 0%). Pension liabilities are discounted at -0.95% (2019-20: -0.5%)

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

10 INVESTMENTS

Consolidated 2020 £000	Board 2020 £000		Note	Consolidated 2021 £000	Board 2021 £000
555		Government securities		405	
6,699	113	Other		8,092	106
7,254	**113**	**TOTAL**	SoFP	**8,497**	**106**
8,528	113	**At 1 April**		7,254	113
156		Additions	CFS	561	
(551)		Disposals		(409)	(7)
(879)		Revaluation surplus / (deficit) transferred to equity	SoCTE	1,091	
7,254	**113**	**At 31 March**		**8,497**	**106**
7,254	113	Non-Current	SoFP	8,497	106
7,254	**113**	At 31 March		**8,497**	**106**

We have a small shareholding in HUB North of Scotland Ltd, an unlisted investment denominated in UK pounds; £113k in the form of non equity long term loans repayable in full with interest over 25 years to HUB North of Scotland Ltd as part of the financing arrangements for the Forres, Woodside and Tain Health Centre Project. The carrying value of these investments is cost less impairment as there is no active market. Stocks and Bonds relate to the Highland Health Board Charitable Endowment Funds which are invested in a portfolio of bonds and equity investments, managed by the Funds appointed Investment Managers Adam & Company Investment Management Limited., in line with a medium risk strategy to deliver a balance between income and capital growth. The carrying value of Stocks and Bonds is market value.

11 CASH AND CASH EQUIVALENTS

	Note	2021 £000	2020 £000
Balance at 1 April		2,010	1,035
Net change in cash and cash equivalent balances	CFS	(1,039)	975
Balance at 31 March	SoFP	**971**	**2,010**
Total Cash – Cash Flow Statement		971	2,010

The following balances at 31 March were held at:

Government Banking Services	4	977
Commercial banks and cash in hand	84	46
Endowment cash	883	987
Balance at 31 March	**971**	**2,010**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

12 TRADE AND OTHER PAYABLES

Consolidated 2020 £000	Board 2020 £000		Note	Consolidated 2021 £000	Board 2021 £000
		Payables due within one year NHS Scotland			
30,551	30,551	Boards		33,057	33,057
30,551	**30,551**	**Total NHSScotland Payables**		**33,057**	**33,057**
676	676	NHS Non-Scottish Bodies		576	576
1,023	1,023	Amounts payable to General Fund		88	88
14,532	14,532	FHS Practitioners		10,740	10,740
4,793	4,793	Trade Payables		4,697	4,697
23,583	23,565	Accruals		47,526	47,510
1,030	1,030	Deferred income		1,650	1,650
71	71	Payments received on account		85	85
192	192	Net obligations under Finance Leases	17	236	236
2,000	2,000	Net obligations under PPP/PFI Contracts	18	2,195	2,195
7,729	7,729	Income tax and social security		8,818	8,818
6,976	6,976	Superannuation		7,107	7,107
1,141	1,141	Holiday Pay Accrual		5,513	5,513
3,961	3,961	Other Public Sector Bodies		6,509	6,509
1,670	1,670	Other payables		7,304	7,304
326	326	Other significant Payable - Pension contribution to Local Gvt Pension Scheme		329	329
100,254	**100,236**	**Total Payables due within one year**	SoFP	**136,430**	**136,414**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

12 TRADE AND OTHER PAYABLES, Contd

Consolidated 2020 £000	Board 2020 £000		Note	Consolidated 2021 £000	Board 2021 £000
		Payables due after more than one year			
		Other public sector bodies			
236	236	Net obligations under Finance Leases due within 2 years		259	259
863	863	Net obligations under Finance Leases due after 2 years but within 5 years		823	823
435	435	Net obligations under Finance Leases due after 5 years		228	228
2,194	2,194	Net obligations under PPP/PFI Contracts due within 2 years	18	2,415	2,415
8,014	8,014	Net obligations under PPP/PFI Contracts after 2 years but within 5 years	18	7,657	7,657
17,243	17,243	Net obligations under PPP/PFI Contracts due after 5 years	18	15,184	15,184
		Other payables		5,918	5,918
28,985	**28,985**	**Total Payables due after more than one year**	SoFP	**32,484**	**32,484**
129,239	**129,221**	**TOTAL PAYABLES**		**168,914**	**168,898**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

13a PROVISIONS – CONSOLIDATED AND BOARD

	Note	Pensions & similar obligations	Clinical & Medical Claims against NHS Board	Participation in CNORIS	Other (non Endowment)	2021 Total
		£000	£000	£000	£000	£000
At 1 April 2020		10,101	13,828	32,431	155	56,515
Arising during the year		534	5,498	1,922	294	8,248
Utilised during the year		(694)	(1,465)	(1,962)	(81)	(4,202)
Unwinding of discount		454	0	0	0	454
Reversed unutilised		(49)	(98)	0	(21)	(168)
At 31 March 2021	**2**	**10,346**	**17,763**	**32,391**	**347**	**60,847**

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

Analysis of expected timing of discounted flows – to 31 March 2021

	Pensions & similar obligations	Clinical & Medical Claims against NHS Board	Participation in CNORIS	Other (non Endowment)	2021 Total
	£000	£000	£000	£000	£000
Payable in one year	866	13,318	8,080	232	22,496
Payable between 2-5 years	2,885	1,746	19,685	115	24,431
Payable between 6-10 years	2,806	1,775	1,674	0	6,255
Thereafter	3,789	924	2,952	0	7,665
Total as at 31 March 2021	**10,346**	**17,763**	**32,391**	**347**	**60,847**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

13a PROVISIONS – CONSOLIDATED AND BOARD, Contd

PROVISIONS – CONSOLIDATED AND BOARD (PRIOR YEAR)

	Pensions & similar obligations	Clinical & Medical Claims against NHS Board	Participation in CNORIS	Other (non Endowment)	2020 Total
	£000	£000	£000	£000	£000
At 1 April 2019	9,535	17,230	28,425	207	55,397
Arising during the year	550	594	4,231	102	5,477
Utilised during the year	(686)	(2,341)	(225)	(83)	(3,335)
Unwinding of discount	753	0	0	0	753
Reversed unutilised	(51)	(1,655)	0	(71)	(1,777)
At 31 March 2020	**10,101**	**13,828**	**32,431**	**155**	**56,515**

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

Analysis of expected timing of discounted flows to 31 March 2020

	Note	Pensions & similar obligations	Clinical & Medical Claims against NHS Board	Participation in CNORIS	Other (non Endowment)	2020 Total
		£000	£000	£000	£000	£000
Payable in one year		858	9,408	5,512	155	15,933
Payable between 2-5 years		2,752	1,434	19,459	0	23,645
Payable between 6-10 years		2,740	1,742	1,622	0	6,104
Thereafter		3,751	1,244	5,838	0	10,833
Total as at 31 March 2020		**10,101**	**13,828**	**32,431**	**155**	**56,515**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

13a PROVISIONS – CONSOLIDATED AND BOARD, Contd

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 0.10% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 17 years.

Clinical & Medical Legal Claims against NHS Boards

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

Other (non-endowment)

The Board has provided for Employers and Third Party claims by reviewing all outstanding and potential claims which the Board may be liable for. The Board has provided 100% for claims assessed as Category 3, 50% of all claims assessed as Category 2. The balance of Category 2 and all of Category 1 being disclosed as Contingent Liabilities in Note 14. The provision is based on an estimate of the possible cost together with adverse legal costs.

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

13b CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)

2020 £000		Note	2021 £000
15,274	Provision recognising individual claims against the NHS Board as at 31 March		18,935
(13,861)	Associated CNORIS receivable at 31 March	9	(17,648)
32,431	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	13a	32,391
33,844	**Net Total Provision relating to CNORIS at 31 March**		**33,678**

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 the board's own budgets. Participants, e.g. NHS board contribute to the CNORIS pool each financial year at a pre-agreed contribution rate based on the risks associated with their individual NHS board. If a claim is settled the board will be reimbursed by the scheme for the value of the settlement, less a £25k "excess" fee. The scheme allows for the risk associated with any large or late in the financial year legal claims to be managed and reduces the level of volatility that individual boards are exposed to.

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

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

Therefore, there are two related but distinct provisions required as a result of participation in the scheme. Both 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 here

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

14 CONTINGENT LIABILITIES

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

2020 £000		2021 £000
	Nature	
1,056	Clinical and medical compensation payments	643
178	Employer's liability	115
58	Third party liability	68
1,292	**TOTAL CONTINGENT LIABILITIES**	**826**

2020 £000	CONTINGENT ASSETS	2021 £000
710	Clinical and medical compensation payments	408
20	Employer's liability	35
15	Third party	28
745		**471**

15 EVENTS AFTER THE END OF THE REPORTING YEAR

There are no events after the end of reporting period to disclose.

16 COMMITMENTS

Capital Commitments

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

2020 £000		Property, plant & equipment 2021 £000
	Contracted	
4,925	Mid Argyll PFI Lifecycle costs	4,402
3,038	Easter Ross PFI Lifecycle Costs	2,682
29,190	Skye, B&S Hospital HUB Projects	7,975
41,250	National Treatment Centre (Wad ECC)	31,604
130	eHealth Rolling Programme	0
143	Radiotherapy	0
78,676	**Total**	**46,663**
	Authorised but not Contracted	
1,591	Skye, B+S Hospital Bundle - equipping	1,591
1,759	Grantown Health Centre Refurbishment	1,759
641	Portree Spoke Reconfiguration	2,132
0	Belford Hospital Replacement	29,300
6,070	Rolling Replacement Programmes	0
639	Radiotherapy	2,797
4,600	Increased hospital / community capacity	6,300
1,200	Raigmore HV generator replacement	0
16,500	**Total**	**43,879**

17 COMMITMENTS UNDER LEASES

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

Obligations under operating leases comprise:

2020 £000		2021 £000
	Buildings	
3,036	Not later than one year	2,154
2,085	Later than one year, not later than 2 years	1,963
5,112	Later than two years, not later than five years	4,467
11,693	Later than five years	10,375
	Other	
2,686	Not later than one year	1,610
1,421	Later than one year, not later than two years	1,230
1,664	Later than two years, not later than five years	1,138
	Amounts charged to Operating Costs in the year were:	
3,516	Hire of equipment (including vehicles)	3,142
4,725	Other operating leases	4,204
8,241	**Total**	**7,346**

Finance Leases

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

Obligations under Finance leases comprise:

2020 £000		2021 £000
	Buildings	
359	Rentals due within one year	383
383	Rentals due between one and two years (inclusive)	383
1,150	Rentals due between two and five years (inclusive)	1,012
507	Rentals due after five years	273
2,399		2,051
(673)	Less interest element	(505)
1,726		**1,546**

This total net obligation under finance leases is analysed in Note 12 (Trade and Other Payables)

	Aggregate Rentals Receivable in the year	
871	Total of finance & operating leases	**870**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

18 COMMITMENTS UNDER PFI CONTRACTS – ON BALANCE SHEET

The Board has entered into the following PFI contracts:

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

2020 £000	Gross Minimum Lease Payments	Note	New Craig's £000	Easter Ross £000	Mid Argyll £000	Tain HC HUB £000	2021 Total £000
4,185	Rentals due within 1 year		1,922	622	1,228	414	4,186
4,186	Due within 1 to 2 years		1,922	622	1,228	417	4,189
12,577	Due within 2 to 5 years		4,622	1,866	3,687	1,265	11,440
23,784	Due after 5 years			2,400	12,578	5,753	20,731
44,732	**Total**		8,466	5,510	18,721	7,849	40,546
	***Less* Interest Element**						
(2,185)	Rentals due within 1 year		(808)	(216)	(632)	(336)	(1,992)
(1,992)	Due within 1 to 2 years		(646)	(196)	(603)	(329)	(1,774)
(4,563)	Due within 2 to 5 years		(766)	(458)	(1,622)	(937)	(3,783)
(6,541)	Due after 5 years			(260)	(2,845)	(2,442)	(5,547)
(15,281)	**Total**		(2,220)	(1,130)	(5,702)	(4,044)	(13,096)
	Present value of minimum lease payments						
2,000	Rentals due within 1 year	12	1,115	406	596	78	2,195
2,194	Due within 1 to 2 years	12	1,276	426	625	88	2,415
8,014	Due within 2 to 5 years	12	3,856	1,408	2,065	328	7,657
17,243	Due after 5 years	12	0	2,140	9,733	3,311	15,184
29,451	**Total**		6,246	4,380	13,019	3,805	27,450
	Service elements due in further periods						
4,505	Rentals due within 1 year		2,689	828	1,034	86	4,637
4,637	Due within 1 to 2 years		2,689	780	1,146	83	4,699
14,768	Due within 2 to 5 years		6,050	2,923	4,137	236	13,346
29,613	Due after 5 years		0	4,826	20,691	819	26,336
53,523	**Total**		11,428	9,358	27,008	1,224	49,018
82,974	**Total Commitments**		**17,676**	**13,738**	**40,027**	**5,029**	**76,470**

Amounts charged to the Statement of comprehensive net expenditure in respect of on balance sheet PFI transactions comprises;

2020 £000		Note	2021 £000
2,012	Interest charges	2	1,819
4,720	Service Charges		4,865
1,824	Principal repayment		2,000
16	Other Charges		17
8,572	**Total**		**8,701**
16	Contingent Rents – (including other charges)		17

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

19 PENSION COSTS

IAS 19 Multi-employer plans

a) The Board participates in the NHS Pension Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an employer contribution rate from 1 April 2020 of 20.9% of pensionable pay and an anticipated yield of 9.6% employees contributions.

(b) The Board has no liability for other employers' obligations to the multi-employer scheme.

(c) 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.

(d)

(i) The scheme is an unfunded multi-employer defined benefit scheme.

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

(iii) The employer contribution rate for the period from 1 April 2020 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% of pensionable pay.

(iv) While a valuation was carried out as at 31 March 2016, work on the cost cap valuation was suspended by the UK Government following the decision by the Court of Appeal (McCloud (Judiciary scheme)/Sergeant (Firefighters' Scheme) cases) that the transitional protections provided as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

(v) The Board's level of participation in the scheme is 4.9% based on the proportion of employer contributions paid in 2019-20.

Description of schemes

The new NHS Pension Scheme (Scotland) 2015

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

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

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

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

National Employment Savings Trust (NEST)

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

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £6,240 up to £50,000, but will be reviewed every year by the government. The initial employee contribution is 5% of qualifying earnings, with an employer contribution of 3%. This will increase in stages to meet levels set by government.

	Employee Contribution	Employer Contribution	Total Contribution
October 2012 - 5 April 2018	1%	1%	2%
6 April 2018 - 5 April 2019	3%	2%	5%
6 April 2019 onwards	5%	3%	8%

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

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

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

	2021 £000	**2020 £000**
Pension cost charge for the year	61,141	56,514
Pension cost in year of staff transferred from Highland Council	3,263	6,560
Provisions/Liabilities/Pre-payments included in the SoFP	1,636	1,553

PENSION COSTS FOR STAFF TRANSFERRED FROM HIGHLAND COUNCIL
As part of the terms and conditions of employment for the staff transferred from The Highland Council, the Board participates in the Local Government Pension Scheme administered by The Highland Council. This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

The Fund is constituted under legislation governing the Local Government Superannuation Scheme – details are contained in the 2010 regulations. The Highland Council is required to publish the Pension Fund annual report which is available at www.highland.gov.uk or from The Highland Council, Glen Urquhart Road, Inverness.

NHS Highland recognises the costs of these retirement benefits in the Statement of Net Comprehensive expenditure when they are earned by these employees, rather than when the benefits are eventually paid as pensions.

The Highland Council recognises the liability of the Pension Fund at 31 March 2012 attributable to these NHS Highland staff in the The Highland Council accounts. NHS Highland recognises the loss in the Fund for the year from 1 April 2020 to 31 March 2021 of £15.861m, giving a total to 31st March 2021 of £37.706m (total to 31st March 2020 of £21.845m). This is included in two parts in NHS Highland's accounts:-

a) £31.788m of realised deficit in SOCNE which has been covered by funding from Scottish Government and

b) £5.918m of unrealised losses due to actuarial assumptions which is recorded as other Comprehensive Net Expenditure and offset against Reserves in the SoFP.

The deficit on the fund will be made good by increased contributions over the remaining working life of employees as assessed by the scheme's actuary. NHS Highland represents 4.8% of the scheme participants.

The charge to the Statement of Comprehensive Net Expenditure consists of:

	2021 £000	2020 £000
Current Service cost	5,825	8,372
Interest Cost	1,749	1,901
Return in the Fund Assets	(1,216)	(1,238)
IAS 19 charge to service costs	**6,358**	**9,035**
Financial Assumptions Gain / (loss)	(12,598)	9,791
Gain / (loss) through other comprehensive net expenditure	**(12,598)**	**9,791**

The current assets and liabilities are made up of :-

Present Value of the Scheme Liabilities

Opening defined benefit obligation	73,586	75,320
Current Service Cost	5,825	8,372
Interest Cost	1,749	1,901
Change in financial assumptions	22,063	(8,876)
Estimated benefits paid	(1,737)	(734)
Changes in demographic assumptions	247	(2,903)
Other experience	(41)	(453)
Contributions by scheme participants	952	959
Closing Value	102,644	73,586

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

Fair Value of the Scheme Assets		
Opening Fair Value of scheme assets	51,741	50,244
Expected return on scheme assets	12,559	(2,441)
Interest Income	1,216	1,238
Contributions by employer	3,095	2,475
Contributions by Scheme participants	952	959
Other Experience	(2,888)	0
Estimated benefits paid (net of transfers in)	(1,737)	(734)
Closing value	64,938	51,741

The expected return on fund assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the SoFP date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The total contributions expected to be made to The Highland Council Pension Scheme by NHS Highland in the year to 31 March 2022 is £3.016m.

Basis for estimating assets and liabilities of the Pension Scheme

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for The Highland Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2020.

The principal actuarial assumptions adopted as at 31 March 2021 are as follows:

		2020	**2021**
(a) Long term expected rate of return on assets in the scheme		2.0%	2.0%
(b) Life expectancy from age 65 (years)			
Retiring today:			
	Males	20.9	21.0
	Females	23.5	23.2
Retiring in 20 years:			
	Males	22.3	22.0
	Females	25.5	24.8
(c) Financial assumptions			
Rate of increase in salaries		3.65%	2.8%
Rate of increase in pensions (CPI)		2.85%	1.9%
Rate of discounting scheme liabilities		2.0%	2.3%
Take up of option to convert annual pension into retirement lump sum		50%	50%

(d) The Local Government Pension Scheme's assets consist of the following categories by proportion of the total assets held

Securities	53%	47%
Debt Securities	-	-
Private Equity	7%	9%
Real Estate	8%	10%
Investment Funds & Unit Trusts	24%	31%
Cash	8%	3%
Total	100%	100%

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

20 FINANCIAL INSTRUMENTS

20a Financial Assets

CONSOLIDATED At 31 March 2021	Notes	Loans & Receivables £000	Available for Sale £000	Total £000
Assets per SoFP				
Investments	10		8,497	8,497
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	33,465		33,465
Cash and cash equivalents	11	971		971
		34,436	**8,497**	**42,933**

BOARD At 31 March 2021	Notes	Loans & Receivables £000	Available for Sale £000	Total £000
Assets per SoFP				
Investments	10		106	106
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	33,561		33,561
Cash and cash equivalents	11	88		88
		33,649	**106**	**33,755**

CONSOLIDATED (Prior Year) At 31 March 2020	Notes	Loans & Receivables £000	Available for Sale £000	Total £000
Assets per SoFP				
Investments			7,254	7,254
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable		44,739		44,739
Cash and cash equivalents		2,010		2,010
		46,749	**7,254**	**54,003**

BOARD (Prior Year) At 31 March 2020	Notes	Loans & Receivables £000	Available for Sale £000	Total £000
Assets per SoFP				
Investments			113	113
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable		45,027		45,027
Cash and cash equivalents		1,023		1,023
		46,050	**113**	**46,163**

20 Financial Instruments (cont'd)

Financial Liabilities

CONSOLIDATED at 31 March 2021	Note	Liabilities at Fair Value through profit and loss £000	Other financial liabilities £000	Total £000
Liabilities per SoFP				
Finance lease liabilities			1,546	1,546
PFI Liabilities	12		27,451	27,451
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation recoverable.	12		89,285	89,285
		0	**118,282**	**118,282**

BOARD at 31 March 2021	Note	£000	£000	£000
Liabilities per SoFP				
Finance lease liabilities			1,546	1,564
PFI Liabilities	12		27,451	27,451
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation recoverable.	12		89,269	89,269
		0	**118,266**	**118,266**

CONSOLIDATED (Prior Year) at 31 March 2020	Note	£000	£000	£000
Finance lease liabilities	12		1,726	1,726
PFI Liabilities	12		29,451	29,451
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12		51,776	51,776
			82,953	**82,953**

BOARD (Prior Year) at 31 March 2020	Note	£000	£000	£000
Finance lease liabilities	12		1,726	1,726
PFI Liabilities	12		29,451	29,451
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12		51,758	51,758
			82,935	**82,935**

20b Financial Risk Factors

Exposure to Risk

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

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

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

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

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

a) Credit Risk

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

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

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

The utilisation of credit limits is regularly monitored.

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

b) Liquidity Risk

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
at 31 March 2021	**£000**	**£000**	**£000**	**£000**
PFI Liabilities	4,187	4,189	11,440	20,731
Finance lease liabilities	383	383	1,001	273
Trade and other payables exc statutory liabilities				
Total	**4,570**	**4,572**	**12,441**	**21,004**

at 31 March 2020	**£000**	**£000**	**£000**	**£000**
PFI Liabilities	4,185	4,186	12,577	23,784
Finance lease liabilities	359	383	1,150	507
Trade and other payables exc statutory liabilities				
Total	**4,544**	**4,569**	**13,727**	**24,291**

c) Market Risk

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

i) Cash flow and fair value interest rate risk
The NHS Board has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of changes in market interest rates.

ii) Foreign Currency Risk
The NHS Board is not exposed to foreign exchange rates.

iii) Price risk
The NHS Board is not exposed to equity security price risk.

c FAIR VALUE ESTIMATION

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

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

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

21 DERIVATIVE FINANCIAL INSTRUMENTS

The Board has no transactions of this type.

22 RELATED PARTY TRANSACTIONS

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

From 1 April 2012, The Highland Council and NHS Highland integrated health and social care services. Under the partnership agreement effective from that date, NHS Highland is the lead agency for integrated adult services and The Highland Council for the delivery of integrated children's services. From 1 April 2012, NHS Highland and its adult social care staff contributed to the Pension Fund run by The Highland Council which provides pensions for the social care staff of NHS Highland

	2021 £'000	2020 £'000
Income	100,901	100,635
Expenditure	11,500	11,047
Payables	3,123	2,827
Receivables	22,233	25,322

The integration of adult health and social services resulted in the creation of the Argyll and Bute Health and Social Care Partnership (IJB) established between Highland NHS Board and the Argyll and Bute Council. The voting members of the IJB are appointed through nomination by NHS Highland and Argyll and Bute Council. The voting membership of the IJB Board is split equally between both organisations. Nomination of the IJB Chair and Vice Chair post holders alternates between a councillor and a health board representative.

	2021 £'000	2020 £'000
Income	230,529	212,248
Expenditure	254,245	224,474
Payables	4,197	635

23 THIRD PARTY ASSETS

Third Party Assets managed by the Board consist of balances on Patients' and Clients' Private Funds Accounts.

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

	2020 £000	Gross Inflows £000	Gross Outflows £000	2021 £000
Monetary amounts such as bank balances and monies on deposit	1,824	3,485	(2,900)	2,409
Total Monetary Assets	**1,824**	**3,485**	**(2,900)**	**2,409**

24a CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Consolidated 2020 £000		Note	Board 2021 £000	Endowment 2021 £000	Intra Group adjustment 2021 £000	IJB 2021 £000	Consolidated 2021 £000
	Total Income and Expenditure						
424,776	Staff Costs	3	468,510				468,510
	Other operating expenditure	3					
97,275	Independent Primary Care Services		106,343				106,343
126,649	Drugs and medical supplies		138,890				138,890
557,707	Other health care expenditure		610,483	777	(115)		611,145
1,206,407	**Gross expenditure for the year**		**1,324,226**	**777**	**(115)**		**1,324,888**
(386,391)	Less: Operating Income	4	(399,800)	(1,026)	115		(400,711)
0	Associates & joint ventures accounted for on an equity basis					(3,293)	(3,293)
820,016	**Net Expenditure**		**924,426**	**(249)**	**0**	**(3,293)**	**920,884**

Other health care expenditure and income relates to the consolidation of the Endowment Accounts.

Joint Ventures accounted for on an equity basis discloses the Board's share of any current year surplus or deficit for each integration Joint Board.

24b CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated 2020 £000		Note	Board 2021 £000	Endowment 2021 £000	Intra Group adjustment 2021 £000	IJB 2021 £000	Consolidated 2021 £000
	Non-current Assets:						
359,814	Property, plant and equipment	SoFP	396,751				396,751
2,143	Intangible assets	SoFP	1,743				1,743
	Financial assets:						
7,254	Available for sale financial assets	SoFP	106	8,391			8,497
0	Investments in associates and Joint ventures					3,293	3,293
16,910	Trade and other receivables	SoFP	11,300				11,300
386,121	**Total non-current assets**		**409,900**	**8,391**	**0**	**3,293**	**421,584**
	Current Assets:						
7,328	Inventories	SoFP	6,406				6,406
	Financial assets:						
52,407	Trade and other receivables	SoFP	52,724	4	(100)		52,628
2,010	Cash and cash equivalents	SoFP	88	883			971
61,745	**Total current assets**		**59,218**	**887**	**(100)**	**0**	**60,005**
447,866	**Total Assets**		**469,118**	**9,278**	**(100)**	**3,293**	**481,589**
	Current liabilities						
(15,933)	Provisions	SoFP	(22,496)				(22,496)
	Financial liabilities:						
(100,254)	Trade and other payables	SoFP	(136,414)	(116)	100		(136,430)
(116,187)	**Total current liabilities**		**(158,910)**	**(116)**	**100**	**0**	**(158,926)**
331,679	**Non-current assets plus / less net current assets / liabilities**		**310,208**	**9,162**	**0**	**3,293**	**322,663**
	Non-current liabilities						
(40,582)	Provisions	SoFP	(38,351)				(38,351)
	Financial liabilities:						
(28,985)	Trade and other payables	SoFP	(32,484)				(32,484)
(69,567)	**Total non-current liabilities**		**(70,835)**	**0**	**0**	**0**	**(70,835)**
262,112	**Assets less liabilities**		**239,373**	**9,162**	**0**	**3,293**	**251,828**
	Taxpayers Equity						
116,891	General Fund	SoFP	116,048				116,048
102,194	Revaluation reserve	SoFP	97,455				97,455
35,205	Other reserves	SoFP	25,870				25,870
	Other reserves – Joint ventures	SoFP				3,293	3,293
7,822	Funds Held on Trust	SoFP	0	9,162			9,162
262,112	**Total taxpayers' equity**		**239,373**	**9,162**	**0**	**3,293**	**251,828**

NOTES TO THE ACCOUNTS for the Year Ended 31 March 2021

24c CONSOLIDATED STATEMENT OF CASHFLOWS

Consolidated 2020 £000		Board 2021 £000	Endowment 2021 £000	Intra group adjustment 2021 £000	IJB 2021 £000	Consolidated 2021 £000
	Cash flows from operating activities					
(820,016)	Net operating expenditure	(924,426)	249		3,293	(920,884)
33,170	Adjustments for non-cash transactions	14,834			(3,293)	11,541
3,290	Add back: interest payable recognised in net operating expenditure	2,787				2,787
	Deduct: Interest receivable recognised in net operating expenditure	(30)				(30)
2,270	Movements in working capital	54,349	(192)			54,157
(781,286)	**Net cash outflow from operating activities**	**(852,486)**	**57**			**(852,429)**
	Cash flows from investing activities					
(27,203)	Purchase of property, plant and equipment	(54,984)				(54,984)
(409)	Purchase of intangible assets	(396)				(396)
(156)	Investment additions	0	(561)			(561)
14	Transfer of assets to/(form) other NHS bodies					
	Proceeds of disposal of property, plant and equipment	108				108
551	Receipts from sale of investments	0	403			403
	Interest and dividends received	30				30
(27,203)	**Net cash outflow from investing activities**	**(55,242)**	**(158)**			**(55,400)**
	Cash flows from financing activities					
813,901	Funding	912,692				912,692
825	Movement in general fund working capital	(935)				(935)
814,726	Cash drawn down	911,757				911,757
(1,972)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(2,180)				(2,180)
(753)	Interest paid	(454)				(454)
(2,537)	Interest element of finance leases and on-balance sheet PFI/PPP contracts	(2,333)				(2,333)
809,464	**Net Financing**	**906,790**				**906,790**
975	**Net increase / (decrease) in cash and cash equivalents in the period**	(938)	(101)			(1,039)
1,035	**Cash and cash equivalents at the beginning of the period**	1,024	986			2,010
2,010	**Cash and cash equivalents at the end of the period**	**86**	**885**			**971**
	Reconciliation of net cash flow to movement in net debt/cash					
975	Increase / (decrease) in cash in year	(938)	(101)			(1,039)
1,035	Net cash at 1 April	1,024	986			2,010
2,010	**Net cash at 31 March**	**86**	**885**			**971**

Highland Health Board

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of sections 86(1), (1B) and (3) of the National Health Services (Scotland) Act 1978, hereby give the following direction.

2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

3. Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.

4. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

5. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 10/2/2006